KPMG

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Financial Statements and Supplemental Schedules

June 30, 2016

(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, 2016, 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.

Auditors' 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, 2016, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

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, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 2, the Airports Division adopted Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82*, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* Application of these statements was effective as of July 1, 2015.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 22, 2016 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 22, 2016

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, 2016 and 2015. 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 58.4% of total passenger traffic in the airports system during fiscal years 2016 and 2015, respectively. The other four principal airports accommodated 41.0% and 40.4% of the total passenger traffic for fiscal years 2016 and 2015, 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 1.3% and 1.2% of the total passenger traffic for fiscal years 2016 and 2015, 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 2016 with increases in total passengers, revenue landed weights, and deplaning international passengers of 2.4%, 0.7%, and 3.6%, respectively, and decreases in aircraft operations and revenue passenger landings of 5.2% and 0.2%, respectively, as compared to fiscal year 2015. 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, 62% 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 2016, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 41% and 11% of the total landed weights. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 22%, 17%, and 11% of the overseas landed weights, respectively. Hawaiian Airlines, Inc. and Aeko Kula, Inc. accounted for 71% and 10% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 18% 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 2016 and 2015: 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., Jetstar Airways PTY Ltd., Jin Air Co. 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.

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Activity for the airports system for the fiscal years ended June 30, 2016 and 2015 is as follows:

	2016	2015	Percentage increase (decrease) from 2015
Passengers (enplaning and deplaning passengers activity):			
Honolulu International Airport	19,873,182	19,640,538	1.2%
Kahului Airport	6,797,911	6,500,821	4.6
Kona International Airport at Keahole	3,132,632	2,975,470	5.3
Lihue Airport	2,865,267	2,776,652	3.2
Hilo International Airport	1,322,322	1,309,195	1.0
All others	439,408	406,322	8.1
Total passengers	34,430,722	33,608,998	2.4%
Aircraft operations (landing and takeoff combined reported by Air Traffic Control Tower):			
Honolulu International Airport	306,826	315,474	(2.7)%
Kahului Airport	135,743	132,496	2.5
Kona International Airport at Keahole	120,798	144,098	(16.2)
Lihue Airport	118,132	132,758	(11.0)
Hilo International Airport	78,237	85,770	(8.8)
All others	211,407	214,211	(1.3)
Total aircraft operations	971,143	1,024,807	(5.2)%
Revenue landed weights (1,000-pound units):			
Honolulu International Airport	16,027,528	15,929,741	0.6%
Kahului Airport	4,394,951	4,231,837	3.9
Kona International Airport at Keahole	1,907,839	1,839,929	3.7
Lihue Airport	1,700,405	1,740,782	(2.3)
Hilo International Airport	848,575	861,407	(1.5)
All others	290,925	324,072	(10.2)
Total signatory airlines	25,170,223	24,927,768	1.0
Nonsignatory airlines	1,473,303	1,521,170	(3.1)
Total revenue landed weights	26,643,526	26,448,938	0.7%

(Continued)

	2016	2015	Percentage increase (decrease) from 2015
Revenue passenger landings:			
Honolulu International Airport	72,660	73,849	(1.6)%
Kahului Airport	37,934	36,033	5.3
Kona International Airport at Keahole	19,000	18,034	5.4
Lihue Airport	12,609	13,420	(6.0)
Hilo International Airport	6,604	6,930	(4.7)
Other airports	19,278	18,972	1.6
Total signatory airlines	168,085	167,238	0.5
Nonsignatory airlines	815	1,997	(59.2)
Total revenue passenger landings	168,900	169,235	(0.2)%
Deplaning international passengers:			
Honolulu International Airport	2,615,738	2,547,055	2.7%
Total signatory airlines	2,615,738	2,547,055	2.7
Nonsignatory airlines	53,476	29,245	82.9
Total deplaning international passengers	2,669,214	2,576,300	3.6%

Financial Operations Highlights

The financial results for fiscal years 2016 and 2015 reflected income before capital contributions of $90.2 million and $90.8 million, respectively. Operating revenue increased by $21.1 million, or 6.4%, and $14.8 million, or 4.7%, respectively, resulting from increased revenue from airport landing fees and aeronautical rental offset by decreased other concessions revenue. Total nonoperating revenue decreased by $7.6 million, or 5.9%, mainly due to a decrease in debt service support charges offset by increases 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, and Lihue Airport. Hilo International Airport was not included due to the lack of overseas flights. 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 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. PFC Application No. 3 was complete as of June 30, 2015. A final amendment reconciling the impose and use authority to the final amount of $39,978,389 was approved on September 23, 2016. PFC Application No. 3 is closed.

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, 2026. 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, construction of 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 and Series 2015 Bonds and the Future Revenue Bonds.

Effective August 30, 2016, the FAA issued the FAD for PFC Application No. 6 giving approval to use PFC revenue in the amount of $14,275,000 on the OGG Land Acquisition project approved in PFC Application No. 5 for collection only. The OGG Land Acquisition project was completed on August 1, 2012.

PFC revenue is utilized for construction and construction management of FAA-approved projects, which must be implemented within two years of FAA approval. The terms of the PFC approval do not permit the use of PFC revenue to pay debt service on any new or outstanding bonds issued to finance other-than-approved PFC projects.

Since the inception of this program through June 30, 2016, the FAA has approved PFC collections for impose and use totaling $718,993,948 with collections currently scheduled through 2026. The total PFC revenue through June 30, 2016, including interest earned, and expenditures were $347.0 million and $193.6 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, 2016, the total CFC revenue, including interest earned, and expenditures were $309.5 million and $121.6 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 2016 increased by 2.2%, or $5.7 million, as compared to fiscal year 2015 mainly due to increases in salaries and wages, other personnel services, and repairs and maintenance offset by decreases in utilities.

Total nonoperating expenses for fiscal year 2016 decreased by 9.3%, or $2.5 million, as compared to fiscal year 2015 mainly due to decreases in interest expense relating to airports system revenue bonds and lease revenue certificates of participation.

As a result, net assets increased by $115.9 million and $127.5 million for fiscal years 2016 and 2015, 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

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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, 2016 and 2015 is as follows:

		2016	**2015**
Operating revenue	$	353,071,282	331,939,273
Operating expenses, excluding depreciation		(259,222,720)	(253,554,575)
Operating income before depreciation		93,848,562	78,384,698
Depreciation		(99,396,717)	(88,433,812)
Operating loss		(5,548,155)	(10,049,114)
Nonoperating revenue – net		95,792,136	100,873,654
Income before capital contributions		90,243,981	90,824,540
Capital contributions:			
Federal capital grants		25,614,492	32,363,207
Federal stimulus funds		—	4,317,382
Total capital contributions		25,614,492	36,680,589
Increase in net position	$	115,858,473	127,505,129

- Operating revenue increased by $21.1 million due to a $6.4 million increase in airport landing fees and a net $17.8 million increase in aeronautical revenue offset by a $3.3 million decrease in other concessions revenue. The increases in airport landing fees and aeronautical revenue are due to an increase in passenger traffic.
- Operating expenses excluding depreciation increased by 2.2% from $253.6 million in fiscal year 2015 to $259.2 million in fiscal year 2016. The increase in operating expenses is due to increases in salaries and wages (including pension expense) of $4.1 million, other personnel services of $4.1 million, and repairs and maintenance expense of $3.4 million offset by a decrease in utilities of $7.3 million. The increase in other personnel services is due to increases in security costs. The increase in repairs and 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.

- The net results of the above resulted in operating income before depreciation of $93.8 million and $78.4 million in fiscal years 2016 and 2015, respectively. Operating income before depreciation for fiscal year 2015 increased by 19.7%, or $15.5 million. The operating loss before nonoperating revenue, net and capital contributions is $5.5 million in fiscal year 2016 as compared to an operating loss before nonoperating revenue, net and capital contributions of $10.0 million in fiscal year 2015.
- Nonoperating revenue, net decreased by 5.0%, or $5.1 million, in fiscal year 2016, primarily due to a decrease in debt service support charges of $14.5 million and an increase in bond issue costs of $1.9 million offset by increases in rental car customer facility charges of $4.1 million, passenger facility charges of $0.8 million and investment interest income of $1.7 million and decreases in interest expense on lease revenue certificates of participation of $2.7 million. The 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 2016. This transfer was approved by the Airlines Committee of Hawaii.
- Income before capital contributions for fiscal year 2016 of $90.2 million as compared to income of $90.8 million for fiscal year 2015 was a result of a decrease in nonoperating income offset by an increase in operating income.
- Capital contributions decreased by 30.2%, or $11.1 million, in fiscal year 2016, mainly due to a decrease of federal capital grants received in fiscal year 2016.

Financial Position Summary

A condensed summary of the Airports Division's net position at June 30, 2016 and 2015 is shown below:

		2016	2015
Assets:			
Current assets:			
Unrestricted assets	$	592,765,781	584,603,088
Restricted assets		86,899,919	75,689,133
Noncurrent assets:			
Capital assets		2,373,245,489	2,205,792,043
Restricted assets		786,002,152	588,111,275
Total assets	$	3,838,913,341	3,454,195,539
Deferred outflows of resources	$	21,597,705	19,152,179
Liabilities:			
Current liabilities:			
Payable from unrestricted assets	$	63,488,131	54,787,161
Payable from restricted assets		133,130,316	109,576,237
Long-term liabilities, net of current portion:			
Payable from unrestricted assets		210,756,609	194,443,422
Payable from restricted assets		1,289,427,534	1,062,009,750
Total liabilities	$	1,696,802,590	1,420,816,570
Deferred inflows of resources	$	7,150,139	11,831,304
Net position:			
Net investment in capital assets	$	1,340,906,137	1,241,985,545
Restricted		540,967,774	510,518,110
Unrestricted		274,684,406	288,196,189
Total net position	$	2,156,558,317	2,040,699,844

The largest portion of the Airports Division's net position (62.2% and 60.9% at June 30, 2016 and 2015, respectively) represents its investments in capital assets (e.g., land, buildings and improvements, and equipment), less related indebtedness outstanding to acquire those capital assets. The Airports Division uses these capital assets to provide services to its passengers and visitors using the airports system; consequently, these assets are not available for future spending. Although the Airports Division's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay such liabilities.

The restricted portion of the Airports Division's net position (25.1% and 25.0% at June 30, 2016 and 2015, 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 $558.3 million and $550.4 million at June 30, 2016 and 2015, respectively. The $558.3 million and $550.4 million cash balance at June 30, 2016 and 2015, 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 $2,156.6 million at June 30, 2016, representing an increase of $115.9 million from June 30, 2015.

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's remaining cost to be paid for planned projects is $1.8 billion 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, 2016 and 2015 and the amount and percentage of change in relation to prior year amounts is as follows:

	2016		Increase (decrease) from 2015	
	Amount	Percentage of total	Amount	Percentage
Operating revenue:				
Concession fees:				
Duty free	$ 32,300,000	6.8%	$ —	—%
Other concessions	113,230,416	23.9	(3,304,835)	(2.8)
Airport landing fees	66,087,556	14.0	6,428,207	10.8
Aeronautical rentals:				
Nonexclusive joint-use premise charge	66,307,423	14.0	10,716,441	19.3
Exclusive-use premise charge	49,114,469	10.4	7,038,709	16.7
Nonaeronautical rentals	15,790,815	3.3	787,579	5.2
Other	10,240,603	2.2	(534,092)	(5.0)
Total operating revenue	353,071,282	74.6	21,132,009	6.4
Nonoperating revenue:				
Interest income, investments	4,862,834	1.0	1,735,778	55.5
Interest income, direct financing leases	1,222,031	0.3	(456,436)	(27.2)
Interest income, other loans and investment	10,583	—	(2,752)	(20.6)
Federal operating grants	2,273,076	0.5	715,376	45.9
Passenger facility charges	38,454,274	8.1	802,292	2.1
Rental car customer facility charges	69,604,372	14.7	4,102,746	6.3
Debt service support charges	4,000,000	0.8	(14,500,000)	(78.4)
Total nonoperating revenue	120,427,170	25.4	(7,602,996)	(5.9)
Total revenue	$ 473,498,452	100.0%	$ 13,529,013	2.9%

(Continued)

	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%

Expenses

A summary of expenses for the years ended June 30, 2016 and 2015 and the amount and percentage of change in relation to prior year amounts is as follows:

	2016		Increase (decrease) from 2015	
	Amount	Percentage of total	Amount	Percentage
Operating expenses:				
Salaries and wages	$ 92,251,266	24.1	$ 4,068,279	4.6%
Other personnel services	58,559,458	15.3	4,081,006	7.5
Utilities	34,414,525	9.0	(7,324,151)	(17.5)
Repairs and maintenance	34,031,495	8.9	3,394,066	11.1
State of Hawaii surcharge on gross receipts	12,786,441	3.3	218,564	1.7
Special maintenance	8,661,551	2.3	(252,181)	(2.8)
Department of transportation general administration expenses	5,595,301	1.4	517,229	10.2
Materials and supplies	5,476,678	1.4	(637,115)	(10.4)
Insurance	2,675,748	0.7	263,351	10.9
Bad debt expense	333,416	0.1	234,278	236.3
Other	4,436,841	1.2	1,104,819	33.2
Total operating expenses before depreciation	259,222,720	67.7	5,668,145	2.2
Depreciation	99,396,717	25.9	10,962,905	12.4
Total operating expenses	358,619,437	93.6	16,631,050	4.9
Nonoperating expenses:				
Interest expense:				
Revenue bonds:				
Airports system	17,752,943	4.6	(434,094)	(2.4)
Special facility	1,222,031	0.3	(456,436)	(27.2)
Lease revenue certificates of participation	1,046,152	0.3	(2,716,699)	(72.2)
Other	523,652	0.1	81,457	18.4
Loss on disposal of capital assets	2,228,535	0.6	(253,513)	(10.2)
Bond issue costs	1,856,122	0.5	1,856,122	100.0
Other	5,599	—	(598,315)	(99.1)
Total nonoperating expenses	24,635,034	6.4	(2,521,478)	(9.3)
Total expenses	$ 383,254,471	100.0%	$ 14,109,572	3.8%

DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Management's Discussion and Analysis

June 30, 2016

	2015		Increase (decrease) from 2014	
	Amount	Percentage of total	Amount	Percentage
Operating expenses:				
Salaries and wages	$ 88,182,987	23.9%	$ 5,402,506	6.5%
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
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%

Capital Acquisitions and Construction Activities

In fiscal year 2016, there were 17 construction bid openings totaling an estimated $657 million in potential construction contracts. Projects include Access Control and CCTV System Upgrade at Hilo International Airport; Access Control and CCTV System Upgrade at Kona International Airport at Keahole; Airfield Runway 8L Widening, Phase 1, Consolidated Car Rental Facility, Interisland Terminal Mauka Extension, and Roadway Terminal Signage Improvements at Honolulu International Airport; Installation of Wash Rack at Kahului Airport; Runway 3-21 and Taxiway B Rehabilitation at Lihue Airport; and New T-Hangars and Infrastructure Improvements Phase 2 at Kalaeloa Airport.

There were also many ongoing construction projects that were initiated prior to fiscal year 2016, which were under construction during the fiscal year. Major projects include Statewide Energy Savings Performance Contracting, Statewide; Taxilane G & L Widening Phase I, Taxiway Z Structural Improvements, Relocate Interisland Maintenance Facility, and Ewa Concourse Concession and Restroom Improvements at Honolulu International Airport; Consolidated Car Rental Facility, Airport Access Road to Hana Highway, and Reroof Terminal Building, Phase 2 at Kahului Airport; and Aircraft Rescue and Fire Fighting Facility Improvements at Hilo International Airport.

Finally, there were 18 projects that were substantially completed in fiscal year 2016. These projects include planning, design, and construction projects at large, medium, and small hub airports statewide to preserve, maintain, and modernize facilities. These projects include Runway 8L Edge Lighting, Interim Car Rental Facility, Elliott Street New Employee Parking Lot, and Aloha Airlines Cargo Demolition, Phase 2 and Hardstand at Honolulu International Airport; Property Acquisition Environmental Services, Apron Pavement Structural Improvements, and Replace Terminal Fire Protection System at Kahului Airport; Runway Safety Area Improvements and Airfield Lighting at Lanai Airport; Install Perimeter Fence Phase II and Noise Attenuation at Keaukaha Subdivision Phase 2 at Hilo International Airport; Part 107 Security, Phase I at Kona International Airport at Keahole; Former Landfill Site Restoration and Air Conditioning System Replacement at Lihue Airport; Hangar 110 Improvements Phase 3 at Kalaeloa Airport; and Statewide Energy Savings Performance Contracting, Airport Layout Plan Update, and Pavement Management System Phase I for statewide airports.

The Airports Division continues its mission to modernize airport facilities to provide safety and efficiency to airport tenants and enhance the passenger experience. At Honolulu International Airport, the new Mauka Concourse and a consolidated rental car facility have been awarded and will start construction in late 2016. At Kahului Airport, a consolidated rental car facility with a cost estimate above $300 million is under construction. 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, 2016, $1,084.5 million of airports system revenue bonds were outstanding as compared to $859.0 million as of June 30, 2015. 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. 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, 2016 and 2015, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $906,574,010 and $1,179,960,582, 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.

On April 13, 2016, the Airports Division issued Series 2016 Lease Revenue Certificates of Participation to provide an additional $8.1 million for the ESCO Project.

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, 2016 and 2015, there were outstanding bond obligations of $21,725,000. 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.

Immigration Investor Program (EB-5)

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 revenue 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, 2016, 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, 2016, there were five Series of airports system revenue bonds outstanding in the principal amount of $1,014,760,000. 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	A1
Fitch IBCA, Inc.	A

Economic Factors and Current Known Facts

On October 25, 2016, the Airports Division requested and received a $10 million advance pursuant to Section 2.1(c) of the EB-5 Loan Agreement. As of October 25, 2016, the outstanding balance on the loan facility amounted to $44.9 million.

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, 2016

Assets

Current assets:		
Unrestricted assets:		
Cash and cash equivalents – unrestricted	$	558,289,777
Receivables:		
Accounts, net of allowance of $1,026,762 for uncollectible accounts, respectively		25,053,413
Interest		619,720
Claims – federal grants		4,740,949
Aviation fuel tax		156,823
Due from State of Hawaii		3,698,616
Total receivables		34,269,521
Inventory of materials and supplies, at cost		206,483
Total unrestricted current assets		592,765,781
Restricted assets:		
Cash and cash equivalents:		
Revenue bond debt service		64,767,128
Debt extinguishment		5,234,429
Security deposits		7,391,076
Prepaid airport use charge fund		9,245,460
Held by loan trustee		261,826
Total restricted current assets		86,899,919
Total current assets		679,665,700
Noncurrent assets:		
Unrestricted assets:		
Capital assets, net of accumulated depreciation of $2,097,082,957		2,373,245,489
Total unrestricted noncurrent assets		2,373,245,489
Restricted assets:		
Cash and cash equivalents:		
Major maintenance, renewal, and replacement account		60,000,000
Debt extinguishment		2,734,363
Passenger facility charges		149,309,250
Rental car customer facility charges		216,467,408
Revenue bond construction		205,066,630
Total cash and cash equivalents – restricted		633,577,651
Investments – revenue bond debt service reserve		96,893,008
Investments – held by certificate of participation funds trustee		24,069,221
Passenger facility charges receivable		4,166,875
Rental car customer facility charges receivable		5,417,643
Net investments in direct financing leases		21,877,754
Total restricted noncurrent assets		786,002,152
Total noncurrent assets		3,159,247,641
Total assets	$	3,838,913,341
Deferred outflows of resources:		
Deferred loss on refunding	$	3,001,913
Differences between expected and actual experience		1,028,665
Changes in assumptions		2,685,041
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions		143,078
Airports Division contributions subsequent to the measurement date		14,739,008
Total deferred outflows of resources	$	21,597,705

(Continued)

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

Statement of Net Position

June 30, 2016

Liabilities	
Current liabilities:	
Payable from unrestricted assets:	
Vouchers payable	$ 18,538,207
Contracts payable, including retainage of $3,687,654	20,459,095
Current portion of workers' compensation	1,440,611
Current portion of compensated absences	3,623,393
Unearned income	1,428,735
Accrued wages	6,929,015
Pollution remediation liability	699,373
Other	10,369,702
Total payable from unrestricted assets	63,488,131
Payable from restricted assets:	
Contracts payable, including retainage of $10,945,240	51,988,631
Current portion of airports system revenue bonds	37,290,000
Accrued interest	31,715,609
Current portion of lease revenue certificates of participation	4,745,000
Security deposits	7,391,076
Total payable from restricted assets	133,130,316
Total current liabilities	196,618,447
Long-term liabilities – net of current portion:	
Payable from unrestricted assets:	
Compensated absences	7,560,129
Workers' compensation	2,820,921
Postemployment liability	85,596,016
Pension liability	114,779,543
Total payable from unrestricted assets	210,756,609
Payable from restricted assets:	
Airports system revenue bonds	1,047,202,560
Special facility revenue bonds	21,725,000
Lease revenue certificates of participation	175,239,556
Loan payable	34,910,142
Prepaid airport use charge fund	10,350,276
Total payable from restricted assets	1,289,427,534
Total long-term liabilities – net of current portion	1,500,184,143
Total liabilities	$ 1,696,802,590
Deferred inflows of resources related to pensions:	
Differences between expected and actual experience	$ 3,163,233
Changes in proportion	704,175
Net difference between projected and actual earnings on pension plan investments	3,282,731
Total deferred inflows of resources	7,150,139
Net Position	
Net investment in capital assets	$ 1,340,906,137
Restricted:	
Debt service payment	37,290,000
Debt service reserve account	96,893,008
Debt extinguishment	7,968,792
Major maintenance, renewal, and replacement account	60,000,000
Passenger facility charges	150,632,113
Rental car customer facility charges	188,183,861
Total restricted	540,967,774
Unrestricted	274,684,406
Commitments and contingencies	
Total net position	$ 2,156,558,317

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, 2016

Operating revenue:		
Concession fees	$	145,530,416
Airport landing fees, net		66,087,556
Aeronautical rentals:		
Nonexclusive joint-use premise charges		66,307,423
Exclusive-use premise charges		49,114,469
Nonaeronautical rentals		15,790,815
Aviation fuel tax		2,568,359
Miscellaneous		7,672,244
Net operating revenue		353,071,282
Operating expenses:		
Depreciation		99,396,717
Salaries and wages		92,251,266
Other personnel services		58,559,458
Utilities		34,414,525
Repairs and maintenance		34,031,495
State of Hawaii surcharge on gross receipts		12,786,441
Special maintenance		8,661,551
Department of Transportation general administration expenses		5,595,301
Materials and supplies		5,476,678
Insurance		2,675,748
Claims and benefits		1,503,204
Travel		546,551
Communication		411,618
Dues and subscriptions		371,766
Rent		351,346
Bad debt expense		333,416
Freight and delivery		6,512
Printing and advertising		2,298
Miscellaneous		1,243,546
Total operating expenses		358,619,437
Operating loss, carried forward		(5,548,155)

(Continued)

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, 2016

Operating loss, brought forward	$	(5,548,155)
Nonoperating revenue (expenses):		
Interest income:		
Certificates of deposit, repurchase agreements, U.S. government securities		4,873,417
Investments in direct financing leases		1,222,031
Interest expense:		
Revenue bonds:		
Airports system		(17,752,943)
Special facility		(1,222,031)
Lease revenue certificates of participation		(1,046,152)
Other		(523,652)
Federal operating grants		2,273,076
Loss on disposal of capital assets		(2,228,535)
Passenger facility charges		38,454,274
Rental car customer facility charges		69,604,372
Bond issue costs		(1,856,122)
Debt service support charges		4,000,000
Other		(5,599)
Total nonoperating revenue, net		95,792,136
Income before capital contributions		90,243,981
Capital contributions:		
Federal capital grants		25,614,492
Total capital contributions		25,614,492
Increase in net position		115,858,473
Total net position – beginning of year		2,040,699,844
Total net position – end of year	$	2,156,558,317

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, 2016

Cash flows from operating activities:	
Cash received from providing services	$ 353,678,977
Cash paid to suppliers	(161,980,480)
Cash paid to employees	(81,139,706)
Net cash provided by operating activities	110,558,791
Cash flows from noncapital financing activity:	
Proceeds from federal operating grants	3,480,308
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(157,841,821)
Proceeds from federal and other capital grants and contributions	26,229,619
Proceeds from airports system revenue bonds	264,654,386
Interest paid on airports system revenue bonds	(40,735,373)
Principal paid on airports system revenue bonds	(35,725,000)
Bond issue costs paid	(1,856,122)
Proceeds from lease revenue certificates of participation	8,056,521
Interest paid on lease revenue certificates of participation	(8,343,064)
Interest paid on loan payable	(523,652)
Payments for passenger facility charges program	(28,955,531)
Proceeds from passenger facility charges program	38,653,967
Payments for rental car customer facility charges program	(34,623,020)
Proceeds from rental car customer facility charges	69,443,768
Payments – other	(5,599)
Net cash provided by capital and related financing activities	98,429,079
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	220,935,486
Interest received on investments	4,577,269
Purchases of investments	(210,183,297)
Net cash provided by investing activities	15,329,458
Net increase in cash and cash equivalents	227,797,636
Cash and cash equivalents – beginning of year	1,050,969,711
Cash and cash equivalents – end of year	$ 1,278,767,347

(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, 2016

Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$	(5,548,155)
Adjustments to reconcile operating loss to net cash provided operating activities:		
Depreciation		99,396,717
Bad debt expense		333,416
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund		1,104,816
Changes in operating assets and liabilities:		
Accounts receivable		(1,214,746)
Aviation fuel tax receivable		238,553
Due from State of Hawaii		(1,128,655)
Inventory		(12,770)
Vouchers payable		4,364,669
Contracts payable		4,652,903
Unearned income		(2,849,414)
Accrued wages		945,565
Postemployment liability		10,165,995
Pension liability		(1,991,664)
Pollution remediation liability		(893,509)
Security deposits		1,208,575
Other current liabilities		1,786,495
Net cash provided by operating activities	$	110,558,791
Supplemental information:		
Noncash investing, capital, and financing activities:		
The Airports Division's noncash capital and financing activities related to bonds payable included the following:		
Interest payments on special facility revenue bonds by trustee	$	1,222,031
Amortization of revenue bond premium		(3,427,323)
Amortization of revenue bond discount		510
Amortization of certificates of participation premium		(936,126)
Amortization of deferred loss on refunding revenue bonds		946,968

At June 30, 2016, contracts payable included $16,260,962 for the acquisition of capital assets.

During fiscal year 2016, interest of $33,582,636 was capitalized in capital assets.

During fiscal year 2016, capital assets with a net book value of $2,228,535 were written off.

During fiscal year 2016, the prepaid airport use charge fund was decreased by $4,000,000 for a transfer to the Airports Division to offset the signatory airline requirement for fiscal year 2016.

During fiscal year 2016, amortization of deferred outflows of resources related to pension contributions was $3,182,597.

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 revenue, expenses, and changes in net position.

(Continued)

(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, 2016 was as follows: current – $24,610,753; 30 days – $668,145; 60 days – ($144,260); and over 90 days – $945,537.

(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.

(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

During fiscal year 2016, the Airports implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The Statement requires governments to measure certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Statement also enhances fair value application guidance and disclosure. This Statement did not have a material effect on the Airports Division's financial statements.

Effective July 1, 2015, the Airports Division adopted GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, regarding contribution requirements for cost-sharing employer's proportion of employee (plan member) contributions. The Statement clarifies that an employer's expense and expenditures for employee contributions should be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This Statement did not have a material effect on the Airports Division's financial statements.

(3) Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2016 consisted of the following:

Petty cash	$	4,765
Amounts held in State Treasury		1,278,500,756
Amounts held by trustee		261,826
Certificates of deposit		49,332,574
U.S government securities		47,560,434
Money market funds		24,069,221
	$	1,399,729,576

Such amounts are reflected in the statement of net position at June 30, 2016 as follows:

Cash and cash equivalents:		
Unrestricted	$	558,289,777
Restricted		720,477,570
Total cash and cash equivalents		1,278,767,347
Investments – restricted		96,893,008
Investments – held by certificate of participation funds – trustee		24,069,221
Total cash and cash equivalents and investments	$	1,399,729,576

(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, 2016, 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 $1,278,500,756.

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.

(Continued)

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, 2015 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	$ 805,558	779,202	26,356	—
U.S. government securities	1,445,267	611,840	833,422	5
Repurchase agreements	118,465	103,815	14,650	—
	$ 2,369,290	1,494,857	874,428	5
Mutual funds	12,643			
Total investments	$ 2,381,933			
Investments – fiduciary funds:				
Certificates of deposit	$ 133,146	128,790	4,356	—
U.S. government securities	238,879	101,127	137,751	1
Repurchase agreements	19,580	17,159	2,421	—
	$ 391,605	247,076	144,528	1
Mutual funds	881,145			
Total investments	$ 1,272,750			

Information relating to the State's investment pool at June 30, 2016 will be included in the comprehensive annual financial report of the State when issued.

(b) Investments

At June 30, 2016, 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 maintaining a Triple-A rating.

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.

Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

(Continued)

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 consists of the following:

	Balance, June 30, 2015	Increases	Decreases	Transfers	Balance, June 30, 2016
Capital assets not being depreciated:					
Land	$ 315,710,369	—	—	267,593	315,977,962
Land improvements	32,920,981	—	—	12,454,553	45,375,534
Construction in progress	726,749,571	267,530,889	(2,232,055)	(212,105,125)	779,943,280
Total capital assets not being depreciated	1,075,380,921	267,530,889	(2,232,055)	(199,382,979)	1,141,296,776
Capital assets being depreciated:					
Land improvements	1,003,676,344	—	—	90,472,321	1,094,148,665
Buildings and improvements	1,833,969,562	—	—	107,426,595	1,941,396,157
Machinery and equipment	290,858,097	1,551,662	(388,646)	1,465,736	293,486,849
Total capital assets being depreciated	3,128,504,003	1,551,662	(388,646)	199,364,652	3,329,031,671
Less accumulated depreciation:					
Land improvements	(756,550,283)	(27,954,270)	—	—	(784,504,553)
Buildings and improvements	(1,035,029,463)	(54,221,054)	—	—	(1,089,250,517)
Machinery and equipment	(206,513,135)	(17,221,393)	388,304	18,336	(223,327,888)
Total depreciation	(1,998,092,881)	(99,396,717)	388,304	18,336	(2,097,082,958)
Capital assets being depreciated, net	1,130,411,122				1,231,948,713
Total capital assets	$ 2,205,792,043				2,373,245,489

(5) Long-Term Liabilities

A summary of the long-term liabilities changes during fiscal year 2016 is as follows:

	Balance, June 30, 2015	Increases	Decreases	Balance, June 30, 2016	Current	Noncurrent
Workers' compensation (note 16)	$ 4,261,532	1,369,943	(1,369,943)	4,261,532	1,440,611	2,820,921
Compensated absences	10,738,103	5,805,419	(5,360,000)	11,183,522	3,623,393	7,560,129
Prepaid airport use charge fund (notes 9 and 17)	13,245,460	1,104,816	(4,000,000)	10,350,276	—	10,350,276
Postemployment liability (note 13)	75,430,021	16,849,705	(6,683,710)	85,596,016	—	85,596,016
Pension liability (note 12)	108,697,548	17,011,597	(10,929,602)	114,779,543	—	114,779,543
Airports system revenue bonds (note 6)	858,989,987	264,708,125	(39,205,552)	1,084,492,560	37,290,000	1,047,202,560
Lease revenue certificates of participation (note 7)	172,864,161	8,056,521	(936,126)	179,984,556	4,745,000	175,239,556
Special facility revenue bonds (note 9)	21,725,000	—	—	21,725,000	—	21,725,000
Loan payable (note 8)	34,910,142	—	—	34,910,142	—	34,910,142
	$ 1,300,861,954	314,906,126	(68,484,933)	1,547,283,147	47,099,004	1,500,184,143

(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 revenue 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.

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, 2016, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2016, 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		64,767,128
	$	221,660,136

At June 30, 2016, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $906,574,010.

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, 2016:

Series	Interest rate	Final maturity date (July 1)		Original amount of issue	Outstanding amount
2010A, refunding	2.00%–5.25%	2039	$	478,980,000	477,460,000
2010B, refunding	3.00%–5.00%	2020		166,000,000	103,800,000
2011, refunding	2.00%–5.00%	2024		300,885,000	226,530,000
2015A, nonrefunding	4.125%–5.00%	2045		235,135,000	235,135,000
2015B, nonrefunding	4.00%	2045		9,125,000	9,125,000
			$	1,190,125,000	1,052,050,000
Add unamortized premium					32,495,279
Less unamortized discount					(52,719)
Less current portion					(37,290,000)
Noncurrent portion					$ 1,047,202,560

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

		Principal	Interest	Total
Year(s) ending June 30:				
2017	$	38,935,000	50,416,476	89,351,476
2018		40,755,000	48,596,526	89,351,526
2019		42,585,000	46,765,676	89,350,676
2020		44,690,000	44,662,077	89,352,077
2021		46,805,000	42,546,151	89,351,151
2022–2026		192,785,000	177,118,400	369,903,400
2027–2031		113,195,000	141,399,421	254,594,421
2032–2036		145,080,000	109,517,806	254,597,806
2037–2041		179,340,000	69,525,956	248,865,956
2042–2045		170,590,000	21,619,925	192,209,925
	$	1,014,760,000	752,168,414	1,766,928,414

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 $37,290,000 and $27,477,128, respectively.

The following is a summary of interest costs incurred for the year ended June 30, 2016 and the allocation thereof:

Expensed as incurred	$	17,752,943
Capitalized in capital assets		27,221,850
	$	44,974,793

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% to pay costs of capital improvement projects at certain facilities of the State's airports system, capitalized interest on the Series 2015 Bonds, and certain costs of issuance relating the Series 2015 Bonds.

(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 revenue 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.

On April 13, 2016, the Airports Division entered into a lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to Honolulu International Airport's cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to 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 $8,056,521 at an interest rate of 1.74%. These lease revenue

(Continued)

certificates of participation are payable from revenue 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. The Series 2016 certificates are secured by the Series 2013 certificates issued in December 2013.

At June 30, 2016, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $175,796,521 and $4,188,035, 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:			
2017	$ 4,745,000	8,271,888	13,016,888
2018	6,346,175	8,308,747	14,654,922
2019	7,330,905	7,912,025	15,242,930
2020	8,592,679	7,575,076	16,167,755
2021	10,197,843	7,136,087	17,333,930
2022–2026	73,443,919	26,495,226	99,939,145
2027–2029	65,140,000	5,160,337	70,300,337
	$ 175,796,521	70,859,386	246,655,907

(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 revenue 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, 2016, the Airports Division has incurred interest of $523,652. At June 30, 2016, 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 2016 have been transferred to the PAUCF (note 17).

Aviation Fuel Tax

The aviation fuel tax amounted to $2,568,359 for fiscal year 2016. 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 $68,722,764 for fiscal year. Airport landing fees are shown net of aviation fuel tax credits of $2,635,208 for fiscal year 2016, on the statements of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $66,087,556 for fiscal year 2016. 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 44% of the airport landing fees for overseas flights for fiscal year 2016, 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 $66,307,423 for fiscal year 2016.

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 $49,114,469 for fiscal year 2016, and are computed using a fixed rate per square footage per year. Exclusive-use premise charges for terminal rentals amounted to $25,203,588 for fiscal year 2016.

Airports system support charges amounted to nil for fiscal year 2016, 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 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. The special facility revenue bonds amounting to $16,600,000 were called in full on May 18, 2015. 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, 2016:

	Principal	Interest	Total
Year(s) ending June 30:			
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	—	1,222,031	1,222,031
2022–2026	—	6,110,156	6,110,156
2027–2028	21,725,000	1,833,047	23,558,047
	$ 21,725,000	14,053,358	35,778,358

Special facility revenue bonds payable at June 30, 2016 consisted of the following:

2016:		
Current portion	$	—
Noncurrent portion		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, 2016 consisted of the following:

Cash with bond fund trustee	$	1,197,813
Receivable from lessees, net of unearned interest of $13,900,605		20,527,187
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, 2016 are as follows:

Year(s) ending June 30:		
2017	$	74,514,648
2018		61,678,393
2019		58,521,996
2020		59,864,114
2021		12,679,594
2022–2026		47,430,580
2027–2031		33,355,585
2032–2036		4,066,494
2037–2041		3,592,662
Thereafter		3,477,902
	$	359,181,968

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 2016 was $67,020,453.

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 $81,541 at June 30, 2016 is due as follows: 2017 – $9,000; 2018 – $9,000; 2019 – $8,041; and thereafter – $55,500.

Concession fee revenue 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 revenue for fiscal year 2016.

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, (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, 2016 is as follows:

Restricted assets – passenger facility charges, beginning of year	$	143,977,382
Passenger facility charges during the year		37,575,326
Interest earned on passenger facility charges during the year		878,948
Capital expenditures during the year		(28,955,531)
Restricted assets – passenger facility charges, end of year	$	153,476,125

Restricted assets – passenger facility charges are presented on the statement of net position as of June 30, 2016 as follows:

Cash and cash equivalents	$	149,309,250
Receivable		4,166,875
Total restricted assets – passenger facility charges	$	153,476,125

(11) Rental Car Customer Facility Charge

Rental car customer facility charge activity for the year ended June 30, 2016 is as follows:

Restricted assets – rental car customer facility charge, beginning of year	$	187,427,343
Rental car customer facility charges during the year		68,395,226
Interest earned on rental car customer facility charges during the year		1,209,146
Capital expenditures during the year		(34,623,020)
Interest paid on loan payable		(523,652)
Interest received on loan payable from trustee		8
Restricted assets – rental car customer facility charges, end of year	$	221,885,051

Restricted assets – rental car customer facility charges are presented on the statement of net position as of June 30, 2016 as follows:

Cash and cash equivalents	$	216,467,408
Receivable		5,417,643
Total restricted assets – rental car customer facility charges	$	221,885,051

(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

Police officers, firefighters, and certain other members that are not covered by Social Security first hired prior to July 1, 2012 contribute 12.2% of their salary and receive a retirement benefit using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of AFC. These members may retire at age 55 with 5 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service is any of the qualified occupations.

Police officers, firefighters, and certain other members that are not covered by Social Security first hired after June 30, 2012 contribute 14.20% of their salary and receive a retirement benefit using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of AFC. These members may retire at age 60 with 10 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service is any of the qualified occupations.

All other 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. Since 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. The contribution rates for fiscal year 2016 were 25.00% for police officers and firefighters, and 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, 2016, 2015, and 2014 were $11,033,008, $10,261,692, and $9,030,263, respectively, which represented 18.78%, 18.31%, and 17.53% 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, 2016, the Airport Division’s proportionate share of the net pension liability is $114,779,543. At June 30, 2015, the Airports Division’s proportionate share of the State’s proportion was 2.2700%, which was an increase of 0.1100% from its proportion measured as of June 30, 2014.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date, except for a change in the discount rate. There were no changes between the measurement date, June 30, 2015, and the reporting date, June 30, 2016, that are expected to have a significant effect on the proportionate share of the net pension liability.

(Continued)

For the year ended June 30, 2016, the Airports Division recognized pension expense of $9,264,593. At June 30, 2016, 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	$	1,028,665	(3,163,233)
Changes of assumptions		2,685,041	—
Net difference between projected and actual earnings on pension plan investments		—	(3,282,731)
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions		143,078	(704,175)
Airports Division contributions subsequent to the measurement date		14,739,008	—
Total	$	18,595,792	(7,150,139)

The $14,739,008 resulting from the Airports Division contributions subsequent to the measurement date is reported as deferred outflows of resources related to pensions in the year ended June 30, 2016. The $11,033,008 of this balance is related to employer contributions made subsequent to the measurement date and will be recognized as a reduction of net pension liability in the year ending June 30, 2017. The remaining $3,706,000 of deferred outflows relates to member contributions made subsequent to the measurement date and will be recognized as pension expense in the year ending June 30, 2017. 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:		
2017	$	(1,674,792)
2018		(1,674,792)
2019		(1,674,792)
2020		1,857,553
2021		(126,532)
	$	(3,293,355)

Actuarial Assumptions

The total pension liability in the June 30, 2015 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%	7.65% per year

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended 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	9.25
Total fixed income	20.0	3.10
Real estate	7.0	9.20
Private equity	7.0	11.85
Real return	5.0	6.65
Covered calls	5.0	7.65
Total investments	100.0%	

Discount Rate

The discount rate used to measure the net pension liability was 7.65%. 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 7.65%, 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 one-percentage point lower (6.65%) or one-percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Discount rate (7.65%)	1% Increase (8.65%)
Airports Division's proportionate share of the net pension liability	$ 142,905,029	114,779,543	84,029,502

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 revenue is 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

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

(Continued)

(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, 2016 was $6,683,710, which represented 40% of the Airports Division's share of the ARC for postemployment healthcare and life insurance benefits of $16,849,705.

The following is a summary of changes in postemployment liability during the fiscal year ended June 30, 2016:

Balance at June 30, 2015	$	75,430,021
Additions		16,849,705
Deletions		(6,683,710)
Balance at June 30, 2016	$	85,596,016

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 $12,786,441 in fiscal year 2016.

The Airports Division is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $5,595,301 in fiscal year 2016. During fiscal year 2016, the Airports Division received assessment refunds from the DOT amounting to $1,825,645. Such refunds reduced operating expenses in the accompanying statement of revenue, expenses, and changes in net position.

During fiscal year 2016, revenue received from other state agencies totaled $2,670,471 and expenditures to other state agencies totaled $8,622,010.

(15) Commitments

(a) Sick Pay

Accumulated sick leave at June 30, 2016 was $22,955,596. 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.

(Continued)

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 Revenue

In accordance with the Certificate, the Airports Division has pledged future revenue net of operation, maintenance and repair expenses, and certain adjustments (net revenue and taxes available for debt service) to repay $1,190,125,000 in revenue bonds issued in 2010, 2011, and 2015, and are payable through 2045. The total debt service remaining to be paid on the revenue bonds for the Airports Division is $1,766,928,414. In fiscal year 2016, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports Division were $83,179,638 and $122,181,214, respectively. See also note 6 for further discussion on the revenue bonds.

(d) Other

At June 30, 2016, the Airports Division has commitments totaling approximately $679,621,965 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

(Continued)

claims that have been incurred but not reported. At June 30, 2016, the workers' compensation reserve was $4,261,532, of which $1,440,611 is included in current liabilities (payable from unrestricted net assets), and $2,820,921 is included in long-term liabilities in the accompanying statement of net position at June 30, 2016. 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, 2016, 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 2016, the PAUCF was decreased by $4,000,000 for a transfer to the Airports Division to offset the signatory airline requirement for fiscal year 2016. The PAUCF was increased by $1,104,816 due to an overpayment for fiscal year 2016. The PAUCF liability at June 30, 2016 was $10,350,276.

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 $699,373 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 22, 2016, 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, 2016

			Airports					
	Total	**Statewide**	**Honolulu International**	**Hilo International**	**Kona International at Keahole**	**Kahului**	**Lihue**	**All others**
Operating revenue:								
Concession fees	$ 145,530,416	—	89,236,169	2,613,475	13,255,754	27,888,061	12,233,321	303,636
Airport landing fees	66,087,556	—	44,554,609	1,386,849	4,550,998	11,177,658	3,837,352	580,090
Aeronautical rentals:								
Nonexclusive joint-use premise charges	66,307,423	—	51,271,192	1,168,287	2,631,765	7,820,600	3,415,579	—
Exclusive-use premise charges	49,114,471	—	35,134,583	1,473,149	1,722,098	6,954,150	3,172,187	658,304
Nonaeronautical rentals	15,790,813	—	10,008,223	447,002	1,125,486	2,988,673	1,102,307	119,122
Aviation fuel tax	2,568,359	—	1,731,525	53,897	176,865	434,397	149,131	22,544
Miscellaneous	7,672,244	642,241	5,229,772	131,970	549,206	607,440	471,736	39,879
	353,071,282	642,241	237,166,073	7,274,629	24,012,172	57,870,979	24,381,613	1,723,575
Allocation of statewide miscellaneous revenue (note 1)	—	(642,241)	477,777	12,056	50,174	55,494	43,097	3,643
Net operating revenue	$ 353,071,282	—	237,643,850	7,286,685	24,062,346	57,926,473	24,424,710	1,727,218
Operating expenses other than depreciation:								
Salaries and wages	$ 92,251,266	16,843,482	37,748,167	5,929,909	6,742,645	10,165,415	6,891,167	7,930,481
Other personnel services	58,559,458	2,729,561	34,435,265	3,956,173	3,966,515	5,546,225	5,027,185	2,898,534
Utilities	34,414,525	3,644	24,738,404	982,320	2,110,172	3,828,447	2,004,983	746,555
Repairs and maintenance	34,031,495	7,860,677	20,764,352	926,450	1,278,721	1,618,824	1,041,240	541,231
State of Hawaii surcharge on gross receipts (note 2)	12,786,441	12,786,441	—	—	—	—	—	—
Special maintenance	8,661,551	1,513,539	929,161	(762,504)	2,165,647	625,681	(1,352)	4,191,379
Materials and supplies	5,476,679	172,056	2,701,248	427,844	621,444	757,320	452,645	344,122
Department of Transportation general administration expenses	5,595,301	5,595,301	—	—	—	—	—	—
Insurance	2,675,748	2,674,481	—	(26)	1,389	(170)	—	74
Claims and benefits	1,503,204	62,919	841,469	39,850	156,835	305,536	68,932	27,663
Travel	546,551	121,398	98,528	48,859	77,884	72,335	56,882	70,665
Communication	411,618	94,661	72,017	42,572	27,820	63,563	48,505	62,480
Rent	351,346	91,325	174,747	10,193	14,454	21,808	18,553	20,266
Dues and subscriptions	371,766	356,985	7,823	1,500	2,097	1,630	—	1,731
Bad debt expense (note 3)	333,416	333,416	—	—	—	—	—	—
Freight and delivery	6,512	204	1,623	254	1,359	1,244	676	1,152
Printing and advertising	2,298	1,919	—	—	—	379	—	—
Miscellaneous	1,243,545	649,488	187,927	33,540	132,787	79,256	106,787	53,760
	259,222,720	51,891,497	122,700,731	11,636,934	17,299,769	23,087,493	15,716,203	16,890,093
Allocation of statewide expenses (note 4)	—	(51,891,497)	30,709,917	2,912,527	4,329,839	5,778,409	3,933,500	4,227,305
Total operating expenses other than depreciation for statement of revenue, expenses, and changes in net position	$ 259,222,720	—	153,410,648	14,549,461	21,629,608	28,865,902	19,649,703	21,117,398

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, 2016

Revenue and taxes:	
Concession fees	$ 145,530,416
Airport landing fees	66,087,556
Aeronautical rentals:	
Nonexclusive joint-use premise charges	66,307,423
Exclusive-use premise charges	49,114,469
Nonaeronautical rentals	15,790,815
Aviation fuel tax	2,568,359
Airport system support charges	—
Interest income, exclusive of interest on investments in direct financing leases and including interest income of $564,714 on capital improvement projects	4,873,417
Federal operating grants	2,273,076
Miscellaneous	7,672,244
Total revenue and taxes	360,217,775
Deductions:	
Operating expenses other than depreciation for net revenue and taxes (schedule 1)	259,222,720
Annual reserve required on major maintenance, renewal, and replacement account	—
Total deductions	259,222,720
Net revenue and taxes	100,995,055
Add funded coverage per bond certificate	21,186,159
Adjusted net revenue and taxes	122,181,214
Debt service requirement:	
Airports system revenue bonds:	
Principal	37,290,000
Interest (note 1)	42,531,532
Total debt service	79,821,532
Less funds deposited into the Airport Revenue Fund for credit to interest account (notes 2 and 3)	(4,320,597)
Total debt service requirement	75,500,935
Debt service coverage percentage	125
Total debt service with coverage requirement	94,376,169
Excess of net revenue and taxes over debt service requirement	$ 27,805,045

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 2016, the Airports Division transferred $4,000,000 of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the “Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.” The Prepaid Airport Use Charge Fund (notes 9 and 17) are amounts owed to the signatory airlines, and the transfer of $4,000,000 in lieu of payment, was agreed to by the Airlines Committee of Hawaii, Inc., a Hawaii corporation, representing the majority of signatory airlines operating at the Hawaii Airports System.

(3) Pursuant to the provisions in Section 6.01 of the Certificate and Hawaii Revised Statutes Section 261-5.5, the Airports Division transferred $320,597 of Passenger Facility Charge revenue into the Airport Revenue Fund for credit to the interest account for Passenger Facility Charge eligible debt service. The transfer is approved by the Federal Aviation Administration.

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, 2016

		Annual principal and interest requirements		
		Airports system revenue bonds		
		Principal	**Interest**	**Total**
Year ending June 30:				
2017	$	38,935,000	50,416,476	89,351,476
2018		40,755,000	48,596,526	89,351,526
2019		42,585,000	46,765,676	89,350,676
2020		44,690,000	44,662,077	89,352,077
2021		46,805,000	42,546,151	89,351,151
2022		49,175,000	40,172,564	89,347,564
2023		51,580,000	37,771,564	89,351,564
2024		54,195,000	35,152,664	89,347,664
2025		18,440,000	32,486,114	50,926,114
2026		19,395,000	31,535,494	50,930,494
2027		20,400,000	30,519,976	50,919,976
2028		21,460,000	29,463,376	50,923,376
2029		22,570,000	28,340,951	50,910,951
2030		23,755,000	27,160,757	50,915,757
2031		25,010,000	25,914,361	50,924,361
2032		26,255,000	24,663,861	50,918,861
2033		27,575,000	23,351,111	50,926,111
2034		28,945,000	21,972,362	50,917,362
2035		30,395,000	20,525,111	50,920,111
2036		31,910,000	19,005,361	50,915,361
2037		33,520,000	17,406,251	50,926,251
2038		35,195,000	15,726,462	50,921,462
2039		36,955,000	13,962,731	50,917,731
2040		35,945,000	12,107,006	48,052,006
2041		37,725,000	10,323,506	48,048,506
2042		39,600,000	8,451,557	48,051,557
2043		41,565,000	6,486,456	48,051,456
2044		43,630,000	4,423,656	48,053,656
2045		45,795,000	2,258,256	48,053,256
Total	$	1,014,760,000	752,168,414	1,766,928,414

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, 2016 of $37,290,000 and $27,477,128, 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, 2016

	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%	New issue series 2015 A, 4.12% to 5.00%	New issue series 2015 B, 4.00%	Total	Interest	Total requirements
Year ending June 30:								
2017	$ 340,000	19,975,000	18,620,000	—	—	38,935,000	50,416,476	89,351,476
2018	355,000	20,980,000	19,420,000	—	—	40,755,000	48,596,526	89,351,526
2019	255,000	22,165,000	20,165,000	—	—	42,585,000	46,765,676	89,350,676
2020	7,720,000	21,650,000	15,320,000	—	—	44,690,000	44,662,077	89,352,077
2021	14,510,000	—	32,295,000	—	—	46,805,000	42,546,151	89,351,151
2022	18,005,000	—	31,170,000	—	—	49,175,000	40,172,564	89,347,564
2023	16,650,000	—	34,930,000	—	—	51,580,000	37,771,564	89,351,564
2024	17,510,000	—	36,685,000	—	—	54,195,000	35,152,664	89,347,664
2025	18,440,000	—	—	—	—	18,440,000	32,486,114	50,926,114
2026	19,395,000	—	—	—	—	19,395,000	31,535,494	50,930,494
2027	20,400,000	—	—	—	—	20,400,000	30,519,976	50,919,976
2028	21,460,000	—	—	—	—	21,460,000	29,463,376	50,923,376
2029	22,570,000	—	—	—	—	22,570,000	28,340,951	50,910,951
2030	23,755,000	—	—	—	—	23,755,000	27,160,757	50,915,757
2031	25,010,000	—	—	—	—	25,010,000	25,914,361	50,924,361
2032	26,255,000	—	—	—	—	26,255,000	24,663,861	50,918,861
2033	27,575,000	—	—	—	—	27,575,000	23,351,111	50,926,111
2034	28,945,000	—	—	—	—	28,945,000	21,972,362	50,917,362
2035	30,395,000	—	—	—	—	30,395,000	20,525,111	50,920,111
2036	31,910,000	—	—	—	—	31,910,000	19,005,361	50,915,361
2037	33,520,000	—	—	—	—	33,520,000	17,406,251	50,926,251
2038	35,195,000	—	—	—	—	35,195,000	15,726,462	50,921,462
2039	36,955,000	—	—	—	—	36,955,000	13,962,731	50,917,731
2040	—	—	—	34,570,000	1,375,000	35,945,000	12,107,006	48,052,006
2041	—	—	—	36,295,000	1,430,000	37,725,000	10,323,506	48,048,506
2042	—	—	—	38,110,000	1,490,000	39,600,000	8,451,557	48,051,557
2043	—	—	—	40,020,000	1,545,000	41,565,000	6,486,456	48,051,456
2044	—	—	—	42,020,000	1,610,000	43,630,000	4,423,656	48,053,656
2045	—	—	—	44,120,000	1,675,000	45,795,000	2,258,256	48,053,256
Total	$ 477,125,000	84,770,000	208,605,000	235,135,000	9,125,000	1,014,760,000	752,168,414	1,766,928,414

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, 2016 of $37,290,000 and $27,477,128, respectively.

See accompanying independent auditors' report.

Schedule 5

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

Airports System Charges – Fiscal Year 2008 Lease Extension

Year ended June 30, 2016

	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.	1,120,314	—	—	$ 1,750,561	—	—	—	—	—	—	—	—	—	—	—	107,159	1,857,720
Air Canada	217,600	680	—	707,200	—	318,903	273,907	93,790	—	—	—	—	—	—	—	729,809	2,123,609
Air China Limited	76,076	190	—	247,247	—	—	39,044	36,139	—	—	—	—	—	188,722	—	—	511,152
Air Japan Co., Ltd.	117,120	366	30,390	380,640	—	—	93,594	87,171	—	—	—	—	—	440,519	—	—	1,001,924
Air New Zealand, Ltd.	66,730	200	70,937	216,873	—	—	46,105	42,675	—	—	—	—	—	231,788	—	—	537,441
Air Pacific, Ltd.	21,488	155	37,325	69,836	—	—	18,407	17,038	—	—	—	—	—	93,939	—	—	199,220
Alaska Airlines, Inc.	1,209,898	8,334	15,127	3,932,169	—	2,239,079	1,031,310	457,939	—	—	—	—	—	—	526,825	689,287	8,876,609
All Nippon Airways Co., Ltd.	247,872	734	—	805,584	—	—	184,527	170,920	—	—	—	—	—	932,618	—	21,720	2,115,369
Allegiant Air LLC	81,774	413	150,180	265,766	—	245,786	101,228	93,698	—	—	—	—	—	—	—	77,958	784,436
American Airlines, Inc.	1,183,816	5,731	—	3,847,399	—	2,135,192	1,652,079	554,480	—	—	—	—	—	—	—	1,912,167	10,101,317
Asiana Airlines, Inc.	108,872	262	—	353,835	—	—	77,687	71,909	—	—	—	—	—	392,733	—	197,313	1,093,477
China Airlines, Ltd.	208,964	500	63,242	679,134	—	—	165,614	155,358	—	—	—	—	—	808,728	—	47,717	1,856,551
Continental Airlines, Inc.	41,318	283	130,230	134,283	—	34,711	201,417	—	—	—	—	—	—	—	—	166,604	537,015
Continental Micronesia, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	381,550	381,550
Delta Air Lines, Inc.	1,788,603	6,468	—	5,812,959	—	2,388,183	1,904,732	1,148,127	—	—	—	—	—	2,293,527	—	1,894,777	15,442,305
Federal Express Corporation	663,012	—	369,328	2,154,789	—	—	—	—	—	—	—	—	—	—	—	7,611	2,162,400
Hawaii Island Air, Inc.	459,007	9,752	—	656,380	—	—	—	—	—	143,082	(114,960)	184,327	136,523	—	275,478	512,762	1,793,592
Hawaiian Airlines, Inc.	10,807,739	79,147	—	22,184,904	—	—	1,991,376	—	—	12,432,138	311,362	—	—	2,995,859	5,913,966	9,188,436	55,018,041
Japan Airlines International Co., Ltd.	924,764	2,278	482,425	3,005,483	—	—	705,270	652,811	—	—	—	—	—	3,433,720	—	1,227,068	9,024,352
Jetstar Airways Pty Limited	230,956	582	552,934	750,608	—	—	191,392	177,156	—	—	—	—	—	875,610	—	—	1,994,766
Jin Air Co., Ltd.	63,940	139	141,000	207,805	—	—	39,547	36,605	—	—	—	—	—	197,838	—	19,457	501,252
Kalitta Air, LLC	236,208	—	31,858	743,654	—	—			—	—	—	—	—	—	—	—	743,654
Korean Airlines Company, Ltd.	410,789	816	—	1,335,064	—	—	277,402	256,769	—	—	—	—	—	1,391,195	—	341,797	3,602,227
Mesa Airlines, Inc.	—	—	224,025	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mokulele Flight Service, Inc.	311,126	36,603	—	444,910	—	—		—	—	—	—	52,935	42,206	—	—	69,521	609,572
Philippine Airlines, Inc.	118,156	257	—	384,007	—	—	59,242	54,835	—	—	—	—	—	308,550	—	146,807	953,441
Polar Air Cargo, LLC	34,826	—	49,686	113,184	—	—		—	—	—	—	—	—	—	—	—	113,184
Qantas Airways, Ltd.	229,313	346	—	745,267	—	—	64,776	59,958	—	—	—	—	—	293,174	—	510,075	1,673,250
United Airlines, Inc.	2,808,084	10,658	47,210	9,122,178	—	4,189,001	3,029,887	1,524,434	—	—	—	—	—	1,365,213	—	4,920,522	24,151,235
United Parcel Service Co.	833,155	—	219,841	2,393,679	—	—	—	—	—	—	—	—	—	—	—	41,413	2,435,092
US Airways, Inc.	208,296	1,056	—	677,136	—	250,719	191,088	56,662	—	—	—	—	—	—	—	344,251	1,519,856
Virgin America, Inc.	77,991	536	—	253,470	—	146,426	123,076	46,107	—	—	—	—	—	—	—	211,476	780,555
WestJet	262,417	1,599	—	852,855	—	421,685	431,169	94,718	—	—	—	—	—	—	—	201,935	2,002,362
Nonsignatory airlines	1,473,303	815	53,476	2,610,503	—	189,302	132,886	—	—	—	—	—	—	354,546	—	1,552,828	4,840,065
Total airports system charges billed	26,643,527	168,900	2,669,214	67,839,362	—	12,558,987	13,026,762	5,889,299	—	12,575,220	196,402	237,262	178,729	16,598,279	6,716,269	25,522,020	161,338,591
Signatory airlines requirements				66,112,261	—	11,883,675	12,289,890	5,600,422	—	12,171,339	302,030	237,262	178,729	16,340,299	6,627,043	23,650,760	155,393,710
Nonsignatory airlines requirements				2,610,503	—	189,302	132,886	—	—	—	—	—	—	354,546	—	1,552,828	4,840,065
Fiscal year 2016 overpayment (underpayment)				$ (883,402)	—	486,010	603,986	288,877	—	403,881	(105,628)	—	—	(96,566)	89,226	318,432	1,104,816

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, 2016

		Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$	65,228,859	2,610,503	67,839,362
Less aviation fuel tax credit		(2,455,826)	(179,382)	(2,635,208)
Net airport landing fees billed	$	62,773,033	2,431,121	65,204,154

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 – Signatory Airlines

Year ended June 30, 2016

	Approved maximum revenue landing weights (1,000-pound units)				Honolulu International Airport and Hilo International Airport					All other airports			Total
					Gross airport landing fees								
	Honolulu International Airport	Hilo International Airport	All other airports	Total	Honolulu International Airport	Hilo International Airport	Total	Aviation fuel tax credit	Adjusted airport landing fees	Gross airport landing fees	Aviation fuel tax credit	Adjusted airport landing fees	Total adjusted airport landing fees
Aeko Kula, Inc	656,403	144,616	319,295	1,120,314	$ 1,087,168	206,801	1,293,969	(126,133)	1,167,836	456,592	—	456,592	1,624,428
Air Canada	106,560	—	111,040	217,600	346,320	—	346,320	—	346,320	360,880	—	360,880	707,200
Air China Limited	76,076	—	—	76,076	247,247	—	247,247	—	247,247	—	—	—	247,247
Air Japan Company	117,120	—	—	117,120	380,640	—	380,640	—	380,640	—	—	—	380,640
Air New Zealand Ltd.	66,730	—	—	66,730	216,873	—	216,873	—	216,873	—	—	—	216,873
Air Pacific, Ltd.	21,488	—	—	21,488	69,836	—	69,836	—	69,836	—	—	—	69,836
Alaska Airlines, Inc.	375,458	—	834,440	1,209,898	1,220,240	—	1,220,240	(323,119)	897,121	2,711,929	(95,348)	2,616,581	3,513,702
All Nippon Airways Co., Ltd.	247,872	—		247,872	805,584	—	805,584	—	805,584	—	—	—	805,584
Allegiant Air Llc	81,774	—	—	81,774	265,765	—	265,765	(38,277)	227,488	—	—	—	227,488
American Airlines, Inc.	554,060	—	629,756	1,183,816	1,800,693	—	1,800,693	(211,531)	1,589,162	2,046,705	—	2,046,705	3,635,867
Asiana Airlines, Inc	108,872	—	—	108,872	353,835	—	353,835	—	353,835	—	—	—	353,835
China Airlines, Ltd.	208,964	—	—	208,964	679,134	—	679,134	—	679,134	—	—	—	679,134
Continental Airlines, Inc.	—	41,318	—	41,318	—	134,284	134,284	—	134,284	—	—	—	134,284
Delta Air Lines. Inc.	1,403,583	—	385,020	1,788,603	4,561,644	—	4,561,644	(136,920)	4,424,724	1,251,315	—	1,251,315	5,676,039
Federal Express Corporation	663,012	—	—	663,012	2,154,789	—	2,154,789	—	2,154,789	—	—	—	2,154,789
Hawaii Island Air, Inc.	206,064	—	252,943	459,007	294,671	—	294,671	(22,994)	271,677	361,709	—	361,709	633,386
Hawaiian Airlines, Inc.	6,007,393	662,641	4,137,705	10,807,739	13,832,354	947,577	14,779,931	(971,429)	13,808,502	7,404,973	—	7,404,973	21,213,475
Japan Airlines International Co., Ltd.	924,764	—	—	924,764	3,005,483	—	3,005,483	—	3,005,483	—	—	—	3,005,483
Jetstar Airways Pty Limited	230,956	—	—	230,956	750,608	—	750,608	—	750,608	—	—	—	750,608
Jin Air Co., Ltd.	63,940	—	—	63,940	207,805	—	207,805	—	207,805	—	—	—	207,805
Kalitta Air, L.L.C.	223,608	—	12,600	236,208	726,726	—	726,726	—	726,726	16,928	—	16,928	743,654
Korean Airlines Company, Ltd.	410,789	—	—	410,789	1,335,064	—	1,335,064	—	1,335,064		—	—	1,335,064
Mokulele Flight Service, Inc.	56,381	—	254,745	311,126	80,624	—	80,624	(8,442)	72,182	364,286	—	364,286	436,468
Philippine Airlines, Inc.	118,156	—	—	118,156	384,007	—	384,007	—	384,007	—	—	—	384,007
Polar Air Inc	34,826	—	—	34,826	113,184	—	113,184	—	113,184	—	—	—	113,184
Qantas Airways Limited	229,313	—	—	229,313	745,267	—	745,267	—	745,267	—	—	—	745,267
United Airlines, Inc.	1,954,090	—	853,994	2,808,084	6,347,830	—	6,347,830	(372,395)	5,975,435	2,774,348	—	2,774,348	8,749,783
United Parcel Service Co.	661,950	—	171,205	833,155	2,012,393	—	2,012,393	(6,083)	2,006,310	381,287	—	381,287	2,387,597
Us Airways, Inc.	85,932	—	122,364	208,296	279,279	—	279,279	(76,839)	202,440	397,857	(31,791)	366,066	568,506
Virgin America, Inc.	43,943	—	34,048	77,991	142,813	—	142,813		142,813	110,657	—	110,657	253,470
Westjet	87,452	—	174,965	262,417	284,219	—	284,219	(34,525)	249,694	568,636	—	568,636	818,330
Total	16,027,529	848,575	8,294,120	25,170,224	$ 44,732,095	1,288,662	46,020,757	(2,328,687)	43,692,070	19,208,102	(127,139)	19,080,963	62,773,033

Summary of revenue landing weights:	
Overseas	16,063,640
Interisland	9,106,584
	25,170,224

Aviation fuel tax of $2,568,359 was paid by the users for the year ended June 30, 2016. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax credits of $2,635,208 were credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Signatory airlines	$ 2,455,826
Nonsignatory airlines	179,382
	$ 2,635,208

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2016.

See accompanying independent auditors' report.

Schedule 8

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

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

Year ended June 30, 2016

	Approved maximum revenue landing weights (1,000-pound units)				Honolulu International Airport and Hilo International Airport: Gross airport landing fees					All other airports			
	Honolulu International Airport	Hilo International Airport	All other airports	Total	Honolulu International Airport	Hilo International Airport	Total	Aviation fuel tax credit	Adjusted airport landing fees	Gross airport landing fees	Aviation fuel tax credit	Adjusted airport landing fees	Total adjusted airport landing fees
Above It All, Inc.	—	28	—	28	$ —	24	24	—	24	—	—	—	24
Aero Micronesia, Inc.	28,012	—	702	28,714	102,244	—	102,244	—	102,244	1,524	—	1,524	103,768
Air Service Hawaii, Inc.	71,178	1,280	70,793	143,251	164,764	2,567	167,331	(88,525)	78,806	152,741	(3,703)	149,038	227,844
Air Transport International LLC	28,739	—	—	28,739	104,898	—	104,898	—	104,898	—	—	—	104,898
Air Ventures Hawaii, LLC	—	—	3,217	3,217	—	—	—	—	—	2,734	—	2,734	2,734
Alexair, Inc.	—	—	6,447	6,447	—	—	—	—	—	5,480	—	5,480	5,480
Aris, Inc.	—	—	17,974	17,974	—	—	—	—	—	15,278	(1,895)	13,383	13,383
Atlas Air Inc.	80,482	—	—	80,482	293,759	—	293,759	—	293,759	—	—	—	293,759
Big Island Air, Inc.	16	—	3,073	3,089	13	—	13	—	13	2,612	—	2,612	2,625
Bradley Pacific Aviation, Inc.	35,151	398	81,914	117,463	78,155	338	78,493	—	78,493	178,852	—	178,852	257,345
Castle & Cooke Homes Hawaii, Inc.	26,372	—	79	26,451	63,488	—	63,488	—	63,488	67	—	67	63,555
Corporate Air	27,251	289	33,890	61,430	41,967	445	42,412	—	42,412	52,190	—	52,190	94,602
Delta Air Lines, Inc.	106,349	—	—	106,349	388,174	—	388,174	—	388,174	—	—	—	388,174
Fly Kauai	—	—	712	712	—	—	—	—	—	605	—	605	605
George's Aviation Services, Inc.	1,288	21	399	1,708	1,095	18	1,113	(716)	397	339	(64)	275	672
Hawaii Air Ambulance, Inc.	23,347	—	—	23,347	19,845	—	19,845	(509)	19,336	—	—	—	19,336
Hawaii Helicopters, Inc.	—	—	9,563	9,563	—	—	—	—	—	8,128	—	8,128	8,128
Hawaii Wilderness Adventures LLC	—	1,800	—	1,800	—	1,530	1,530	—	1,530	—	—	—	1,530
Helicopter Consultants Of Maui, Inc.	23,122	68,169	101,683	192,974	19,654	57,944	77,598	(26,296)	51,302	86,431	—	86,431	137,733
Honolulu Soaring Club, Inc.	—	—	818	818	—	—	—	—	—	695	—	695	695
International Life Support, Inc.	8,952	77	173	9,202	7,609	65	7,674	—	7,674	147	—	147	7,821
Island Helicopters Kauai, Inc.	—	—	20,128	20,128	—	—	—	(91)	(91)	17,109	(2,235)	14,874	14,783
Jack Harter Helicopters, Inc.	—	—	19,177	19,177	—	—	—	—	—	16,300	(4,389)	11,911	11,911
K & S Helicopters, Inc.	1,463	15,734	9,726	26,923	1,244	13,374	14,618	(3,124)	11,494	8,267	(2,302)	5,965	17,459
Kamaka Air, Inc.	12,707	—	17,251	29,958	10,800	—	10,800	—	10,800	14,663	—	14,663	25,463
Makani Kai Helicopters, Ltd.	33,462	—	55,747	89,209	28,442	—	28,442	(1,266)	27,176	47,385	(150)	47,235	74,411
Miscellaneous	1,265	—	—	1,265	4,634	—	4,634	—	4,634	—	—	—	4,634
Niihau Helicopters, Inc.	—	—	756	756	—	39	39	—	39	643	—	643	682
Novictor Aviation, LLC	14,400	—	—	14,400	12,240	—	12,240	—	12,240	—	—	—	12,240
Omni Air International, Inc.	76,620	320	—	76,940	279,663	1,168	280,831	—	280,831	—	—	—	280,831
Pacific Air Charters, Incorporated	2,381	78	1,306	3,765	2,139	66	2,205	(373)	1,832	1,177	(41)	1,136	2,968
Pacific Helicopter Tours, Inc.	1,252	—	1,363	2,615	1,064	—	1,064	(388)	676	1,159	(10)	1,149	1,825
Pofolk Aviation Hawaii, Inc.	—	—	27,057	27,057	—	—	—	—	—	22,999	(559)	22,440	22,440
Resort Air, LLC	254	25	394	673	216	21	237	(158)	79	335	(95)	240	319
Safari Aviation, Inc.	—	7,402	15,573	22,975	—	6,292	6,292	—	6,292	13,237	—	13,237	19,529
Sky-med, Inc.	—	—	29,776	29,776	—	—	—	—	—	25,309	—	25,309	25,309
Sunshine Helicopters, Inc.	14	41	30,922	30,977	12	35	47	—	47	26,283	(10,945)	15,338	15,385
Trans Executive Airlines Of Hawaii, Inc.	48,736	20,646	140,853	210,235	45,844	19,183	65,027	(26,594)	38,433	130,433	(4,954)	125,479	163,912
Wings Over Kauai LLC	—	—	2,716	2,716	—	—	—	—	—	2,309	—	2,309	2,309
Total	652,813	116,308	704,182	1,473,303	$ 1,671,963	103,109	1,775,072	(148,040)	1,627,032	835,431	(31,342)	804,089	2,431,121

Summary of revenue landing weights:	
Overseas	565,488
Interisland	907,815
	1,473,303

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2016.

See accompanying independent auditors' report.