KPMG

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Financial Statements and Supplemental Schedules

June 30, 2014 and 2013

(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:

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, 2014 and 2013, 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 principles 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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1 to the financial statements, the financial statements of the Airports Division are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and proprietary fund type of the State of Hawaii that is attributable to the transactions of the Airports Division. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 2 to the financial statements, the Airports Division adopted Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Application of this statement was effective as of July 1, 2013.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 20 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was 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 as "supplementary information schedules" are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 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 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 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 15, 2014

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, 2014 and 2013. 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. Honolulu 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 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 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. Kona International Airport at Keahole also provides facilities for international flights to and from Japan. The Honolulu International Airport accommodated 59.3% and 59.6% of total passenger traffic in the airports system during fiscal years 2014 and 2013, respectively. The other four principal airports accommodated 39.6% and 39.3% of the total passenger traffic for fiscal years 2014 and 2013, 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 Honolulu International Airport on July 1, 1999. The other airports in the airports system accommodated 1% of the total passenger traffic for both fiscal years 2014 and 2013, 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 revenues to fund operating expenses. The Capital Improvements Program is funded by airports system revenue bonds issued by the Airports Division, federal grants, passenger facility charges (PFCs), customer facility charges (CFCs), and the Airports Division's revenues.

Using the Financial Statements

The Airports Division is accounted for as a proprietary fund and utilizes the accrual basis of accounting. Under this method, revenues are 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 revenues, 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 2014 with a decrease in total passengers, and increases in aircraft operations, revenue landed weights, revenue passenger landings, and deplaning international passengers by (1.8)%, 2.4%, 0.2%, 9.2%, and 2.7%, respectively, as compared to fiscal year 2013. Increasing passenger traffic, in addition to airline carriers maximizing passenger load factors, are the reasons for such changes. Although oversea carriers account for a higher percentage, 60% of revenue landed weights, the overall carrier mix remains diverse.

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

For fiscal years 2014 and 2013, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 39% and 8% of the total landed weights. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 21%, 13%, and 11% of the overseas landed weights, respectively. Hawaiian Airlines, Inc. and Mesa Airlines, Inc. accounted for 67% and 4% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 43% of the revenue passenger landings and Japan Airlines International Company, Ltd. accounted for 21% of the deplaned international passengers.

The following airlines served the State with scheduled or charter overseas passenger flights in fiscal years 2014 and 2013: Air Canada, Air China Ltd., Air Japan Co., Air New Zealand, Ltd., Air Pacific, Ltd., Alaska Airlines, Inc., Allegiant Air, L.L.C., Asiana Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., China Airlines, Ltd., Continental Airlines, Inc., Continental Micronesia, Inc., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Company, Ltd., Korean Airlines Company, Ltd., Omni Air International, Inc., Philippine Airlines, Inc., Qantas Airways Limited, United Airlines, Inc., U.S. Airways, Inc., and WestJet. The principal airlines providing interisland passenger flight services are Hawaiian Airlines, Inc., Hawaii Island Air, Inc., Mesa Airlines, Inc., Mokulele Flight Service, Inc., and Pacific Wings, L.L.C.

Activity for the airports system for the fiscal years ended June 30, 2014 and 2013 is as follows:

	2014	2013	Percentage increase (decrease) from 2013
Passengers (enplaning and deplaning passengers activity):			
Honolulu International Airport	19,384,312	19,778,282	(2.0)%
Kahului Airport	6,028,325	6,077,000	(0.8)
Kona International Airport at Keahole	2,824,237	2,886,734	(2.2)
Lihue Airport	2,701,825	2,716,541	(0.5)
Hilo International Airport	1,301,618	1,362,597	(4.5)
All others	350,161	351,705	(0.4)
Total passengers	32,590,478	33,172,859	(1.8)%
Aircraft operations (landing and takeoff combined reported by Air Traffic Control Tower):			
Honolulu International Airport	300,976	284,532	5.8%
Kahului Airport	127,143	130,620	(2.7)
Kona International Airport at Keahole	117,075	119,098	(1.7)
Lihue Airport	125,569	122,240	2.7
Hilo International Airport	90,733	88,100	3.0
All others	215,830	210,106	2.7
Total aircraft operations	977,326	954,696	2.4%
Revenue landed weights (1,000-pound units):			
Honolulu International Airport	15,431,098	15,261,346	1.1%
Kahului Airport	3,836,915	3,791,705	1.2
Kona International Airport at Keahole	1,707,668	1,815,451	(5.9)
Lihue Airport	1,627,074	1,618,053	0.6
Hilo International Airport	913,267	926,125	(1.4)
All others	239,080	255,349	(6.4)
Total signatory airlines	23,755,102	23,668,029	0.4
Nonsignatory airlines	1,504,289	1,543,705	(2.6)
Total revenue landed weights	25,259,391	25,211,734	0.2%

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	2014	2013	Percentage increase (decrease) from 2013
Revenue passenger landings:			
Honolulu International Airport	75,226	84,004	(10.4)%
Kahului Airport	35,308	23,507	50.2
Kona International Airport at Keahole	18,471	12,087	52.8
Lihue Airport	13,463	12,469	8.0
Hilo International Airport	6,774	6,654	1.8
Other airports	14,204	11,194	26.9
Total signatory airlines	163,446	149,915	9.0
Nonsignatory airlines	1,110	740	50.0
Total revenue passenger landings	164,556	150,655	9.2%
Deplaning international passengers:			
Honolulu International Airport	2,324,056	2,310,745	0.6%
Total signatory airlines	2,324,056	2,310,745	0.6
Nonsignatory airlines	178,382	125,238	42.4
Total deplaning international passengers	2,502,438	2,435,983	2.7%

Financial Operations Highlights

The financial results for fiscal years 2014 and 2013 reflected income before capital contributions of $64.3 million and $97.0 million, respectively. Operating revenues and expenses decreased by $21.5 million, or 6.3%, and $2.4 million, or 0.7%, respectively, resulting from decreased revenue from airlines and concession and decreases in depreciation. Total nonoperating revenues increased by $8.2 million, or 7.7%, mainly due to the increase in debt service support charges of $19.0 million offset by decreases in federal operating grants, rental car customer facility charges and gain on amounts held in State Treasury. Further, the Airports division received a business interruption insurance settlement relating to the events of September 11th amounting to $19.0 million in fiscal year 2013.

Effective October 1, 2014, the Federal Aviation Administration (FAA) granted authority to the Airports Division to impose and collect a $3.00 PFC at the Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, Lihue Airport and Hilo International Airport. Effective June 30, 2013, all projects have been completed and PFC Application No. 1 has been closed. Effective February 1, 2007, the FAA approved the Airports Division's PFC Application No. 2 to impose a $3.00 PFC at the Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, Lihue Airport, and Hilo International Airport. The maximum approved PFC revenue, including interest earned to be collected between February 1, 2007 and July 1, 2011 (amended from November 30, 2008 to July 1, 2011) from the five principal airports was amended from $104,458,000 to $62,500,000 as of May 14, 2008. The maximum amount of $62,500,000 was further amended to $49,560,000 as of September 4, 2008. The amendments were due to FAA deadline requirements. The collections will be utilized for aircraft rescue and firefighting facilities improvements, elevator improvements, loading bridge replacements, air conditioning system improvements, and PFC administration costs.

Effective December 1, 2008, the FAA approved the Airports Division's PFC Application No. 3 to impose an increased PFC from $3.00 to $4.50 at Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, Lihue Airport, and Hilo International Airport. This application was "blended" with PFC Application No. 2 ($49,560,000) amounting to a maximum approved PFC revenue of $76,138,332 (combining PFC Application Nos. 2 and 3) including interest earned during the collection period of December 1, 2008 through January 1, 2010. The collections will be utilized for the same improvements in PFC Application No. 2 in addition to widening taxiways G and L at the Honolulu International Airport. Due to the delays in environmental assessment approvals, the "Use" application for the Taxilanes G & L Widening project is removed from this application. Upon completion of all projects in this application, a final amendment will reconcile Impose & Use Authority then move any over collections to PFC Application No. 5.

On June 24, 2009, Act 147 amended Hawaii Revised Statute Section 261-5.5 allowing the Airports Division the flexibility of financing capital projects with the proceeds of bonds that would be completely or partially backed by PFCs. This statute would be implemented dependent on FAA approval through another application request, which is currently being prepared by the Airports Division.

Effective January 1, 2010, the FAA approved the Airports Division's PFC Application No. 4 to impose a $4.50 PFC at Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, and Lihue Airport. The application was approved for a collection of $105,909,130 including interest earned during the collection period from January 1, 2010 through February 1, 2014. The PFC collections will be utilized to fund taxiway and apron pavement improvements, electrical improvements, new hardstands, and PFC administration costs. An amendment was approved to extend the collection date and increased the authorized collections to $174,126,250. Collections were completed on June 1, 2014.

Effective June 1, 2014, the FAA approved the Airports Division's PFC Application No. 5 to impose a $4.50 PFC at Honolulu International Airport, Hilo International Airport, Kahului Airport, Kona International Airport at Keahole, and Lihue Airport. The application was approved for a collection of $449,395,430 including interest earned during the collection period from June 1, 2014 through July 1, 2028. The PFC collections will be utilized to fund airfield improvements, roadway, and terminal improvements including the wiki-wiki shuttle stations improvements, loading bridge replacement, the Mauka terminal extension, aircraft rescue and firefighting facility improvements, access control and CCTV systems, land acquisition, and PFC administrative costs. As part of this PFC application, the Airports Division is applying for authority to use PFC revenues for eligible construction and financing costs related to PFC eligible projects. Such projects costs are to be funded by a portion of proceeds from the Series 2010 Bonds and the Future Revenue Bonds.

Since the inception of this program through June 30, 2014, the total PFC revenues, including interest earned, and expenditures were $270.8 million and $137.7 million, respectively.

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 CFC surcharge of $1 per day on all u-drive rentals at a state airport, effective September 1, 2008. Moneys 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 206, Session Laws of Hawaii 2010, authorizing the Airports Division to increase the CFC surcharge to $4.50 per day effective September 1, 2010.

Since September 1, 2009 through June 30, 2014, the total CFC revenues, including interest earned, and expenditures were $174.4 million and $42.5 million, respectively. On July 1, 2011, the collection of this fee was suspended by the State Legislature for one year and on July 1, 2012, the collection of this fee was reinstated by the State Legislature.

Operating expenses before depreciation for fiscal year 2014 increased by 1.1%, or $2.6 million, as compared to fiscal year 2013 mainly due to increases in repairs & maintenance offset by decreases in salaries & wages, other personnel services, utilities and special maintenance.

Total nonoperating expenses for fiscal year 2014 increased by 9.5%, or $2.9 million, as compared to fiscal year 2013 mainly due to increases in interest expense relating to lease revenue certificates of participation issued in fiscal year 2014.

As a result, net assets increased by $125.9 million and $122.5 million for fiscal years 2014 and 2013, respectively.

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 revenues 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. In addition, the continued implementation of cost saving measures by management relating to personnel, security, and utility costs has sustained the Airports Division's financial position. However, such cost saving measures are being monitored to prevent compromising the Airports Division's main objective, which is to adequately serve the traveling public and airport tenants.

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A summary of operations and changes in net position for the years ended June 30, 2014, 2013, and 2012 is as follows:

	2014	2013 As restated	2012 As restated
Operating revenues	$ 317,123,319	338,587,587	314,237,855
Business interruption insurance recovery	—	19,000,000	—
Operating expenses, excluding depreciation	(246,881,076)	(244,308,245)	(229,822,552)
Operating income before depreciation	70,242,243	113,279,342	84,415,303
Depreciation	(87,233,189)	(92,231,177)	(90,754,951)
Operating (loss) income	(16,990,946)	21,048,165	(6,339,648)
Nonoperating revenues – net	81,258,226	75,921,192	(2,510,249)
Income (loss) before capital contributions	64,267,280	96,969,357	(8,849,897)
Capital contributions:			
Federal capital grants	61,316,805	23,996,113	36,869,413
Federal stimulus funds	330,460	1,584,267	9,191,233
Total capital contributions	61,647,265	25,580,380	46,060,646
Increase in net position	$ 125,914,545	122,549,737	37,210,749

- Operating revenues decreased by $21.5 million due to a $6.9 million decrease in landing fees, a net $9.5 million decrease in aeronautical revenues, and a $7.8 million decrease in concession revenues from car rentals, restaurants, retail stores, parking, and in-flight catering. The decreases in landing fees, aeronautical revenues and concession revenues are due to a decrease in passenger traffic.
- Operating expenses excluding depreciation increased by 1.1% from $244.3 million in fiscal year 2013 to $246.9 million in fiscal year 2014. The increase in operating expenses is due increase in repairs and maintenance expense of $9.1 million offset by decreases in salaries and wages, other personal services, utilities and special maintenance totaling $6.8 million. The increase in repairs and maintenance expense is due to more repair and maintenance activity at the Honolulu and Kahului airports. Salaries and wages decreased by $1.2 million due to a decrease in the fiscal year 2014 annual required contribution for postemployment healthcare and life insurance benefits offset by bargaining unit wage increases. Other personnel services expenses decreased by $2.0 million due to decreases in the Robert's Hawaii Wiki Wiki bus contract, legal fees related to the September 11th insurance recovery claim, and bird control services paid to the United States Department of Agriculture offset by increases in security costs. Utilities expenses decreased by $1.5 million due to savings from the Energy Savings Performance Contract project with

Johnson Controls that started in January 2014. Special maintenance expense decreased by $2.1 million due to an increase in capitalized costs included in construction in progress for fiscal year 2014.

- The net results of the above resulted in operating income before depreciation of $70.2 million and $113.2 million in fiscal years 2014 and 2013, respectively. Operating income before depreciation for fiscal year 2014 decreased by 38.0%, or $43.0 million. Depreciation expense decreased by 5.4% from $92.2 million in fiscal year 2013 to $87.2 million in fiscal year 2014 due to an increase in asset disposals. The operating loss before nonoperating revenues, net and capital contributions is $17.0 million in fiscal year 2014 as compared to an operating income before nonoperating revenues, net and capital contributions of $21.0 million in fiscal year 2013.
- Nonoperating revenues, net increased by 7.0%, or $5.3 million, in fiscal year 2014, primarily due to an increase in debt service support charges of $19.0 million offset by increases in loss on disposal of capital assets and bond issue costs of $1.5 million and $1.7 million, respectively, and decreases in federal operating grants and gain on amounts held in State Treasury of $2.4 million and $3.8 million, respectively. The $19.0 million of debt service support charges represents a transfer from the prepaid airport use charge fund to the Airports Division for debt service payments to offset the signatory airline requirement for fiscal year 2014. This transfer was approved by the Airlines Committee of Hawaii.
- Income before capital contributions for fiscal year 2014 of $64.3 million as compared to income of $97.0 million for fiscal year 2013 was a result of a decrease in operating income.
- Capital contributions increased by 141.0%, or $36.1 million, in fiscal year 2014, mainly due to increase of federal capital and federal stimulus grants received in fiscal year 2014.

Financial Position Summary

A condensed summary of the Airports Division's net position at June 30, 2014, 2013, and 2012 is shown below:

	2014	2013 As restated	2012 As restated
Assets:			
Current assets:			
Unrestricted assets	$ 599,124,616	598,449,594	575,899,575
Restricted assets	61,768,230	68,757,160	58,778,499
Noncurrent assets:			
Capital assets	1,922,444,323	1,788,606,407	1,753,785,470
Restricted assets	745,975,489	590,662,461	554,011,295
Total assets	$ 3,329,312,658	3,046,475,622	2,942,474,839
Deferred outflows of resources	$ 5,023,253	6,207,417	7,557,898
Liabilities:			
Current liabilities:			
Payable from unrestricted assets	$ 50,198,293	43,321,875	52,831,085
Payable from restricted assets	97,063,995	81,185,649	63,632,304
Long-term liabilities, net of current portion:			
Payable from unrestricted assets	101,854,977	102,010,648	83,493,117
Payable from restricted assets	1,064,619,136	931,479,902	977,941,003
Total liabilities	$ 1,313,736,401	1,157,998,074	1,177,897,509
Net position:			
Net investment in capital assets	$ 1,139,337,028	1,077,045,343	1,039,368,865
Restricted	448,211,006	381,987,432	314,491,493
Unrestricted	433,051,476	435,652,190	418,274,870
Total net position	$ 2,020,599,510	1,894,684,965	1,772,135,228

The largest portion of the Airports Division's net position (56.4% and 56.8% at June 30, 2014 and 2013, respectively) represents its investments 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 (22.2% and 20.2% at June 30, 2014 and 2013, respectively) represents bond reserve funds that are subject to external restrictions on how they can be used under

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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 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 $569.9 million and $571.2 million at June 30, 2014 and 2013, respectively. The $569.9 million and $571.2 million cash balance at June 30, 2014 and 2013, respectively, provides the Airports Division with substantial flexibility, as the unrestricted assets may be used to meet any of the Airports Division's ongoing operations and to fund the CIP projects.

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 by $2,021.0 million at June 30, 2014, representing an increase of $125.9 million from June 30, 2013.

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 revenues are 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, including Honolulu, Kahului, Kona, and Lihue. The program is currently estimated to cost $1.4 billion through 2016 and will be paid for from a variety of sources including cash, federal grants, PFCs, and revenue bonds.

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.

Revenues

A summary of revenues for the years ended June 30, 2014 and 2013 and the amount and percentage of change in relation to prior year amounts is as follows:

	2014		Increase (decrease) from 2013	
	Amount	Percentage of total	Amount	Percentage
Operating revenues:				
Concession fees:				
Duty free	$ 34,511,678	8.0%	$ (6,826,282)	(16.5)%
Other concessions	109,057,855	25.3	(994,911)	(0.9)
Airport landing fees	52,929,865	12.3	(6,944,103)	(11.6)
Aeronautical rentals:				
Nonexclusive joint-use premise charge	53,857,054	12.5	(981,114)	(1.8)
Exclusive-use premise charge	40,038,747	9.3	(8,482,595)	(17.5)
Nonaeronautical rentals	14,467,101	3.3	226,271	1.6
Other	12,261,019	2.8	2,538,466	26.1
Total operating revenues	317,123,319	73.5	(21,464,268)	(6.3)
Business interruption insurance recovery	—	—	(19,000,000)	(100.0)
Nonoperating revenues:				
Interest income, investments	2,055,453	0.5	64,030	3.2
Interest income, passenger facility charges	306,153	0.1	115,455	60.5
Interest income, rental car customer facility charges	261,133	0.1	128,809	97.3
Interest income, direct financing leases	1,802,623	0.4	(63,729)	(3.4)
Interest income, other loans and investment	8,686	—	8,686	100.0
Federal operating grants	2,656,113	0.6	(2,382,451)	(47.3)
Passenger facility charges	34,371,317	7.9	(770,772)	(2.2)
Rental car customer facility charges	53,923,545	12.5	(1,655,015)	(3.0)
Debt service support charges	19,000,000	4.4	19,000,000	100.0
Gain on amounts held in State Treasury	—	—	(3,804,400)	(100.0)
Other	130,226	—	(2,429,090)	(94.9)
Total nonoperating revenues	114,515,249	26.5	8,211,523	7.7
Total revenues	$ 431,638,568	100.0%	$ (32,252,745)	(7.0)%

	2013		Increase (decrease) from 2012	
	Amount	**Percentage of total**	**Amount**	**Percentage**
Operating revenues:				
Concession fees:				
Duty free	$ 41,337,960	8.9%	$ 250,324	0.6%
Other concessions	110,052,766	23.7	7,567,700	7.4
Airport landing fees	59,873,968	12.9	234,064	0.4
Aeronautical rentals:				
Nonexclusive joint-use premise charge	54,838,168	11.8	7,786,093	16.5
Exclusive-use premise charge	48,521,342	10.5	6,858,033	16.5
Nonaeronautical rentals	14,240,830	3.1	824,271	6.1
Other	9,722,553	2.1	829,247	9.3
Total operating revenues	338,587,587	73.0	24,349,732	7.7
Business interruption insurance recovery	19,000,000	4.1	19,000,000	100.0
Nonoperating revenues:				
Interest income, investments	1,991,423	0.4	2,831	0.1
Interest income, passenger facility charges	190,698	—	(149,217)	(43.9)
Interest income, rental car customer facility charges	132,324	—	(95,794)	(42.0)
Interest income, direct financing leases	1,866,352	0.4	(58,858)	(3.1)
Federal operating grants	5,038,564	1.1	1,723,163	52.0
Passenger facility charges	35,142,089	7.6	3,751,168	11.9
Rental car customer facility charges	55,578,560	12.0	55,529,163	112,414.0
Gain on amounts held in State Treasury	3,804,400	0.8	3,804,400	100.0
Other	2,559,316	0.6	2,559,316	100.0
Total nonoperating revenues	106,303,726	22.9	67,066,172	170.9
Total revenues	$ 463,891,313	100.0%	$ 110,415,904	31.2%

Expenses

A summary of expenses for the years ended June 30, 2014 and 2013 and the amount and percentage of change in relation to prior year amounts is as follows:

	2014		Increase (decrease) from 2013	
	Amount	Percentage of total	Amount	Percentage
Operating expenses:				
Salaries and wages	$ 82,780,481	22.5%	$ (1,208,171)	(1.4)%
Other personnel services	50,588,123	13.8	(2,013,793)	(3.8)
Utilities	48,882,258	13.3	(1,477,660)	(2.9)
Repairs and maintenance	29,270,148	8.0	9,089,340	45.0
State of Hawaii surcharge on gross receipts	12,260,909	3.3	(212,719)	(1.7)
Special maintenance	4,458,960	1.2	(2,090,620)	(31.9)
Department of transportation general administration expenses	6,554,622	1.8	1,109,125	20.4
Materials and supplies	6,304,085	1.7	746,680	13.4
Insurance	2,411,856	0.7	(777,006)	(24.4)
Bad debt expense	—	—	(580,495)	(100.0)
Disbursements out of major maintenance renewal and replacement account	—	—	(276,782)	(100.0)
Other	3,369,634	0.9	264,932	8.5
Total operating expenses before depreciation	246,881,076	67.2	2,572,831	1.1
Depreciation	87,233,189	23.7	(4,997,988)	(5.4)
Total operating expenses	334,114,265	90.9	(2,425,157)	(0.7)
Nonoperating expenses:				
Interest expense:				
Revenue bonds:				
Airports system	24,855,268	6.8	(3,660,914)	(12.8)
Special facility	1,802,623	0.5	(63,729)	(3.4)
Lease revenue certificates of participation	3,384,853	0.9	3,384,853	100.0
Loss on disposal of capital assets	1,542,274	0.4	1,542,274	100.0
Bond issue costs	1,672,005	0.5	1,672,005	100.0
Total nonoperating expenses	33,257,023	9.1	2,874,489	9.5
Total expenses	$ 367,371,288	100.0%	$ 449,332	0.1%

(Continued)

	2013 As restated		Increase (decrease) from 2012	
	Amount	Percentage of total	Amount	Percentage
Operating expenses:				
Salaries and wages	$ 83,988,652	22.9%	$ 8,318,215	11.0%
Other personnel services	52,601,916	14.3	3,918,918	8.0
Utilities	50,359,918	13.7	3,096,868	6.6
Repairs and maintenance	20,180,808	5.5	3,484,927	20.9
State of Hawaii surcharge on gross receipts	12,473,628	3.4	(1,234,953)	(9.0)
Special maintenance	6,549,580	1.8	(2,559,780)	(28.1)
Department of transportation general administration expenses	5,445,497	1.5	263,954	5.1
Materials and supplies	5,557,405	1.5	517,169	10.3
Insurance	3,188,862	0.9	20,194	0.6
Bad debt expense	580,495	0.2	580,495	100.0
Disbursements out of major maintenance renewal and replacement account	276,782	0.1	(1,867,113)	(87.1)
Other	3,104,702	0.8	(53,201)	(1.7)
Total operating expenses before depreciation	244,308,245	66.6	14,485,693	6.3
Depreciation	92,231,177	25.1	1,476,226	1.6
Total operating expenses	336,539,422	91.7	15,961,919	5.0
Nonoperating expenses:				
Interest expense:				
Revenue bonds:				
Airports system	28,516,182	7.8	(2,773,614)	(8.9)
Special facility	1,866,352	0.5	(58,858)	(3.1)
Loss on disposal of capital assets	—	—	(1,889,939)	(100.0)
Loss on amounts held in State Treasury	—	—	(1,408,718)	(100.0)
Bond issue costs	—	—	(4,979,938)	(100.0)
Other	—	—	(254,202)	(100.0)
Total nonoperating expenses	30,382,534	8.3	(11,365,269)	(27.2)
Total expenses	$ 366,921,956	100.0%	$ 4,596,650	1.3%

(Continued)

Capital Acquisitions and Construction Activities

In fiscal year 2014, there were 27 construction bid openings totaling an estimated $663.9 million in potential construction contracts. Significant projects that opened bids in fiscal year 2014 include Taxiway Z Structural Improvements at Honolulu International Airport, Widening of Taxilanes G & L – Phase 1 at Honolulu International Airport, 2nd Level Roadway Improvements at Honolulu International Airport, Improvements to Wiki-Wiki Shuttle Stations Gates 6-62 at Honolulu International Airport, Ewa Concourse Concession Improvements at Honolulu International Airport, Overseas Terminal Metal Roof Replacement at Honolulu International Airport, Interim Car Rental Facility at Honolulu International Airport, Aloha Air Cargo Demolition Phase II and Hardstands at Honolulu International Airport, and NDWP DH Site Improvements at Honolulu International Airport. Projects at Kahului Airport include the Apron Pavement Structural Improvements, Phase II, Repave Runway 2-20, Roadway Improvements and Car Rental (CONRAC) Facility, Replacement of Loading Bridges, Replacement of Elevators & Escalators, Re-Roof Terminal Building, Phase II, Restroom Renovation Phase 2, Replacement of Fire Sprinkler System, Kahului ASAP Improvements, and Access Road to Hana Highway. Projects at Lanai Airport include Airfield Lighting Improvements and Runway Safety Area Improvements. Projects at Hilo International Airport include the Aircraft Rescue and Fire Fighting Facility (ARFF) Improvements, Installation of Perimeter Fence, Phase II, and Airfield Striping and Miscellaneous Improvements. Projects at Kona International Airport at Keahole include Re-Roof Terminal Buildings and Security Checkpoint & AOA Fence Improvements.

There were also several ongoing construction projects that were initiated prior to fiscal year 2014, which were under construction during the fiscal year. Major projects include Emergency Power Facility at Honolulu International Airport, and Roadway Improvements and Consolidated Rental Car Facility at Honolulu International Airport, Hold Cargo Building/Light Industrial Facility at Hilo International Airport, and Aircraft Rescue and Fire Fighting Station Relocation at Kona International Airport at Keahole.

Finally, there were 20 projects that were substantially completed in fiscal year 2014 at a total cost of approximately $71 million. These projects include planning, design, and construction projects at large, medium and small hub airports statewide to preserve, maintain, and modernize facilities. At Kahului Airport, the General Purpose Apron & Cargo Building, Phase II and the CCTV System for TSA Security were completed. At Kona International Airport at Keahole, a new Aircraft Rescue and Fire Fighting (ARFF) building was substantially completed and is now in use.

The Airports Division continues its mission to modernize airport facilities to provide safety and efficiency to airport tenants and enhance the passenger experience. At Honolulu International Airport, the New Day Work Projects are under construction, including the new Relocate IIT Maintenance Facility and Relocate IIT Cargo Facility which will lead the way for a new Mauka Concourse that will add wide body gates to the airport. At Kahului Airport, a new Passenger Information System project began construction to install a new Public Address System and Gate Management System. At Hilo International Airport, several runway, taxiway, and apron pavement projects have been completed improving the condition of the airfield pavement. These are examples of the projects that are being completed to improve safety as well as traffic flow for domestic, international, and interisland passengers, as well as to promote operational efficiency for airport tenants.

(Continued)

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, 2014, $897.0 million of airports system revenue bonds were outstanding as compared to $941.7 million as of June 30, 2013. On April 7, 2010, the Airports Division issued $645 million in airports system revenue bonds of which $397 million is for Airport Modernization Projects. $191 million was used to refinance the Refunding Series 2000A and B. The remainder related to capitalized interest, reserve requirements, and issuance costs. Prior to this issuance, the last Series of "new money" bonds used to fund capital improvement projects were issued in December 1991. The Airports Division has managed its debt levels by issuing refunding bonds and defeasing bonds with unencumbered cash from the Airport Revenue Fund. The Airports Division refinanced and restructured $300,885,000 on October 4, 2011 at an average interest rate of 3.61%. The refinancing and restructuring created a $19.5 million annual decrease in debt service, allowing the Airports Division the flexibility to proceed with its ongoing capital improvements program and providing a financial insurance plan to provide stability should economic conditions worsen. At June 30, 2014 and 2013, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $662,157,129 and $1,310,792,291, respectively.

Lease Revenue Certificates of Participation

Section 36-41 of Hawaii Revised Statutes authorizes the Department of Transportation to enter into multi-year energy performance contracts, including financing agreements, in order to implement energy conservation or alternate energy measures in State facilities. The Department 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 Department 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 Department is using the net proceeds of COPs, totaling $150.2 million, to implement the ESCO Project, and expects to complete the ESCO Project in December 2015. 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.

Special Obligation Bonds

The State Legislature has authorized $200,000,000 of special obligation bonds pursuant to Section 261-52 of the Hawaii Revised Statutes. As of June 30, 2014 and 2013, there were outstanding bond obligations of $29,130,000 and $30,100,000, respectively. The DOT expects to finance additional special facility projects from time to time for qualified entities. All special obligation bonds are payable solely from the revenues derived from the leasing of special facilities financed with the proceeds of special obligation bonds.

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

Credit Rating and Bond Insurance

As of June 30, 2014, there were three Series of airports system revenue bonds outstanding in the principal amount of $877,725,000. 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	A2
Fitch IBCA, Inc.	A

Economic Factors and Current Known Facts

The Airports Division and current signatory airline carriers have agreed to an amended lease extension agreement effective January 1, 2008. The agreement is intended for the airline carriers to support the increase in operational expenses and financing of modernization projects through landing and terminal rate increases. In order to finance the modernization projects, the Airports Division issued bonds in April 2010. In addition, in November 2011, the Airports Division refunded and restructured its Series 2001 Revenue Bonds, which decreased annual debt service requirements by an average of $19.5 million, allowing additional future debt capacity. The Airports Division issued certificates of participation amounting to approximately $168 million in December 2013 to finance its energy savings performance project estimated to decrease utility cost by $20 million annually. Effective July 1, 2011, the Airports Division has calculated the signatory airline contribution requirement based on the Amended Signatory Airline Lease Agreement, replacing negotiated requirements implemented by the prior administration.

In February 2013, the Airports Division received a favorable approval from the Federal Aviation Authority relating to an environmental assessment study requirement, which allows the Airports Division to move forward with the Honolulu International Airport Inter-Island Mauka Concourse and Consolidated Rental Car Facility projects.

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, 2014 and 2013

Assets	**2014**	**2013 As restated**
Current assets:		
Unrestricted assets:		
Cash and cash equivalents – unrestricted	$ 569,949,289	571,171,775
Receivables:		
Accounts, net of allowance of $535,307 and $1,198,336 for uncollectible accounts, respectively	17,007,383	16,398,865
Promissory note receivable, net of allowance of $49,512 and $123,008 for uncollectible notes, respectively	11,005	5,208
Interest	218,222	172,128
Claims – federal grants	9,954,845	8,763,713
Aviation fuel tax	393,749	355,967
Due from State of Hawaii	1,396,410	1,416,180
Total receivables	28,981,614	27,112,061
Inventory of materials and supplies, at cost	193,713	165,758
Total unrestricted current assets	599,124,616	598,449,594
Restricted assets:		
Cash and cash equivalents:		
Revenue bond debt service	55,726,991	62,598,666
Debt extinguishment	155,013	620,050
Security deposits	5,886,226	5,538,444
Total restricted current assets	61,768,230	68,757,160
Total current assets	660,892,846	667,206,754
Noncurrent assets:		
Unrestricted assets:		
Capital assets, net of accumulated depreciation of $1,915,910,931 and $1,829,500,300 for 2014 and 2013, respectively	1,922,444,323	1,788,606,407
Total unrestricted noncurrent assets	1,922,444,323	1,788,606,407
Restricted assets:		
Cash and cash equivalents:		
Major maintenance, renewal, and replacement account	59,898,925	59,980,198
Debt extinguishment	—	155,015
Passenger facility charges	129,472,670	102,109,478
Rental car customer facility charges	127,793,511	78,164,592
Customer advances	—	952,601
Revenue bond construction	144,748,531	213,141,262
Total cash and cash equivalents – restricted	461,913,637	454,503,146
Investments – revenue bond debt service reserve	96,893,008	96,893,008
Investments – held by certificate of participation funds trustee	150,067,396	—
Passenger facility charges receivable	3,653,529	3,726,504
Rental car customer facility charges receivable	4,121,969	5,238,195
Net investments in direct financing leases	29,325,950	30,301,608
Total restricted noncurrent assets	745,975,489	590,662,461
Total noncurrent assets	2,668,419,812	2,379,268,868
Total assets	$ 3,329,312,658	3,046,475,622
Deferred outflows of resources:		
Deferred loss on refunding	$ 5,023,253	6,207,417
Total deferred outflows of resources	5,023,253	6,207,417

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

Statements of Net Position

June 30, 2014 and 2013

Liabilities	**2014**	**2013 As restated**
Current liabilities:		
Payable from unrestricted assets:		
Vouchers payable	$ 10,707,529	12,343,403
Contracts payable, including retainage of $2,469,250 and $1,791,806	17,364,446	11,203,376
Current portion of workers' compensation	960,961	869,295
Current portion of compensated absences	3,244,303	2,986,263
Unearned income	7,842,663	6,670,707
Accrued wages	5,917,592	5,406,053
Pollution remediation liability	1,096,480	950,145
Prepaid airport use charge fund	1,091,861	2,865,353
Other	1,972,458	27,280
Total payable from unrestricted assets	50,198,293	43,321,875
Payable from restricted assets:		
Contracts payable, including retainage of $7,206,292 and $3,316,164	29,427,567	11,876,931
Current portion of airports system revenue bonds	34,210,000	40,305,000
Current portion of special facility revenue bonds	1,030,000	970,000
Accrued interest	26,510,202	22,495,274
Security deposits	5,886,226	5,538,444
Total payable from restricted assets	97,063,995	81,185,649
Total current liabilities	147,262,288	124,507,524
Long-term liabilities – net of current portion:		
Payable from unrestricted assets:		
Prepaid airport use charge fund	27,091,874	37,932,188
Compensated absences	6,874,870	6,604,156
Workers' compensation	3,300,571	3,130,705
Postemployment liability	64,587,662	54,343,599
Total payable from unrestricted assets	101,854,977	102,010,648
Payable from restricted assets:		
Airports system revenue bonds	862,748,213	901,397,301
Special facility revenue bonds	28,100,000	29,130,000
Lease revenue certificates of participation	173,770,923	—
Customer advance	—	952,601
Total payable from restricted assets	1,064,619,136	931,479,902
Total long-term liabilities – net of current portion	1,166,474,113	1,033,490,550
Total liabilities	$ 1,313,736,401	1,157,998,074
Net Position		
Net investment in capital assets	$ 1,139,337,028	1,077,045,343
Restricted:		
Debt service payment	34,210,000	40,305,000
Debt service reserve account	96,893,008	96,893,008
Debt extinguishment	155,013	775,065
Major maintenance, renewal, and replacement account	59,898,925	59,980,198
Passenger facility charges	130,710,740	102,938,167
Rental car customer facility charges	126,343,320	81,095,994
Total restricted	448,211,006	381,987,432
Unrestricted	433,051,476	435,652,190
Commitments and contingencies		
Total net position	$ 2,020,599,510	1,894,684,965

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, 2014 and 2013

	2014	2013 As restated
Operating revenues:		
Concession fees	$ 143,569,533	151,390,726
Airport landing fees, net	52,929,865	59,873,968
Aeronautical rentals:		
Nonexclusive joint-use premise charges	53,857,054	54,838,168
Exclusive-use premise charges	40,038,747	48,521,342
Nonaeronautical rentals	14,467,101	14,240,830
Aviation fuel tax	4,847,008	4,673,766
Airports system support charges	—	1,468
Miscellaneous	7,414,011	5,047,319
Net operating revenues	317,123,319	338,587,587
Operating expenses:		
Depreciation	87,233,189	92,231,177
Salaries and wages	82,780,481	83,988,652
Other personnel services	50,588,123	52,601,916
Utilities	48,882,258	50,359,918
Repairs and maintenance	29,270,148	20,180,808
State of Hawaii surcharge on gross receipts	12,260,909	12,473,628
Department of Transportation general administration expenses	6,554,622	5,445,497
Materials and supplies	6,304,085	5,557,405
Special maintenance	4,458,960	6,549,580
Insurance	2,411,856	3,188,862
Claims and benefits	1,543,735	1,064,193
Travel	430,565	405,740
Communication	378,745	381,274
Rent	337,687	691,786
Dues and subscriptions	299,347	239,205
Freight and delivery	19,899	8,260
Printing and advertising	5,954	21,057
Bad debt expense	—	580,495
Disbursements out of major maintenance, renewal, and replacement account	—	276,782
Miscellaneous	353,702	293,187
Total operating expenses	334,114,265	336,539,422
Business interruption insurance recovery	—	19,000,000
Operating income (loss), carried forward	(16,990,946)	21,048,165

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, 2014 and 2013

		2014	2013 As restated
Operating (loss) income, brought forward	$	(16,990,946)	21,048,165
Nonoperating revenues (expenses):			
Interest income:			
Certificates of deposit, repurchase agreements, U.S. government securities		2,064,139	1,991,423
Investments in direct financing leases		1,802,623	1,866,352
Interest expense:			
Revenue bonds:			
Airports system		(24,855,268)	(28,516,182)
Special facility		(1,802,623)	(1,866,352)
Lease revenue certificates of participation		(3,384,853)	—
Federal operating grants		2,656,113	5,038,564
Loss on disposal of capital assets		(1,542,274)	—
Passenger facility charges		34,677,470	35,332,787
Rental car customer facility charges		54,184,678	55,710,884
Bond issue costs		(1,672,005)	—
Debt service support charges		19,000,000	—
Gain on amounts held in State Treasury		—	3,804,400
Other		130,226	2,559,316
Total nonoperating revenues, net		81,258,226	75,921,192
Income before capital contributions		64,267,280	96,969,357
Capital contributions:			
Federal capital grants		61,316,805	23,996,113
Federal stimulus grants		330,460	1,584,267
Total capital contributions		61,647,265	25,580,380
Increase in net position		125,914,545	122,549,737
Total net position – beginning of year, as restated		1,894,684,965	1,772,135,228
Total net position – end of year		2,020,599,510	1,894,684,965

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, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from providing services	$ 325,369,731	354,190,942
Cash paid to suppliers	(164,633,313)	(160,056,937)
Cash paid to employees	(71,234,593)	(70,485,582)
Net cash provided by operating activities	89,501,825	123,648,423
Cash flows from noncapital financing activity:		
Proceeds from federal operating grants	3,033,492	4,638,598
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(171,219,415)	(72,174,681)
Proceeds from federal and other capital grants and contributions	60,078,754	22,617,640
Interest paid on airports system revenue bonds	(43,810,663)	(45,071,038)
Principal paid on airports system revenue bonds	(40,305,000)	(27,545,000)
Net proceeds from lease revenue certificates of participation	172,977,322	—
Payments from passenger facility charges program	(7,387,253)	(16,702,429)
Proceeds from passenger facility charges program	34,750,445	35,579,114
Payments from rental car customer facility charges program	(5,671,985)	(17,717,807)
Proceeds from rental car customer facility charges	55,300,904	50,494,597
Net cash provided by (used in) capital and related financing activities	54,713,109	(70,519,604)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	235,859,543	193,786,016
Interest received on investments	2,018,045	2,891,439
Purchases of investments	(385,926,939)	(193,786,016)
Gain on amounts held in State Treasury	—	3,804,400
Net cash provided by (used in) investing activities	(148,049,351)	6,695,839
Net increase (decrease) in cash and cash equivalents	(800,925)	64,463,256
Cash and cash equivalents – beginning of year	1,094,432,081	1,029,968,825
Cash and cash equivalents – end of year	$ 1,093,631,156	1,094,432,081

(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, 2014 and 2013

		2014	2013
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$	(16,990,946)	21,048,165
Adjustments to reconcile operating income (loss) to net cash provided operating activities:			
Depreciation		87,233,189	92,231,177
Bad debt expense (recovery)		(722,428)	580,495
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund		6,386,194	125,854
Changes in operating assets and liabilities:			
Accounts receivable		108,113	1,184,950
Aviation fuel tax receivable		(37,782)	33,239
Due from State of Hawaii		19,770	(39,991)
Inventory of materials and supplies		(27,955)	47,088
Vouchers payable		(1,635,874)	248,626
Contracts payable		965,006	296,112
Unearned income		1,171,956	1,159,374
Accrued wages		1,301,825	(149,196)
Postemployment liability		10,244,063	13,652,266
Pollution remediation liability		146,335	(289,179)
Prepaid airport use charge fund		—	(7,445,001)
Security deposits		347,782	964,258
Customer advance		(952,601)	—
Other current liabilities		1,945,178	186
Net cash provided by operating activities	$	89,501,825	123,648,423
Supplemental information:			
Noncash investing, capital, and financing activities:			
The Airports Division's noncash capital and financing activities related to bonds payable included the following:			
Principal payments on special facility revenue bonds by trustee	$	970,000	905,000
Interest payments on special facility revenue bonds by trustee		1,808,281	1,871,631
Amortization of revenue bond premium		(4,439,088)	(5,186,101)
Amortization of certificates of participation premium		(878,404)	—
Amortization of deferred loss on refunding revenue bonds		1,184,164	1,350,481

At June 30, 2014 and 2013, contracts payable included $40,224,388 and $17,477,688, respectively, for the acquisition of capital assets.

During fiscal year 2014 and 2013, interest of $15,457,800 and $12,235,536, respectively, was capitalized in capital assets.

During fiscal year 2014 and 2013, capital assets with a net book value of $1,662,672 and $0, respectively, were written off.

During fiscal year 2013, buildings with a value of $2,408,000, were recorded for buildings acquired upon the termination of land agreements.

During fiscal year 2014, the prepaid airport use charge fund was decreased by $19,000,000 for a transfer to the Airports Division to offset the signatory airline requirement for fiscal year 2014.

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 and the results of its operations and the cash flows of its proprietary fund type in conformity with U.S. generally accepted accounting principles.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Financial Statement Presentation

The accompanying financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

(c) Operating Revenues and Expenses

Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as nonoperating revenues. All expenses related to operating the Airports Division are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses. Revenues from capital contributions are reported separately, after nonoperating revenues and expenses.

(d) Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airports Division to impose a Passenger Facility Charge (PFC) of $4.50 per passenger. 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 revenues, expenses, and changes in net position.

(e) 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 revenues, expenses, and changes in net position.

(f) Capital Contributions

The Airports Division receives federal grants from the FAA through the Airport Improvement Program. The grant 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 revenues, expenses, and changes in net position as capital contributions.

(g) Cash and Cash Equivalents

All highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased are considered to be cash equivalents.

(h) 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, 2014 was as follows: current – $17,245,696; 30 days – ($101,327); 60 days – $672,307; and over 90 days – ($273,986). An aging of the accounts receivable at June 30, 2013 was as follows: current – $16,688,589; 30 days – $650,711; 60 days – $5,412; and over 90 days – $252,489.

(i) Investments

Investments consist primarily of certificates of deposit and repurchase agreements with a maturity of more than three months and less than one year when purchased. The carrying amounts approximate fair value because of the short maturity of the investments.

(j) Restricted Assets

Restricted assets consist of moneys and other resources, the use of which is legally restricted. 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, and security deposits and customer advances.

(k) Capital Assets

Capital assets acquired by purchase or construction are recorded at cost. Contributed property is recorded at fair value at the date received. Buildings, improvements, 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. Interest cost is capitalized during the period of construction for all capital improvement projects except the portion of projects funded by grants from the federal government.

(l) Bond Issue Costs

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

(m) Bond Original Issue Discount or Premium

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

(n) Deferred Loss on Refundings

Deferred loss on refundings are amortized using the effective-interest method over the terms of the respective issues and are reflected as a deferred outflow of resources on the statements of net position. Deferred outflows of resources represent consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

(Continued)

(o) Accrued Vacation and Compensatory Pay

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 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.

(p) Employees' Retirement System

The Airports Division's 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's policy is to fund its required contribution annually.

(q) 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 in note 16. 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.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Recently Issued Accounting Standards

Effective July 1, 2013, the Airports Division implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statements for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of GASB Statement No. 65 caused the Airports Division to restate certain prior year net positions by the amount of the unamortized bond issue costs, as these costs should now be recognized as an expense in the period incurred.

The following table provides a reconciliation of net position at June 30, 2012, as previously reported, to net position at June 30, 2012, as restated.

Net position at June 30, 2012, as previously reported	$	1,776,543,759
Reduction of unamortized bond issue costs		(4,408,531)
Net position at June 30, 2012, as restated	$	1,772,135,228

Effective July 1, 2013, the Airports Division implemented the provisions of GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62,* which is effective for financial statements for periods beginning after December 15, 2012. The objective of this Statement is to resolve conflicting accounting and financial reporting guidance between previously issued statements. This Statement did not have a material impact on the Airport Division's financial statements for the fiscal year ended June 30, 2014.

In June 2013, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* Statement No. 68 establishes new standards for accounting for pensions by employers whose employees are provided with pensions through pension plans administered through trusts, or equivalent arrangements, that meet the characteristics defined in the Statements and addresses accounting and financial reporting issues of certain nonemployer entities that contribute to such plans. Statement No. 68 will be effective for periods beginning after June 15, 2014. The Airports Division has not yet determined the impact of this Statement on its financial statements and disclosures.

Effective July 1, 2013, the Airports Division implemented the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is effective for financial statements for periods beginning after June 15, 2013. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. The implementation of GASB Statement No. 70 does not have a material impact on the financial statements for the fiscal year ended June 30, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68. The Airports Division has not yet determined the impact of this Statement on its financial statements and disclosures.

(Continued)

(3) Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Petty cash	$ 4,765	4,765
Amounts held in State Treasury	1,093,626,391	1,094,427,316
Certificates of deposit	96,893,008	78,594,282
Repurchase agreements	—	18,298,726
Money market funds	150,067,396	—
	$ 1,340,591,560	1,191,325,089

Such amounts are reflected in the statements of net position at June 30, 2014 and 2013 as follows:

	2014	2013
Cash and cash equivalents:		
Unrestricted	$ 569,949,289	571,171,775
Restricted	523,681,867	523,260,306
Total cash and cash equivalents	1,093,631,156	1,094,432,081
Investments – restricted	96,893,008	96,893,008
Investments – held by certificate of participation funds – trustee	150,067,396	—
Total cash and cash equivalents and investments	$ 1,340,591,560	1,191,325,089

(a) Amounts Held in State Treasury

The State has an established policy whereby all unrestricted and certain restricted cash is required to be invested in the State's investment pool. Section 36-21, Hawaii Revised Statutes, authorizes the State to invest in obligations of the State, the U.S. Treasury, agencies and instrumentalities, certificates of deposit, and bank repurchase agreements. At June 30, 2014 and 2013, 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 $1,093,626,391 and $1,094,427,316, respectively. The Airports Division adjusted its amounts held in State Treasury for a change in fair value by $3,804,400 during the year ended June 30, 2013.

The State Director of Finance is responsible for the safekeeping of all moneys paid into the State Treasury (investment pool). The State Director of Finance (the Director) may invest any moneys of the State, which, in the 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 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 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.

The State's investment pool at June 30, 2013 is summarized in the table below (amounts in thousands):

	Fair value	Less than 1	Maturity (in years) 1-5	>5
Investments – primary government:				
Certificates of deposit	$ 976,243	878,619	97,624	—
U.S. government securities	1,092,462	567,854	320,667	203,941
Repurchase agreements	255,683	219,887	35,796	—
	$ 2,324,388	1,666,360	454,087	203,941
Investments – fiduciary funds:				
Certificates of deposit	$ 166,308	149,677	16,631	—
U.S. government securities	186,106	99,614	50,716	35,776
Repurchase agreements	43,557	37,459	6,098	—
	$ 395,971	286,750	73,445	35,776

Information relating to the State's investment pool at June 30, 2014 will be included in the comprehensive annual financial report of the State when issued.

(b) Investments

At June 30, 2014 and 2013, the Airports Division's investments consisted of money market funds, repurchase agreements with a bank and certificates of deposit with original maturities ranging from six months to one year. 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 fair values of the repurchase agreements and the certificates of deposit approximate cost.

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.

Credit Risk

The Airports Division follows the State's policy of limiting its investments to investments in state and U.S. Treasury securities, certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the 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's and the State's investments are held at broker-dealer firms that are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess SIPC coverage is provided by the firms' 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.

(Continued)

(4) Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013 consist of the following:

	Balance, June 30, 2013	Increases	Decreases	Transfers	Balance, June 30, 2014
Capital assets not being depreciated:					
Land	$ 300,248,125	—	—	15,462,222	315,710,347
Land improvements	26,681,609	—	—	4,560,048	31,241,657
Construction in progress	377,086,413	221,160,731	(429,947)	(92,176,524)	505,640,673
Total capital assets not being depreciated	704,016,147	221,160,731	(429,947)	(72,154,254)	852,592,677
Capital assets being depreciated:					
Land improvements	936,995,350	—	(784)	42,302,569	979,297,135
Buildings and improvements	1,697,220,871	32	(1,188,000)	28,286,498	1,724,319,401
Machinery and equipment	279,874,339	1,489,337	(866,499)	1,648,864	282,146,041
Total capital assets being depreciated	2,914,090,560	1,489,369	(2,055,283)	72,237,931	2,985,762,577
Less accumulated depreciation:					
Land improvements	(709,837,077)	(23,180,860)	784	—	(733,017,153)
Buildings and improvements	(940,458,936)	(46,985,556)	59,400	—	(987,385,092)
Machinery and equipment	(179,204,287)	(17,066,773)	837,829	(75,455)	(195,508,686)
Total depreciation	(1,829,500,300)	(87,233,189)	898,013	(75,455)	(1,915,910,931)
Capital assets being depreciated, net	1,084,590,260				1,069,851,646
Total capital assets	$ 1,788,606,407				1,922,444,323

	Balance, June 30, 2012	Increases	Decreases	Transfers	Balance, June 30, 2013
Capital assets not being depreciated:					
Land	$ 300,248,125	—	—	—	300,248,125
Land improvements	26,681,609	—	—	—	26,681,609
Construction in progress	365,910,428	123,284,939	(11,677)	(112,097,277)	377,086,413
Total capital assets not being depreciated	692,840,162	123,284,939	(11,677)	(112,097,277)	704,016,147
Capital assets being depreciated:					
Land improvements	924,696,440	—	—	12,298,910	936,995,350
Buildings and improvements	1,654,756,020	2,408,000	—	40,056,851	1,697,220,871
Machinery and equipment	220,129,391	1,370,852	(1,301,567)	59,675,663	279,874,339
Total capital assets being depreciated	2,799,581,851	3,778,852	(1,301,567)	112,031,424	2,914,090,560
Less accumulated depreciation:					
Land improvements	(684,909,210)	(24,927,867)	—	—	(709,837,077)
Buildings and improvements	(895,566,706)	(44,892,230)	—	—	(940,458,936)
Machinery and equipment	(158,160,627)	(22,411,080)	1,301,567	65,853	(179,204,287)
Total depreciation	(1,738,636,543)	(92,231,177)	1,301,567	65,853	(1,829,500,300)
Capital assets being depreciated, net	1,060,945,308				1,084,590,260
Total capital assets	$ 1,753,785,470				1,788,606,407

(5) Long-Term Liabilities

A summary of the long-term liabilities changes during fiscal years 2014 and 2013 is as follows:

	Balance, June 30, 2013	Increases	Decreases	Balance, June 30, 2014	Current	Noncurrent
Workers' compensation (note 16)	$ 4,000,000	1,485,594	(1,224,062)	4,261,532	960,961	3,300,571
Compensated absences	9,590,419	5,304,068	(4,775,314)	10,119,173	3,244,303	6,874,870
Customer advances (note 15)	952,601	—	(952,601)	—	—	—
Prepaid airport use charge fund (notes 8 and 17)	40,797,541	6,386,194	(19,000,000)	28,183,735	1,091,861	27,091,874
Postemployment liability (note 13)	54,343,599	15,507,713	(5,263,650)	64,587,662	—	64,587,662
Airports system revenue bonds (note 6)	941,702,301	—	(44,744,088)	896,958,213	34,210,000	862,748,213
Lease revenue certificates of participation (note 7)	—	174,649,327	(878,404)	173,770,923	—	173,770,923
Special facility revenue bonds (note 8)	30,100,000	—	(970,000)	29,130,000	1,030,000	28,100,000
	$ 1,081,486,461	203,332,896	(77,808,119)	1,207,011,238	40,537,125	1,166,474,113

	Balance, June 30, 2012	Increases	Decreases	Balance, June 30, 2013	Current	Noncurrent
Workers' compensation (note 16)	$ 4,000,000	1,008,372	(1,008,372)	4,000,000	869,295	3,130,705
Compensated absences	9,461,826	4,465,182	(4,336,589)	9,590,419	2,986,263	6,604,156
Customer advances (note 15)	952,601	—	—	952,601	—	952,601
Prepaid airport use charge fund (notes 8 and 17)	48,116,688	125,854	(7,445,001)	40,797,541	2,865,353	37,932,188
Postemployment liability (note 13)	40,691,333	18,789,218	(5,136,952)	54,343,599	—	54,343,599
Airports system revenue bonds (note 6)	974,433,402	—	(32,731,101)	941,702,301	40,305,000	901,397,301
Special facility revenue bonds (note 8)	31,005,000	—	(905,000)	30,100,000	970,000	29,130,000
	$ 1,108,660,850	24,388,626	(51,563,015)	1,081,486,461	47,995,911	1,033,490,550

(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 Twenty-Eighth 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 revenues 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 revenues 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 revenues that, together with unencumbered funds, will yield net revenues 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.

For purposes of calculating the required amounts to be credited to the interest, serial bond principal, sinking fund, debt service reserve, and major maintenance, renewal, and replacement accounts (collectively, referred to as revenue bond debt service reserve accounts), the Certificate stipulates that investments be valued at the lower of their face amount or fair value. At June 30, 2014 and 2013, amounts credited to the revenue bond debt service reserve accounts were in accordance with applicable provisions of the Certificate.

At June 30, 2014 and 2013, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statements of net position) consisted of the following:

		2014	2013
Debt service reserve account	$	96,893,008	96,893,008
RHB Debt extinguishment		155,013	775,065
Major maintenance, renewal, and replacement account		59,898,925	59,980,198
		156,946,946	157,648,271
Principal and interest due July 1		55,726,991	62,598,666
	$	212,673,937	220,246,937

At June 30, 2014 and 2013, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $662,157,129 and $1,310,792,291, respectively.

The revenue bonds are subject to redemption at the option of the Department of Transportation (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, 2014 and 2013:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount 2014	Outstanding amount 2013
2010A, refunding	2.00%–5.25%	2039	$ 478,980,000	478,090,000	478,395,000
2010B, refunding	3.00%–5.00%	2020	166,000,000	135,750,000	150,750,000
2011, refunding	2.00%–5.00%	2024	300,885,000	263,885,000	288,885,000
			$ 945,865,000	877,725,000	918,030,000
Add unamortized premium				19,233,213	23,672,301
Less:					
Current portion				(34,210,000)	(40,305,000)
Noncurrent portion				$ 862,748,213	901,397,301

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

	Principal	Interest	Total
Year(s) ending June 30:			
2015	$ 35,725,000	41,515,725	77,240,725
2016	37,290,000	39,955,020	77,245,020
2017	38,935,000	38,309,470	77,244,470
2018	40,755,000	36,489,520	77,244,520
2019	42,585,000	34,658,670	77,243,670
2020–2024	246,445,000	139,769,988	386,214,988
2025–2029	102,265,000	91,810,879	194,075,879
2030–2034	131,540,000	62,527,420	194,067,420
2035–2039	167,975,000	26,090,885	194,065,885
	$ 843,515,000	511,127,577	1,354,642,577

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the 12- and 6-month periods, respectively, preceding the date on which the payments are due. Accordingly, the above debt service requirements do not present principal and interest payments due on July 1, 2014 of $34,210,000 and $21,516,991, respectively.

The following is a summary of interest costs incurred for the years ended June 30, 2014 and 2013 and the allocation thereof:

		2014	2013
Expensed as incurred	$	24,855,268	28,516,182
Capitalized in capital assets		14,923,796	12,235,536
	$	39,779,064	40,751,718

On October 4, 2011, the Airports Division issued $300,885,000 of airports system revenue bonds (Refunding Series of 2011 (AMT)) at interest rates ranging from 2% to 5% to refund its outstanding Refunding Series of 2001 bonds. The average interest rates of the refunded bonds were 5.5782%. Of the net proceeds of $321,287,476 (after payment of $1,664,354 in underwriting fees, insurance, and other costs), along with an additional $7,534,244 from the debt service reserve account, $328,821,720 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series of 2001 bonds on November 3, 2011. As a result, the refunded portion of the Refunding Series on 2001 bonds is considered to be defeased and the liability for those bonds has been removed from the financial statements.

The 2011 refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $2,834,351. This difference, reported in the accompanying financial statements as a deduction from airports system revenue bonds, is being charged to operations over the next 10 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 to 5.25%. These lease revenue certificates of participation are payable from revenues 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. At June 30, 2014, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $167,740,000 and $6,030,923, respectively.

The Lease requires the Airports Division to make payments 15 days prior to the principal and interest dates under the lease revenue certificates of participation on July 15 and January 15. The schedule of lease rent payments for the lease revenue certificates of participation are as follows:

	Principal	Interest	Total
Year(s) ending June 30:			
2015	$ —	9,316,420	9,316,420
2016	—	8,343,063	8,343,063
2017	4,745,000	8,271,887	13,016,887
2018	5,675,000	8,058,838	13,733,838
2019	6,490,000	7,787,162	14,277,162
2020–2024	52,615,000	32,413,188	85,028,188
2025–2029	98,215,000	13,556,868	111,771,868
	$ 167,740,000	87,747,426	255,487,426

(8) Leases

(a) Airport-Airline Lease Agreement

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 revenues 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).

Prepaid Airport Use Charge Fund

In August 1995, the DOT and the signatory airlines entered into an agreement to extend the Prepaid Airport Use Charge Fund (the PAUCF). Net excess payments for fiscal years 1996 through 2012 have been transferred to the PAUCF (note 17).

Aviation Fuel Tax

The aviation fuel tax amounted to $4,847,008 and $4,673,766 for fiscal years 2014 and 2013, 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.

Airports System Rates and Charges

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

Airport landing fees amounted to $56,904,147 and $63,800,325 for fiscal years 2014 and 2013. Airport landing fees are shown net of aviation fuel tax credits of $3,974,282 and $3,926,357 for fiscal years 2014 and 2013, respectively, on the statements of revenues, expenses, and changes in net position, which resulted in net airport landing fees of $52,929,865 and $59,873,968 for fiscal years 2014 and 2013, respectively. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland airport landing fees for signatory airlines are set at 42% and 41% of the airport landing fees for overseas flights for fiscal years 2014 and 2013, 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 $53,857,054 and $54,838,168 for fiscal years 2014 and 2013, 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 $40,038,747 and $48,521,342 for fiscal years 2014 and 2013, respectively, and are computed using a fixed rate per square footage per year. Exclusive-use premise charges for terminal rentals amounted to $20,452,433 and $29,323,427 for fiscal years 2014 and 2013, respectively.

Airports system support charges amounted to $1,468 for fiscal year 2013, and were established to recover all remaining residual costs of the airports system. Airports system support charges were established by Administrative Rules for nonsignatory airlines. Those rates are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The airports system interisland support charges for nonsignatory airlines are set at 32% of airports system support charges for overseas flights.

(b) Special Facility Leases and Revenue Bonds

The Airports Division entered into two 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 moneys derived from the special facility. Other pertinent information on the aforementioned bonds is summarized hereunder.

$25,255,000 Issue

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 Airports Division redeemed $130,000 in bonds during the year ended June 30, 2005.

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 are required based on the amounts outstanding at June 30, 2014:

	Principal	Interest	Total
Year(s) ending June 30:			
2015	$ —	1,222,031	1,222,031
2016	—	1,222,031	1,222,031
2017	—	1,222,031	1,222,031
2018	—	1,222,031	1,222,031
2019	—	1,222,031	1,222,031
2020–2024	—	6,110,156	6,110,156
2025–2028	21,725,000	4,277,110	26,002,110
	$ 21,725,000	16,497,421	38,222,421

$16,600,000 Issue

On July 15, 2000, the Airports Division issued $16,600,000 of term special facility bonds (Continental Airlines, Inc.), Refunding Series of 2000, to refund $18,225,000 of its outstanding Series of 1990 (Continental Airlines, Inc.).

The bonds are subject to redemption on or after June 1, 2010, at the option of the Airports Division, upon the request of Continental Airlines, Inc. or, if the facilities are destroyed or damaged extensively, at 100% of principal plus interest.

The bonds bear interest at 7% per annum. Maturities of the revenue bonds, including amounts subject to mandatory redemption at par, will require the following principal and interest payments based on the amounts outstanding at June 30, 2014:

	Principal	Interest	Total
Year(s) ending June 30:			
2015	$ 1,030,000	518,350	1,548,350
2016	1,110,000	446,250	1,556,250
2017	1,185,000	368,550	1,553,550
2018	1,280,000	285,600	1,565,600
2019	1,360,000	196,000	1,556,000
2020	1,440,000	100,800	1,540,800
	$ 7,405,000	1,915,550	9,320,550

Special facility revenue bonds payable at June 30, 2014 and 2013 consisted of the following:

	Continental		Total
2014:			
Current portion	$ 1,030,000	—	1,030,000
Noncurrent portion	6,375,000	21,725,000	28,100,000
	$ 7,405,000	21,725,000	29,130,000
2013:			
Current portion	$ 970,000	—	970,000
Noncurrent portion	7,405,000	21,725,000	29,130,000
	$ 8,375,000	21,725,000	30,100,000

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, 2014 and 2013 consisted of the following:

	2014	2013
Cash with bond fund trustee	$ 3,203,623	3,203,609
Receivable from lessees, net of unearned interest of $18,217,022 and $20,001,390	25,926,377	26,896,391
Interest receivable	195,950	201,608
	$ 29,325,950	30,301,608

(c) Other Operating Leases

The Airports Division also leases certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Information regarding the cost and related accumulated depreciation of these facilities is not provided because the accumulation of such data was not considered practical and because the information, when compared with the future minimum rentals to be received, would not be an accurate indication of the productivity of the property on lease or held for lease, due to the methods by which and the long period of time over which the properties were acquired.

The future minimum rentals from these operating leases at June 30, 2014 are as follows:

Year(s) ending June 30:	
2015	$ 118,761,028
2016	66,983,528
2017	57,935,355
2018	24,533,480
2019	21,778,664
2020–2024	42,652,253
2025–2029	24,871,323
2030–2034	11,652,056
2035–2039	10,531,959
Thereafter	9,831,059
	$ 389,530,705

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 2014 and 2013 were $31,693,459 and $47,311,605, respectively.

In fiscal years 2006 and 2013, the Airports Division converted certain past-due amounts from two lessees and a lessee, respectively, into promissory notes. The notes bear interest at rates ranging from 0% to 5%, and are due over periods ranging from 0 months to 9 years. The balance of $151,559 at June 30, 2014 is due as follows: 2015 – $60,517; 2016 – $8,400; 2017 – $8,400; and thereafter – $74,242.

Concession fee revenues from the DFS Group, L.P. (DFS), which operates the in-bond (Duty Free) concession, the Honolulu International Airport retail concession, and the Kahului retail concession, accounted for approximately 24% and 27% of total concession fee revenues for fiscal years 2014 and 2013, respectively.

DFS was originally awarded a five-year lease agreement for the in-bond concession in February 2001. By 2003, DFS had been in significant arrears in rents due to the Airports Division as a result of financial difficulties arising from the downturn in Hawaii’s economy due to the decrease in international visitor travel. As a result, in August 2003, the Airports Division and DFS entered into a Withdrawal and Settlement Agreement, which provided DFS with certain relief for pastdue rents, and which allowed the Airports Division to withdraw and recapture all of the leased premises and to terminate early 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 provides for a minimum annual guarantee rent as well as 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 is $38 million and the percentage rent is 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 is equal to 85% of the total rent paid for the fourth year of the lease term. Percentage rent during this period is calculated the same as during the first four years of the lease term.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Honolulu 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 is $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.

(9) Passenger Facility Charges

Passenger facility charge activity for the years ended June 30, 2014 and 2013 is as follows:

		2014	2013
Restricted assets – passenger facility charges, beginning of year	$	105,835,982	87,205,624
Passenger facility charges during the year		34,371,317	35,142,089
Interest earned on passenger facility charges during the year		306,153	190,698
Capital expenditures during the year		(7,387,253)	(16,702,429)
Restricted assets – passenger facility charges, end of year	$	133,126,199	105,835,982

Restricted assets – passenger facility charges are presented on the statements of net position as of June 30, 2014 and 2013 as follows:

		2014	2013
Cash and cash equivalents	$	129,472,670	102,109,478
Receivable		3,653,529	3,726,504
Total restricted assets – passenger facility charges	$	133,126,199	105,835,982

(10) Rental Car Customer Facility Charge

Rental car customer facility charge activity for the years ended June 30, 2014 and 2013 is as follows:

		2014	2013
Restricted assets – rental car customer facility charge, beginning of year	$	83,402,787	45,409,710
Rental car customer facility charges during the year		53,923,545	55,578,560
Interest earned on rental car customer facility charges during the year		261,133	132,324
Capital expenditures during the year		(5,671,985)	(17,717,807)
Restricted assets – rental car customer facility charges, end of year	$	131,915,480	83,402,787

(Continued)

Restricted assets – rental car customer facility charges are presented on the statements of net position as of June 30, 2014 and 2013 as follows:

		2014	2013
Cash and cash equivalents	$	127,793,511	78,164,592
Receivable		4,121,969	5,238,195
Total restricted assets – rental car customer facility charges	$	131,915,480	83,402,787

(11) Business Interruption Insurance Recovery

During the year ended June 30, 2013, the Airports Division received a business interruption insurance recovery relating to the events of September 11th amounting to $19,000,000. This amount is reflected on a separate line item between total operating expenses and operating income in the accompanying statements of revenues, expenses, and changes in net position.

(12) Pension Information

All eligible employees of the Airports Division are required by Chapter 88, Hawaii Revised Statutes (HRS), to become members of the Employees' Retirement System (ERS) of the State, a cost-sharing, multiple-employer public employee retirement plan. The ERS provides retirement, survivor, and disability benefits with multiple benefit structures known as the contributory, hybrid, and noncontributory plans. 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 joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984 and before July 1, 2006, who are covered by Social Security, were generally required to join the noncontributory plan. Qualified employees in the contributory and noncontributory plan were given the option of joining the hybrid plan effective July 1, 2006, or remaining in their existing plan. Starting July 1, 2006, all new employees covered by Social Security are required to join the hybrid plan.

The three plans 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.

(Continued)

For postretirement increases, every retiree's 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 post-retirement annuity increase was decreased to 1.5% per year.

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

(a) Contributory Plan

Employees in the contributory plan 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 plan, employees may retire with full benefits at age 55 and 5 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 plan 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.

(b) Hybrid Plan

Employees in the hybrid plan 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 plan 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.

(c) Noncontributory Plan

Employees in the noncontributory plan 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%.

(Continued)

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. Effective 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. Employers contribute 15.75% for police officers and firefighters, and 13.75% for all other employees. These rates increased, as of July 1, 2008, to 19.70% for police officers and firefighters, and 15.00% for all other employees. The rates further increased, as of July 1, 2012 to 22.00% for police officers and firefighters, and 15.50% for all other employees. Each year thereafter the rates will gradually increase to 25.00% for police officers and firefighters, and to 17.00% for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every five years.

The required pension contributions by the Airports Division for the years ended June 30, 2014, 2013, and 2012 were $9,030,263, $8,647,308, and $7,683,738, respectively, which represented 17.53%, 18.60%, and 16.05% of covered payroll for each of the years then ended and were equal to the required contributions for each year. 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.

The ERS issues a comprehensive annual financial report that includes financial statements and required supplementary information, which may be obtained from the following address:

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

(13) Postretirement Healthcare and Life Insurance Benefits

In addition to providing pension benefits, the State, pursuant to HRS Chapter 87A, is a participating employer in a cost-sharing, multiple-employer defined-benefit plan providing certain healthcare and life insurance benefits to all qualified employees and retirees. The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) was established on July 1, 2003 to design, provide, and administer health benefits plans and a group life insurance benefits program for employees and retirees.

The State pays the EUTF a base monthly contribution for the health benefits plans of certain retired employees, including those who were hired before July 1, 1996 and retired after June 30, 1984, with ten or more years of credited service.

The State pays the EUTF one-half of the base monthly contribution for the health benefits plans of retired employees who were hired before June 30, 1996, and retired after June 30, 1984, with fewer than ten years of credited service.

The State pays the EUTF for the health benefits plans of retired employees who were hired after June 30, 1996 but before July 1, 2001: (a) one-half of the base monthly contribution if the employee retired with between ten and fifteen years of credited service; (b) seventy-five percent of the base monthly contribution if the employee retired with between fifteen and twenty-five years of credited service; and (c) one hundred percent of the base monthly contribution if the employee retired with twenty-five or more years of credited service.

The State pays the EUTF for the health benefits plans of retired employees who were hired after June 30, 2001: (a) one-half of the base monthly contribution for a self-only plan if the employee retired with between ten and fifteen years of credited service; (b) seventy-five percent of the base monthly contribution for a self-only plan if the employee retired with between fifteen and twenty-five years of credited service; and (c) one hundred percent of the base monthly contribution for a self-only plan if the employee retired with twenty-five or more years of credited service.

The State pays the EUTF a base monthly contribution (currently $4.16) for each retired employee enrolled in the EUTF group life insurance plan.

For active employees, the employee's contributions are based upon negotiated collective bargaining agreements. Employer contributions for employees not covered by collective bargaining agreements and for retirees are prescribed by the HRS.

Measurement of the actuarial valuation and the annual required contribution (ARC) are made for the state as a whole and are not separately computed for the individual state departments and agencies such as the Airports Division. The State allocates the ARC to the various departments and agencies based upon a systematic methodology. The Airports Division's contribution for the years ended June 30, 2014 and 2013 was $5,263,650 and $5,136,952, respectively, which represented 34% and27%, respectively, of the Airports Division's share of the ARC for postemployment healthcare and life insurance benefits of $15,507,713 and $18,789,218.

The following is a summary of changes in postemployment liability during the fiscal years ended June 30, 2014 and 2013:

Balance at June 30, 2013	$	54,343,599
Additions		15,507,713
Deletions		(5,263,650)
Balance at June 30, 2014	$	64,587,662

Balance at June 30, 2012	$	40,691,333
Additions		18,789,218
Deletions		(5,136,952)
Balance at June 30, 2013	$	54,343,599

The EUTF issues a financial report that includes financial statements and required supplementary information, which may be obtained from the following address:

Hawaii Employer-Union Health Benefits Trust Fund
P.O. Box 2121
Honolulu, Hawaii 96805-2121

(14) 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 $12,260,909 and $12,473,628 in fiscal years 2014 and 2013, respectively.

The Airports Division is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $6,554,622 and $5,445,497 in fiscal years 2014 and 2013, respectively. During fiscal years 2014 and 2013, the Airports Division received assessment refunds from the DOT amounting to $1,336,777 and $1,382,000, respectively. Such refunds reduced operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

During fiscal years 2014 and 2013, revenues received from other state agencies totaled $1,600,328 and $1,604,614, and expenditures to other state agencies totaled $8,174,647 and $8,221,702, respectively.

(15) Commitments

(a) Sick Pay

Accumulated sick leave at June 30, 2014 and 2013 was $21,160,766 and $19,720,758, 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 investors.

Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying financial statements.

(c) Pledged Future Revenues

In accordance with the Certificate, the Airports Division has pledged future revenues net of operation, maintenance and repair expenses, and certain adjustments (net revenues and taxes available for debt service) to repay $945,865,000 in revenue bonds issued in 2010 and 2011, and are payable through 2039. The total debt service remaining to be paid on the revenue bonds for the Airports Division is $1,354,642,577. In fiscal year 2014, total debt service paid, exclusive of amounts refunded, and net revenues and taxes available for debt service for the Airports Division were $83,338,988 and $94,172,417, respectively. See also note 6 for further discussion on the revenue bonds.

(d) Other

Under an agreement with the Federal Bureau of Prisons (FBOP), the Airports Division is required to perform certain upgrades to its utilities infrastructure, which is also used by the Federal Detention Center adjacent to the Honolulu International Airport. In exchange, the FBOP has paid a connection fee to the Airports Division of $952,601. The upgrades are expected to be performed in the next year. Accordingly, the amount had been recorded as a noncurrent customer advance on the statements of net position at June 30, 2013.

At June 30, 2014, the Airports Division has commitments totaling approximately $388,866,157 for construction and service contracts.

(16) 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.

(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, except as described in note 16.

(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.

(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, 2014 and 2013, the workers' compensation reserve was $4,261,532 and $4,000,000, of which $960,961 and $869,295 is included in current liabilities (payable from unrestricted net assets) and $3,300,571 and $3,130,705, respectively, is included in long-term liabilities in the accompanying statements of net position at June 30, 2014 and 2013. In the opinion of management, the Airports Division has adequately reserved for such claims.

(17) 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, 2014 and 2013, if any, are not material to the financial statements. Accordingly, no rebates payable have been recorded in the accompanying financial statements.

(c) Asserted Claims

Prepaid Airport Use Charge Fund

On November 15, 2010, the State reached a settlement with the Airlines Committee of Hawaii (ACH), on behalf of many of the signatory airlines under which the Airports Division transferred an overpayment of airports system charges of $10,303,174 for fiscal year 2010 to the PAUCF escrow account in four annual installments beginning in fiscal year 2011. A liability for the refund was recorded in the Airports Division's financial statements as of June 30, 2010, with an offsetting charge to operating revenues. The payable balance of the PAUCF at June 30, 2010 was $10,356,353.

In fiscal year 2012, the PAUCF was decreased by a payment of $2,500,000 to ACH members for the 2010 overpayment as well as $156,801 and $102,002 paid to non-ACH members for 2010 and 2011 overpayments, respectively. The PAUCF was increased by $39,526,162 due to an overpayment for fiscal year 2012. The PAUCF liability at June 30, 2012 was $48,116,688.

In fiscal year 2013, the PAUCF was decreased by a payment of $4,945,000 to ACH members for the 2011 overpayment as well as $2,500,000 paid to ACH members for 2010 overpayments, respectively. The PAUCF was increased by $125,853 due to an overpayment for fiscal year 2013. The PAUCF liability at June 30, 2013 was $40,797,541.

In fiscal year 2014, the PAUCF was decreased by $19,000,000 for a transfer to the Airports Division to offset the signatory airline requirement for fiscal year 2014. The PAUCF was increased by $6,386,194 due to an overpayment for fiscal year 2014. The PAUCF liability at June 30, 2014 was $28,183,735.

Environmental Protection Agency

The Airports Division had been notified of certain violations of the Clean Water Act by the Environmental Protection Agency. As part of the terms of a consent decree entered into by the parties dated January 30, 2006, the DOT was required to pay a $1 million fine. The Airports Division's allocated share of the fine was $400,000, which was paid in February 2006. In addition, the Department is expected to expend an additional $1,096,480 to complete various projects in order to be in compliance with the consent decree and Clean Water Act.

(18) Subsequent Events

In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC. acting as the agent of the Lenders. The Lenders were created to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) created according to legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is $76 million. The EB-5 loan is the first series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from Trust Estate, with Customer Facility Charges being the primary component. The EB-5 loan is not payable from Revenues 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 Airports Division has evaluated subsequent events from the balance sheet date through December 15, 2014, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

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, 2014

			Airports					
	Total	Statewide	Honolulu International	Hilo International	Kona International at Keahole	Kahului	Lihue	All others
Operating revenues:								
Concession fees	$ 143,569,533	—	84,270,496	3,156,342	13,379,573	29,362,638	13,094,262	306,222
Airport landing fees	52,929,865	—	36,761,355	1,255,039	3,279,922	7,999,355	3,175,474	458,720
Aeronautical rentals:								
Nonexclusive joint-use premise charges	53,857,054	—	40,931,179	948,390	2,029,216	7,627,177	2,321,092	—
Exclusive-use premise charges	40,038,747	—	29,344,819	968,987	1,456,808	5,681,062	2,135,467	451,604
Nonaeronautical rentals	14,467,101	—	8,875,324	396,636	1,130,156	2,970,747	1,032,108	62,130
Aviation fuel tax	4,847,008	—	3,366,391	114,929	300,356	732,534	290,791	42,007
Miscellaneous	7,414,011	906,501	4,417,873	98,611	634,727	582,558	665,787	107,954
	317,123,319	906,501	207,967,437	6,938,934	22,210,758	54,956,071	22,714,981	1,428,637
Allocation of statewide miscellaneous revenues (note 1)	—	(906,501)	615,413	13,736	88,418	81,151	92,745	15,038
Net operating revenues	$ 317,123,319	—	208,582,850	6,952,670	22,299,176	55,037,222	22,807,726	1,443,675
Operating expenses other than depreciation:								
Salaries and wages	$ 82,780,481	18,124,050	31,503,957	5,162,090	5,735,773	8,854,069	6,388,845	7,011,697
Other personnel services	50,588,123	2,111,537	29,160,753	3,492,554	4,030,030	4,645,177	4,719,639	2,428,433
Utilities	48,882,258	2,728,547	33,966,087	1,375,240	2,383,999	5,184,170	2,254,935	989,280
Repairs and maintenance	29,270,148	10,354,403	13,421,815	784,786	992,933	2,327,621	891,959	496,631
State of Hawaii surcharge on gross receipts (note 2)	12,260,909	12,260,909	—	—	—	—	—	—
Department of Transportation general administration expenses	6,554,622	6,554,622	—	—	—	—	—	—
Materials and supplies	6,304,085	271,653	3,383,580	520,243	492,112	683,476	612,332	340,689
Special maintenance	4,458,960	2,915,290	496,326	5,668	253,767	(231)	485,228	302,912
Insurance	2,411,856	2,411,856	—	—	—	—	—	—
Claims and benefits	1,543,735	277,028	694,455	23,416	152,341	262,771	78,494	55,230
Travel	430,565	129,421	80,866	40,423	41,099	46,395	41,095	51,266
Communication	378,745	74,087	73,821	48,880	26,652	48,933	45,346	61,026
Rent	337,687	87,237	152,138	12,597	23,493	22,511	22,597	17,114
Dues and subscriptions	299,347	296,528	1,275	—	576	675	293	—
Freight and delivery	19,899	13,574	743	3,103	466	1,108	104	801
Printing and advertising	5,954	5,319	—	635	—	—	—	—
Bad debt expense (note 3)	—	—	—	—	—	—	—	—
Miscellaneous	353,702	101,070	112,882	91,243	26,415	1,447	11,196	9,449
	246,881,076	58,717,131	113,048,698	11,560,878	14,159,656	22,078,122	15,552,063	11,764,528
Allocation of statewide expenses (note 4)	—	(58,717,131)	35,277,190	3,607,607	4,418,564	6,889,545	4,853,068	3,671,157
Total operating expenses other than depreciation for net revenues and taxes	246,881,076	—	148,325,888	15,168,485	18,578,220	28,967,667	20,405,131	15,435,685
Disbursements out of major maintenance, renewal, and replacement account not included above	—	—	—	—	—	—	—	—
Total operating expenses other than depreciation for statement of revenues, expenses, and changes in net position.	$ 246,881,076	—	148,325,888	15,168,485	18,578,220	28,967,667	20,405,131	15,435,685

Notes:
(1) Statewide miscellaneous revenues are allocated to the airports based upon their respective current year miscellaneous revenues to total current year miscellaneous revenues 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 revenues to total current year revenues 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.

Schedule 2

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

Calculations of Net Revenues and Taxes and Debt Service Requirement

Year ended June 30, 2014

Revenues and taxes:	
Concession fees	$ 143,569,533
Airport landing fees	52,929,865
Aeronautical rentals:	
Nonexclusive joint-use premise charges	53,857,054
Exclusive-use premise charges	40,038,747
Nonaeronautical rentals	14,467,101
Aviation fuel tax	4,847,008
Interest income, exclusive of interest on investments in direct financing leases and including interest income of $197,068 on capital improvement projects	2,064,139
Federal operating grants	2,656,113
Miscellaneous	7,414,011
Total revenues and taxes	321,843,571
Deductions:	
Operating expenses other than depreciation for net revenues and taxes (schedule 1)	246,881,076
Annual reserve required on major maintenance, renewal, and replacement account	101,075
Total deductions	246,982,151
Net revenues and taxes	74,861,420
Add funded coverage per bond certificate	19,310,997
Adjusted net revenues and taxes	94,172,417
Debt service requirement:	
Airports system revenue bonds:	
Principal	34,210,000
Interest (note 1)	42,413,938
Total debt service	76,623,938
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)	(19,000,000)
Total debt service requirement	57,623,938
Debt service coverage percentage	125%
Total debt service with coverage requirement	72,029,923
Excess of net revenues and taxes over debt service requirement	$ 22,142,494

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 2010 bond proceeds used to pay interest on the Series 2010 bonds until the projects funded by the Series 2010 bonds are in service.

(2) In fiscal year 2014, the Airports Division transferred $19,000,000 of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the “Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.” The Prepaid Airport Use Charge Fund (See notes 7 and 17) are amounts owed to the signatory airlines, and the transfer of $19,000,000 in lieu of payment, was agreed to by the Airlines Committee of Hawaii, Inc. a Hawaii corporation representing the majority of signatory airlines operating at the Hawaii Airports System.

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

June 30, 2014

	Annual principal and interest requirements		
	Airports system revenue bonds		
	Principal	Interest	Total
Year ending June 30:			
2015	$ 35,725,000	41,515,725	77,240,725
2016	37,290,000	39,955,020	77,245,020
2017	38,935,000	38,309,470	77,244,470
2018	40,755,000	36,489,520	77,244,520
2019	42,585,000	34,658,670	77,243,670
2020	44,690,000	32,555,070	77,245,070
2021	46,805,000	30,439,145	77,244,145
2022	49,175,000	28,065,558	77,240,558
2023	51,580,000	25,664,558	77,244,558
2024	54,195,000	23,045,657	77,240,657
2025	18,440,000	20,379,107	38,819,107
2026	19,395,000	19,428,487	38,823,487
2027	20,400,000	18,412,970	38,812,970
2028	21,460,000	17,356,370	38,816,370
2029	22,570,000	16,233,945	38,803,945
2030	23,755,000	15,053,750	38,808,750
2031	25,010,000	13,807,355	38,817,355
2032	26,255,000	12,556,855	38,811,855
2033	27,575,000	11,244,105	38,819,105
2034	28,945,000	9,865,355	38,810,355
2035	30,395,000	8,418,105	38,813,105
2036	31,910,000	6,898,355	38,808,355
2037	33,520,000	5,299,245	38,819,245
2038	35,195,000	3,619,455	38,814,455
2039	36,955,000	1,855,725	38,810,725
Total	$ 843,515,000	511,127,577	1,354,642,577

Note:

For purposes of this schedule, the above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the 12 – and 6-month periods, respectively, preceding the date on which the payments are due. Accordingly, this schedule does not present the principal and interest payments due on July 1, 2014.

See accompanying independent auditors' report.

Schedule 4

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

Debt Service Requirements to Maturity – Airports System Revenue Bonds

June 30, 2014

	Refunding series of 2010A, 2.00% to 5.25%	Refunding series of 2010B, 3.00% to 5.00%	Refunding series of 2011, 2.00% to 5.00%	Total	Interest	Total requirements
Year ending June 30:						
2015	$ 320,000	18,150,000	17,255,000	35,725,000	41,515,725	77,240,725
2016	335,000	19,030,000	17,925,000	37,290,000	39,955,020	77,245,020
2017	340,000	19,975,000	18,620,000	38,935,000	38,309,470	77,244,470
2018	355,000	20,980,000	19,420,000	40,755,000	36,489,520	77,244,520
2019	255,000	22,165,000	20,165,000	42,585,000	34,658,670	77,243,670
2020	7,720,000	21,650,000	15,320,000	44,690,000	32,555,070	77,245,070
2021	14,510,000	—	32,295,000	46,805,000	30,439,145	77,244,145
2022	18,005,000	—	31,170,000	49,175,000	28,065,558	77,240,558
2023	16,650,000	—	34,930,000	51,580,000	25,664,558	77,244,558
2024	17,510,000	—	36,685,000	54,195,000	23,045,657	77,240,657
2025	18,440,000	—	—	18,440,000	20,379,107	38,819,107
2026	19,395,000	—	—	19,395,000	19,428,487	38,823,487
2027	20,400,000	—	—	20,400,000	18,412,970	38,812,970
2028	21,460,000	—	—	21,460,000	17,356,370	38,816,370
2029	22,570,000	—	—	22,570,000	16,233,945	38,803,945
2030	23,755,000	—	—	23,755,000	15,053,750	38,808,750
2031	25,010,000	—	—	25,010,000	13,807,355	38,817,355
2032	26,255,000	—	—	26,255,000	12,556,855	38,811,855
2033	27,575,000	—	—	27,575,000	11,244,105	38,819,105
2034	28,945,000	—	—	28,945,000	9,865,355	38,810,355
2035	30,395,000	—	—	30,395,000	8,418,105	38,813,105
2036	31,910,000	—	—	31,910,000	6,898,355	38,808,355
2037	33,520,000	—	—	33,520,000	5,299,245	38,819,245
2038	35,195,000	—	—	35,195,000	3,619,455	38,814,455
2039	36,955,000	—	—	36,955,000	1,855,725	38,810,725
Total	$ 477,780,000	121,950,000	243,785,000	843,515,000	511,127,577	1,354,642,577

Note:

For purposes of this schedule, the above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the 12 – and 6-month periods, respectively, preceding the date on which the payments are due. Accordingly, this schedule does not present the principal and interest payments due on July 1, 2014.

See accompanying independent auditors' report.

Schedule 5

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Airports System Charges – Fiscal Year 2008 Lease Extension

Year ended June 30, 2014

	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.	962,754	—	—	$ 1,184,188	—	—	—	—	—	—	—	—	—	—	—	118,284	1,302,472
Air Canada	174,080	544	—	508,313	—	190,678	190,787	46,039	—	—	—	—	—	—	—	552,091	1,487,908
Air China Limited	27,628	69	10,198	80,673	—	—	11,140	10,279	—	—	—	—	—	54,049	—	—	156,141
Air Japan Co., Ltd.	77,440	242	45,751	226,125	—	—	50,745	46,821	—	—	—	—	—	242,480	—	—	566,171
Air New Zealand, Ltd.	58,659	165	33,203	171,284	—	—	38,677	35,686	—	—	—	—	—	175,976	—	—	421,623
Air Pacific, Ltd.	21,664	156	16,477	63,259	—	—	16,015	14,777	—	—	—	—	—	87,328	—	—	181,379
Alaska Airlines, Inc.	1,113,837	7,719	—	3,252,402	—	1,952,566	904,155	397,271	—	—	—	—	—	—	499,937	619,911	7,626,242
All Nippon Airways Co., Ltd.	121,660	371	76,529	355,247	—	—	79,235	73,108	—	—	—	—	—	405,604	—	4,038	917,232
Allegiant Air LLC	103,356	522	—	301,800	—	232,765	123,374	74,372	—	—	—	—	—	—	—	167,142	899,453
American Airlines, Inc.	1,004,618	4,431	—	2,933,485	—	1,513,678	1,228,327	401,393	—	—	—	—	—	—	—	1,372,309	7,449,192
Asiana Airlines, Inc.	120,381	292	62,129	351,513	—	—	64,353	59,376	—	—	—	—	—	329,284	—	160,696	965,222
China Airlines, Ltd.	248,972	472	127,952	726,998	—	—	138,820	128,085	—	—	—	—	—	678,146	—	38,862	1,710,911
Continental Airlines, Inc.	740,948	3,400	17,967	2,163,189	—	1,446,998	883,458	558,391	—	—	—	—	—	95,225	—	163,557	5,310,818
Continental Micronesia, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	394,625	394,625
Delta Air Lines, Inc.	1,718,355	5,833	407,201	5,017,596	—	1,700,550	1,502,625	951,502	—	—	—	—	—	2,158,165	—	2,029,675	13,360,113
Evergreen International Airlines, Inc.	29,304	—	—	85,568	—	—	—	—	—	—	—	—	—	—	—	—	85,568
Federal Express Corporation	754,655	—	—	1,966,727	—	—	—	—	—	—	—	—	—	—	—	7,611	1,974,338
Hawaii Island Air, Inc.	560,258	11,951	—	689,117	—	—	—	—	—	138,353	108,049	157,996	229,118	—	—	62,301	1,384,934
Hawaiian Airlines, Inc.	9,929,976	70,316	519,312	17,706,682	—	—	1,270,017	—	—	10,097,798	2,777	—	—	2,752,354	6,229,113	7,971,420	46,030,161
Japan Airlines International Co., Ltd.	908,241	2,224	537,617	2,651,050	—	—	580,380	535,261	—	—	—	—	—	2,849,370	—	1,071,368	7,687,429
Kalitta Air, LLC	186,026	—	—	527,225	—	—	—	—	—	—	—	—	—	—	—	—	527,225
Korean Airlines Company, Ltd.	487,013	965	230,406	1,422,078	—	—	235,839	217,600	—	—	—	—	—	1,221,152	—	236,176	3,332,845
Mesa Airlines, Inc.	400,487	8,521	—	492,599	—	—	—	—	—	146,610	159,072	131,032	181,012	—	—	303,986	1,414,311
Mokulele Flight Service, Inc.	291,873	34,338	—	359,004	—	—	—	—	—	—	—	13,546	17,642	—	—	43,424	433,616
Pacific Wings LLC	289	34	—	356	—	—	—	—	—	—	—	—	—	—	—	320	676
Philippine Airlines, Inc.	87,552	174	40,695	255,652	—	—	40,419	37,293	—	—	—	—	—	215,684	—	119,563	668,611
Polar Air Cargo, LLC	666	—	—	1,945	—	—	—	—	—	—	—	—	—	—	—	—	1,945
Qantas Airways, Ltd.	198,264	169	33,115	578,931	—	—	38,251	35,293	—	—	—	—	—	175,510	—	432,679	1,260,664
United Airlines, Inc.	2,029,799	6,985	165,504	5,926,008	—	2,373,623	2,239,229	740,223	—	(3,172)	—	—	—	877,171	—	4,669,902	16,822,984
United Parcel Service Co.	763,276	—	—	1,947,857	—	—	—	—	—	—	—	—	—	—	—	45,643	1,993,500
US Airways, Inc.	393,624	1,988	—	1,149,382	—	631,883	526,962	149,470	—	—	—	—	—	—	—	416,535	2,874,232
WestJet	239,448	1,565	—	699,187	—	390,621	417,667	80,350	—	—	—	—	—	—	—	112,416	1,700,241
Nonsignatory airlines	1,504,289	1,110	178,382	3,488,108	—	212,375	360,842	—	457	—	—	—	—	1,471,916	—	1,123,348	6,657,046
Total airports system charges billed	25,259,392	164,556	2,502,438	57,283,548	—	10,645,737	10,941,317	4,592,590	457	10,379,589	269,898	302,574	427,772	13,789,414	6,729,050	22,237,882	137,599,828
Signatory airlines requirements				53,416,041	—	10,257,355	9,996,259	4,233,794	—	8,553,396	283,232	302,574	427,772	11,597,041	6,160,041	19,329,085	124,556,590
Nonsignatory airlines requirements				3,488,106	—	212,375	360,842	—	457	—	—	—	—	1,471,916	—	1,123,348	6,657,044
Fiscal year 2014 overpayment (underpayment)				$ 379,401	—	176,007	584,216	358,796	—	1,826,193	(13,334)	—	—	720,457	569,009	1,785,449	6,386,194

See accompanying independent auditors' report.

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, 2014

		Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$	53,795,439	3,488,109	57,283,548
Less aviation fuel tax credit		(3,737,328)	(236,954)	(3,974,282)
Net airport landing fees billed	$	50,058,111	3,251,155	53,309,266

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, 2014

	Approved maximum revenue landing weights (1,000-pound units)				Honolulu International Airport and Hilo International Airport: Gross airport landing fees					All other airports			
	Honolulu International Airport	**Hilo International Airport**	**All other airports**	**Total**	**Honolulu 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	548,534	114,837	299,383	962,754	$ 674,697	141,250	815,947	(122,562)	693,385	368,241	—	368,241	1,061,626
Air Canada	83,520	—	90,560	174,080	243,878	—	243,878	—	243,878	264,435	—	264,435	508,313
Air China Limited	27,628	—	—	27,628	80,673	—	80,673	—	80,673	—	—	—	80,673
Air Japan Company	77,440	—	—	77,440	226,125	—	226,125	—	226,125	—	—	—	226,125
Air New Zealand Ltd.	58,659	—	—	58,659	171,284	—	171,284	—	171,284	—	—	—	171,284
Air Pacific, Ltd.	21,664	—	—	21,664	63,259	—	63,259	—	63,259	—	—	—	63,259
Alaska Airlines, Inc.	391,258	—	722,579	1,113,837	1,142,471	—	1,142,471	(587,249)	555,222	2,109,931	(76,873)	2,033,058	2,588,280
All Nippon Airways Co., Ltd.	121,660	—	—	121,660	355,247	—	355,247	—	355,247	—	—	—	355,247
Allegiant Air Llc	87,714	—	15,642	103,356	256,125	—	256,125	(75,896)	180,229	45,675	—	45,675	225,904
American Airlines, Inc.	515,290	—	489,328	1,004,618	1,504,647	—	1,504,647	(294,207)	1,210,440	1,428,838	—	1,428,838	2,639,278
Asiana Airlines, Inc	120,381	—	—	120,381	351,513	—	351,513	—	351,513	—	—	—	351,513
China Airlines, Ltd.	248,972	—	—	248,972	726,998	—	726,998	—	726,998	—	—	—	726,998
Continental Airlines, Inc.	696,911	44,036	—	740,947	2,034,603	128,586	2,163,189	(25,967)	2,137,222	—	—	—	2,137,222
Delta Air Lines. Inc.	1,433,998	—	284,357	1,718,355	4,187,274	—	4,187,274	(138,486)	4,048,788	830,322	—	830,322	4,879,110
Evergreen International Airlines, Inc.	29,304	—	—	29,304	85,568	—	85,568	—	85,568	—	—	—	85,568
Federal Express Corporation	673,231	81,424	—	754,655	1,864,084	102,643	1,966,727	(185,152)	1,781,575	—	—	—	1,781,575
Hawaii Island Air, Inc.	274,982	188	285,088	560,258	338,227	232	338,459	(15,390)	323,069	350,658	—	350,658	673,727
Hawaiian Airlines, Inc.	5,869,241	643,830	3,416,905	9,929,976	12,014,461	791,911	12,806,372	(1,325,327)	11,481,045	4,900,310	(195,305)	4,705,005	16,186,050
Japan Airlines International Co., Ltd.	907,641	—	600	908,241	2,650,312	—	2,650,312	—	2,650,312	738	—	738	2,651,050
Kalitta Air, L.L.C.	175,946	—	10,080	186,026	513,762	—	513,762	—	513,762	13,463	—	13,463	527,225
Korean Airlines Company, Ltd.	487,013	—	—	487,013	1,422,078	—	1,422,078	—	1,422,078	—	—	—	1,422,078
Mesa Airlines, Inc.	200,079	28,952	171,456	400,487	246,097	35,611	281,708	(41,962)	239,746	210,891	—	210,891	450,637
Mokulele Flight Service, Inc.	59,560	—	232,314	291,874	73,258	—	73,258	(1,877)	71,381	285,746	(2,863)	282,883	354,264
Pacific Wings, L.L.C.	—	—	289	289	—	—	—	—	—	356	(150)	206	206
Philippine Airlines, Inc.	87,552	—	—	87,552	255,652	—	255,652	—	255,652	—	—	—	255,652
Polar Air Inc	666	—	—	666	1,945	—	1,945	—	1,945	—	—	—	1,945
Qantas Airways Limited	198,264	—	—	198,264	578,931	—	578,931	—	578,931	—	—	—	578,931
United Airlines, Inc.	1,186,509	—	843,290	2,029,799	3,463,601	—	3,463,601	(408,992)	3,054,609	2,462,407	(70,617)	2,391,790	5,446,399
United Parcel Service Co.	600,821	—	162,455	763,276	1,615,109	—	1,615,109	(7,668)	1,607,441	332,748	—	332,748	1,940,189
Us Airways, Inc.	164,142	—	229,482	393,624	479,295	—	479,295	(160,785)	318,510	670,087	—	670,087	988,597
Westjet	82,519	—	156,929	239,448	240,955	—	240,955	—	240,955	458,232	—	458,232	699,187
Total	15,431,099	913,267	7,410,737	23,755,103	$ 37,862,129	1,200,233	39,062,362	(3,391,520)	35,670,842	14,733,078	(345,808)	14,387,270	50,058,112

Summary of revenue landing weights:

Overseas	14,544,537
Interisland	9,210,566
	23,755,103

Aviation fuel tax of $4,847,008 was paid by the users for the year ended June 30, 2014. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax credits of $3,974,282 were credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Signatory airlines	$ 3,737,328
Nonsignatory airlines	236,954
	$ 3,974,282

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2014.

See accompanying independent auditors' report.

Schedule 8

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, 2014

	Approved maximum revenue landing weights (1,000-pound units)				Honolulu International Airport and Hilo International Airport					All other airports			Total
					Gross airport landing fees								
	Honolulu International Airport	Hilo International Airport	All other airports	Total	Honolulu 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
Above It All, Inc.	16	635	461	1,112	$ 16	586	602	—	602	439	(102)	337	939
Aero Micronesia, Inc.	32,964	—	—	32,964	129,732	—	129,732	—	129,732	—	—	—	129,732
Air Japan Co Ltd	39,360	—	—	39,360	176,202	—	176,202	—	176,202	—	—	—	176,202
Air Transport International LLC	31,312	—	—	31,312	124,130	—	124,130	—	124,130	—	—	—	124,130
Air Ventures Hawaii, LLC	—	—	4,947	4,947	—	—	—	—	—	4,485	—	4,485	4,485
Alika Aviation, Inc.	—	—	1,016	1,016	—	—	—	—	—	1,171	—	1,171	1,171
Aris, Inc.	—	—	21,312	21,312	—	—	—	—	—	19,327	(3,950)	15,377	15,377
Atlas Air Inc.	32,150	—	—	32,150	120,057	—	120,057	—	120,057	—	—	—	120,057
Big Island Air, Inc.	23	421	3,182	3,626	20	358	378	—	378	2,896	—	2,896	3,274
Bradley Pacific Aviation, Inc.	29,259	693	69,290	99,242	71,049	1,055	72,104	—	72,104	161,138	—	161,138	233,242
Castle & Cooke Homes Hawaii, Inc.	24,885	—	79	24,964	62,102	—	62,102	—	62,102	195	—	195	62,297
Corporate Air	26,979	187	35,525	62,691	44,805	288	45,093	—	45,093	59,287	—	59,287	104,380
Delta Air Lines, Inc.	84,921	—	—	84,921	326,881	—	326,881	—	326,881	—	—	—	326,881
Fly Kauai	—	—	1,183	1,183	—	—	—	—	—	1,146	—	1,146	1,146
George’s Aviation Services, Inc.	980	35	721	1,736	858	32	890	(285)	605	649	(795)	(146)	459
Hawaii Air Ambulance, Inc.	21,792	—	—	21,792	19,564	—	19,564	(351)	19,213	—	—	—	19,213
Hawaii Helicopters, Inc.	—	—	6,602	6,602	—	—	—	—	—	6,013	—	6,013	6,013
Helicopter Consultants Of Maui, Inc.	20,618	60,114	83,618	164,350	18,705	55,003	73,708	(15,417)	58,291	75,698	(14,534)	61,164	119,455
Honolulu Soaring Club, Inc.	—	—	2,518	2,518	—	—	—	—	—	2,364	—	2,364	2,364
International Life Support, Inc.	9,442	—	193	9,635	8,485	—	8,485	—	8,485	181	—	181	8,666
Island Helicopters Kauai, Inc.	—	—	18,054	18,054	—	—	—	—	—	16,405	(2,326)	14,079	14,079
Jack Harter Helicopters, Inc.	—	—	17,351	17,351	—	—	—	—	—	15,595	(3,617)	11,978	11,978
Jetstar Airways Pty Limited	189,686	—	—	189,686	765,893	—	765,893	—	765,893	—	—	—	765,893
K & S Helicopters, Inc.	954	16,804	8,434	26,192	872	15,369	16,241	—	16,241	7,671	(5,424)	2,247	18,488
Kamaka Air, Inc.	9,424	17	13,369	22,810	8,455	17	8,472	—	8,472	12,014	—	12,014	20,486
Makani Kai Helicopters, Ltd.	21,241	28	24,341	45,610	18,798	26	18,824	(451)	18,373	21,784	(412)	21,372	39,745
Maui Island Air, Inc.	—	—	973	973	—	—	—	—	—	903	—	903	903
Miscellaneous	7,214	434	288	7,936	27,661	1,087	28,748	—	28,748	1,036	—	1,036	29,784
Niihau Helicopters, Inc.	—	—	1,593	1,593	—	—	—	—	—	1,460	—	1,460	1,460
Omni Air International, Inc.	79,880	—	—	79,880	315,080	—	315,080	(9,205)	305,875	—	—	—	305,875
Pacific Air Charters, Incorporated	446	73	1,832	2,351	401	62	463	(338)	125	1,679	(503)	1,176	1,301
Pacific Helicopter Tours, Inc.	1,124	3	1,282	2,409	1,005	3	1,008	—	1,008	1,171	—	1,171	2,179
Paragon Air Inc.	—	—	204	204	—	—	—	—	—	235	—	235	235
Pofolk Aviation Hawaii, Inc.	—	—	38,350	38,350	—	—	—	—	—	35,475	—	35,475	35,475
Resort Air, LLC	622	—	1,435	2,057	583	—	583	(356)	227	1,323	(489)	834	1,061
Ryan International Airlines	300	—	—	300	1,587	—	1,587	—	1,587	—	—	—	1,587
Safari Aviation, Inc.	1,007	8,374	13,166	22,547	1,160	7,415	8,575	—	8,575	11,956	—	11,956	20,531
Sky-med, Inc.	—	—	25,849	25,849	—	—	—	—	—	23,345	—	23,345	23,345
Skyview Soaring Lcc	—	—	184	184	—	—	—	—	—	169	—	169	169
Smoky Mountain Helicopters, Inc.	—	—	5,600	5,600	—	—	—	—	—	5,065	—	5,065	5,065
Southern Air	29,410	—	—	29,410	136,217	—	136,217	—	136,217	—	—	—	136,217
Will Squyres Helicopter Service, Inc.	—	—	6,459	6,459	—	—	—	—	—	6,307	—	6,307	6,307
Sunshine Helicopters, Inc.	—	124	24,196	24,320	—	107	107	—	107	21,600	(10,280)	11,320	11,427
Trans Executive Airlines Of Hawaii, Inc.	29,457	16,490	95,383	141,330	26,813	15,250	42,063	(11,881)	30,182	84,172	(12,951)	71,221	101,403
dba Trans Air	—	—	—	—	—	—	—	—	—	—	—	—	—
Universal Enterprises, Inc.	59,066	624	59,627	119,317	151,429	995	152,424	(83,622)	68,802	137,128	(59,665)	77,463	146,265
Wings Over Kauai LLC	—	—	2,428	2,428	—	—	—	—	—	2,274	—	2,274	2,274
World Airways	23,656	—	—	23,656	88,139	—	88,139	—	88,139	—	—	—	88,139
Total	808,188	105,056	591,045	1,504,289	$ 2,646,699	97,653	2,744,352	(121,906)	2,622,446	743,756	(115,048)	628,708	3,251,154
Summary of revenue landing weights:													
Overseas				755,744									
Interisland				748,545									
				1,504,289									

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2014.

See accompanying independent auditors’ report.