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Jan K. Yamane
Acting State Auditor
State of Hawai'i

Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Financial Audit of the Department of Transportation, Airports Division

Financial Statements, Fiscal Year Ended June 30, 2013

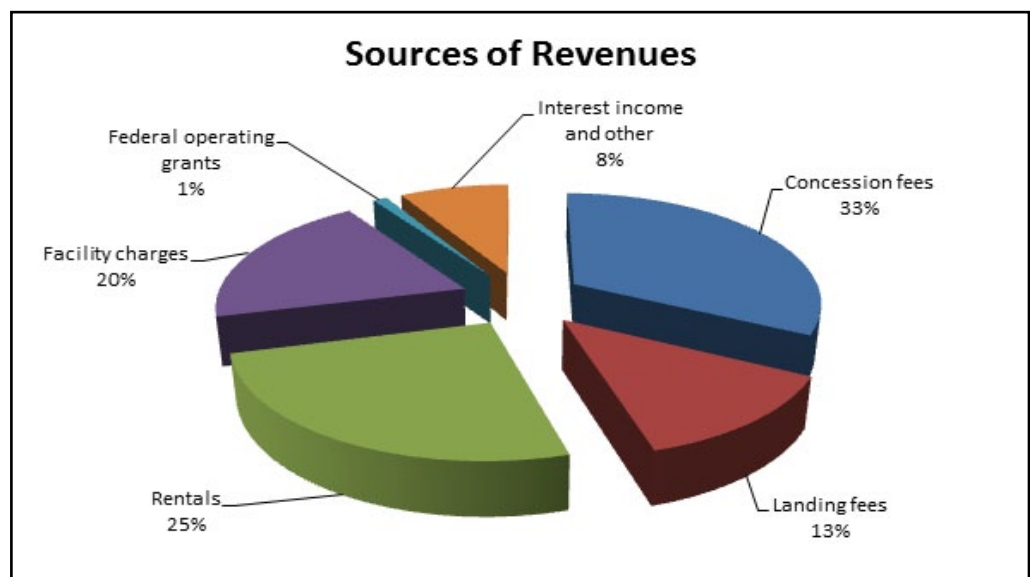
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Airports Division (DOT–Airports) as of and for the fiscal year ended June 30, 2013, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KPMG, LLP.

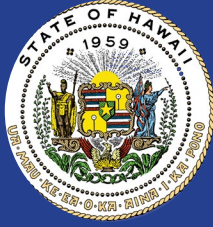
About the Division

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. Honolulu International Airport is the principal airport in the 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 funded by airports system revenue bonds issued by DOT–Airports, federal grants, passenger facility charges, customer facility charges, and the division's revenues. Special facility revenue bonds are payable solely from revenues derived from the leasing of special facilities financed with the proceeds of these bonds.

Financial Highlights

For fiscal year ended June 30, 2013, DOT–Airports reported total revenues of approximately \$464 million and total expenses of approximately \$367 million, resulting in a gain of \$97 million. Revenues consisted of \$151 million in concession fees, \$60 million in landing fees, \$118 million in rentals, \$91 million in facility charges, \$5 million in federal operating grants, and \$39 million in interest income and other income.





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Auditors' Opinions

Financial Statements: +
Unmodified opinion

Federal Compliance: +
Unmodified opinion

Issues of Concern

Material Weaknesses

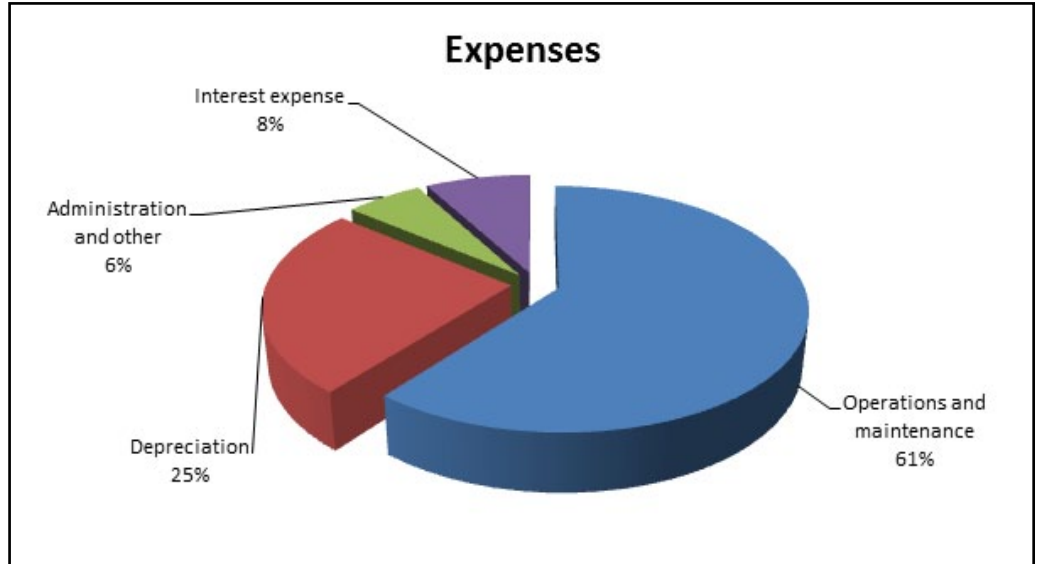
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Significant Deficiencies

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<http://auditor.hawaii.gov/>

Expenses consisted of \$223 million for operations and maintenance, \$92 million in depreciation, \$22 million for administration and other, and \$30 million in interest.



Total assets of DOT–Airports exceeded total liabilities by approximately \$1.899 billion. Of this amount, \$440 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$3.050 billion were comprised of cash of \$1.094 billion, investments of \$97 million, net capital assets of \$1.789 billion, and \$70 million in receivables and other assets. Liabilities totaled \$1.152 billion, including \$935 million in airports system revenue bonds, \$187 million in other liabilities, and \$30 million in special facility revenue bonds. The airports system revenue bonds are rated as follows:

- Standard and Poor's: A
- Moody's Investors Service: A2
- Fitch IBCA, Inc.: A

DOT–Airports has numerous capital projects statewide; construction-in-progress totaled \$377 million at the end of the fiscal year.

Auditors' Opinions

DOT–Airports received an unmodified opinion that the 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 OMB Circular A-133.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance.

Other Matters

The auditors recommended that DOT–Airports enhance internal controls over the cash reimbursement process to ensure that invoices are paid prior to submitting the reimbursement request to the federal government. DOT–Airports agreed to enforce an action plan to ensure implementation.

For the complete reports and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2013_Audit/DOT_Airports_SA2013.pdf and
http://files.hawaii.gov/auditor/Reports/2013_Audit/DOT_Airports_Financial2013.pdf