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DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Financial Statements and Supplemental Schedules

June 30, 2015

(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 year ended June 30, 2015, and the related notes to the 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 audit. We conducted our audit 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, 2015, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

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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, 2015, the changes in its financial position, or, where applicable, its cash flows for the year 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 (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No 68*. Application of these statements was effective as of July 1, 2014.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 21 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.

Supplementary 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" is 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 28, 2015 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 28, 2015

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, 2015 and 2014. 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 57.7% and 59.5% of total passenger traffic in the airports system during fiscal years 2015 and 2014, respectively. The other four principal airports accommodated 40.4% and 39.4% of the total passenger traffic for fiscal years 2015 and 2014, 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 1.9% and 1.1% of the total passenger traffic for fiscal years 2015 and 2014, respectively.

The Airports Division is self-sustaining. The Department of Transportation (DOT) is authorized to impose and collect rates and charges for the airports system services and properties to generate revenue to fund operating expenses. The Capital Improvements Program is 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 revenue.

Using the Financial Statements

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

The Airports Division's financial report includes three financial statements: the statements of net position, the statements of revenue, expenses, and changes in net position, and the statements of cash flows. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

Airports Division Activities and Highlights

The Airports Division ended fiscal year 2015 with increases in total passengers, aircraft operations, revenue landed weights, revenue passenger landings, and deplaning international passengers of 3.1%, 4.9%, 4.7%, 2.8%, and 3.0%, respectively, as compared to fiscal year 2014. 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, 61% 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 revenue at the Airports Division is activity based and directly relates to the number of passengers and aircraft operations.

For fiscal year 2015, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 40% and 10% of the total landed weights. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 22%, 16%, and 12% of the overseas landed weights, respectively. Hawaiian Airlines, Inc. and Mokulele Flight Service, Inc. accounted for 68% and 3% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 47% 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 2015 and 2014: 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., China Eastern, Inc., 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., and Mokulele Flight Service, Inc.

Activity for the airports system for the fiscal years ended June 30, 2015 and 2014 is as follows:

	2015	2014	Percentage increase (decrease) from 2014
Passengers (enplaning and deplaning passengers activity):			
Honolulu International Airport	19,400,364	19,384,312	0.1%
Kahului Airport	6,500,821	6,028,325	7.8
Kona International Airport at Keahole	2,975,470	2,824,237	5.4
Lihue Airport	2,776,652	2,701,825	2.8
Hilo International Airport	1,309,195	1,301,618	0.6
All others	646,496	350,161	84.6
Total passengers	33,608,998	32,590,478	3.1%
Aircraft operations (landing and takeoff combined reported by Air Traffic Control Tower):			
Honolulu International Airport	315,474	300,976	4.8%
Kahului Airport	132,496	127,143	4.2
Kona International Airport at Keahole	144,098	117,075	23.1
Lihue Airport	132,758	125,569	5.7
Hilo International Airport	85,770	90,733	(5.5)
All others	214,211	215,830	(0.8)
Total aircraft operations	1,024,807	977,326	4.9%
Revenue landed weights (1,000-pound units):			
Honolulu International Airport	15,929,741	15,431,098	3.2%
Kahului Airport	4,231,837	3,836,915	10.3
Kona International Airport at Keahole	1,839,929	1,707,668	7.7
Lihue Airport	1,740,782	1,627,074	7.0
Hilo International Airport	861,407	913,267	(5.7)
All others	324,072	239,080	35.5
Total signatory airlines	24,927,768	23,755,102	4.9
Nonsignatory airlines	1,521,170	1,504,289	1.1
Total revenue landed weights	26,448,938	25,259,391	4.7%

(Continued)

	2015	2014	Percentage increase (decrease) from 2014
Revenue passenger landings:			
Honolulu International Airport	73,849	75,226	(1.8)%
Kahului Airport	36,033	35,308	2.1
Kona International Airport at Keahole	18,034	18,471	(2.4)
Lihue Airport	13,420	13,463	(0.3)
Hilo International Airport	6,930	6,774	2.3
Other airports	18,972	14,204	33.6
Total signatory airlines	167,238	163,446	2.3
Nonsignatory airlines	1,997	1,110	79.9
Total revenue passenger landings	169,235	164,556	2.8%
Deplaning international passengers:			
Honolulu International Airport	2,547,055	2,324,056	9.6%
Kona International Airport at Keahole	—	—	—
Total signatory airlines	2,547,055	2,324,056	9.6
Nonsignatory airlines	29,245	178,382	(83.6)
Total deplaning international passengers	2,576,300	2,502,438	3.0%

Financial Operations Highlights

The financial results for fiscal years 2015 and 2014 reflected income before capital contributions of $90.8 million and $64.3 million, respectively. Operating revenue and expenses increased by $14.8 million, or 4.7%, and $7.9 million, or 2.4%, respectively, resulting from increased revenue from airlines and concession and increased expenses in salaries and wages, other personnel services, special maintenance, and depreciation offset by decreased expenses in utilities. Total nonoperating revenue increased by $13.5 million, or 11.8%, mainly due to the increase in rental car customer facility charges, passenger facility charges, and investment income. Effective June 17, 2004, the Federal Aviation Administration (FAA) issued a Final Agency Decision (FAD) for PFC Application No. 1 giving the Airports Division authority to impose and use a $3.00 PFC at 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 is closed.

Effective November 27, 2006, the FAA issued the FAD for PFC Application No. 2 to impose and use a $3.00 PFC at 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 collections were utilized for aircraft rescue and firefighting facilities improvements, elevator improvements, loading bridge replacements, air conditioning system improvements, and PFC administration costs.

Effective September 30, 2008, the FAA issued the FAD for PFC Application No. 3 giving Airports Division authority to impose and use a $4.50 PFC 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 No. 2 and No. 3) including interest earned during the collection period of December 1, 2008 through January 1, 2010. The collections were utilized for the same improvements in PFC Application No. 2 in addition to the widening of Taxiways G & L at Honolulu International Airport.

Due to the delays in environmental assessment approvals, the "Use" application for the Taxiways G & L Widening project was withdrawn from PFC Application No. 3. A final amendment will reconcile the Impose & Use authority recommending any over collections to be moved to PFC Application No. 5. PFC Application No. 3 is complete as of June 30, 2015. The final closeout documents will be submitted to the FAA to close the application in fiscal year 2016.

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 will be implemented in PFC Application No. 5.

Effective October 13, 2009, the FAA issued the FAD for PFC Application No. 4 giving approval to impose and use a $4.50 PFC at Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, and Lihue Airport. Hilo International Airport was not included in this application due to the elimination of all overseas flights. The application was approved for the collection and use of $145,081,000 including interest earned during the collection period from January 1, 2010 through February 1, 2014. The PFC collections were 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 and use to $174,126,250. Collections were completed on June 1, 2014.

Effective November 22, 2013, the FAA issued the FAD for PFC Application No. 5 giving approval to impose a $4.50 PFC at Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, Lihue Airport, and Hilo International Airport. The application was approved to collect $449,395,430 including interest earned during the collection period from June 1, 2014 through July 1, 2028. The FAD approved only $434,670,430 to be used for the approved projects. A separate "Use" application is required to be submitted to obtain approval for $14,725,000 in collections to be pay for the OGG Land Acquisition project.

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 will use PFC revenue for eligible construction bond and financing costs related to PFC eligible projects. Such project costs are to be funded by a portion of the proceeds from the Series 2010 Bonds and the Future Revenue Bonds.

Since the inception of this program through June 30, 2015, the total PFC revenue, including interest earned, and expenditures were $308.6 million and $164.6 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 204, 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, 2015, the total CFC revenue, including interest earned, and expenditures were $239.2 million and $86.9 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 2015 increased by 2.7%, or $6.7 million, as compared to fiscal year 2014 mainly due to increases in salaries and wages, other personnel services, and special maintenance offset by decreases in utilities.

Total nonoperating expenses for fiscal year 2015 decreased by 18.3%, or $6.1 million, as compared to fiscal year 2014 mainly due to increases in interest expense relating to airports system revenue bonds and lease revenue certificates of participation offset by capitalized interest.

As a result, net assets increased by $127.5 million and $125.9 million for fiscal years 2015 and 2014, 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 revenue from a diverse mix of sources. The Airports Division continues to monitor signatory airline requirements and adjust rates and charges, accordingly, to assure financial stability and bond certificate requirements are met on a semiannual and annual basis. 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.

A summary of operations and changes in net position for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Operating revenue	$ 331,939,273	317,123,319
Operating expenses, excluding depreciation	(253,554,575)	(246,881,076)
Operating income before depreciation	78,384,698	70,242,243
Depreciation	(88,433,812)	(87,233,189)
Operating loss	(10,049,114)	(16,990,946)
Nonoperating revenues – net	100,873,654	81,258,226
Income before capital contributions	90,824,540	64,267,280
Capital contributions:		
Federal capital grants	32,363,207	61,316,805
Federal stimulus funds	4,317,382	330,460
Total capital contributions	36,680,589	61,647,265
Increase in net position	$ 127,505,129	125,914,545

- Operating revenue increased by $14.8 million due to a $6.7 million increase in landing fees, a net $3.7 million increase in aeronautical revenue, and a $5.3 million increase in concession revenue from car rentals, restaurants, retail stores, parking, and in-flight catering. The increases in landing fees, aeronautical revenue, and concession revenue are due to an increase in passenger traffic.
- Operating expenses excluding depreciation increased by 2.7% from $246.9 million in fiscal year 2014 to $253.6 million in fiscal year 2015. The increase in operating expenses is due to increases in other personnel services of $3.9 million, and special maintenance expense of $4.5 million offset by a decrease in utilities of $7.1 million. The increase in other personnel services is due to increases in security costs. The increase in special maintenance expense is due to increased repair and upkeep activity for the airport facilities. The decrease in utilities expense is due to savings from the Energy Savings Performance Contract project with Johnson Controls that started in January 2014. In addition, with the implementation of GASB Statement No. 68, the Airports Division recognized pension expense of $8.7 million and contributions to the pension plan in the current year are reported separately from salaries and wages as pension expense.
- The net results of the above resulted in operating income before depreciation of $78.4 million and $70.2 million in fiscal years 2015 and 2014, respectively. Operating income before depreciation for fiscal year 2015 increased by 11.6%, or $8.1 million. The operating loss before nonoperating revenue, net and capital contributions is $10.0 million in fiscal year 2015 as compared to an operating loss before nonoperating revenue, net and capital contributions of $17.0 million in fiscal year 2014.

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- Nonoperating revenue, net increased by 24.1%, or $19.6 million, in fiscal year 2015, primarily due to increases in rental car customer facility charges of $10.9 million, passenger facility charges of $2.7 million and investment interest income of $1.1 million decreases in interest expense on airports system revenue bonds of $6.7 million and bond issue cost of $1.7 million. The $18.5 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 2015. This transfer was approved by the Airlines Committee of Hawaii.
- Income before capital contributions for fiscal year 2015 of $90.8 million as compared to income of $64.3 million for fiscal year 2014 was a result of an increase in operating income.
- Capital contributions decreased by 40.5%, or $25.0 million, in fiscal year 2015, mainly due to a decrease of federal capital grants received in fiscal year 2015.

Financial Position Summary

A condensed summary of the Airports Division's net position at June 30, 2015 and 2014 is shown below:

	2015	2014 As restated
Assets:		
Current assets:		
Unrestricted assets	$ 584,603,088	599,124,616
Restricted assets	75,689,133	61,768,230
Noncurrent assets:		
Capital assets	2,205,792,043	1,922,444,323
Restricted assets	588,111,275	745,975,489
Total assets	$ 3,454,195,539	3,329,312,658
Deferred outflows of resources	$ 19,152,179	17,055,200
Liabilities:		
Current liabilities:		
Payable from unrestricted assets	$ 54,787,161	49,106,432
Payable from restricted assets	109,576,237	98,155,856
Long-term liabilities, net of current portion:		
Payable from unrestricted assets	194,443,422	194,199,845
Payable from restricted assets	1,062,009,750	1,091,711,010
Total liabilities	$ 1,420,816,570	1,433,173,143
Deferred inflows of resources	$ 11,831,304	—

		2015	**2014 As restated**
Net position:			
Net investment in capital assets	$	1,241,985,545	1,139,337,028
Restricted		510,518,110	448,211,006
Unrestricted		288,196,189	325,646,681
Total net position	$	2,040,699,844	1,913,194,715

Effective July 1, 2014, the Airports implemented the provisions of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is effective for periods beginning after June 15, 2014. 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.

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 implemented the provisions of GASB Statement No. 71 effective July 1, 2014.

The requirements of GASB Statements No. 68 and No. 71 caused the Airports Division to restate prior year net position by the amount of the net pension liability and deferred outflows of resources related to pension contributions as of June 30, 2014. The following table provides a reconciliation of net position at June 30, 2014, as previously reported, to net position at June 30, 2014, as restated.

Net position at June 30, 2014, as previously reported	$	2,020,599,510
Addition of net pension liability		(119,436,742)
Addition of deferred outflows of resources related to pension contributions		12,031,947
Net position at June 30, 2014, as restated	$	1,913,194,715

The largest portion of the Airports Division's net position (60.9% and 59.6% at June 30, 2015 and 2014, 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.

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The restricted portion of the Airports Division's net position (25.0% and 23.4% at June 30, 2015 and 2014, respectively) represents bond reserve funds that are subject to external restrictions on how they can be used under the *Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds* (the Certificate), as well as PFCs 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 $550.4 million and $569.9 million at June 30, 2015 and 2014, respectively. The $550.4 million and $569.9 million cash balance at June 30, 2015 and 2014, 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 and deferred inflows of resources by $2,040.7 million at June 30, 2015, representing an increase of $127.5 million from June 30, 2014.

Airline Signatory Rates and Charges

Lease Agreement with Signatory Airlines

The DOT entered into an airport-airline lease agreement with the signatory airlines to provide those airlines with the nonexclusive right to use the airports system facilities, equipment improvements, and services, in addition to occupying certain exclusive-use premises and facilities. These leases were set to expire in 1992 but were extended under various short-term agreements.

In June 1994, the DOT and the signatory airlines executed a lease extension agreement to extend the airport-airline lease agreement effective July 1, 1994 to June 30, 1997. Under the terms of the lease extension agreement, the signatory airlines would continue to operate under the terms of the airport-airline lease agreement, with an adjustment for terms and provisions relating to airports system rates and charges. The lease extension agreement's residual rate-setting methodology provided for a final year-end reconciliation containing actual airports system cost data to determine whether airports system charges assessed to the signatory airlines were sufficient to recover airports system costs, including debt service requirements. Annual settlements based on this final reconciliation were made in accordance with the terms of the lease extension agreement and various agreements between the DOT and airlines since June 30, 1997.

In October 2007, the Airports Division and a majority of the signatory airlines executed the First Amended Lease Extension Agreement effective January 1, 2008. The terms and conditions of the airport-airline lease agreement were amended to reflect a rate-making methodology that recovers costs of specific airports system facilities from the signatory airlines that directly use them. An airports system support charge cost center is set up to serve as the residual cost center to ensure airports system operating revenue is sufficient to cover airports system operating costs.

The Airports Division is in the process of implementing a modernization program that will include significant capital improvements for several of the major airports in the State, 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.

Revenue

A summary of revenue for the years ended June 30, 2015 and 2014 and the amount and percentage of change in relation to prior year amounts is as follows:

	2015		Increase (decrease) from 2014	
	Amount	Percentage of total	Amount	Percentage
Operating revenue:				
Concession fees:				
Duty free	$ 32,300,000	7.0%	$ (2,211,678)	(6.4)%
Other concessions	116,535,251	25.3	7,477,396	6.9
Airport landing fees	59,659,349	13.0	6,729,484	12.7
Aeronautical rentals:				
Nonexclusive joint-use premise charge	55,590,982	12.1	1,733,928	3.2
Exclusive-use premise charge	42,075,760	9.2	2,037,013	5.1
Nonaeronautical rentals	15,003,236	3.3	536,135	3.7
Other	10,774,695	2.3	(1,486,324)	(12.1)
Total operating revenue	331,939,273	72.2	14,815,954	4.7
Nonoperating revenue:				
Interest income, investments	3,127,056	0.7	1,071,603	52.1
Interest income, direct financing leases	1,678,467	0.4	(124,156)	(6.9)
Interest income, other loans and investment	13,335	—	4,649	53.5
Federal operating grants	1,557,700	0.3	(1,098,413)	(41.4)
Passenger facility charges	37,651,982	8.2	2,974,512	8.6
Rental car customer facility charges	65,501,626	14.2	11,316,948	20.9
Debt service support charges	18,500,000	4.0	(500,000)	(2.6)
Other	—	—	(130,226)	(100.0)
Total nonoperating revenue	128,030,166	27.8	13,514,917	11.8
Total revenue	$ 459,969,439	100.0%	$ 28,330,871	6.6%

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

Management's Discussion and Analysis

June 30, 2015

	2014		Increase (decrease) from 2013	
	Amount	Percentage of total	Amount	Percentage
Operating revenue:				
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 revenue	317,123,319	73.5	(21,464,268)	(6.3)
Business interruption insurance recovery	—	—	(19,000,000)	(100.0)
Nonoperating revenue:				
Interest income, investments	2,055,453	0.5	64,030	3.2
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	34,677,470	8.0	(655,317)	(1.9)
Rental car customer facility charges	54,184,678	12.6	(1,526,206)	(2.7)
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 revenue	114,515,249	26.5	8,211,523	7.7
Total revenue	$ 431,638,568	100.0%	$ (32,252,745)	(7.0)%

Expenses

A summary of expenses for the years ended June 30, 2015 and 2014 and the amount and percentage of change in relation to prior year amounts is as follows:

	2015		Increase (decrease) from 2014	
	Amount	Percentage of total	Amount	Percentage
Operating expenses:				
Salaries and wages	$ 76,517,481	20.7%	$ (6,263,000)	(7.6)%
Other personnel services	54,478,452	14.7	3,890,329	7.7
Utilities	41,738,676	11.3	(7,143,582)	(14.6)
Repairs and maintenance	30,637,429	8.3	1,367,281	4.7
State of Hawaii surcharge on gross receipts	12,567,877	3.4	306,968	2.5
Pension expense	11,665,506	3.2	11,665,506	100.0
Special maintenance	8,913,732	2.4	4,454,772	99.9
Materials and supplies	6,113,793	1.7	(190,292)	(3.0)
Department of transportation general administration expenses	5,078,072	1.4	(1,476,550)	(22.5)
Insurance	2,412,397	0.6	541	—
Bad debt expense	99,138	—	99,138	100.0
Other	3,332,022	0.9	(37,612)	(1.1)
Total operating expenses before depreciation	253,554,575	68.6	6,673,499	2.7
Depreciation	88,433,812	24.0	1,200,623	1.4
Total operating expenses	341,988,387	92.6	7,874,122	2.4
Nonoperating expenses:				
Interest expense:				
Revenue bonds:				
Airports system	18,187,037	4.9	(6,668,231)	(26.8)
Special facility	1,678,467	0.5	(124,156)	(6.9)
Lease revenue certificates of participation	3,762,851	1.0	377,998	11.2
Other	442,195	0.1	442,195	100.0
Loss on disposal of capital assets	2,482,048	0.7	939,774	60.9
Bond issue costs	—	—	(1,672,005)	(100.0)
Other	603,914	0.2	603,914	100.0
Total nonoperating expenses	27,156,512	7.4	(6,100,511)	(18.3)
Total expenses	$ 369,144,899	100.0%	$ 1,773,611	0.5%

(Continued)

	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%

Capital Acquisitions and Construction Activities

In fiscal year 2015, there were 45 construction bid openings totaling an estimated $7.1 million in potential construction contracts. Projects include Noise Attenuation Keaukaha Phase 2 at Hilo International Airport, Automated Passport Kiosk at Honolulu International Airport, Alien Species Action Plan Improvements at Kahului Airport, and Hangar 110 Renovation Phase 3 at Kalaeloa Airport.

There were also many ongoing construction projects that were initiated prior to fiscal year 2015, which were under construction during the fiscal year. Major projects include Statewide Energy Savings Performance Contracting, Statewide; Relocate Interisland Maintenance Facility, Interim Car Rental Facility, Taxilane G & L Widening Phase I, Taxiway Z Structural Improvements, Runway 4R Pavement Reconstruction, Relocate Interisland Cargo Facilities, and Diamond Head Site Improvements at Honolulu International Airport; Airport Access Road to Hana Highway, and Apron Pavement Structural Improvement Phase 2 at Kahului Airport; Runway Safety Area Improvements at Lanai Airport; and Re-Roof Terminal Buildings at Kona International Airport at Keahole.

Finally, there were 12 projects that were substantially completed in fiscal year 2015. These projects include planning, design, and construction projects at large, medium and small hub airports statewide to preserve, maintain, and modernize facilities. These projects includes Runway 26L Pavement Improvements, and Runway 4R Pavement Reconstruction at Honolulu International Airport; Restroom Renovation Phase I, Passenger Information Systems Phase 2, and Repave Runway 2-20 at Kahului Airport; Runway Safety Area Improvements at Lanai Airport; Hold Cargo Building Light Industrial Facilities, Taxiway Apron Drainage-Airfield Signs and Lights, and Runway 3-21 Pavement Improvements at Hilo International Airport; Re-Roof Terminal Buildings, and Security Checkpoint and AOA Fence Improvements at Kona International Airport at Keahole; and Hangar 110 Improvements Phase 2 at Kalaeloa Airport.

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 Terminal Modernization Program is under construction, including the new Relocate Interisland Maintenance Facility and Relocate Interisland 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 consolidated rental car facility with a cost estimate above $300 million will be starting soon. At Kona International Airport at Keahole, a terminal modernization program is being designed. 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.

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, 2015, $859.0 million of airports system revenue bonds were outstanding as compared to $897.0 million as of June 30, 2014. 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, 2015 and 2014, the balance of legislatively

(Continued)

approved and appropriated but unissued airports system revenue bonds was $1,179,960,582 and $662,157,129, respectively.

Lease Revenue Certificates of Participation

Section 36-41 of Hawaii Revised Statutes authorizes the DOT to enter into multiyear energy performance contracts, including financing agreements, in order to implement energy conservation or alternate energy measures in State facilities. The Airports Division released an invitation for proposal to procure the energy saving projects (the ESCO Project) in May 2011, and selected Johnson Controls, Inc. (JCI) in January 2012. The Airports Division executed a contract with JCI, and issued Series 2013 Lease Revenue Certificates of Participation (COPs) with a par value of $167.7 million in December 2013. The Airports Division is using the net proceeds of COPs, totaling $150.2 million, to implement the ESCO Project, 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 Facility Revenue Bonds

The State Legislature has authorized $200,000,000 of special facility revenue bonds pursuant to Section 261-52 of the Hawaii Revised Statutes. As of June 30, 2015 and 2014, there were outstanding bond obligations of $21,725,000 and $29,130,000, respectively. The DOT expects to finance additional special facility projects from time to time for qualified entities. All special facility revenue bonds are payable solely from the revenue derived from the leasing of special facilities financed with the proceeds of special facility revenue bonds.

In August 2014, the State of Hawaii (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 $76,000,000. The EB-5 loan is the first Series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from 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. At June 30, 2015, the outstanding balance on the loan facility amounted to $34.9 million.

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, 2015, there were three Series of airports system revenue bonds outstanding in the principal amount of $807,790,000. 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.

On November 18, 2015, the Airports Division issued State of Hawaii Airports System Revenue Bonds Series 2015A (AMT) with an aggregate principal amount of $235,135,000 and Series 2015B (Non-AMT) with an aggregate principal amount of $9,125,000. The borrowing rates range from 4.0% to 5.0% annually. The all-in true interest cost is 4.48% for Series 2015A and 4.06% for Series 2015B. The net proceeds of the Series 2015A and Series 2015B Bonds are to be held in the State Treasury and to be used to pay all or part of the cost of the acquisition, purchase, construction, reconstruction, improvement, betterment, or extension of any project authorized by the State.

After the issuance of the Series 2015A and Series 2015B Bonds, the aggregate outstanding bond principal amount is $1,052,050,000.

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)

Statement of Net Position

June 30, 2015

Assets

Current assets:	
Unrestricted assets:	
Cash and cash equivalents – unrestricted	$ 550,385,075
Receivables:	
Accounts, net of allowance of $664,851 for uncollectible accounts, respectively	24,171,583
Promissory note receivable, net of allowance of $8,500 for uncollectible notes	500
Interest	323,572
Claims – federal grants	6,563,308
Aviation fuel tax	395,376
Due from State of Hawaii	2,569,961
Total receivables	34,024,300
Inventory of materials and supplies, at cost	193,713
Total unrestricted current assets	584,603,088
Restricted assets:	
Cash and cash equivalents:	
Revenue bond debt service	56,482,863
Security deposits	6,182,500
Prepaid airport use charge fund	8,591,873
Held by certificate of participation funds trustee	4,170,071
Held by loan trustee	261,826
Total restricted current assets	75,689,133
Total current assets	660,292,221
Noncurrent assets:	
Unrestricted assets:	
Capital assets, net of accumulated depreciation of $1,998,092,881	2,205,792,043
Total unrestricted noncurrent assets	2,205,792,043
Restricted assets:	
Cash and cash equivalents:	
Major maintenance, renewal, and replacement account	60,000,000
Passenger facility charges	139,610,814
Rental car customer facility charges	182,170,311
Revenue bond construction	43,114,378
Total cash and cash equivalents – restricted	424,895,503
Investments – revenue bond debt service reserve	96,893,008
Investments – held by certificate of participation funds trustee	34,821,410
Passenger facility charges receivable	4,366,568
Rental car customer facility charges receivable	5,257,032
Net investments in direct financing leases	21,877,754
Total restricted noncurrent assets	588,111,275
Total noncurrent assets	2,793,903,318
Total assets	$ 3,454,195,539
Deferred outflows of resources:	
Deferred loss on refunding	$ 3,948,881
Differences between expected and actual experience	1,275,000
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions	183,551
Airports Division contributions subsequent to the measurement date	13,744,747
Total deferred outflows of resources	$ 19,152,179

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

Statement of Net Position

June 30, 2015

Liabilities

Current liabilities:		
Payable from unrestricted assets:		
Vouchers payable	$	14,173,538
Contracts payable, including retainage of $3,200,547		15,046,734
Current portion of workers' compensation		1,200,941
Current portion of compensated absences		3,482,841
Unearned income		4,278,149
Accrued wages		6,428,869
Pollution remediation liability		1,592,882
Other		8,583,207
Total payable from unrestricted assets		54,787,161
Payable from restricted assets:		
Contracts payable, including retainage of $14,702,458		38,672,392
Current portion of airports system revenue bonds		35,725,000
Accrued interest		24,996,344
Security deposits		6,182,501
Prepaid airport use charge fund		4,000,000
Total payable from restricted assets		109,576,237
Total current liabilities		164,363,398
Long-term liabilities – net of current portion:		
Payable from unrestricted assets:		
Compensated absences		7,255,262
Workers' compensation		3,060,591
Postemployment liability		75,430,021
Pension liability		108,697,548
Total payable from unrestricted assets		194,443,422
Payable from restricted assets:		
Airports system revenue bonds		823,264,987
Special facility revenue bonds		21,725,000
Lease revenue certificates of participation		172,864,161
Loan payable		34,910,142
Prepaid airport use charge fund		9,245,460
Total payable from restricted assets		1,062,009,750
Total long-term liabilities – net of current portion		1,256,453,172
Total liabilities	$	1,420,816,570
Deferred inflows of resources:		
Differences between expected and actual experience	$	28,751
Difference between projected and actual investment earnings		11,802,553
Total deferred inflows of resources		11,831,304

Net Position

Net investment in capital assets	$	1,241,985,545
Restricted:		
Debt service payment		35,725,000
Debt service reserve account		96,893,008
Major maintenance, renewal, and replacement account		60,000,000
Passenger facility charges		139,188,266
Rental car customer facility charges		178,711,836
Total restricted		510,518,110
Unrestricted		288,196,189
Commitments and contingencies		
Total net position	$	2,040,699,844

See accompanying notes to financial statements.

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

Statement of Revenue, Expenses, and Changes in Net Position

Year ended June 30, 2015

Operating revenue:		
Concession fees	$	148,835,251
Airport landing fees, net		59,659,349
Aeronautical rentals:		
Nonexclusive joint-use premise charges		55,590,982
Exclusive-use premise charges		42,075,760
Nonaeronautical rentals		15,003,236
Aviation fuel tax		4,454,948
Airports system support charges		31,146
Miscellaneous		6,288,601
Net operating revenue		331,939,273
Operating expenses:		
Depreciation		88,433,812
Salaries and wages		76,517,481
Other personnel services		54,478,452
Utilities		41,738,676
Repairs and maintenance		30,637,429
State of Hawaii surcharge on gross receipts		12,567,877
Pension expense		11,665,506
Special maintenance		8,913,732
Materials and supplies		6,113,793
Department of Transportation general administration expenses		5,078,072
Insurance		2,412,397
Claims and benefits		1,342,281
Travel		430,974
Communication		401,358
Rent		323,489
Dues and subscriptions		149,616
Bad debt expense		99,138
Freight and delivery		5,363
Printing and advertising		3,901
Miscellaneous		675,040
Total operating expenses		341,988,387
Operating loss, carried forward		(10,049,114)

(Continued)

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII
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Statement of Revenue, Expenses, and Changes in Net Position

Year ended June 30, 2015

Operating loss, brought forward	$ (10,049,114)
Nonoperating revenue (expenses):	
Interest income:	
Certificates of deposit, repurchase agreements, U.S. government securities	3,140,391
Investments in direct financing leases	1,678,467
Interest expense:	
Revenue bonds:	
Airports system	(18,187,037)
Special facility	(1,678,467)
Lease revenue certificates of participation	(3,762,851)
Other	(442,195)
Federal operating grants	1,557,700
Loss on disposal of capital assets	(2,482,048)
Passenger facility charges	37,651,982
Rental car customer facility charges	65,501,626
Debt service support charges	18,500,000
Other	(603,914)
Total nonoperating revenue, net	100,873,654
Income before capital contributions	90,824,540
Capital contributions:	
Federal capital grants	32,363,207
Federal stimulus grants	4,317,382
Total capital contributions	36,680,589
Increase in net position	127,505,129
Total net position – beginning of year, as restated	1,913,194,715
Total net position – end of year	$ 2,040,699,844

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:	
Cash received from providing services	$ 331,688,186
Cash paid to suppliers	(171,585,627)
Cash paid to employees	(64,544,915)
Net cash provided by operating activities	95,557,644
Cash flows from noncapital financing activity:	
Proceeds from federal operating grants	(215,640)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(276,501,522)
Proceeds from federal and other capital grants and contributions	41,845,466
Interest paid on airports system revenue bonds	(42,013,030)
Principal paid on airports system revenue bonds	(34,210,000)
Interest paid on lease revenue certificates of participation	(9,316,420)
Interest paid on loan payable	(442,195)
Net proceeds from loan payable	34,910,142
Payments from passenger facility charges program	(26,800,799)
Proceeds from passenger facility charges program	36,938,943
Payments from rental car customer facility charges program	(44,457,710)
Proceeds from rental car customer facility charges	64,366,563
Payments – other	(603,914)
Net cash used in capital and related financing activities	(256,284,476)
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	309,032,002
Interest received on investments	3,035,041
Purchases of investments	(193,786,016)
Net cash provided by investing activities	118,281,027
Net decrease in cash and cash equivalents	(42,661,445)
Cash and cash equivalents – beginning of year	1,093,631,156
Cash and cash equivalents – end of year	$ 1,050,969,711

(Continued)

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

Statement of Cash Flows

Year ended June 30, 2015

Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$	(10,049,114)
Adjustments to reconcile operating loss to net cash provided operating activities:		
Depreciation		88,433,812
Bad debt expense		99,138
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund		4,653,587
Changes in operating assets and liabilities:		
Accounts receivable		(7,252,833)
Aviation fuel tax receivable		(1,627)
Due from State of Hawaii		(1,173,551)
Vouchers payable		3,466,009
Contracts payable		4,741,848
Unearned income		(3,564,514)
Accrued wages		1,130,207
Postemployment liability		10,842,359
Pension liability		(2,079,241)
Pollution remediation liability		496,402
Prepaid airport use charge fund		(1,091,862)
Security deposits		296,275
Other current liabilities		6,610,749
Net cash provided by operating activities	$	95,557,644
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	$	7,405,000
Interest payments on special facility revenue bonds by trustee		1,721,663
Amortization of revenue bond premium		(3,758,226)
Amortization of certificates of participation premium		(906,762)
Amortization of deferred loss on refunding revenue bonds		1,074,371

At June 30, 2015, contracts payable included $42,409,653 for the acquisition of capital assets.

During fiscal year 2015, interest of $24,318,284 was capitalized in capital assets.

During fiscal year 2015, capital assets with a net book value of $2,482,048 were written off.

During fiscal year 2015, the prepaid airport use charge fund was decreased by $18,500,000 for a transfer to the Airports Division to offset the signatory airline requirement for fiscal year 2015.

During fiscal year 2015, amortization of deferred outflows of resources related to pension contributions was $3,171,351.

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, revenue is 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 Revenue and Expenses

Revenue from airlines, concessions, rental cars, and parking are reported as operating revenue. Transactions that are capital, financing, or investing related are reported as nonoperating revenue. All expenses related to operating the Airports Division are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses. Revenue from capital contributions are reported separately, after nonoperating revenue 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 statement 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 revenue, 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 revenue, 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, 2015 was as follows: current – $24,206,619; 30 days – ($251,700); 60 days – $106,677; and over 90 days – $774,838.

(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 statement of net position because they are maintained separately and the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to make debt service payments, unspent bond proceeds, amounts restricted for bond reserve requirements, unspent PFCs, unspent CFCs, security deposits, customer advances, and the prepaid airport use charge fund.

(Continued)

(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.

(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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

(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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(s) Recently Issued Accounting Standards

Effective July 1, 2014, the Airports implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is effective for periods beginning after June 15, 2014. 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.

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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 implemented the provisions of GASB Statement No. 71 effective July 1, 2014.

The requirements of GASB Statements No. 68 and No. 71 caused the Airports Division to restate prior year net position by the amount of the net pension liability and deferred outflows of resources related to pension contributions as of June 30, 2014. The following table provides a reconciliation of net position at June 30, 2014, as previously reported, to net position at June 30, 2014, as restated.

Net position at June 30, 2014, as previously reported	$ 2,020,599,510
Addition of net pension liability	(119,436,742)
Addition of deferred outflows of resources related to pension contributions	12,031,947
Net position at June 30, 2014, as restated	$ 1,913,194,715

(3) Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2015 consisted of the following:

Petty cash	$ 4,765
Amounts held in State Treasury	1,046,533,049
Amounts held by trustee	4,431,897
Certificates of deposit	78,594,282
Repurchase agreements	18,298,726
Money market funds	34,821,410
	$ 1,182,684,129

Such amounts are reflected in the statement of net position at June 30, 2015 as follows:

Cash and cash equivalents:	
Unrestricted	$ 550,385,075
Restricted	500,584,636
Total cash and cash equivalents	1,050,969,711
Investments – restricted	96,893,008
Investments – held by certificate of participation funds – trustee	34,821,410
Total cash and cash equivalents and investments	$ 1,182,684,129

(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, 2015, 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 $1,046,533,049.

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, 2014 is summarized in the table below (amounts in thousands):

			Maturity (in years)	
	Fair value	Less than 1	1-5	>5
Investments – primary government:				
Certificates of deposit	$ 947,868	890,025	57,843	—
U.S. government securities	1,098,666	257,086	840,670	910
Repurchase agreements	107,712	75,578	32,134	—
	$ 2,154,246	1,222,689	930,647	910
Investments – fiduciary funds:				
Certificates of deposit	$ 176,603	165,826	10,777	—
U.S. government securities	204,698	47,899	156,630	169
Repurchase agreements	20,068	14,081	5,987	—
	$ 401,369	227,806	173,394	169
Mutual funds	408,272			
Total investments	$ 809,641			

Information relating to the State's investment pool at June 30, 2015 will be included in the comprehensive annual financial report of the State when issued.

(b) Investments

At June 30, 2015, 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.

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(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 consist of the following:

	Balance, June 30, 2014	Increases	Decreases	Transfers	Balance, June 30, 2015
Capital assets not being depreciated:					
Land	$ 315,710,347	22	—	—	315,710,369
Land improvements	31,241,657	—	—	1,679,324	32,920,981
Construction in progress	505,640,673	371,406,581	(1,348,110)	(148,949,573)	726,749,571
Total capital assets not being depreciated	852,592,677	371,406,603	(1,348,110)	(147,270,249)	1,075,380,921
Capital assets being depreciated:					
Land improvements	979,297,135	—	(169,390)	24,548,599	1,003,676,344
Buildings and improvements	1,724,319,401	929,098	(1,237,546)	109,958,609	1,833,969,562
Machinery and equipment	282,146,041	1,952,858	(6,051,397)	12,810,595	290,858,097
Total capital assets being depreciated	2,985,762,577	2,881,956	(7,458,333)	147,317,803	3,128,504,003
Less accumulated depreciation:					
Land improvements	(733,017,153)	(23,655,647)	122,517	—	(756,550,283)
Buildings and improvements	(987,385,092)	(47,827,999)	183,628	—	(1,035,029,463)
Machinery and equipment	(195,508,686)	(16,950,166)	5,993,271	(47,554)	(206,513,135)
Total depreciation	(1,915,910,931)	(88,433,812)	6,299,416	(47,554)	(1,998,092,881)
Capital assets being depreciated, net	1,069,851,646				1,130,411,122
Total capital assets	$ 1,922,444,323				2,205,792,043

(5) Long-Term Liabilities

A summary of the long-term liabilities changes during fiscal year 2015 is as follows:

	Balance, June 30, 2014	Increases	Decreases	Balance, June 30, 2015	Current	Noncurrent
Workers' compensation (note 16)	$ 4,261,532	1,267,276	(1,267,276)	4,261,532	1,200,941	3,060,591
Compensated absences	10,119,173	5,773,686	(5,154,756)	10,738,103	3,482,841	7,255,262
Prepaid airport use charge fund (notes 9 and 17)	28,183,735	4,653,587	(19,591,862)	13,245,460	4,000,000	9,245,460
Postemployment liability (note 13)	64,587,662	16,462,255	(5,619,896)	75,430,021	—	75,430,021
Pension liability (note 12)	119,436,742	10,122,072	(20,861,266)	108,697,548	—	108,697,548
Airports system revenue bonds (note 6)	896,958,213	—	(37,968,226)	858,989,987	35,725,000	823,264,987
Lease revenue certificates of participation (note 7)	173,770,923	—	(906,762)	172,864,161	—	172,864,161
Special facility revenue bonds (note 9)	29,130,000	—	(7,405,000)	21,725,000	—	21,725,000
Loan payable (note 8)	—	34,910,142	—	34,910,142	—	34,910,142
	$ 1,326,447,980	73,189,018	(98,775,044)	1,300,861,954	44,408,782	1,256,453,172

(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 revenue generated by the Airports Division including all aviation fuel taxes levied. The amended Certificate established an order of priority for the appropriation, application, or expenditure of these revenue as follows:

a. To pay or provide for the payment of the costs of operation, maintenance, and repair of airport properties

b. To pay when due all bonds and interest. Payment shall be provided from the following accounts:

    1. Interest account

    2. Serial bond principal account

    3. Sinking fund account

    4. Debt service reserve account

c. To fund the major maintenance, renewal, and replacement account

d. To reimburse the State General Fund for general obligation bond requirements

e. To provide for betterments and improvements to the airports

f. To provide such special reserve funds and other special funds as created by law

g. To provide for any other purpose connected with or pertaining to the bonds or the airports authorized by law

The amended Certificate requires that the Airports Division impose, prescribe, and collect revenues that, together with unencumbered funds, will yield net revenue and taxes at least equal to 1.25 times the total interest, principal, and sinking fund requirements for the ensuing 12 months. The Airports Division is also required to maintain adequate insurance on its properties.

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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, 2015, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2015, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statement of net position) consisted of the following:

Debt service reserve account	$ 96,893,008
Major maintenance, renewal, and replacement account	60,000,000
	156,893,008
Principal and interest due July 1	56,482,863
	$ 213,375,871

At June 30, 2015, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,179,960,581.

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, 2015:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980,000	477,780,000
2010B, refunding	3.00%–5.00%	2020	166,000,000	121,950,000
2011, refunding	2.00%–5.00%	2024	300,885,000	243,785,000
			$ 945,865,000	843,515,000
Add unamortized premium				15,474,987
Less current portion				(35,725,000)
Noncurrent portion				$ 823,264,987

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

		Principal	Interest	Total
Year(s) ending June 30:				
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
2021–2025		220,195,000	127,594,025	347,789,025
2026–2030		107,580,000	86,485,522	194,065,522
2031–2035		138,180,000	55,891,775	194,071,775
2036–2039		137,580,000	17,672,780	155,252,780
	$	807,790,000	469,611,852	1,277,401,852

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, 2015 of $35,725,000 and $20,757,863, respectively.

The following is a summary of interest costs incurred for the year ended June 30, 2015 and the allocation thereof:

Expensed as incurred	$	18,187,037
Capitalized in capital assets		20,644,834
	$	38,831,871

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.

On November 18, 2015, the Airports Division issued $235,135,000 and $9,125,000 of airports system revenue bonds (Series 2015A (AMT) and Series 2015B (Non-AMT), respectively) at interest rates ranging from 4% to 5%.

(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, 2015, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $167,740,000 and $5,124,161, 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:			
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	7,690,000	7,465,113	15,155,113
2021–2025	60,515,000	29,580,450	90,095,450
2026–2029	82,625,000	8,924,493	91,549,493
	$ 167,740,000	78,431,006	246,171,006

(8) Loan Payable

In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC, acting as the agent of the Lenders. The Lenders were 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 $76,000,000. The EB-5 loan is the first Series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from 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 loan bears interest at a rate of 1.50% with interest payments due semiannually on July 1 and January 1. For the year ended June 30, 2015, the Airports Division has incurred interest of $442,195. At June 30, 2015, the outstanding balance on the loan facility amounted to $34,910,142. The loan is due in full on August 27, 2019.

(9) 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 revenue in excess of $100 million per year and any interest income earned on funds set aside for the Capital Improvements Program. The airports system rates and charges consist of the following (1) exclusive-use terminal charges based on appraisal and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space) based on appraisal and recovered on a per revenue passenger landing basis, (3) international arrivals building charges based on appraisal and recovered on a per deplaning international passenger basis, (4) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (5) system support charges based on an airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Effective January 1, 2008, under the first amended lease extension agreement, the airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airports system facilities from the signatory airlines that directly use them. The airports system rates and charges consist of the following (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Prepaid Airport Use Charge Fund

The Prepaid Airport Use charge Fund (the PAUCF) was established in 1994 to provide a process to transfer monies paid to the Airports Division by the signatory airlines in excess of the amounts required under each lease.

In August 1995, the DOT and the signatory airlines entered into an agreement to extend the PAUCF. Net excess payments for fiscal years 1996 through 2015 have been transferred to the PAUCF (note 17).

Aviation Fuel Tax

The aviation fuel tax amounted to $4,454,948 for fiscal year 2015. 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 $63,805,045 for fiscal year. Airport landing fees are shown net of aviation fuel tax credits of $4,145,696 for fiscal year 2015, on the statements of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $59,659,349 for fiscal year 2015. Airport landing fees are based on a computed rate per 1-pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland airport landing fees for signatory airlines is set at 43% of the airport landing fees for overseas flights for fiscal year 2015, 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 $55,590,982 for fiscal year 2015.

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 $42,075,760 for fiscal year 2015, and are computed using a fixed rate per square footage per year. Exclusive-use premise charges for terminal rentals amounted to $21,290,326 for fiscal year 2015.

Airports system support charges amounted to $31,146 for fiscal year 2015, 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, 2015:

	Principal	Interest	Total
Year(s) ending June 30:			
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	—	1,222,031	1,222,031
2021–2025	—	6,110,156	6,110,156
2026–2028	21,725,000	3,055,078	24,780,078
	$ 21,725,000	15,275,389	37,000,389

$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.).

During the year ended June 30, 2015, the bonds were called in full on May 18, 2015. The bonds were 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.

Special facility revenue bonds payable at June 30, 2015 consisted of the following:

	Continental	Total
2015:		
Current portion	$ —	—
Noncurrent portion	21,725,000	21,725,000
	$ 21,725,000	21,725,000

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 statement of net position.

Net investments in direct financing leases at June 30, 2015 consisted of the following:

Cash with bond fund trustee	$	1,000,642
Receivable from lessees, net of unearned interest of $15,122,637		20,724,358
Interest receivable		152,754
	$	21,877,754

(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, 2015 are as follows:

Year(s) ending June 30:		
2016	$	87,424,813
2017		61,358,738
2018		62,585,383
2019		61,682,773
2020		58,094,042
2021–2025		56,271,133
2026–2030		36,297,597
2031–2035		1,383,849
2036–2040		444,798
Thereafter		6,054
	$	425,549,180

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 year 2015 was $37,578,007.

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 $90,041 at June 30, 2015 is due as follows: 2016 – $9,000; 2017 – $9,000; 2018 – $9,000; and thereafter – $63,041.

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 22% of total concession fee revenues for fiscal year 2015.

DFS was originally awarded a five-year lease agreement for the in-bond concession in February 2001. By 2003, DFS had been in significant arrears in rents due to the Airports Division as a result of financial difficulties arising from the downturn in Hawaii's economy due to the decrease in international visitor travel. As a result, in August 2003, the Airports Division and DFS entered into a Withdrawal and Settlement Agreement, which provided DFS with certain relief for past due rents, and which allowed the Airports Division to withdraw and recapture all of the leased premises and to 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.

Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides a) for the period from June 1, 2017 through May 31, 2019, $40 million, (b) for the period of June 1, 2019 through May 31, 2020,

$47.5 million, (c) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee rent or percentage rent) for the previous year, (d) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (e) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, (f) for the period from June 1, 2023 through May 31, 2027, the same as the minimum annual guarantee rent for the period of June 1, 2022 through May 31, 2023, (3) the percentage fees for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales, and (4) percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and (5) the concession fee for items that are "High Price/Low Margin Merchandise" shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay $27.9 million for improvements to the Central Waiting Lobby Building at Honolulu International.

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.

(10) Passenger Facility Charges

Passenger facility charge activity for the year ended June 30, 2015 is as follows:

Restricted assets – passenger facility charges, beginning of year	$	133,126,199
Passenger facility charges during the year		37,078,569
Interest earned on passenger facility charges during the year		573,413
Capital expenditures during the year		(26,800,799)
Restricted assets – passenger facility charges, end of year	$	143,977,382

Restricted assets – passenger facility charges are presented on the statement of net position as of June 30, 2015 as follows:

Cash and cash equivalents	$	139,610,814
Receivable		4,366,568
Total restricted assets – passenger facility charges	$	143,977,382

(11) Rental Car Customer Facility Charge

Rental car customer facility charge activity for the year ended June 30, 2015 is as follows:

Restricted assets – rental car customer facility charge, beginning of year	$	131,915,480
Rental car customer facility charges during the year		64,816,866
Interest earned on rental car customer facility charges during the year		684,760
Capital expenditures during the year		(44,457,710)
Loan payable proceeds		34,910,142
Interest paid on loan payable		(442,195)
Restricted assets – rental car customer facility charges, end of year	$	187,427,343

Restricted assets – rental car customer facility charges are presented on the statement of net position as of June 30, 2015 as follows:

Cash and cash equivalents	$	182,170,311
Receivable		5,257,032
Total restricted assets – rental car customer facility charges	$	187,427,343

(12) Pension Information

Plan Description

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

Employees covered by Social Security on June 30, 1984 were given the option of becoming noncontributory members or remain contributory members. All new employees hired after June 30, 1984 and before July 1, 2006, who are covered by Social Security, were generally required to become a noncontributory member. Qualified contributory and noncontributory members were given the option of becoming hybrid members effective July 1, 2006, or remain in their existing class. Starting July 1, 2006, all new employees covered by Social Security are required to be hybrid members.

Benefits Provided

The three benefit structures provide a monthly retirement allowance equal to the benefit multiplier percentage (1.25% or 2.00%) multiplied by the average final compensation (AFC) multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. The AFC is the average salary earned during the five highest paid years of service, including the payment of salary in lieu of vacation, or three highest paid years of service, excluding the payment of salary in lieu of vacation, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service, excluding the payment of salary in lieu of vacation. For new members hired after June 30, 2012, the AFC is based on the five highest paid years of service excluding the payment of salary in lieu of vacation.

For postretirement increases, every 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 postretirement annuity increase was decreased to 1.5% per year.

Contributions

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

(a) Contributory

Employees in the contributory class are required to contribute 7.8% of their salary and are fully vested for benefits upon receiving five years of credited service. The Airports Division may also make contributions for these members. Under the contributory class, employees may retire with full benefits at age 55 and 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 class hired after June 30, 2012 are required to contribute 9.8% of their salary and are fully vested for benefits upon receiving 10 years of credited service. These members may retire with full benefits at age 60 and 10 years of credited service, or may retire at age 55 with 25 years of credited service with reduced benefits. The benefit multiplier is 1.75% for employees covered by Social Security.

(b) Hybrid

Employees in the hybrid class are required to contribute 6.0% of their salary and are fully vested for benefits upon receiving five years of credited service. The Airports Division may also make contributions for these members. Employees may retire with full benefits at age 62 and 5 years of credited service or at age 55 and 30 years of credited service, or may retire at age 55 and 20 years service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 2.0%.

New employees in the hybrid class hired after June 30, 2012 are required to contribute 8% of their salary and are fully vested for benefits upon receiving 10 years of credited service. Employees may retire with full benefits at age 65 and 10 years of credited service, or at age 60 with 30 years of credited service, or may retire at age 55 and 20 years of service with reduced benefits. The benefit multiplier is 1.75% for employees covered by Social Security.

(c) Noncontributory

Employees in the noncontributory class are fully vested upon receiving 10 years of credited service. The Airports Division is required to make all contributions for these members. Employees may retire with full benefits at age 62 and 10 years of credited service or age 55 and 30 years of credited service or age 55 and 20 years of credited service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 1.25%.

The ERS funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. The funding method used to calculate the total employer contribution required is the entry age normal actuarial-cost method. 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, 2015, 2014, and 2013 were $10,261,692, $9,030,263, and $8,647,308, respectively, which represented 18.31%, 17.53%, and 18.60% 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Airport Division's proportionate share of the State's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State allocates the net pension liability to the various departments and agencies based upon a systematic methodology. At June 30, 2015, the Airport Division's proportionate share of the net pension liability is $108,697,548. At June 30, 2014, the Airports Division's proportionate share of the State's proportion was 2.1600% which was a decrease of 0.1600% from its proportion measured as of June 30, 2013.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2015, the Airports Division recognized pension expense of $8,663,521. At June 30, 2015, the Airports Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	1,275,000	(28,751)
Changes of assumptions		—	—
Net difference between projected and actual earnings on pension plan investments		—	(11,802,553)
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions		183,551	—
Airports Division contributions subsequent to the measurement date		13,744,747	—
Total	$	15,203,298	(11,831,304)

The $13,744,747 reported as deferred outflows of resources related to pensions resulting from the Airports Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2016	$	(2,112,544)
2017		(2,112,544)
2018		(2,112,544)
2019		(2,112,543)
2020		(2,112,543)
Thereafter		189,965
	$	(10,372,753)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth rate	3.50%
Investment rate of return, including inflation at 3.00%	7.75% per year

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA. Post-retirement mortality rates are based on Client Specific Tables and the 1994 US Group Annuity Mortality Statistic Tables for police and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates their experience studies every five years.

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Strategic allocation	Long-term expected real rate of return
Domestic equity	30.0%	8.50%
International equity	26.0	9.00
Total fixed income	20.0	3.10
Real estate	7.0	8.46
Private equity	7.0	11.75
Real return	5.0	6.10
Covered calls	5.0	7.65
Total investments	100.0%	

Discount Rate

The discount rate used to measure the net pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. There has been no change in the discount rate since the prior measurement date.

Sensitivity of the Airports Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airports Division's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Airports Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Airports Division's proportionate share of the net pension liability	$ 128,432,943	108,697,548	74,117,461

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

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

(Continued)

The State issues a comprehensive annual financial report that includes the required footnote disclosures and the required supplementary information in accordance with the provisions of GASB Statement No. 68.

(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 year ended June 30, 2015 was $5,619,896, which represented 34% of the Airports Division's share of the ARC for postemployment healthcare and life insurance benefits of $16,462,255.

The following is a summary of changes in postemployment liability during the fiscal year ended June 30, 2015:

Balance at June 30, 2014	$	64,587,662
Additions		16,462,255
Deletions		(5,619,896)
Balance at June 30, 2015	$	75,430,021

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 $12,567,877 in fiscal year 2015.

The Airports Division is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $5,078,072 in fiscal year 2015. During fiscal year 2015, the Airports Division received assessment refunds from the DOT amounting to $2,713,320. Such refunds reduced operating expenses in the accompanying statement of revenue, expenses, and changes in net position.

During fiscal year 2015, revenue received from other state agencies totaled $1,666,511 and expenditures to other state agencies totaled $7,651,102.

(15) Commitments

(a) Sick Pay

Accumulated sick leave at June 30, 2015 was $22,595,077. 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 revenue 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 $1,277,401,852. In fiscal year 2015, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports Division were $75,725,725 and $102,366,162, respectively. See also note 6 for further discussion on the revenue bonds.

(d) Other

At June 30, 2015, the Airports Division has commitments totaling approximately $400,077,047 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, 2015, the workers' compensation reserve was $4,261,532, of which $1,200,941 is included in current liabilities (payable from unrestricted net assets) and $3,060,591, is included in long-term liabilities in the accompanying statement of net position at June 30, 2015. 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, 2015, 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

In fiscal year 2015, the PAUCF was decreased by $18,500,000 for a transfer to the Airports Division to offset the signatory airline requirement for fiscal year 2015. Further, $1,091,862 was paid to ACH members for 2010 overpayments. The PAUCF was increased by $4,653,587 due to an overpayment for fiscal year 2015. The PAUCF liability at June 30, 2015 was $13,245,460.

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 $1,592,882 to complete various projects in order to be in compliance with the consent decree and Clean Water Act.

(18) Subsequent Events

The Airports Division has evaluated subsequent events from the balance sheet date through December 28, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Schedule 1

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

Operating Revenue and Operating Expenses Other than Depreciation

Year ended June 30, 2015

			Airports					
	Total	**Statewide**	**Honolulu International**	**Hilo International**	**Kona International at Keahole**	**Kahului**	**Lihue**	**All others**
Operating revenue:								
Concession fees	$ 148,835,251	—	85,683,878	3,442,122	14,365,706	31,846,805	13,175,973	320,767
Airport landing fees	59,659,349	—	39,831,673	1,267,652	4,070,040	10,021,522	3,695,042	773,420
Aeronautical rentals:								
Nonexclusive joint-use premise charges	55,590,982	—	41,688,521	1,231,041	2,264,891	8,038,931	2,367,598	—
Exclusive-use premise charges	42,075,760	—	30,528,185	1,037,001	1,505,768	6,378,674	2,036,255	589,877
Nonaeronautical rentals	15,003,236	—	8,915,576	379,591	1,110,445	3,466,428	1,049,345	81,851
Aviation fuel tax	4,454,948	—	2,974,354	94,659	303,923	748,338	275,920	57,754
Airports system support charges	31,146	—	—	—	—	—	—	31,146
Miscellaneous	6,288,601	1,118,430	3,409,932	51,773	543,486	539,759	616,351	8,870
	331,939,273	1,118,430	213,032,119	7,503,839	24,164,259	61,040,457	23,216,484	1,863,685
Allocation of statewide miscellaneous revenue (note 1)	—	(1,118,430)	737,649	11,200	117,569	116,762	133,331	1,919
Net operating revenue	$ 331,939,273	—	213,769,768	7,515,039	24,281,828	61,157,219	23,349,815	1,865,604
Operating expenses other than depreciation:								
Salaries and wages	$ 76,517,481	16,263,336	29,768,465	4,938,950	5,298,343	7,935,236	5,719,528	6,593,623
Other personnel services	54,478,452	1,771,741	32,232,875	3,629,067	4,066,192	5,104,118	4,874,216	2,800,243
Utilities	41,738,676	3,664	30,659,334	1,224,634	2,127,683	4,610,568	2,274,185	838,608
Repairs and maintenance	30,637,429	9,335,497	16,146,037	664,501	1,278,112	2,025,622	901,379	286,281
State of Hawaii surcharge on gross receipts (note 2)	12,567,877	12,567,877	—	—	—	—	—	—
Pension expense	11,665,506	2,484,806	4,528,939	744,494	797,643	1,209,686	886,284	1,013,654
Special maintenance	8,913,732	1,993,852	243,294	802,341	3,316,788	48,061	352,629	2,156,767
Materials and supplies	6,113,793	117,255	3,314,015	440,956	422,969	825,878	558,508	434,212
Department of Transportation general administration expenses	5,078,072	5,078,072	—	—	—	—	—	—
Insurance	2,412,397	2,412,196	—	26	3	170	—	2
Claims and benefits	1,342,281	14,429	754,028	39,656	177,124	208,222	83,322	65,500
Travel	430,974	110,722	81,334	45,513	45,877	51,813	37,119	58,596
Communication	401,358	78,308	74,781	53,641	27,562	61,233	44,447	61,386
Rent	323,489	91,350	147,683	12,261	21,070	17,129	18,469	15,527
Dues and subscriptions	149,616	143,244	3,387	—	210	—	2,775	—
Bad debt expense (note 3)	99,138	99,138	—	—	—	—	—	—
Freight and delivery	5,363	1,218	—	125	249	601	1,188	1,982
Printing and advertising	3,901	3,901	—	—	—	—	—	—
Miscellaneous	675,040	335,157	227,757	30,643	11,497	2,942	60,749	6,295
	253,554,575	52,905,763	118,181,929	12,626,808	17,591,322	22,101,279	15,814,798	14,332,676
Allocation of statewide expenses (note 4)	—	(52,905,763)	31,161,436	3,329,354	4,638,365	5,827,520	4,169,942	3,779,146
Total operating expenses other than depreciation for statement of revenue, expenses, and changes in net position.	$ 253,554,575	—	149,343,365	15,956,162	22,229,687	27,928,799	19,984,740	18,111,822

Notes:

(1) Statewide miscellaneous revenue is allocated to the airports based upon their respective current year miscellaneous revenue to total current year miscellaneous revenue for all airports.
(2) State of Hawaii surcharge on gross receipts consists of transfers to the State General Fund to defray central service expenses as required by HRS Section 36-28.5.
(3) Bad debt expense is allocated primarily by individually identifiable bad debts with the remainder allocated to the airports based upon their respective current year revenue to total current year revenue for all airports.
(4) Statewide expenses are allocated to the airports based upon their respective current year operating expenses to total current year operating expenses for all airports.

See accompanying independent auditors' report.

Schedule 2

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

Calculations of Net Revenue and Taxes and Debt Service Requirement

Year ended June 30, 2015

Revenue and taxes:	
Concession fees	$ 148,835,251
Airport landing fees	59,659,349
Aeronautical rentals:	
Nonexclusive joint-use premise charges	55,590,982
Exclusive-use premise charges	42,075,760
Nonaeronautical rentals	15,003,236
Aviation fuel tax	4,454,948
Airports system support charges	31,146
Interest income, exclusive of interest on investments in direct financing leases and including interest income of $265,424 on capital improvement projects	3,140,391
Federal operating grants	1,557,700
Miscellaneous	6,288,601
Total revenue and taxes	336,637,364
Deductions:	
Operating expenses other than depreciation for net revenue and taxes (schedule 1)	253,554,575
Annual reserve required on major maintenance, renewal, and replacement account	26,808
Total deductions	253,581,383
Net revenue and taxes	83,055,981
Add funded coverage per bond certificate	19,310,181
Adjusted net revenue and taxes	102,366,162
Debt service requirement:	
Airports system revenue bonds:	
Principal	35,725,000
Interest (note 1)	41,670,738
Total debt service	77,395,738
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)	(18,500,000)
Total debt service requirement	58,895,738
Debt service coverage percentage	125
Total debt service with coverage requirement	73,619,673
Excess of net revenue and taxes over debt service requirement	$ 28,746,489

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 2015, the Airports Division transferred $18,500,000 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 (notes 9 and 17) are amounts owed to the signatory airlines, and the transfer of $18,500,000 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, 2015

	Annual principal and interest requirements		
	Airports system revenue bonds		
	Principal	Interest	Total
Year ending June 30:			
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	$ 807,790,000	469,611,852	1,277,401,852

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, 2015 of $35,725,000 and $20,757,863, respectively.

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, 2015

	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:						
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	$ 477,460,000	103,800,000	226,530,000	807,790,000	469,611,852	############

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, 2015 of $35,725,000 and $20,757,863, respectively.

See accompanying independent auditors' report.

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, 2015

	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.	1,043,583	—	—	$ 1,450,217	—	—	—	—	—	—	—	—	—	—	—	116,072	1,566,289
Air Canada	198,400	629	—	601,152	—	275,913	241,005	76,961	—	—	—	—	—	—	—	710,591	1,905,622
Air China Limited	66,066	171	26,008	200,180	—	—	29,632	27,643	—	—	—	—	—	146,945	—	—	404,400
Air Japan Co., Ltd.	116,800	365	72,746	353,904	—	—	85,981	80,209	—	—	—	—	—	411,015	—	—	931,109
Air New Zealand, Ltd.	64,765	204	38,151	196,238	—	—	45,689	42,621	—	—	—	—	—	215,553	—	—	500,101
Air Pacific, Ltd.	21,872	157	16,636	66,272	—	—	18,284	17,056	—	—	—	—	—	93,993	—	—	195,605
Alaska Airlines, Inc.	1,156,009	7,989	—	3,502,706	—	2,015,226	929,855	404,061	—	—	—	—	—	—	513,168	655,684	8,020,700
All Nippon Airways Co., Ltd.	124,160	388	79,579	376,205	—	—	90,145	84,092	—	—	—	—	—	449,621	—	4,359	1,004,422
Allegiant Air LLC	93,852	461	—	284,372	—	246,779	103,614	96,657	—	—	—	—	—	—	—	72,650	804,072
American Airlines, Inc.	1,027,364	4,770	—	3,112,913	—	1,501,117	1,210,827	404,223	—	—	—	—	—	—	—	1,068,543	7,297,623
Asiana Airlines, Inc.	107,189	239	61,513	324,782	—	548,679	67,910	63,350	—	—	—	—	—	347,548	—	(32,960)	1,319,309
China Airlines, Ltd.	208,562	479	124,936	631,944	—	—	144,668	134,955	—	—	—	—	—	705,889	—	41,957	1,659,413
Continental Airlines, Inc.	286,361	1,051	6,130	867,401	—	—	510,498	207,465	—	—	—	—	—	34,635	—	162,798	1,782,797
Continental Micronesia, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	373,229	373,229
Delta Air Lines, Inc.	1,885,065	6,340	424,575	5,711,747	—	2,101,628	1,720,225	1,115,275	—	—	—	—	—	2,398,849	—	2,049,146	15,096,870
Federal Express Corporation	646,953	—	—	1,959,435	—	—	—	—	—	—	—	—	—	—	—	7,611	1,967,046
Hawaii Island Air, Inc.	621,815	12,699	—	808,360	—	—	—	—	—	185,801	165,071	181,154	243,994	—	22,108	805,951	2,412,439
Hawaiian Airlines, Inc.	10,703,014	79,716	474,699	20,066,222	—	—	1,700,846	—	—	11,037,166	465,114	—	—	2,682,049	5,504,299	8,208,521	49,664,217
Japan Airlines International Co., Ltd.	946,723	2,097	536,532	2,865,941	—	—	625,836	583,487	—	746	150	—	—	3,031,407	—	1,078,956	8,186,523
Jetstar Airways Pty Limited	237,306	539	140,134	716,111	—		171,355	159,657	—	—	—	—	—	785,552	—	—	1,832,675
Kalitta Air, LLC	207,102	—	—	610,081	—	—	—	—	—	—	—	—	—	—	—	—	610,081
Korean Airlines Company, Ltd.	436,743	855	230,665	1,323,331	—	—	260,228	242,755	—	—	—	—	—	1,303,257	—	352,791	3,482,362
Mesa Airlines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(41,463)	(41,463)
Mokulele Flight Service, Inc.	309,808	34,219	—	402,750	—	—	—	—	—	—	—	34,670	44,990	—	—	50,796	533,206
Philippine Airlines, Inc.	110,272	273	49,661	334,124	—	—	53,599	50,000	—	—	—	—	—	280,585	—	129,087	847,395
Polar Air Cargo, LLC	25,974	—	—	78,701	—	—	—	—	—	—	—	—	—	—	—	—	78,701
Qantas Airways, Ltd.	206,248	195	38,996	624,931	—	—	49,204	45,900	—	—	—	—	—	220,327	—	467,143	1,407,505
United Airlines, Inc.	2,608,999	9,681	226,094	7,902,734	—	3,424,370	2,681,853	1,230,847	—	—	—	—	—	1,275,347	—	3,974,796	20,489,947
United Parcel Service Co.	805,546	—	—	2,136,170	—	—	—	—	—	—	—	—	—	—	—	44,802	2,180,972
US Airways, Inc.	416,196	2,117	—	1,261,074	—	679,574	533,447	157,256	—	—	—	—	—	—	—	400,723	3,032,074
WestJet	245,021	1,604	—	742,415	—	388,278	402,290	86,377	—	—	—	—	—	—	—	142,528	1,761,888
Nonsignatory airlines	1,521,170	1,997	29,245	2,557,649	31,146	199,505	103,225	—	—	—	—	—	—	193,894	—	978,538	4,063,957
Total airports system charges billed	26,448,938	169,235	2,576,300	62,070,062	31,146	11,381,069	11,780,216	5,310,847	—	11,223,713	630,335	215,824	288,984	14,576,466	6,039,575	21,822,849	145,371,086
Signatory airlines requirements				61,247,396	—	11,078,607	10,389,040	4,397,975	—	9,214,388	498,889	215,824	288,984	13,125,373	5,885,278	20,311,788	136,653,542
Nonsignatory airlines requirements				2,557,649	31,146	199,505	103,225	—	—	—	—	—	—	193,894	—	978,538	4,063,957
Fiscal year 2015 overpayment (underpayment)				$ (1,734,983)	—	102,957	1,287,951	912,872	—	2,009,325	131,446	—	—	1,257,199	154,297	532,523	4,653,587

See accompanying independent auditors' report.

Schedule 6

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

Summary of Billed Airport Landing Fees

Year ended June 30, 2015

		Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$	59,512,413	2,557,649	62,070,062
Less aviation fuel tax credit		(3,900,027)	(245,669)	(4,145,696)
Net airport landing fees billed	$	55,612,386	2,311,980	57,924,366

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, 2015

	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**	**adjusted airport landing fees**
Aeko Kula, Inc	598,351	142,049	303,183	1,043,583	$ 871,415	184,663	1,056,078	(124,658)	931,420	394,138	—	394,138	1,325,558
Air Canada	102,080	—	96,320	198,400	309,302	—	309,302	—	309,302	291,850	—	291,850	601,152
Air China Limited	66,066	—	—	66,066	200,180	—	200,180	—	200,180	—	—	—	200,180
Air Japan Company	116,800	—	—	116,800	353,904	—	353,904	—	353,904	—	—	—	353,904
Air New Zealand Ltd.	64,765	—	—	64,765	196,238	—	196,238	—	196,238	—	—	—	196,238
Air Pacific, Ltd.	21,872	—	—	21,872	66,272	—	66,272	—	66,272	—	—	—	66,272
Alaska Airlines, Inc.	357,589	—	798,420	1,156,009	1,083,495	—	1,083,495	(441,925)	641,570	2,419,211	(37,144)	2,382,067	3,023,637
All Nippon Airways Co., Ltd.	124,160	—	—	124,160	376,205	—	376,205	—	376,205	—	—	—	376,205
Allegiant Air Llc	93,852	—	—	93,852	284,372	—	284,372	(61,368)	223,004	—	—	—	223,004
American Airlines, Inc.	496,138	—	531,226	1,027,364	1,503,298	—	1,503,298	(342,082)	1,161,216	1,609,615	—	1,609,615	2,770,831
Asiana Airlines, Inc	107,189	—	—	107,189	324,782	—	324,782	—	324,782	—	—	—	324,782
China Airlines, Ltd.	208,562	—	—	208,562	631,944	—	631,944	—	631,944	—	—	—	631,944
Continental Airlines, Inc.	245,698	40,663	—	286,361	744,193	—	744,193	(24,061)	720,132	—	—	—	720,132
Delta Air Lines. Inc.	1,557,373	—	327,692	1,885,065	4,718,840	123,208	4,842,048	(185,646)	4,656,402	992,907	—	992,907	5,649,309
Federal Express Corporation	646,471	482	—	646,953	1,957,976	1,459	1,959,435	—	1,959,435	—	—	—	1,959,435
Hawaii Island Air, Inc.	308,013	—	313,802	621,815	400,417	—	400,417	(42,620)	357,797	407,943	—	407,943	765,740
Hawaiian Airlines, Inc.	5,999,125	678,213	4,025,676	10,703,014	12,717,668	882,372	13,600,040	(1,833,655)	11,766,385	6,466,182	(18,652)	6,447,530	18,213,915
Japan Airlines International Co., Ltd.	945,203	—	1,520	946,723	2,863,965	—	2,863,965	—	2,863,965	1,976	—	1,976	2,865,941
Jetstar Airways Pty Limited	237,306	—		237,306	716,111	—	716,111	—	716,111		—	—	716,111
Kalitta Air, L.L.C.	196,392	—	10,710	207,102	595,068	—	595,068	—	595,068	15,013	—	15,013	610,081
Korean Airlines Company, Ltd.	436,743	—	—	436,743	1,323,331	—	1,323,331	—	1,323,331	—	—	—	1,323,331
Mokulele Flight Service, Inc.	56,933	—	252,875	309,808	74,013	—	74,013	(35,770)	38,243	328,738	—	328,738	366,981
Philippine Airlines, Inc.	110,272	—	—	110,272	334,124	—	334,124	—	334,124	—	—	—	334,124
Polar Air Inc	25,974	—	—	25,974	78,701	—	78,701	—	78,701	—	—	—	78,701
Qantas Airways Limited	206,248	—	—	206,248	624,931	—	624,931	—	624,931	—	—	—	624,931
United Airlines, Inc.	1,718,793	—	890,206	2,608,999	5,205,410	—	5,205,410	(586,339)	4,619,071	2,697,324	(7,439)	2,689,885	7,308,956
United Parcel Service Co.	629,451	—	176,095	805,546	1,776,669	—	1,776,669	(7,294)	1,769,375	359,501	—	359,501	2,128,876
Us Airways, Inc.	168,894	—	247,302	416,196	511,749	—	511,749	(151,374)	360,375	749,325	—	749,325	1,109,700
Westjet	83,428	—	161,593	245,021	252,787	—	252,787	—	252,787	489,628	—	489,628	742,415
Total	15,929,741	861,407	8,136,620	24,927,768	$ 41,097,360	1,191,702	42,289,062	(3,836,792)	38,452,270	17,223,351	(63,235)	17,160,116	55,612,386

Summary of revenue landing weights:	
Overseas	15,668,929
Interisland	9,258,839
	24,927,768

Aviation fuel tax of $4,454,948 was paid by the users for the year ended June 30, 2015. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax credits of $4,145,696 were credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Signatory airlines	$ 3,900,027
Nonsignatory airlines	245,669
	$ 4,145,696

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2015.

See accompanying independent auditors' report.

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

Approved Maximum Revenue Landing Weights and Airport Landing Fees – Nonsignatory Airlines

Year ended June 30, 2015

	Approved maximum revenue landing weights (1,000-pound units)				Honolulu International Airport and Hilo International Airport					All other airports			Total adjusted airport landing fees
					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	
Above It All, Inc.	—	583	173	756	$ —	496	496	—	496	147	—	147	643
Aero Micronesia, Inc.	33,456	—	—	33,456	122,114	—	122,114	—	122,114	—	—	—	122,114
Air Service Hawaii, Inc.	71,117	1,481	70,132	142,730	166,274	2,253	168,527	(35,619)	132,908	148,572	—	148,572	281,480
Air Transport International LLC	29,829	—	—	29,829	108,874	—	108,874	—	108,874	—	—	—	108,874
Air Ventures Hawaii, LLC	—	—	3,633	3,633	—	—	—	—	—	3,088	—	3,088	3,088
Aris, Inc.	—	—	19,400	19,400	—	—	—	—	—	16,490	(3,161)	13,329	13,329
Atlas Air Inc.	53,310	—	—	53,310	194,581	—	194,581	—	194,581	—	—	—	194,581
Big Island Air, Inc.	16	507	3,892	4,415	13	431	444	—	444	3,309	—	3,309	3,753
Bradley Pacific Aviation, Inc.	29,672	1,524	71,691	102,887	65,688	2,419	68,107	—	68,107	157,318	—	157,318	225,425
Castle & Cooke Homes Hawaii, Inc.	31,985	—	—	31,985	62,469	—	62,469	—	62,469	—	—	—	62,469
Corporate Air	26,597	451	33,523	60,571	40,959	694	41,653	—	41,653	51,627	—	51,627	93,280
Delta Air Lines, Inc.	92,460	—	—	92,460	337,480	—	337,480	—	337,480	—	—	—	337,480
Fly Kauai	—	—	735	735	—	—	—	—	—	624	—	624	624
George's Aviation Services, Inc.	1,680	35	651	2,366	1,428	30	1,458	(849)	609	553	(177)	376	985
Hawaii Air Ambulance, Inc.	23,952	—	—	23,952	20,359	—	20,359	(1,045)	19,314	—	(258)	(258)	19,056
Hawaii Helicopters, Inc.	—	—	8,164	8,164	—	—	—	—	—	6,940	—	6,940	6,940
Helicopter Consultants Of Maui, Inc.	23,558	65,093	97,875	186,526	20,025	55,329	75,354	(35,640)	39,714	83,193	(2,762)	80,431	120,145
Honolulu Soaring Club, Inc.	—	—	2,282	2,282	—	—	—	—	—	1,940	—	1,940	1,940
International Life Support, Inc.	7,432	48	230	7,710	6,317	41	6,358	—	6,358	196	—	196	6,554
Island Helicopters Kauai, Inc.	—	—	18,049	18,049	—	—	—	—	—	15,342	(2,517)	12,825	12,825
Jack Harter Helicopters, Inc.	—	—	21,894	21,894	—	—	—	—	—	18,610	(2,077)	16,533	16,533
Jetstar Airways Pty Limited	(26,588)	—	—	(26,588)	(97,045)	—	(97,045)	—	(97,045)	—	—	—	(97,045)
K & S Helicopters, Inc.	1,070	17,099	9,827	27,996	910	14,534	15,444	(1,236)	14,208	8,353	(4,638)	3,715	17,923
Kamaka Air, Inc.	9,762	39	13,556	23,357	8,298	33	8,331	—	8,331	11,523	—	11,523	19,854
Makani Kai Helicopters, Ltd.	26,842	161	24,727	51,730	22,816	137	22,953	(554)	22,399	21,018	(18)	21,000	43,399
Maui Island Air, Inc.	—	—	77	77	—	—	—	—	—	65	—	65	65
Miami Air International	—	—	134	134	—	—	—	—	—	489	—	489	489
Miscellaneous	15,599	80	144	15,823	56,937	199	57,136	—	57,136	526	—	526	57,662
Niihau Helicopters, Inc.	—	—	1,364	1,364	—	—	—	—	—	1,159	—	1,159	1,159
Novictor Aviation, LLC	8,990	—	—	8,990	7,641	—	7,641	—	7,641	—	—	—	7,641
Omni Air International, Inc.	80,590	—	—	80,590	294,154	—	294,154	(328)	293,826	—	—	—	293,826
Pacific Air Charters, Incorporated	2,078	41	1,491	3,610	1,766	35	1,801	(491)	1,310	1,268	—	1,268	2,578
Pacific Helicopter Tours, Inc.	1,450	—	1,319	2,769	1,232	—	1,232	(432)	800	1,121	(38)	1,083	1,883
Pofolk Aviation Hawaii, Inc.	—	—	221,653	221,653	—	—	—	(80)	(80)	214,467	(205)	214,262	214,182
Resort Air, LLC	406	—	991	1,397	345	—	345	(302)	43	842	(509)	333	376
Safari Aviation, Inc.	—	7,109	15,736	22,845	—	6,043	6,043	—	6,043	13,376	—	13,376	19,419
Sky-med, Inc.	—	—	27,396	27,396	—	—	—	—	—	23,286	—	23,286	23,286
Smoky Mountain Helicopters, Inc.	—	—	128	128	—	—	—	—	—	108	—	108	108
Southern Air	16,650	—	—	16,650	60,773	—	60,773	—	60,773	—	—	—	60,773
Sunshine Helicopters, Inc.	5	202	28,497	28,704	4	172	176	—	176	24,222	(5,485)	18,737	18,913
Trans Executive Airlines Of Hawaii, Inc. dba Trans Air	37,266	15,110	108,695	161,071	31,676	12,843	44,519	(22,303)	22,216	92,391	(11,022)	81,369	103,585
Universal Enterprises, Inc.	—	—	—	—	—	—	—	(113,521)	(113,521)		(402)	(402)	(113,923)
Wings Over Kauai LLC	—	—	4,364	4,364	—	—	—	—	—	3,709	—	3,709	3,709
Total	599,184	109,563	812,423	1,521,170	$ 1,536,088	95,689	1,631,777	(212,400)	1,419,377	925,872	(33,269)	892,603	2,311,980

Summary of revenue landing weights:

Overseas	522,065
Interisland	999,105
	1,521,170

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2015.

See accompanying independent auditors' report.