KPMG

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

Submitted by

THE AUDITOR
STATE OF HAWAII

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

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Independent Auditors' Report

The Auditor
State of Hawaii
Honolulu, Hawaii:

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Transportation, Airports Division, State of Hawaii (an enterprise fund of the State of Hawaii) (the Airports Division), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airports Division's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Transportation, Airports Division, State of Hawaii as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1, the financial statements of the Airports Division present only the Airports Division enterprise fund and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airports Division's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 also have issued our report dated December 22, 2020, on our consideration of the Airports Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airports Division'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 Airports Division's internal control over financial reporting and compliance.

KPMG LLP

Honolulu, Hawaii
December 22, 2020

The following Management's Discussion and Analysis of the Airports Division, Department of Transportation, State of Hawaii (the Airports Division) activities and financial performance provides the reader with an introduction and overview of the financial statements of the Airports Division for the fiscal years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Airports Division operates and maintains 15 airports at various locations within the State of Hawaii (the State) as a single integrated system for management and financial purposes. Daniel K. Inouye International Airport on the Island of Oahu is the principal airport in the airports system providing facilities for interisland flights, domestic overseas flights, and international flights to destinations in the Pacific Rim. It has four runways, two of which (12,000 and 12,300 feet long) are among the nation's longest. In addition, it has the only reef runway in the nation (12,000 feet long by 200 feet wide). Kahului Airport on the Island of Maui, Hilo International Airport and Ellison Onizuka Kona International Airport at Keahole, both on the Island of Hawaii, and Lihue Airport on the Island of Kauai are the other major airports in the airports system, all of which provide facilities for interisland flights. Kahului Airport and Ellison Onizuka Kona International Airport at Keahole also provide facilities for direct domestic overseas flights and flights to and from Canada. Lihue Airport and Hilo International Airport also provide facilities for domestic overseas flights. Ellison Onizuka Kona International Airport at Keahole also provides facilities for international flights to and from Japan. The Daniel K. Inouye International Airport accommodated 55.7% and 55.9% of total passenger traffic in the airports system during fiscal years 2020 and 2019, respectively. The other four principal airports accommodated 43.0% and 42.8% of the total passenger traffic for fiscal years 2020 and 2019, respectively.

The other airports in the airports system are Port Allen on the Island of Kauai, Dillingham Airfield (currently leased from the U.S. military) and Kalaeloa Airport on the Island of Oahu, Kapalua and Hana airports on the Island of Maui, Waimea-Kohala and Upolu airports on the Island of Hawaii, Lanai Airport on the Island of Lanai, and Molokai and Kalaupapa airports on the Island of Molokai. These facilities are utilized by air carriers, general aviation, and by the military, with the exception of the Upolu and Port Allen airports, which are used exclusively by general aviation. The Airports Division assumed operations of Kalaeloa Airport (formerly, Barbers Point Naval Air Station) on the Island of Oahu as a general reliever airport for the Daniel K. Inouye International Airport on July 1, 1999. The other airports in the airports system accommodated 1.3% of the total passenger traffic for fiscal years 2020 and 2019.

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

Impacts of COVID-19

COVID-19 is a highly contagious upper respiratory tract illness caused by a novel strain of coronavirus. COVID-19 has significant adverse health and financial impacts throughout the world and the State. There have been significant disruptions to domestic and international air travel, including both passenger and cargo operations. The World Health Organization declared the outbreak of COVID-19 to be a pandemic on March 11, 2020. The

Secretary of Health, Education and Welfare of the United States and Governor David Y. Ige have each declared States of Emergency. Many state and local governments in the United States have issued "stay at home" or "shelter in place" orders, which severely restrict movement and limit businesses and activities to essential functions. A number of nations have effectively closed their borders by restricting entry and exit to only essential travel. This requires travelers to self-isolate for up to 14 days, further depressing demand for passenger air travel.

Airports in the United States, including the Hawaii Airports System, have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 outbreak. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines, including those operating out of the Airports System, have reported unprecedented reductions in passenger volumes and expect these reductions to continue. In response, airlines have reduced flights in an attempt to match capacity to the modified demand for air travel.

Selected information regarding COVID-19 through June 30, 2020 includes:

1. Enplaned passengers at the Hawaii Airports System declined by 96%, 95%, and 90% respectively in April through June 2020 as compared to the same period last year. Landed weight declined by 69%, 71% and 75% respectively in April through June 2020 as compared to the same period last year.

2. Certain tenants filed Chapter 11 bankruptcy after March 2020. Some tenants in bankruptcy, such as Hertz Corporation and Advantage/Enterprise, continue to operate at the Hawaii Airports System.

3. Parking and rental car operation remain open, but majority of terminal concession operations were temporarily closed due to lower traffic activities.

4. The Airports Division received a Coronavirus Aid, Relief, and Economic (CARES) Act grant from the Federal Aviation Administration (FAA) for $ 133,334,924, of which the Airports Division has sought reimbursement of $50.0 million for fiscal year 2020.

5. The Airports Division has taken actions to control operating expenses including temporarily closing a portion of gates, among other actions. The Airports Division has also put certain capital projects on hold.

6. The Airports Division has waived the Minimum Annual Guarantee (MAG) requirements for certain eligible concessionaires and deferred rental and other payments for eligible tenants, which will be paid over six equal installments starting January 2021.

7. The Airports Division issued Airports System Revenue Bonds, Series 2020A-E, in October 2020 (the 2020 Bonds) to realize refunding savings, restructure debt portfolio, and to provide additional fund for capital projects.

Daily COVID-19 cases nationwide have exceeded 200,000 on certain days in December 2020. The Airports Division cannot predict (i) the duration or extent of the COVID-19 outbreak or another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the

(Continued)

duration or extent to which airlines will reduce services at the Airports System on whether airlines will cease operations at the Airports System or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 or other outbreak or pandemic-related restrictions or warnings may have on air travel, including to and from the Airports System, the retail and services provided by Airports System concessionaires, Airports System costs or Airports System revenues; (iv) whether and to what extent COVID-19 or another outbreak or pandemic may disrupt the local, state, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airports System related construction, the cost, sources of funds, schedule or implementation of the Airports System's CIP, or other Airport System operations; (v) the extent to which the COVID-19 outbreak or another outbreak or pandemic, or the resultant disruption to the local, state, national or global economy, may result in changes in demand for air travel, including long-term changes in consumer behavior, or may have an impact on the airlines or concessionaires serving the Airports System, or the airline and travel industry, generally; (vi) whether or to what extent the Airports Division may provide additional deferrals, forbearances, adjustments or other changes to the Airports Division's arrangements with its tenants and concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airports System. Future outbreaks, pandemics or events outside the Airports Division's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airports System and declines in Airports System Revenues.

Airline Signatory Rates and Charges

Lease Agreement with Signatory Airlines

The DOT entered into an airport-airline lease agreement with the signatory airlines to provide those airlines with the nonexclusive right to use the airports system facilities, equipment improvements, and services, in addition to occupying certain exclusive-use premises and facilities. These leases were set to expire in 1992 but were extended under various short-term agreements.

In June 1994, the DOT and the signatory airlines executed a lease extension agreement to extend the airport-airline lease agreement, effective July 1, 1994 to June 30, 1997. Under the terms of the lease extension agreement, the signatory airlines would continue to operate under the terms of the airport-airline lease agreement, with an adjustment for terms and provisions relating to airports system rates and charges. The lease extension agreement's residual rate-setting methodology provided for a final year-end reconciliation containing actual airports system cost data to determine whether airports system charges assessed to the signatory airlines were sufficient to recover airports system costs, including debt service requirements. Annual settlements based on this final reconciliation were made in accordance with the terms of the lease extension agreement and various agreements between the DOT and airlines since June 30, 1997.

In October 2007, the Airports Division and a majority of the signatory airlines executed the First Amended Lease Extension Agreement, effective January 1, 2008. The terms and conditions of the airport-airline lease agreement were amended to reflect a rate-making methodology that recovers costs of specific airports system facilities from the signatory airlines that directly use them. An airports system support charge cost center is set up to serve as the residual cost center to ensure airports system operating revenue is sufficient to cover airports system operating costs.

The Airports Division is in the process of implementing a modernization program that will include significant capital improvements for several of the major airports in the State using a variety of sources including cash, federal grants, PFCs, and revenue bonds. Due to the impacts of COVID-19, the Airports Division has determined to proceed with a portion of capital projects and put other projects temporarily on hold.

The DOT and the signatory airlines have mutually agreed to continue to operate under the terms of the First Amended Lease Extension Agreement, which provides for an automatic extension on a quarterly basis unless either party provides 60 days' written notice of termination to the other party.

Overview of the Financial Statements

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

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

Airports Division Activities and Highlights

The Airports Division ended fiscal year 2020 with decreases in total passengers, revenue landed weights, revenue passenger landings and deplaning international passengers using international arriving facilities of 23.53%, 16.21%, 16.50%, and 29.52%, respectively, as compared to fiscal year 2019. The decline is primarily attributable to lower traffic activities since March 2020 as a result of COVID-19 impacts. The Airports Division ended fiscal year 2019 with increases in revenue landed weights, revenue passenger landings and deplaning international passengers and a decrease in total passengers of 1.50%, 8.70%, 0.33%, and -0.31%, respectively, as compared to fiscal year 2018. Increasing passenger traffic, in addition to airline carriers maximizing passenger load factors, are the reasons for such changes. Although overseas carriers account for a higher percentage, 62.73%, of revenue landed weights, the overall carrier mix remains diverse.

The Daniel K. Inouye International Airport continues to be the dominant airport, although a portion of the market share shifted to the Kahului Airport, Ellison Onizuka Kona International Airport at Keahole, and Lihue Airport as a result of increased direct flights to such destinations. The majority of the operating revenue at the Airports Division is activity based and directly relates to the number of passengers and aircraft operations.

For fiscal year 2020, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 37.3% and 10.2% of the total landed weights, respectively. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 20.8%, 16.4%, and 8.5% of the overseas landed weights, respectively. Hawaiian Airlines, Inc., Southwest Airlines, Co. and Aeko Kula, Inc. accounted for 64.9%, 11.3%, and 9.6% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 25.8% and Japan Airlines International Company, Ltd. accounted for 17.1% of the deplaned international passengers using international arrival facilities.

For fiscal year 2019, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 40.0% and 10.8% of the total landed weights, respectively. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 21.9%, 16.6%, and 9.1% of the overseas landed weights, respectively. Hawaiian Airlines, Inc. and Aeko Kula, Inc. accounted for 73.8% and 9.3% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 23.3% and Japan Airlines International Company, Ltd. accounted for 18.5% of the deplaned international passengers.

The following airlines served the State with scheduled or charter overseas passenger flights in fiscal year 2020: Air Canada, Air China Ltd., Air New Zealand, Ltd., Air Pacific, Ltd., Air Transport International LLC, AirAsia X Berhad, Alaska Airlines, Inc., Asiana Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., China Airlines, Ltd., China Eastern, Inc., Continental Airlines, Inc., Continental Micronesia, Inc., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Company, Ltd., Jetstar Airways PTY Ltd., Jin Air Co. Ltd., Korean Airlines Company, Ltd., Omni Air International, Inc., Philippine Airlines, Inc., Qantas Airways Limited, Southwest Airlines Co., Sun Country, Inc., United Airlines, Inc., and WestJet. The principal airlines providing interisland passenger flight services are Hawaiian Airlines, Inc., Southwest Airlines Co., and Mokulele Flight Service, Inc. As discussed above, some airlines have temporarily suspended services of all or some routes serving Hawaii as a result of COVID-19 impacts. Air China Ltd. and China Eastern, Inc. have ceased services at Hawaii without near-term plan to resume services.

The following airlines served the State with scheduled or charter overseas passenger flights in fiscal year 2019: Air Canada, Air China Ltd., Air Japan Co., Air New Zealand, Ltd., Air Pacific, Ltd., AirAsia X Berhad, Alaska Airlines, Inc., Allegiant Air, L.L.C., Asiana Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., China Airlines, Ltd., China Eastern, Inc., Continental Airlines, Inc., Continental Micronesia, Inc., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Company, Ltd., Jetstar Airways PTY Ltd., Jin Air Co. Ltd., Korean Airlines Company, Ltd., Omni Air International, Inc., Philippine Airlines, Inc., Qantas Airways Limited, Scoot Tigerair PTE, Ltd., Southwest Airlines Co., United Airlines, Inc., and WestJet. The principal airlines providing interisland passenger flight services are Hawaiian Airlines, Inc., and Mokulele Flight Service, Inc.

Activity for the airports system for the fiscal years ended June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018	Percentage increase (decrease) from 2019
Passengers (enplaning and deplaning passengers activity):				
Daniel K. Inouye International Airport	15,955,100	20,940,215	21,228,523	(23.81)%
Kahului Airport	5,826,920	7,620,203	7,323,708	(23.53)
Ellison Onizuka Kona International Airport at Keahole	3,061,760	3,799,383	3,849,771	(19.41)
Lihue Airport	2,472,726	3,381,564	3,334,620	(26.88)
Hilo International Airport	956,836	1,207,778	1,361,774	(20.78)
All others	357,940	491,856	459,010	(27.23)
Total passengers	28,631,282	37,440,999	37,557,406	(23.53)
Revenue landed weights (1,000-pound units):				
Daniel K. Inouye International Airport	14,166,377	16,783,072	16,840,546	(15.59)%
Kahului Airport	3,897,458	4,681,943	4,543,765	(16.76)
Ellison Onizuka Kona International Airport at Keahole	2,208,499	2,560,083	2,468,835	(13.73)
Lihue Airport	1,711,070	1,990,208	2,068,842	(14.03)
Hilo International Airport	756,186	856,693	909,422	(11.73)
All others	236,750	291,170	270,593	(18.69)
Total signatory airlines	22,976,340	27,163,169	27,102,003	(15.41)
Nonsignatory airlines	1,538,817	2,094,509	1,723,129	(26.53)
Total revenue landed weights	24,515,157	29,257,678	28,825,132	(16.21)

	2020	2019	2018	Percentage increase (decrease) from 2019
Revenue passenger landings:				
Daniel K. Inouye International Airport	70,002	83,569	74,830	(16.23)%
Kahului Airport	32,774	39,936	37,276	(17.93)
Ellison Onizuka Kona International Airport at Keahole	18,662	21,824	21,450	(14.49)
Lihue Airport	13,023	15,244	14,266	(14.57)
Hilo International Airport	6,848	7,756	6,632	(11.71)
All others	14,585	18,296	17,235	(20.28)
Total signatory airlines	155,894	186,625	171,689	(16.47)
Nonsignatory airlines	626	814	744	(23.10)
Total revenue passenger landings	156,520	187,439	172,433	(16.50)
Deplaning international passengers:				
Daniel K. Inouye International Airport	1,890,573	2,600,046	2,657,987	(27.29)%
Ellison Onizuka Kona International Airport at Keahole	71,691	87,223	83,857	(17.81)
Total signatory airlines	1,962,264	2,687,269	2,741,844	(26.98)
Nonsignatory airlines	42,830	157,492	93,667	(72.80)
Total deplaning international passengers	2,005,094	2,844,761	2,835,511	(29.52)

Financial Operations Highlights

Revenues

A summary of revenues for the years ended June 30, 2020, 2019, and 2018 and the amount and percentage of change in relation to prior year amounts is as follows:

	2020		2019		2018		Increase (decrease) 2020 from 2019		Increase (decrease) 2019 from 2018	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Operating revenues:										
Concession fees:										
Duty free	$ 35,625,000	6.3 %	40,601,148	6.3 %	40,000,000	6.2 %	(4,976,148)	(12.3)%	601,148	1.5 %
Retail	9,137,719	1.6	12,228,442	1.9	12,443,765	1.9	(3,090,723)	(25.3)	(215,323)	(1.7)
Airport parking	22,394,316	3.9	27,151,837	4.2	27,141,722	4.2	(4,757,521)	(17.5)	10,115	—
Car rental	58,875,627	10.3	72,353,825	11.2	73,238,321	11.3	(13,478,198)	(18.6)	(884,496)	(1.2)
Food and beverage	8,654,430	1.5	11,429,500	1.8	11,132,007	1.7	(2,775,070)	(24.3)	297,493	2.7
Other concessions	16,337,440	2.9	19,510,085	3.0	17,769,969	2.8	(3,172,645)	(16.3)	1,740,116	9.8
Total concession fees	151,024,532		183,274,837		181,725,784		(32,250,305)	(17.6)	1,549,053	0.9
Airport landing fees, net	74,356,874	13.1	82,988,322	12.9	86,058,597	13.3	(8,631,448)	(10.4)	(3,070,275)	(3.6)
Aeronautical rentals:										
Nonexclusive joint-use premise charges	64,136,977	11.3	79,559,743	12.3	74,081,777	11.5	(15,422,766)	(19.4)	5,477,966	7.4
Exclusive-use premise charges	60,841,089	10.7	60,790,404	9.4	59,014,046	9.1	50,685	0.1	1,776,358	3.0
Nonaeronautical rentals	22,783,601	4.0	22,168,965	3.4	20,063,023	3.1	614,636	2.8	2,105,942	10.5
Other	9,814,237	1.7	12,019,328	1.9	10,151,638	1.6	(2,205,091)	(18.3)	1,867,690	18.4
Total operating revenues	382,957,310	67.3	440,801,599	68.3	431,094,865	66.8	(57,844,289)	(13.1)	9,706,734	2.3

(Continued)

	2020		2019		2018		Increase (decrease) 2020 from 2019		Increase (decrease) 2019 from 2018	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Nonoperating revenues:										
Interest income:										
Investments	$ 22,720,329	4.0	25,608,210	4.0	9,920,878	1.5	(2,887,881)	(11.3)	15,687,332	158.1
Direct financing leases	1,222,031	0.2	1,222,031	0.2	1,222,031	0.2	—	—	—	—
Other loans and investment	1,335,193	0.2	508,362	0.1	623,841	0.1	826,831	162.6	(115,479)	(18.5)
Federal operating grants	51,506,397	9.0	1,616,030	0.3	2,874,684	0.4	49,890,367	3,087.2	(1,258,654)	(43.8)
Passenger facility charges	34,424,068	6.0	49,126,913	7.6	44,879,512	7.0	(14,702,845)	(29.9)	4,247,401	9.5
Rental car customer facility charges	59,466,498	10.4	76,523,216	11.9	76,486,961	11.8	(17,056,718)	(22.3)	36,255	—
Gain on disposal of capital assets	—	—	—	—	35,889,307	5.6	—	—	(35,889,307)	(100.0)
Total nonoperating revenues	170,674,516	30.0	154,604,762	23.9	171,897,214	26.6	16,069,754	10.4	(17,292,452)	(10.1)
Capital contributions:										
State capital contributions	—	—	—	—	3,962,965	0.7	—	—	(3,962,965)	(100.0)
Federal capital grants	15,676,572	2.7	50,126,892	7.8	22,301,592	3.5	(34,450,320)	(68.7)	27,825,300	124.8
Total capital contributions	15,676,572	2.7	50,126,892	7.8	26,264,557	4.1	(34,450,320)	(68.7)	23,862,335	90.9
Total revenues	$ 569,308,398	100.0 %	645,533,253	100.0 %	629,256,636	97.5 %	(76,224,855)	(11.8)	16,276,617	2.6

	2020						
	Concession fees						
	Duty Free	Retail	Airport parking	Car rental	Food and beverage	Other concessions	Total
Daniel K. Inouye International Airport	$ 35,625,000	8,812,811	14,529,083	14,317,537	5,416,519	9,804,068	88,505,018
Hilo International Airport	—	—	858,635	1,667,969	76,689	175,977	2,779,270
Ellison Onizuka Kona International Airport at Keahole	—	—	2,065,417	11,111,430	616,341	1,461,103	15,254,291
Kahului Airport	—	324,908	3,473,691	21,610,504	1,869,146	3,954,842	31,233,091
Lihue Airport	—	—	1,467,490	9,946,489	660,901	935,549	13,010,429
Statewide	—	—	—	—	—	(36,918)	(36,918)
All others	—	—	—	221,698	14,834	42,819	279,351
Total concession fees	$ 35,625,000	9,137,719	22,394,316	58,875,627	8,654,430	16,337,440	151,024,532

	2019						
	Concession fees						
	Duty Free	Retail	Airport parking	Car rental	Food and beverage	Other concessions	Total
Daniel K. Inouye International Airport	$ 40,601,148	11,903,534	17,788,362	18,275,942	7,137,706	11,300,542	107,007,234
Hilo International Airport	—	—	1,076,171	2,093,530	89,511	96,954	3,356,166
Ellison Onizuka Kona International Airport at Keahole	—	—	2,396,547	13,087,223	782,324	2,066,294	18,332,388
Kahului Airport	—	324,908	4,061,446	25,830,182	2,502,647	4,861,385	37,580,568
Lihue Airport	—	—	1,829,311	12,793,833	899,968	1,116,994	16,640,106
Statewide	—	—	—	—	—	36,918	36,918
All others	—	—	—	273,115	17,344	30,998	321,457
Total concession fees	$ 40,601,148	12,228,442	27,151,837	72,353,825	11,429,500	19,510,085	183,274,837

2020/2019

The financial results for fiscal years 2020 and 2019 reflected (loss) income before capital contributions of ($7.5) million and $122.1 million, respectively. Operating revenues decreased by $57.8 million, or 13.1%, resulting from decreased revenue from concessions revenue, airport landing fees, and aeronautical rentals. The decline is primarily attributable to lower traffic activities since March 2020 as a result of COVID-19 impacts. Total nonoperating revenues increased by $16.1 million, or 10.4%, mainly due to an increase in federal operating grants offset by decreases in rental car customer facility charges and passenger facility charges.

2019/2018

The financial results for fiscal years 2019 and 2018 reflected income before capital contributions of $122.1 million and $172.4 million, respectively. Operating revenues increased by $9.7 million, or 2.3%, resulting from increased revenue from concessions revenue, nonaeronautical rentals, and aeronautical rentals. Total nonoperating revenues decreased by $17.3 million, or 10.1%, mainly due to decreases in a gain on disposal of capital assets and federal operating grants offset by increases in investment income and passenger facility charges.

Expenses

A summary of expenses for the years ended June 30, 2020 and 2019 and the amount and percentage of change in relation to prior year amounts is as follows:

	2020		2019		2018		Increase (decrease) 2020 from 2019		Increase (decrease) 2019 from 2018	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Operating expenses:										
Salaries and wages	$ 126,440,931	22.5 %	116,992,509	24.7 %	110,195,913	23.3 %	$ 9,448,422	8.1 %	6,796,596	6.2 %
Other personnel services	92,696,750	16.5	82,616,141	17.5	73,609,849	15.6	10,080,609	12.2	9,006,292	12.2
Utilities	36,533,207	6.5	37,995,358	8.0	34,557,844	7.3	(1,462,151)	(3.8)	3,437,514	9.9
Repairs and maintenance	38,531,409	6.9	34,699,525	7.3	34,317,502	7.3	3,831,884	11.0	382,023	1.1
State of Hawaii surcharge on gross receipts	14,383,786	2.6	14,731,128	3.1	14,491,771	3.1	(347,342)	(2.4)	239,357	1.7
Special maintenance	8,463,599	1.5	5,762,874	1.2	10,144,656	2.1	2,700,725	46.9	(4,381,782)	(43.2)
Department of transportation general administration expenses	7,727,347	1.4	8,370,126	1.8	8,443,946	1.8	(642,779)	(7.7)	(73,820)	(0.9)
Materials and supplies	6,254,715	1.1	6,526,776	1.4	6,497,325	1.4	(272,061)	(4.2)	29,451	0.5
Claims	2,928,599	0.5	1,744,507	0.4	—	—	1,184,092	67.9	1,744,507	100.0
Insurance	2,402,184	0.4	2,190,468	0.5	2,203,054	0.5	211,716	9.7	(12,586)	(0.6)
Bad debt expense	70,549	—	4,015,215	0.8	3,201,087	0.7	(3,944,666)	(98.2)	814,128	25.4
Other	2,609,684	0.5	1,260,792	0.3	2,136,396	0.5	1,348,892	107.0	(875,604)	(41.0)
Total operating expenses before depreciation	339,042,760	60.4	316,905,419	67.0	299,799,343	63.3	22,137,341	7.0	17,106,076	5.7
Depreciation	135,992,383	24.2	121,992,342	25.8	113,697,902	24.0	14,000,041	11.5	8,294,440	7.3
Total operating expenses	475,035,143	84.7	438,897,761	92.7	413,497,245	87.4	36,137,382	8.2	25,400,516	6.1

	2020		2019		2018		Increase (decrease) 2020 from 2019		Increase (decrease) 2019 from 2018	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Nonoperating expenses:										
Interest expense:										
Revenue bonds:										
Airports system	$ 61,172,837	10.9 %	21,149,068	3.8 %	21,149,068	3.8 %	40,023,769	189.2 %	—	— %
Special facility	1,222,031	0.2	1,222,031	0.2	1,222,031	0.2	—	—	—	—
Lease revenue certificates of participation	8,277,596	1.5	6,911,833	1.2	6,911,833	1.2	1,365,763	19.8	—	—
Other	13,665,510	2.4	1,140,000	0.2	1,140,000	0.2	12,525,510	1,098.7	—	—
Loss on disposal of capital assets	967	—	1,665,588	0.3	1,665,588	0.3	(1,664,621)	100.0	—	100.0
Bond issue costs	1,717,826	0.3	2,313,360	0.4	2,313,360	0.4	(595,534)	(25.7)	—	—
Other	65,850	—	35,791	—	35,791	—	30,059	84.0	—	—
Total nonoperating expenses	86,122,617	15.3	34,437,671	6.1	34,437,671	6.1	51,684,946	150.1	—	—
Total expenses	$ 561,157,760	100.0	$ 473,335,432	84.3	$ 447,934,916	79.8	87,822,328	18.6	25,400,516	5.7

2020/2019

Operating expenses before depreciation for fiscal year 2020 increased by 7%, or $22.1 million, as compared to fiscal year 2019 mainly due to increases in salaries and wages, other personnel services, repairs and maintenance expenses, and other expenses.

Total nonoperating expenses for fiscal year 2020 increased by 150.1%, or $51.7 million, as compared to fiscal year 2019 mainly due to increases in interest expense on Airports System Revenue Bonds with the adoption of GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Airports Division implemented this statement during fiscal year 2020 and recognized all interest costs incurred before the end of a construction period as an expense in the period in which the cost was incurred.

2019/2018

Operating expenses before depreciation for fiscal year 2019 increased by 5.7%, or $17.1 million, as compared to fiscal year 2018 mainly due to increases in salaries and wages, other personnel services, utilities, and other expenses offset by a decrease in special maintenance expenses.

Total nonoperating expenses for fiscal year 2019 increased by 101.0%, or $17.3 million, as compared to fiscal year 2018 mainly due to increases in interest expense on Airports System Revenue Bonds, loss on disposal of capital assets and other expense offset by a decrease in interest expense on Lease Revenue Certificates of Participation.

A summary of revenues, expenses and changes in net position for the years ended June 30, 2020, 2019, and 2018 follows:

		2020	2019	2018
Operating revenues	$	382,957,310	440,801,599	431,094,865
Operating expenses, excluding depreciation		(339,042,760)	(316,905,419)	(299,799,343)
Operating income before depreciation		43,914,550	123,896,180	131,295,522
Depreciation		(135,992,383)	(121,992,342)	(113,697,902)
Operating (loss) income		(92,077,833)	1,903,838	17,597,620
Nonoperating revenues – net		84,551,899	120,167,091	154,763,928
(Loss) income before capital contributions		(7,525,934)	122,070,929	172,361,548
Capital contributions		15,676,572	50,126,892	26,264,557
Increase in net position	$	8,150,638	172,197,821	198,626,105

2020/2019

As a result of the above fluctuations in revenues and expenses, net position for the Airports Division increased $8.2 million during 2020.

In summary, the Airports Division continues to generate operating income before depreciation, as well as positive cash flows from operating activities. The Airports Division continues to obtain its revenue from a diverse mix of sources. The Airports Division continues to monitor signatory airline requirements and adjust rates and charges, accordingly, to assure financial stability and bond certificate requirements are met on a semiannual and annual basis.

- Operating revenues decreased by 13.1%, or $57.8 million, due to a $32.3 million decrease in concessions revenue, $15.3 million decrease in aeronautical revenue, and a $8.6 million decrease in airport landing fees. The decreases in operating revenues are due to an overall decrease in airport activity.
- Operating expenses excluding depreciation increased by 7.0% or $22.1 million from $316.9 million in fiscal year 2019 to $339.0 million in fiscal year 2020. The increase in operating expenses is primarily due to increases in salaries and wages of $9.4 million due to pay increases from fiscal year 2019, other personnel services of $10.1 million due to an increase in third party security services in fiscal year 2020, and repairs and maintenance of $3.8 million. Depreciation expense increased by 11.5% or $14.0 million, due to capital asset additions in fiscal year 2020.
- The net results of the above resulted in operating income before depreciation of $43.9 million and $123.9 million in fiscal years 2020 and 2019, respectively. Operating income before depreciation for fiscal year 2020 decreased by 64.6%, or $80.0 million.

- Nonoperating revenues, net, decreased by 29.6%, or $35.6 million, in fiscal year 2020, primarily due to a decrease in passenger facility charges of $14.7 million, a decrease in rental car customer facility charges of $17.1 million, and an increase in interest expense for airports system revenue bonds of $40.0 million due to the issuance of bonds in fiscal year 2020 and adoption of GASB Statement No. 89 offset by an increase in federal operating grants of $49.9 million due to the receipt of CARES Act grant funds in fiscal year 2020.
- Loss before capital contributions for fiscal year 2020 of $7.5 million as compared to income before capital contributions of $122.1 million for fiscal year 2019 was a result of decreases in operating revenue and nonoperating revenue, net, and an increase in operating expenses as noted above.
- Capital contributions decreased by 68.7%, or $34.5 million, in fiscal year 2020, due to a decrease in federal capital grant revenue in fiscal year 2020.

2019/2018

As a result of the above fluctuations in revenues and expenses, net position for the Airports Division increased $172.2 million during 2019.

In summary, the Airports Division continues to generate operating income before depreciation, as well as positive cash flows from operating activities. The Airports Division continues to obtain its revenue from a diverse mix of sources. The Airports Division continues to monitor signatory airline requirements and adjust rates and charges, accordingly, to assure financial stability and bond certificate requirements are met on a semiannual and annual basis.

- Operating revenues increased by 2.3%, or $9.7 million, due to a $1.5 million increase in concessions revenue, $7.3 million increase in aeronautical revenue, $2.1 million increase in nonaeronautical revenue, and $1.9 million increase in other revenue offset by $3.1 million decrease in airport landing fees. The increases in operating revenues are due to an overall increase in the various airport rental rates.
- Operating expenses excluding depreciation increased by 5.7% or $17.1 million from $299.8 million in fiscal year 2018 to $316.9 million in fiscal year 2019. The increase in operating expenses is primarily due to increases in salaries and wages of $6.8 million due to pay increases from fiscal year 2018, other personnel services of $9.0 million due to an increase in third party security services in fiscal year 2019, utilities of $3.4 million, and claims of $1.7 million, offset by a decrease in special maintenance of $4.4 million. Depreciation expense increased by 7.3% or $8.3 million, due to capital asset additions in fiscal year 2019.
- The net results of the above resulted in operating income before depreciation of $123.9 million and $131.3 million in fiscal years 2019 and 2018, respectively. Operating income before depreciation for fiscal year 2019 decreased by 5.6%, or $7.4 million.
- Nonoperating revenues, net, decreased by 22.4%, or $34.6 million, in fiscal year 2019, primarily due to a decrease in gain on disposal of capital assets of $35.9 million and an increase in interest expense for airports system revenue bonds of $16.3 million due to the issuance of bonds in fiscal year 2019 offset by increases in interest income of $15.6 million due to increases in average daily cash balances and interest rates in fiscal year 2019 and passenger facility charges of $4.2 million. Increase of passenger facility

charges of $4.2 million were caused by an increase in interest earned on passenger facility charges in fiscal year 2019.

- Income before capital contributions for fiscal year 2019 of $122.1 million as compared to $172.4 million for fiscal year 2018 was a result of a decrease in nonoperating revenue, net, and an increase in operating expenses as noted above.
- Capital contributions increased by 90.9%, or $23.9 million, in fiscal year 2019, due to an increase in federal capital grant revenue of $27.8 million in fiscal year 2019.

The change in net position is an indicator of whether the overall fiscal condition of the Airports Division has improved or worsened during the year. The change in net position may serve over time as a useful indicator of the Airports Division's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,597.5 million at June 30, 2020, representing an increase of $8.2 million from June 30, 2019.

Passenger Facility Charges

The Passenger Facility Charge (PFC) program consists of six Federal Aviation Administration (FAA) approved applications. All projects in PFC Application No. 1 have been completed and the application was closed on February 24, 2014. PFC Application No. 3 was "blended" with PFC Application No. 2. PFC Application No. 3 was closed on September 23, 2016. The PFC collection for PFC Application No. 4 was completed on February 1, 2014. However, three projects in PFC Application No. 4 are still ongoing and therefore, this application remains open. On November 22, 2013, the FAA issued the Final Agency Decision (FAD) for PFC Application No. 5 giving approval for PFC collection during the period from February 1, 2014 through July 1, 2026. On August 30, 2016, the FAA issued the FAD for PFC Application No. 6 giving approval to use PFC revenue in the amount of $14,725,000 for the Kahului Airport (OGG) Land Acquisition project approved in PFC Application No. 5 for collection only. The OGG Land Acquisition project was completed on August 31, 2012. On September 28, 2018, the FAA issued the FAD for PFC Application No. 7 giving approval for PFC collection during the period July 1, 2026 to July 1, 2032. On May 10, 2019, the FAA approved an amendment to PFC Application No. 5 to remove two projects and reduce the PFC collection and revise the PFC collection period from February 1, 2014 through January 1, 2020. As a result, the PFC collection period for PFC Application No. 7 was modified to a period from January 1, 2020 through July 1, 2025. On July 19, 2019, the FAA issued the FAD for PFC Application No. 8 giving approval for PFC collection during the period from July 1, 2025 through July 1, 2029.

Since the inception of the PFC program through June 30, 2020, the FAA has approved PFC collections for impose and use totaling $873.9 million with collections currently scheduled through 2029. The total PFC collected amount through June 30, 2020, including interest earned, and expenditures were $516.6 million and $391.7 million, respectively.

Rental Car Customer Facility Charges

On July 8, 2008, State Legislative Senate Bill 2365 became law as Act 226 Session Law of Hawaii 2008, authorizing the Airports Division to impose a Customer Facility Charge (CFC) of $1 per day on all u-drive rentals at a state airport, effective September 1, 2008. Monies collected through the CFC are deposited into a restricted fund to be used for enhancement, renovation, operation, and maintenance of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities and related services at state airports to better serve Hawaii's visitors and residents. The consolidated rental car facilities will provide a single location for travelers to rent a car of their choice and eliminate the need for multiple pickup and delivery vans from individual rental car companies.

On July 7, 2010, State Legislature Senate Bill 2461 became law as Act 204, Session Laws of Hawaii 2010, authorizing the Airports Division to increase the CFC surcharge to $4.50 per day, effective September 1, 2010.

A summary of rental car customer facility charges for the years ended June 30, 2020, 2019, and 2018 is as follows:

		2020	2019	2018
Rental car customer facility charges:				
Daniel K. Inouye International	$	16,614,035	21,656,592	20,806,461
Hilo International		1,705,680	1,806,512	2,085,156
Ellison Onizuka Kona International at Keahole		10,136,880	12,049,965	12,745,692
Kahului		18,293,108	24,206,886	24,145,601
Lihue		9,285,647	12,486,069	12,597,309
All others		138,648	172,516	174,595
Rental car customer facility charges		56,173,998	72,378,540	72,554,814
Interest income		3,292,500	4,144,676	3,932,147
Total rental car customer facility charges income	$	59,466,498	76,523,216	76,486,961

Since September 1, 2008 through June 30, 2020, the total CFC related revenue, including interest earned, and CFC related expenditures were $594.4 million and $778.1 million, respectively.

Financial Position Summary

A condensed summary of the Airports Division's net position at June 30, 2020, 2019, and 2018 is shown below:

	2020	2019	2018
Assets and Deferred Outflows of Resources			
Current assets:			
Unrestricted assets	$ 574,519,640	577,313,945	661,512,001
Restricted assets	238,926,871	258,320,410	155,592,688
Noncurrent assets:			
Capital assets	3,662,326,829	3,434,732,825	3,050,341,216
Restricted assets	670,455,807	825,571,313	680,162,381
Total assets	5,146,229,147	5,095,938,493	4,547,608,286
Deferred outflows of resources	51,973,044	53,817,709	55,797,260
Total assets and deferred outflows of resources	$ 5,198,202,191	5,149,756,202	4,603,405,546
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Payable from unrestricted assets	$ 71,915,316	72,032,586	55,674,775
Payable from restricted assets	187,159,883	277,350,376	237,952,536
Noncurrent liabilities:			
Payable from unrestricted assets	370,325,017	359,630,623	355,131,728
Payable from restricted assets	1,966,829,962	1,844,486,869	1,534,489,145
Total liabilities	2,596,230,178	2,553,500,454	2,183,248,184
Deferred inflows of resources	4,499,143	6,933,516	3,032,951
Total liabilities and deferred inflows of resources	$ 2,600,729,321	2,560,433,970	2,186,281,135
Net Position			
Net investment in capital assets	$ 1,891,248,987	1,791,655,568	1,601,470,760
Restricted	657,897,749	658,048,725	521,392,392
Unrestricted	48,326,134	139,617,939	294,261,259
Total net position	$ 2,597,472,870	2,589,322,232	2,417,124,411

(Continued)

The largest portion of the Airports Division's net position (72.8%, 69.2%, and 66.3% at June 30, 2020, 2019, and 2018 respectively) represents its investment in capital assets (e.g., land, buildings and improvements, and equipment), less related indebtedness outstanding to acquire those capital assets. The Airports Division uses these capital assets to provide services to its passengers and visitors using the airports system; consequently, these assets are not available for future spending. Although the Airports Division's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay such liabilities.

The restricted portion of the Airports Division's net position (25.3%, 25.4%, and 21.6% at June 30, 2020, 2019, and 2018 respectively) represents bond reserve funds that are subject to external restrictions on how they can be used under the *Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds* (the Certificate), as well as PFCs and CFCs that can only be used for specific projects.

The largest portion of the Airports Division's unrestricted net position represents unrestricted cash and cash equivalents in the amount of $494.7 million, $503.3 million, and $584.8 million at June 30, 2020, 2019, and 2018, respectively. The unrestricted cash balance provides the Airports Division with substantial flexibility, as such unrestricted assets may be used to meet any of the Airports Division's ongoing operations and to fund the CIP projects.

Capital Acquisitions and Construction Activities

As of June 30, 2020, 2019, and 2018 the Airports Division had capital assets of approximately $3,662.3 million, $3,434.7 million, and $3,050.3 million, respectively. These amounts are net of accumulated depreciation of approximately $2,568.0 million, $2,432.6 million, and $2,310.6 million, respectively.

In fiscal year 2020, there were 13 construction bid openings totaling an estimated $377 million in potential construction contracts. Major projects include Runway 8L Widening Phase 2, and Ticket Lobby Renovations and Baggage Handling System Improvements Phase 2 at Daniel K. Inouye International Airport, Holdroom and Gate Improvements at Kahului Airport, USDA Inspection Building at Ellison Onizuka Kona International Airport at Keahole, and Ticket Lobby Improvements at Lihue Airport.

There were also many ongoing construction projects that were initiated prior to fiscal year 2020, which were under construction during the fiscal year. Major projects include Consolidated Car Rental Facility at Honolulu Airport, Mauka Extension, and Improvements to Baggage Handling Systems at Daniel K. Inouye International Airport, Roadway Improvements and Consolidated Car Rental Facility at Kahului Airport, and Terminal Modernization at Ellison Onizuka Kona International Airport at Keahole.

Finally, there were 10 projects that were substantially completed in fiscal year 2020 that involved planning, design, and construction projects at large, medium, and small hub airports statewide to preserve, maintain, and modernize facilities. These projects include Airport Surveying Geographic Information System, Diamond Head Apron Reconstruction, Ewa Concourse Reroofing, and Terminal Roof/Ceiling Improvements at Daniel K. Inouye International Airport, Kahului Airport Master Plan and Noise Compatibility Plan Update, and Access Control and CCTV Systems at Kahului Airport, Installation of Automated Passport Control Kiosks at Ellison Onizuka Kona International Airport at Keahole, Access Control and CCTV System Upgrade at Hilo International Airport, and Hangar 110 Renovation Phase 4, and Hangar 110 Renovation Phase 5 at Kalaeloa Airport.

The Airports Division continues its mission to modernize airport facilities to provide safety and efficiency to airport tenants and enhance the passenger experience. In fiscal year 2021 several projects will be advertised for construction that improve safety, pedestrian traffic flow, and promote efficiency for airport tenants and operations. Major projects include Runways and Taxiways Shoulder Rehabilitation, and Overseas Terminal Roof Replacement at Daniel K. Inouye International Airport, Restroom Improvements at Ellison Onizuka Kona International Airport at Keahole, Drainage and Wind Cone Improvements at Hilo International Airport, and Repave Runway 17-35 and Taxiway E at Molokai Airport.

Additional information on the Airports Division's capital assets can be found in note 4 of this report.

Indebtedness

Airports System Revenue Bonds

As of June 30, 2020, $1,377.5 million of airports system revenue bonds were outstanding as compared to $1,425.0 million and $1,002.2 million as of June 30, 2019 and 2018, respectively.

At June 30, 2020, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,122.5 million.

Lease Revenue Certificates of Participation

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

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

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

As of June 30, 2020, $199.8 million of COPs were outstanding as compared to $210.7 million and $218.7 million as of June 30, 2019 and 2018, respectively.

Special Facility Revenue Bonds

The State Legislature has authorized $200,000,000 of special facility revenue bonds pursuant to Section 261-52 of the Hawaii Revised Statutes. As of June 30, 2020, there were outstanding bond obligations of $21.7 million. The DOT expects to finance additional special facility projects from time to time for qualified entities. All special facility revenue bonds are payable solely from the revenue derived from the leasing of special facilities financed with the proceeds of special facility revenue bonds.

(Continued)

Immigration Investor Program (EB-5)

In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC, acting as the agent of the Lenders. The Lenders were created to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) created according to legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is $76,000,000. The EB-5 loan is the first Series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from Trust Estate, with CFCs being the primary component. The EB-5 loan is not payable from revenue and aviation fuel taxes, which the DOT has pledged for the repayment of Airports System Revenue Bonds issued under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds. The loan was paid in full on August 27, 2019.

Additional information regarding the Airports Division's indebtedness can be found in notes 5, 6, 7, and 8 of this report.

Customer Facility Charge Revenue Bonds

In July 2017, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2017A (the 2017 CFC Bonds) with a par amount of $249,805,000 to provide $250 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2017 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A., on parity with the EB-5 loan. In August 2019, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2019A (the 2019 CFC Bonds) with a par amount of $194,710,000 to refund EB-5 loan and to provide an additional $105 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2019 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A., on parity with the 2017 CFC Bonds. In August 2019, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2019A (the 2019 CFC Bonds) with a par amount of $194,710,000 to refund EB-5 loan and to provide an additional $105 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2019 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A., on parity with the 2017 CFC Bonds. At June 30, 2020, $434.4 million of customer facility charge revenue bonds were outstanding as compared to $244.8 million and $249.8 million as of June 30, 2019 and 2018, respectively.

Credit Rating and Bond Insurance

As of June 30, 2020, there were nine series of airports system revenue bonds outstanding in the principal amount of $1,377.5 million. Payment of principal and interest on the bonds was insured by bond insurance policies issued by Federal Guaranty Insurance Company (FGIC) at the time of issuance of the bonds. The airports system revenue bonds are rated as follows:

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

Upon the issuance of the 2020 Bonds, Standard & Poor's Corporation downgraded ratings from AA- to A+.

Request for Information

This financial report is designed to provide a general overview of the Airports Division's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Ross Higashi, Deputy Director, State of Hawaii, Department of Transportation, Airports Division, 400 Rodgers Boulevard, Suite 700, Honolulu, Hawaii 96819-1880, or by e-mail to *airadministrator@hawaii.gov*.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2020 and 2019

Assets		2020	2019
Current assets:			
Unrestricted assets:			
Cash and cash equivalents – unrestricted	$	494,687,328	503,262,584
Receivables:			
Accounts, net of allowance of $8,458,433 and $8,658,740 for uncollectible accounts		31,768,504	32,810,366
Interest		4,460,202	24,529,016
Claims – federal grants		40,261,112	12,968,389
Due from state of Hawaii agencies		3,097,923	3,296,059
Aviation fuel tax		45,562	238,673
Total receivables		79,633,303	73,842,503
Inventories of materials and supplies at cost		199,009	208,858
Total unrestricted current assets		574,519,640	577,313,945
Restricted assets:			
Cash and cash equivalents:			
Revenue bond debt service		73,503,139	76,319,825
Debt extinguishment		2,598,105	16,547,597
Security deposits		10,542,161	10,598,910
Prepaid airport use charge fund		311,934	194,209
Operations and maintenance		104,711,164	98,479,139
Funded coverage		27,597,646	27,079,783
Funds restricted for construction		836,991	1,462,965
Total cash and cash equivalents – restricted		220,101,140	230,682,428
Investments – customer facility charge debt service reserve		17,297,616	9,669,168
Passenger facility charges receivable		1,011,561	10,971,866
Rental car customer facility charges receivable		516,554	6,996,948
Total restricted current assets		238,926,871	258,320,410
Total current assets	$	813,446,511	835,634,355

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2020 and 2019

	2020	2019
Noncurrent assets:		
Unrestricted assets:		
Capital assets, net of accumulated depreciation of $2,568,036,722 and $2,432,596,660	$ 3,662,326,829	3,434,732,825
Total unrestricted noncurrent assets	3,662,326,829	3,434,732,825
Restricted assets:		
Cash and cash equivalents:		
Major maintenance, renewal, and replacement account	60,000,000	60,000,000
Passenger facility charges	125,057,872	176,876,998
Rental car customer facility charges	1,905,766	915,830
Unspent loan proceeds	974	2,124,613
Bond construction proceeds	140,291,900	281,984,600
Total cash and cash equivalents – restricted	327,256,512	521,902,041
Investments – revenue bond debt service reserve	102,470,832	102,470,832
Investments – held by certificate of participation funds trustee	17,106,372	16,774,000
Investments – certificate of participation debt service reserve held by trustee	2,623,353	3,825,720
Investments – certificate of participation debt extinguishment held by trustee	40,985	36,962
Investments – customer facility charge debt service reserve	31,250,978	18,779,718
Investments – held by customer facility charge trustee	68,298,127	112,097,826
Investments – unspent customer facility charge bond proceeds	99,530,894	27,806,460
Net investments in direct financing leases	21,877,754	21,877,754
Total restricted noncurrent assets	670,455,807	825,571,313
Total noncurrent assets	4,332,782,636	4,260,304,138
Total assets	$ 5,146,229,147	5,095,938,493
Deferred Outflows of Resources		
Deferred loss on refunding	$ 353,345	844,563
Differences between expected and actual experience – pension	3,189,414	3,044,887
Changes of assumptions – pension	10,442,469	17,270,218
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions – pension	379,694	511,600
Airports Division contributions subsequent to the measurement date – pension	17,834,519	14,425,204
Net difference between projected and actual earnings on OPEB plan investments	408,425	—
Changes of assumptions – OPEB	2,565,297	1,986,266
Airports Division contributions subsequent to the measurement date – OPEB	16,799,881	15,734,971
Total deferred outflows of resources	$ 51,973,044	53,817,709

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2020 and 2019

Liabilities		2020	2019
Current liabilities:			
Payable from unrestricted assets:			
Vouchers payable	$	14,261,703	15,601,711
Contracts payable, including retainage of $4,251,255 and $5,047,731		32,981,375	29,713,957
Current portion of workers' compensation		2,142,860	1,656,099
Current portion of compensated absences		4,114,740	3,924,731
Accrued wages		11,267,981	9,713,367
Other		7,146,657	11,422,721
Total payable from unrestricted assets		71,915,316	72,032,586
Payable from restricted assets:			
Contracts payable, including retainage of $25,051,929 and $29,243,038		68,288,673	89,499,855
Current portion of airports system revenue bonds		44,690,000	42,585,000
Accrued interest		40,156,514	43,245,651
Current portion of lease revenue certificates of participation		12,115,573	10,300,960
Current portion of customer facility charge revenue bonds		10,140,000	5,120,000
Loan payable		—	76,000,000
Security deposits		10,542,161	10,598,910
Other		1,226,962	—
Total payable from restricted assets		187,159,883	277,350,376
Total current liabilities		259,075,199	349,382,962
Long-term liabilities – net of current portion:			
Payable from unrestricted assets:			
Workers' compensation		3,422,032	2,605,433
Compensated absences		8,936,282	8,642,497
Net other postemployment benefit (OPEB) liability		180,997,867	180,773,598
Net pension liability		176,968,836	167,609,095
Total payable from unrestricted assets		370,325,017	359,630,623
Payable from restricted assets:			
Airports system revenue bonds		1,332,857,867	1,382,412,502
Special facility revenue bonds		21,725,000	21,725,000
Lease revenue certificates of participation		187,710,161	200,382,433
Customer facility charge revenue bonds		424,225,000	239,655,000
Prepaid airport use charge fund		311,934	311,934
Total payable from restricted assets		1,966,829,962	1,844,486,869
Total long-term liabilities – net of current portion		2,337,154,979	2,204,117,492
Total liabilities	$	2,596,230,178	2,553,500,454

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2020 and 2019

Deferred Inflows of Resources	2020	2019
Differences between expected and actual experience – pension	$ 147,981	931,142
Changes in assumption – pension	3,219	—
Changes in proportion – pension	967,869	1,356,345
Net difference between projected and actual earnings on pension plan investments – pension	689,321	1,122,781
Differences between expected and actual experience – OPEB	2,690,753	3,281,834
Differences between projected and actual earnings on OPEB plan investments	—	241,414
Total deferred inflows of resources	$ 4,499,143	6,933,516
Net Position		
Net investment in capital assets	$ 1,891,248,987	1,791,655,568
Restricted for:		
Revenue debt service payment	59,034,417	47,705,000
Revenue debt service reserve account	102,470,832	102,470,832
Revenue debt extinguishment	73,503,139	16,547,597
Certificate of participation debt service reserve account	15,696,718	16,360,814
Certificate of participation debt extinguishment	40,985	36,962
Funded coverage	27,597,646	27,079,783
Operations and maintenance	104,711,164	98,479,139
Major maintenance, renewal, and replacement	60,000,000	60,000,000
Construction to be funded by PFCs	123,066,672	187,197,706
Construction to be funded by CFCs	91,776,176	102,170,892
Total restricted	657,897,749	658,048,725
Unrestricted	48,326,134	139,617,939
Total net position	$ 2,597,472,870	2,589,322,232

See accompanying notes to financial statements.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Concession fees	$ 151,024,532	183,274,837
Airport landing fees, net	74,356,874	82,988,322
Aeronautical rentals:		
Nonexclusive joint-use premise charges	64,136,977	79,559,743
Exclusive-use premise charges	60,841,089	60,790,404
Nonaeronautical rentals	22,783,601	22,168,965
Aviation fuel tax	2,191,270	2,608,327
Miscellaneous	7,622,967	9,411,001
Operating revenues	382,957,310	440,801,599
Operating expenses:		
Salaries, wages and benefits	126,440,931	116,992,509
Depreciation	135,992,383	121,992,342
Other personnel services	92,696,750	82,616,141
Repairs and maintenance	38,531,409	34,699,525
Utilities	36,533,207	37,995,358
State of Hawaii surcharge on gross receipts	14,383,786	14,731,128
Special maintenance	8,463,599	5,762,874
Department of Transportation general administration expenses	7,727,347	8,370,126
Materials and supplies	6,254,715	6,526,776
Claims	2,928,599	1,744,507
Insurance	2,402,184	2,190,468
Bad debt expense	70,549	4,015,215
Miscellaneous	2,609,684	1,260,792
Total operating expenses	475,035,143	438,897,761
Operating (loss) income	$ (92,077,833)	1,903,838

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2020 and 2019

	2020	2019
Nonoperating revenues (expenses):		
Interest income	$ 24,055,522	26,116,572
Interest income - investments in direct financing leases	1,222,031	1,222,031
Interest expense:		
Revenue bonds:		
Airports system	(61,172,837)	(21,149,068)
Special facility	(1,222,031)	(1,222,031)
Lease revenue certificates of participation	(8,277,596)	(6,911,833)
Other	(13,665,510)	(1,140,000)
Federal operating grants	51,506,397	1,616,030
Passenger facility charges	34,424,068	49,126,913
Rental car customer facility charges	59,466,498	76,523,216
Bond issue costs	(1,717,826)	(2,313,360)
Loss on disposal of capital assets	(967)	(1,665,588)
Other	(65,850)	(35,791)
Total nonoperating revenues, net	84,551,899	120,167,091
(Loss) income before capital contributions	(7,525,934)	122,070,929
Capital contributions:		
Federal capital grants	15,676,572	50,126,892
Total capital contributions	15,676,572	50,126,892
Increase in net position	8,150,638	172,197,821
Total net position, beginning of year	2,589,322,232	2,417,124,411
Total net position, end of year	$ 2,597,472,870	2,589,322,232

See accompanying notes to financial statements.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from providing services	$ 379,859,470	420,876,275
Cash paid to suppliers	(208,951,722)	(173,986,316)
Cash paid to employees	(114,596,079)	(106,258,664)
Net cash provided by operating activities	56,311,669	140,631,295
Cash flows from noncapital financing activity:		
Proceeds from federal operating grants	14,548,266	5,361,392
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(386,313,248)	(493,664,680)
Proceeds from federal and other capital grants and contributions	25,341,980	43,503,091
Proceeds from airports system revenue bonds	6,460,954	467,361,885
Principal paid on airports system revenue bonds	(42,585,000)	(40,755,000)
Payments to refund airports system revenue bonds	(6,313,763)	—
Bond issue costs paid	(1,717,826)	(2,313,360)
Principal paid on lease revenue certificates of participation	(10,300,960)	(7,330,905)
Interest paid on outstanding debt	(91,282,387)	(74,770,457)
Proceeds from passenger facility charges program	45,611,335	45,489,627
Proceeds from rental car customer facility charges	65,946,892	76,391,848
Proceeds from customer facility charge revenue bonds	194,710,000	—
Principal paid on customer facility charge revenue bonds	(5,120,000)	(5,030,000)
Principal paid on loan payable	(76,000,000)	—
Disbursements – other	(65,850)	(35,791)
Net cash (used in) provided by capital and related financing activities	(281,627,873)	8,846,258
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	401,697,826	212,674,616
Interest received on investments	44,124,336	7,995,004
Purchases of investments	(448,856,297)	(204,941,434)
Net cash (used in) provided by investing activities	(3,034,135)	15,728,186
Net (decrease) increase in cash and cash equivalents	(213,802,073)	170,567,131
Cash and cash equivalents, beginning of year	1,255,847,053	1,085,279,922
Cash and cash equivalents, end of year (note 3)	$ 1,042,044,980	1,255,847,053

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Reconciliation of operating income to net cash provided by operating activities:			
Operating (loss) income	$	(92,077,833)	1,903,838
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		135,992,383	121,992,342
Bad debt expense		70,549	4,015,215
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund		—	117,725
Transfer out of prepaid airport use charge fund		—	(19,000,000)
Changes in operating assets and liabilities:			
Accounts receivable		971,313	(6,503,971)
Aviation fuel tax receivable		193,111	(3,418)
Due from State of Hawaii		198,136	26,161,945
Inventory		9,849	(5,759)
Deferred outflows of resources – pensions		3,405,813	6,294,578
Deferred outflows of resources – OPEB		(2,052,366)	(4,924,166)
Vouchers payable		(1,340,008)	3,516,945
Contracts payable		4,782,130	(3,746,537)
Accrued wages		2,857,974	1,247,735
Compensated absences		483,794	487,786
Net other postemployment benefit (OPEB) liability		224,269	1,778,371
Net pension liability		9,359,741	1,948,976
Security deposits		(56,749)	1,339,698
Other current liabilities		(4,276,064)	109,427
Deferred inflows of resources – pensions		(1,601,878)	617,030
Deferred inflows of resources – OPEB		(832,495)	3,283,535
Net cash provided by operating activities	$	56,311,669	140,631,295
Supplemental information:			
Noncash investing, capital and financing activities:			
The Airports Divisions noncash capital and financing activities related to bonds payable included the following:			
Interest payments on special facility revenue bonds by trustee	$	1,222,031	1,222,031
Amortization of revenue bond premium		(5,013,018)	(3,788,243)
Amortization of revenue bond discount		1,192	1,145
Amortization of certificates of participation premium		(556,699)	(688,828)
Amortization of deferred loss on refunding revenue bonds		491,218	609,139
Payments to refund airports system revenue bonds		(241,180,583)	—
Proceeds from issuance of refunding airports system revenue bonds		247,641,537	—
Contract payable included for acquisition of capital assets		83,041,389	105,767,283
Interest capitalized in capital assets		—	50,970,861
Net book value of capital assets written off		967	1,665,588

See accompanying notes to financial statements.

(1) Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). As an enterprise fund, the Airport uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred (flow of economic resources measurement focus).

(b) Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

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

(d) Receivables

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

An aging of the accounts receivable at June 30, 2020 was as follows: current – $21,297,029; 30 days – $15,656,821; 60 days – ($85,354); and over 90 days – $3,358,441.

An aging of the accounts receivable at June 30, 2019 was as follows: current – $33,613,314; 30 days – $(193,079); 60 days – $39,134; and over 90 days – $8,009,737.

(e) Restricted Assets

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

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

(f) Capital Assets

Capital assets acquired by purchase or construction are recorded at cost. Contributed property is recorded at acquisition value as of the date of contribution. Buildings, improvements, and machinery and equipment are depreciated by the straight-line method over their estimated useful lives as follows:

Class of assets	Estimated useful lives	Capitalization threshold
Land improvements	10 to 20 years	$ 100,000
Buildings	45 years	100,000
Building improvements	20 years	100,000
Machinery and equipment	10 years	5,000

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

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

(g) Investments

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

(h) Deferred Outflows of Resources and Deferred Inflows of Resources

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

(i) Deferred Loss on Refundings

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

(j) Compensated Absences Payable

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

(k) Employees Retirement System

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from 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.

(Continued)

Pension investments are reported at their fair value.

(l) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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.

(m) Bond Original Issue Discount or Premium

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

(n) Bond Issue Costs

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

(o) Operating Revenues and Expenses

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

(p) Passenger Facility Charges

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

(q) Rental Car Customer Facility Charge

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

(r) Capital Contributions

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

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

(s) Risk Management

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

(t) Recently Adopted Accounting Standards

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement replaces paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Airports Division implemented this statement during fiscal year 2020 on a prospective basis and recognized all interest costs incurred before the end of a construction period as an expense in the period in which the cost was incurred.

During fiscal year 2020, the Airports Division implemented GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately. This Statement did not have any effect on the Airports Division's financial statements.

(u) Recently Issued Accounting Standards

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by GASB Statement No.

95 for eighteen months. The Airports Division has not yet determined the effect this Statement will have on its financial statements.

(3) Cash and Cash Equivalents and Investments

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

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

Information relating to the State's investment pool at June 30, 2020 will be included in the comprehensive annual financial report of the State when issued.

At June 30, 2020 and 2019, the amount reported as amounts held in State Treasury reflects the Airports Division's relative position in the State's investment pool and amounted to $1,258,418,326 and $1,424,195,690, respectively.

Airports Division's cash and cash equivalents and investments as of June 30, 2020 and 2019 consisted of the following:

		2020	2019
Petty cash	$	4,765	4,765
Amounts held in State Treasury		1,258,418,326	1,424,195,690
Certificates of deposit		75,153,802	77,273,380
U.S. government securities		27,316,534	25,197,222
Money market mutual funds		19,770,710	20,636,682
	$	1,380,664,137	1,547,307,739

Such amounts are reflected in the statements of net position as of June 30, 2020 and 2019 as follows:

		2020	**2019**
Cash and cash equivalents			
Unrestricted	$	494,687,328	503,262,584
Restricted		547,357,652	752,584,469
Total cash and cash equivalents		1,042,044,980	1,255,847,053
Investments – restricted		318,848,447	270,824,004
Investments – held by certificate of participation funds – trustee		19,770,710	20,636,682
Total cash and cash equivalents and investments	$	1,380,664,137	1,547,307,739

(a) Deposits

Information relating to individual bank balances, insurance, and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Information regarding the carrying amount and corresponding bank balances of the State's investment pool and collateralization of those balances is included in the comprehensive annual financial report of the State.

A portion of the bank balances is covered by federal deposit insurance, or by collateral held by the State Treasury, or by the State's fiscal agents in the name of the State. Other bank balances are held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations.

Accordingly, these deposits are exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

(b) Investments

At June 30, 2020 and 2019, the investments held by the Airports Division consisted of money market mutual funds, nonnegotiable certificates of deposit, and U.S. Treasury bills. Such investments were insured or collateralized with securities held by the State Treasury or by the State's fiscal agent in the name of the State.

(Continued)

The Airports Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Such securities are classified as Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, the fair values of securities are estimated using significant unobservable inputs and are therefore classified within Level 3 of the hierarchy. The fair value of U.S. government securities, which are comprised of U.S. Treasury bills held by the Airports Division are measured using Level 1 inputs.

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

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

(i) *Interest Rate Risk*

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

(ii) *Credit Risk*

The Airports Division follows the State's policy of limiting its investments as authorized in the Hawaii Revised Statutes.

At June 30, 2020 and 2019, the Airports Divisions investments were rated by Moody's as follows:

	Fair value		Ratings
	2020	**2019**	**Moody's**
Money market mutual funds:			
U.S. Bank – Federated government obligations fund	$ 2,664,338	$ 3,862,682	Aaa-mf
U.S. Treasury bill	17,106,372	16,774,000	Aaa-mf
	$ 19,770,710	$ 20,636,682	

(iii) Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Airports Division 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 Airports Division and the State's investments are held at broker-dealer firms that are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess SIPC coverage is provided by the firm's insurance policies. The Airports Division and the State require the institutions to set aside, in safekeeping, certain types of securities to collateralize repurchase agreements. The Airports Division and the State monitor the market value of these securities and obtain additional collateral when appropriate.

(iv) Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument. At June 30, 2020 and 2019, the Airports Division did not hold any investments with one issuer that represent more than 5% of total investments.

(4) Capital Assets

Capital assets activity for the years ended June 30, 2020 and 2019 consists of the following:

	Balance, June 30, 2019	Increases	Decreases	Transfers	Balance, June 30, 2020
Capital assets not being depreciated:					
Land	$ 324,937,876	—	—	—	324,937,876
Land improvements	53,305,795	—	—	99,054	53,404,849
Construction in progress	1,303,765,905	361,794,285	(372,657)	(167,872,613)	1,497,314,920
Total capital assets not being depreciated	1,682,009,576	361,794,285	(372,657)	(167,773,559)	1,875,657,645
Capital assets being depreciated:					
Land improvements	1,579,671,721	—	—	39,170,211	1,618,841,932
Buildings and improvements	2,283,304,211	—	—	119,745,270	2,403,049,481
Machinery and equipment	322,343,977	2,478,436	(865,998)	8,858,078	332,814,493
Total capital assets being depreciated	4,185,319,909	2,478,436	(865,998)	167,773,559	4,354,705,906
Less accumulated depreciation:					
Land improvements	(887,980,846)	(52,813,109)	—	—	(940,793,955)
Buildings and improvements	(1,276,751,301)	(72,816,548)	—	—	(1,349,567,849)
Machinery and equipment	(267,864,513)	(10,362,726)	552,321	—	(277,674,918)
Total depreciation	(2,432,596,660)	(135,992,383)	552,321	—	(2,568,036,722)
Capital assets being depreciated, net	1,752,723,249	(133,513,947)	(313,677)	167,773,559	1,786,669,184
Total capital assets	$ 3,434,732,825	228,280,338	(686,334)	—	3,662,326,829

(Continued)

	Balance, June 30, 2018	Increases	Decreases	Transfers	Balance, June 30, 2019
Capital assets not being depreciated:					
Land	$ 315,977,962	—	—	8,959,914	324,937,876
Land improvements	48,363,254	—	—	4,942,541	53,305,795
Construction in progress	1,307,280,018	499,616,876	(1,779,008)	(501,351,981)	1,303,765,905
Total capital assets not being depreciated	1,671,621,234	499,616,876	(1,779,008)	(487,449,526)	1,682,009,576
Capital assets being depreciated:					
Land improvements	1,173,397,147	—	—	406,274,574	1,579,671,721
Buildings and improvements	2,204,041,391	—	—	79,262,820	2,283,304,211
Machinery and equipment	311,836,796	8,546,583	(90,976)	2,051,574	322,343,977
Total capital assets being depreciated	3,689,275,334	8,546,583	(90,976)	487,588,968	4,185,319,909
Less accumulated depreciation:					
Land improvements	(846,298,930)	(41,681,916)	—	—	(887,980,846)
Buildings and improvements	(1,209,995,486)	(66,755,815)	—	—	(1,276,751,301)
Machinery and equipment	(254,260,936)	(13,554,611)	90,476	(139,442)	(267,864,513)
Total depreciation	(2,310,555,352)	(121,992,342)	90,476	(139,442)	(2,432,596,660)
Capital assets being depreciated, net	1,378,719,982	(113,445,759)	(500)	487,449,526	1,752,723,249
Total capital assets	$ 3,050,341,216	386,171,117	(1,779,508)	—	3,434,732,825

(5) Long-term Liabilities

A summary of the long-term liabilities changes during fiscal years 2020 and 2019 is as follows:

	Balance, June 30, 2019	Increases	Decreases	Balance, June 30, 2020	Current	Noncurrent
Workers' compensation (note 17)	$ 4,261,532	2,966,805	(1,663,445)	5,564,892	2,142,860	3,422,032
Compensated absences	12,567,228	6,493,179	(6,009,385)	13,051,022	4,114,740	8,936,282
Prepaid airport use charge fund (notes 10 and 19)	311,934	—	—	311,934	—	311,934
Net postemployment liability (note 14)	180,773,598	15,959,240	(15,734,971)	180,997,867	—	180,997,867
Net pension liability (note 13)	167,609,095	23,784,945	(14,425,204)	176,968,836		176,968,836
Airports system revenue bonds (note 6)	1,349,755,000	235,325,000	(287,970,000)	1,297,110,000	44,690,000	1,252,420,000
Airports system revenue bonds premiums (note 6)	75,291,929	12,316,537	(5,408,706)	82,199,760	—	82,199,760
Airports system revenue bonds discounts (note 6)	(49,427)	(2,109,345)	396,879	(1,761,893)	—	(1,761,893)
Airports system customer facility charge revenue bonds (note 8)	244,775,000	194,710,000	(5,120,000)	434,365,000	10,140,000	424,225,000
Lease revenue certificates of participation (note 7)	208,847,868	—	(10,300,960)	198,546,908	12,115,573	186,431,335
Lease revenue certificates of participation premiums (note 7)	1,835,525	—	(556,699)	1,278,826	—	1,278,826
Special facility revenue bonds (note 10)	21,725,000	—	—	21,725,000	—	21,725,000
	$ 2,267,704,282	489,446,361	(346,792,491)	2,410,358,152	73,203,173	2,337,154,979

	Balance, June 30, 2018	Increases	Decreases	Balance, June 30, 2019	Current	Noncurrent
Workers' compensation (note 17)	$ 4,261,532	1,639,473	(1,639,473)	4,261,532	1,656,099	2,605,433
Compensated absences	12,079,442	6,194,816	(5,707,030)	12,567,228	3,924,731	8,642,497
Prepaid airport use charge fund (notes 10 and 19)	19,194,209	117,725	(19,000,000)	311,934	—	311,934
Net postemployment liability (note 14)	178,995,227	14,575,442	(12,797,071)	180,773,598	—	180,773,598
Net pension liability (note 13)	165,660,119	15,066,579	(13,117,603)	167,609,095	—	167,609,095
Airports system revenue bonds (note 6)	975,825,000	414,685,000	(40,755,000)	1,349,755,000	42,585,000	1,307,170,000
Airports system revenue bonds premiums (note 6)	26,403,287	52,676,886	(3,788,244)	75,291,929	—	75,291,929
Airports system revenue bonds discounts (note 6)	(50,572)	—	1,145	(49,427)	—	(49,427)
Airports system customer facility charge revenue bonds (note 8)	249,805,000	—	(5,030,000)	244,775,000	5,120,000	239,655,000
Lease revenue certificates of participation (note 7)	216,178,773	—	(7,330,905)	208,847,868	10,300,960	198,546,908
Lease revenue certificates of participation premiums (note 7)	2,524,353	—	(688,828)	1,835,525	—	1,835,525
Special facility revenue bonds (note 10)	21,725,000	—	—	21,725,000	—	21,725,000
	$ 1,872,601,370	504,955,921	(109,853,009)	2,267,704,282	63,586,790	2,204,117,492

(6) Airports System Revenue Bonds

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

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

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

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

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

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

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

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

e. To provide for betterments and improvements to the airports

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

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

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

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

At June 30, 2020 and 2019, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2020 and 2019, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statements of net position) consisted of the following:

	2020	2019
Debt service reserve account	$ 102,470,832	102,470,832
Major maintenance, renewal and replacement account	60,000,000	60,000,000
	162,470,832	162,470,832
Principal and interest due July 1	73,503,139	76,319,825
	$ 235,973,971	238,790,657

At June 30, 2020 and 2019, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,122,500,159 and $1,135,824,069, respectively.

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

The following is a summary of airports system revenue bonds issued and outstanding at June 30, 2020:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980,000	230,790,000
2010B, refunding	3.00%–5.00%	2020	166,000,000	21,650,000
2011, refunding	2.00%–5.00%	2024	300,885,000	150,400,000
2015A, nonrefunding	4.125%–5.00%	2045	235,135,000	235,135,000
2015B, nonrefunding	4.00%	2045	9,125,000	9,125,000
2018A, nonrefunding	5.00%	2048	388,560,000	388,560,000
2018B, nonrefunding	3.00%–5.00%	2027	26,125,000	26,125,000
2018C, refunding	3.58%	2028	93,175,000	93,175,000
2018D, refunding	5.00%	2034	142,150,000	142,150,000
			$ 1,840,135,000	1,297,110,000
Add unamortized premium				82,199,760
Less unamortized discount				(1,761,893)
Less current portion				(44,690,000)
Noncurrent portion				$ 1,332,857,867

The following is a summary of airports system revenue bonds issued and outstanding at June 30, 2019:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980,000	476,430,000
2010B, refunding	3.00%–5.00%	2020	166,000,000	43,815,000
2011, refunding	2.00%–5.00%	2024	300,885,000	170,565,000
2015A, nonrefunding	4.125%–5.00%	2045	235,135,000	235,135,000
2015B, nonrefunding	4.00%	2045	9,125,000	9,125,000
2018A, nonrefunding	5.00%	2048	388,560,000	388,560,000
2018B, nonrefunding	3.00%–5.00%	2027	26,125,000	26,125,000
			$ 1,604,810,000	1,349,755,000
Add unamortized premium				75,291,929
Less unamortized discount				(49,427)
Less current portion				(42,585,000)
Noncurrent portion				$ 1,382,412,502

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

	Principal	Interest	Total
Years ending June 30:			
2021	$ 44,690,000	59,353,160	104,043,160
2022	47,235,000	59,885,552	107,120,552
2023	49,620,000	57,482,595	107,102,595
2024	52,045,000	54,956,356	107,001,356
2025	54,675,000	52,441,463	107,116,463
2026–2030	146,470,000	241,830,740	388,300,740
2031–2035	184,445,000	203,003,771	387,448,771
2036–2040	235,420,000	150,738,993	386,158,993
2041–2045	300,400,000	84,184,931	384,584,931
2045–2049	182,110,000	15,997,753	198,107,753
	$ 1,297,110,000	979,875,314	2,276,985,314

In August 2018, the Airports Division executed two forward delivery bond purchase contracts relating to its $93,175,000 Airports System Revenue Bonds, Refunding Series 2018C and $142,150,000 Airports System Revenue Bonds, Refunding Series 2018D. Subject to the terms of such contracts, the Airports Division expects to issue and deliver the Series 2018C Bonds and the Series 2018D Bonds in April 2020 to refund $245,385,000 of outstanding Series 2010A Bonds on July 1, 2020.

The Airports Division entered into these agreements with the respective purchasers for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

On August 9, 2018, the purchaser agreed to purchase the Series 2018C Bonds in the principal amount of $93,175,000 for the amount of $93,175,000. The Series 2018C Bonds will bear an interest rate of 3.58% and maturity dates ranging from 2021 – 2028.

On August 9, 2018, the purchaser agreed to purchase the Series 2018D Bonds in the principal amount of $142,150,000 at a price of $154,466,536. The Series 2018D Bonds will bear an interest rate of 5.00% with maturity dates ranging from 2029 – 2034.

On April 7, 2020, the Airports Division issued the Series 2018C and Series 2018D Bonds to refund a portion of its outstanding Series 2010A Bonds. Of the net proceeds of $247,641,537 (after payment of $154,328 in underwriting fees, insurance, and other costs), along with an additional $4,204,417 from the debt service reserve account, $251,691,625 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds on July 1, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $7,137 (deferred gain on refunding of $1,309,991 for Series 2018C Bonds and deferred loss on refunding of $1,302,854 for Series 2018D Bonds). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 9 to 15 years.

(7) Lease Revenue Certificates of Participation

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

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

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

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

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

At June 30, 2020, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $198,546,908 and $1,278,826, respectively.

At June 30, 2019, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $208,847,868 and $1,835,525, respectively.

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

		Principal	Interest	Total
Years ending June 30:				
2021	$	12,115,573	8,550,685	20,666,258
2022		13,752,812	7,981,791	21,734,603
2023		15,203,667	7,343,039	22,546,706
2024		17,224,180	6,632,805	23,856,985
2025		19,760,449	5,797,450	25,557,899
2026 - 2030		101,935,614	13,203,548	115,139,162
2031 - 2034		18,554,613	1,099,643	19,654,256
	$	198,546,908	50,608,961	249,155,869

(8) Customer Facility Charge Revenue Bonds

In July 2017, the Airports Division issued $249,805,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70% to 4.14%. The Series 2017 Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2017 Bonds and to pay certain costs of issuance relating to the Series 2017 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System. At June 30, 2020 and 2019, the outstanding balance of the Series 2017A Bonds is $239,655,000 and $244,775,000, respectively, with a maturity of July 1, 2047.

At June 30, 2019, the amount credited to the revenue bond debt service reserve accounts was in accordance with the applicable provisions of the official statement.

In August 2019, the Airports Division issued $194,710,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819% to 2.733%. The Series 2019A Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2019 Bonds and to pay certain costs of issuance relating to the Series 2019 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System. At June 30, 2020 the outstanding balance of the Series 2019A Bonds is $194,710,000, with a maturity of July 1, 2047.

(Continued)

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

	Principal	Interest	Total
Years ending June 30:			
2021	10,140,000	14,214,554	24,354,554
2022	10,350,000	14,005,961	24,355,961
2023	10,575,000	13,782,432	24,357,432
2024	10,815,000	13,538,156	24,353,156
2025	11,080,000	13,271,288	24,351,288
2026-2030	60,115,000	61,660,763	121,775,763
2031-2035	69,890,000	51,889,135	121,779,135
2036-2040	82,845,000	38,925,292	121,770,292
2041-2045	99,410,000	22,363,334	121,773,334
2046-2048	69,145,000	3,923,698	73,068,698
	$ 434,365,000	247,574,613	681,939,613

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

The outstanding customer facility charge revenue bonds contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues and taxes during the year are less than 140 percent of debt service coverage due in the following year and (2) a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The outstanding customer facility charge revenue bonds contain a subjective acceleration clause that allows the bondholders to accelerate payment of the entire principal amount to become immediately due if the bondholders determines that a material adverse change occurs.

(9) Loan Payable

In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC, acting as the agent of the Lenders. The Lenders were established to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) provided through legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is $76,000,000. The EB-5 loan is the first series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from the Trust Estate, with customer facility charges being the primary component. The EB-5 loan is not payable from revenue and aviation fuel taxes, which the DOT has pledged for the repayment of airports system revenue bonds issued under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

The loan bears interest at a rate of 1.50% with interest payments due semiannually on July 1 and January 1. For the year ended June 30, 2020 and 2019, the Airports Division has incurred interest of $153,041 and $1,140,000, respectively. The loan payable as of June 30, 2019 was $76,000,000 and was paid in full on August 27, 2019.

(10) Leases

(a) Airport Airline Lease Agreement

(i) Airports Division

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

Under the lease extension agreement, the airports system rates and charges are calculated using a residual rate-setting methodology that excludes duty-free revenue in excess of $100 million per year and any interest income earned on funds set aside for the Capital Improvements Program. The airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on appraisal and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space) based on appraisal and recovered on a per revenue passenger landing basis, (3) international arrivals building charges based on appraisal and recovered on a per deplaning international passenger basis, (4) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (5) system support charges based on an airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

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

Nonsignatory airlines are subject to the Administrative Rules, which require the payment of specified amounts for landing fees, Airports System Support Charges, and certain other rates, fees, and charges. Under the 2007 Agreement, the Department agreed to amend the methodology for calculating fees and charges so that nonsignatory airline fees and charges would be 125% of Signatory Airline fees and charges.

(ii) Prepaid Airport Use Charge Fund

The Prepaid Airport Use Charge Fund (the PAUCF) was established in 1994 to provide a process to transfer monies paid to the Airports Division by the signatory airlines in excess of the amounts required under each lease.

In August 1995, the DOT and the signatory airlines entered into an agreement to extend the PAUCF.

Net excess payments for fiscal years 1996 through 2020 have been transferred to the PAUCF (note 18). These funds are required to be set aside as restricted, and are the property of the signatory airlines, and can only be spent for purposes mutually designated by the State and the Airlines Committee of Hawaii, which substantially benefit the state airport system.

(iii) Aviation Fuel Tax

The aviation fuel tax amounted to $2,191,270 and $2,608,327 for fiscal years 2020 and 2019, respectively. In May 1996, the State Department of Taxation issued a tax information release that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination.

(iv) Airports System Rates and Charges

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

Airport landing fees amounted to $75,921,738 and $85,491,538 for fiscal years ended 2020 and 2019, respectively. Airport landing fees are shown net of aviation fuel tax credits of $1,564,864 and $2,503,216 for fiscal years ended 2020 and 2019, respectively, on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $74,356,874 and $82,988,322 for fiscal years 2020 and 2019, respectively. Airport landing fees are based on a computed rate per 1000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland airport landing fees for signatory airlines is set at 47% and 46%

of the airport landing fees for overseas flights for fiscal years 2020 and 2019, respectively, and are scheduled to increase 1% annually until it reaches 100%.

Overseas and interisland joint-use premise charges were established to recover airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates and are recovered based on a computed rate per enplaning or deplaning passenger. Nonexclusive joint-use premise charges for terminal rentals amounted to $64,136,977 and $79,559,743 for fiscal years 2020 and 2019, respectively.

International arrivals building charges were established to recover airports system costs allocable to the international arrivals area based on terminal rental rates and are recovered based on a computed rate per deplaning international passenger using the international arrivals area. Beginning fiscal year 2000, nonsignatory airline revenue was applied as a credit in calculating the joint-use premise charge and international arrivals building charges.

Exclusive-use premise charges amounted to $60,841,089 and $60,790,404 for fiscal years 2020 and 2019, respectively, and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounted to $32,853,120 and $28,804,781 for fiscal years 2020 and 2019, respectively.

(v) Special Facility Leases and Revenue Bonds

The Airports Division entered into special facility lease agreements with Continental Airlines, Inc. in November 1997 and July 2000. The construction of the related facilities was financed by special facility revenue bonds issued by the Airports Division in the amounts of $25,255,000 and $16,600,000, respectively. These bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facility. Special facility revenue bonds amounting to $16,600,000 were called in full on May 18, 2015.

Bonds with a stated maturity date of November 15, 2027 remain outstanding. The bonds are subject to redemption on or after November 15, 2007 at the option of the Airports Division, upon the request of Continental Airlines, Inc., at prices ranging from 101% to 100% of principal, depending on the dates of redemption or, if the facilities are destroyed or damaged extensively, at 100% plus interest.

The bonds bear interest at 5.625% per annum. Interest-only payments of $611,016 are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due. The following principal and interest payments on special facility revenue bonds are required based on the amounts outstanding at June 30, 2020:

		Principal	Interest	Total
Years ending June 30:				
2021	$	—	1,222,031	1,222,031
2022		—	1,222,031	1,222,031
2023		—	1,222,031	1,222,031
2024		—	1,222,031	1,222,031
2025			1,222,031	1,222,031
2026–2028		21,725,000	3,055,079	24,780,079
	$	21,725,000	9,165,234	30,890,234

The special facility leases are accounted for and recorded as direct financing leases. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as an asset and the special facility revenue bonds outstanding are recorded as a liability in the accompanying statements of net position.

Net investments in direct financing leases at June 30, 2020 and 2019 consisted of the following:

		2020	2019
Cash with bond fund trustee	$	1,474,849	1,457,107
Receivable from lessees, net of unearned interest of $9,012,480 and $10,234,511, respectively		20,250,151	20,267,893
Interest receivable		152,754	152,754
	$	21,877,754	21,877,754

(b) Other Operating Leases

The Airports Division also leases certain building spaces and improvements to concessionaires, airline carriers and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users.

The future minimum rentals from these operating leases at June 30, 2020 are as follows:

Year(s) ending June 30:	
2021	$ 101,245,278
2022	92,820,252
2023	84,519,039
2024	78,970,359
2025	63,887,192
2026–2030	155,402,582
2031–2035	20,868,089
2036–2040	4,855,169
2041–2045	5,939,126
2046-2050	7,004,735
	$ 615,511,821

The leases with concessionaires are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rents included in concession fees for fiscal years 2020 and 2019 was $60,595,665 and $87,676,554, respectively.

Concession fee revenue from the DFS Group, L.P. (DFS), which operates the in-bond (Duty Free) concession, accounted for approximately 24% and 22% of total concession fee revenue for fiscal years 2020 and 2019, respectively.

DFS was originally awarded a five-year lease agreement for the in-bond concession in February 2001. By 2003, DFS had been in significant arrears in rents due to the Airports Division as a result of financial difficulties arising from the downturn in Hawaii's economy due to the decrease in international visitor travel. As a result, in August 2003, the Airports Division and DFS entered into a Withdrawal and Settlement Agreement, which provided DFS with certain relief for past-due rents and which allowed the Airports Division to withdraw and recapture all of the leased premises and to early terminate the in-bond lease.

The in-bond concession was rebid in September 2003, and DFS was awarded the lease for the period from October 1, 2003 to May 31, 2006. The lease contract provided for a minimum annual guarantee rent as well as a percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2005 to May 31, 2006, the minimum annual guarantee rent was $37,311,121, and the percentage rent was as follows: (1) for total concession receipts greater than $165 million, but less than $200 million, 22.5% for on-airport sales, and 18.5% for off-airport sales and (2) for total concession receipts greater than $200 million, 30.0% for on-airport sales, and 22.5% for off-airport sales.

Effective June 1, 2006, the lease was extended for a period of one year pursuant to a holdover clause in the lease agreement. During the holdover period, DFS shall have a month-to-month tenancy, with rents and terms the same as those in effect immediately prior to the holdover.

On January 3, 2007, DFS was awarded a 10-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007 and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883. The amended lease contract provided for a minimum annual guarantee rent, as well as a percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2007 to May 31, 2011, the minimum annual guarantee rent was $38 million and the percentage rent was as follows: (1) for total concession receipts greater than $155 million, but less than $195 million, 22.5% for on-airport sales, and 18.5% for off-airport sales; (2) for total concession receipts greater than $195 million, but less than $235 million, 30.0% for on-airport sales, and 22.5% off-airport sales; (3) for total concession receipts greater than $235 million, but less than $275 million, 30.0% for on-airport sales, and 26.5% for off-airport sales; and (4) for total concession receipts greater than $275 million, 30.0% for on-airport sales and off-airport sales. For the period from June 1, 2011 to May 31, 2017, the minimum annual guarantee rent was equal to 85% of the total rent paid for the fourth year of the lease term. Percentage rent during this period was calculated the same as during the first four years of the lease term.

Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides (a) for the period from June 1, 2017 through May 31, 2019, $40 million, (b) for the period of June 1, 2019 through May 31, 2020, $47.5 million, (c) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee rent or percentage rent) for the previous year, (d) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (e) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, (f) for the period from June 1, 2023 through May 31, 2027, the same as the minimum annual guarantee rent for the period of June 1, 2022 through May 31, 2023, (3) the percentage fees for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales, (4) the percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and (5) the concession fee for items that are High Price/Low Margin Merchandise shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay $27.9 million for improvements to the Central Waiting Lobby Building at Daniel K. Inouye International Airport.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Daniel K. Inouye International Airport, with the term commencing on April 1, 2009 and scheduled to terminate on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) minimum annual guarantee rent (85% of the actual annual fee paid for the preceding year). The lease agreement was extended for a holdover period through March 31, 2015. During the holdover period, the minimum annual guarantee rent was $12 million. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the minimum annual guarantee rent for the period April 1, 2015 through March 31, 2016 be $12 million and for each subsequent year, the minimum annual guarantee rent will be 85% of the actual annual fee paid for the preceding year.

(11) Passenger Facility Charges

Passenger facility charge activity for the years ended June 30, 2020 and 2019 is as follows:

		2020	2019
Restricted assets – passenger facility charges, beginning of year	$	187,848,864	192,561,284
Passenger facility charges during the year		30,738,643	44,577,538
Interest earned on passenger facility charges during the year		3,685,425	4,549,375
Capital expenditures during the year		(97,430,461)	(53,839,333)
Restricted assets – passenger facility charges, end of year	$	124,842,471	187,848,864

Restricted assets – passenger facility charges are presented on the statements of net position as of June 30, 2020 and 2019 as follows:

		2020	2019
Cash and cash equivalents	$	125,057,872	176,876,998
Receivable		1,011,561	10,971,866
Payable		(1,226,962)	—
Total restricted assets – passenger facility charges	$	124,842,471	187,848,864

(12) Rental Car Customer Facility Charge

Rental car customer facility charge activity for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Restricted assets – rental car customer facility charge beginning of year	$ 148,459,490	184,098,359
Rental car customer facility charges during the year	56,173,999	72,378,540
Net bond proceeds on 2019A series issuance	12,111,459	—
Interest earned on rental care customer facility charges during the year	2,015,974	3,154,621
Operating and maintenance expenditures during the year	(6,589,734)	(2,026,037)
Capital expenditures during the year	(76,155,085)	(93,834,877)
Interest paid on loan payable	(747,333)	(1,140,000)
Interest paid on debt service	(15,999,729)	(14,171,116)
Restricted assets – rental car customer facility charges, end of year	$ 119,269,041	148,459,490

Restricted assets – rental car customer facility charges are presented on the statement of net position as of June 30, 2020 and 2019 as follows:

	2020	2019
Cash and cash equivalents	$ 1,905,766	915,830
Investments	116,846,721	140,546,712
Receivable	516,554	6,996,948
Total restricted assets – rental car customer facility charges	$ 119,269,041	148,459,490

(13) Pension Information

(a) Plan Description

All eligible employees of the Airports Division are required by Chapter 88, Hawaii Revised Statutes (HRS), to become members of the Employees Retirement System (ERS) of the State, a cost-sharing, multiple-employer public defined-benefit pension plan. The ERS provides retirement, survivor and disability benefits with multiple benefit structures known as the contributory, hybrid and noncontributory.

All contributions, benefits and eligibility requirements are established by Chapter 88, HRS, and can be amended by legislative action.

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

(b) Benefits Provided

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

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

(c) Contributions

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

(i) Contributory

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

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

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

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

(ii) Hybrid

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

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

(iii) Noncontributory

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

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

The ERS funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. The funding method used to calculate the total employer contribution required is the entry age normal actuarial-cost method. Since July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts to pay for the unfunded actuarial accrued liability. The contribution rates for fiscal year 2018 were 28.00% for police officers and firefighters, and 18.00% for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every five years.

The required pension contributions by the Airports Division for the years ended June 30, 2020 and 2019 were $17,834,519 and $14,425,204, respectively. Measurement of assets and actuarial valuations are made for the ERS as a whole and are not separately computed for individual participating employers such as the Airports Division.

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

At June 30, 2020 and 2019, the Airports Division reported a liability of $176,968,836 and $167,609,095, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2020 was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability at June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airports Division's proportion of the net pension liability is determined by a systematic methodology, based on an estimation of covered payroll, utilized by the Department of Accounting and General Services to allocate the State's proportion of the collective net pension liability to the various departments and agencies across the State.

At June 30, 2019 and 2018, the Airports Division's proportion was 2.54% and 2.47%, respectively, which was an increase of 0.07% and 0.02% from its proportion measured as of June 30, 2018 and 2017, respectively.

There were no changes in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2019 and 2018, and the reporting date, June 30, 2020 and 2019, respectively, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2020 and 2019, the Airports Division recognized pension expense of $28,998,196 and $23,285,788, respectively. At June 30, 2020 and 2019, the Airports Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 3,189,414	147,981
Changes in assumptions	10,442,469	3,219
Net difference between projected and actual earnings on pension plan investments	—	689,321
Changes in proportion and differences between Airports: Division contributions and proportionate share of contributions	379,694	967,869
Airports Division contributions subsequent to the measurement date	17,834,519	—
	$ 31,846,096	1,808,390

	2019	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 3,044,887	931,142
Changes in assumptions	17,270,218	—
Net difference between projected and actual earnings on pension plan investments	—	1,122,781
Changes in proportion and differences between Airports: Division contributions and proportionate share of contributions	511,600	1,356,345
Airports Division contributions subsequent to the measurement date	14,425,204	—
	$ 35,251,909	3,410,268

The $17,834,519 reported as deferred outflows of resources related to pension resulting for the Airports Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The $14,425,204 reported as deferred outflows of resources related to pension resulting for the Airports Division contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ending June 30:		
2021	$	7,282,505
2022		3,229,320
2023		671,333
2024		891,562
2025		128,467
	$	12,203,187

(e) Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Investment rate of return, including inflation at 2.5%	7.0% per year

Projected salary increases, including inflation at 2.50%

Police and fire employees	5.00% to 7.00%
General employees	3.50% to 6.50%
Teacher	3.75% to 5.75%

Cost-of-living adjustments (COLAs)*

Membership date prior to July 1, 2012	2.50%
Membership date after June 30, 2012	1.50%

*COLAs are not compounded; and are based on original pension amounts.

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA.

For the June 30, 2019 actuarial valuation, postretirement mortality rates are based on the 2019 public retirees of Hawaii mortality table, based on generational projections of the BB projection table from the year 2019 and for generational projections for future years. For the June 30, 2018 actuarial valuation, postretirement mortality rates are based on the 2016 public retirees of Hawaii mortality table, based on generational projections of the BB projection table from the year 2016 and for generational projections for future years.

Preretirement mortality rates are based on the RP-2014 tables based on the occupation of the member.

The actuarial assumptions used in the June 30, 2019 valuation were adopted by the ERS Board of Trustees on August 12, 2019 based on the 2018 actuarial experience study for the five year period from July 1, 2013 through June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2015.

The following changes were made to the actuarial assumptions as of June 30, 2018 to June 30, 2019, based on the 2018 actuarial experience study:

- The assumed salary increase schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit (which would include promotions) and then an additional component for step rates based on service. There were no changes for General Employees and Teachers. The overall impact increased for salary rate increase rates received for most Police and Fire over their career due to extending the two year step schedule to 25 years.

- Mortality rates generally decreased due to the continued improvements in using a fully generational approach and Scale BB (published by the Society of Actuaries), although mortality rates increased in certain age groups across all employment groups.

- The rates of disability of active employees increased for all General Employees and Teachers, and for Police and Fire from duty-related reasons.

- There were minor increases in the retirement rates for members in certain groups based on age, employment group and/or membership class.

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 allocation and best estimates of geometric real rates of return for the June 30, 2019 and 2018 actuarial valuations for each major asset class are summarized in the following tables:

Strategic allocation (risk-based classes)	Target allocation	Long-term expected geometric rate of return
Broad growth	63.00 %	7.65 %
Principal protection	7.00	3.00
Real return	10.00	4.55
Crisis risk offset	20.00	5.15
	100.00 %	

(f) Discount Rate

The discount rate used to measure the net pension liability was 7.00%, which was the same discount rate from the valuation completed at June 30, 2018. 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 period of projected benefit payments to determine the total pension liability.

(g) Sensitivity of the Airports Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airports Division's proportionate share of the net pension liability calculated using the discount rate of 7.00% 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%)
Airports Division's proportionate share of the net pension liability	$ 229,661,993	176,968,836	139,030,739

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued ERS comprehensive annual financial report (CAFR). The ERS CAFR can be obtained from: http://ers.ehawaii.gov/resources/financials or from the address below:

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

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

(14) Postretirement Healthcare and Life Insurance Benefits under GASB Statement No. 75, as of and for the years ended June 30, 2020 and 2019

(a) Plan Descriptions

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

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

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

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

At July 1, 2019, the State's plan members covered by benefit terms consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	$	36,993
Inactive plan members entitled to but not yet receiving benefits		7,678
Active plan members		50,591
Total plan members	$	95,262

(b) Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the OPEB plan from the Airports Division were $16,799,881 and $15,734,971 for the fiscal years ended June 30, 2020 and 2019, respectively. The employer is also required to make all contributions for members, which is charged to salaries, wages and benefits expense.

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

At June 30, 2020 and 2019, respectively, the Airports Division reported a net OPEB liability of $180,997,867 and $180,773,598 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Airports Division's proportion of the net OPEB liability was based on Airports Division's contributions to the EUTF for the fiscal year relative to the total contributions of participating employers to the EUTF.

As of July 1, 2019 and 2018, Airports Division's proportion was 1.9991% and 1.8747%, respectively, which was an increase of 0.1163% and 0.4247% from its proportion measured as of July 1, 2018 and 2017 of 1.8747% and 1.4500%, respectively.

There were no changes between the measurement date, July 1, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2020 and 2019, the Airports Division recognized OPEB expense of approximately $14,139,288 and $15,872,711, respectively. At June 30, 2020, the Airports Division 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
Net difference between projected and actual earnings on OPEB plan investments	$	408,425	—
Differences between expected and actual experience		—	2,690,753
Change in assumptions		2,565,297	—
Airports Division contributions subsequent to the measurement date		16,799,881	—
	$	19,773,603	2,690,753

At June 30, 2019, the Airports Division 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
Net difference between projected and actual earnings on OPEB plan investments	$	—	241,414
Differences between expected and actual experience		—	3,281,834
Change in assumptions		1,986,266	—
Airports Division contributions subsequent to the measurement date		15,734,971	—
	$	17,721,237	3,523,248

The $16,799,881 reported as deferred outflows of resources related to OPEB resulting from the Airports Division contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. The $15,734,971 reported as deferred outflows of resources related to OPEB resulting from the Airports Division contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

Year ending June 30:		
2021	$	(9,362)
2022		(9,362)
2023		50,566
2024		70,406
2025		170,843
Thereafter		9,878
	$	282,969

(d) Actuarial Assumptions

The total OPEB liability in the July 1, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the EUTF on January 13, 2020 and January 8, 2018, based on the experience study covering the five year period ended June 30, 2018 and June 30, 2015, respectively:

Inflation	2.5%
Payroll growth rate	3.5%–7.0%
Discount rate	7.0%
Investment rate of return, including inflation at 2.5%	7.0% per year

Healthcare Cost Trend Rates

PPO*	Initial rate of 8.00%; declining to a rate of 4.86% after 12 years
HMO*	Initial rate of 8.00%; declining to a rate of 4.86% after 12 years
Part B and Base Monthly Contribution (BMC)	Initial rates of 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rates of 5.00% for the first three years; followed by 4.00%
Vision	Initial rates of 0.00% for the first three years; followed by 2.50%
Life Insurance	0.00%
Participation rates	98% healthcare participation assumption for retirees that receive 100% o f the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B.

* Blended rates for medical and prescription drug

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 weighing 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
Non-U.S. equity	17.00 %	6.90 %
U.S. equity	15.00	5.35
Private equity	10.00	8.80
Core real estate	10.00	3.90
Trend following	9.00	3.25
U.S. microcap	7.00	7.30
Global options	7.00	4.75
Private credit	6.00	5.60
Long treasuries	6.00	2.00
Alternative risk premia	5.00	2.75
TIPS	5.00	1.20
Core bonds	3.00	1.50
	100.00 %	

Assumption changes during the current measurement period include updating (1) the demographic and salary-related assumptions based on an experience study which covered the five-year period ended June 30, 2018, and the (2) the dependent coverage assumptions to better reflect anticipated experience.

(e) 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.

(f) OPEB Plan Fiduciary Net Position

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

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

(g) Sensitivity of Airports Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the Airports Division's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the Airports Division's proportionate share of the 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%)
Airports Division's proportionate share of the net OPEB liability	$	215,655,719	180,997,867	153,651,137

The following table presents the Airports Division's proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the Airports Division's proportionate share of the net OPEB liability would be if it were calculated using the trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

		1% Decrease	Current trend rates	1% Increase
Airports Division's proportionate share of the net OPEB liability	$	152,405,361	180,997,867	217,938,981

(15) Transactions with Other Government Agencies

The State assesses a surcharge of 5% for central service expenses on all receipts of the Airports Division, after deducting any amounts pledged, charged, or encumbered, for the payment of bonds and interest during the year. The assessments amounted to $14,383,786 and $14,731,128 in fiscal years 2020 and 2019, respectively.

The Airports Division is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $7,727,347 and $8,370,126 in fiscal years 2020 and 2019, respectively. During fiscal years 2020 and 2019, the Airports Division received assessment refunds from the DOT amounting to $3,269,258 and $2,891,812, respectively, which is recorded as a receivable due from State of Hawaii at year-end. Such refunds reduced operating expenses in the accompanying statement of revenue, expenses and changes in net position.

During fiscal years 2020 and 2019, revenue received from other state agencies totaled $7,002,770 and $286,158 and expenditures to other state agencies totaled $11,720,293 and $9,979,729, respectively. The revenue received relates to various rental agreements that the Airports Division has with the State of Hawaii. The expenses paid relate to various items including security, salary and insurance.

At June 30, 2020 and 2019, the Airports Division had a receivable due from state agencies for $3,097,923 and $3,296,059, respectively. The receivable includes an assessment refund and rental revenue outstanding at year-end.

(16) Commitments

(a) Sick Pay

Accumulated sick leave at June 30, 2020 and 2019 was $25,847,406 and $25,690,556, respectively. Sick leave accumulates at the rate of 14 or 20 hours per month of service without limit, depending on the employee's job classification, but can be taken only in the event of illness and is not convertible to pay upon termination of employment.

Accordingly, no liability for sick pay is recorded. However, an Airports Division employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit with the ERS.

(b) 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 financial statements.

(c) Pledged Future Revenue

In accordance with the Certificate, the Airports Division has pledged future revenue net of operation, maintenance and repair expenses, and certain adjustments (net revenue and taxes available for debt service) to repay $1,840,135,000 in revenue bonds issued in 2010, 2011, 2015, 2018, and 2020 and payable through 2049. The total debt service remaining to be paid on the revenue bonds for the Airports Division is $2,276,985,314. In fiscal years 2020 and 2019, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports Division was $109,002,852 and $95,855,026 and $161,437,921 and $178,409,179, respectively. See also note 6 for further discussion on the revenue bonds.

(d) Other

At June 30, 2020 and 2019, the Airports Division has commitments totaling $552,487,244 and $626,435,907, respectively, for construction and service contracts.

(17) Risk Management

The Airports Division is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. The Airports Division generally addresses these risks through commercial insurance policies. Settled claims have not exceeded this commercial coverage in any of the past three years.

(a) Torts

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

(b) Property and Liability Insurance

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

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

(c) Workers' Compensation

The State is self-insured for workers' compensation. Accordingly, the Airports Division is liable for all workers' compensation claims filed by its employees. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. The basis for estimating the liabilities for unpaid claims includes the effects of specific incremental claim adjustment expenses, salvage, and subrogation, and other allocated or unallocated claim adjustment expenses. These liabilities include an amount for claims that have been incurred but not reported. At June 30, 2020 and 2019, the workers compensation reserve was $5,564,892 and $4,261,532, of which $2,142,860 and $1,656,099, is included in current liabilities (payable from unrestricted net assets), and $3,422,032 and $2,605,433 is included in long-term liabilities in the accompanying statement of net position at June 30, 2020 and 2019, respectively. In the opinion of management, the Airports Division has adequately reserved for such claims.

The change in claims payable for June 30, 2020 and 2019, including an estimate of incurred but not reported claims, is as follows:

		2020	2019
Beginning balance – July 1	$	4,261,532	4,261,532
Current year claims and changes in estimates		2,966,805	1,639,473
Claims settled		(1,663,445)	(1,639,473)
Ending balance – June 30	$	5,564,892	4,261,532

(18) Contingent Liabilities and Other

(a) Litigation

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

(b) Arbitrage

In compliance with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, the Airports Division is required to calculate rebates due to the U.S. Treasury on the airports system revenue bonds issued since 1986. Rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. In the opinion of management, rebates payable as of June 30, 2020, if any, are not material to the financial statements. Accordingly, no rebates payable have been recorded in the accompanying financial statements.

(c) Asserted Claims

(i) Prepaid Airport Use Charge Fund

In fiscal year 2019, the PAUCF was decreased by a payment of $19,000,000 to the PAUCF escrow account for ACH members. The PAUCF increased by $117,125 due to an underpayment for fiscal year 2019. The Airports Division waived the underpayment for fiscal year 2020. The PAUCF liability at June 30, 2020 and 2019 was $311,934.

(19) Subsequent Events

On October 21, 2020, the Airports Division issued $582,490,000 of airports system revenue bonds (Series 2020 A – E) at interest rates ranging from 1.82% to 3.484%. The amounts are not included in the revenue bonds payable balance as of June 30, 2020.

The Airports Division has evaluated subsequent events from the balance sheet date through December 22, 2020, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

SUPPLEMENTARY INFORMATION

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Operating Revenues and Operating Expenses Other than Depreciation

Year ended June 30, 2020

			Airports					
	Totals	**Statewide**	**Daniel K. Inouye International**	**Hilo International**	**Ellison Onizuka Kona International at Keahole**	**Kahului**	**Lihue**	**All others**
Operating revenue:								
Concession fees:								
Duty free	$ 35,625,000	—	35,625,000	—	—	—	—	—
Retail	9,137,719	—	8,812,811	—	—	324,908	—	—
Airport parking	22,394,316	—	14,529,083	858,635	2,065,417	3,473,691	1,467,490	—
Car rental	58,875,627	—	14,317,537	1,667,969	11,111,430	21,610,504	9,946,489	221,698
Food and beverage	8,654,430	—	5,416,519	76,689	616,341	1,869,146	660,901	14,834
Other concessions	16,337,440	(36,918)	9,804,068	175,977	1,461,103	3,954,842	935,549	42,819
Total concession fees	151,024,532	(36,918)	88,505,018	2,779,270	15,254,291	31,233,091	13,010,429	279,351
Airport landing fees	74,356,874	—	49,007,492	1,550,776	6,201,823	12,282,674	4,741,768	572,341
Aeronautical rentals:								
Nonexclusive joint-use premise charges	64,136,977	—	48,945,541	1,374,542	3,714,497	7,031,111	3,071,286	—
Exclusive-use premise charges	60,841,089	—	43,072,446	1,880,940	3,105,913	7,687,288	3,986,943	1,107,559
Nonaeronautical rentals	22,783,601	—	14,157,691	376,639	1,502,059	5,353,437	1,281,612	112,163
Aviation fuel tax	2,191,270	—	904,788	71,978	287,852	686,603	240,049	—
Miscellaneous	7,622,967	1,082,325	4,827,749	36,536	451,263	680,708	516,031	28,355
	382,957,310	1,045,407	249,420,725	8,070,681	30,517,698	64,954,912	26,848,118	2,099,769
Allocation of statewide miscellaneous revenue (note 1)	—	(1,082,325)	798,881	6,046	74,674	112,641	85,391	4,692
Net operating revenue	$ 382,957,310	(36,918)	250,219,606	8,076,727	30,592,372	65,067,553	26,933,509	2,104,461
Operating expenses other than depreciation:								
Salaries and wages	$ 126,440,931	20,739,884	52,300,079	7,620,126	9,292,538	15,583,955	10,649,148	10,255,201
Other personnel services	92,696,750	13,119,492	49,658,462	5,042,210	5,688,071	10,219,145	5,607,440	3,361,930
Utilities	36,533,207	7,497	23,400,360	1,136,309	2,647,790	6,736,035	1,742,022	863,194
Repairs and maintenance	38,531,409	17,462,883	15,606,482	715,234	1,389,981	1,781,738	1,068,265	506,826
State of Hawaii surcharge on gross receipts (note 2)	14,383,786	14,383,786	—	—	—	—	—	—
Special maintenance	8,463,599	3,165,848	2,383,901	78,812	142,732	1,486,328	852,797	353,181
Department of Transportation general administration expenses	7,727,347	7,727,347	—	—	—	—	—	—
Materials and supplies	6,254,715	(568,307)	3,074,705	438,186	603,830	1,873,896	493,265	339,140
Insurance	2,402,184	2,402,184	—	—	—	—	—	—
Claims and benefits	2,928,599	1,375,486	868,002	43,058	98,071	276,186	25,202	242,594
Bad debt expense (note 3)	70,549	70,549	—	—	—	—	—	—
Miscellaneous	2,609,684	897,831	640,794	254,464	191,705	279,599	186,782	158,509
	339,042,760	80,784,480	147,932,785	15,328,399	20,054,718	38,236,882	20,624,921	16,080,575
Allocation of statewide expenses (note 4)	—	(80,784,480)	46,274,114	4,794,800	6,273,216	11,960,688	6,451,578	5,030,084
Total operating expenses other than depreciation for statement of revenue, expenses and changes in net position	$ 339,042,760	—	194,206,899	20,123,199	26,327,934	50,197,570	27,076,499	21,110,659

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

See accompanying independent auditors' report.

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Calculations of Net Revenue and Taxes and Debt Service Requirement

Year ended June 30, 2020

Revenue and aviation fuel taxes:		
Concession fees	$	151,024,532
Airport landing fees		74,356,874
Aeronautical rentals:		
Nonexclusive joint-use premise charges		64,136,977
Exclusive-use premise charges		60,841,089
Nonaeronautical rentals		22,783,601
Aviation fuel tax		2,191,270
Airport system support charges		—
Interest income, exclusive of interest on investments in direct financing leases and including interest income of $2,320,459 on capital improvement projects		24,055,522
Federal operating grants		51,506,397
Miscellaneous		7,622,967
Total revenue and aviation fuel taxes		458,519,229
Deductions:		
Operating expenses other than depreciation for net revenue and taxes (Schedule 1)		339,042,760
Less: operating expenses for Special Facility (note 3)		(6,589,734)
Less: non-cash pension and OPEB expenses (note 4)		(8,503,084)
Less: Operating expenses paid from major maintenance, renewal and replacement account		(1,604,883)
Annual reserve required on major maintenance, renewal and replacement account		2,333,895
Total deductions		324,678,954
Net revenue and taxes		133,840,275
Add funded coverage per bond certificate		27,597,646
Adjusted net revenue and taxes		161,437,921
Debt service requirement:		
Airports system revenue bonds:		
Principal		44,690,000
Interest (note 1)		51,751,090
Total debt service		96,441,090
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)		(18,114,160)
Total debt service requirement		78,326,930
Debt service coverage percentage		125
Total debt service with coverage requirement		97,908,663
Excess of net revenue and taxes over debt service requirement	$	63,529,258

Notes:

(1) For purposes of calculating the debt service requirement, interest payments for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes, and amounts from the Series 2015 bond proceeds used to pay interest on the Series 2015 bonds until the projects funded by the Series 2015 bonds are in service.

(2) Pursuant to the provisions in Section 6.01 of the Certificate and Hawaii Revised Statutes Section 261-5.5, the Airports Division transferred $18,114,160 of Passenger Facility Charge revenue into the Airport Revenue Fund for credit to the interest account for Passenger Facility Charge eligible debt service. The transfer is approved by the Federal Aviation Administration.

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

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

See accompanying independent auditors’ report.

Schedule 3

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Summary of Debt Service Requirements to Maturity – Airports System Revenue Bonds

Year ended June 30, 2020

	Annual principal and interest requirements		
	Airports system revenue bonds		
	Principal	Interest	Total
Year ending June 30:			
2021	$ 44,690,000	59,353,160	104,043,160
2022	47,235,000	59,885,552	107,120,552
2023	49,620,000	57,482,595	107,102,595
2024	52,045,000	54,956,356	107,001,356
2025	54,675,000	52,441,463	107,116,463
2026	26,950,000	50,707,798	77,657,798
2027	28,030,000	49,607,558	77,637,558
2028	29,140,000	48,451,236	77,591,236
2029	30,555,000	47,238,781	77,793,781
2030	31,795,000	45,825,367	77,620,367
2031	33,380,000	44,197,447	77,577,447
2032	35,050,000	42,486,862	77,536,862
2033	36,800,000	40,690,612	77,490,612
2034	38,640,000	38,804,612	77,444,612
2035	40,575,000	36,824,238	77,399,238
2036	42,600,000	34,744,862	77,344,862
2037	44,730,000	32,559,807	77,289,807
2038	46,970,000	30,263,607	77,233,607
2039	49,325,000	27,852,347	77,177,347
2040	51,795,000	25,318,370	77,113,370
2041	54,390,000	22,666,631	77,056,631
2042	57,100,000	19,893,406	76,993,406
2043	59,940,000	16,982,006	76,922,006
2044	62,920,000	13,925,681	76,845,681
2045	66,050,000	10,717,207	76,767,207
2046	69,335,000	7,356,378	76,691,378
2047	35,775,000	4,744,375	40,519,375
2048	37,560,000	2,911,000	40,471,000
2049	39,440,000	986,000	40,426,000
Total	$ 1,297,110,000	979,875,314	2,276,985,314

See accompanying independent auditors' report.

Schedule 4

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Debt Service Requirements to Maturity – Airports System Revenue Bonds

Year ended June 30, 2020

	Refunding Series of 2010A, 2.00% to 5.25%	Refunding Series of 2010B, 3.00% to 5.00%	Refunding Series of 2011, 2.00% to 5.00%	New Issue Series 2015A, 4.125% to 5.25%	New Issue Series 2015B, 4.00%	New Issue Series 2018A, 5.00%	New Issue Series 2018B, 3.00% to 5.00%	Refunding Series 2018C, 3.58%	Refunding Series 2018D, 5.00%	Total	Interest	Total requirements
Year ending June 30:												
2021	$ 7,720,000	21,650,000	15,320,000	—	—	—	—	—	—	44,690,000	59,353,160	104,043,160
2022	14,510,000	—	32,295,000	—	—	—	—	430,000	—	47,235,000	59,885,552	107,120,552
2023	18,005,000	—	31,170,000	—	—	—	—	445,000	—	49,620,000	57,482,595	107,102,595
2024	16,650,000	—	34,930,000	—	—	—	—	465,000	—	52,045,000	54,956,356	107,001,356
2025	175,000	—	36,685,000	—	—	—	—	17,815,000	—	54,675,000	52,441,463	107,116,463
2026	1,840,000	—	—	—	—	—	8,305,000	16,805,000	—	26,950,000	50,707,798	77,657,798
2027	320,000	—	—	—	—	—	8,695,000	19,015,000	—	28,030,000	49,607,558	77,637,558
2028	1,920,000	—	—	—	—	—	9,125,000	18,095,000	—	29,140,000	48,451,236	77,591,236
2029	650,000	—	—	—	—	9,800,000	—	20,105,000	—	30,555,000	47,238,781	77,793,781
2030	860,000	—	—	—	—	10,750,000	—	—	20,185,000	31,795,000	45,825,367	77,620,367
2031	165,000	—	—	—	—	11,280,000	—	—	21,935,000	33,380,000	44,197,447	77,577,447
2032	—	—	—	—	—	11,840,000	—	—	23,210,000	35,050,000	42,486,862	77,536,862
2033	—	—	—	—	—	12,435,000	—	—	24,365,000	36,800,000	40,690,612	77,490,612
2034	—	—	—	—	—	13,050,000	—	—	25,590,000	38,640,000	38,804,612	77,444,612
2035	—	—	—	—	—	13,710,000	—	—	26,865,000	40,575,000	36,824,238	77,399,238
2036	30,395,000	—	—	—	—	12,205,000	—	—	—	42,600,000	34,744,862	77,344,862
2037	31,910,000	—	—	—	—	12,820,000	—	—	—	44,730,000	32,559,807	77,289,807
2038	33,520,000	—	—	—	—	13,450,000	—	—	—	46,970,000	30,263,607	77,233,607
2039	35,195,000	—	—	—	—	14,130,000	—	—	—	49,325,000	27,852,347	77,177,347
2040	36,955,000	—	—	—	—	14,840,000	—	—	—	51,795,000	25,318,370	77,113,370
2041	—	—	—	34,570,000	1,375,000	18,445,000	—	—	—	54,390,000	22,666,631	77,056,631
2042	—	—	—	36,295,000	1,430,000	19,375,000	—	—	—	57,100,000	19,893,406	76,993,406
2043	—	—	—	38,110,000	1,490,000	20,340,000	—	—	—	59,940,000	16,982,006	76,922,006
2044	—	—	—	40,020,000	1,545,000	21,355,000	—	—	—	62,920,000	13,925,681	76,845,681
2045	—	—	—	42,020,000	1,610,000	22,420,000	—	—	—	66,050,000	10,717,207	76,767,207
2046	—	—	—	44,120,000	1,675,000	23,540,000	—	—	—	69,335,000	7,356,378	76,691,378
2047	—	—	—	—	—	35,775,000	—	—	—	35,775,000	4,744,375	40,519,375
2048	—	—	—	—	—	37,560,000	—	—	—	37,560,000	2,911,000	40,471,000
2049	—	—	—	—	—	39,440,000	—	—	—	39,440,000	986,000	40,426,000
	$ 230,790,000	21,650,000	150,400,000	235,135,000	9,125,000	388,560,000	26,125,000	93,175,000	142,150,000	1,297,110,000	979,875,314	2,276,985,314

See accompanying independent auditors' report.

Schedule 5

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Airports System Charges – Fiscal year 2008 Lease Extension

Year ended June 30, 2020

	Airline Activity			Airports System Charges													
						Nonexclusive Joint-use Premise Charges											
	Approved Maximum Revenue Landing Weights (1,000-pound units)	Revenue Passenger Landings	Deplaning International Passengers	Airports Landing Fees	Airports System Support Charges	Joint-use Charges – Overseas Baggage	Joint-use Charges – Overseas Holdroom	Joint-use Charges – Overseas Baggage Make Up	Joint-use Charges – Overseas	Joint-use Charges – Interisland Baggage	Joint-use Charges – Interisland Holdroom	Joint-use Charges – Commuter Baggage	Joint-use Charges – Commuter Holdroom	International Arrivals Building Charges	Preferential Use	Exclusive Use Premise Charges – Terminal Space	Total
Signatory airlines:																	
AEKO KULA, INC.	973,916	7,870	—	$ 1,993,105	—	—	—	—	—	—	—	—	—	—	—	117,404	2,110,509
AIR CANADA	170,471	527	523	656,312	—	214,201	178,820	64,737	—	—	—	—	—	3,671	—	314,156	1,431,897
AIR CHINA LIMITED	9,610	24	3,956	36,997	—	—	6,175	5,135	—	—	—	—	—	27,771	—	27,110	103,188
AIR NEW ZEALAND LTD.	74,938	172	39,099	288,511	—	—	58,178	48,373	—	—	—	—	—	274,475	—	—	669,537
AIR PACIFIC, LTD.	15,152	112	8,819	58,335	—	—	12,267	10,200	—	—	—	—	—	61,909	—	—	142,711
AIRASIA X BERHAD	104,002	255	74,814	400,408	—	—	104,488	86,877	—	—	—	—	—	525,194	—	32,798	1,149,765
ALASKA AIRLINES, INC.	1,207,640	8,195	—	4,649,414	—	2,160,946	883,357	463,397	—	—	—	—	—	—	588,712	982,613	9,728,439
ALL NIPPON AIRWAYS CO., LTD.	520,275	802	264,103	2,003,058	—	—	394,954	328,388	—	—	—	—	—	1,854,003	—	1,378,008	5,958,411
AMERICAN AIRLINES, INC.	1,285,131	5,401	—	4,947,753	—	2,054,063	1,485,191	551,093	—	—	—	—	—	—	—	2,625,374	11,663,474
ASIANA AIRLINES, INC.	108,148	246	58,114	416,369	—	—	83,331	69,287	—	—	—	—	—	407,960	—	(171,625)	805,322
CHINA AIRLINES, LTD.	53,045	119	28,034	204,222	—	—	41,363	34,392	—	—	—	—	—	196,799	—	242,811	719,587
CONTINENTAL AIRLINES, INC.	29,875	203	—	115,018	—	35,667	176,910		—	—	—	—	—	—	—	629,711	957,306
DELTA AIR LINES, INC.	1,235,653	4,961	148,553	4,757,266	—	1,955,721	1,416,689	826,204	—	—	—	—	—	1,042,842	—	3,883,326	13,882,048
FEDERAL EXPRESS CORPORATION	820,471	1,539	—	3,158,813	—	—			—	—	—	—	—	—	—	39,327	3,198,140
HAWAIIAN AIRLINES, INC.	9,146,981	69,138	517,163	23,324,193	—	—	1,844,920	349,741	—	9,704,982	5,130	—	—	3,630,484	8,214,204	10,560,800	57,634,454
JAPAN AIRLINES INTERNATIONAL CO., LTD.	656,170	1,867	344,523	2,526,255	—	—	503,529	383,371	—	—	—	—	—	2,418,552	—	1,688,123	7,519,830
JETSTAR AIRWAYS PTY LIMITED	113,494	286	77,498	436,952	—	—	123,345	102,556	—	—	—	—	—	544,036	—		1,206,889
JIN AIR CO., LTD.	11,500	25	8,758	44,275		—	10,424	8,667	—	—	—	—	—	61,481	—	41,515	166,362
KALITTA AIR, L.L.C.	336,253	517	—	1,265,886	—	—			—	—	—	—	—		—		1,265,886
KOREAN AIRLINES COMPANY, LTD.	310,707	584	155,032	1,196,222	—	—	225,824	187,764	—	—	—	—	—	1,088,325	—	335,376	3,033,511
MOKULELE FLIGHT SERVICE, INC.	250,827	29,509	—	464,029	—	—			—	—	—	—	—		—	47,884	511,913
PHILIPPINE AIRLINES, INC.	72,100	175	43,442	277,585	—	—	57,944	48,178	—	—	—	—	—	304,963	—	174,998	863,668
POLAR AIR CARGO, LLC	19,939	30	—	76,765	—	—			—	—	—	—	—		—		76,765
QANTAS AIRWAYS LIMITED	238,545	399	48,529	918,398	—	—	76,747	63,812	—	—	—	—	—	340,674	—	634,912	2,034,543
SOUTHWEST AIRLINES CO.	1,341,072	10,120	—	3,320,352	—	2,116,420	501,120	610,961	—	25,613	801,984	—	—	—	480,561	1,666,787	9,523,798
SUN COUNTRY, INC.	2,926	23	—	12,955	—	8,793	4,129	3,433	—	—	—	—	—	—	—	25,670	54,980
UNITED AIRLINES, INC.	2,511,518	9,270	141,304	9,669,342	—	3,887,333	2,694,414	1,316,550	—	—	—	—	—	991,954	—	5,056,505	23,616,098
UNITED PARCEL SERVICE CO.	1,150,628	2,267	—	3,883,875	—	—	—	—	—	—	—	—	—	—	—	47,338	3,931,213
WESTJET	205,356	1,259	—	790,620	—	345,313	317,996	83,452	—	—	—	—	—	—	—	190,354	1,727,735
Total Signatory Airlines	22,976,343	155,895	1,962,264	71,893,285	—	12,778,457	11,202,115	5,646,568	—	9,730,595	807,114	—	—	13,775,093	9,283,477	30,571,275	165,687,979
Nonsignatory airlines	1,567,848	626	42,830	4,028,453	—	266,171	169,714	101,626	—	—	—	—	—	376,047	—	2,281,845	7,223,856
Total airports system charges billed	24,544,191	156,521	2,005,094	75,921,738	—	13,044,628	11,371,829	5,748,194	—	9,730,595	807,114	—	—	14,151,140	9,283,477	32,853,120	172,911,835
Signatory airlines requirements				71,765,200	—	15,795,103	13,333,765	6,496,478	—	12,052,364	901,932	—	—	19,145,055	8,993,080	29,614,973	178,097,950
Nonsignatory airlines requirements				4,028,453	—	266,171	169,715	101,626	—	—	—	—	—	376,047	—	2,281,845	7,223,857
Fiscal year 2020 overpayment (underpayment)				$ 128,085	—	(3,016,646)	(2,131,651)	(849,910)	—	(2,321,769)	(94,818)	—	—	(5,369,962)	290,397	956,302	(12,409,972)
Fiscal year 2020 waiver				(128,085)	—	3,016,646	2,131,651	849,910	—	2,321,769	94,818	—	—	5,369,962	(290,397)	(956,302)	12,409,972
Fiscal year 2020 net overpayment (underpayment)				$ —	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: Certain other aeronatical rentals revenue are not included in the airports system rates and charges under the Airport Airline Lease Agreement. Those aeronautical rentals revenue for the year ended June 30, 2020 were as follows:

Signatory airlines	$ 14,815,546
Nonsignatory airlines	13,172,424
	$ 27,987,970

See accompanying independent auditors' report.

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Summary of Billed Airport Landing Fees

Year ended June 30, 2020

		Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$	71,893,285	4,028,453	75,921,738
Less aviation fuel tax credit		(1,457,171)	(107,693)	(1,564,864)
Net airport landing fees billed	$	70,436,114	3,920,760	74,356,874

See accompanying independent auditors’ report.

Schedule 7

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Approved Maximum Revenue Landing Weights and Airport Landing Fees – Signatory Airlines

Year ended June 30, 2020

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport: Gross Airport Landing Fees					All Other Airports			
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Total Adjusted Airport Landing Fees
Aeko Kula, Inc.	428,600	137,344	407,972	973,916	$ 984,271	254,086	1,238,357		1,238,357	754,748		754,748	1,993,105
Air Canada	83,467	—	87,004	170,471	321,347	—	321,347	—	321,347	334,965	—	334,965	656,312
Air China Limited	9,610	—	—	9,610	36,997	—	36,997	—	36,997	—	—	—	36,997
Air Japan Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Air New Zealand, Ltd.	74,938	—	—	74,938	288,511	—	288,511	—	288,511	—	—	—	288,511
Air Pacific, Ltd.	15,152	—	—	15,152	58,335	—	58,335	—	58,335	—	—	—	58,335
Airasia x Berhad	104,002	—	—	104,002	400,408	—	400,408	—	400,408	—	—	—	400,408
Alaska Airlines, Inc.	401,954	—	805,686	1,207,640	1,547,523	—	1,547,523	(243,297)	1,304,226	3,101,891	—	3,101,891	4,406,117
All Nippon Airways Co., Ltd.	520,275	—	—	520,275	2,003,058	—	2,003,058	—	2,003,058	—	—	—	2,003,058
Allegiant Air LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
American Airlines, Inc.	601,598	—	683,533	1,285,131	2,316,151	—	2,316,151	(208,605)	2,107,546	2,631,602	—	2,631,602	4,739,148
Asiana Airlines, Inc.	108,148	—	—	108,148	416,369	—	416,369	—	416,369	—	—	—	416,369
China Airlines, Ltd.	53,045	—	—	53,045	204,222	—	204,222	—	204,222	—	—	—	204,222
Continental Airlines, Inc.	—	29,875	—	29,875	—	115,018	115,018	—	115,018	—	—	—	115,018
Delta Air Lines, Inc.	848,239	—	387,414	1,235,653	3,265,720	—	3,265,720	(124,033)	3,141,687	1,491,546	—	1,491,546	4,633,233
Evergreen International Airlines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Federal Express Corporation	820,471	—	—	820,471	3,158,813	—	3,158,813	—	3,158,813	—	—	—	3,158,813
Hawaii Island Air, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Hawaiian Airlines, Inc.	5,175,668	531,350	3,439,963	9,146,981	14,539,112	984,048	15,523,160	(474,499)	15,048,661	7,801,033		7,801,033	22,849,694
Japan Airlines International Co., Ltd.	573,710	—	82,460	656,170	2,208,784	—	2,208,784	—	2,208,784	317,471	(37,680)	279,791	2,488,575
Jetstar Airways Pty Limited	113,494	—	—	113,494	436,952	—	436,952	—	436,952	—	—	—	436,952
Jin Air Co., Ltd.	11,500	—	—	11,500	44,275	—	44,275	—	44,275	—	—	—	44,275
Kalitta Air, LLC	321,909	—	14,344	336,253	1,239,350	—	1,239,350	—	1,239,350	26,536	—	26,536	1,265,886
Korean Airlines Company, Ltd.	310,707	—	—	310,707	1,196,222	—	1,196,222	—	1,196,222	—	—	—	1,196,222
Mesa Airlines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Mokulele Flight Services, Inc.	51,842	17	198,968	250,827	95,907	31	95,938	(3,933)	92,005	368,091	—	368,091	460,096
Pacific Wings, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Philippine Airlines, Inc.	72,100	—	—	72,100	277,585	—	277,585	—	277,585	—	—	—	277,585
Polar Air Cargo, LLC	19,939	—	—	19,939	76,765	—	76,765	—	76,765	—	—	—	76,765
Qantas Airways, Ltd.	238,545	—	—	238,545	918,398	—	918,398	—	918,398	—	—	—	918,398
Southwest Airlines, Co.	661,536	57,600	621,936	1,341,072	1,640,599	151,848	1,792,447	(105,240)	1,687,207	1,527,905		1,527,905	3,215,112
Sun Country Inc.	2,926	—	—	2,926	12,955	—	12,955	—	12,955	—	—	—	12,955
United Airlines, Inc.	1,592,926	—	918,592	2,511,518	6,132,764	—	6,132,764	(232,758)	5,900,006	3,536,578	—	3,536,578	9,436,584
United Parcel Service Co.	885,431	—	265,197	1,150,628	3,199,166	—	3,199,166	(125)	3,199,041	684,709	(326)	684,383	3,883,424
US Airways, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Virgin America, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
WestJet	64,648	—	140,708	205,356	248,893	—	248,893	(26,675)	222,218	541,727		541,727	763,945
Total	14,166,380	756,186	8,053,777	22,976,343	$ 47,269,452	1,505,031	48,774,483	(1,419,165)	47,355,318	23,118,802	(38,006)	23,080,796	70,436,114

Summary of revenue landing weights:	
Overseas	14,576,120
Interisland	8,400,223
	22,976,343

Aviation fuel tax credits of $2,191,270 was paid by the users for the year ended June 30, 2020. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax of $1,564,864 was credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Signatory airlines	$ 1,457,171
Nonsignatory airlines	107,693
	$ 1,564,864

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2020.

See accompanying independent auditors’ report.

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Approved Maximum Revenue Landing Weights and Airport Landing Fees – Nonsignatory Airlines

Year ended June 30, 2020

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport: Gross Airport Landing Fees					All Other Airports			
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Total Adjusted Airport Landing Fees
808 Airmen LLC	—	—	—	—	$ —	—	—	—	—	—	—	—	—
Aero Micronesia, Inc.	52,080	—	—	52,080	250,505	—	250,505	—	250,505	—	—	—	250,505
Air Service Hawaii, Inc.	45,745	—	66,152	111,897	101,252	(1,767)	99,485	(51,285)	48,200	121,663	(79)	121,584	169,784
Air Japan Co, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Transport International LLC	37,327	—	—	37,327	178,397	—	178,397	—	178,397	—	—	—	178,397
Air Ventures Hawaii, LLC	—	—	1,877	1,877	—	—	—	—	—	1,596	—	1,596	1,596
Airasia x Berhad	—	—	—	—	—	—	—	—	—	—	—	—	—
Alexair, Inc.	—	—	17,960	17,960	—	—	—	—	—	15,266	—	15,266	15,266
Aloha Helicopter Tours LLC	—	—	1,140	1,140	—	—	—	—	—	969	—	969	969
Alika Aviation, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Aris, Inc.		1,027	17,081	18,108			—		—	15,392	(1,421)	13,971	13,971
Atlas Air Inc.	313,494	—	—	313,494	1,507,906	—	1,507,906	—	1,507,906	—	—	—	1,507,906
Big Island Air, Inc.	15	—	1,244	1,259	13	—	13	—	13	1,057	—	1,057	1,070
Bradley Pacific Aviation, Inc.	37,331	3,055	95,454	135,840	83,284	1,300	84,584		84,584	183,788		183,788	268,372
Castle & Cooke Homes Hawaii, Inc.	19,288	—	79	19,367	39,392	—	39,392	—	39,392	195	—	195	39,587
Corporate Air	16,286	60	18,266	34,612	37,621	137	37,758		37,758	42,196		42,196	79,954
Delta Air Lines, Inc.	74,197	—	—	74,197	364,870	—	364,870	—	364,870	—	—	—	364,870
Fly Kauai	—	—	—	—	—	—	—	—	—	—	—	—	—
George's Aviation Services, Inc.	1,673	—	252	1,925	1,422	—	1,422	(842)	580	214	—	214	794
Hawaii Air Ambulance, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Hawaii Helicopters, Inc.		25	3,541	3,566		21	21		21	3,010		3,010	3,031
Hawaii Pacific Aviation, Inc.	2,531	—	7,769	10,300	2,151	—	2,151	(543)	1,608	6,604	(152)	6,452	8,060
Hawaii Wilderness Adventurs LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Helicopter Consultants Of Maui, Inc.	15,775	21,031	52,471	89,277	13,409	17,876	31,285	—	31,285	44,601	(9,160)	35,441	66,726
Honolulu Soaring Club, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
International Life Support, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Island Helicopters, Inc.	—	—	15,331	15,331	—	—	—	—	—	13,032	(1,056)	11,976	11,976
Jack Harter Helicopters, Inc.	—	—	13,447	13,447	—	—	—	—	—	11,430	(1,344)	10,086	10,086
Jetstar Airways Pty Limited	—	—	—	—	—	—	—	—	—	—	—	—	—
K&S Helicopters, Inc.	1,960	5,329	4,873	12,162	1,666	4,530	6,196	(1,123)	5,073	4,142	(546)	3,596	8,669
Kamaka Air, Inc.	19,314	396	31,140	50,850	16,417	337	16,754		16,754	26,469		26,469	43,223
Lani Lea Sky Tours LLC	128	—	—	128	109	—	109	—	109	—	—	—	109
Makani Kai Helicopters, Ltd.	36,068	—	77,987	114,055	30,657	—	30,657	(1,330)	29,327	66,289	—	66,289	95,616
Manuiwa Airways, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Maui IslandAir, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Miami Air International	1,872	—	—	1,872	11,308	—	11,308	—	11,308	—	—	—	11,308
Miscellaneous	22,687	—	1	22,688	114,547	—	114,547	—	114,547	—	—	—	114,547
MN Airlines LLC	17,702	—	—	17,702	85,148	—	85,148	(7,724)	77,424	—	—	—	77,424
National Airlines - NPB	13,691	—	1	13,692	65,859	—	65,859	—	65,859	—	—	—	65,859
Niihau Helicopters, Inc.	—	—	(28)	(28)	—	—	—	—	—	(19)	—	(19)	(19)
Novictor Aviation, LLC	10,560	—	—	10,560	8,976	—	8,976	—	8,976	—	—	—	8,976
Omni Air International, Inc.	57,560	—	2,990	60,550	272,164	—	272,164	—	272,164	14,382	—	14,382	286,546
Pacific Air Charters, Incorporated	506	36	285	827	372	31	403	(125)	278	326		326	604
Pacific Helicopter Tours, Inc.	901	49	1,657	2,607	766	41	807	(65)	742	1,409	(170)	1,239	1,981
Paragon Air Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Pofolk Aviation Hawaii, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Resort Air, LLC	26	13	506	545	11		11	—	11	464	(41)	423	434
Ryan International Airlines	—	—	—	—	—	—	—	—	—	—	—	—	—
Safari Aviation, Inc.		5,482	6,137	11,619		4,660	4,660		4,660	5,216		5,216	9,876
Scoot-Tigerair PTE, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Sky-med, Inc.	—	—	28,841	28,841	—	—	—	—	—	24,514	—	24,514	24,514
Skyview Soaring Lcc	—	—	—	—	—	—	—	—	—	—	—	—	—
Smoky Mountain Helicopters, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Southern Air	—	—	—	—	—	—	—	—	—	—	—	—	—
Will Squyres Hilicopers Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Sunshine Helicopters, Inc.		37	24,325	24,362		31	31		31	20,676	(2,848)	17,828	17,859
Trans Executive Airlines Of Hawaii, Inc.	59,518	43,423	135,117	238,058	33,077	34,182	67,259	(27,839)	39,420	114,849		114,849	154,269
Universal Enterprise, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Western Global Airlines	666	—	—	666	3,203	—	3,203	—	3,203	—	—	—	3,203
Wings Over Kauai LLC	—	—	3,088	3,088	—	—	—	—	—	2,842	—	2,842	2,842
World Airways	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	858,901	79,963	628,984	1,567,848	$ 3,224,502	61,379	3,285,881	(90,876)	3,195,005	742,572	(16,817)	725,755	3,920,760

Summary of revenue landing weights:	
Overseas	810,642
Interisland	757,206
	1,567,848

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2019.

See accompanying independent auditors' report.