DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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.

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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, 2021 and 2020, 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 23, 2021, 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 23, 2021

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, 2021 and 2020. 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 51.5% and 55.7% of total passenger traffic in the airports system during fiscal years 2021 and 2020, respectively. The other four principal airports accommodated 47.1% and 43.0% of the total passenger traffic for fiscal years 2021 and 2020, 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 1.4% and 1.3% of the total passenger traffic for fiscal years 2021 and 2020, respectively.

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,

(Continued)

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. Starting October 15, 2020, the Safe Travels Program was officially launched. Travelers are allowed to bypass the State's 14-day mandatory quarantine if they provide a negative COVID-19 result. Starting on July 8, 2021, Governor David Y. Ige eliminated pre-travel testing/quarantine requirements for domestic travelers to Hawaii who have been fully vaccinated in the United States. On August 23, 2021, Governor David Y. Ige urged residents and visitors to delay all non-essential travel through the end of October 2021 due to the recent, accelerated surge in COVID-19 cases and due to the State's health care facilities and resources reaching capacity. Starting November 1, 2021, Governor David Y. Ige opened Hawaii to vaccinated residents and visitors who are traveling domestically and between islands for business. Starting November 8, 2021, International travelers are subject to new federal requirements. Air carriers will be responsible for screening passengers prior to departure.

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, 2021 includes:

1. 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 $83 million for fiscal year 2021.

2. The Airports Division received an Airport Coronavirus Response Grant Program (ACRGP/CRRSA) grant from the Federal Aviation Administration (FAA) for $46,378,231, including $3,865,953 for concession relief. The Airports Division has sought $41 million for the fiscal year 2021.

3. The Airports Division received an Airport Rescue Plan Act (ARPA) grant from the Federal Aviation Administration (FAA) for $144,330,100, including $15,463,813 for concession relief.

4. The Airports Division received a Coronavirus Relief Fund (CRF) sub-award consistent with the requirements of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) from the State of Hawaii for $64,053,480. The CRF sub-award is for the purchase and installation of thermal scanners with facial imaging, including monitoring equipment, at the five major airports. The Airports Division has sought $60 million for the fiscal year 2021.

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.

(Continued)

6. The Airports Division has waived the Minimum Annual Guarantee (MAG) requirements for certain eligible concessionaires through December 2021 and will continue with the waiver in the future. Also, deferred rental and other payments for eligible tenants had been deferred from April 2020 to October 2020 of which the balance was to be paid over six equal installments starting January 2021 to June 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.

In the United States, thus far, COVID-19 cases have exceeded 49 million and COVID-19 deaths have exceeded 790,000. In Hawaii, thus far, COVID-19 cases have exceeded 88,000 and COVID-19 deaths have exceeded 1,000. 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 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 2021 with decreases in total passengers, revenue landed weights, revenue passenger landings and deplaning international passengers using international arriving facilities of 56.9%, 28.7%, 31.3%, and 96.5%, respectively, as compared to fiscal year 2020. 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 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 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 2021, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 28.8% and 10.5% of the total landed weights, respectively. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 17.7%, 17.4%, and 8.7% of the overseas landed weights, respectively. Hawaiian Airlines, Inc., Southwest Airlines, Co. and Aeko Kula, Inc. accounted for 45.9%, 24.0%, and 11.4% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 17.5% and Japan Airlines International Company, Ltd. accounted for 6.6% of the deplaned international passengers using international arrival facilities.

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.

The following airlines served the State with scheduled or charter overseas passenger flights in fiscal year 2021: Air Canada, 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 major airlines have temporarily suspended services in Hawaii such as Air New Zealand Ltd., Air Pacific, Ltd., Jetstar Airways PTY Ltd., and International Air Carriers such as Berhad, Asiana Airlines, Inc., Korean Airlines Co., Ltd., and China Airlines, Ltd.

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.

Activity for the airports system for the fiscal years ended June 30, 2021, 2020, and 2019 is as follows:

	2021	**2020**	**2019**	**Percentage increase (decrease) from 2020**
Passengers (enplaning and deplaning passengers activity):				
Daniel K. Inouye International Airport	6,352,152	15,955,100	20,940,215	(60.19)%
Kahului Airport	3,049,864	5,826,920	7,620,203	(47.66)
Ellison Onizuka Kona International Airport at Keahole	1,487,566	3,061,760	3,799,383	(51.41)
Lihue Airport	839,405	2,472,726	3,381,564	(66.05)
Hilo International Airport	424,411	956,836	1,207,778	(55.64)
All others	170,378	357,940	491,856	(52.40)
Total passengers	12,323,776	28,631,282	37,440,999	(56.96)
Revenue landed weights (1,000-pound units):				
Daniel K. Inouye International Airport	9,516,987	14,166,377	16,783,072	(32.82)%
Kahului Airport	3,058,851	3,897,458	4,681,943	(21.52)
Ellison Onizuka Kona International Airport at Keahole	1,668,224	2,208,499	2,560,083	(24.46)
Lihue Airport	1,004,587	1,711,070	1,990,208	(41.29)
Hilo International Airport	610,606	756,186	856,693	(19.25)
All others	100,585	236,750	291,170	(57.51)
Total signatory airlines	15,959,840	22,976,340	27,163,169	(30.54)
Nonsignatory airlines	1,514,126	1,538,817	2,094,509	(1.60)
Total revenue landed weights	17,473,966	24,515,157	29,257,678	(28.72)

	2021	**2020**	**2019**	**Percentage increase (decrease) from 2020**
Revenue passenger landings:				
Daniel K. Inouye International Airport	46,796	70,002	83,569	(33.15)%
Kahului Airport	23,893	32,774	39,936	(27.10)
Ellison Onizuka Kona International Airport at Keahole	12,854	18,662	21,824	(31.12)
Lihue Airport	7,167	13,023	15,244	(44.97)
Hilo International Airport	5,296	6,848	7,756	(22.66)
All others	11,275	14,585	18,296	(22.69)
Total signatory airlines	107,281	155,894	186,625	(31.18)
Nonsignatory airlines	207	626	814	(66.93)
Total revenue passenger landings	107,488	156,520	187,439	(31.33)
Deplaning international passengers:				
Daniel K. Inouye International Airport	70,092	1,890,573	2,600,046	(96.29)%
Ellison Onizuka Kona International Airport at Keahole	—	71,691	87,223	(100.00)
Total signatory airlines	70,092	1,962,264	2,687,269	(96.43)
Nonsignatory airlines	290	42,830	157,492	(99.32)
Total deplaning international passengers	70,382	2,005,094	2,844,761	(96.49)

Financial Operations Highlights

Revenues

A summary of revenues for the years ended June 30, 2021, 2020, and 2019 and the amount and percentage of change in relation to prior year amounts is as follows:

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	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	7.1 %	(35,625,000)	(100.0)%	(4,976,148)	(12.3)%
Retail	600,925	0.1	9,137,719	1.6	12,228,442	2.1	(8,536,794)	(93.4)	(3,090,723)	(25.3)
Airport parking	11,826,288	2.2	22,394,316	3.9	27,151,837	4.8	(10,568,028)	(47.2)	(4,757,521)	(17.5)
Car rental	38,250,117	7.1	58,875,627	10.3	72,353,825	12.7	(20,625,510)	(35.0)	(13,478,198)	(18.6)
Food and beverage	2,354,519	0.5	8,654,430	1.5	11,429,500	2.0	(6,299,911)	(72.8)	(2,775,070)	(24.3)
Other concessions	6,148,201	1.1	16,337,440	2.9	19,510,085	3.4	(10,189,239)	(62.4)	(3,172,645)	(16.3)
Total concession fees	59,180,050		151,024,532		183,274,837		(91,844,482)	(60.8)	(32,250,305)	(17.6)
Airport landing fees, net	61,735,345	11.4	74,356,874	13.1	82,988,322	14.6	(12,621,529)	(17.0)	(8,631,448)	(10.4)
Aeronautical rentals:						—				
Nonexclusive joint-use premise charges	65,711,488	12.2	64,136,977	11.3	79,559,743	14.0	1,574,511	2.5	(15,422,766)	(19.4)
Exclusive-use premise charges	64,344,732	11.9	60,841,089	10.7	60,790,404	10.7	3,503,643	5.8	50,685	0.1
Nonaeronautical rentals	21,853,443	4.0	22,783,601	4.0	22,168,965	3.9	(930,158)	(4.1)	614,636	2.8
Other	9,796,667	1.8	9,814,237	1.7	12,019,328	2.1	(17,570)	(0.2)	(2,205,091)	(18.3)
Total operating revenues	282,621,725	52.3	382,957,310	67.3	440,801,599	77.4	(100,335,585)	(26.2)	(57,844,289)	(13.1)

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Nonoperating revenues:										
Interest income:										
Investments	$ 5,684,477	1.1 %	22,720,329	4.0 %	25,608,210	4.0	(17,035,852)	(75.0)%	(2,887,881)	(11.3)%
Direct financing leases	1,222,031	0.2	1,222,031	0.2	1,222,031	0.2	—	—	—	—
Other loans and investment	20,990	—	1,335,193	0.2	508,362	0.1	(1,314,203)	(98.4)	826,831	162.6
Federal operating grants	152,191,434	28.2	51,506,397	9.0	1,616,030	0.3	100,685,037	195.5	49,890,367	3,087.2
Passenger facility charges	19,879,320	3.7	34,424,068	6.0	49,126,913	7.6	(14,544,748)	(42.3)	(14,702,845)	(29.9)
Rental car customer facility charges	29,570,866	5.5	59,466,498	10.4	76,523,216	11.9	(29,895,632)	(50.3)	(17,056,718)	(22.3)
Other	53,838	—	—	—	—	—	53,838	100.0	—	—
Total nonoperating revenues	208,622,956	38.7	170,674,516	30.0	154,604,762	23.9	37,948,440	22.2	16,069,754	10.4
Capital contributions:										
Federal capital grants and state capital contributions	48,636,125	9.0	15,676,572	2.8	50,126,892	7.8	32,959,553	210.2	(34,450,320)	(68.7)
Total capital contributions	48,636,125	9.0	15,676,572	2.8	50,126,892	7.8	32,959,553	210.2	(34,450,320)	(68.7)
Total revenues	$ 539,880,806	100.0 %	569,308,398	100.0 %	645,533,253	100.0 %	(29,427,592)	(5.2)	(76,224,855)	(11.8)

2021

	Concession fees						
	Duty Free	Retail	Airport parking	Car rental	Food and beverage	Other concessions	Total
Daniel K. Inouye International Airport	$ —	276,017	7,090,774	10,363,495	1,013,891	3,656,787	22,400,964
Hilo International Airport	—	—	488,859	1,026,595	35,794	(154,403)	1,396,845
Ellison Onizuka Kona International Airport at Keahole	—	—	1,324,196	6,910,194	270,157	723,218	9,227,765
Kahului Airport	—	324,908	2,143,624	15,451,078	888,732	1,549,177	20,357,519
Lihue Airport	—	—	778,835	4,357,943	145,345	323,590	5,605,713
All others	—	—	—	140,812	600	49,832	191,244
Total concession fees	$ —	600,925	11,826,288	38,250,117	2,354,519	6,148,201	59,180,050

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

2021/2020

The financial results for fiscal years 2021 and 2020 reflected loss before capital contributions of $113.1 million and $7.5 million, respectively. Operating revenues decreased by $100.3 million, or 26.2%, resulting from decreased revenue from concessions revenue, airport landing fees, and nonaeronautical 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 $37.9 million, or 22.2%, mainly due to an increase in federal operating grants offset by decreases in interest income, rental car customer facility charges, and passenger facility charges.

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.

Expenses

A summary of expenses for the years ended June 30, 2021 and 2020 and the amount and percentage of change in relation to prior year amounts is as follows:

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Operating expenses:										
Salaries and wages	$ 131,907,339	21.8 %	126,440,931	22.5 %	116,992,509	24.7 %	$ 5,466,408	4.3 %	9,448,422	8.1 %
Other personnel services	114,234,346	18.9 %	92,696,750	16.5	82,616,141	17.5	21,537,596	23.2	10,080,609	12.2
Repairs and maintenance	48,483,867	8.0 %	38,531,409	6.9	34,699,525	7.3	9,952,458	25.8	3,831,884	11.0
Utilities	32,223,234	5.3 %	36,533,207	6.5	37,995,358	8.0	(4,309,973)	(11.8)	(1,462,151)	(3.8)
Special maintenance	9,485,059	1.6 %	8,463,599	1.5	5,762,874	1.2	1,021,460	12.1	2,700,725	46.9
State of Hawaii surcharge on gross receipts	8,042,464	1.3 %	14,383,786	— 2.6	14,731,128	— 3.1	(6,341,322)	(44.1)	(347,342)	(2.4)
Department of transportation general administration expenses	6,102,003	1.0 %	7,727,347	— 1.4	8,370,126	— 1.8	(1,625,344)	(21.0)	(642,779)	(7.7)
Materials and supplies	5,744,770	1.0 %	6,254,715	1.1	6,526,776	1.4	(509,945)	(8.2)	(272,061)	(4.2)
Claims	3,000,866	0.5 %	2,928,599	0.5	1,744,507	0.4	72,267	2.5	1,184,092	100.0
Insurance	2,502,691	0.4 %	2,402,184	0.4	2,190,468	0.5	100,507	4.2	211,716	9.7
Bad debt expense	96,622	— %	70,549	—	4,015,215	0.8	26,073	37.0	(3,944,666)	(98.2)
Other	2,615,236	0.5 %	2,609,684	0.5	1,260,792	0.3	5,552	0.2	1,348,892	107.0
Total operating expenses before depreciation	364,438,497	60.3	339,042,760	— 60.4	316,905,419	— 67.0	25,395,737	7.5	22,137,341	7.0
Depreciation	158,337,699	26.2	135,992,383	24.2	121,992,342	25.8	22,345,316	16.4	14,000,041	11.5
Total operating expenses	522,776,196	86.5	475,035,143	84.7	438,897,761	92.7	47,741,053	10.1	36,137,382	8.2

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Nonoperating expenses:										
Interest expense:										
Revenue bonds:										
Airports system	$ 54,881,634	9.1 %	61,172,837	10.9 %	21,149,068	4.5 %	(6,291,203)	(10.3)%	40,023,769	189.2 %
Special facility	1,222,031	0.2	1,222,031	0.2	1,222,031	0.3	—	—	—	—
Lease revenue certificates				—		—				
of participation	7,873,882	1.3	8,277,596	1.5	6,911,833	1.5	(403,714)	(4.9)	1,365,763	19.8
Other	14,113,874	2.3	13,665,510	2.4	1,140,000	0.2	448,364	3.3	12,525,510	1,098.7
Bond issue costs	2,921,334	0.5	1,717,826	0.3	2,313,360	0.5	1,203,508	70.1	(595,534)	(25.7)
Loss on disposal of capital assets	575,733	0.1	967	—	1,665,588	0.4	574,766	100.0	(1,664,621)	100.0
Other	—	—	65,850	—	35,791	—	(65,850)	(100.0)	30,059	84.0
Total nonoperating				—		—				
expenses	81,588,488	13.5	86,122,617	15.3	34,437,671	7.3	(4,534,129)	(5.3)	51,684,946	150.1
Total expenses	$ 604,364,685	100.0	$ 561,157,760	100.0	$ 473,335,432	100.0	43,206,925	7.7	87,822,328	18.6

2021/2020

Operating expenses before depreciation for fiscal year 2021 increased by 7.5%, or $25.4 million, as compared to fiscal year 2020 mainly due to increases in salaries and wages, other personnel services, and repairs and maintenance expenses.

Total nonoperating expenses for fiscal year 2021 decreased by 5.3%, or $4.5 million, as compared to fiscal year 2020 mainly due to decreases in interest expense on Airports System Revenue Bonds offset by an increase in bond issue costs due to issuing Airports Systems Revenue Bonds Series 2020 ABC and Refunding Series 2020 D & E during the fiscal year.

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.

A summary of revenues, expenses and changes in net position for the years ended June 30, 2021, 2020, and 2019 follows:

		2021	2020	2019
Operating revenues	$	282,621,725	382,957,310	440,801,599
Operating expenses, excluding depreciation		(364,438,497)	(339,042,760)	(316,905,419)
Operating (loss) income before depreciation		(81,816,772)	43,914,550	123,896,180
Depreciation		(158,337,699)	(135,992,383)	(121,992,342)
Operating (loss) income		(240,154,471)	(92,077,833)	1,903,838
Nonoperating revenues – net		127,034,468	84,551,899	120,167,091
(Loss) income before capital contributions		(113,120,003)	(7,525,934)	122,070,929
Capital contributions		48,636,125	15,676,572	50,126,892
(Decrease) increase in net position	$	(64,483,878)	8,150,638	172,197,821

2021/2020

As a result of the above fluctuations in revenues and expenses, net position for the Airports Division decreased $64.5 million during 2021.

In summary, in fiscal year 2021, the Airports Division generated operating losses before depreciation, as well as negative cash flows from operating activities due to the impacts of COVID-19 on Airport operations. 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 26.2%, or $100.3 million, due to a $91.8 million decrease in concessions revenue and a $12.6 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 7.5% or $25.4 million from $339.0 million in fiscal year 2020 to $364.4 million in fiscal year 2021. The increase in operating expenses is primarily due to increases in salaries and wages of $5.5 million due to pay increases from fiscal year 2020, other personnel services of $21.5 million due to an increase in third party security services in fiscal year 2021, and repairs and maintenance of $10.0 million. Depreciation expense increased by 16.4% or $22.3 million, due to capital asset additions in fiscal year 2021.
- The net results of the above resulted in operating loss before depreciation of $81.8 million and operating income before depreciation of $43.9 million in fiscal years 2021 and 2020, respectively. Operating income before depreciation for fiscal year 2021 decreased by 286.3%, or $125.7 million.

(Continued)

- Nonoperating revenues, net, increased by 50.2%, or $42.5 million, in fiscal year 2021, primarily due to an increase in federal operating grants of $100.7 million due to the receipt of CARES Act grant funds in fiscal year 2021 offset by a decrease in passenger facility charges of $14.5 million, a decrease in rental car customer facility charges of $29.9 million, and a decrease in interest income of $18.4 million.
- Loss before capital contributions for fiscal year 2021 of $113.1 million as compared to loss before capital contributions of $7.5 million for fiscal year 2020 was a result of a decrease in operating revenue and an increase in operating expenses as noted above.
- Capital contributions increased by 210.2%, or $33.0 million, in fiscal year 2021, due to an increase in federal capital grant revenue in fiscal year 2021.

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.

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 $2,533.0 million at June 30, 2021, representing a decrease of $64.5 million from June 30, 2020.

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, one project in PFC Application No. 4 is 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, 2021, 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, 2021, including interest earned, and expenditures were $536.5 million and $411.7 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, 2021, 2020, and 2019 is as follows:

		2021	2020	2019
Rental car customer facility charges:				
Daniel K. Inouye International	$	9,291,087	16,614,035	21,656,592
Hilo International		852,854	1,705,680	1,806,512
Ellison Onizuka Kona International at Keahole		5,732,415	10,136,880	12,049,965
Kahului		10,431,950	18,293,108	24,206,886
Lihue		3,099,654	9,285,647	12,486,069
All others		79,699	138,648	172,516
Rental car customer facility charges		29,487,659	56,173,998	72,378,540
Interest income		83,207	3,292,500	4,144,676
Total rental car customer facility charges income	$	29,570,866	59,466,498	76,523,216

Since September 1, 2008 through June 30, 2021, the total CFC related revenue, including interest earned, and CFC related expenditures were $624.0 million and $792.5 million, respectively.

Financial Position Summary

A condensed summary of the Airports Division’s net position at June 30, 2021, 2020, and 2019 is shown below:

	2021	2020	2019
Assets and Deferred Outflows of Resources			
Current assets:			
Unrestricted assets	$ 512,042,440	574,519,640	577,313,945
Restricted assets	249,457,334	238,926,871	258,320,410
Noncurrent assets:			
Capital assets	3,972,321,543	3,662,326,829	3,434,732,825
Restricted assets	660,936,199	670,455,807	825,571,313
Total assets	5,394,757,516	5,146,229,147	5,095,938,493
Deferred outflows of resources	53,356,330	51,973,044	53,817,709
Total assets and deferred outflows of resources	$ 5,448,113,846	5,198,202,191	5,149,756,202
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Payable from unrestricted assets	$ 92,349,168	71,915,316	72,032,586
Payable from restricted assets	160,496,616	187,159,883	277,350,376
Noncurrent liabilities:			
Payable from unrestricted assets	376,592,197	370,325,017	359,630,623
Payable from restricted assets	2,269,650,792	1,966,829,962	1,844,486,869
Total liabilities	2,899,088,773	2,596,230,178	2,553,500,454
Deferred inflows of resources	16,036,081	4,499,143	6,933,516
Total liabilities and deferred inflows of resources	$ 2,915,124,854	2,600,729,321	2,560,433,970
Net Position			
Net investment in capital assets	$ 1,943,324,203	1,891,248,987	1,791,655,568
Restricted	563,873,270	657,897,749	658,048,725
Unrestricted	25,791,519	48,326,134	139,617,939
Total net position	$ 2,532,988,992	2,597,472,870	2,589,322,232

The largest portion of the Airports Division's net position (76.7%, 72.8%, and 69.2% at June 30, 2021, 2020, and 2019 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 (22.3%, 25.3%, and 25.4% at June 30, 2021, 2020, and 2019 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 $432.7 million, $494.7 million, and $503.3 million at June 30, 2021, 2020, and 2019 , 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, 2021, 2020, and 2019 the Airports Division had capital assets of approximately $3,972.3 million, $3,662.3 million, and $3,434.7 million, respectively. These amounts are net of accumulated depreciation of approximately $2,724.4 million, $2,568.0 million, and $2,432.6 million, respectively.

In fiscal year 2021, there were 3 construction bid openings totaling an estimated $46.5 million in construction contracts. The projects include Reconstruct Runway 3-21 at Lanai Airport, Repave Runway 17-35 and Taxiway E at Molokai Airport, and Mobile Airport Medical Facility, Statewide.

There were also many ongoing construction projects that were initiated prior to fiscal year 2021, which were under construction during the fiscal year. Major projects include Consolidated Car Rental Facility, Mauka Extension, and Replacement of Parking Structure Pedestrian Bridges at Daniel K. Inouye International Airport, South Ramp Taxiway and Ramp Improvements and Federal Inspection Services Building at Ellison Onizuka Kona International Airport at Keahole, and Mobile Airport Medical Facility, Statewide.

Finally, there were 4 projects that were substantially completed in fiscal year 2021 that involved construction projects at large, medium, and small hub airports statewide to preserve, maintain, and modernize facilities. These projects include Emergency Power Facility at Daniel K. Inouye International Airport, Taxiway A/C Intersection Reconstruction at Kahului Airport, South Ramp Taxiway and Ramp Improvements at Ellison Onizuka Kona International Airport at Keahole, and Mobile Airport Medical Facility, Statewide.

The Airports Division continues its mission to modernize airport facilities for safety and efficiency and enhance the passenger experience. In fiscal year 2022, several projects will be advertised for construction that improve safety and preserve terminal infrastructure. Major projects include Runways and Taxiways Shoulder Rehabilitation, and Overseas Terminal Roof Replacement at Daniel K. Inouye International Airport, Perimeter

Fence Replacement at Ellison Onizuka Kona International Airport at Keahole, Taxiway and Runway Lighting Replacement, and Drainage and Wind Cone Improvements at Hilo International Airport, and Navigational Aid and Windcone Replacement at Lihue 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, 2021, $1,661.0 million of airports system revenue bonds were outstanding as compared to $1,377.5 million and $1,425.0 million as of June 30, 2020 and 2019, respectively.

At June 30, 2021, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,256.7 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, 2021, $187.3 million of COPs were outstanding as compared to $199.8 million and $210.7 million as of June 30, 2020 and 2019, 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, 2021, 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.

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, 2021, $424.2 million of customer facility charge revenue bonds were outstanding as compared to $434.4 million and $244.8 million as of June 30, 2020 and 2019, respectively.

Credit Rating and Bond Insurance

As of June 30, 2021, there were 12 series of airports system revenue bonds outstanding in the principal amount of $1,661.0 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	A+
Moody's Investors Service	A1
Fitch IBCA, Inc.	A+

Upon the issuance of the 2020 bonds in October 2020, 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, 2021 and 2020

Assets		2021	2020
Current assets:			
Unrestricted assets:			
Cash and cash equivalents – unrestricted	$	432,727,077	494,687,328
Receivables:			
Accounts, net of allowance of $8,544,327 and $8,458,433 for uncollectible accounts		45,015,910	31,768,504
Interest		4,289,103	4,460,202
Claims – federal grants		27,920,698	40,261,112
Due from state of Hawaii agencies		1,619,406	3,097,923
Aviation fuel tax		266,163	45,562
Total receivables		79,111,280	79,633,303
Inventories of materials and supplies at cost		204,083	199,009
Total unrestricted current assets		512,042,440	574,519,640
Restricted assets:			
Cash and cash equivalents:			
Revenue bond debt service		34,168,370	73,503,139
Debt extinguishment		8,305,679	2,598,105
Security deposits		11,015,166	10,542,161
Prepaid airport use charge fund		311,934	311,934
Operations and maintenance		104,711,164	104,711,164
Funded coverage		26,864,977	27,597,646
Funds restricted for construction		—	836,991
Total cash and cash equivalents – restricted		185,377,290	220,101,140
Investments – customer facility charge debt service reserve		17,406,937	17,297,616
Passenger facility charges receivable		6,639,656	1,011,561
Rental car customer facility charges receivable		4,492,563	516,554
Prepaid airport use charge fund receivable		35,540,888	—
Total restricted current assets		249,457,334	238,926,871
Total current assets	$	761,499,774	813,446,511

(Continued)

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

Statements of Net Position

June 30, 2021 and 2020

		2021	2020
Noncurrent assets:			
Unrestricted assets:			
Capital assets, net of accumulated depreciation of $2,724,449,320 and $2,568,036,722	$	3,972,321,543	3,662,326,829
Total unrestricted noncurrent assets		3,972,321,543	3,662,326,829
Restricted assets:			
Cash and cash equivalents:			
Major maintenance, renewal, and replacement account		56,671,140	60,000,000
Passenger facility charges		119,587,583	125,057,872
Rental car customer facility charges		1,916,700	1,905,766
Unspent loan proceeds		974	974
Unspent Coronavirus relief fund		4,409,078	—
Bond construction proceeds		238,420,946	140,291,900
Total cash and cash equivalents – restricted		421,006,421	327,256,512
Investments – revenue bond debt service reserve		107,459,907	102,470,832
Investments – held by certificate of participation funds trustee		16,786,716	17,106,372
Investments – certificate of participation debt service reserve held by trustee		2,453,754	2,623,353
Investments – certificate of participation debt extinguishment held by trustee		41,066	40,985
Investments – customer facility charge debt service reserve		30,159,741	31,250,978
Investments – held by customer facility charge trustee		56,111,496	68,298,127
Investments – unspent customer facility charge bond proceeds		5,039,344	99,530,894
Net investments in direct financing leases		21,877,754	21,877,754
Total restricted noncurrent assets		660,936,199	670,455,807
Total noncurrent assets		4,633,257,742	4,332,782,636
Total assets	$	5,394,757,516	5,146,229,147
Deferred Outflows of Resources			
Deferred loss on refunding	$	7,238,665	353,345
Differences between expected and actual experience – pension		2,358,126	3,189,414
Changes of assumptions – pension		2,615,380	10,442,469
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions – pension		1,207,315	379,694
Net difference between projected and actual earnings on pension plan investments		7,764,291	—
Airports Division contributions subsequent to the measurement date – pension		20,244,297	17,834,519
Net difference between projected and actual earnings on OPEB plan investments		2,182,987	408,425
Changes of assumptions – OPEB		1,927,651	2,565,297
Airports Division contributions subsequent to the measurement date – OPEB		7,817,618	16,799,881
Total deferred outflows of resources	$	53,356,330	51,973,044

Statements of Net Position

June 30, 2021 and 2020

Liabilities		**2021**	**2020**
Current liabilities:			
Payable from unrestricted assets:			
Vouchers payable	$	30,723,089	14,261,703
Contracts payable, including retainage of $5,494,400 and $4,251,255		34,252,386	32,981,375
Current portion of workers' compensation		2,208,826	2,142,860
Current portion of compensated absences		3,664,147	4,114,740
Accrued wages		10,140,153	11,267,981
Other		11,360,567	7,146,657
Total payable from unrestricted assets		92,349,168	71,915,316
Payable from restricted assets:			
Contracts payable, including retainage of $30,214,614 and $25,051,929		74,368,672	68,288,673
Current portion of airports system revenue bonds		430,000	44,690,000
Accrued interest		44,736,601	40,156,514
Current portion of lease revenue certificates of participation		13,752,812	12,115,573
Current portion of customer facility charge revenue bonds		10,350,000	10,140,000
Security deposits		11,015,166	10,542,161
Other		5,843,365	1,226,962
Total payable from restricted assets		160,496,616	187,159,883
Total current liabilities		252,845,784	259,075,199
Long-term liabilities – net of current portion:			
Payable from unrestricted assets:			
Workers' compensation		4,726,136	3,422,032
Compensated absences		11,225,761	8,936,282
Net other postemployment benefit (OPEB) liability		168,547,416	180,997,867
Net pension liability		192,092,884	176,968,836
Total payable from unrestricted assets		376,592,197	370,325,017
Payable from restricted assets:			
Airports system revenue bonds		1,660,525,781	1,332,857,867
Special facility revenue bonds		21,725,000	21,725,000
Lease revenue certificates of participation		173,525,011	187,710,161
Customer facility charge revenue bonds		413,875,000	424,225,000
Prepaid airport use charge fund		—	311,934
Total payable from restricted assets		2,269,650,792	1,966,829,962
Total long-term liabilities – net of current portion		2,646,242,989	2,337,154,979
Total liabilities	$	2,899,088,773	2,596,230,178

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

Statements of Net Position

June 30, 2021 and 2020

Deferred Inflows of Resources		**2021**	**2020**
Differences between expected and actual experience – pension	$	—	147,981
Changes in assumption – pension		2,891	3,219
Changes in proportion – pension		584,027	967,869
Net difference between projected and actual earnings on pension plan investments		—	689,321
Differences between expected and actual experience – OPEB		14,427,770	2,690,753
Changes in assumption – OPEB		1,021,393	—
Total deferred inflows of resources	$	16,036,081	4,499,143
Net Position			
Net investment in capital assets	$	1,943,324,203	1,891,248,987
Restricted for:			
Revenue debt service payment		10,779,999	59,034,417
Revenue debt service reserve account		107,459,907	102,470,832
Revenue debt extinguishment		8,305,679	73,503,139
Certificate of participation debt service reserve account		15,451,931	15,696,718
Certificate of participation debt extinguishment		41,066	40,985
Funded coverage		26,864,977	27,597,646
Operations and maintenance		104,711,164	104,711,164
Major maintenance, renewal, and replacement		56,671,140	60,000,000
Construction to be funded by PFCs		124,568,497	123,066,672
Construction to be funded by CFCs		73,166,088	91,776,176
Prepaid airport use charge fund		35,852,822	—
Total restricted		563,873,270	657,897,749
Unrestricted		25,791,519	48,326,134
Total net position	$	2,532,988,992	2,597,472,870

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, 2021 and 2020

	2021	2020
Operating revenues:		
Concession fees	$ 59,180,050	151,024,532
Airport landing fees, net	61,735,345	74,356,874
Aeronautical rentals:		
Nonexclusive joint-use premise charges	65,711,488	64,136,977
Exclusive-use premise charges	64,344,732	60,841,089
Nonaeronautical rentals	21,853,443	22,783,601
Aviation fuel tax	1,641,902	2,191,270
Miscellaneous	8,154,765	7,622,967
Operating revenues	282,621,725	382,957,310
Operating expenses:		
Salaries, wages and benefits	131,907,339	126,440,931
Depreciation	158,337,699	135,992,383
Other personnel services	114,234,346	92,696,750
Repairs and maintenance	48,483,867	38,531,409
Utilities	32,223,234	36,533,207
Special maintenance	9,485,059	8,463,599
State of Hawaii surcharge on gross receipts	8,042,464	14,383,786
Department of Transportation general administration expenses	6,102,003	7,727,347
Materials and supplies	5,744,770	6,254,715
Claims	3,000,866	2,928,599
Insurance	2,502,691	2,402,184
Bad debt expense	96,622	70,549
Miscellaneous	2,615,236	2,609,684
Total operating expenses	522,776,196	475,035,143
Operating loss	$ (240,154,471)	(92,077,833)

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, 2021 and 2020

		2021	2020
Nonoperating revenues (expenses):			
Interest income	$	5,705,467	24,055,522
Interest income - investments in direct financing leases		1,222,031	1,222,031
Interest expense:			
Revenue bonds:			
Airports system		(54,881,634)	(61,172,837)
Special facility		(1,222,031)	(1,222,031)
Lease revenue certificates of participation		(7,873,882)	(8,277,596)
Other		(14,113,874)	(13,665,510)
Federal operating grants		4,236,282	1,506,397
Federal operating grants - COVID		147,955,152	50,000,000
Passenger facility charges		19,879,320	34,424,068
Rental car customer facility charges		29,570,866	59,466,498
Bond issue costs		(2,921,334)	(1,717,826)
Loss on disposal of capital assets		(575,733)	(967)
Other		53,838	(65,850)
Total nonoperating revenues, net		127,034,468	84,551,899
Loss before capital contributions		(113,120,003)	(7,525,934)
Capital contributions:			
Federal capital grants		48,248,880	15,676,572
State capital contributions		387,245	—
Total capital contributions		48,636,125	15,676,572
(Decrease) increase in net position		(64,483,878)	8,150,638
Total net position, beginning of year		2,597,472,870	2,589,322,232
Total net position, end of year	$	2,532,988,992	2,597,472,870

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from providing services	$ 242,396,890	379,859,470
Cash paid to suppliers	(211,903,087)	(208,951,722)
Cash paid to employees	(110,113,642)	(114,596,079)
Net cash (used in) provided by operating activities	(79,619,839)	56,311,669
Cash flows from noncapital financing activity:		
Proceeds from federal operating grants	164,551,208	14,548,266
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(464,250,379)	(386,313,248)
Proceeds from federal and other capital grants and contributions	48,616,765	25,341,980
Proceeds from airports system revenue bonds	327,245,289	6,460,954
Principal paid on airports system revenue bonds	(44,690,000)	(42,585,000)
Payments to refund airports system revenue bonds	—	(6,313,763)
Bond issue costs paid	(2,921,334)	(1,717,826)
Principal paid on lease revenue certificates of participation	(12,115,573)	(10,300,960)
Interest paid on outstanding debt	(78,754,336)	(91,282,387)
Proceeds from passenger facility charges program	14,458,550	45,611,335
Proceeds from rental car customer facility charges	25,594,857	65,946,892
Proceeds from customer facility charge revenue bonds	—	194,710,000
Principal paid on customer facility charge revenue bonds	(10,140,000)	(5,120,000)
Principal paid on loan payable	—	(76,000,000)
Receipts (disbursements) – other	53,838	(65,850)
Net cash used in capital and related financing activities	(196,902,323)	(281,627,873)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	362,779,999	401,697,826
Interest received on investments	5,876,566	44,124,336
Purchases of investments	(259,619,803)	(448,856,297)
Net cash provided by (used in) investing activities	109,036,762	(3,034,135)
Net decrease in cash and cash equivalents	(2,934,192)	(213,802,073)
Cash and cash equivalents, beginning of year	1,042,044,980	1,255,847,053
Cash and cash equivalents, end of year (note 3)	$ 1,039,110,788	1,042,044,980

(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, 2021 and 2020

	2021	2020
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating loss	$ (240,154,471)	(92,077,833)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	158,337,699	135,992,383
Bad debt expense	96,622	70,549
Underpayment of airport system charges	(35,852,822)	—
Changes in operating assets and liabilities:		
Accounts receivable	(13,344,028)	971,313
Aviation fuel tax receivable	(220,601)	193,111
Due from State of Hawaii	1,478,517	198,136
Inventory	(5,074)	9,849
Deferred outflows of resources – pensions	(2,343,313)	3,405,813
Deferred outflows of resources – OPEB	7,845,347	(2,052,366)
Vouchers payable	16,461,386	(1,340,008)
Contracts payable	2,693,243	4,782,130
Accrued wages	242,242	2,857,974
Compensated absences	1,838,886	483,794
Net other postemployment benefit (OPEB) liability	(12,450,451)	224,269
Net pension liability	15,124,048	9,359,741
Security deposits	473,005	(56,749)
Other current liabilities	8,622,988	(4,276,064)
Deferred inflows of resources – pensions	(1,221,472)	(1,601,878)
Deferred inflows of resources – OPEB	12,758,410	(832,495)
Net cash (used in) provided by operating activities	$ (79,619,839)	56,311,669
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	(7,067,180)	(5,013,018)
Amortization of revenue bond discount	(4,983)	1,192
Amortization of certificates of participation premium	432,338	(556,699)
Amortization of deferred loss on refunding revenue bonds	(1,029,502)	491,218
Payments to refund airports system revenue bonds	(301,354,795)	(241,180,583)
Proceeds from issuance of refunding airports system revenue bonds	309,269,617	247,641,537
Contract payable included for acquisition of capital assets	87,699,156	83,041,389
Net book value of capital assets written off	575,733	967

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.

(Continued)

(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, 2021 was as follows: current – $38,524,189; 30 days – $1,258,880; 60 days – $365,253; and over 90 days – $13,411,915.

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.

(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.

(Continued)

(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 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, 2021 will be included in the annual comprehensive financial report of the State when issued.

At June 30, 2021 and 2020, 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 $1,147,823,650 and $1,258,418,326, respectively.

Airports Division's cash and cash equivalents and investments as of June 30, 2021 and 2020 consisted of the following:

		2021	**2020**
Petty cash	$	4,765	4,765
Amounts held in State Treasury		1,147,823,650	1,258,418,326
Certificates of deposit		25,304,712	75,153,802
U.S. government securities		82,155,086	27,316,534
Money market mutual funds		19,281,536	19,770,710
	$	1,274,569,749	1,380,664,137

Such amounts are reflected in the statements of net position as of June 30, 2021 and 2020 as follows:

		2021	**2020**
Cash and cash equivalents			
Unrestricted	$	432,727,077	494,687,328
Restricted		606,383,711	547,357,652
Total cash and cash equivalents		1,039,110,788	1,042,044,980
Investments – restricted		216,177,425	318,848,447
Investments – held by certificate of participation funds – trustee		19,281,536	19,770,710
Total cash and cash equivalents and investments	$	1,274,569,749	1,380,664,137

(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, 2021 and 2020, 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.

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, 2021 and 2020, the Airports Divisions investments were rated by Moody's as follows:

	Fair value		Ratings
	2021	**2020**	**Moody's**
Money market mutual funds:			
U.S. Bank – Federated government obligations fund	$ 2,494,820	$ 2,664,338	Aaa-mf
U.S. Treasury bill	16,786,716	17,106,372	Aaa-mf
	$ 19,281,536	$ 19,770,710	

(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, 2021 and 2020, 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, 2021 and 2020 consists of the following:

	Balance, June 30, 2020	Increases	Decreases	Transfers	Balance, June 30, 2021
Capital assets not being depreciated:					
Land	$ 324,937,876	—	—	—	324,937,876
Land improvements	53,404,849	—	—	5,175,441	58,580,290
Construction in progress	1,497,314,920	449,206,686	(575,733)	(417,375,651)	1,528,570,222
Total capital assets not being depreciated	1,875,657,645	449,206,686	(575,733)	(412,200,210)	1,912,088,388
Capital assets being depreciated:					
Land improvements	1,618,841,932	—	—	177,250,362	1,796,092,294
Buildings and improvements	2,403,049,481	—	—	203,999,040	2,607,048,521
Machinery and equipment	332,814,493	19,701,460	(1,993,964)	31,019,671	381,541,660
Total capital assets being depreciated	4,354,705,906	19,701,460	(1,993,964)	412,269,073	4,784,682,475
Less accumulated depreciation:					
Land improvements	(940,793,955)	(72,586,263)	—	—	(1,013,380,218)
Buildings and improvements	(1,349,567,849)	(73,225,019)	—	—	(1,422,792,868)
Machinery and equipment	(277,674,918)	(12,526,417)	1,993,964	(68,863)	(288,276,234)
Total depreciation	(2,568,036,722)	(158,337,699)	1,993,964	(68,863)	(2,724,449,320)
Capital assets being depreciated, net	1,786,669,184	(138,636,239)	—	412,200,210	2,060,233,155
Total capital assets	$ 3,662,326,829	310,570,447	(575,733)	—	3,972,321,543

	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

(5) Long-term Liabilities

A summary of the long-term liabilities changes during fiscal years 2021 and 2020 is as follows:

	Balance, June 30, 2020	Increases	Decreases	Balance, June 30, 2021	Current	Noncurrent
Workers' compensation (note 17)	$ 5,564,892	3,030,318	(1,660,248)	6,934,962	2,208,826	4,726,136
Compensated absences	13,051,022	6,699,031	(4,860,145)	14,889,908	3,664,147	11,225,761
Prepaid airport use charge fund (notes 10 and 19)	311,934	—	(311,934)	—	—	—
Net postemployment liability (note 14)	180,997,867	4,349,430	(16,799,881)	168,547,416	—	168,547,416
Net pension liability (note 13)	176,968,836	32,958,567	(17,834,519)	192,092,884	—	192,092,884
Airports system revenue bonds (note 6)	1,297,110,000	582,490,000	(346,225,000)	1,533,375,000	430,000	1,532,945,000
Airports system revenue bonds premiums (note 6)	82,199,760	54,040,865	(8,600,650)	127,639,975	—	127,639,975
Airports system revenue bonds discounts (note 6)	(1,761,893)	1,718,639	(15,940)	(59,194)	—	(59,194)
Airports system customer facility charge revenue bonds (note 8)	434,365,000	—	(10,140,000)	424,225,000	10,350,000	413,875,000
Lease revenue certificates of participation (note 7)	198,546,908	—	(12,115,573)	186,431,335	13,752,812	172,678,523
Lease revenue certificates of participation premiums (note 7)	1,278,826	—	(432,338)	846,488	—	846,488
Special facility revenue bonds (note 10)	21,725,000	—	—	21,725,000	—	21,725,000
	$ 2,410,358,152	685,286,850	(418,996,228)	2,676,648,774	30,405,785	2,646,242,989

	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

(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, 2021 and 2020, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2021 and 2020, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statements of net position) consisted of the following:

	2021	2020
Debt service reserve account	$ 107,459,907	102,470,832
Major maintenance, renewal and replacement account	56,671,140	60,000,000
	164,131,047	162,470,832
Principal and interest due July 1	34,168,370	73,503,139
	$ 198,299,417	235,973,971

At June 30, 2021 and 2020, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,256,743,914 and $1,122,500,159, 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, 2021:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount
2011, refunding	2.00%–5.00%	2024	300,885,000	56,615,000
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
2020A, nonrefunding	4.00%–5.00%	2045	113,140,000	113,140,000
2020B, nonrefunding	3.48%	2050	165,885,000	165,885,000
2020C, nonrefunding	5.00%	2050	20,295,000	20,295,000
2020D, refunding	4.00%–5.00%	2039	184,855,000	184,855,000
2020E, refunding	1.392%–2.330%	2030	98,315,000	98,315,000
			$ 1,777,645,000	1,533,375,000
Add unamortized premium				127,639,975
Less unamortized discount				(59,194)
Less current portion				(430,000)
Noncurrent portion				$ 1,660,525,781

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

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

	Principal	Interest	Total
Years ending June 30:			
2022	$ 430,000	67,469,045	67,899,045
2023	445,000	67,453,382	67,898,382
2024	35,395,000	66,563,843	101,958,843
2025	39,500,000	64,863,825	104,363,825
2026	43,410,000	63,421,027	106,831,027
2027–2031	238,680,000	294,244,671	532,924,671
2032–2036	295,040,000	235,133,931	530,173,931
2037–2041	257,705,000	172,390,780	430,095,780
2042–2046	324,080,000	103,694,781	427,774,781
2047–2051	298,690,000	30,890,966	329,580,966
	$ 1,533,375,000	1,166,126,251	2,699,501,251

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 8 to 14 years.

On October 21, 2020, the Airports Division issued $113,140,000, $165,885,000, $20,295,000, $184,855,000, and $98,315,000 of Airports System Revenue Bonds (Series 2020A, Series 2020B, Series 2020C, Series 2020D, and Series 2020E, respectively) at interest rates ranging from 1.392% to 5.00% to be used to pay costs of capital improvement projects at certain facilities of the State's airports system, for deposit of capitalized interest on the Series 2020 Bonds, for a deposit into the Debt Service Account, and to pay for certain costs of issuance relating to the Series 2020 Bonds. The Series 2020D and 2020E Bonds were issued to refund the remaining outstanding Series 2010A Bonds and a portion of the outstanding Series 2011 Bond. Of the net proceeds of $309,640,992 (after payment of $1,410,349 in underwriting fees, insurance, and other costs), along with an additional $1,038,974 from the debt service reserve account, $309,269,617 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds and the Refunding Series 2011 bond on November 6, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds and the Refunding Series 2011 bond 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 $7,914,822 (deferred loss on refunding of $5,177,695 for Series 2020D Bond and deferred loss on refunding of $2,737,127 for Series 2020E Bond). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 4 to 19 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, 2021, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $186,431,335 and $846,488, respectively.

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.

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

		Principal	Interest	Total
Years ending June 30:				
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		20,754,604	4,826,606	25,581,210
2027 - 2031		86,115,344	8,874,308	94,989,652
2032 - 2034		13,620,279	602,277	14,222,556
	$	186,431,335	42,058,276	228,489,611

(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, 2021 and 2020, the outstanding balance of the Series 2017A Bonds is $234,430,000 and $239,655,000, 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, 2021 and 2020, the outstanding balance of the Series 2019A Bonds is $189,795,000 and $194,710,000, with a maturity of July 1, 2047.

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

	Principal	Interest	Total
Years ending June 30:			
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	11,370,000	12,983,853	24,353,853
2027-2031	61,845,000	59,930,899	121,775,899
2032-2036	72,215,000	49,562,897	121,777,897
2037-2041	85,855,000	35,917,365	121,772,365
2042-2046	103,170,000	18,603,420	121,773,420
2047-2048	46,950,000	1,763,788	48,713,788
	$ 424,225,000	233,360,059	657,585,059

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. No material adverse changes occurred during the fiscal year ended June 30, 2021.

(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, 2021 and 2020, the Airports Division has incurred interest of $0 and $153,041, respectively. The loan payable 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 over- and under- payments for fiscal years 1996 through 2021 have been transferred to the PAUCF (note 18). Excess overpayments 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. Underpayments may be collected from the signatory airlines through agreed upon rate increases in subsequent periods.

(iii) Aviation Fuel Tax

The aviation fuel tax amounted to $1,641,902 and $2,191,270 for fiscal years 2021 and 2020, 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 $63,451,979 and $75,921,738 for fiscal years ended 2021 and 2020, respectively. Airport landing fees are shown net of aviation fuel tax credits of $1,716,634 and $1,564,864 for fiscal years ended 2021 and 2020, respectively, on the statements of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $61,735,345 and $74,356,874 for fiscal years 2021 and 2020, 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 48% and 47% of the airport landing fees for overseas flights for fiscal years 2021 and 2020, 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 $65,711,488 and $64,136,977 for fiscal years 2021 and 2020, 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 $64,344,732 and $60,841,089 for fiscal years 2021 and 2020, respectively, and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounted to $28,829,210 and $32,853,120 for fiscal years 2021 and 2020, 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, 2021:

		Principal	Interest	Total
Years ending June 30:				
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		—	1,222,031	1,222,031
2027-2028		21,725,000	1,833,048	23,558,048
	$	21,725,000	7,943,203	29,668,203

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, 2021 and 2020 consisted of the following:

		2021	2020
Cash with bond fund trustee	$	1,475,127	1,474,849
Receivable from lessees, net of unearned interest of $7,790,449 and $9,012,480, respectively		20,249,873	20,250,151
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 35 years for other airport users.

The future minimum rentals from these operating leases at June 30, 2021 are as follows:

Year(s) ending June 30:		
2022	$	32,298,616
2023		30,669,384
2024		30,429,902
2025		29,158,405
2026		35,655,958
2027–2031		77,724,852
2032–2036		12,635,830
2037–2041		5,902,515
2042-2046		6,658,855
2046-2051		7,539,260
	$	268,673,577

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 2021 and 2020 was $61,534,410 and $60,595,665, respectively.

Concession fee revenue from the DFS Group, L.P. (DFS), which operates the in-bond (Duty Free) concession, accounted for approximately 0% and 24% of total concession fee revenue for fiscal years 2021 and 2020, respectively. The Airports Division has waived the Minimum Annual Guarantee (MAG) requirements for certain eligible concessionaires, including DFS, through December 2021 and will continue with the waiver until further notice.

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, 2021 and 2020 is as follows:

		2021	2020
Restricted assets – passenger facility charges, beginning of year	$	124,842,471	187,848,864
Passenger facility charges during the year		18,969,343	30,738,643
Interest earned on passenger facility charges during the year		909,977	3,685,425
Capital expenditures during the year		(19,928,804)	(97,430,461)
Restricted assets – passenger facility charges, end of year	$	124,792,987	124,842,471

Restricted assets – passenger facility charges are presented on the statements of net position as of June 30, 2021 and 2020 as follows:

		2021	2020
Cash and cash equivalents	$	119,587,583	125,057,872
Receivable		6,639,656	1,011,561
Payable		(1,434,252)	(1,226,962)
Total restricted assets – passenger facility charges	$	124,792,987	124,842,471

(12) Rental Car Customer Facility Charge

Rental car customer facility charge activity for the years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Restricted assets – rental car customer facility charge beginning of year	$	119,269,041	148,459,490
Rental car customer facility charges during the year		29,487,659	56,173,999
Net bond proceeds on 2019A series issuance		—	12,111,459
Interest earned on rental care customer facility charges during the year		52,258	2,015,974
Operating and maintenance expenditures during the year		(1,101,819)	(6,589,734)
Capital expenditures during the year		(13,334,975)	(76,155,085)
Interest paid on loan payable		—	(747,333)
Interest paid on debt service		(24,354,554)	(15,999,729)
Restricted assets – rental car customer facility charges, end of year	$	110,017,610	119,269,041

Restricted assets – rental car customer facility charges are presented on the statement of net position as of June 30, 2021 and 2020 as follows:

		2021	2020
Cash and cash equivalents	$	1,916,700	1,905,766
Investments		103,678,174	116,846,721
Receivable		4,492,563	516,554
Payable		(69,827)	—
Total restricted assets – rental car customer facility charges	$	110,017,610	119,269,041

(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 ERS, a cost-sharing, multiple-employer public defined-benefit pension plan. The ERS provides retirement, survivor and disability benefits with multiple benefit structures known as the contributory, hybrid and noncontributory. All contributions, benefits and eligibility requirements are established by Chapter 88, HRS, and can be amended by legislative action.

Employees covered by Social Security on June 30, 1984 were given the option of becoming noncontributory members or remain contributory members. All new employees hired after June 30, 1984 and before July 1, 2006, who are covered by Social Security, were generally required to become 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 2021 and 2020 were 41.00% and 36.00%, respectively, for police officers and firefighters, and 24.00% and 22.00%, respectively, 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, 2021 and 2020 were $20,244,297 and $17,834,519, 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, 2021 and 2020, the Airports Division reported a liability of $192,092,884 and $176,968,836, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2021 was measured as of June 30, 2020 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, 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 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, 2020 and 2019, the Airports Division's proportion was 2.63% and 2.54%, respectively, which was an increase of 0.09% and 0.07% from its proportion measured as of June 30, 2019 and 2018, 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, 2020 and 2019, and the reporting date, June 30, 2021 and 2020, respectively, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2021 and 2020, the Airports Division recognized pension expense of $31,803,559 and $28,998,196, respectively. At June 30, 2021 and 2020, the Airports Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		2021	
		Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$	2,358,126	—
Changes in assumptions		2,615,380	2,891
Net difference between projected and actual earnings on pension plan investments		7,764,291	—
Changes in proportion and differences between Airports: Division contributions and proportionate share of contributions		1,207,315	584,027
Airports Division contributions subsequent to the measurement date		20,244,297	—
	$	34,189,409	586,918

		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

The $20,244,297 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, 2022. The $17,834,519 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, 2021.

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:		
2022	$	5,387,479
2023		2,753,776
2024		2,979,065
2025		2,191,426
2026		46,448
	$	13,358,194

(e) Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 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%

For the June 30, 2020 and 2019 actuarial valuations, 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, 2020 actuarial valuation, preretirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member. For the June 30, 2019 actuarial valuation, 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, 2020 and 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 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, 2020 and 2019 actuarial valuation 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**
June 30, 2020:		
Broad growth:		
Private Equity	13.50 %	8.45 %
Global Equity	20.00	7.35
Low Volatility Equity	4.00	6.60
Global Options	4.00	6.25
Credit	6.00	6.65
Core Real Estate	6.00	5.70
Non-Core Real Estate	4.50	8.45
Timber/Argriculture/Infrastructure	5.00	5.40
Diversifying strategies:		
TIPS	2.00	3.40
Global Macro	4.00	5.90
Reinsurance	4.00	6.00
Alternative Risk Premis	8.00	4.90
Long Treasuries	5.00	3.20
Intermediate Government	4.00	3.00
Systematic Trend Following	10.00	5.30
	100.00 %	
June 30, 2019:		
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, 2019. 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	$ 246,769,408	192,092,884	147,017,258

(h) Pension Plan Fiduciary Net Position

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

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

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

(14) Postretirement Healthcare and Life Insurance Benefits under GASB Statement No. 75, as of and for the years ended June 30, 2021 and 2020

(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 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, 2020, the State's plan members covered by benefit terms consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	37,767
Inactive plan members entitled to but not yet receiving benefits	7,576
Active plan members	50,831
Total plan members	96,174

(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 $7,817,618 and $16,799,881 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, respectively, the Airports Division reported a net OPEB liability of $168,547,416 and $180,997,867 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2020 and 2019, 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 1,2020 and 2019, Airports Division's proportion was 2.0622% and 1.9991%, respectively, which was an increase of 0.0631% and 0.1244% from its proportion measured as of July 1, 2019 and 2018 of 1.9991% and 1.8747%, respectively.

There were no changes between the measurement date, July 1, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2021 and 2020, the Airports Division recognized OPEB expense of approximately $15,970,925 and $14,139,288, respectively. At June 30, 2021, 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	$	2,182,987	—
Differences between expected and actual experience		—	14,427,770
Change in assumptions		1,927,651	1,021,393
Airports Division contributions subsequent to the measurement date		7,817,618	—
	$	11,928,256	15,449,163

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

The $7,817,618 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, 2022. The $16,799,881 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, 2021.

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:		
2022	$	(2,242,938)
2023		(2,182,872)
2024		(2,163,032)
2025		(2,052,112)
2026		(2,678,218)
Thereafter		(19,353)
	$	(11,338,525)

(d) Actuarial Assumptions

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

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

July 1, 2020:	
PPO*	Initial rate of 7.50%; declining to a rate of 4.70% after 13 years
HMO*	Initial rate of 7.50%; declining to a rate of 4.70% after 13 years
Part B and Base Monthly Contribution (BMC)	Initial rates of 5.00%; declining to a rate of 4.70% after 10 years
Dental	Initial rates of 5.00% for the first year; followed by 4.00%
Vision	Initial rates of 0.00% for the first year; 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.
July 1, 2019:	
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 two years; followed by 4.00%
Vision	Initial rates of 0.00% for the first two 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 for the July 1, 2020 and 2019 actuarial valuations are summarized in the following tables:

Asset class	Target allocation	Long-term expected real rate of return
July 1, 2020:		
Non-U.S. equity	16.00 %	7.72 %
U.S. equity	14.00	6.23
Private equity	10.00	9.66
Core real estate	10.00	5.98
Trend following	8.00	2.12
U.S. microcap	6.00	7.85
Global options	6.00	4.65
Private credit	6.00	5.50
Long treasuries	6.00	0.86
Reinsurance	5.00	4.34
Alternative risk premia	5.00	1.56
TIPS	5.00	0.11
Core bonds	3.00	0.08
	100.00 %	

Asset class	Target allocation	Long-term expected real rate of return
July 1, 2019:		
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 %	

(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. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This temporary Act 268 suspension would not derail the plan's long-term funding progress. Even if Act 268 is suspended through fiscal year ending June 30, 2025, as is being discussed, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Act 229, Session Laws of Hawaii 2021, suspends the contribution requirement for fiscal years 2022 and 2023. The State has made its full Annual Required Contribution in fiscal year 2021 and intends to make contributions for fiscal years 2022 and 2023. 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	$ 202,244,263	168,547,416	141,994,435

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	$ 140,793,260	168,547,416	204,447,092

(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 $8,042,464 and $14,383,786 in fiscal years 2021 and 2020, respectively.

The Airports Division is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $6,102,003 and $7,727,347 in fiscal years 2021 and 2020, respectively. During fiscal years 2021 and 2020, the Airports Division received assessment refunds from the DOT amounting to $3,371,586 and $3,269,258, 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 2021 and 2020, revenue received from other state agencies totaled $11,768,816 and $7,002,770 and expenditures to other state agencies totaled $11,370,964 and $11,720,293, 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, 2021 and 2020, the Airports Division had a receivable due from state agencies for $1,619,406 and $3,097,923, 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, 2021 and 2020 was $31,080,980 and $25,847,406, 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 $1,777,645,000 in revenue bonds issued in 2011, 2015, 2018, and 2020 and payable through 2050. The total debt service remaining to be paid on the revenue bonds for the Airports Division is $2,699,501,251. In fiscal years 2021 and 2020, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports Division was $96,474,681 and $109,002,852 and $129,469,897 and $161,437,921, respectively. See also note 6 for further discussion on the revenue bonds.

(d) Other

At June 30, 2021 and 2020, the Airports Division has commitments totaling $672,640,949 and $552,487,244, 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, 2021 and 2020, the workers compensation reserve was $6,934,962 and $5,564,892, of which $2,208,826 and $2,142,860, is included in current liabilities (payable from unrestricted net assets), and $4,726,136 and $3,422,032 is included in long-term liabilities in the accompanying statement of net position at June 30, 2021 and 2020, respectively. In the opinion of management, the Airports Division has adequately reserved for such claims.

The change in claims payable for June 30, 2021 and 2020, including an estimate of incurred but not reported claims, is as follows:

		2021	2020
Beginning balance – July 1	$	5,564,892	4,261,532
Current year claims and changes in estimates		3,030,318	2,966,805
Claims settled		(1,660,248)	(1,663,445)
Ending balance – June 30	$	6,934,962	5,564,892

(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, 2021, 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 2021, there were no changes to the PAUCF. In fiscal year 2021, there was an underpayment from the signatory airlines resulting in a prepaid airport use charge receivable at June 30, 2021 of $35,540,888. The Airports Division waived the underpayment for fiscal year 2020. The prepaid airport use charge liability at June 30, 2020 was $311,934.

(19) Subsequent Events

The Airports Division has evaluated subsequent events from the balance sheet date through December 23, 2021, 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, 2021

		Totals	Statewide	Airports: Daniel K. Inouye International	Airports: Hilo International	Airports: Ellison Onizuka Kona International at Keahole	Airports: Kahului	Airports: Lihue	Airports: All others
Operating revenue:									
Concession fees:									
Duty free	$	—	—	—	—	—	—	—	—
Retail		600,925	—	276,017	—	—	324,908	—	—
Airport parking		11,826,288	—	7,090,774	488,859	1,324,196	2,143,624	778,835	—
Car rental		38,250,117	—	10,363,495	1,026,595	6,910,194	15,451,078	4,357,943	140,812
Food and beverage		2,354,519	—	1,013,891	35,794	270,157	888,732	145,345	600
Other concessions		6,148,201	—	3,656,787	(154,403)	723,218	1,549,177	323,590	49,832
Total concession fees		59,180,050	—	22,400,964	1,396,845	9,227,765	20,357,519	5,605,713	191,244
Airport landing fees		61,735,345	—	38,640,230	1,482,878	6,058,913	12,117,691	3,069,003	366,630
Aeronautical rentals:									
Nonexclusive joint-use premise charges		65,711,488	—	46,930,780	1,388,827	4,720,129	10,059,908	2,611,844	—
Exclusive-use premise charges		64,344,732	—	47,267,502	2,249,537	3,157,713	7,155,935	3,515,530	998,515
Nonaeronautical rentals		21,853,443	—	12,303,178	336,219	2,158,198	5,387,421	1,562,178	106,249
Aviation fuel tax		1,641,902	—	697,810	65,125	266,094	532,429	80,444	—
Miscellaneous		8,154,765	2,936,510	3,326,654	37,209	545,718	654,469	378,291	275,914
		282,621,725	2,936,510	171,567,118	6,956,640	26,134,530	56,265,372	16,823,003	1,938,552
Allocation of statewide miscellaneous revenue (note 1)		—	(2,936,510)	1,872,034	20,939	307,096	368,295	212,879	155,267
Net operating revenue	$	282,621,725	—	173,439,152	6,977,579	26,441,626	56,633,667	17,035,882	2,093,819
Operating expenses other than depreciation:									
Salaries and wages	$	131,907,339	31,142,420	48,693,116	7,617,870	8,288,861	14,812,502	10,765,577	10,586,993
Other personnel services		114,234,346	35,581,850	47,822,120	4,030,716	5,677,477	11,716,662	6,114,768	3,290,753
Utilities		32,223,234	5,162	21,270,439	1,013,080	2,389,160	5,104,763	1,702,518	738,112
Repairs and maintenance		48,483,867	21,549,670	18,748,299	1,057,156	1,341,066	2,218,211	2,950,799	618,666
State of Hawaii surcharge on gross receipts (note 2)		8,042,464	8,042,464	—	—	—	—	—	—
Special maintenance		9,485,059	(5,267,639)	4,548,907	1,165,273	780,863	4,409,016	1,397,190	2,451,449
Department of Transportation general administration expenses		6,102,003	6,102,003	—	—	—	—	—	—
Materials and supplies		5,744,770	365,711	2,211,743	505,134	460,717	1,460,213	490,458	250,794
Insurance		2,502,691	2,502,691	—	—	—	—	—	—
Claims and benefits		3,000,866	1,433,311	775,855	126,612	255,051	207,393	3,883	198,761
Bad debt expense (note 3)		96,622	96,622	—	—	—	—	—	—
Miscellaneous		2,615,236	1,101,136	604,506	173,285	196,422	217,854	151,975	170,058
		364,438,497	102,655,401	144,674,985	15,689,126	19,389,617	40,146,614	23,577,168	18,305,586
Allocation of statewide expenses (note 4)		—	(102,655,401)	56,732,725	6,152,321	7,603,428	15,743,059	9,245,531	7,178,337
Total operating expenses other than depreciation for statement of revenue, expenses and changes in net position	$	364,438,497	—	201,407,710	21,841,447	26,993,045	55,889,673	32,822,699	25,483,923

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)

Schedule 2

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, 2021

Revenue and aviation fuel taxes:		
Concession fees	$	59,180,050
Airport landing fees		61,735,345
Aeronautical rentals:		
Nonexclusive joint-use premise charges		65,711,488
Exclusive-use premise charges		64,344,732
Nonaeronautical rentals		21,853,443
Aviation fuel tax		1,641,902
Airport system support charges		—
Interest income, exclusive of interest on investments in direct financing leases and including interest income of $418,135 on capital improvement projects		5,705,467
Federal operating grants (note 5)		152,191,434
Miscellaneous		8,154,765
Total revenue and aviation fuel taxes		440,518,626
Deductions:		
Operating expenses other than depreciation for net revenue and taxes (Schedule 1) (note 5)		364,438,497
Less: operating expenses for Special Facility (note 3)		(6,812,225)
Less: non-cash pension and OPEB expenses (note 4)		(19,712,569)
Less: Operating expenses paid from major maintenance, renewal and replacement account		—
Annual reserve required on major maintenance, renewal and replacement account		—
Total deductions		337,913,703
Net revenue and taxes		102,604,923
Add funded coverage per bond certificate		26,864,977
Adjusted net revenue and taxes		129,469,900
Debt service requirement:		
Airports system revenue bonds:		
Principal		430,000
Interest (note 1)		53,946,629
Total debt service		54,376,629
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)		(16,082,631)
Total debt service requirement		38,293,998
Debt service coverage percentage		125
Total debt service with coverage requirement		47,867,498
Excess of net revenue and taxes over debt service requirement	$	81,602,402

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 $16,082,631 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.

(5) This includes a one-time operating grant of $22,350,452 from the State's share of the federal COVID-19 relief grants, which is included in both operating revenues and corresponding offset to expenses associated with inbound passenger screening, recognized as operating expenses under U.S. generally accepted accounting principles.

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, 2021

		Annual principal and interest requirements		
		Airports system revenue bonds		
		Principal	Interest	Total
Year ending June 30:				
2022	$	430,000	67,469,045	67,899,045
2023		445,000	67,453,382	67,898,382
2024		35,395,000	66,563,843	101,958,843
2025		39,500,000	64,863,825	104,363,825
2026		43,410,000	63,421,027	106,831,027
2027		44,660,000	62,095,435	106,755,435
2028		46,065,000	60,647,052	106,712,052
2029		47,560,000	59,082,392	106,642,392
2030		49,195,000	57,260,480	106,455,480
2031		51,200,000	55,159,312	106,359,312
2032		53,395,000	52,727,667	106,122,667
2033		56,065,000	49,991,166	106,056,166
2034		58,870,000	47,117,791	105,987,791
2035		61,810,000	44,100,791	105,910,791
2036		64,900,000	41,196,516	106,096,516
2037		47,320,000	38,826,992	86,146,992
2038		49,340,000	36,762,441	86,102,441
2039		51,450,000	34,608,741	86,058,741
2040		53,650,000	32,361,891	86,011,891
2041		55,945,000	29,830,715	85,775,715
2042		58,710,000	26,994,191	85,704,191
2043		61,615,000	24,017,090	85,632,090
2044		64,665,000	20,892,365	85,557,365
2045		67,865,000	17,612,690	85,477,690
2046		71,225,000	14,178,445	85,403,445
2047		54,735,000	11,199,042	65,934,042
2048		57,180,000	8,693,604	65,873,604
2049		59,745,000	6,073,111	65,818,111
2050		62,425,000	3,645,954	66,070,954
2051		64,605,000	1,279,255	65,884,255
Total	$	1,533,375,000	1,166,126,251	2,699,501,251

See accompanying independent auditors’ report.

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, 2021

	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%	New Issue Series 2020A, 4.00% to 5.00%	New Issue Series 2020B, 3.48%	New Issue Series 2020C, 5.00%	Refunding Series 2020D, 4.00% to 5.00%	Refunding Series 2020E, 1.392% to 2.330%	Total	Interest	Total requirements
Year ending June 30:															
2022	—	—	—	—	—	430,000	—	—	—	—	—	—	430,000	67,469,045	67,899,045
2023	—	—	—	—	—	445,000	—	—	—	—	—	—	445,000	67,453,382	67,898,382
2024	34,930,000	—	—	—	—	465,000	—	—	—	—	—	—	35,395,000	66,563,843	101,958,843
2025	21,685,000	—	—	—	—	17,815,000	—	—	—	—	—	—	39,500,000	64,863,825	104,363,825
2026	—	—	—	—	8,305,000	16,805,000	—	—	—	—	—	18,300,000	43,410,000	63,421,027	106,831,027
2027	—	—	—	—	8,695,000	19,015,000	—	—	—	—	—	16,950,000	44,660,000	62,095,435	106,755,435
2028	—	—	—	—	9,125,000	18,095,000	—	—	—	—	1,725,000	17,120,000	46,065,000	60,647,052	106,712,052
2029	—	—	—	9,800,000	—	20,105,000	—	—	—	—	1,715,000	15,940,000	47,560,000	59,082,392	106,642,392
2030	—	—	—	10,750,000	—	—	20,185,000	—	—	—	1,980,000	16,280,000	49,195,000	57,260,480	106,455,480
2031	—	—	—	11,280,000	—	—	21,935,000	2,920,000	—	—	1,340,000	13,725,000	51,200,000	55,159,312	106,359,312
2032	—	—	—	11,840,000	—	—	23,210,000	17,110,000	—	—	1,235,000	—	53,395,000	52,727,667	106,122,667
2033	—	—	—	12,435,000	—	—	24,365,000	17,965,000	—	—	1,300,000	—	56,065,000	49,991,166	106,056,166
2034	—	—	—	13,050,000	—	—	25,590,000	18,865,000	—	—	1,365,000	—	58,870,000	47,117,791	105,987,791
2035	—	—	—	13,710,000	—	—	26,865,000	19,805,000	—	—	1,430,000	—	61,810,000	44,100,791	105,910,791
2036	—	—	—	12,205,000	—	—	—	20,795,000	—	—	31,900,000	—	64,900,000	41,196,516	106,096,516
2037	—	—	—	12,820,000	—	—	—	1,330,000	—	—	33,170,000	—	47,320,000	38,826,992	86,146,992
2038	—	—	—	13,450,000	—	—	—	1,385,000	—	—	34,505,000	—	49,340,000	36,762,441	86,102,441
2039	—	—	—	14,130,000	—	—	—	1,440,000	—	—	35,880,000	—	51,450,000	34,608,741	86,058,741
2040	—	—	—	14,840,000	—	—	—	1,500,000	—	—	37,310,000	—	53,650,000	32,361,891	86,011,891
2041	—	34,570,000	1,375,000	18,445,000	—	—	—	1,555,000	—	—	—	—	55,945,000	29,830,715	85,775,715
2042	—	36,295,000	1,430,000	19,375,000	—	—	—	1,610,000	—	—	—	—	58,710,000	26,994,191	85,704,191
2043	—	38,110,000	1,490,000	20,340,000	—	—	—	1,675,000	—	—	—	—	61,615,000	24,017,090	85,632,090
2044	—	40,020,000	1,545,000	21,355,000	—	—	—	1,745,000	—	—	—	—	64,665,000	20,892,365	85,557,365
2045	—	42,020,000	1,610,000	22,420,000	—	—	—	1,815,000	—	—	—	—	67,865,000	17,612,690	85,477,690
2046	—	44,120,000	1,675,000	23,540,000	—	—	—	1,625,000	265,000	—	—	—	71,225,000	14,178,445	85,403,445
2047	—	—	—	35,775,000	—	—	—	—	18,960,000	—	—	—	54,735,000	11,199,042	65,934,042
2048	—	—	—	37,560,000	—	—	—	—	19,620,000	—	—	—	57,180,000	8,693,604	65,873,604
2049	—	—	—	39,440,000	—	—	—	—	20,305,000	—	—	—	59,745,000	6,073,111	65,818,111
2050	—	—	—	—	—	—	—	—	62,425,000	—	—	—	62,425,000	3,645,954	66,070,954
2051	—	—	—	—	—	—	—	—	44,310,000	20,295,000	—	—	64,605,000	1,279,255	65,884,255
	$ 56,615,000	235,135,000	9,125,000	388,560,000	26,125,000	93,175,000	142,150,000	113,140,000	165,885,000	20,295,000	184,855,000	98,315,000	1,533,375,000	1,166,126,251	2,699,501,251

See accompanying independent auditors’ report.

(Continued)

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, 2021

	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.	890,528	7,061	—	$ 2,226,706	—	—	—	—	—	—	—	—	—	—	—	117,391	2,344,097
AIR CANADA	7,652	18	—	34,892	—	2,955	1,986	276	—	—	—	—	—	—	—	314,152	354,261
AIR NEW ZEALAND LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AIR PACIFIC, LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AIRASIA X BERHAD	—	5,501	—	—	—	—	—	—	—	—	—	—	—	—	—	15,694	15,694
ALASKA AIRLINES, INC.	806,628	—	—	3,678,222	—	1,546,327	1,043,164	242,453	—	—	—	—	—	—	—	1,139,389	7,649,555
ALL NIPPON AIRWAYS CO., LTD.	26,435	64	4,272	120,544	—	—	5,983	4,975	—	—	—	—	—	29,989	—	1,577,715	1,739,206
AMERICAN AIRLINES, INC.	1,141,949	4,386	—	5,207,290	—	1,784,627	1,112,408	420,957	—	—	—	—	—	—	—	1,889,688	10,414,970
ATLAS AIR INC.	172,574	481	—	786,937	—	—	—	—	—	—	—	—	—	—	—	—	786,937
ASIANA AIRLINES, INC.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	348,765	348,765
CHINA AIRLINES, LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(28,731)	(28,731)
CONTINENTAL AIRLINES, INC.	10,088	67	—	46,002	—	16,134	19,718	—	—	—	—	—	—	—	—	618,563	700,417
DELTA AIR LINES, INC.	916,029	3,788	37	4,176,630	—	1,313,243	751,113	341,293	—	—	—	—	—	260	—	3,398,646	9,981,185
FEDERAL EXPRESS CORPORATION	962,664	1,811	—	4,389,747	—	—	—	—	—	—	—	—	—	—	—	39,327	4,429,074
HAWAIIAN AIRLINES, INC.	5,039,444	35,840	12,327	15,581,121	—	15,732	1,414,503	—	—	5,015,849	2,200,135	—	—	86,536	—	11,102,234	35,416,110
JAPAN AIRLINES INTERNATIONAL CO., LTD.	31,470	88	4,663	143,503	—	—	6,756	5,617	—	—	—	—	—	32,734	—	1,634,630	1,823,240
JETSTAR AIRWAYS PTY LIMITED	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
JIN AIR CO., LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41,515	41,515
KALITTA AIR, L.L.C.	357,164	549	—	1,583,026	—	—	—	—	—	—	—	—	—	—	—	—	1,583,026
KOREAN AIRLINES COMPANY, LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	386,510	386,510
MOKULELE FLIGHT SERVICE, INC.	172,321	23,994	—	384,275	—	—	—	—	—	—	—	—	—	—	—	47,884	432,159
NORTHERN AIR CARGO, LLC	12,062	37	—	55,003	—	—	—	—	—	—	—	—	—	—	—	—	55,003
PHILIPPINE AIRLINES, INC.	11,124	27	4,262	50,726	—	—	5,383	4,476	—	—	—	—	—	29,919	—	174,998	265,502
POLAR AIR CARGO, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
QANTAS AIRWAYS LIMITED	178,946	248	94	820,020	—	—	176	147	—	—	—	—	—	660	—	634,912	1,455,915
SOUTHWEST AIRLINES CO.	2,219,811	14,554	—	5,970,757	—	2,146,798	670,749	466,600	—	—	477,732	—	—	—	—	1,922,797	11,655,433
SUN COUNTRY, INC.	9,217	60	—	40,028	—	31,001	12,270	10,202	—	—	—	—	—	—	—	61,608	155,109
UNITED AIRLINES, INC.	1,834,612	6,352	44,437	8,597,692	—	2,549,056	1,509,514	630,955	—	—	—	—	—	275,685	—	6,762,187	20,325,089
UNITED PARCEL SERVICE CO.	1,142,945	2,284	—	4,442,132	—	—	—	—	—	—	—	—	—	—	—	47,333	4,489,465
WESTJET	16,177	71	—	73,766	—	11,234	9,608	1,357	—	—	—	—	—	—	—	176,979	272,944
Total Signatory Airlines	15,959,840	107,281	70,092	58,409,019	—	9,417,107	6,563,331	2,129,308	—	5,015,849	2,677,867	—	—	455,783	—	32,424,186	117,092,450
Nonsignatory airlines	1,514,126	207	290	4,125,582		1,993	640	682	—	—	—	—	—	2,546		915,962	5,047,405
Total airports system charges billed	17,473,966	107,488	70,382	62,534,601	—	9,419,100	6,563,971	2,129,990	—	5,015,849	2,677,867	—	—	458,329	—	33,340,148	122,139,855
Signatory airlines requirements				59,326,397	—	16,920,072	10,385,365	6,038,933	—	9,116,497	4,800,761	—	—	18,443,999	—	27,913,248	152,945,272
Nonsignatory airlines requirements				4,125,582	—	1,993	640	682	—	—	—	—	—	2,546	—	915,962	5,047,405
Fiscal year 2021 overpayment (underpayment)				$ (917,378)	—	(7,502,965)	(3,822,034)	(3,909,625)	—	(4,100,648)	(2,122,894)	—	—	(17,988,216)	—	4,510,938	(35,852,822)

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, 2021 were as follows:

Signatory airlines	$ 16,514,181
Nonsignatory airlines	19,001,341
	$ 35,515,522

See accompanying independent auditors' report.

(Continued)

Schedule 6

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, 2021

		Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$	58,409,019	4,125,582	62,534,601
Less aviation fuel tax credit		(1,583,182)	(133,452)	(1,716,634)
Net airport landing fees billed	$	56,825,837	3,992,130	60,817,967

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, 2021

	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.	406,822	111,519	372,187	890,528	$ 1,148,042	248,687	1,396,729	—	1,396,729	829,977	—	829,977	2,226,706
Air Canada	2,126	—	5,526	7,652	9,692	—	9,692	—	9,692	25,200	—	25,200	34,892
Air New Zealand, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Pacific, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Airasia x Berhad	—	—	—	—	—	—	—	—	—	—	—	—	—
Alaska Airlines, Inc.	259,039	—	547,589	806,628	1,181,216	—	1,181,216	(160,399)	1,020,817	2,497,007	—	2,497,007	3,517,824
All Nippon Airways Co., Ltd.	26,435	—	—	26,435	120,544	—	120,544	—	120,544	—	—	—	120,544
American Airlines, Inc.	588,366	—	553,583	1,141,949	2,682,948	—	2,682,948	(125,152)	2,557,796	2,524,342	—	2,524,342	5,082,138
Atlas Air Inc.	114,630	—	57,944	172,574	522,713	—	522,713	—	522,713	264,225	—	264,225	786,938
Asiana Airlines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
China Airlines, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Continental Airlines, Inc.	—	10,088	—	10,088	—	46,002	46,002	—	46,002	—	—	—	46,002
Delta Air Lines, Inc.	543,705	—	372,324	916,029	2,478,836	—	2,478,836	(97,488)	2,381,348	1,697,795	—	1,697,795	4,079,143
Federal Express Corporation	962,664	—	—	962,664	4,389,747	—	4,389,747	—	4,389,747	—	—	—	4,389,747
Hawaiian Airlines, Inc.	2,945,514	308,229	1,785,701	5,039,444	9,925,144	687,351	10,612,495	(898,914)	9,713,581	4,968,627	—	4,968,627	14,682,208
Japan Airlines International Co., Ltd.	31,470	—	—	31,470	143,503	—	143,503	—	143,503	—	—	—	143,503
Jetstar Airways Pty Limited	—	—	—	—	—	—	—	—	—	—	—	—	—
Jin Air Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Kalitta Air, LLC	337,575	—	19,589	357,164	1,539,342	—	1,539,342	—	1,539,342	43,683	—	43,683	1,583,025
Korean Airlines Company, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Mokulele Flight Services, Inc.	40,562	2,304	129,455	172,321	90,453	5,137	95,590	(7,061)	88,529	288,685	—	288,685	377,214
Northern Air Cargo, LLC	12,062	—	—	12,062	55,003	—	55,003	—	55,003	—	—	—	55,003
Philippine Airlines, Inc.	11,124	—	—	11,124	50,725	—	50,725	—	50,725	—	—	—	50,725
Polar Air Cargo, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Qantas Airways, Ltd.	178,946	—	—	178,946	690,224	(22,644)	667,580	—	667,580	152,440	—	152,440	820,020
Southwest Airlines, Co.	1,065,774	178,467	975,570	2,219,811	3,027,254	393,330	3,420,584	(77,569)	3,343,015	2,550,173	—	2,550,173	5,893,188
Sun Country Inc.	9,217	—	—	9,217	41,717	—	41,717	(60)	41,657	(1,690)	—	(1,690)	39,967
United Airlines, Inc.	1,137,330	—	697,282	1,834,612	5,186,225	—	5,186,225	(214,573)	4,971,652	3,411,466	—	3,411,466	8,383,118
United Parcel Service Co.	839,175	—	303,770	1,142,945	3,562,664	—	3,562,664	(568)	3,562,096	879,468	(1,398)	878,070	4,440,166
WestJet	4,452	—	11,725	16,177	20,300	—	20,300	—	20,300	53,466	—	53,466	73,766
Total	9,516,988	610,607	5,832,245	15,959,840	$ 36,866,292	1,357,863	38,224,155	(1,581,784)	36,642,371	20,184,864	(1,398)	20,183,466	56,825,837

Summary of revenue landing weights:	
Overseas	9,813,293
Interisland	6,146,547
	15,959,840

Aviation fuel tax credits of $1,641,902 was paid by the users for the year ended June 30, 2021. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax of $1,716,634 was credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Signatory airlines	$ 1,583,182
Nonsignatory airlines	133,452
	$ 1,716,634

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2021.

See accompanying independent auditors' report.

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, 2021

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport					All Other Airports			
					Gross Airport Landing Fees								
	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.	126,210	—	—	126,210	713,286	—	713,286	—	713,286	—	—	—	713,286
Air Service Hawaii, Inc.	44,675	314	87,587	132,576	95,456	336	95,792	(73,140)	22,652	176,925	—	176,925	199,577
Air Japan Co, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Transport International LLC	37,545	—	—	37,545	214,007	—	214,007	(48,432)	165,575	—	—	—	165,575
Air Ventures Hawaii, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Airasia x Berhad	—	—	—	—	—	—	—	—	—	—	—	—	—
Alexair, Inc.	—	—	5,832	5,832	—	—	—	—	—	6,530	—	6,530	6,530
Aloha Helicopter Tours LLC	—	—	1,031	1,031	—	—	—	—	—	876	—	876	876
Alika Aviation, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Aris, Inc.	—	—	9,542	9,542	—	—	—	—	—	8,111	(870)	7,241	7,241
Atlas Air Inc.	261,277	—	57,256	318,533	1,489,279	—	1,489,279	—	1,489,279	326,359	—	326,359	1,815,638
Big Island Air, Inc.	7	4	213	224	6	4	10	—	10	180	—	180	190
Bradley Pacific Aviation, Inc.	34,217	1,310	120,085	155,612	68,996	2,494	71,490	—	71,490	244,583	—	244,583	316,073
Castle & Cooke Homes Hawaii, Inc.	15,610	—	79	15,689	33,021	—	33,021	—	33,021	67	—	67	33,088
Corporate Air	13,923	34	14,127	28,084	38,845	95	38,940	—	38,940	39,414	—	39,414	78,354
Delta Air Lines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Fly Kauai	—	—	—	—	—	—	—	—	—	—	—	—	—
George's Aviation Services, Inc.	1,183	—	126	1,309	1,006	—	1,006	(746)	260	107	—	107	367
Hawaii Air Ambulance, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Hawaii Helicopters, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Hawaii Pacific Aviation, Inc.	1,814	—	3,344	5,158	1,875	—	1,875	(291)	1,584	3,973	(150)	3,823	5,407
Hawaii Wilderness Adventurs LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Helicopter Consultants Of Maui, Inc.	4,878	2,924	23,091	30,893	4,147	2,486	6,633	—	6,633	19,627	(3,460)	16,167	22,800
Honolulu Soaring Club, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
International Life Support, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Island Helicopters, Inc.	—	—	3,745	3,745	—	—	—	—	—	3,183	(313)	2,870	2,870
Jack Harter Helicopters, Inc.	—	—	4,098	4,098	—	—	—	—	—	3,483	(338)	3,145	3,145
Jetstar Airways Pty Limited	—	—	—	—	—	—	—	—	—	—	—	—	—
K&S Helicopters, Inc.	—	3,565	6,855	10,420	—	3,030	3,030	—	3,030	5,827	(1,068)	4,759	7,789
Kamaka Air, Inc.	21,555	279	35,892	57,726	18,322	237	18,559	—	18,559	30,508	—	30,508	49,067
Lani Lea Sky Tours LLC	10	—	—	10	14	—	14	—	14	—	—	—	14
Makani Kai Helicopters, Ltd.	3,489	—	765	4,254	2,965	—	2,965	(7)	2,958	650	—	650	3,608
Manuiwa Airways, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Maui IslandAir, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Miami Air International	720	—	—	720	—	—	—	—	—	—	—	—	—
Miscellaneous	5,621	—	—	5,621	18,945	—	18,945	—	18,945	—	—	—	18,945
MN Airlines LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
National Airlines - NPB	(3,330)	—	—	(3,330)	(16,417)	—	(16,417)	—	(16,417)	—	—	—	(16,417)
Niihau Helicopters, Inc.	—	—	332	332	—	—	—	—	—	277	—	277	277
Novictor Aviation, LLC	7,202	—	—	7,202	6,121	—	6,121	—	6,121	—	—	—	6,121
Omni Air International, Inc.	13,080	—	—	13,080	70,453	—	70,453	—	70,453	—	—	—	70,453
Pacific Air Charters, Incorporated	141	—	578	719	114	—	114	(26)	88	471	—	471	559
Pacific Helicopter Tours, Inc.	108	—	199	307	92	—	92	—	92	210	(35)	175	267
Paragon Air Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Pofolk Aviation Hawaii, Inc.	—	—	9,723	9,723	—	—	—	—	—	8,265	—	8,265	8,265
Resort Air, LLC	359	—	545	904	305	—	305	(62)	243	452	(54)	398	641
Ryan International Airlines	—	—	—	—	—	—	—	—	—	—	—	—	—
Safari Aviation, Inc.	—	456	353	809	—	742	742	—	742	1,383	—	1,383	2,125
Scoot-Tigerair PTE, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Sky-med, Inc.	—	—	19,890	19,890	—	—	—	—	—	16,907	—	16,907	16,907
Skyview Soaring Lcc	—	—	—	—	—	—	—	—	—	—	—	—	—
Smoky Mountain Helicopters, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Southern Air	—	—	—	—	—	—	—	—	—	—	—	—	—

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, 2021

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport					All Other Airports			
					Gross Airport Landing Fees								
	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
Will Squyres Hilicopers Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Sunshine Helicopters, Inc.	—	18	4,329	4,347	—	16	16	—	16	3,679	(418)	3,261	3,277
Trans Executive Airlines Of Hawaii, Inc.	90,522	110,750	226,124	427,396	76,943	94,138	171,081	(4,042)	167,039	192,206	—	192,206	359,245
Universal Enterprise, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Western Global Airlines	33,632	—	37,908	71,540	28,587	—	28,587	—	28,587	32,222	—	32,222	60,809
Wings Over Kauai LLC	—	—	1,436	1,436	—	—	—	—	—	1,003	—	1,003	1,003
World Airways	—	—	—	—	—	—	—	—	—	—	—	—	—
Zipair Tokyo, Inc.	4,940	—	—	4,940	28,158	—	28,158	—	28,158	—	—	—	28,158
Total	719,388	119,654	675,085	1,514,127	$ 2,894,526	103,578	2,998,104	(126,746)	2,871,358	1,127,478	(6,706)	1,120,772	3,992,130

Summary of revenue landing weights:	
Overseas	737,527
Interisland	776,598
	1,514,125

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2021.

See accompanying independent auditors' report.