



April 12, 2021

VIA EMAIL

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

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial and Compliance Audit of the Department of Transportation, Airports Division

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Department of Transportation, Airports Division for the fiscal year ended June 30, 2020, was issued on December 22, 2020. The Office of the Auditor retained KPMG LLP to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

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

http://files.hawaii.gov/auditor/Reports/2020_Audit/DOT_Airports_2020.pdf;

http://files.hawaii.gov/auditor/Reports/2020_Audit/DOT_Airports_SA2020.pdf; and

http://files.hawaii.gov/auditor/Reports/2020_Audit/DOT_Airports_Summary_2020.pdf.

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

Very truly yours,

A handwritten signature in blue ink, appearing to read "LH Kondo".

Leslie H. Kondo
State Auditor

LHK:LYK:emo
Attachment

ec/attach (Auditor's Summary only): Senators

Representatives

Carol Taniguchi, Senate Chief Clerk

Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the Department of Transportation, Airports Division

Financial Statements, Fiscal Year Ended June 30, 2020



PHOTO: HAWAII DOT AIRPORTS DIVISION

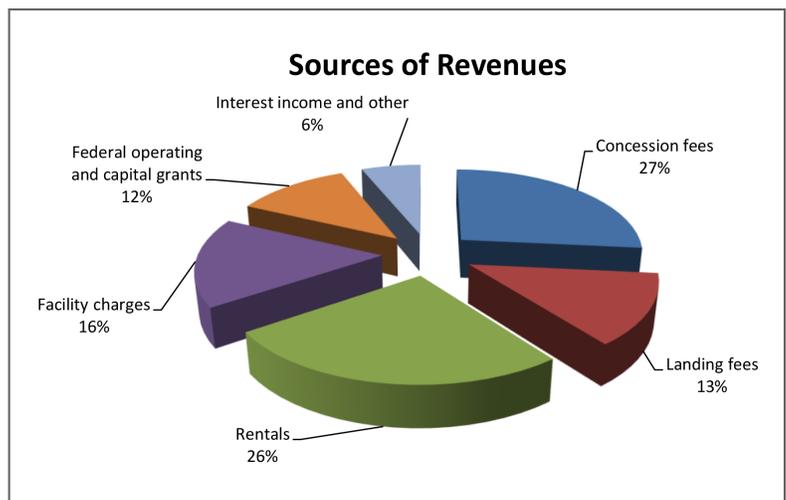
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements of the Department of Transportation, Airports Division, as of and for the fiscal year ended June 30, 2020, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which set forth audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KPMG LLP.

About the Division

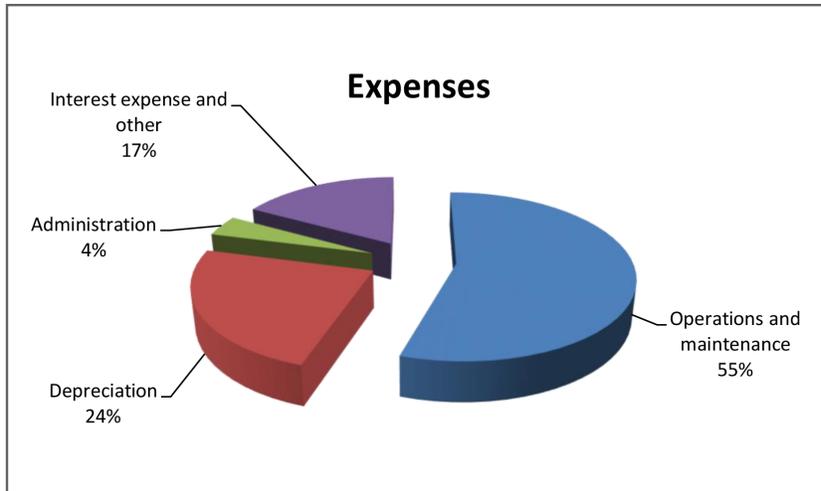
The Department of Transportation, Airports Division (DOT-Airports), operates and maintains 15 airports at various locations within the State of Hawai'i as a single integrated system for management and financial purposes. Daniel K. Inouye International Airport is the principal airport in the airports system, providing facilities for interisland flights, domestic overseas flights, and international flights to destinations in the Pacific Rim. DOT-Airports is authorized to impose and collect rates and charges for the airports system services and properties to generate revenues to fund operating expenses. The Capital Improvements Program is primarily funded by airports system revenue bonds and lease revenue certificates of participation issued by DOT-Airports, federal grants, passenger facility charges, customer facility charges, and DOT-Airports revenues.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2020, DOT-Airports reported total revenues of \$569 million and total expenses of \$561 million, resulting in an increase in net position of \$8 million. Revenues consisted of (1) \$151 million in concession fees, (2) \$74 million in landing fees, (3) \$148 million in rentals, (4) \$94 million in facility charges, (5) \$67 million in federal operating and capital grants, and (6) \$35 million in interest and other revenues.



Total expenses of \$561 million consisted of (1) \$311 million for operations and maintenance, (2) \$136 million in depreciation, (3) \$22 million for administration, and (4) \$92 million in interest and other expenses.



As of June 30, 2020, the department reported total assets and deferred outflows of resources of \$5.2 billion, comprised of (1) cash of \$1.04 billion, (2) investments of \$343 million, (3) net capital assets of \$3.66 billion, and (4) \$151 million in receivables, other assets, and deferred outflows of resources. Total liabilities and deferred inflows of resources totaled \$2.6 billion, which includes (1) \$1.38 billion in airports system revenue bonds, (2) \$1.2 billion in other liabilities and deferred inflows of resources, and (3) \$22 million in special facility revenue bonds.

Revenue bonds for DOT-Airports are rated as follows:

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

DOT-Airports has numerous capital projects ongoing state-wide; construction-in-progress totaled \$1.5 billion at the end of the fiscal year.

Auditors' Opinions

DOT-AIRPORTS RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT-Airports also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2020_Audit/DOT_Airports_2020.pdf
http://files.hawaii.gov/auditor/Reports/2020_Audit/DOT_Airports_SA2020.pdf