STATE OF HAWAIʻI
OFFICE OF THE AUDITOR
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LESLIE H. KONDO
State Auditor

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DEPT. COMM. NO. 415

March 28, 2025

VIA EMAIL

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

VIA EMAIL

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

RE: Financial and Compliance Audit of the Hawaiʻi Tourism Authority

Dear President Kouchi and Speaker Nakamura:

The audit report on the financial statements and compliance of the Hawaiʻi Tourism Authority for the fiscal year ended June 30, 2024, was issued on March 13, 2025. The Office of the Auditor retained Accuity LLP to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

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

https://files.hawaii.gov/auditor/Reports/2024_Audit/HTA2024.pdf; and

https://files.hawaii.gov/auditor/Reports/2024_Audit/HTA_Summary_2024.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

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

Auditor's Summary

Financial and Compliance Audit of the Hawai'i Tourism Authority

Financial Statements, Fiscal Year Ended June 30, 2024

PHOTO: HAWAII TOURISM AUTHORITY / TOR JOHNSON

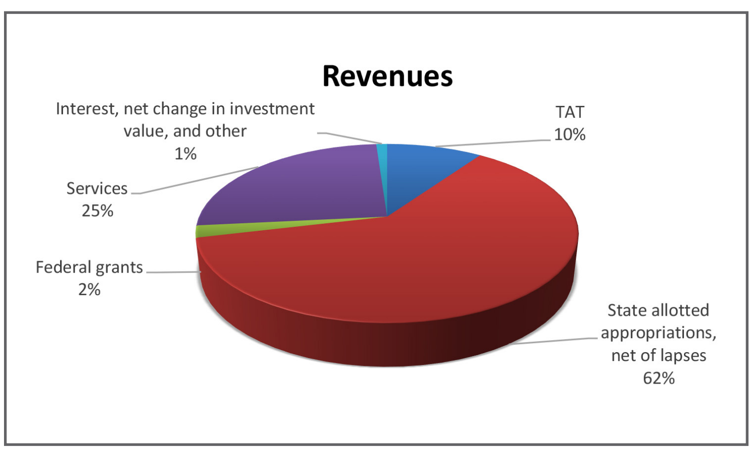
***THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Tourism Authority, as of and for the fiscal year ended June 30, 2024, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.*

About the Authority

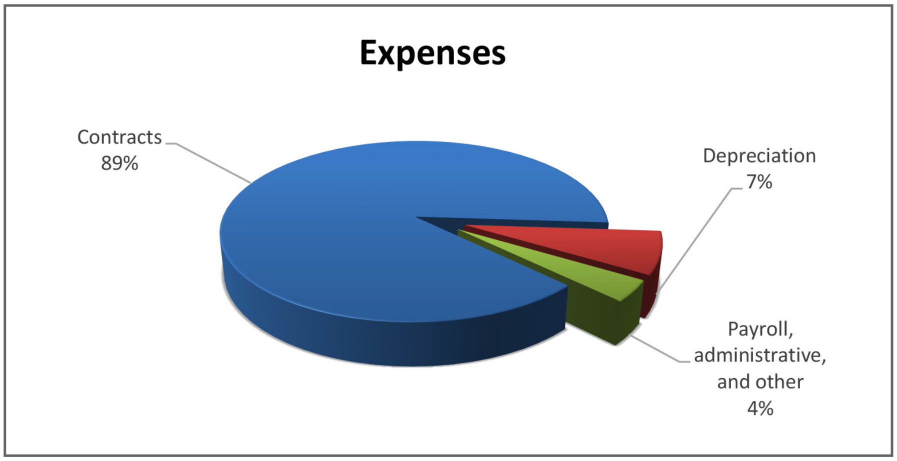
The Hawai'i Tourism Authority (HTA) was established by the 1998 Legislature to serve as the State's lead agency for strategically managing tourism in Hawai'i. State law requires HTA to develop a tourism marketing plan that includes statewide promotional efforts and programs, targeted markets, and other marketing efforts with measures of effectiveness and documentation of HTA's progress toward strategic plan goals. HTA is also responsible for the Hawai'i Convention Center. The primary source of funding for HTA's operations is the General Fund. HTA is headed by a board of directors comprised of 12 voting members, each of whom is appointed by the Governor, and is an agency of the Department of Business, Economic Development and Tourism.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2024, HTA reported total revenues of $113.9 million, along with $5 million in transfers from other state departments, and total expenses of $114.8 million. Revenues consisted of $70.1 million from state allotted appropriations, net of lapses; $2.5 million from federal grants; $11 million from TAT; $29 million from charges for services; and $1.3 million from interest and other revenues.



Total expenses of $114.8 million consisted of $102 million for contracts, $8.6 million for depreciation, and $4.2 million for payroll, administrative, and other expenses.



As of June 30, 2024, total assets and deferred outflows of resources of $309.1 million exceeded total liabilities and deferred inflows of resources of $24.4 million, resulting in a net position of $284.7 million. Total assets and deferred outflows of resources included (1) cash of $73.2 million, (2) land and net capital assets of $189.5 million, and (3) other assets and deferred outflows of resources of $46.4 million.

Auditors' Opinion

HTA RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HTA received a qualified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

There were two material weaknesses in internal control over compliance that were required to be reported in accordance with the *Uniform Guidance*. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. The material weaknesses are described on pages 52-54 of the report.

Link to the complete report:

Financial and Compliance Audit
https://files.hawaii.gov/auditor/Reports/2024_Audit/HTA2024.pdf

Hawaii Tourism Authority

(A Component Unit of the State of Hawaii)

Financial and Compliance Audit

June 30, 2024

Submitted by
The Auditor
State of Hawaii

Hawaii Tourism Authority
(A Component Unit of the State of Hawaii)
Index
June 30, 2024

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Report of Independent Auditors

The Auditor
State of Hawaii

The Board of Directors
Hawaii Tourism Authority

Opinions
We have audited the accompanying financial statements of the governmental activities and each major fund of the Hawaii Tourism Authority (the "Authority"), a component unit 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 Authority's basic financial statements as listed in the index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter
As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in financial position of only that portion of the governmental activities and each major fund of the State of Hawaii that is attributable to the transactions of the Authority. They 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 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 these 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.

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

Auditors' 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 auditors' report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and budgetary comparison schedules for the Tourism Fund and Convention Center Special Fund on page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. As described in Note 2 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
March 13, 2025

ACCUITY

The Hawaii Tourism Authority (the "Authority") was established on January 1, 1999 by Act 156, Session Laws of Hawaii 1998. The Authority is responsible for developing and implementing a strategic tourism marketing plan to enhance and promote the Hawaii brand. As management of the Authority, we offer readers of these basic financial statements, this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2024. This discussion and analysis is designed to assist the reader in focusing on the Authority's significant financial matters and activities and to identify any significant changes in the Authority's financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, accounted for with an economic resources measurement focus using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the fiscal year's revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods. Government-wide financial statements are comprised of the following:

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

- The *Statement of Activities*, which presents information showing the Authority's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown, net of related program revenue. This statement shows the extent to which the various functions depend on taxes and nonprogram revenues for support.

Fund Financial Statements
A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation on pages 15 and 17, respectively, to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains three governmental funds (Tourism Fund, Convention Center Special Fund, and Tourism Emergency Special Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds.

Notes to the Basic Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Condensed Financial Information
The following are summaries from the Authority's government-wide financial statements as of and for the years ended June 30, 2024 and 2023:

Condensed Statements of Net Position
As of June 30, 2024 and 2023
(Amounts in thousands)

	2024	2023
Assets		
Current assets	$ 85,513	$ 117,991
Capital assets, net	189,543	180,462
Investments – noncurrent	-	2,471
Other assets	33,828	39,328
Total assets	$ 308,884	$ 340,252
Deferred outflows of resources		
Deferred outflows on net pension liability	$ 221	$ 576
Deferred outflows on net other postemployment benefits liability	77	227
Total deferred outflows of resources	$ 298	$ 803
Liabilities		
Current liabilities	$ 12,168	$ 43,116
Noncurrent liabilities	11,519	11,078
Total liabilities	$ 23,687	$ 54,194
Deferred inflows of resources		
Deferred inflows on net pension liability	$ 293	$ 571
Deferred inflows on net other postemployment benefits liability	451	536
Total deferred inflows of resources	$ 744	$ 1,107
Net position		
Net investment in capital assets	$ 189,543	$ 180,462
Restricted	95,208	105,292
Total net position	$ 284,751	$ 285,754

A reconciliation on page 15 facilitates the comparison between governmental funds and governmental activities.

Condensed Statements of Activities
For the Years Ended June 30, 2024 and 2023
(Amounts in thousands)

	2024	2023
Revenues		
Program revenues		
Charges for services	$ 29,010	$ 16,013
Federal grants	2,468	50,542
General revenues		
State allotted appropriations, net of lapses	70,109	-
Transient accommodations taxes	11,000	11,000
Other, net	1,253	2,062
Total revenues	113,840	79,617
Expenses		
Hawaii Convention Center management		
Contract	26,513	10,560
Depreciation	8,595	8,512
Other	730	514
Total Hawaii Convention Center management expenses	35,838	19,586
Tourism and marketing		
Contract	75,486	46,858
Payroll	2,252	2,324
Pension	428	335
Administrative and general	609	249
Postemployment	203	18
Other	27	199
Total tourism and marketing expenses	79,005	49,983
Total expenses	114,843	69,569
Transfers	-	15,000
Change in net position	(1,003)	25,048
Net position		
Beginning of year	285,754	260,706
End of year	$ 284,751	$ 285,754

A reconciliation on page 17 facilitates the comparison between governmental funds and governmental activities.

Per Act 001, Special Session 2021, effective January 1, 2022, the Tourism Special Fund ("TSF") was sunset and discontinued the ability to expend any new funds. In its place, the State of Hawaii ("State") appropriated Federal American Rescue Plan Act ("ARPA") funds in fiscal years 2022 and 2023 to support the Authority's fiscal years 2022 and 2023 operations. Those funds expired in June 2023, and the Authority returned the unspent balance to the State's Department of Budget & Finance in July 2023. The Tourism Fund used these funding sources for its operations.

Effective July 1, 2023, per Section 5, Act 164, SLH 2023, the Governor approved the transfer of approximately $60,000,000 and $11,000,000 of general funds for the Tourism Fund and Convention Center Fund, respectively. Approximately $640,000 of the funds lapsed on June 30, 2024.

The Legislature appropriated $63,000,000 and $34,000,000 for fiscal year 2025 to the Tourism Fund and Convention Center Fund, respectively, per Section 3, Act 230, SLH 2024.

The Authority has requested a $70,000,000 recurring budget for the 2025-2027 fiscal biennium. For the Hawaii Convention Center, the Authority has requested $52,000,000 for additional HCC repairs and maintenance projects scheduled for completion during the convention center's modified operating schedule in calendar year 2026 for the roof repair project.

The Authority was awarded an approximate $14,000,000 federal grant, titled "Non-Competitive American Rescue Plan Act ("ARPA") State Tourism Grant for the State of Hawaii," administered by the Economic Development Administration ("EDA"), on December 8, 2021. Grant rules required the approval of the Grant Administration Plan ("GAP") before the commencement of work. The EDA approved the Authority's GAP on March 21, 2023. The Authority will share approximately $7,200,000 of the grant with the Department of Land and Natural Resources to enhance and develop Hawaii's outdoor recreational assets. All work must be completed by May 31, 2027, and money spent by September 30, 2027.

As stated in HRS 201B-9, the Governor declared a tourism emergency on August 19, 2023, in the sixth emergency proclamation related to the Maui wildfires. Afterward, the Authority developed a tourism response plan for Maui. Under HRS 201B-10, the authority budgeted up to $5,000,000 of the Tourism Emergency Special Fund to support marketing campaigns and other destination management efforts to rejuvenate the Maui tourism economy.

In fiscal year 2023, per Act 248, SLH 2022, $15,000,000 of general obligation bond funds were appropriated to the Authority for Convention Center temporary roof repairs.

In fiscal year 2025, per Section 3 of Act 230, SLH 2024, $64,000,000 of general obligations bond funds were appropriated to the Authority for Convention Center roof repairs.

Financial Analysis

Current Assets decreased by approximately $32,478,000, or 27.5%. In July 2023, the Authority exchanged approximately $36,833,000 of unspent ARPA funds with the Department of Budget and Finance. Under the exchange, the Governor transferred approximately $70,000,000 to the Authority. After current year spending, the exchange resulted in a net decrease in cash and amounts due from B&F of approximately $26,189,000. Prepaid expenses and other assets decreased by approximately $6,288,000 based on the timing of services provided by the Authority's vendors.

Investments – noncurrent decreased approximately $2,471,000, or 100%. The Governor declared a tourism emergency after the Maui Wildfire, pursuant to HRS 201B-9. Under HRS 201B-10, the Authority used the Tourism Emergency Special Fund to develop and implement a $5,000,000 Maui tourism recovery plan. As a result, both current and non-current investments were sold to pay for the plan.

Other Noncurrent Assets, which primarily consists of cash held by HCC's management company, ASM Global ("ASM"), decreased by approximately $5,500,000, or 14.0%. In fiscal year 2024, HCC capital expenditures totaled approximately $17,634,000. To keep the Center as a world-class facility, the Center has begun replacing old furniture, fixtures, and equipment, along with starting various capital improvement projects in the fiscal year. HTA expects capital expenditures to continue through fiscal year 2027.

Current Liabilities decreased by approximately $30,948,000, or 71.8%. As of June 30, 2023, HTA had approximately $36,833,000 of unspent American Rescue Plan Act (ARPA) funds, due to the Department of Budget and Finance (B&F). The funds were transferred to B&F in July 2023. Accounts payable, amounts due to other state agencies, and unearned revenue increased by approximately $5,886,000, based on the timing of services provided by HTA's vendors.

Charges for Services increased by approximately $12,997,000, or 81.2%. The Center hosted 21 citywide events during the fiscal period, an increase of 200.0% from the previous year. With a new focus on generating a net profit from Center operations, the Center continues to fill in vacancies with local events.

Federal Grant Revenue is recognized as funds drawn down and spent, which decreased by approximately $48,074,000, or 95.1%. The Authority's funding for operations was federally funded in fiscal year 2023 and state funded in the current fiscal year. As a result, federal grant revenues significantly declined in the current fiscal year. Federal grant revenue recognized in the current fiscal year was for work completed for the state tourism grant administered by the EDA, for which drawdowns totaled approximately $2,468,000.

State Allotted Appropriations, Net of Lapses increased by approximately $70,109,000. Per Section 5, Act 164, SLH 2023, the Governor appropriated approximately $71,000,000 of general funds for fiscal year 2024 HTA and HCC operations. On June 30, 2024, approximately $640,000 of funds lapsed.

Hawaii Convention Center Management Contract Expenses increased by approximately $15,953,000, or 151.1%. The Center's shift in strategy to fill vacancies with local events succeeded in fiscal year 2024. HCC operating expenditures increased by approximately $9,383,000. Financing for other Center costs, such as repairs and maintenance, increased by approximately $6,569,000.

Tourism and Marketing Contract Expenses increased by approximately $28,628,000, or 61.1%. The increase was primarily due to the following:

- As pursuant to HRS 201B-9-10, the Authority spent approximately $4,506,000 on a $5,000,000 tourism recovery plan for Maui after the wildfire.

- Per HRS 237D-6.5, the Legislature earmarked a portion of the Authority's annual transient accommodation tax ("TAT") allocation for the Center of Hawaiian Music and Dance ("CHMD"). Over multiple fiscal periods, the earmarks totaled approximately $5,900,000. HB 862, Act 1, Special Legislative Session 2021, ended the annual TAT allocation to the Tourism Special Fund and the earmarks for the CHMD. In fiscal year 2024, the Authority remitted the funds to ASM.

- On December 8, 2021, the Economic Development Administration awarded the Authority an approximate $14,000,000 Non-Competitive ARPA State Tourism Grant. The Authority developed a Grant Administration Plan before any work commenced. Grant expenditures for fiscal year 2024 totaled $2,467,000.

- The remaining increase is based on the timing of services provided by the Authority's vendors.

Transfers decreased by $15,000,000, or 100%. In fiscal year 2023, the legislature appropriated $15,000,000 of construction funds pursuant to Act 248, SLH 2022, for HCC roof repairs. HTA did not receive additional construction funding in fiscal year 2024.

Financial Analysis of the Authority's Individual Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately $73,450,000, a decrease of approximately $4,028,000 in comparison with the prior fiscal year-end. The Authority's entire fund balance is committed to indicate that it can only be used for specific purposes pursuant to formal action of the Authority's Board of Directors.

The Tourism Fund is used to account for functions related to the development and promotion of Hawaii's brand as a visitor destination. At the end of the current fiscal year, committed fund balance of the Tourism Fund was approximately $8,924,000, a decrease of 57.5% from the prior fiscal year-end. As a measure of the Tourism Fund's liquidity, it may be useful to compare the committed fund balance to total fund expenditures. Committed fund balance represents 12.0% of total Tourism Fund expenditures, a decrease of 29.8% from the prior fiscal year.

The Convention Center Special Fund was established by Act 253 to receive all revenues generated from the operation of the Center and an allocated portion of the revenues received from the State's TAT. Funds collected by the Convention Center Special Fund are used to pay all expenses arising from the use and operation of the Center. In accordance with Act 253, the operations of the Convention Center Special Fund are included in the Authority's financial statements. At the end of the current fiscal year, the Convention Center Special Fund had a committed fund balance of approximately $63,785,000.

The Tourism Emergency Special Fund was established by Hawaii Revised Statutes Section 201B-10. Monies in the Tourism Emergency Special Fund shall be used exclusively to provide for the development and implementation of emergency measures to respond to any tourism emergency including providing emergency assistance to tourists during the tourism emergency. As pursuant to HRS 201B-9-10, the Authority spent approximately $4,506,000 on a $5,000,000 tourism recovery plan for Maui after the wildfire. At the end of the current fiscal year, the Tourism Emergency Special Fund had a committed fund balance of approximately $741,000.

Capital Assets

As of June 30, 2024, the Authority had approximately $189,543,000 invested in capital assets as shown in the following table (amounts in thousands). There was a net increase (additions, deductions and depreciation) of approximately $9,081,000 from the end of the prior fiscal year.

	2024	2023
Capital assets		
Land	$ 131,497	$ 131,497
Buildings and improvements	232,991	229,939
Furniture, fixtures and equipment	12,984	10,879
Construction in progress	14,345	1,868
Total capital assets	391,817	374,183
Less: Accumulated depreciation and amortization	(202,274)	(193,721)
Total capital assets, net	$ 189,543	$ 180,462

Additional information regarding the Authority's capital assets can be found in Note 3 to the financial statements.

Currently Known Facts, Decisions, or Conditions

Since 2022, when the Tourism Special Fund was closed, the Authority has undergone multiple funding changes. Additionally, the legislature has reconstructed the Authority's programs, adding six new programs and dividing the total funding into many categories under the Tourism Fund. Management and the users of our financial statements are still evaluating the effects of these changes.

The Authority is requesting consolidation of its programs into three programs in the 2025 legislature because accounting for six programs was becoming a costly administrative burden. These changes will make a comparable analysis of financial data difficult. The Authority is hoping that this situation will stabilize for fiscal year 2026.

Hawaii Tourism Authority
(A Component Unit of the State of Hawaii)
Statement of Net Position – Governmental Activities
June 30, 2024

Current assets	
Equity in cash and cash equivalents and investments	
in State Treasury	$ 72,435,197
Cash in banks	772,159
Due from State Department of Budget and Finance	10,963,510
Accounts and other receivables	1,342,454
Total current assets	85,513,320
Noncurrent assets	
Capital assets	
Land	131,496,508
Construction in progress	14,344,505
Other capital assets, net	43,702,102
Capital assets, net of depreciation	189,543,115
Other noncurrent assets	33,827,453
Total noncurrent assets	223,370,568
Total assets	308,883,888
Deferred outflows of resources	
Deferred outflows on net pension liability	221,270
Deferred outflows on net other postemployment benefits liability	77,241
Total deferred outflows of resources	298,511
Total assets and deferred outflows of resources	$ 309,182,399

The accompanying notes are an integral part of these financial statements.

Current liabilities	
Vouchers payable	$ 10,046,590
Accrued payroll	316,239
Accrued vacation	105,452
Unearned revenue	1,700,000
Total current liabilities	12,168,281
Noncurrent liabilities	
Accrued vacation, net of current portion	222,534
Net other postemployment benefits liability	4,924,308
Net pension liability	6,372,321
Total noncurrent liabilities	11,519,163
Total liabilities	23,687,444
Deferred inflows of resources	
Deferred inflows on net pension liability	293,103
Deferred inflows on net other postemployment benefits liability	450,847
Total deferred inflows of resources	743,950
Net position	
Net investment in capital assets	189,543,115
Restricted	95,207,890
Total net position	284,751,005
Total liabilities, deferred inflows of resources, and net position	$ 309,182,399

The accompanying notes are an integral part of these financial statements.

Hawaii Tourism Authority
(A Component Unit of the State of Hawaii)
Statement of Activities – Governmental Activities
Year Ended June 30, 2024

	Functional Programs		
	Hawaii Convention Center Management	**Tourism and Marketing**	**Total**
Expenses			
Contracts	$ 26,512,752	$ 75,486,342	$ 101,999,094
Depreciation	8,595,498	-	8,595,498
Payroll	-	2,251,530	2,251,530
Pension	-	427,648	427,648
Administrative and general	-	608,709	608,709
Postemployment	-	203,365	203,365
Other	729,994	27,029	757,023
Total expenses	$ 35,838,244	$ 79,004,623	114,842,867
Program revenues			
Charge for services			29,010,186
Federal grants			2,467,655
Total program revenues			31,477,841
Net expenses			83,365,026
General revenues			
State allotted appropriations, net of lapses of $639,379			70,108,889
Transient accommodations tax			11,000,000
Interest and investment income			1,175,463
Other			78,000
Total general revenues			82,362,352
Change in net position			(1,002,674)
Net position			
Beginning of year			285,753,679
End of year			$ 284,751,005

The accompanying notes are an integral part of these financial statements.

Hawaii Tourism Authority
(A Component Unit of the State of Hawaii)
Balance Sheet – Governmental Funds
June 30, 2024

	Tourism Fund	Convention Center Special Fund	Tourism Emergency Special Fund	Total Governmental Funds
Assets				
Equity in cash and cash equivalents				
and investments in State Treasury	$ 10,108,121	$ 62,327,076	$ -	$ 72,435,197
Cash in banks	-	-	772,159	772,159
Due from State Department				
of Budget and Finance	8,746,768	2,216,742	-	10,963,510
Other assets	-	1,342,454	-	1,342,454
Total assets	$ 18,854,889	$ 65,886,272	$ 772,159	$ 85,513,320
Liabilities and Fund Balances				
Liabilities				
Vouchers and contracts payable	$ 7,914,240	$ 2,101,656	$ 30,694	$ 10,046,590
Unearned revenue	1,700,000	-	-	1,700,000
Other accrued liabilities	316,239	-	-	316,239
Total liabilities	9,930,479	2,101,656	30,694	12,062,829
Fund balances				
Committed	8,924,410	63,784,616	741,465	73,450,491
Total liabilities and fund balances	$ 18,854,889	$ 65,886,272	$ 772,159	$ 85,513,320

The accompanying notes are an integral part of these financial statements.

Hawaii Tourism Authority

(A Component Unit of the State of Hawaii)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2024

Total fund balance – governmental funds	$ 73,450,491
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of	
Land	131,496,508
Construction in progress	14,344,505
Other	245,975,860
Accumulated depreciation and amortization	(202,273,758)
	189,543,115
Other assets are not available to pay or be used for current-period expenditures and are not recognized in governmental funds.	33,827,453
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
Accrued vacation payable	(327,986)
Net other postemployment benefits liability	(4,924,308)
Net pension liability	(6,372,321)
	(11,624,615)
Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred outflows on net pension liability	221,270
Deferred outflows on net other postemployment benefits liability	77,241
	298,511
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of	
Deferred inflows on net pension liability	(293,103)
Deferred inflows on net other postemployment benefits liability	(450,847)
	(743,950)
Net position of governmental activities	$ 284,751,005

The accompanying notes are an integral part of these financial statements.

Hawaii Tourism Authority

(A Component Unit of the State of Hawaii)

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2024

	Tourism Fund	Convention Center Special Fund	Tourism Emergency Special Fund	Total Governmental Funds
Revenues				
State allotted appropriations	$ 59,748,268	$ 11,000,000	$ -	$ 70,748,268
Transient accommodations tax	-	11,000,000	-	11,000,000
Hawaii Convention Center revenues	-	29,010,186	-	29,010,186
Interest and investment income	294,824	743,745	136,894	1,175,463
Federal grant revenue	2,467,655	-	-	2,467,655
Other	-	78,000	-	78,000
Total revenues	62,510,747	51,831,931	136,894	114,479,572
Expenditures				
Contract	70,980,170	38,721,449	4,506,172	114,207,791
Personnel	2,325,820	-	-	2,325,820
Administrative and general	608,709	-	-	608,709
Other	27,029	698,301	-	725,330
Total expenditures	73,941,728	39,419,750	4,506,172	117,867,650
Change in fund balances	(11,430,981)	12,412,181	(4,369,278)	(3,388,078)
Other financing sources				
Lapsed appropriations	(639,379)	-	-	(639,379)
Total other financing sources	(639,379)	-	-	(639,379)
Net change in fund balances	(12,070,360)	12,412,181	(4,369,278)	(4,027,457)
Fund balances				
Beginning of year	20,994,770	51,372,435	5,110,743	77,477,948
End of year	$ 8,924,410	$ 63,784,616	$ 741,465	$ 73,450,491

The accompanying notes are an integral part of these financial statements.

Hawaii Tourism Authority

(A Component Unit of the State of Hawaii)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2024

Total net change in fund balances – governmental funds	$ (4,027,457)
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are	
Capital asset additions	18,005,300
Capital asset deductions	(370,827)
Accumulated depreciation on disposals	42,458
Depreciation expense	(8,595,498)
Excess of capital outlay over depreciation expense	9,081,433
Other assets are not available to be used for current period expenditures and are not recognized in governmental funds.	(5,499,927)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in accrued vacation payable	11,163
Net pension activity	(386,437)
Net other postemployment benefits activity	(181,449)
	(556,723)
Change in net position of governmental activities	$ (1,002,674)

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

The Financial Reporting Entity

The Hawaii Tourism Authority (the "Authority") was established on January 1, 1999 by Act 156, Session Laws of Hawaii 1998, and was placed within the State of Hawaii, Department of Business, Economic Development, and Tourism, for administrative purposes only. The Authority is responsible for developing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan and progress toward achieving the Authority's strategic plan goals. In addition, effective July 1, 2000, control and management of the Hawaii Convention Center (the "Center") were transferred to the Authority from the Convention Center Authority ("CCA") by Executive Order No. 3817. Effective July 1, 2002, the Center, by statute, became the responsibility of the Authority. The Center, which opened to the general public in June 1998, is used for a variety of events including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The Authority is governed by a board of directors comprising of 12 voting members, including those recommended by the State Legislature. The Governor of the State appoints the 12 voting members.

The accompanying basic financial statements of the Authority, a discretely presented component unit of the State of Hawaii ("State"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governments as prescribed by the Governmental Accounting Standards Board ("GASB").

Government-wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on the activities of the Authority. For the most part, the effect of interfund activity has been removed from these government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function. Resources that are dedicated internally are reported as general revenues rather than program revenues.

The Authority uses funds to report on its financial position and the results of its operations in its fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Net position is restricted when determined by a formal action of the State Legislature.

The financial activities of the Authority are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Authority uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which the governmental functions of the Authority are financed. The Authority's major funds are as follows:

- **Tourism Fund** –The Tourism Fund is used to account for functions related to the development and promotion of the tourism industry.

- **Convention Center Special Fund** – The Convention Center Special Fund ("Convention Center Fund") is used to account for functions related to the operation and management of the Center.

- **Tourism Emergency Special Fund** – The Tourism Emergency Special Fund ("Emergency Fund") is used to account for functions related to the maintenance of a tourism emergency fund. Monies in the Emergency Fund shall be used exclusively to provide for the development and implementation of emergency measures to respond to any tourism emergency, including providing emergency assistance to tourists during the tourism emergency.

Basis of Accounting

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Transient Accommodations Tax and General Funding

In accordance with Sections 201B-11 and 237D-6.5, Hawaii Revised Statutes ("HRS"), the primary source of funding for the Authority's Convention Center Fund was the transient accommodations tax ("TAT") collected by the State. The TAT is assessed at a rate of 10.25% on the gross rental proceeds derived from providing transient accommodations.

Effective July 1, 2007, funds shall be deposited into the Emergency Fund, established in Section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000.

Act 001, Special Session of 2021 ("Act 001"), amended specific provisions of law effective July 1, 2021. Included were Sections 237D-6.5(b), HRS, *distribution of the TAT*, and 201B-11, HRS, *tourism special fund*. Effective July 1, 2021, the maximum amount of funding of TAT revenues that may be deposited into the Convention Center Fund is $11,000,000.

Effective January 1, 2022, the Tourism Special Fund was sunset and discontinued the ability to expend any new funds. In its place, the State appropriated $60,000,000 and $35,000,000, respectively, in fiscal year 2022 and 2023 funds from the Federal American Rescue Plan Act for eligible expenses incurred by the Authority. Those funds expired in June 2023, and the Authority returned the unspent balance of approximately $36,833,000 to the State's Department of Budget & Finance in July 2023.

Pursuant to Act 248, SLH 2022, $15,000,000 of general obligation bond funds were provided to the Convention Center Fund for the temporary repairs of the Convention Center roof and other items. The Governor authorized the release of funds on February 22, 2023.

The 2023 State Legislature did not provide the Authority with an operating budget for fiscal year 2024. As such, the Governor approved the transfer of approximately $60,000,000 and $11,000,000, respectively, in general funds from Section 5 of Act 164, SLH 2023, to the Tourism Fund and Convention Center Fund on July 1, 2023. The actual amounts transferred for fiscal year 2024 for the Tourism Fund and Convention Center Fund were $59,748,268 and $11,000,000, respectively. The Tourism Fund lapsed approximately $639,000 of the transferred funds.

Investments
The Authority's investments are reported at fair value within the fair value hierarchy established by GAAP.

Interest Rate Risk
The Authority's investment policy generally limits maturities on investments to not more than five years from the date of investment to limit its exposure to fair value losses arising from rising interest rates.

Credit Risk
The Authority's investment policy limits its investments to investments in U.S. Treasury obligations, certificates of deposit, U.S. government or agency obligations, commercial paper, federally insured savings accounts, and money market funds.

Custodial Risk
For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Authority or the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's 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 broker/dealer firms' insurance policies. The Authority and the State require the institutions to set aside, in safekeeping, certain types of securities to collateralize repurchase agreements. The Authority and the State monitor the fair value of these securities and obtain additional collateral when appropriate.

Fair Value Measurements
The Authority measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the Authority's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or Level 2 inputs are not available.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the statement of net position. Capital assets acquired by purchase are recorded at cost. Donated capital assets are valued at the estimated fair value on the date received. Maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals and betterments are capitalized. Capital assets are defined as assets with an initial individual cost of $100,000 or more for buildings and improvements, and $5,000 or more for furniture, fixtures and equipment, and are depreciated on the straight-line method over the estimated useful lives of the respective assets (buildings and improvements – 30 years; and furniture, fixtures and equipment – five to seven years). Depreciation is recorded on capital assets in the government-wide statement of activities.

Accrued Vacation

Employees hired on or before July 1, 2001 earn vacation at the rate of one and three-quarters working days for each month of service. Employees hired after July 1, 2001 earn vacation at rates ranging between one and two working days for each month of service, depending upon the employees' years of service and job classifications. Each employee is allowed to accumulate a maximum of 90 days of vacation as of the end of the calendar year. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are expected to be paid with expendable available financial resources.

Pensions

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

Postemployment Benefits Other Than Pensions

For purposes of measuring the net other postemployment benefits ("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. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Net Position and Fund Balance

In the government-wide financial statements, net position is reported in two categories: net investment in capital assets and restricted net position. Restricted net position represents net position restricted by parties outside of the Authority (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and includes unspent proceeds of bonds issued to acquire or construct capital assets.

In the Fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Authority classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GAAP. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors, or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors, or other governments.

- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State's Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.

- **Assigned** – Balances that are constrained by management to be used for specific purposes, as authorized by the HRS, but are not restricted or committed. For general fund only, encumbrance balances at fiscal year-end are classified as assigned.

- **Unassigned** – Residual balances that are not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance.

Marketing Contractors

During fiscal year 2024, the Authority contracted with the following seven major marketing contractors to provide tourism, planning, implementation, and other services to assist the Authority in executing its marketing mission:

- Hawaii Visitors and Convention Bureau – United States of America and Global Meetings and Conventions

- a.Link LLC, dba Hawaii Tourism Japan – Japan

- Aviareps Marketing Garden (Holdings) Ltd. – Korea

- The Walshe Group, dba Hawaii Tourism Oceania – Australia and New Zealand

- iTravLocal Ltd. – China

- VoX International Inc. – Canada

- Emotive Travel Marketing Limited – Europe

Center Contract

The Authority contracts with ASM Global ("ASM"), a private contractor, to manage and operate the Center. ASM is on a cost-reimbursement contract whereby it is reimbursed by the Authority for costs incurred in operating the Center. Through December 31, 2019, ASM held the responsibility for the Center's sales and marketing efforts. Starting January 1, 2020, Act 026, Session Laws of Hawaii 2019, authorized contracts entered by the Authority for the marketing of the Center to be issued separately from the management, use, operation or maintenance of the facility. Effective January 1, 2020, the Authority amended ASM's contract to reflect responsibilities for local sales.

The Authority extended its contract with ASM Global on September 20, 2024.

Effective January 1, 2020, the Authority contracted with the Hawaii Visitors and Convention Bureau to be responsible for the Center's sales and marketing efforts as part of a global meetings and conventions program.

Maui Wildfires

In August 2023, wildfires intensified by heavy winds destroyed nearly all of Lahaina, Maui. As a result of these wildfires, the Governor declared that a tourism emergency exists in the State as described in HRS 201B-9. The declaration of a tourism emergency resulted in the Authority using monies from the Tourism Emergency Special Fund to respond to the tourism emergency.

Intrafund and Interfund Transactions

Transfers of financial resources within the same fund are eliminated. Transfers from funds receiving revenues to funds through which the resources are to be expended and funds disbursed to fiduciary funds are recorded as transfers.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Newly Issued Accounting Pronouncements

GASB Statement No. 99

The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement were effective immediately while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. The requirements of this Statement did not have a material effect on the Authority's financial statements.

GASB Statement No. 100

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Adoption of this Statement did not have a material effect on the Authority's financial statements.

GASB Statement No. 101

The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Authority has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 102

The GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of the Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024. The Authority has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 103
The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The Authority has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 104
The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The Authority has not determined the effect this Statement will have on its financial statements.

2. Equity in Cash and Cash Equivalents and Investments in State Treasury and Deposits

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

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

GAAP requires disclosures over common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. Investments can be categorized by type, maturity and custodian to determine the level of interest rate, credit and custodial risk assumed by the Authority. However, as these funds are held in the State investment pool, the Authority does not manage these investments and the types of investments, and related interest rate, credit and custodial risks are not determinable at the Authority's level. The risk disclosures and fair value leveling table of the State's investment pool are included in the State's Annual Comprehensive Financial Report ("ACFR") which may be obtained from the Department of Accounting and General Services' ("DAGS") website: http://ags.hawaii.gov/accounting/annual-financial-reports/.

Cash and short-term investments held outside of the State Treasury are primarily held in a financial institution in the State of Hawaii. The Authority considers all cash and investments with original maturities of three months or less to be cash equivalents.

At June 30, 2024, the Authority's deposits with DAGS totaled approximately $72,435,000.

The bank balance of cash in bank was approximately $772,000, of which $250,000 was covered by federal deposit insurance.

3. Capital Assets

The following is a summary of changes in capital assets during the year ended June 30, 2024:

	Balance at July 1, 2023	Additions	Deductions	Transfers	Balance at June 30, 2024
Capital assets not being depreciated					
Land	$ 131,496,508	$ -	$ -	$ -	$ 131,496,508
Construction in progress	1,868,278	15,811,020	(328,369)	(3,006,424)	14,344,505
Total capital assets not being depreciated	133,364,786	15,811,020	(328,369)	(3,006,424)	145,841,013
Capital assets being depreciated					
Buildings and improvements	229,938,257	1,293,962	-	1,759,268	232,991,487
Furniture, fixtures and equipment	10,879,357	900,318	(42,458)	1,247,156	12,984,373
Total capital assets being depreciated	240,817,614	2,194,280	(42,458)	3,006,424	245,975,860
Less: Accumulated depreciation and amortization					
Buildings and improvements	(186,565,588)	(7,478,663)	-	-	(194,044,251)
Furniture, fixtures and equipment	(7,155,130)	(1,116,835)	42,458	-	(8,229,507)
Total accumulated depreciation and amortization	(193,720,718)	(8,595,498)	42,458	-	(202,273,758)
Total capital assets, net	$ 180,461,682	$ 9,409,802	$ (328,369)	$ -	$ 189,543,115

Depreciation expense charged to the Hawaii Convention Center management function amounted to approximately $8,595,000 for the year ended June 30, 2024.

4. Other Assets

Other assets primarily represent funds held by ASM for emergency capital improvements, repair or maintenance purchases, and various capital improvement projects. At June 30, 2024, funds held amounted to approximately $33,827,000.

5. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities during the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due Within One Year
Accrued vacation payable	$ 339,149	$ 156,744	$ (167,907)	$ 327,986	$ 105,452
Net other postemployment benefits liability	4,807,895	213,993	(97,580)	4,924,308	-
Net pension liability	6,062,838	423,347	(113,864)	6,372,321	-
	$ 11,209,882	$ 794,084	$ (379,351)	$ 11,624,615	$ 105,452

The accrued vacation liability attributable to the governmental activities will be liquidated by the Authority's governmental funds. All of the accrued vacation liability was paid by the Tourism Fund during the year ended June 30, 2024.

6. Retirement Benefits

Pension Plan

Plan Description

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

Benefits Provided

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

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

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

Noncontributory Class

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

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

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

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

Contributory Class for Members Hired Prior to July 1, 2012

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

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

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

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

Contributory Class for Members Hired After June 30, 2012

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

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

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

Hybrid Class for Members Hired Prior to July 1, 2012

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

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

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

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

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

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

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2024 was 24% for all employees other than police and fire employees. Contributions to the pension plan from the Authority was approximately $41,000 for the year ended June 30, 2024.

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

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

At June 30, 2024, the Authority reported a net pension liability of approximately $6,372,000 for its proportionate share of the State's net pension liability. The net pension liability 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 Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2023, the Authority's proportion was 0.06%.

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.

For the year ended June 30, 2024, the Authority recognized pension expense of approximately $428,000. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 118,831	$ (79,013)
Changes in assumptions	23,979	(42,127)
Net difference between projected and actual earnings on pension plan investments	-	(150,576)
Changes in proportion and differences between contributions and proportionate share of contributions	37,248	(21,387)
Contributions subsequent to the measurement date	41,212	-
	$ 221,270	$ (293,103)

At June 30, 2024, approximately $41,000 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2025	$ 30,545
2026	127,823
2027	(187,585)
2028	(81,204)
2029	(2,624)
	$ (113,045)

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's 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%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, compounded annual including inflation

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

Post-retirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with a replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS's 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 and inflation) by the target asset allocation percentage. The target asset allocation and best estimates of long-term geometric strategic range of return for each major asset class are summarized in the following table:

Classes	Strategic Class Weights	Long-term Expected Geometric Rate of Return
Broad growth		
Global equity	20.0 %	7.9 %
Private equity	13.5 %	10.0 %
Credit	6.0 %	8.0 %
Core real estate	6.0 %	6.0 %
Timber/agriculture/infrastructure	5.0 %	7.2 %
Non-core real estate	4.5 %	7.9 %
Low volatility equity	4.0 %	7.1 %
Global options	4.0 %	5.8 %
Diversifying strategies		
Systematic trend following	10.0 %	4.7 %
Alternative risk premia	8.0 %	5.0 %
Long Treasuries	5.0 %	3.8 %
Reinsurance	4.0 %	7.0 %
Global macro	4.0 %	6.0 %
Intermediate government	4.0 %	3.2 %
TIPS	2.0 %	3.2 %
Total investments	100.0 %	

Discount Rate

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	$ 8,483,452	$ 6,372,321	$ 4,623,942

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

The Authority's employer contributions payable to the State for its allocation of the State payable to ERS was paid by June 30, 2024.

Required Supplementary Information and Disclosures

The State's ACFR includes the required disclosures and required supplementary information on the State's pension plan.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at https://eutf.hawaii.gov/reports/. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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

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

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

Employees Covered by Benefit Terms

At July 1, 2023, the State had the following number of plan members were covered by the benefit terms:

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	48,709
Total plan members	96,365

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority were approximately $22,000 for the year ended June 30, 2024. The employer is required to make all contributions for members.

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

At June 30, 2024, the Authority reported a net OPEB liability of approximately $4,924,000. 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.

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.

For the year ended June 30, 2024, the Authority recognized OPEB expense of approximately $203,000. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (422,602)
Changes in assumptions	34,103	(28,245)
Net difference between projected and actual earnings on OPEB plan investments	21,221	-
Contributions subsequent to the measurement date	21,917	-
	$ 77,241	$ (450,847)

At June 30, 2024, the approximate $22,000 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2025	$ (125,242)
2026	(134,749)
2027	(65,152)
2028	(66,159)
2029	(3,909)
Thereafter	(312)
	$ (395,523)

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:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 6.30% declining to a rate of 4.25% after 21 years
HMO* Part B and Base	Initial rate of 6.30% declining to a rate of 4.25% after 21 years
Monthly Contribution	Initial rate of 5.00% declining to a rate of 4.25% after 21 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

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

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
Global equity	27.50 %	7.60 %
Private equity	15.00 %	10.00 %
Real assets	12.00 %	4.30 %
Private credit	10.00 %	7.80 %
Trend following	10.00 %	2.40 %
Long Treasuries	5.50 %	2.40 %
Reinsurance	5.00 %	3.40 %
Alternative risk premia	5.00 %	3.30 %
TIPS	5.00 %	2.00 %
U.S. microcap	3.00 %	8.70 %
Tail risk / long volatility	2.00 %	(1.10)%
Global options	0.00 %	4.90 %
Total investments	100.00 %	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

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

Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2023.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 6,600,698	$ 1,792,803	$ 4,807,895
Service cost	48,020	-	48,020
Interest on the total OPEB liability	164,418	-	164,418
Difference between expected and actual experience	(16,176)	-	(16,176)
Employer contributions	-	182,428	(182,428)
Net investment income	-	39,932	(39,932)
Benefit payments	(91,442)	(91,442)	-
Administrative expense	-	(56)	56
Other	-	(142,455)	142,455
Net changes	104,820	(11,593)	116,413
Ending balance	$ 6,705,518	$ 1,781,210	$ 4,924,308

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net OPEB liability	$ 6,157,760	$ 4,924,308	$ 3,939,803

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	$ 3,823,225	$ 4,924,308	$ 6,333,655

Payables to the OPEB Plan

The Authority's employer contributions payable to the State for its allocation of the State payable to EUTF was paid by June 30, 2024.

Required Supplementary Information and Disclosures

The State's ACFR includes the required disclosures and required supplementary information on the State's OPEB plan.

7. Commitments and Contingencies

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2024, accumulated sick leave was approximately $776,000.

Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all state employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

Contingencies

The Authority may be subject to legal proceedings, claims and litigation arising in the normal course of operations for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

Insurance

The State maintains certain insurance coverage to satisfy the bond indenture agreements as well as for other purposes, but is substantially self-insured for all other perils including workers' compensation. The State records a liability for risk financing and insurance related losses, including incurred but not reported, if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. At June 30, 2024, the State recorded an estimated loss for workers' compensation, automobile, and general liability claims as long-term liabilities as the losses will not be liquidated with currently expendable available financial resources. The estimated losses will be paid from legislative appropriations of the State's general fund. The Authority's portion of the State's workers' compensation liability was not material at June 30, 2024.

8. Subsequent Events

Effective July 1, 2024, the State entered into multiple settlement agreements regarding the Temporary Hazard Pay 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 for the fiscal year ended June 30, 2024, related to temporary hazard pay for the Authority was approximately $240,000.

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.

Required Supplementary Information Other than Management's Discussion and Analysis (Unaudited)

Hawaii Tourism Authority
(A Component Unit of the State of Hawaii)
Budgetary Comparison Schedules – Tourism Fund and Convention Center Special Fund (Unaudited)
Year Ended June 30, 2024

	Tourism Fund				Convention Center Special Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance – Over (Under)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance – Over (Under)
Revenues								
State allotted appropriations	$ 60,000,000	$ 60,000,000	$ 59,748,268	$ (251,732)	$ 11,000,000	$ 11,000,000	$ 11,000,000	$ -
Transient accommodations tax	-	-	-	-	11,000,000	11,000,000	11,000,000	-
Hawaii Convention Center Operations	-	-	-	-	-	-	28,894,958	28,894,958
Interest	-	-	673,217	673,217	-	-	1,304,288	1,304,288
Total revenues	60,000,000	60,000,000	60,421,485	421,485	22,000,000	22,000,000	52,199,246	30,199,246
Expenditures	60,000,000	60,000,000	59,108,889	(891,111)	11,000,000	11,000,000	26,336,782	15,336,782
Excess of revenues over expenditures	-	-	1,312,596	1,312,596	11,000,000	11,000,000	25,862,464	14,862,464
Other financing sources								
Lapsed appropriations	-	-	(639,379)	(639,379)	-	-	-	-
Excess of revenues over expenditures and other financing sources	$ -	$ -	$ 673,217	$ 673,217	$ 11,000,000	$ 11,000,000	$ 25,862,464	$ 14,862,464

See report of independent auditors.

1. Budgeting and Budgetary Control

The budget of the Authority is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the Budgetary Comparison Schedules – Tourism Fund and Convention Center Special Fund are those estimates as compiled and reviewed by the Authority.

The final legally adopted budget in the accompanying Budgetary Comparison Schedules – Tourism Fund and Convention Center Special Fund represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

Budgetary control is maintained at the appropriation line item level as established in the appropriations act. The governor is authorized to transfer appropriations within a state agency; however, transfers of appropriations between state agencies generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Authority. During the year ended June 30, 2024, there were no expenditures in excess of appropriations at the legal level of budgetary control.

To the extent not expended or encumbered, Tourism Fund appropriations generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

The 2023 State Legislature did not provide the Authority with an operating budget for fiscal year 2024. As such, the Governor approved the transfer of $60,000,000 and $11,000,000, respectively, in general funds from Section 5 of Act 164, SLH 2023, to the Tourism Fund and Convention Center Fund on July 1, 2023. The actual amounts transferred for fiscal year 2024 for the Tourism Fund and Convention Center Fund were $59,748,268 and $11,000,000, respectively. The Tourism Fund lapsed approximately $693,000 of the transferred funds on June 30, 2024.

Budgets adopted by the State Legislature for the Tourism Fund and Convention Center Special Fund are presented in the accompanying Budgetary Comparison Schedules – Tourism Fund and Convention Center Special Fund. The Authority's annual budget is prepared on the budgetary basis of accounting with several differences from the preparation of the statement of revenues, expenditures, and changes in fund balances, principally related to (1) encumbrance of purchase orders and contract obligations and (2) accrued revenues and expenditures.

Reconciliations of the budgetary to GAAP basis operating results of the Tourism Fund and Convention Center Special Fund for the year ended June 30, 2024 are as follows:

	Tourism Fund	Convention Center Special Fund
Excess of revenues and other sources over expenditures – actual (budgetary basis)	$ 673,217	$ 25,862,464
Reserve for encumbrances at fiscal year end	18,158,777	2,604,261
Expenditures for liquidation of prior fiscal year encumbrances	(10,642,971)	(3,542,112)
Revenues and expenditures for unbudgeted programs, net	(20,259,383)	(12,512,432)
Net change in fund balance – GAAP basis	$ (12,070,360)	$ 12,412,181

See report of independent auditors.

Supplementary Information

Hawaii Tourism Authority
(A Component Unit of the State of Hawaii)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Program or Pass-through Entity	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Commerce				
Economic Development Cluster				
Economic Adjustment Assistance	11.307	N/A	$ 2,467,655	$ 967,655
Total U.S. Department of Commerce			2,467,655	967,655
Total expenditures of federal awards			$ 2,467,655	$ 967,655

See accompanying report of independent auditors
and notes to the schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hawaii Tourism Authority (the "Authority") under programs of the federal government for the year ended June 30, 2024 and is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in net position of the Authority.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Single Audit Reports

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Auditor
State of Hawaii

The Board of Directors
Hawaii Tourism Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Hawaii Tourism Authority (the "Authority"), a component unit 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 Authority's basic financial statements and have issued our report thereon dated March 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of This Report

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

Accuity LLP

Honolulu, Hawaii
March 13, 2025

ACCUITY

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Report of Independent Auditors on
Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance

The Auditor
State of Hawaii

The Board of Directors
Hawaii Tourism Authority

Report on Compliance for Each Major Federal Program

Qualified Opinion on Major Federal Program

We have audited the Hawaii Tourism Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2024. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Major Federal Program section of our report, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Qualified Opinion on Major Federal Program

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

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

Matters Giving Rise to Qualified Opinion on Economic Development Cluster

As described in the accompanying schedule of findings and questions costs, the Authority did not comply with the reporting requirements for the Economic Development Cluster as described in Finding Nos. 2024-001 and 2024-002.

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Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to the Economic Development Cluster.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Other Matters

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

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Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding Nos. 2024-001 and 2024-002 to be material weaknesses

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

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

Accuity LLP

Honolulu, Hawaii
March 13, 2025

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Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	____ yes	X no
• Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	X yes	____ no
• Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditors' report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	X yes	____ no

Identification of major programs

Assistance Listing Number	Name of Federal Program or Cluster
11.307	Economic Development Cluster

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

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

		Questioned Costs
Finding No. 2024-001:	**Federal Funding Accountability and Transparency Act Reporting (Material Weakness)**	$ –
Federal Agency:	U.S. Department of Commerce	
Assistance Listing Number and Title:	11.307 Economic Development Cluster	
Award Number:	07-79-07800	

Condition
During our audit, we noted an instance in which the Hawaii Tourism Authority (the "Authority") did not complete the reporting required by Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the Federal Funding Accountability and Transparency Act ("FFATA") for a subgrant made during 2024.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
2	2	0	0	0

Dollar Amount of Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
$7,200,000	$7,200,000	$0	$0	$0

Criteria
Section 2, *Full Disclosure of Entities Receiving Federal Funding*, of the FFATA requires an entity to report subcontracts made under federally-awarded contracts by the end of the month following the month in which the prime recipient awards any subgrant greater than or equal to $30,000.

Cause and View of Responsible Officials
The lack of FFATA reporting may be attributed to general oversight by Authority management. Authority management noted that due to the lack of adequate staffing, the completion of non-routine reporting requirements such as those included in the FFATA were delayed.

Effect
Failure to file required reports reduces transparency on the use of program funds and represents an instance of noncompliance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200.

Context
A sample of one subgrant and one amendment to the subgrant greater than or equal to $30,000 totaling $7,200,000 were selected for audit from a population of $7,200,000 in subgrants greater than or equal to $30,000 from the Economic Development Cluster Program. Our test found two instances in which a FFATA report was not completed in a timely manner. Our sample was a statistically valid sample.

Repeat Finding
This is not a repeat finding.

Recommendation
We recommend that Authority management understand all requirements for federal awards and ensure that required FFATA reports are completed in a timely and accurate manner.

		Questioned Costs
Finding No. 2024-002:	**Reporting (Material Weakness)**	**$ –**
Federal Agency:	U.S. Department of Commerce	
Assistance Listing Number and Title:	11.307 Economic Development Cluster	
Award Number:	07-79-07800	

Condition
During our audit, we noted the Authority reported an excess amount of $533,990 in federal expenditures in the semi-annual SF-425 federal financial report submitted for the period ended March 31, 2024. Furthermore, we noted that the excess expenditures as reported on the semi-annual SF-425 federal financial report pertained to items for which the associated goods or services were received by the Authority after the report period end date.

Criteria
Title 2 U.S. Code of Federal Regulations Part 200 requires that the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.

Cause and View of Responsible Officials
The lack of accurate reporting may be attributed to general oversight by Authority management when determining the actual amount of federally funded expenditures incurred during the reporting period. Authority management believes that the expenditures as reported in the semi-annual SF-425 federal financial report submitted for the period ended March 31, 2024 are accurate, however management will implement additional procedures as requested by the external auditor.

Effect
Failure to file accurate information in reports represents an instance of noncompliance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200. Entities must also maintain accurate records of financial information, which are submitted to the Federal Agencies in accordance with Title 2 U.S. Code of Federal Regulations Part 200.

Context
A sample of one semi-annual SF-425 federal financial report was selected for audit from a population of two reports for the Economic Development Cluster Program. Our test found that the report did not accurately state the federal share of expenditures incurred during the reporting period.

Repeat Finding
This is not a repeat finding.

Recommendation
We recommend that Authority management be more diligent in following their policies and procedures for the preparation and review of federal financial reports to ensure the accuracy of information submitted.

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To: Accuity LLP

From: Isaac W. Choy, CPA
VP of Finance, Hawai'i Tourism Authority

Subject: Corrective Action Plan for the Single Audit for Fiscal Year Ended June 30, 2024

Gentlemen and Gentlewomen,

Stated here is our corrective action plan for the audit of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2024, conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*.

1. Finding 2024-01. Management submitted requests to the legislature for more personnel to address issues where non-routine compliance requirements can be monitored. Management has requested adequate staffing in this legislative session, as in past sessions, and will continue to do so.

2. Finding 2024-02. Although management feels that the reported expenditures on the SF-425 were accurate based on the form's instructions and the auditors have deemed that there were no improper payments, management will apply additional procedures as requested by the auditor as required by accounting standards.

Sincerely,

Isaac W. Choy, CPA

Hawaii Tourism Authority

(A Component Unit of the State of Hawaii)

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2024

There were no prior year findings or questioned costs.