

Auditor's Summary

Financial Audit of the Department of Transportation, Airports Division

Financial Statements, Fiscal Year Ended June 30, 2016



PHOTO: HAWAII DOT AIRPORTS DIVISION

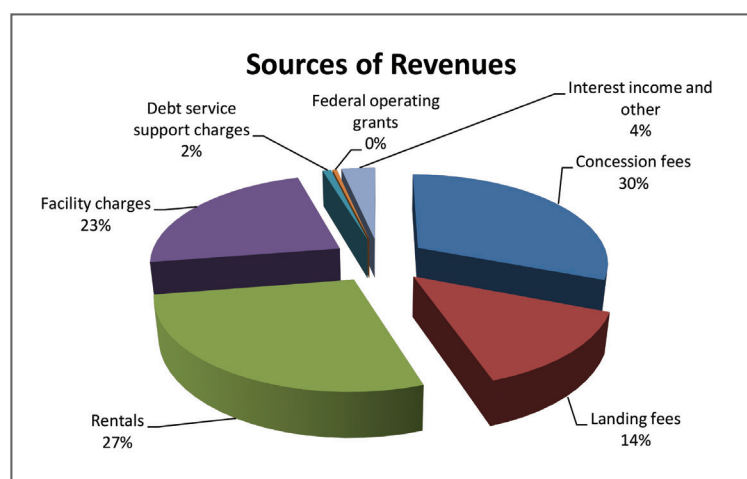
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Airports Division (DOT-Airports), as of and for the fiscal year ended June 30, 2016, and to comply with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KPMG LLP.

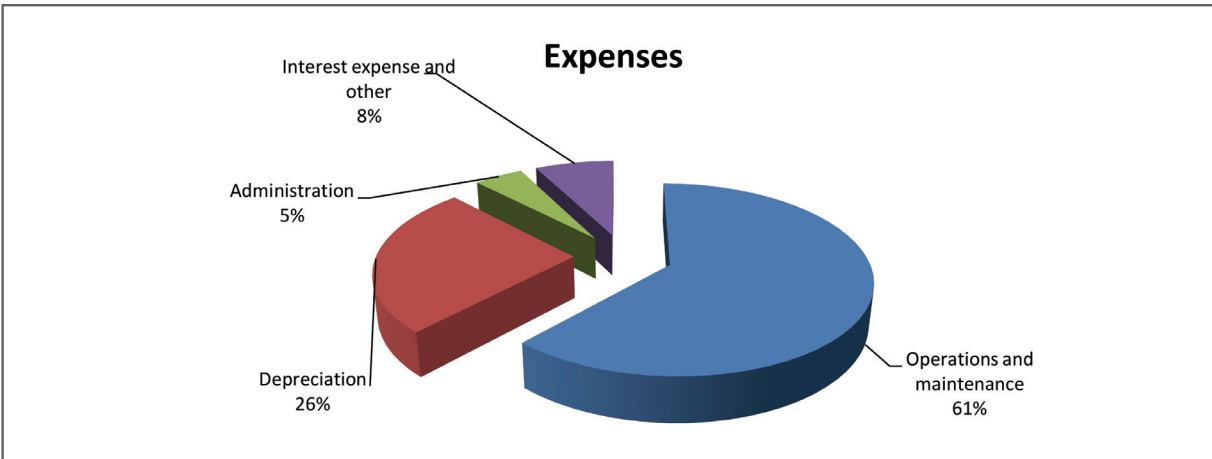
About the Division

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

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2016, DOT-Airports reported total revenues of \$473 million and total expenses of \$383 million, resulting in income before capital contributions of \$90 million. Revenues consisted of \$146 million in concession fees, \$66 million in landing fees, \$131 million in rentals, \$108 million in facility charges, \$4 million in debt service support charges, \$2 million in federal operating grants, and \$16 million in interest and other income.





Expenses consisted of \$237 million for operations and maintenance, \$99 million in depreciation, \$18 million for administration, and \$29 million in interest and other expenses.

As of June 30, 2016, total assets and deferred outflows of resources of DOT–Airports exceeded total liabilities and deferred inflows of resources by approximately \$2.16 billion. Of this amount, \$275 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets and deferred outflows of resources of \$3.86 billion were comprised of cash of \$1.28 billion, investments of \$143 million, net capital assets of \$2.37 billion, and \$66 million in receivables, other assets, and deferred outflows of resources. Total liabilities and deferred inflows of resources totaled \$1.70 billion, including \$1.08 billion in airports system revenue bonds, \$598 million in other liabilities and deferred inflows of resources, and \$22 million in special facility revenue bonds. The airports system revenue bonds are rated as follows:

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

DOT–Airports has numerous capital projects ongoing state-wide; construction-in-progress totaled \$780 million at the end of the fiscal year.

Auditors' Opinions

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

Findings

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

For the complete report and financial statements visit our website at:

http://files.hawaii.gov/auditor/Reports/2016_Audit/DOT_Airports_Financial_2016.pdf

http://files.hawaii.gov/auditor/Reports/2016_Audit/DOT_Airports_SA2016.pdf