KDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Stadium Authority
State of Hawaii

(A Component Unit of the State of Hawaii)

Financial Statements and Supplementary Information
(With Independent Auditors' Report)

June 30, 2015

Submitted by

THE AUDITOR
STATE OF HAWAII

STADIUM AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Financial Statements and Supplementary Information

June 30, 2015

Table of Contents

SECTION I

INTRODUCTION SECTION

December 21, 2015

The Auditor
State of Hawaii:

We have completed our audit of the financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the year ended June 30, 2015, as listed in the table of contents. We transmit herewith our independent auditors' reports containing our opinion on those financial statements and our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

Audit Objectives

The objectives of the audit were as follows:

1. To provide an opinion on the fair presentation of the Authority's financial statements in accordance with accounting principles generally accepted in the United States of America.

2. To consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

3. To perform tests of the Authority's compliance with laws, regulations, contracts, and grants that may have a direct and material effect on the determination of financial statement amounts.

Scope of Audit

We performed an audit of the Authority's financial statements as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, as adopted by the American Institute of Certified Public Accountants, and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

As part of the audit of the Authority's financial statements, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D, Hawaii Revised Statutes) and procurement rules, directives, and circulars, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also considered the Authority's system of internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

Organization of Report

This report has been organized into three parts as follows:

1. The Introduction Section describes briefly the objectives and scope of our audit and the organization and contents of this report.

2. The Financial Section includes management's discussion and analysis, the Authority's financial statements and the related notes, and required supplementary information, as of and for the year ended June 30, 2015, and our independent auditors' report thereon.

3. The Internal Control and Compliance Section contains our independent auditors' report on the Authority's internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

* * * * * * *

We would like to take this opportunity to express our appreciation for the courtesy and assistance extended to us by the personnel of the Authority during the course of our audit. Should you wish to discuss any of the matters contained herein, we will be pleased to meet with you at your convenience.

Very truly yours,

KKDLY LLC

SECTION II

FINANCIAL SECTION

KDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Auditor
State of Hawaii:

Report on the Financial Statements

We have audited the accompanying financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 *Governmental 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 auditors' 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 policies 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.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in Note 2 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68,* effective July 1, 2014. Our opinion is not modified with respect to this matter.

Relationship to the State of Hawaii

As discussed in Note 1 to the financial statements, the financial statements of the Authority are intended to present the financial position, the changes in financial position, and cash flows thereof of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that are attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2015, and the changes in its financial position, and, where applicable, its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of the Authority's proportionate share of the State's net pension liability identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.

KKDLY LLC

Honolulu, Hawaii
December 21, 2015

Management of the Stadium Authority, State of Hawaii (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Aloha Stadium as of and for the year ended June 30, 2015. This management's discussion and analysis is designed to assist the reader in focusing on the Authority's financial issues and activities to identify any significant changes in the Authority's financial position. The Authority encourages readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements comprise four components: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; (3) statement of cash flows; and (4) notes to financial statements.

The financial statements are designed to provide the reader with a broad overview of the Authority's finances in a manner similar to private sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the full accrual basis of accounting. The difference between these items are reported as net position. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Thus, assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses are reported in these statements for some items that will result in cash flows in future periods (e.g., uncollected rental receipts, earned but unused vacation leave, etc.). These financial statements only include the activities of the Authority.

Statement of Net Position

The statement of net position presents all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents information showing the Authority's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement.

Statement of Cash Flows

The statement of cash flows presents the increases and decreases in cash from the Authority's operating, investing, and financing activities during the fiscal year.

STADIUM AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Management's Discussion and Analysis

June 30, 2015

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Financial Information

The following are summaries from the Authority's financial statements as of and for the years ended June 30, 2015 and 2014 (in thousands):

	2015	2014
Net Position:		
Assets:		
Current and other assets	$ 6,260	$ 6,556
Capital assets, net	79,205	76,918
Total assets	85,465	83,474
Deferred outflows of resources related to pension	431	-
Liabilities:		
Current liabilities	1,157	1,113
Noncurrent liabilities	6,826	2,775
Total liabilities	7,983	3,888
Deferred inflows of resources related to pension	438	-
Net position:		
Investment in capital assets	79,205	76,918
Restricted	1,320	1,140
Unrestricted	(3,050)	1,528
Total net position	$ 77,475	$ 79,586
Changes in Net Position:		
Operating revenues:		
Rentals from attractions	$ 4,704	$ 4,612
Commissions from food and beverage concessionaire	988	956
Other	1,508	2,179
Total operating revenues	7,200	7,747
Operating expenses:		
Depreciation	(4,865)	(6,217)
Personnel services	(4,545)	(4,463)
Other	(3,073)	(3,084)
Total operating expenses	(12,483)	(13,764)
Operating loss	(5,283)	(6,017)
Nonoperating revenues:		
Interest and investment income, net	20	14
Loss before capital contributions	(5,263)	(6,003)
Capital contributions	6,921	2,550
Change in net position	1,658	(3,453)
Net position at beginning of year, as previously reported	79,586	83,039
Restatement	(3,769)	-
Net position at beginning of year, as restated	75,817	83,039
Net position at end of year	$ 77,475	$ 79,586

Change in Accounting Principles

Effective July 1, 2014, the Authority adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (Statement No. 68). This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements, such as the Employees' Retirement System of the State of Hawaii.

Simultaneously with the adoption of Statement No. 68, the Authority adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68* (Statement No. 71). This statement amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer for contributions made after the measurement date of the government's beginning net pension liability.

As further discussed in Note 2, the cumulative effect of applying the provisions of these statements has been reported as a restatement of beginning net position for the year ended June 30, 2015. Specifically, the adoption of Statement Nos. 68 and 71 had the effect of decreasing net position as of June 30, 2014 by $3,769,000. In addition, the Authority recorded a deferred outflow of resources of $431,000, a net pension liability of $3,760,000, and a deferred inflow of resources of $438,000 as of June 30, 2015. The restatement of the comparative financial data for the prior period presented was not practical due to the unavailability of information from the pension plan, therefore the provisions of Statement No. 68 were not applied to the prior period.

Financial Analysis

Current and other assets decreased by $296,000 or 4.5% from the previous fiscal year. The decrease is primarily due to the decrease in cash of $296,000.

Capital assets, net increased by $2,287,000 or 3.0% from the previous fiscal year. The increase is primarily due to the additions of Stadium structure of $4,508,000 and a net increase in construction in progress (CIP) of $2,413,000, which was offset by the depreciation expense of the capital assets, which amounted to $4,865,000. These Stadium structure additions included various health and safety projects, and replacement of transformers. The Authority's investment in capital assets as of June 30, 2015 amounted to $79,205,000 (net of accumulated depreciation of $110,188,000). This investment in capital assets includes the stadium structure, land and land improvements, CIP, and equipment, furniture, and fixtures.

Additional information on the Authority's capital assets can be found in Note 5, Capital Assets, to financial statements.

Deferred outflows of resources and deferred inflows of resources increased by $431,000 and $438,000, respectively, due to the adoption of Statement Nos. 68 and 71 as described in the previous section. The deferred outflows of resources related to pension are primarily attributable to contributions made subsequent to the measurement date of June 30, 2014. The deferred inflows of resources related to pension are primarily attributable to the net difference between the projected and actual earnings on pension plan investments.

Current liabilities increased by $44,000 or 4.0% from the previous fiscal year. Fluctuations in the current liabilities are due to normal business operations.

Noncurrent liabilities increased by $4,051,000 or 146.0% from the previous fiscal year. The increase is primarily due to an increase in the Authority’s allocated share of the State of Hawaii’s pension and postemployment liabilities of $3,760,000 and $321,000, respectively.

Net position decreased by $2,111,000 or 2.7% from the previous fiscal year. The decrease is due primarily to current year’s operating loss of $5,283,000 and the cumulative effect of adopting Statement Nos. 68 and 71 of $3,769,000, offset by current year’s capital contributions of $6,921,000.

By far, the largest portion of the Authority’s net position ($79,205,000) reflects its investment in capital assets. The Authority uses these capital assets to provide services to the customers of Aloha Stadium; consequently, these assets are not available for future spending. An additional portion of the Authority's net position ($1,320,000) represents restricted resources that are held in a separate administrative trust account to be used for the maintenance and replacement of the field and for travel subsidies for the University of Hawaii athletics program. The remaining portion of the Authority’s net position is unrestricted and reflects a deficit balance of $3,050,000, due primarily to the restatement of beginning net position for the cumulative effect of adopting Statement Nos. 68 and 71 of $3,769,000.

Operating revenues decreased by $547,000 or 7.1% from the previous fiscal year. The decrease was mainly due to a decrease in advertising, parking, and miscellaneous revenues of $452,000, $65,000, and $154,000, respectively, offset by an increase in rentals from attractions and food and beverage revenues of $92,000 and $32,000, respectively.

Operating expenses decreased by $1,281,000 or 9.3% from the previous fiscal year. The decrease was due primarily to a decrease in depreciation expense of $1,352,000.

Capital contributions increased by $4,371,000 or 171.4% from the previous fiscal year. The increase in capital contributions is primarily due to Aloha Stadium improvements. Current year improvements include replacement of the transformers and various health and safety projects.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Stadium Manager, Stadium Authority, P.O. Box 30666, Honolulu, Hawaii 96820-0666.

General information relating to the Authority and Aloha Stadium can be found at the Authority's website: http://alohastadium.hawaii.gov/.

STADIUM AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Net Position

June 30, 2015

Assets:	
Current assets:	
Cash (Notes 4, 7, and 8):	
Cash in State Treasury	$ 5,231,495
Cash in bank and on hand	329,719
	5,561,214
Receivables from concessionaire and other, net of allowance for doubtful accounts of zero (Note 7)	699,403
Total current assets	6,260,617
Capital assets, net (Note 5)	79,204,691
Total assets	85,465,308
Deferred Outflows of Resources:	
Deferred outflows related to pension (Notes 2 and 6)	430,849
Liabilities:	
Current liabilities:	
Vouchers payable	240,976
Accrued payroll	318,266
Workers compensation	263,473
Accrued vacation – due within one year (Note 6)	183,376
Due to State General Fund for advances for Imprest Fund	30,000
Other (Note 7)	121,318
Total current liabilities	1,157,409
Net pension liability (Notes 2 and 6)	3,759,853
Postemployment liability (Note 6)	2,699,912
Accrued vacation – due in more than one year (Note 6)	308,785
Licensees' deposits (Note 7)	56,671
Total liabilities	7,982,630
Deferred Inflows of Resources:	
Deferred inflows related to pension (Notes 2 and 6)	438,196
Net Position:	
Investment in capital assets	79,204,691
Restricted (Note 8)	1,320,000
Unrestricted	(3,049,360)
Total net position	$ 77,475,331

See accompanying notes to financial statements.

STADIUM AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

Operating revenues:	
Rentals from attractions	$ 4,703,562
Commissions from food and beverage concessionaire	988,353
Advertising (Note 8)	720,057
Parking	701,895
Other	86,360
	7,200,227
Operating expenses:	
Depreciation (Note 5)	4,865,380
Personnel services (Notes 2 and 6)	4,545,397
Utilities	1,131,948
Special fund assessments (Note 10)	408,348
Security	364,411
Repairs and maintenance	334,845
Professional services	266,013
Other	567,174
	12,483,516
Operating loss	(5,283,289)
Nonoperating revenues:	
Interest and investment income (Note 4)	20,648
Loss on disposal of capital assets (Note 5)	(419)
Loss before capital contributions	(5,263,060)
Capital contributions	6,920,930
Change in net position	1,657,870
Net position at beginning of year, as previously reported	79,586,222
Restatement (Note 2)	(3,768,761)
Net position at beginning of year, as restated	75,817,461
Net position at end of year	$ 77,475,331

See accompanying notes to financial statements.

STADIUM AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from customers	$ 7,199,139
Cash paid to suppliers	(3,015,679)
Cash paid to employees	(4,269,054)
Net cash used in operating activities	(85,594)
Cash flows from investing activities:	
Acquisition of capital assets	(231,142)
Interest and investment income	20,648
Net cash used in investing activities	(210,494)
Net decrease in cash	(296,088)
Cash at beginning of year	5,857,302
Cash at end of year	$ 5,561,214

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (5,283,289)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	4,865,380
Increase in receivables from concessionaires and other	(1,088)
Change in deferred outflows, liabilities, and deferred inflows:	
Deferred outflows of resources	(430,849)
Vouchers payable	35,911
Accrued payroll	11,791
Workers compensation	(50,614)
Accrued vacation	(4,740)
Net pension liability	(8,908)
Postemployment liability	321,467
Licensees' deposits	(7,696)
Other	28,845
Deferred inflows of resources	438,196
Net cash used in operating activities	$ (85,594)

Supplemental disclosure of noncash capital and related financing activity:	
Capital assets contributed	$ 6,920,930

As described in Note 2, the adoption of the GASB pension standards resulted in the restatement of net position ($3,768,761) as of June 30, 2014, and the recording of deferred outflows of resources ($430,849), net pension liability ($3,759,853), and deferred inflows of resources ($438,196) as of June 30, 2015.

See accompanying notes to financial statements.

(1) Financial Reporting Entity

The Stadium Authority, State of Hawaii (the Authority) was established by Act 172, Session Laws of Hawaii (SLH) 1970, effective June 30, 1970, and was placed within the State of Hawaii, Department of Budget and Finance (B&F), for administrative purposes. Effective June 1, 1980, Act 302, SLH 1980 and Executive Order No. 80-5 dated June 20, 1980 transferred the administrative responsibility for the Authority from B&F to the State of Hawaii, Department of Accounting and General Services (DAGS).

The Authority, under the direction of a nine-member board, is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawaii. The Governor appoints the nine members. The president of the University of Hawaii and the superintendent of education are nonvoting ex-officio members.

The Authority is a blended component unit of the State of Hawaii (the State). The State Comptroller maintains the central accounts for all the State's funds and publishes financial statements for the State annually, which include the Authority's financial activities. The accompanying financial statements are intended to present the financial position, the changes in financial position, and cash flows that are attributable to the transactions of the Authority.

(2) Summary of Significant Accounting Policies

The accounting policies of the Authority used in the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB) through its statements and interpretations. The following is a summary of the more significant accounting policies:

Basis of Accounting

The accounts of the Authority are reported on a flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized in the period incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations, management, and maintenance of the Aloha Stadium. The principal operating revenues are from rental charges and commissions from the food and beverage concessionaire, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash

Cash reported in the statement of net position includes cash in the State Treasury, cash in bank accounts, and cash on hand.

Capital Assets

Capital assets acquired by purchase are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of acquisition.

Depreciation has been provided for the stadium structure and equipment, furniture, and fixtures over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Stadium structure and fixtures	15 – 40 years
Equipment and furniture	5 – 15 years

The Authority's capitalization thresholds are $100,000 for the stadium structure and fixtures, and $5,000 for equipment and furniture. Maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statement of revenues, expenses, and changes in net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority's deferred outflows/inflows of resources related to pension are detailed in Note 6.

Capital Contributions

The State of Hawaii pays for portions of construction costs related to various capital projects at the Aloha Stadium. These amounts are recorded as capital contributions in the accompanying statement of revenues, expenses, and changes in net position.

Net Position

Net position is classified in the following components: investment in capital assets, restricted, and unrestricted net position. Investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position consists of funds held in a separate administrative trust account subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the Authority's ongoing obligations such as future operational expenses, replacement equipment, and personnel costs. The deficit balance in unrestricted net position is due to the restatement of beginning net position for the cumulative effect of the change in accounting principles described below.

Pension

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 Employees' Retirement System of the State of Hawaii (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. The ERS's investments are reported at fair value.

Change in Accounting Principles

Effective July 1, 2014, the Authority adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (Statement No. 68). This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements, such as the ERS.

Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

Simultaneously with the adoption of Statement No. 68, the Authority adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68* (Statement No. 71). This statement amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities.

The Authority reported the cumulative effect of the change in accounting principles by restating beginning net position in the accompanying 2015 financial statements. Specifically, the adoption of Statement Nos. 68 and 71 had the effect of decreasing net position as of June 30, 2014 by \$3,768,761. In addition, the Authority recorded a deferred outflow of resources of \$430,849, a net pension liability of \$3,759,853, and a deferred inflow of resources of \$438,196 as of June 30, 2015. Refer to Note 6 for additional information regarding the ERS.

Recently Issued Accounting Pronouncements

GASB Statement No. 72

The GASB issued Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72), which will become effective for financial statements for the fiscal years beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments. In addition, this statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The Authority is currently evaluating the impact that Statement No. 72 will have on its financial statements.

GASB Statement No. 75

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which will become effective for financial statements for the fiscal years beginning after June 15, 2017. This statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. In this statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet certain criteria, such as the Hawaii Employer-Union Health Benefit Trust Fund of the State of Hawaii.

This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed.

In addition, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The Authority is currently evaluating the impact that Statement No. 75 will have on its financial statements.

Use of Estimates

The preparation of financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Significant items subject to such estimates and assumptions include the valuation of receivables, capital assets, and the pension and postemployment liabilities. Actual results could differ from those estimates.

(3) Budgeting

The Authority's operations are subject to a comprehensive budget. Estimated revenues and expenses are provided to B&F for accumulation with budgeted amounts of the other state departments and offices. Those accumulated estimated revenues and expenses are provided to the State legislature for approval. Once approved by the legislature, the estimates are provided to the Governor of the State for final approval. Budgeted revenues are estimates of rentals, commissions, and other revenues to be received during the year. Budgeted expenses are estimates of expenditures to be made.

(4) Cash

Cash in State Treasury

The State maintains an investment pool that is used by various state departments and agencies, including the Authority. The amount reported as cash in State Treasury in the accompanying statement of net position reflects the Authority's relative position in the State's investment pool. For demand or checking accounts and time certificates of deposits, the State requires that the depository banks pledge collateral based on the daily available bank balances. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at 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 Director of Finance (the Director) is responsible for the safekeeping of all monies paid into the State Treasury. The Director pools and invests any monies of the State, which, in the Director's judgment, are in excess of amounts necessary for meeting the specific 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, repurchase agreements, commercial paper, banker's acceptances, and money market funds maintaining a Triple-A rating.

At June 30, 2015, the amount reported as cash in State Treasury reflects the Authority's relative position in the State's investment pool and amounted to $5,231,495.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk

The State's investment policy limits its investments to investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, banker's acceptances, 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 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 State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. Further, excess-SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains 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.

Information relating to the cash in State Treasury is determined on a statewide basis and not for individual departments or agencies. Information regarding the carrying amount and corresponding bank balances of the investment pool (which includes the Authority's cash in State Treasury) and collateralization of the investment pool balances, as well as custodial credit risk, interest rate risk, concentration of credit risk, and foreign currency risk, is included in the Comprehensive Annual Financial Report (CAFR) of the State.

The Authority's share of the State's investment pool, as summarized in the table below, was 0.2% at June 30, 2014 (amounts in thousands):

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

Information relating to the State's investment pool at June 30, 2015 will be included in the State's CAFR when issued.

Cash in Bank

At June 30, 2015, the carrying value of the Authority's cash in bank balance was $309,497 and the bank balance was $310,388.

(5) Capital Assets

At June 30, 2015, capital assets consisted of the following:

	Balance at June 30, 2014	Additions	Deductions	Transfers	Balance at June 30, 2015
Stadium structure	$ 159,382,018	$ 4,508,048	$ -	$ -	$ 163,890,066
Equipment, furniture and fixtures	3,360,679	231,142	(33,053)	-	3,558,768
	162,742,697	4,739,190	(33,053)	-	167,448,834
Less accumulated depreciation for:					
Stadium structure	(102,651,134)	(4,689,726)	-	-	(107,340,860)
Equipment, furniture, and fixtures	(2,703,983)	(175,654)	32,634	-	(2,847,003)
Total accumulated depreciation	(105,355,117)	(4,865,380)	32,634	-	(110,187,863)
Total depreciable capital assets, net	57,387,580	(126,190)	(419)	-	57,260,971
Land and land improvements	11,518,621	-	-	-	11,518,621
Construction in progress	8,012,217	6,852,136	-	(4,439,254)	10,425,099
Total capital assets, net	$ 76,918,418	$ 6,725,946	$ (419)	$ (4,439,254)	$ 79,204,691

Depreciation expense amounted to $4,865,380 for the fiscal year ended June 30, 2015.

(6) Retirement Benefits

Employees' Retirement System of the State of Hawaii

Plan Description

All eligible employees of the State and counties, which includes the Authority, are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation.

Benefits Provided

The ERS provides retirement, disability, and death benefits that are covered by the provisions of the noncontributory, contributory, and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory class members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any 3 years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% 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 members hired after June 30, 2012 the post-retirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

Retirement Benefits

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension.

Contributory Class for Employees Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with 5 years of credited service are eligible to retire at age 55.

Police and firefighters' retirement benefits are determined as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police and firefighters with 5 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least 1 year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Employees Hired After June 30, 2012

Retirement Benefits

Judges and elected officers' retirement benefits are determined as 3.0% of average final compensation multiplied by the years of credited service up to a maximum of 75%. Judges and elected officers with 10 years of credited service are eligible to retire at age 60.

Police and firefighters' retirement benefits are determined as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police and firefighters with 10 years of credited service are eligible to retire at age 60.

Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 3.0% of average final compensation for each year of service for judges and elected officers and 1.75% of average final compensation for each year of service for police and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory plan members hired after June 30, 2012 are generally the same as those for contributory plan members hired June 30, 2012 and prior.

Hybrid Class for Employees Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with 5 years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least 5 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and EMTs may retire with 25 years of credited service at age 55.

Disability and Death Benefits

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 120%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary, or if less than 10 years of service, return of member's contributions and accrued interest.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates were 24.0% for police and firefighters and 16.5% for all other employees. Contributions to the ERS from the Authority were $315,405 for the fiscal year ended June 30, 2015.

The employer is required to make all contributions for noncontributory members. For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary and police and firefighters are required to contribute 12.2% of their salary. For contributory class employees hired after June 30, 2012, judges and elected officials are required to contribute 9.8% of their salary and police and firefighters are required to contribute 14.2% of their salary. Hybrid members hired prior July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Measurement of the actuarial valuation of the pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the Authority. The State allocates the pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources to the various departments and agencies based upon a systematic methodology. Additional disclosures and required supplementary information stipulated by Statement Nos. 68 and 71 pertaining to the State's net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources can be found in the State's CAFR.

At June 30, 2015, the Authority reported a net pension liability of $3,759,853 for its proportionate share of the State's net pension liability. The 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 Authority's proportionate share of the net pension liability was based on a projection of the Authority's share of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2014, the State's proportion was 58.48%, which was an increase of .85% from its proportion measured as of June 30, 2013. The Authority's share of the State's net pension liability at June 30, 2014 was .08%

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

For the year ended June 30, 2015, the Authority recognized pension expense of $320,871. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 376,829	$ -
Differences between expected and actual experience	47,222	(1,065)
Changes in proportion and differences between contributions and proportionate share of contributions	6,798	-
Net difference between projected and actual earnings on pension plan investments	-	(437,131)
Total	$ 430,849	$ (438,196)

The $376,829 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:		
2016	$	(98,172)
2017		(98,172)
2018		(98,172)
2019		(98,172)
2020		8,512
	$	(384,176)

Actuarial Assumptions

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

Inflation	3.00%
Payroll growth rate	3.50%
Investment rate of return	7.75% compounded annually including inflation

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA.

Post-retirement mortality rates are based on Client Specific Tables and the 1994 US Group Annuity Mortality Statistic Tables for police and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

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

Long-term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) 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	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	30.00%	8.50%
International	26.00%	9.00%
Total fixed-income	20.00%	3.10%
Real estate	7.00% *	8.46%
Private equity	7.00% *	11.75%
Real return	5.00% *	6.10%
Covered calls	5.00%	7.65%
Total investments	100.00%	

* The real estate, private equity, and real return targets will be the percentage actually invested up to 7%, 7%, and 5%, respectively of the total fund. Changes in the real estate, private equity, and real return targets will be offset by an equal percentage change in the large cap domestic equity target.

Discount Rate

The discount rate used to measure the net pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State, which includes the Authority, will be made at statutorily required rates, actuarially determined. Based on those assumptions, the ERS'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 Authority's Proportionate Share of the State's Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the State's net pension liability	$ 4,756,776	$ 3,759,853	$ 2,745,091

Pension Plan Fiduciary Net Position

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

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at http://ers.ehawaii.gov/.

Postemployment Health Care and Life Insurance Benefits

The State, pursuant to Act 88, SLH of 2001, is a participating employer in an agent, multiple-employer defined benefit plan providing certain health care and life insurance benefits to all qualified employees. The Employer-Union Health Benefits Trust Fund (the EUTF) was established on July 1, 2003 to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 or more years of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the retired employees’ base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution.

For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage, but must pay the difference.

For active employees, the employer’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) is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the Authority. The State allocates the ARC to the various departments and agencies based upon a systematic methodology. The Authority’s contribution for the year ended June 30, 2015 was $194,722, which represented 38% of the Authority’s share of the ARC for postemployment healthcare and life insurance benefits of $516,189.

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

Balance at June 30, 2014	$ 2,378,445
Annual required contribution	516,189
Contributions made	(194,722)
Balance at June 30, 2015	$ 2,699,912

On July 3, 2013, the Governor signed into law Act 268, Session Laws of Hawaii 2013. Act 268 requires the EUTF to establish and administer separate trust accounts for each public employer for the purpose of receiving irrevocable employer contributions to prefund post-employment health and other benefit costs for retirees and their beneficiaries. It establishes the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability and requires all public employers to make annual required public employer contributions effective fiscal year 2014.

Commencing fiscal year 2019, the annual public employer contribution shall be equal to the annual required contribution, as determined by an actuary retained by the EUTF board. In any fiscal year, should an employer's contribution be less than the annual required public employer contribution, the difference shall be transferred to the appropriate trust account from a portion of all general excise tax revenues, for the State, or transient accommodations tax revenues, for the counties.

The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121, or through the EUTF's website: http://eutf.hawaii.gov/.

Deferred Compensation

The State established a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code, which enables State employees to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State’s deferred compensation plan are not reported in the accompanying financial statements.

Accrued Vacation

Vacation pay is accrued as earned by employees. Vacation pay can accumulate at the rate of one and three-quarter working days for each month of service up to 720 hours at calendar year-end, and is convertible to pay upon termination of employment.

The following is a summary of changes in accrued vacation payable during the fiscal year ended June 30, 2015:

Balance at June 30, 2014	$ 496,901
Additions	183,144
Deletions	(187,884)
Balance at June 30, 2015	492,161
Less current portion	183,376
Noncurrent portion	$ 308,785

Accrued Sick Leave

Full-time employees are credited with sick leave at a rate of one and three-quarter days per month of service. Unused sick leave may be accumulated without limit but can be taken only in the event of illness and is not convertible to pay upon termination of employment. As such, no liability is recorded for accumulated unused sick leave.

However, an 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 in the ERS. Accumulated sick leave at June 30, 2015 amounted to approximately $1,700,000.

(7) Stadium Special Account

Contracts with licensees of the Authority and the related ticket sales are controlled in the Stadium Special Account. This account's cash balance and liabilities to third parties, net of amounts owed to the Authority are included in the accompanying statement of net position and amounted to $299,719 at June 30, 2015. The activity in the account is included in the accompanying statement of revenues, expenses, and change in net position only as it relates to the Authority's rentals from attractions, expense reimbursements from users, and other miscellaneous transactions (i.e., excludes ticket sales proceeds held on behalf of the licensees).

(8) Advertising Agreement

Under terms of an advertising agreement, the Authority receives sponsorship fees subject to external restrictions on how they may be used. The sponsorship fees must be deposited into an administrative trust account to be used for the maintenance and replacement of the field and for travel subsidies for the University of Hawaii athletics program, as defined in the advertising agreement. Unspent sponsorship fees aggregated to $1,320,000 as of June 30, 2015, and are presented as restricted net position in the accompanying statement of net position. The advertising agreement expires in December 2015, with an option to extend for an additional 5 years.

(9) Commitments and Contingencies

The Authority is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Authority's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State's General Fund. The State is self-insured for substantially all perils, including workers' compensation.

(10) Special Fund Assessments

In accordance with the HRS, the Authority has been assessed amounts to support the State's central administrative services. The assessments are based upon a percentage of the Authority's estimated revenues and expenses for the fiscal year. Assessments amounted to $408,348 for the fiscal year ended June 30, 2015.

(11) Subsequent Events

The Authority has evaluated subsequent events from the balance sheet date through December 21, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

STADIUM AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Required Supplementary Information (Unaudited)

Schedule of the Authority's Proportionate Share of the State's Net Pension Liability

June 30, 2015

Authority's proportion of the State's net pension liability		0.08%
Authority's proportionate share of the State's net pension liability	$	3,759,853
Authority's covered-employee payroll	$	1,848,298
Authority's proportionate share of the State's net pension liability as a percentage of its covered-employee payroll		203.42%
Plan fiduciary net position as a percentage of total pension liability		63.92%

Note to Schedule

The Authority, as an administratively attached agency of the State Department of Accounting and General Services, is required to recognize a liability for its proportionate share of the State's net pension liability. The Authority recognizes pension expense and reports deferred outflows of resources and deferred inflows of resources related to pension for its proportionate share of the State's pension expense and deferred outflows of resources and deferred inflows of resources related to pension.

The schedule presents information to illustrate changes in the Authority's proportionate share of the State's net pension liability over a ten-year period when the information is available.

SECTION III

INTERNAL CONTROL AND COMPLIANCE SECTION

KKDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Auditor
State of Hawaii:

We have audited, in accordance with the 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, the financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KKDLY LLC

Honolulu, Hawaii
December 21, 2015