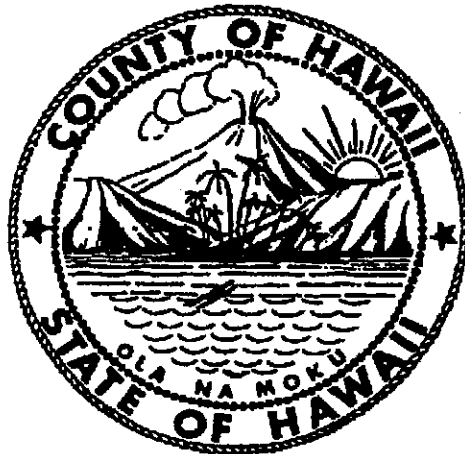


# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2011**



## **COUNTY OF HAWAII Hilo, Hawaii**

William P. Kenoi  
Mayor

William Takaba  
Managing Director

Prepared by  
The Department of Finance  
Nancy E. Crawford  
Director of Finance

# COUNTY OF HAWAII

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2011

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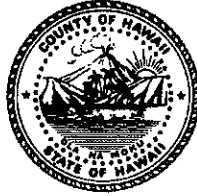
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## INTRODUCTORY SECTION

William P. Kenoi  
Mayor



Nancy E. Crawford  
Director

Deanna S. Sako  
Deputy Director

## County of Hawaii

### Finance Department

25 Aupuni Street, Room 2103 • Hilo, Hawaii 96720  
(808) 961-8234 • Fax (808) 961-8569

December 27, 2011

The Honorable Mayor and Members of the Council  
County of Hawai'i  
25 Aupuni Street  
Hilo, Hawai'i 96720

We transmit herewith the Comprehensive Annual Financial Report for the County of Hawai'i, State of Hawai'i (the County), for the fiscal year July 1, 2010 to June 30, 2011.

This report was prepared by the County's Department of Finance. The accuracy of the financial statements and the completeness and fairness of their presentation are the responsibility of the County government. We believe the enclosed data are complete and accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to convey the maximum understanding of the County's financial activities have been included. Management's discussion and analysis is also included to aid users of the financial statements.

This report presents the financial position of the County of Hawai'i at June 30, 2011 and results of operations for the fiscal year then ended. The report is divided into three sections:

- The Introductory Section includes this transmittal letter, a Certificate of Achievement for Excellence in Financial Reporting, the County of Hawai'i's organization chart and lists of elected and principal officials.
- The Financial Section contains management's discussion and analysis, the basic financial statements, related notes, the combining and individual fund budgetary financial statements, and the independent auditors' report.
- The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds of the County of Hawai'i, including its component unit, the Department of Water Supply, established by the County Charter as a semi-autonomous

*Hawai'i County is an equal opportunity provider and employer.*

body of the County government. This component unit is included in the County's reporting entity because of its financial relationship with the County.

The County provides a full range of municipal services. These include police and fire protection; emergency medical care; public prosecutor; culture and recreation; sanitation; social services; water; planning and zoning; construction and maintenance of highways, streets and infrastructure; real property assessment and tax collection; and general administrative services. However, the County does not provide such other traditional services as public education, hospitals and courts. These services are provided by the State government.

The County consists of the island of Hawai'i, 4,028 square miles in size. It is twice as large as the combined area of all the other inhabited islands in the Hawaiian Archipelago. Since there is no other local or municipal government within the County, there are no overlapping taxes and no overlapping debt. The County has an elected mayor and a nine-member council.

### **Economic Condition and Outlook**

The island of Hawai'i, commonly known as the Big Island, is located 214 miles from Honolulu, the state capital; 2,200 miles from the west coast of the continental United States; and 4,000 miles from Japan. The city of Hilo on the east side of the island serves as the county seat as well as the transportation and financial center for the Big Island. Hilo's infrastructure includes Hilo Harbor, a deep-water port, and Hilo International Airport, which is capable of handling fully-loaded wide-bodied aircraft. Kailua-Kona and South Kohala, major tourist destination areas on the west side of the Big Island, are served by flights from the United States mainland, and Canada through the Kona International Airport. Scheduled freight services are available between the islands by air and sea transport. Communities on the island are linked by a network of State and County maintained streets and highways.

The Big Island is the most diversified of the neighbor island economies. As a result it is buffered to some extent when any one industry lags. Although 2009 proved to be a challenge for most of the major sectors of the island's economy, the end of fiscal year 2010 and beginning of fiscal year 2011 showed the early signs of an impending economic recovery and the remainder of fiscal year 2011 continued to show signs of the same restrained recovery.

The County's labor force numbered 83,367 at June 2011, which is a slight increase from a year ago. A sign that the economy is on the road to improving instead of the dramatic downturn that confronted the County several years ago is the fact that the County's unemployment rate for the current fiscal year 2011 (9.5%) was slightly lower than the prior fiscal year 2010 (10.0%), which serves as a positive indicator for the second year in a row. Despite the higher level of unemployment facing the State in recent years, the State continued to remain below the national rate as it did prior to the onset of the recession.

***Tourism*** – Tourism has always been the major industry on the island. In addition to the mild climate and natural beauty it shares with other areas in the state, the County features the Hawai‘i Volcanoes National Park. A popular attraction, the park is the most visited site in the state, handling over 2 million visitors annually, which became even more popular with the increased activity of Kilauea Volcano. Another indication of the County’s slowly rebounding industry, is the fact that there was a 7% increase in the number of visitors to the island from the prior fiscal year. For the state overall, visitor arrivals have shown an amazing increase after the dismal performance in 2009, with visitor spending proving to be even more impressive.

***Construction*** – The County’s second significant industry is construction, which appears to be a weakness for the island economy as seen in the negative growth of construction completed, lower building permits and losses in the industry’s job total.

***Scientific Research and Development*** – Due largely to its unique geographic characteristics which has attracted scientists in fields of astronomy, meteorology, volcanology, and agriculture/aquaculture, the County has benefited economically by the significant investments made in scientific research. The total astronomy related capital investment on Mauna Kea exceeds \$600 million and combined annual budgets are about \$72 million. Astronomy continues to be a major factor in the success of the County’s economy with an estimated nearly 500 new jobs opening up through 2023 to meet the needs of the current observatories and the creation of new jobs with the development of the Thirty Meter Telescope (TMT) by the TMT Observatory Corporation. On July 21, 2009, the TMT Observatory Corporation announced that its board of directors had selected Mauna Kea over Chile as the preferred site for the Thirty Meter Telescope (TMT) and the permit application was approved by the Board of Land and Natural Resources in February 2011. It is projected that the TMT project will pour an estimated \$1.2 billion into the economy over nine years, resulting in 300 construction jobs and 140 full-time permanent jobs. The Hawaiian Volcano Observatory in Hawai‘i Volcanoes National Park and the Natural Energy Laboratory of Hawai‘i Authority at Keahole, Kona are also major contributors to international research and the local economy.

## **Major Initiatives**

### ***For the Year***

During the year, the County focused on construction projects relating to housing, sanitation and public safety, and other issues affecting the quality of life in the County.

***Public Safety*** – During the fiscal year, construction was completed on the building that houses the Pahoia Police Station and an office for the Vehicle Registration & Licensing Division of the Department of Finance and the adjoining Pahoia Fire Station.

In August 2010, the Fire Department’s new replacement rescue chopper was blessed and less than a year later, in May 2011, groundbreaking occurred for the new Makalei Fire Station in North Kona.

**Public Works** – Construction continued on the Waikoloa Housing project and on another large housing project, by the name of the Kaloko Housing Project, and its related Wastewater Treatment Plant, with an additional \$3.9 million and almost \$9.0 million being expended during the fiscal year. Construction also continued on the 85,000-square-foot West Hawai'i Civic Center that began in 2008, and was substantially complete as of January 2011. Total project expenditures reached \$50.5 million at the end of the year.

**Environmental Management** – The Department completed construction related to the Pahoia Solid Waste Recycling & Transfer Station with a total cost to the County of \$4.5 million. Construction also continued on the Honokaa and Queen Liliuokalani Village Large Capacity Cesspool projects, with both projects reaching a total combined price tag of \$18.6 million.

### ***For the Future***

**Public Safety** – The South Kona Police Station is still in the final design phase. This facility will be a major boost to the South Kona District once funding can be secured.

The Police Department is currently in the final phase of self assessment of obtaining law enforcement accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA). The Department will shortly be in a position to request for an on-site assessment from CALEA. In accordance with the CALEA accreditation, the department is expecting to initiate its on-line computerized training module which will allow for not only more timely training, but will also allow for computerized recording of training undertaken by personnel.

**Public Works** – The Ane Keohokalole Highway or Mid-Level Road is scheduled for completion in May 2012. The \$35 million project is being built with American Reinvestment and Recovery Act (Stimulus funds). The project will provide construction jobs and enhance further development in the immediate areas.

**Planning** – Global warming and the rise in Coastal Waters are of great concern to Hawai'i, which has lead to continued participation in the State's Oceanic Resource Management Program (ORMP) policy groups, working groups, seminars, and other training to address this phenomenon. Regulating development within the Special Management Area is on-going as part of the County's administration of Coastal Zone Management. Since it impacts how we plan our future communities, a major focus of the Planning Department is the refining and completing of the Community Development Plans and subsequent updating of the General Plan.

## **Other Financial Information**

### ***Internal Control***

The management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected

from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### ***Budgetary Control***

The County maintains budgetary controls to ensure that legal provisions of the annual budget are complied with and that expenditures do not exceed budgeted amounts.

Activities of the general fund and special revenue funds are included in the annual appropriated operating budget. Project-length financial plans are adopted for the capital projects fund. Budgetary control is established at the department level.

Formal budgetary integration is employed as a management control device for the general fund, special revenue funds, and the capital projects fund. Budgetary control for the debt service fund is achieved through general obligation bond indenture provisions.

The basis of accounting used for the budgets of the general and special revenue funds differs from generally accepted accounting principles. Intergovernmental revenues are recognized when awarded by the granting agency, encumbrances and unexpended allotments are treated as expenditures for purposes of determining legal compliance with the annual budget, all leases are treated as operating leases, and accounts payable are not accrued.

The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at fiscal year end are included in the various fund balance categories based on whether the resources are restricted, committed or assigned and do not constitute expenditures or liabilities because they will be honored during the following year. As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

### ***Cash Management***

Cash temporarily idle during the year was invested in savings accounts, money market mutual funds, certificates of deposit, repurchase agreements, and agency notes. The average yield on deposits and investments was .37%.

The County's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, with the exception of \$222,326 held by a rental management agent, deposits were either insured by federal depository insurance, collateralized, or secured by irrevocable letters of credit. All collateral on deposit was held for safe keeping with a County-designated agent in the County's name.

## **Other Information**

### ***Independent Audit***

The County Charter requires an annual audit by independent certified public accountants. Accuity LLP was selected in accordance with the County Charter and the procurement provisions of the Hawaii Revised Statutes (HRS) and Hawaii Administrative Rules (HAR) to perform the audit.

### ***Employee Union Contracts***

County employees are members of eight different bargaining units. Six bargaining units have contracts that will expire on June 30, 2013 and the remaining two bargaining units' contracts have already expired and negotiations are underway.

### ***Certificate of Achievement***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Hawai'i for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### ***Acknowledgments***

The preparation of this report was made possible by the efficient and dedicated services of the entire staff of the Department of Finance and fiscal personnel in other departments. I am grateful for their help in preparing this report. I also thank the Mayor and the members of the County Council for their interest and support in assuring the continuing sound financial condition of the County of Hawai'i.

NANCY E. CRAWFORD  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Hawaii  
Hawaii

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



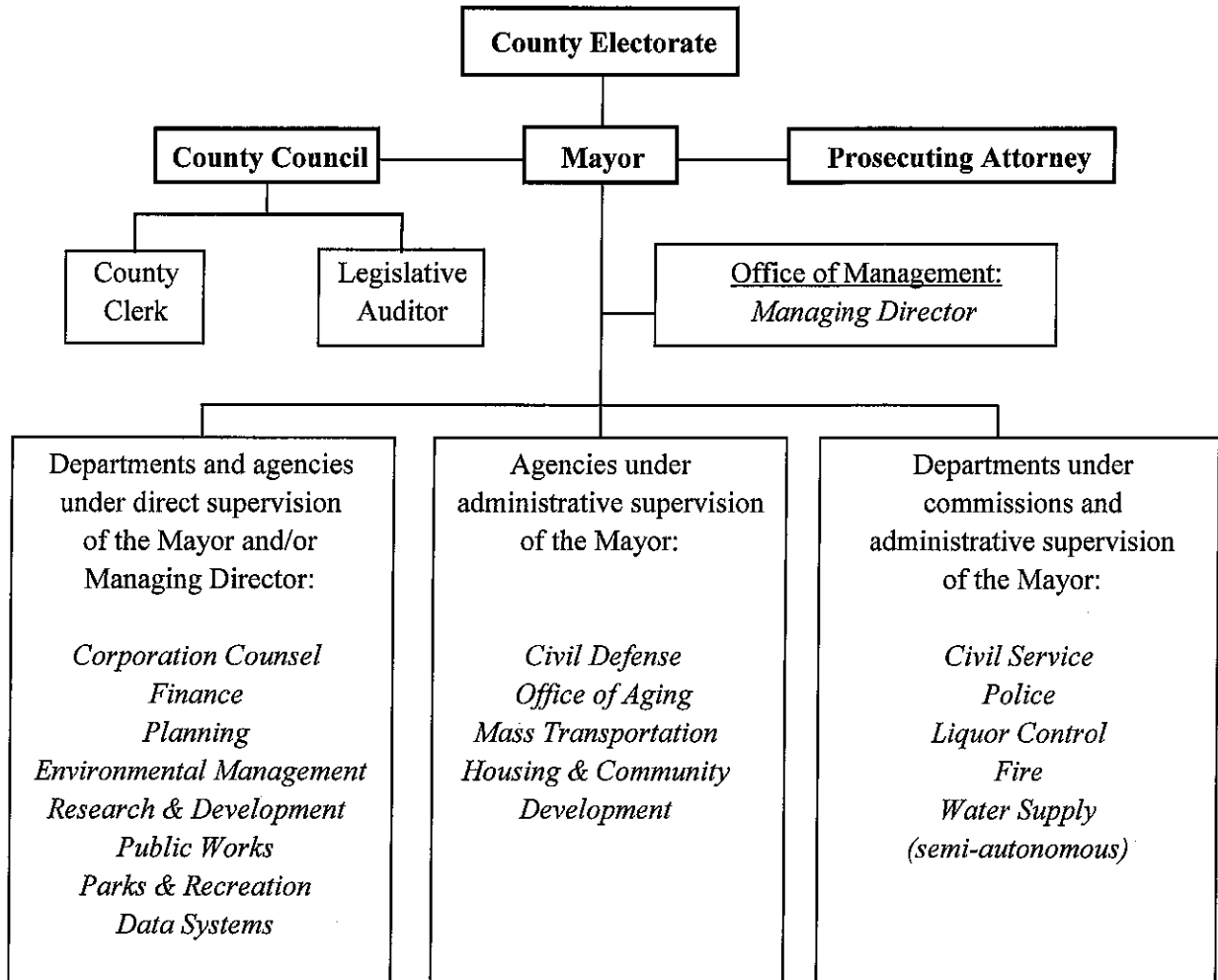
*Linda C. Davison*

President

*Jeffrey R. Egan*

Executive Director

# County of Hawaii Organization Chart



**County of Hawaii  
Elected Officials**

June 30, 2011

Administrative Officers (Term: 2008-2012)

William P. Kenoi	Mayor
Charlene Iboshi (effective 4/1/11)	Prosecuting Attorney

County Council (Term: 2010-2012)

Dominic Yagong	Chair
K. Angel Pilago	Vice Chair
Fred Blas	Member
Brenda Ford	Member
Pete Hoffmann	Member
Donald Ikeda	Member
Dennis "Fresh" Onishi	Member
Brittany Smart	Member
J Yoshimoto	Member

## Principal Officials

June 30, 2011

County Clerk	Jamae Kawauchi
Legislative Auditor	Colleen Schrandt
Managing Director	William Takaba
Deputy Managing Director	Walter Lau
Corporation Counsel	Lincoln Ashida
Director of Finance	Nancy E. Crawford
Planning Director	Bobby Jean Leithead-Todd
Director of Personnel	Ronald Takahashi
Director of Research and Development	Randy Kurohara
Chief of Police	Harry S. Kubojiri
Fire Chief	Darryl Oliveira
Director of Public Works	Warren Lee
Director of Environmental Management	Frank Demarco
Director of Parks and Recreation	Robert Fitzgerald
Manager, Department of Water Supply	Milton Pavao
Civil Defense Administrator	Quince Mento
Director of Liquor Control	Gerald Takase
Transit Operations Administrator	Thomas Brown
Executive on Aging	Alan Parker
Administrator, Office of Housing and Community Development	Stephen Arnett
Director of Data Systems	Burt Tsuchiya

## FINANCIAL SECTION

## Report of Independent Auditors

To the Chair and Members of the County Council  
County of Hawai'i

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Hawai'i, State of Hawai'i (the "County") as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, on our consideration of the County'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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 13 through 23 and schedule of funding progress for the EUTF on page 87 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Accuity LLP*

Honolulu, Hawai'i  
December 27, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Hawai'i's (the County) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the end of the fiscal year by \$607.4 million (net assets). This amount includes \$40.7 million in unrestricted net assets, an increase of \$2.6 million from the prior year.
- The County's total net assets increased by \$55.6 million during the fiscal year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$158.9 million, a decrease of \$13.3 million from the prior year. Approximately 47 percent of this total amount, \$74.1 million, is available for spending at the County's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$37.5 million, or 16 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include public safety, highways and streets, health, education and welfare, culture and recreation,

sanitation and general government. The business-type activities of the County include rental housing for senior citizens and families.

The government-wide financial statements include not only the County itself (known as the primary government), but also the Department of Water Supply, a legally separate entity that the County is financially accountable for. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e., most of the County’s basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the County’s programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and bond redemption fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget. The budgetary comparison statement for the general fund is located in the basic financial statements, whereas the budgetary comparison schedules for the nonmajor special revenue funds are presented elsewhere in this report.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the County charges outside customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The County maintains only one type of proprietary funds, enterprise funds. **Enterprise funds**

are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Kulaimano Elderly Housing Project and the Ouli Ekahi Affordable Housing Project.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. The private-purpose trusts and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information, including the combining statements referred to earlier in connection with nonmajor governmental funds and budgetary comparison schedules for the nonmajor special revenue funds. This supplementary information is presented immediately following the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Condensed Schedule of Net Assets  
June 30, 2011 and 2010**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 220,271,120	\$ 220,363,931	\$ 1,057,768	\$ 1,067,909	\$ 221,328,888	\$ 221,431,840
Capital assets, net	836,674,103	757,580,639	1,193,198	1,219,361	837,867,301	758,800,000
Total assets	<u>1,056,945,223</u>	<u>977,944,570</u>	<u>2,250,966</u>	<u>2,287,270</u>	<u>1,059,196,189</u>	<u>980,231,840</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	421,449,861	398,064,998	884,232	916,117	422,334,093	398,981,115
Other liabilities	29,058,381	29,061,094	423,100	385,529	29,481,481	29,446,623
Total liabilities	<u>450,508,242</u>	<u>427,126,092</u>	<u>1,307,332</u>	<u>1,301,646</u>	<u>451,815,574</u>	<u>428,427,738</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	514,309,238	469,235,881	308,966	303,244	514,618,204	469,539,125
Restricted	51,840,697	43,958,660	185,087	184,914	52,025,784	44,143,574
Unrestricted	40,287,046	37,623,937	449,581	497,466	40,736,627	38,121,403
Total net assets	<u>\$ 606,436,981</u>	<u>\$ 550,818,478</u>	<u>\$ 943,634</u>	<u>\$ 985,624</u>	<u>\$607,380,615</u>	<u>\$551,804,102</u>

## **Analysis of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$607.4 million at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The County's net assets increased by \$55.6 million during the current fiscal year, which was \$30.4 million more than the increase during last fiscal year. Real property tax revenue increased by approximately \$7.0 million, but this was offset by a corresponding increase in expenses of approximately \$6.8 million. Capital grants and contributions also increased by approximately \$25.3 million relating mostly to highways and streets.

The County's net capital assets increased by \$79.1 million due to the large amount of capital improvement projects done by the County during the current fiscal year. See further discussion of the increase in capital assets on page 21.

The County's long-term liabilities outstanding increased by \$23.4 million (6 percent) due primarily to drawdowns of the State Revolving Fund loans and issuance of bonds, which were offset by the County's required principal payments on debt from the prior year. See further discussion of the increase in long-term debt outstanding on page 22.

**Condensed Statement of Activities**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 34,044,547	\$ 35,373,972	\$ 372,599	\$ 337,982	\$ 34,417,146	\$ 35,711,954
Operating grants and contributions	50,820,951	49,571,173	133,215	136,802	50,954,166	49,707,975
Capital grants and contributions	38,810,806	13,532,669	-	-	38,810,806	13,532,669
General revenues:						
Property taxes	225,055,099	218,037,567	-	-	225,055,099	218,037,567
Other taxes	26,315,977	26,016,092	-	-	26,315,977	26,016,092
Grants and contributions, unrestricted	19,533,165	17,500,038	-	-	19,533,165	17,500,038
Investment earnings	609,617	2,187,266	2,997	1,403	612,614	2,188,669
Other	5,973,275	1,779,223	-	-	5,973,275	1,779,223
<b>Total revenues</b>	<b>401,163,437</b>	<b>363,998,000</b>	<b>508,811</b>	<b>476,187</b>	<b>401,672,248</b>	<b>364,474,187</b>
<b>Expenses:</b>						
General government	53,439,428	65,552,278	-	-	53,439,428	65,552,278
Public safety	154,008,027	148,115,428	-	-	154,008,027	148,115,428
Highways and streets	34,812,165	38,075,835	-	-	34,812,165	38,075,835
Health, education and welfare	30,336,420	30,528,977	550,801	590,131	30,887,221	31,119,108
Culture and recreation	22,167,818	14,739,755	-	-	22,167,818	14,739,755
Sanitation	35,604,394	27,527,841	-	-	35,604,394	27,527,841
Interest on long-term debt	15,176,682	14,120,398	-	-	15,176,682	14,120,398
<b>Total expenses</b>	<b>345,544,934</b>	<b>338,660,512</b>	<b>550,801</b>	<b>590,131</b>	<b>346,095,735</b>	<b>339,250,643</b>
Increase (decrease) in net assets	55,618,503	25,337,488	(41,990)	(113,944)	55,576,513	25,223,544
Net assets at beginning of year	550,818,478	525,480,990	985,624	1,099,568	551,804,102	526,580,558
Net assets at end of year	<b>\$ 606,436,981</b>	<b>\$ 550,818,478</b>	<b>\$ 943,634</b>	<b>\$ 985,624</b>	<b>\$ 607,380,615</b>	<b>\$ 551,804,102</b>

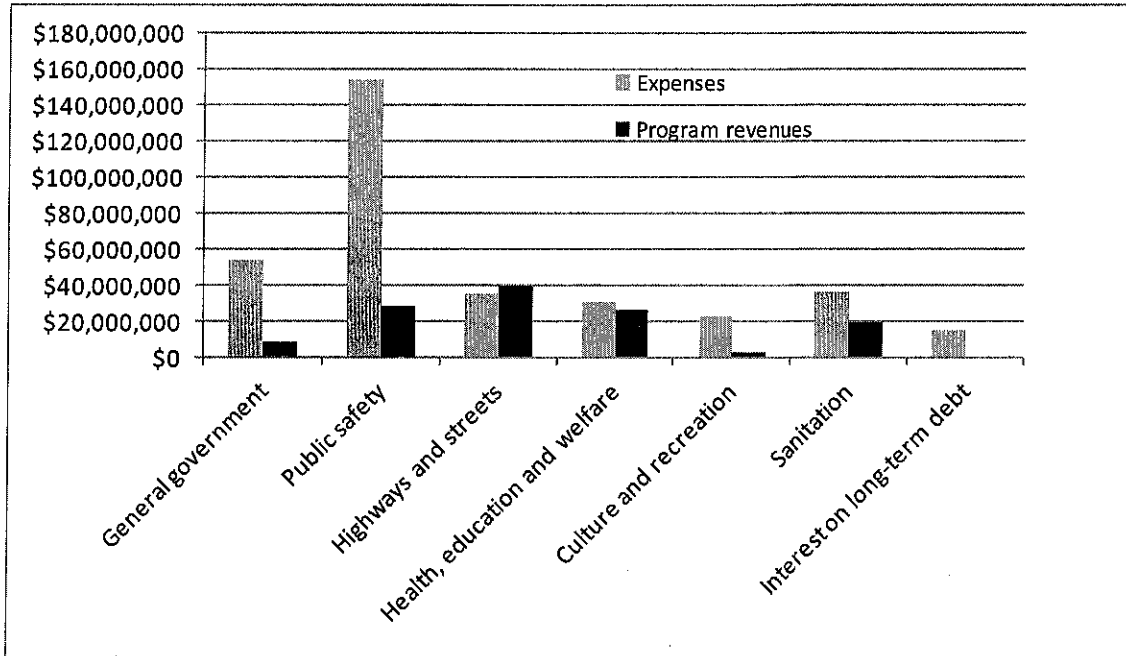
**Analysis of Changes in Net Assets**

**Governmental activities.** Governmental activities increased the County's net assets by \$55.6 million or basically all of the total growth in net assets of the County.

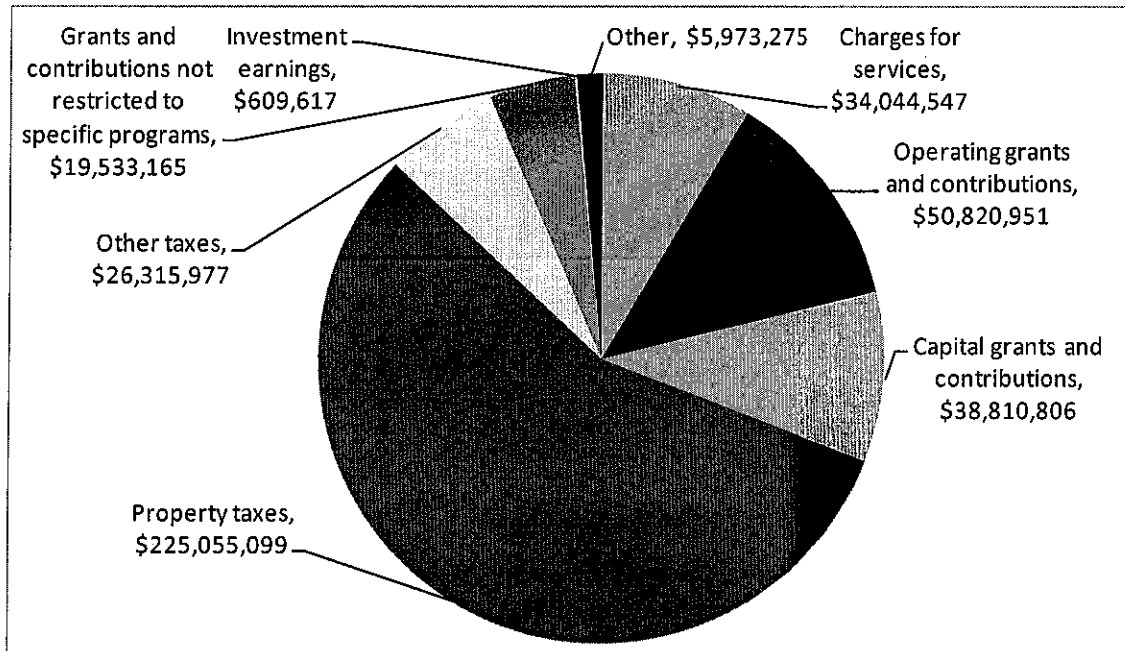
Total revenues increased by \$37.2 million (10 percent). The County's property taxes increased by \$7.0 million (3 percent) during the year. The increase is attributable to the increase in real property tax rates and more specifically the rates for apartments, which was offset by another year of declining assessed values. Capital grants and contributions also increased by approximately \$25.3 million relating mostly to highways and streets projects.

Total expenses increased by \$6.9 million (2 percent). The increase was due to the rising cost of health care, which increased expenses relating to current and future health benefits by approximately \$9.4 million.

**Expenses and Program Revenues – Governmental Activities  
Year Ended June 30, 2011**



**Revenue by Source – Governmental Activities  
Year Ended June 30, 2011**



The charts above illustrate the County's governmental expenses and revenues by function, and its revenues by source. As shown, public safety is the largest function in expense (45 percent), followed by general government (15 percent) and sanitation (10 percent). General revenues such as property and other taxes are not shown by program, but are effectively used to support program activities countywide. For governmental activities overall, without regard to programs, property taxes are the largest single source of funds (56 percent), followed by operating grants and contributions (13 percent) and capital grants and contributions (10 percent).

**Business-type activities.** Business-type activities decreased the County's net assets by \$41,990. Expenses for health, education and welfare account for all of the \$550,801 of expenses. Charges for services were \$372,599, operating grants and contributions were \$133,215 and investment earnings were \$2,997. Revenues increased by \$32,624 due to a \$32,858 increase in rental receipts, which was offset slightly by a \$3,587 decrease in the rental subsidy from the federal government. Expenses decreased \$39,330 (7 percent) due primarily to a decrease in general and administration expenses of \$36,437.

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$158.9 million, a decrease of \$13.3 million in comparison with prior year. Approximately 47 percent of this total amount (\$74.1 million) constitutes unrestricted fund balance. The unrestricted portion of the fund balance is comprised of (1) \$48.9 million in committed fund balance, (2) \$18.0 million in assigned fund balance and (3) \$7.2 million in unassigned fund balance. The remainder of the fund balance is divided between \$2.8 million in nonspendable fund balance for inventory and \$82.0 million in restricted fund balance. Approximately 78% of the restricted fund balance is due to restrictions relating to highways, streets and abandoned vehicles (\$37.2 million) and debt service (\$26.6 million).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$37.5 million, while total fund balance increased to \$44.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 16 percent of total general fund expenditures, while total fund balance represents 19 percent of that same amount.

The fund balance of the County's general fund increased by \$5.1 million during the current fiscal year as opposed to a \$20.1 million decrease in the prior year. Key factors in this increase are as follows:

- An increase of \$6.6 million (13 percent) in intergovernmental revenues. The most significant cause of the increase was due to an additional \$4.9 million in grant revenues relating to health, education and welfare.

- A decrease in revenue from investment earnings of \$1.6 million (72 percent) due to the continuation of low interest rates on investments.
- A decrease of \$6.3 million (16 percent) in general government expenditures due primarily to a decrease in salaries and wages (\$3.0 million) as a result of furloughs and pay reductions that occurred during the fiscal year for two of the four unions.
- A decrease of \$3.0 million (3 percent) in public safety expenditures due primarily to a decrease in salaries and wages (\$492,000) resulting from furloughs and pay reductions and the fact that the prior year's expenditure amounts included the purchase of a rescue helicopter for the Fire Department (\$1.4 million) and a contract to improve and update the Police Department's mapping data (\$1.0 million).
- A decrease of \$2.4 million (30 percent) in highways and streets expenditures due primarily to decreases in expenditures in two of Mass Transit's federal grants (\$1.6 million), which is primarily due to the fact that last year's expenditures included the purchase of additional buses for the County's fleet.
- An increase of \$3.2 million (9 percent) in the cost of employees' current and future health insurance expenditures due to the rising cost of healthcare insurance premiums.
- A decrease of \$3.9 million (32 percent) in capital outlay expenditures, which was the net result of an additional \$4.7 million in expenditures under a federal grant relating to health, education and welfare and a reduction in expenditures relating to the purchase of land using the public access and open space money of \$7.4 million.

The fund balance of the County's capital projects fund decreased by \$19.0 million during the current fiscal year. The decrease is primarily due to the combined total of the fund's main revenue sources of long-term debt financing (\$56.3 million), which consists of proceeds from the issuance of bonds (\$45.0 million), the related premiums on the sale of those bonds (\$2.1 million) and state revolving fund loan proceeds (\$9.3 million), intergovernmental revenue (\$15.0 million), other revenue (\$4.5 million) and transfers in (\$3.7 million) being less than capital and debt service expenditures (\$98.4 million) for the current fiscal year.

Although the fund balance of the capital projects fund was \$50.0 million at the end of the current fiscal year and the total unrestricted portion was \$13.9 million, the unassigned portion of the unrestricted fund balance was a negative \$3.6 million. This was due to a change in the prior year in the County's procedures regarding the issuance of bonds, in that the County defers the issuance of bonds until the funds are actually needed even though the project will be allotted so that work may begin.

The debt service funds consist of the Bond Redemption Fund and the Interest Fund. These funds have combined total fund balances of \$26.6 million, all of which is restricted for the payment of debt service. The net increase in the combined fund balances during the current year in the debt service funds was \$1.2 million (5 percent).

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Kulaimano Elderly Housing Project (Kulaimano) at the end of the year amounted to \$593,634, and the unrestricted net deficit of the Ouli Ekahi Affordable Housing Project (Ouli Ekahi) amounted to \$144,053. The net assets for Kulaimano decreased by \$46,939 and the net assets for Ouli Ekahi increased by \$4,949. Other factors concerning the finances of

these two funds have already been addressed in the discussion of the County's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were primarily the result of a \$9.6 million increase in appropriations, most of which (93%) is due to increases in the appropriations for capital and operating grants and contributions.

Differences between the final budget and the actual (budgetary basis) resulted in \$3.2 million less revenues than expected and \$23.3 million less expenditures than appropriated. This is primarily due to the following factors:

- \$2.2 million negative variance in intergovernmental revenue, which was made up almost entirely of the decrease in federal grants.
- \$16.9 million is due primarily to a decrease in salaries and wages as a result of furloughs and pay reductions that occurred during the fiscal year for two of the four unions and continued efforts by each department to control costs during the budget year due to the tough economic conditions facing the County. Amount consists primarily of variances in the following functions: general government (\$4.5 million), public safety (\$9.8 million), health, education and welfare (\$1.1 million) and culture and recreation (\$1.5 million).
- \$2.3 million is due to lower than anticipated payments needing to be made in pension related payments. With each department increasing efforts to control costs, overtime was also closely monitored and the corresponding pension expenditures were not incurred.
- \$1.9 million is due to the fact that the increase in health premiums for employees' was lower than originally anticipated.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$837.9 million (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, equipment, easements, and infrastructure assets, which consists of primarily roads and bridges. The total increase in the County's investment in capital assets for the current fiscal year was 10 percent.

Major capital asset events during the current fiscal year included the following:

- Construction continued on the Ane Keohokalole Highway; construction in progress as of the end of the current fiscal year increased by \$13.6 million to reach a total of \$15.6 million.
- Construction continued on the Kaloko Housing Project and related wastewater treatment plant; construction in progress as of the end of the current fiscal year for both projects increased by \$9.0 million to reach a total of \$9.4 million.
- Construction continued on the Honokaa and the Queen Liliuokalani large capacity cesspool projects, construction in progress as of the end of the current fiscal year for both projects increased by a combined \$4.8 million to reach a total of \$18.6 million.

- Construction continued on Phase II of the Hawaii County Building Improvements Project; construction in progress as of the end of the current fiscal year had increased by \$1.2 million to reach a total of \$22.2 million.
- Construction continued on the Waikoloa Housing Project; construction in progress as of the end of the current fiscal year had increased by \$3.9 million to reach a total of \$35.7 million.
- Construction continued on the Pahoa Recycling and Transfer Station; construction in progress as of the end of the current fiscal year had increased by \$4.0 million to reach a total of \$4.5 million.
- Construction continued on the West Hawaii Civic Center; construction in progress as of the end of the current fiscal year had increased by \$16.2 million to reach a total of \$50.5 million.
- Construction began on the North Kona Effluent Reuse Upgrade project; construction in progress as of the end of the current fiscal year had reached \$3.4 million.
- \$12.1 million of dedicated roads were received by the County in the current fiscal year.

**Capital Assets**  
**(net of depreciation)**  
**As of June 30, 2011 and 2010**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 107,682,068	\$ 35,517,270	\$ 753,877	\$ 753,877	\$ 108,435,945	\$ 36,271,147
Infrastructure assets	204,755,865	223,637,430	-	-	204,755,865	223,637,430
Ground and site improvements	-	-	71,334	75,089	71,334	75,089
Buildings and improvements	387,259,565	259,595,193	354,345	378,960	387,613,910	259,974,153
Easements	1,649,304	-	-	-	1,649,304	-
Equipment	52,130,844	54,046,284	13,642	11,435	52,144,486	54,057,719
Construction work in progress	83,196,457	184,784,462	-	-	83,196,457	184,784,462
Total	<u>\$ 836,674,103</u>	<u>\$ 757,580,639</u>	<u>\$ 1,193,198</u>	<u>\$ 1,219,361</u>	<u>\$ 837,867,301</u>	<u>\$ 758,800,000</u>

Additional information on the County's capital assets can be found in note 6 to the basic financial statements.

**Long-term debt.** Long-term debt is comprised of bonds of \$301.5 million, State Revolving Fund loans of \$36.6 million and general obligation bond anticipation notes of \$10.0 million. At the end of the current fiscal year, the County had total bonded debt outstanding of \$301.5 million. This entire amount was comprised of general obligation bonds which are backed by the full faith and credit of the County.

The County's total bonded debt increased by \$26.4 million (10 percent) during the current fiscal year due to the issuance of bonds which was offset by regularly scheduled principal payments.

At the end of the fiscal year, the County maintained its "AA-" rating from Standard & Poor's and Fitch and "Aa2" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt the County may issue to 15 percent of the total assessed value of all county real property as established for tax purposes on the last tax assessment rolls. The current debt limitation for the County is \$3.8 billion, which is in excess of the County's outstanding general obligation debt. Currently the County's outstanding debt represents 8 percent of our debt limitation.

At the end of the current fiscal year, the County also had notes payable to the U.S. Department of Agriculture, Farmers Home Administration amounting to \$0.9 million.

Additional information on the County's long-term debt can be found in note 10 to the basic financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for the County for the current fiscal year is at 9.5 percent, which represents a slight decline from last year's rate for the same period of 10.0 percent. The statewide unemployment rate is well below the national number.
- The number of visitors to the County for the current fiscal year was 1,322,289, which represents a 7 percent increase from the previous year's count of 1,234,507.
- Astronomy continues to be a major factor in the success of the County's economy with an estimated nearly 500 new jobs opening up through 2023 to meet the needs of the current observatories and the creation of new jobs with the development of the Thirty Meter Telescope (TMT) by the TMT Observatory Corporation. The development of the TMT atop Mauna Kea is progressing as the permit application was approved in February 2011 by the Board of Land and Natural Resources. It is projected that construction will span over nine years resulting in 300 construction jobs and 140 full-time permanent jobs with an annual estimated budget of \$26 million.
- The construction industry continues to lag in its growth which is evident in the negative growth regarding construction completed, lower building permits and losses in the industry's job total.
- The County's agriculture section offers some growth to the island's economy as cattle prices have rebounded from 2010 lows and the Kona coffee crop is expected to be significantly larger.

These factors were considered in preparing the County's budget for the 2012 fiscal year.

At the end of the current fiscal year, unrestricted fund balance in the general fund was \$37.5 million. The County has appropriated \$13.9 million of this amount for spending in the 2012 fiscal year budget and it is included in the assigned portion of the fund balance.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, County of Hawai'i, 25 Aupuni Street, Suite 2103, Hilo, Hawai'i 96720.

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## BASIC FINANCIAL STATEMENTS

COUNTY OF HAWAII

Statement of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (notes 3 and 14)	\$ 57,396,161	\$ 222,476	\$ 57,618,637	\$ 18,804,723
Restricted cash and cash equivalents (note 3)	34,751,533	34,519	34,786,052	-
Investments (notes 3 and 14)	3,400,000	-	3,400,000	-
Restricted investments (note 3)	39,952,759	-	39,952,759	-
Receivables, net (note 4)	49,574,996	1,530	49,576,526	6,149,716
Receivable from improvement district (notes 4 and 10)	58,449	-	58,449	-
Internal balances (note 5)	2,653	(2,653)	-	-
Inventories	2,835,361	-	2,835,361	1,139,349
Prepaid expenses	-	1,600	1,600	152,498
Other	1,216,095	-	1,216,095	-
Total current assets	<u>189,188,007</u>	<u>257,472</u>	<u>189,445,479</u>	<u>26,246,286</u>
Investments (note 3)	6,350,117	600,332	6,950,449	-
Restricted investments (notes 3 and 14)	21,659,752	-	21,659,752	15,904,088
Restricted cash and cash equivalents (note 3)	-	199,964	199,964	-
Receivable from improvement district, excluding current portion (notes 4 and 10)	3,073,244	-	3,073,244	-
Deferred charges	-	-	-	3,685,785
Capital assets (notes 6, 8 and 14):				
Utility plant in service, net	-	-	-	201,536,911
Infrastructure assets, net	204,755,865	-	204,755,865	-
Ground and site improvements, net	-	71,334	71,334	-
Buildings and improvements, net	387,259,565	354,345	387,613,910	-
Equipment, net	52,130,844	13,642	52,144,486	-
Easements, net	1,649,304	-	1,649,304	-
Construction work in progress	83,196,457	-	83,196,457	64,700,194
Land and improvements	107,682,068	753,877	108,435,945	1,783,726
Total capital assets, net	<u>836,674,103</u>	<u>1,193,198</u>	<u>837,867,301</u>	<u>268,020,831</u>
Total noncurrent assets	<u>867,757,216</u>	<u>1,993,494</u>	<u>869,750,710</u>	<u>287,610,704</u>
Total assets	<u>1,056,945,223</u>	<u>2,250,966</u>	<u>1,059,196,189</u>	<u>313,856,990</u>

(Continued)

COUNTY OF HAWAII

Statement of Net Assets

June 30, 2011

(Concluded)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 16,975,068	\$ 418,491	\$ 17,393,559	\$ 3,267,437
Deferred revenue (note 7)	2,435,058	4,609	2,439,667	-
Interest due on long-term debt	6,415,301	-	6,415,301	1,079,541
Bonds and loans payable, current portion net (notes 10 and 14)	40,435,016	33,063	40,468,079	7,105,000
Compensated absences, current portion (note 10)	8,504,320	-	8,504,320	1,481,751
Claims and judgments, current portion (notes 10, 12 and 14)	2,405,503	-	2,405,503	54,135
Capital leases, current portion (notes 8 and 10)	1,436,943	-	1,436,943	-
Landfill costs payable, current portion (notes 9 and 10)	219,540	-	219,540	-
Customers' deposits	-	-	-	607,615
Other	3,232,954	-	3,232,954	-
<b>Total current liabilities</b>	<b>82,059,703</b>	<b>456,163</b>	<b>82,515,866</b>	<b>13,595,479</b>
Noncurrent liabilities:				
Bonds and loans payable, net (notes 10 and 14)	312,199,754	851,169	313,050,923	56,273,412
Compensated absences (note 10)	25,347,552	-	25,347,552	1,244,337
Claims and judgments (notes 10, 12 and 14)	8,491,634	-	8,491,634	187,865
Capital leases (notes 8 and 10)	1,620,139	-	1,620,139	-
Landfill costs payable (notes 9 and 10)	20,789,460	-	20,789,460	-
Deferred revenue	-	-	-	1,583,953
Customers' deposits	-	-	-	15,517,031
<b>Total noncurrent liabilities</b>	<b>368,448,539</b>	<b>851,169</b>	<b>369,299,708</b>	<b>74,806,598</b>
<b>Total liabilities</b>	<b>450,508,242</b>	<b>1,307,332</b>	<b>451,815,574</b>	<b>88,402,077</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	514,309,238	308,966	514,618,204	220,546,507
Restricted for:				
Capital projects	5,956,816	-	5,956,816	-
Debt service (note 10)	26,614,682	185,087	26,799,769	-
Highways, streets and abandoned vehicles	14,972,836	-	14,972,836	-
Public access open space	3,520,138	-	3,520,138	-
Other	776,225	-	776,225	-
Unrestricted	40,287,046	449,581	40,736,627	4,908,406
<b>Total net assets</b>	<b>\$ 606,436,981</b>	<b>\$ 943,634</b>	<b>\$ 607,380,615</b>	<b>\$ 225,454,913</b>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Statement of Activities

For the Fiscal Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 53,439,428	\$ 1,856,795	\$ 2,609,491	\$ 3,985,868
Public safety	154,008,027	4,447,120	22,119,106	1,772,940
Highways and streets	34,812,165	9,800,983	3,808,816	25,501,168
Health, education and welfare	30,336,420	424,107	21,007,636	4,864,752
Culture and recreation	22,167,818	1,626,178	289,110	556,792
Sanitation	35,604,394	15,889,364	986,792	2,129,286
Interest on long-term debt	15,176,682	-	-	-
Total governmental activities	345,544,934	34,044,547	50,820,951	38,810,806
Business-type activities:				
Health, education and welfare	550,801	372,599	133,215	-
Total primary government	<u>\$ 346,095,735</u>	<u>\$ 34,417,146</u>	<u>\$ 50,954,166</u>	<u>\$ 38,810,806</u>
<b>Component unit:</b>				
Water (note 14)	<u>\$ 49,526,578</u>	<u>\$ 38,211,205</u>	<u>\$ -</u>	<u>\$ 11,582,090</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Public service company taxes

Public utility franchise taxes

Fuel taxes

Grants and contributions not restricted to specific programs

Investment earnings

Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (44,987,274)	\$ -	\$ (44,987,274)	\$ -
(125,668,861)	-	(125,668,861)	-
4,298,802	-	4,298,802	-
(4,039,925)	-	(4,039,925)	-
(19,695,738)	-	(19,695,738)	-
(16,598,952)	-	(16,598,952)	-
(15,176,682)	-	(15,176,682)	-
(221,868,630)	-	(221,868,630)	-
-	(44,987)	(44,987)	-
(221,868,630)	(44,987)	(221,913,617)	-
-	-	-	266,717
225,055,099	-	225,055,099	-
9,296,852	-	9,296,852	-
9,415,624	-	9,415,624	-
7,603,501	-	7,603,501	-
19,533,165	-	19,533,165	-
609,617	2,997	612,614	188,026
5,973,275	-	5,973,275	-
277,487,133	2,997	277,490,130	188,026
55,618,503	(41,990)	55,576,513	454,743
550,818,478	985,624	551,804,102	225,000,170
<u>\$ 606,436,981</u>	<u>\$ 943,634</u>	<u>\$607,380,615</u>	<u>\$ 225,454,913</u>

COUNTY OF HAWAII

Governmental Funds

Balance Sheet

June 30, 2011

	General	Capital Projects	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (note 3)	\$ 26,267,179	\$ 28,598,646	\$ 40,036	\$ 37,241,833	\$ 92,147,694
Investments (note 3)	6,350,117	36,669,752	24,942,759	3,400,000	71,362,628
Receivables, net (note 4)	22,855,874	4,101,545	-	2,556,475	29,513,894
Due from other governmental funds (note 5)	847,030	236,474	-	1,057,615	2,141,119
Due from other nongovernmental funds (note 5)	1,303	-	-	1,350	2,653
Receivables from other governments (note 4)	14,808,341	3,627,744	-	1,625,017	20,061,102
Inventories	2,835,361	-	-	-	2,835,361
Other	249,019	-	-	846,308	1,095,327
Total assets	<u>\$ 74,214,224</u>	<u>\$ 73,234,161</u>	<u>\$ 24,982,795</u>	<u>\$ 46,728,598</u>	<u>\$ 219,159,778</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 2,361,956	\$ 10,982,851	\$ -	\$ 3,630,261	\$ 16,975,068
Due to other governmental funds (note 5)	638,767	796,855	-	705,497	2,141,119
Deferred revenue (note 7)	23,889,601	1,389,333	-	2,594,379	27,873,313
Bond anticipation note payable (note 10)	-	10,000,000	-	-	10,000,000
Other	2,665,750	48,820	240,000	278,384	3,232,954
Total liabilities	<u>29,556,074</u>	<u>23,217,859</u>	<u>240,000</u>	<u>7,208,521</u>	<u>60,222,454</u>
Fund balances:					
Nonspendable: Inventory	2,835,361	-	-	-	2,835,361
Restricted for:					
Debt service (note 10)	-	-	24,742,795	1,871,887	26,614,682
General and public safety facilities	-	7,054,047	-	-	7,054,047
Highways, streets and abandoned vehicles	-	22,209,912	-	14,972,836	37,182,748
Parks and recreational facilities	-	1,614,730	-	-	1,614,730
Public access open space	3,520,138	-	-	-	3,520,138
Other	776,225	5,273,421	-	-	6,049,646
Committed to:					
Budget stabilization	2,104,893	-	-	-	2,104,893
Disaster and emergencies	5,041,324	-	-	-	5,041,324
Lower Puna area	-	-	-	3,277,820	3,277,820
Rental assistance and subsidy	-	-	-	4,826,134	4,826,134
Sanitation	-	-	-	12,462,532	12,462,532
Self insurance	1,081,410	-	-	-	1,081,410
Highways, streets and abandoned vehicles	-	2,553,536	-	1,724,703	4,278,239
Parks and recreational facilities	-	6,337,583	-	86,722	6,424,305
Zoning change impact mitigation (fair share)	-	4,259,215	-	-	4,259,215
Other	528,799	4,323,190	-	297,443	5,149,432
Assigned to:					
Subsequent year's budget	13,936,000	-	-	-	13,936,000
Other	4,024,596	-	-	-	4,024,596
Unassigned	<u>10,809,404</u>	<u>(3,609,332)</u>	<u>-</u>	<u>-</u>	<u>7,200,072</u>
Total fund balances	<u>44,658,150</u>	<u>50,016,302</u>	<u>24,742,795</u>	<u>39,520,077</u>	<u>158,937,324</u>
Total liabilities and fund balances	<u>\$ 74,214,224</u>	<u>\$ 73,234,161</u>	<u>\$ 24,982,795</u>	<u>\$ 46,728,598</u>	<u>\$ 219,159,778</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

June 30, 2011

**Total fund balances - governmental funds** **\$ 158,937,324**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land and improvements	107,682,068	
Infrastructure assets, net	204,755,865	
Buildings and improvements, net	387,259,565	
Equipment, net	52,130,844	
Easements, net	1,649,304	
Construction work in progress	83,196,457	
Total capital assets		836,674,103

Some of the County's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred (unearned) in the funds. (note 7) 25,438,255

Excess contributions over Other Postemployment Benefit Obligation (OPEB) 120,768

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and loans payable, net of receivable from improvement district	(339,503,077)	
Interest on long-term debt	(6,415,301)	
Capital leases	(3,057,082)	
Compensated absences	(33,851,872)	
Claims and judgments	(10,897,137)	
Landfill costs payable	(21,009,000)	
Total long-term liabilities		(414,733,469)

**Net assets of governmental activities** **\$ 606,436,981**

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Governmental Funds**

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

	General	Capital Projects	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$216,511,276	\$ -	\$ -	\$ -	\$216,511,276
Public service company taxes	9,296,852	-	-	-	9,296,852
Fuel taxes	-	-	-	7,603,501	7,603,501
Public utility franchise taxes	-	-	-	9,415,624	9,415,624
Licenses and permits	5,720,878	-	-	9,375,978	15,096,856
Intergovernmental	57,824,085	14,958,812	-	20,965,144	93,748,041
Charges for services	2,474,342	-	-	13,942,150	16,416,492
Investment earnings (loss)	624,266	(126,444)	-	11,788	509,610
Other	2,194,429	4,464,160	-	1,215,490	7,874,079
Total revenues	<u>294,646,128</u>	<u>19,296,528</u>	<u>-</u>	<u>62,529,675</u>	<u>376,472,331</u>
<b>Expenditures</b>					
Current:					
General government	34,251,415	-	-	-	34,251,415
Public safety	99,426,650	-	-	5,490,286	104,916,936
Highways and streets	5,745,546	-	-	11,368,631	17,114,177
Health, education and welfare	6,647,084	-	-	20,199,944	26,847,028
Culture and recreation	15,023,489	-	-	977,213	16,000,702
Sanitation	791,600	-	-	27,632,029	28,423,629
Pension and retirement					
contributions (note 13)	23,590,977	-	-	3,692,938	27,283,915
Employees' health insurance	23,238,407	-	-	1,973,322	25,211,729
Other postemployment benefits	17,307,000	-	-	-	17,307,000
Other	3,501,908	-	-	1,256,485	4,758,393
Debt service:					
Principal	98,747	19,000,000	21,690,638	1,443,573	42,232,958
Interest	11,833	-	-	14,829,402	14,841,235
Capital outlay	8,397,843	79,384,537	-	-	87,782,380
Total expenditures	<u>238,032,499</u>	<u>98,384,537</u>	<u>21,690,638</u>	<u>88,863,823</u>	<u>446,971,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,613,629</u>	<u>(79,088,009)</u>	<u>(21,690,638)</u>	<u>(26,334,148)</u>	<u>(70,499,166)</u>

(Continued)

COUNTY OF HAWAII

**Governmental Funds**

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

(Concluded)

	General	Capital Projects	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>					
Sale of assets	\$ 5,767	\$ -	\$ -	\$ -	\$ 5,767
Increase in capital leases (notes 8 and 10)	47,112	-	-	-	47,112
State Revolving Fund loans (note 10)	-	9,256,967	-	-	9,256,967
Sale of bonds (note 10)	-	45,000,000	-	-	45,000,000
Premium on bonds (note 10)	-	2,078,415	-	-	2,078,415
Transfers in (note 5)	-	3,743,965	22,885,741	29,469,578	56,099,284
Transfers out (note 5)	(52,355,319)	-	-	(3,743,965)	(56,099,284)
Total other financing sources (uses)	(52,302,440)	60,079,347	22,885,741	25,725,613	56,388,261
Net change in fund balances	4,311,189	(19,008,662)	1,195,103	(608,535)	(14,110,905)
Fund balances at beginning of year	39,518,917	69,024,964	23,547,692	40,128,612	172,220,185
Increase in reserve for inventories	828,044	-	-	-	828,044
Fund balances at end of year	<u>\$ 44,658,150</u>	<u>\$ 50,016,302</u>	<u>\$24,742,795</u>	<u>\$39,520,077</u>	<u>\$158,937,324</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Reconciliation of the Change in Fund Balances of Governmental Funds  
to the Statement of Activities**

For the Fiscal Year Ended June 30, 2011

**Net change in fund balances - total governmental funds** \$ (14,110,905)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	87,634,551	
Dedicated and contributed property	15,516,152	
Depreciation expense and loss on disposals	<u>(24,057,239)</u>	
Excess of capital outlay over depreciation expense		79,093,464

Borrowings provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

General obligation bonds	(45,000,000)	
Premium on bonds	(2,078,415)	
State Revolving Fund loans	(9,256,967)	
Capital leases	<u>(47,112)</u>	
Total debt proceeds		(56,382,494)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	18,519,168	
Bond anticipation note principal retirement	19,000,000	
State Revolving Fund loan repayments	3,171,470	
Capital lease payments	<u>1,542,320</u>	
Total long-term debt repayment		42,232,958

Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are "deferred" in the governmental funds. Unearned revenues increased by this amount this year.

7,518,674

(Continued)

COUNTY OF HAWAII

**Reconciliation of the Change in Fund Balances of Governmental Funds  
to the Statement of Activities**

For the Fiscal Year Ended June 30, 2011

(Concluded)

Some items reported in the statement of activities do not involve current financial resources and therefore are not reported as expenditures in governmental funds. These activities are:

Increase in inventories	\$ 828,044	
Decrease in Other Postemployment Benefit Obligation (OPEB)	(3,810,613)	
Increase in compensated absences	(3,383,732)	
Decrease in claims and judgments	4,473,554	
Increase in landfill closure/postclosure care costs	(505,000)	
Amortization of premium from bond issuance	332,210	
Amortization of deferred amount on refunding of bonds	(248,721)	
Net increase in accrued interest	<u>(418,936)</u>	
Net additional expenses		<u>(2,733,194)</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ 55,618,503</u></b>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments:				
Property taxes	\$ 217,006,691	\$ 217,006,691	\$ 216,511,276	\$ (495,415)
Public service company taxes	8,730,000	8,730,000	9,296,852	566,852
Total taxes and assessments	225,736,691	225,736,691	225,808,128	71,437
Licenses and permits:				
Nonbusiness licenses and permits	3,406,089	3,406,089	3,117,299	(288,790)
Business licenses	1,438,384	1,438,384	1,083,750	(354,634)
Street use	1,466,000	1,466,000	1,519,829	53,829
Total licenses and permits	6,310,473	6,310,473	5,720,878	(589,595)
Intergovernmental:				
Federal:				
Programs for the aged	2,512,692	2,538,188	1,800,219	(737,969)
Community development block grants	-	2,983,865	2,561,170	(422,695)
HOME program grant	-	996,793	1,040,555	43,762
Law enforcement	2,090,800	2,618,493	1,666,773	(951,720)
Other	4,276,835	8,686,023	8,531,111	(154,912)
Total federal	8,880,327	17,823,362	15,599,828	(2,223,534)
State:				
State General Fund - Act 185, SLH 1990	18,323,000	18,323,000	19,153,617	830,617
Emergency medical services	14,358,592	14,358,592	14,358,592	-
Other	4,493,791	4,503,791	3,710,494	(793,297)
Total State	37,175,383	37,185,383	37,222,703	37,320
Total intergovernmental revenue	46,055,710	55,008,745	52,822,531	(2,186,214)
Charges for services:				
General government	4,006,626	4,006,626	5,465,729	1,459,103
Culture and recreation	1,021,255	1,021,255	889,295	(131,960)
Highways and streets	293,000	293,000	349,704	56,704
Public safety	159,878	159,878	88,374	(71,504)
Total charges for services	5,480,759	5,480,759	6,793,102	1,312,343
Fines and forfeitures	1,796,100	1,796,100	759,568	(1,036,532)
Rents	120,907	120,907	116,482	(4,425)

(Continued)

COUNTY OF HAWAII

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues (continued):</b>				
Interest and penalties	\$ 1,250,000	\$ 1,250,000	\$ 623,125	\$ (626,875)
Miscellaneous	4,647,404	5,317,433	5,207,722	(109,711)
Total revenues	<u>291,398,044</u>	<u>301,021,108</u>	<u>297,851,536</u>	<u>(3,169,572)</u>
<b>Expenditures:</b>				
Current:				
General government:				
Finance	10,693,045	10,693,045	9,134,243	1,558,802
General government building	5,023,211	4,853,211	4,228,020	625,191
Legislative	2,993,271	2,993,271	2,761,054	232,217
Automotive equipment	4,339,317	4,439,317	4,352,558	86,759
Law	2,651,059	2,651,059	2,284,432	366,627
Research and development	2,969,525	2,977,024	2,825,252	151,772
Planning and zoning	2,878,548	2,878,548	2,619,532	259,016
Mayor's office	1,429,563	1,432,524	1,257,064	175,460
Engineering	1,503,209	1,473,209	1,324,321	148,888
Information Technology	1,319,383	1,319,383	1,171,689	147,694
Human Resources	1,757,889	1,757,889	1,653,594	104,295
Public works administration	1,448,440	1,525,925	1,387,110	138,815
Elections	1,097,695	1,097,695	753,169	344,526
Legislative Auditor	723,757	723,757	581,976	141,781
Total general government	<u>40,827,912</u>	<u>40,815,857</u>	<u>36,334,014</u>	<u>4,481,843</u>
Public safety:				
Police department	52,968,752	53,384,219	47,851,792	5,532,427
Fire department	37,049,032	37,183,220	35,367,701	1,815,519
Prosecuting attorney	7,916,022	8,051,524	6,292,604	1,758,920
Protective inspection	2,025,087	2,055,087	1,803,999	251,088
Liquor control	1,381,184	1,399,184	1,325,316	73,868
Flood control	537,440	537,440	469,900	67,540
Civil defense agency	1,598,437	1,598,437	1,347,662	250,775
Animal control	1,860,000	1,860,000	1,860,000	-
Total public safety	<u>105,335,954</u>	<u>106,069,111</u>	<u>96,318,974</u>	<u>9,750,137</u>
Highways and streets:				
Mass transit	5,753,999	5,753,999	5,719,075	34,924

(Continued)

COUNTY OF HAWAII

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Expenditures (continued):</b>				
Current (continued):				
Health, education and welfare:				
Elderly activities	\$ 3,425,258	\$ 3,441,258	\$ 3,042,988	\$ 398,270
Office of Aging	2,440,940	2,466,436	1,797,383	669,053
Education	58,500	58,500	56,435	2,065
Social programs	1,500,000	1,500,000	1,500,000	-
Cemeteries	283,021	283,021	273,645	9,376
Physical examination	133,825	133,825	123,465	10,360
Total health, education and welfare	<u>7,841,544</u>	<u>7,883,040</u>	<u>6,793,916</u>	<u>1,089,124</u>
Culture and recreation:				
Community music	276,798	269,298	232,537	36,761
Organized recreation:				
Maintenance	6,635,773	6,635,773	6,386,159	249,614
Recreation	2,295,147	2,295,147	2,176,245	118,902
Aquatics	2,240,118	2,242,118	2,057,357	184,761
Hoolulu Park complex	930,904	946,904	874,825	72,079
Administration	2,174,685	2,148,985	1,713,121	435,864
Children's zoo	656,497	666,197	632,400	33,797
Summer/Intersession	525,017	525,017	324,918	200,099
Culture and arts	206,839	208,339	193,087	15,252
Elderly activities administration	576,805	580,805	454,960	125,845
Total culture and recreation	<u>16,518,583</u>	<u>16,518,583</u>	<u>15,045,609</u>	<u>1,472,974</u>
Sanitation:				
Environmental management	908,012	908,012	791,599	116,413
Pension and retirement contributions	25,639,502	25,639,502	23,352,397	2,287,105
Employees' health insurance	25,177,125	25,177,125	23,238,407	1,938,718
Other postemployment benefits	17,307,000	17,307,000	17,307,000	-
Other	4,396,423	4,369,977	2,689,367	1,680,610
Total current	<u>249,706,054</u>	<u>250,442,206</u>	<u>227,590,358</u>	<u>22,851,848</u>

(Continued)

COUNTY OF HAWAII

**General Fund**

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

(Concluded)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Expenditures (continued):</b>				
Capital Outlay:				
Community Development Block grants (HUD)	\$ -	\$ 3,200,151	\$ 2,748,573	\$ 451,578
HOME Program	-	996,793	957,810	38,983
Other	-	4,275,000	4,275,000	-
Total capital outlay	-	8,471,944	7,981,383	490,561
Total expenditures	249,706,054	258,914,150	235,571,741	23,342,409
Excess of revenues over expenditures	41,691,990	42,106,958	62,279,795	20,172,837
<b>Other financing uses:</b>				
Transfers out:				
Housing Fund	(1,161,187)	(1,161,187)	(1,161,187)	-
Solid Waste Fund	(13,453,532)	(13,453,532)	(13,453,532)	-
Golf Course Fund	(361,379)	(361,379)	(361,379)	-
Sewer Connection Loan Fund	(50,000)	(50,000)	(50,000)	-
Sewer Loan Fund	(50,000)	(50,000)	(50,000)	-
Disaster/Emergency Fund	(100,000)	(100,000)	(100,000)	-
Debt Service Fund	(40,829,829)	(41,262,797)	(41,262,797)	-
Total transfers out	(56,005,927)	(56,438,895)	(56,438,895)	-
Total other financing uses	(56,005,927)	(56,438,895)	(56,438,895)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(14,313,937)	(14,331,937)	5,840,900	20,172,837
Fund balance at beginning of year	39,518,917	39,518,917	39,518,917	-
Fund balance at end of year	<u>\$ 25,204,980</u>	<u>\$ 25,186,980</u>	<u>\$ 45,359,817</u>	<u>\$ 20,172,837</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Proprietary Funds**

Statement of Net Assets

June 30, 2011

	Business-type Activities-		
	Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (note 3)	\$ -	\$ 222,326	\$ 222,326
Restricted cash and cash equivalents (note 3)	11,862	22,657	34,519
Imprest fund (note 3)	50	100	150
Receivables, net (note 4)	1,455	75	1,530
Prepaid expenses	1,600	-	1,600
Total current assets	<u>14,967</u>	<u>245,158</u>	<u>260,125</u>
Noncurrent assets:			
Restricted cash and cash equivalents (note 3)	185,087	14,877	199,964
Investments (note 3)	600,332	-	600,332
Capital assets (note 6):			
Land and site improvements	511,000	503,877	1,014,877
Buildings and equipment	1,236,856	-	1,236,856
Less accumulated depreciation	<u>(1,058,535)</u>	<u>-</u>	<u>(1,058,535)</u>
Total capital assets	<u>689,321</u>	<u>503,877</u>	<u>1,193,198</u>
Total noncurrent assets	<u>1,474,740</u>	<u>518,754</u>	<u>1,993,494</u>
Total assets	<u>1,489,707</u>	<u>763,912</u>	<u>2,253,619</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,835	373,795	377,630
Internal balances (note 5)	2,653	-	2,653
Due to developer	-	7,729	7,729
Security deposits payable from restricted assets	11,862	21,270	33,132
Deferred revenue (note 7)	3,315	1,294	4,609
Notes payable, current portion (note 10)	33,063	-	33,063
Total current liabilities	<u>54,728</u>	<u>404,088</u>	<u>458,816</u>
Noncurrent liabilities:			
Notes payable (note 10)	<u>851,169</u>	<u>-</u>	<u>851,169</u>
Total liabilities	<u>905,897</u>	<u>404,088</u>	<u>1,309,985</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(194,911)	503,877	308,966
Restricted for debt service	185,087	-	185,087
Unrestricted	<u>593,634</u>	<u>(144,053)</u>	<u>449,581</u>
Total net assets	<u>\$ 583,810</u>	<u>\$ 359,824</u>	<u>\$ 943,634</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Proprietary Funds**

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2011

	Business-type Activities- Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Operating revenues:			
Rental receipts from tenants	\$ 109,668	\$ 255,432	\$ 365,100
Rental subsidy from federal government - HUD	133,215	-	133,215
Laundry receipts	2,720	-	2,720
Other	-	4,779	4,779
Total operating revenues	<u>245,603</u>	<u>260,211</u>	<u>505,814</u>
Operating expenses:			
Utilities	39,932	29,830	69,762
General and administration	109,056	117,184	226,240
Maintenance and repairs	50,384	61,146	111,530
Lease expense	-	47,119	47,119
Depreciation (note 6)	34,123	-	34,123
Total operating expenses	<u>233,495</u>	<u>255,279</u>	<u>488,774</u>
Operating income	<u>12,108</u>	<u>4,932</u>	<u>17,040</u>
Nonoperating revenues (expenses):			
Investment income	2,980	17	2,997
Interest expense	(62,027)	-	(62,027)
Total nonoperating revenues (expenses)	<u>(59,047)</u>	<u>17</u>	<u>(59,030)</u>
Change in net assets	(46,939)	4,949	(41,990)
Net assets, beginning of year	<u>630,749</u>	<u>354,875</u>	<u>985,624</u>
Net assets, end of year	<u>\$ 583,810</u>	<u>\$ 359,824</u>	<u>\$ 943,634</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from tenants	\$ 112,299	\$ 269,669	\$ 381,968
Receipts from federal government - HUD	133,215	-	133,215
Payments to suppliers for goods and services	<u>(187,674)</u>	<u>(221,951)</u>	<u>(409,625)</u>
Net cash provided by operating activities	<u>57,840</u>	<u>47,718</u>	<u>105,558</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on notes payable	(31,885)	-	(31,885)
Interest paid on notes payable	(62,027)	-	(62,027)
Purchase of capital assets	<u>(7,960)</u>	<u>-</u>	<u>(7,960)</u>
Net cash used in capital and related financing activities	<u>(101,872)</u>	<u>-</u>	<u>(101,872)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of investments	(600,000)	-	(600,000)
Proceeds from maturities of investments	600,000	-	600,000
Interest on investments	<u>2,696</u>	<u>22</u>	<u>2,718</u>
Net cash provided by investing activities	<u>2,696</u>	<u>22</u>	<u>2,718</u>
Net increase (decrease) in cash and cash equivalents	(41,336)	47,740	6,404
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents)	<u>238,335</u>	<u>212,220</u>	<u>450,555</u>
Cash and cash equivalents at end of year (including restricted cash and cash equivalents)	<u>\$ 196,999</u>	<u>\$ 259,960</u>	<u>\$ 456,959</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 12,108	\$ 4,932	\$ 17,040
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	34,123	-	34,123
Change in assets and liabilities:			
Receivables, net	6,728	8,821	15,549
Prepaid expenses	(28)	-	(28)
Accounts and other payables	4,932	34,700	39,632
Deferred revenue	<u>(23)</u>	<u>(735)</u>	<u>(758)</u>
Net cash provided by operating activities	<u>\$ 57,840</u>	<u>\$ 47,718</u>	<u>\$ 105,558</u>
Supplemental disclosure of cash flow information - Interest paid	\$ 62,027	\$ -	\$ 62,027
Noncash investing, capital and financing activities:			
Net increase in fair value of investments	\$ 332	\$ -	\$ 332

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Fiduciary Funds**

Statement of Fiduciary Net Assets

June 30, 2011

	Private- Purpose Trusts	Agency Funds
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and cash equivalents (note 3)	\$ 3,728,377	\$ 4,270,967
Investments (note 3)	1,038,870	1,586,399
Receivables:		
Due from other agency funds	-	2,116
Other receivables	-	<u>65,521</u>
Total receivables	<u>-</u>	<u>67,637</u>
Total assets	<u>4,767,247</u>	<u>\$ 5,925,003</u>
 <b>Liabilities</b>		
Due to other agency funds	-	2,116
Accrued liabilities	-	3,211,822
Advances payable	-	571,051
Assets held for the benefit of improvement districts	<u>-</u>	<u>2,140,014</u>
Total liabilities	<u>-</u>	<u>\$ 5,925,003</u>
 <b>Net Assets</b>		
Held in trust for other parties	<u>4,767,247</u>	
Total net assets	<u>\$ 4,767,247</u>	

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Fiduciary Funds**

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2011

	<u>Private- Purpose Trusts</u>
<b>Additions</b>	
Contributions:	
Puna Geothermal Venture	\$ 50,000
Investment earnings:	
Net increase in fair value of investments	268,785
Dividends	54,491
Interest	<u>18,885</u>
Total additions	<u>392,161</u>
<b>Deductions</b>	
Grant payments	<u>273,546</u>
Total deductions	<u>273,546</u>
Change in net assets	118,615
Net assets, beginning of year	<u>4,648,632</u>
Net assets, end of year	<u>\$ 4,767,247</u>

See accompanying notes to the basic financial statements.

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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The accounting policies of the County of Hawai'i (the County) conform to U.S. generally accepted accounting principles (GAAP) as applicable to local governmental units. The following notes to the basic financial statements are an integral part of the County's Comprehensive Annual Financial Report.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

The County has implemented Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* (GASB Statement No. 14) and Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39). All organizations, activities or functions that meet the criteria in GASB Statement No. 14 and No. 39 for inclusion in the reporting entity are included in the County's basic financial statements.

**Primary Government** The County operates under the Mayor-Council form of government under a charter that became effective on January 2, 1969, and was amended in 1979, 1982, 1990 and 2000. The County's operations are organized by the following functions: general government; public safety; highways and streets; sanitation; health, education and welfare; culture and recreation; pension and retirement contributions; health fund; miscellaneous; capital outlay; and debt service. The State of Hawai'i (the State) assumes full responsibility for several major functions usually performed by local governments, including education, welfare, health and judicial functions. There are no separate city, county or township governments nor any school districts, special districts, authorities or public corporations with overlapping authority.

GASB Statement No. 14 defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable. "Financial accountability" is the level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities or level of services performed or provided by the organization. An organization has a financial benefit or burden relationship with the primary government if any one of three conditions exist: (1) The primary government is legally entitled to or can otherwise access the organization's resources; (2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (3) The primary government is obligated in some manner for the debt of the organization.

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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As required by GAAP as set forth in GASB Statement No. 14 and No. 39, these basic financial statements present the County of Hawai'i (the primary government) and its component unit, the Department of Water Supply (the Department). This component unit is included in the County's reporting entity because of its financial relationship with the County.

***Discretely Presented Component Unit*** The component unit column in the basic financial statements includes the financial data of the Department, a legally independent agency of the County that is accounted for as an enterprise fund. It is reported in a separate column to emphasize that it is legally separate from the County. The members of the Water Commission, the governing body of the Department, are appointed by the Mayor of the County and confirmed by the County Council. The Department is granted corporate powers by state statute and the County Charter. Although the County does not have the authority to approve or modify the Department's operational and capital budgets, the County has issued bonds on the Department's behalf that are general obligations of the County. Because the County is obligated to repay these bonds in the event of default by the Department, the County is financially accountable for the debts of the Department. See Note 14 for component unit disclosures for the Department. Complete financial statements of the Department can be obtained from the Department of Water Supply, 345 Kekuanaoa Street, Suite 20, Hilo, Hawai'i 96720.

### **Basic Financial Statements**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (general government, public safety, highways and streets, etc.) which are otherwise being supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (general government, public safety, highways and streets, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenues.

The government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

COUNTY OF HAWAII

**Notes to the Basic Financial Statements**

June 30, 2011

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The fund financial statements' emphasis is on the major funds in either the governmental or business-type categories. Nonmajor funds (by category) are summarized into a single column.

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (private parties, state government, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

***Government-wide and fund financial statements*** – The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Activities in funds** – The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

The County reports the following major governmental funds:

**General Fund** – The general fund is the general operating fund of the County. It is used to account for all activities of the general government, except those required to be accounted for in other funds.

**Capital Projects Fund** – Used to account for the costs of constructing County capital improvements financed with general obligation bond proceeds, federal and state grants, and general and special revenue fund revenues. The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major general government capital facilities and infrastructure (other than those financed by proprietary funds and trust funds) when separate project centers are needed to control costs.

**Bond Redemption Fund** – Used to accumulate moneys for the payment of general obligation bonds. Moneys required to retire the bonds are transferred from the General Fund one year in advance of maturity.

The County reports the following major proprietary funds:

**Kulaimano Elderly Housing Project** – Used to account for the operation of a rental housing project for low-income senior citizens located north of Hilo.

**Ouli Ekahi Affordable Housing Project** – Used to account for the operation of a 33-unit single-family affordable rental housing project located in Waimea.

COUNTY OF HAWAII

**Notes to the Basic Financial Statements**

June 30, 2011

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The County reports the following fiduciary funds:

***Private-Purpose Trust Funds*** – Used to account for funds received from geothermal developers to mitigate the effects of geothermal energy development. Also used to account for investment income on funds received from import businesses at the port of Hilo and the related expenditures to promote health and safety on the Island of Hawai‘i.

***Agency Funds*** – Used to account for assets held by the County for other governmental units and individuals. The agency funds are custodial in nature and do not involve measurement of results of operations. The County has the following agency funds:

- State Weight Tax Fund
- Improvement District No. 17 Fund
- Improvement District No. 18 Fund
- Improvement District Revolving Fund
- Performance and Refundable Deposits Fund
- Payroll Clearance Fund
- Flexible Spending Account
- Lapsed Warrants Fund
- Non-Profit License Plates Fund
- Organ and Tissue Education Fund
- Business Improvement District 1-Kailua

**Subsequent Events**

On October 31, 2011, the Improvement District No. 17 Fund was officially closed, with the last refund paid on August 2, 2011.

**Basis of Accounting**

Basis of accounting refers to the period in which revenues and expenditures (or expenses) are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary, fiduciary and component unit fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

***Accrual Basis*** - Revenues are recognized when earned and expenses are recognized when the related obligation is incurred.

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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**Modified Accrual Basis** - Revenues are recorded when susceptible to accrual (that is, both measurable and available). "Measurable" means the amounts are determinable. "Available" means the amounts are collectible within the current period or soon enough thereafter (one year for intergovernmental revenues) to be used to pay liabilities of the current period.

Licenses and permits, charges for current services, fines and forfeitures, penalties and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Real property taxes and State Revolving Fund loan proceeds are considered available when collected.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures recorded. Most construction grants and many operating grants fall into this category. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The County reports unearned revenue in its fund financial statements (see Note 7). Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures are recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred. Exceptions to this general rule include: (a) accumulated compensated absences and claims and judgments which are recognized as expenditures when paid; (b) liabilities related to municipal solid waste landfill closure and postclosure care costs; and (c) principal and interest on general long-term debt which are recognized as expenditures when due.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

June 30, 2011

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#### **Encumbrances**

The general, special revenue, and capital projects funds follow encumbrance accounting under which purchase orders, contracts and other commitments are recorded as an obligation of fund balance and provide authority for the carryover of appropriations to the subsequent year in order to complete these transactions. Encumbrances outstanding at year-end are included in the respective fund balance categories as appropriate and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### **Cash and Investments**

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date of three months or less from the date acquired by the County.

Investments consist of time certificates of deposit at financial institutions and bank repurchase agreements with original maturities exceeding three months. Included are participating investment contracts (U.S. government sponsored agency issues and negotiable certificates of deposit) as well as nonparticipating investment contracts (time certificates of deposit and repurchase agreements). Both categories of investments are stated at fair value (see Note 3). Investments also consist of equity securities in the fiduciary fund financial statements. These investments are stated at fair value based on closing quoted prices.

#### **Real Property Taxes**

The County's real property taxes are levied on July 1 each year on assessed valuation as of January 1. The taxes become a lien on the property assessed as of the levy date. Taxes are due and payable in two equal annual installments on August 20 and February 20. Accordingly, real property taxes receivable as of June 30 are delinquent. Each delinquent installment bears interest at 1% per month and penalties of up to 10% of the amount due. Assessments are based on 100% of estimated fair market values prior to the application of exemptions or preferential assessments.

#### **Inventories**

Inventories consist of materials and supplies and are reported as expenditures at the time of purchase (purchase method). Police and fire department inventories are stated using the first in, first out (FIFO) method. Other inventories are stated at average cost.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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**Liquor Control**

Section 281 of the Hawai'i Revised Statutes requires that liquor license revenues collected be used only for costs and expenses directly relating to operational and administrative costs actually incurred by the liquor commission collecting such fees. The unexpended fees at June 30, 2011 of \$776,225 are reflected as a restriction of general fund balance.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government and enterprise fund are depreciated using the straight-line method over the following estimated useful lives of the assets:

<u>Assets</u>	<u>Years</u>
Infrastructure	20 to 100 years
Buildings and improvements	50 to 100 years
Ground and site improvements	20 to 50 years
Equipment	5 to 40 years

**Long-term Obligations**

The County reports long-term debt of governmental funds at face value on the government-wide statement of net assets. Certain other governmental fund obligations not expected to be financed with current available resources are also reported on the government-wide statement of net assets. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in those funds.

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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### **Compensated Absences**

Employees earn vacation credit at the rate of one and three-quarter working days for each month of service. Up to ninety days of vacation leave credits can be accumulated per employee. In addition, employees who work overtime can elect to take compensatory time off instead of overtime pay. The time off is earned at the rate of one-and-a-half hours for each hour of overtime worked. There is no statutory limit to the amount of compensatory time off an employee can accumulate. Both compensatory time off and vacation credits are converted to pay upon termination of employment.

A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation and compensatory time off pay is accrued in the government-wide statement of net assets along with the estimated liability for social security and Medicare taxes and employers' retirement contributions on those amounts.

Sick leave accumulates without limit. Sick leave can be taken only in the event of illness and is not convertible to pay upon termination of employment; therefore there is no related liability. However, a County 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 Employees' Retirement System of the State of Hawai'i. Accumulated sick leave at June 30, 2011 totaled \$71,500,000 for the primary government.

### **Leases**

Leases transferring substantially all of the risks and benefits of ownership are recorded as capital leases; other leases are operating leases (see Note 8). Capital leases are recorded as capital asset additions at their estimated fair market value at the inception of the lease and the related present value of the future minimum lease obligations is recorded as long-term debt. Operating lease expenditures and expenses are recognized when the lease obligation is paid.

### **Retirement Plan Contributions**

The County's contribution to the Employees' Retirement System of the State of Hawai'i includes the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability. The County's policy is to fund its required contribution annually (see Note 13).

### **Operating Revenues and Expenses**

Revenues and expenses are distinguished between operating and nonoperating items for the proprietary funds. Operating revenues generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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the proprietary funds are fees charged to residents for rent and rental subsidies received from the federal government.

Operating expenses include the costs associated with providing housing for tenants, such as utilities, lease rent, and maintenance and repairs; administrative expenses; and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

### Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures, and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

### New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements in this Statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. The County implemented this Statement in the fiscal year ended June 30, 2011.

When both restricted and unrestricted fund balances are available for use, it is the County's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

The County reports the following classifications:

**Nonspendable Fund Balance** – Nonspendable fund balances are amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. The County has inventory included in their nonspendable fund balance.

**Restricted Fund Balance** – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments or are imposed by law (under the Hawaii Revised Statutes or County of Hawaii Charter).

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

June 30, 2011

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**Committed Fund Balance** – Committed Fund Balances are amounts that can only be used for specific purposes as a result of constraints imposed by the County Council via ordinances and the County Code. The committed fund balance of the General Fund includes the portion of fund balance committed to budget stabilization. The budget stabilization portion is authorized under County Code §2-19 to §2-223 and additions are made via the County budget or subsequent budget amendments. The fund balance may only be used when there is a reduction in budgeted revenue and the director of finances determines that such use is necessary to prevent a reduction in the level of public services.

**Assigned Fund Balance** – Assigned fund balances are amounts that are constrained by the County's intent but are neither restricted nor committed. The County's only assigned fund balances are in the General Fund and the majority consists of the portion of fund balance that is intended to balance the subsequent year's budget.

**Unassigned Fund Balance** – This is the residual classification of the General Fund and the Capital Projects Fund. Only the General Fund reports a positive unassigned fund balance.

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which clarifies that when actuarially determined other postemployment benefits ("OPEB") measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. These provisions are effective for years beginning after June 15, 2011. The County has not yet determined the effect this Statement will have on its financial statements.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34* amending the requirements of Statement No. 14, *The Financial Reporting Entity*, and Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement improves the financial reporting for governmental entities, which is comprised of the primary government and related entities (component units). The Statement amends the criteria for blending which helps ensure that the primary government includes only those component units that are so intertwined with the primary government. The provisions of this statement are effective for the County for periods beginning after June 15, 2012. The County has not yet determined the effect this Statement will have on its financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement will make it easier for preparers of state and local government financial statements to find relevant authoritative guidance from one single

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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source. The provisions for this Statement are effective for the County for periods beginning after December 15, 2011. The County has not yet determined the effect this Statement will have on its financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions for this Statement are effective for the County for periods beginning after December 15, 2011. The County has not yet determined the effect this Statement will have on its financial statements.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Annual Budget

The County follows these procedures in establishing its operating and capital budgets:

- On or before March 1, the Mayor submits to the County Council proposed operating and capital projects budgets for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures for the general fund and special revenue funds, and the means of financing them. A project-length budget is submitted to the County Council for the capital projects fund.
- The Mayor submits to the County Council amendments to the proposed operating and capital budgets within ten working days after the close of the state legislature, but not later than May 5.
- The County Council conducts public hearings on the proposed operating and capital budgets after March 1 but prior to the first reading on the budget bills, which must be after May 5.
- On or before June 30, the County Council adopts the budgets. The legal level of budgetary control is the department level because the Mayor can transfer funds from any unencumbered appropriation to another within a department or agency without County Council approval. During the year, the budget may be amended by action of the County Council, except for appropriations required by law and appropriations for debt service, which may not be decreased or deleted. Supplemental appropriations were made during the 2010-2011 fiscal year to recognize revenue from sources not anticipated at the time of the original budget and to establish the authorization for such funds to be expended. Such supplemental appropriations totaled \$9.6 million in the general fund and \$4.5 million in the special revenue funds. Legally adopted budgets include the General Fund, Highway Fund, Sewer Fund, Solid Waste Fund, Cemetery Fund, Parking Meter Fund, Vehicle Disposal Fund, Bikeway Fund, Workforce Investment Act Fund, Golf Course

COUNTY OF HAWAII

**Notes to the Basic Financial Statements**

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Fund, Geothermal Relocation and Community Benefits Fund, Beautification Fund, Hawaii County Housing Agency Fund and Park Dedication Fund.

- Appropriations for the operating budget lapse at the end of the fiscal year to the extent that they have not been expended or encumbered. Appropriations for capital expenditures that are not encumbered lapse at the end of two fiscal years following the fiscal year that the appropriation was made.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, and Capital Projects Fund. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- The accompanying statement of revenues, expenditures and changes in fund balances – budget and actual (budgetary basis) for the General Fund presents a comparison of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP. On the budgetary basis, intergovernmental revenues are recognized when awarded by the granting agency, encumbrances and unexpended allotments are treated as expenditures, accounts payable are not accrued, and all leases are treated as operating leases. In preparing the financial statements on a GAAP basis, accounts payable are accrued and treated as a reduction of encumbrances for balance sheet presentation.

**Budget to GAAP Reconciliation**

The following is a summary of the adjustments necessary to convert fund balances of the County's General Fund from a GAAP basis to a budgetary basis at June 30, 2011:

Ending fund balance – GAAP basis	\$44,658,150
Encumbrance adjustments:	
Beginning encumbrances and unexpended allotments	4,970,096
Ending encumbrances and unexpended allotments	(4,024,596)
Other adjustments	<u>(243,833)</u>
Ending fund balance – Non-GAAP budgetary basis	<u>\$45,359,817</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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**3. CASH AND INVESTMENTS**

The Director of Finance is responsible for the safekeeping of all monies paid to the County. The Director of Finance invests any monies of the County which in the Director's judgment are in excess of the amounts necessary for meeting the day-to-day operating needs of the County. 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.

**Cash**

The County maintains a number of checking and savings accounts for various funds and with various financial institutions. Bank deposits are under the custody of the Director of Finance. For financial statement reporting purposes, cash and short-term investments consist of cash and money market accounts. Cash and short-term investments also include repurchase agreements, certificates of deposit, and government sponsored securities with original maturities of three months or less.

The carrying amount of the County's deposits (cash, time certificates of deposit, and money market accounts) as of June 30, 2011 was \$146,075,461 for the primary government and \$9,585,743 for the fiduciary funds.

Information relating to bank balance, insurance and collateral of cash deposits is determined on a county-wide basis. Total bank balances of deposits for the primary government and fiduciary funds amounted to \$168,785,567 at June 30, 2011. Of that amount, \$168,563,241 represents bank balances covered by federal deposit insurance or by collateral held by the County's fiscal agents in the name of the County. The remaining bank balances of \$222,326 represent deposits held by a management agent and were uncollateralized. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. For checking accounts, time certificates of deposit, and repurchase agreements, the County requires, in accordance with State statutes, that the depository banks pledge collateral based on the available bank balances to limit its exposure to custodial credit risk. All securities pledged as collateral are held by the County's fiscal agents in the name of the County. The County also requires that no more than 60% of the County's total funds available for deposit may be deposited in any one financial institution, in accordance with State statutes.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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**Investments**

The County holds investments both for its own benefit and on behalf of some of the fiduciary funds. The County's investments of funds not required for immediate payments are predominately comprised of government sponsored securities (equivalent to the rating in U.S. Treasuries), repurchase agreements and certificates of deposit, while the fiduciary fund also holds equity securities.

The County's investments and maturities at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Maturity (in years)</u>	
		<u>Less than 1</u>	<u>1 – 5</u>
Investments – Primary Government:			
Certificates of deposit	\$ 14,446,977	\$ 13,400,000	\$ 1,046,977
Repurchase agreements	39,064,291	29,952,759	9,111,532
Government sponsored securities	<u>18,451,692</u>	<u>--</u>	<u>18,451,692</u>
	<u>\$ 71,962,960</u>	<u>\$ 43,352,759</u>	<u>\$28,610,201</u>
Investments – Fiduciary Funds:			
Certificates of deposit	<u>\$ 1,586,399</u>	<u>\$ --</u>	<u>\$ 1,586,399</u>
Equity securities	<u>\$ 1,038,870</u>		

*Interest Rate Risk:* The County minimizes its exposure to interest rate risk by limiting the maturities of investments to five years or less in compliance with state statute. The County's policy is to hold investments until maturity and does not engage in trading for capital gains.

*Credit Risk:* The County's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, and money market funds. The investment policy also allows for investments in other securities that are equivalent to the rating in U.S. Treasuries.

*Custodial Risk:* Custodial risk is the risk of loss from the failure of the counterparty, which is defined as any entity that obtained an investment on behalf of the County. All of the County's deposits including repurchase agreements are secured by collateral which is kept by a third party custodian. Broker-dealers utilized by the County are members of the Securities Investor Protection Corporation, and all investment securities are held in the County's name.

*Concentration of Credit Risk:* State law limits deposits to no more than 60% of the total in any one depository. The County seeks to further diversify its portfolio by purchasing from different issuers, by purchasing different types of investments and by purchasing investments at different maturities. The County also purchases its investments from a number of banks and broker-dealers both located locally and on the mainland.

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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### **Restricted Cash and Cash Equivalents and Investments**

Cash and cash equivalents and investments classified as restricted assets for the primary government at June 30, 2011 amounted to \$96,598,527.

Construction related contributions restricted to various capital improvement projects and fuel tax funds received are recorded as restricted assets in the Capital Projects Fund. Such funds totaled \$50,767,700 at June 30, 2011.

Cash and investments in the Bond Redemption and Interest Fund are restricted to debt service related payments and amounted to \$26,927,204.

Cash in the Highway Fund and Beautification Fund are restricted to costs incurred relating to highways and streets and the beautification of such items and amounted to \$14,372,777.

The restricted cash in the General Fund was comprised of cash restricted to costs incurred to administer the liquor commission and cash restricted to the acquisition of lands or property entitlements for public outdoor recreation and education. Such amounts totaled \$776,225 and \$3,520,138, respectively.

Tenant security deposits received by the County for the Kulaimano Elderly Housing Project and the Ouli Ekahi Affordable Housing Project are recorded as restricted assets. Such funds amounted to \$11,862 and \$22,657, respectively, at June 30, 2011.

Restricted amounts set aside by the Kulaimano Elderly Housing Project under its loan agreement with the Farmers Home Administration totaled \$185,087 at June 30, 2011. This amount is restricted for debt service, or for other purposes with prior approval from the Farmers Home Administration. An operating reserve fund was established by the Ouli Ekahi Affordable Housing Project pursuant to an agreement with the developer of the project. This restricted reserve amounted to \$14,877 at June 30, 2011.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

4. RECEIVABLES

Receivables as of June 30, 2011, for the County's individual major funds and other funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

**Governmental activities:**

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Real property taxes	\$23,974,488	\$ --	\$ --	\$23,974,488
Accounts receivable:				
Sewer	--	--	1,988,273	1,988,273
Solid waste	--	--	2,912,008	2,912,008
Capital projects	--	4,101,545	--	4,101,545
Intergovernmental	<u>14,808,341</u>	<u>3,627,744</u>	<u>1,625,017</u>	<u>20,061,102</u>
Gross receivables	38,782,829	7,729,289	6,525,298	53,037,416
Less: allowance for uncollectibles	<u>(1,118,614)</u>	<u>--</u>	<u>(2,343,806)</u>	<u>(3,462,420)</u>
Net total receivables	<u>\$37,664,215</u>	<u>\$7,729,289</u>	<u>\$4,181,492</u>	<u>\$49,574,996</u>

During fiscal year 2005, the County issued \$3,887,493 in general obligation bonds on behalf of Improvement District No. 18, an agency fund. At June 30, 2011, the outstanding balance of \$3,131,693 is reflected in the government-wide statement of net assets as a receivable (see Note 10).

**Business-type activities:**

	Enterprise <u>Funds</u>
Accounts receivable:	
Rent	\$52,663
Other	<u>3,063</u>
Gross receivables	55,726
Less: allowance for uncollectibles	<u>54,196</u>
Net total receivables	<u>\$ 1,530</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

**5. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables consist of the following at June 30, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Capital projects fund	\$ 402,910
	Other governmental funds	<u>444,120</u>
		847,030
Capital projects fund	Other governmental funds	236,474
Other governmental funds	General fund	638,767
	Capital projects fund	393,945
	Other governmental funds	<u>24,903</u>
		<u>1,057,615</u>
Total		<u>\$2,141,119</u>
General fund	Enterprise funds	\$ 1,303
Other governmental funds	Enterprise funds	<u>1,350</u>
Total		<u>\$ 2,653</u>

The above interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

Transfers for the fiscal year ended June 30, 2011 consisted of the following:

Transfers out:			
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers in:			
Capital projects fund	\$ --	\$3,743,965	\$ 3,743,965
Bond redemption fund	22,885,741	--	22,885,741
Other governmental funds	<u>29,469,578</u>	--	<u>29,469,578</u>
	<u>\$52,355,319</u>	<u>\$3,743,965</u>	<u>\$56,099,284</u>

The interfund transfers noted above include transfers from the General Fund to provide support for various County programs and to provide resources for the payment of debt services. In addition, some of the other governmental funds have made transfers to the capital projects fund for the construction of various projects.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 for the County was as follows:

	Balance July 1, 2010	<u>Additions</u>	Retirements/ <u>Transfers</u>	Balance June 30, 2011
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 35,517,270	\$ 3,571,590	\$ 68,593,208	\$ 107,682,068
Easements	--	1,283,221	--	1,283,221
Construction work in progress	<u>184,784,462</u>	<u>78,940,490</u>	<u>(180,528,495)</u>	<u>83,196,457</u>
Total capital assets not being depreciated	<u>220,301,732</u>	<u>83,795,301</u>	<u>(111,935,287)</u>	<u>192,161,746</u>
Capital assets being depreciated:				
Buildings and improvements	319,938,221	146,339,235	(13,491,991)	452,785,465
Equipment	113,920,197	5,742,563	(1,033,350)	118,629,410
Easements	--	439,300	--	439,300
Infrastructure	<u>379,063,999</u>	<u>47,362,799</u>	<u>(55,101,217)</u>	<u>371,325,581</u>
Total capital assets being depreciated	<u>812,922,417</u>	<u>199,883,897</u>	<u>(69,626,558)</u>	<u>943,179,756</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,343,028)	(5,182,872)	--	(65,525,900)
Equipment	(59,873,913)	(7,478,458)	853,805	(66,498,566)
Easements	--	(73,217)	--	(73,217)
Infrastructure	<u>(155,426,569)</u>	<u>(11,143,147)</u>	--	<u>(166,569,716)</u>
Total accumulated depreciation	<u>(275,643,510)</u>	<u>(23,877,694)</u>	<u>853,805</u>	<u>(298,667,399)</u>
Total capital assets being depreciated, net	<u>537,278,907</u>	<u>176,006,203</u>	<u>(68,772,753)</u>	<u>644,512,357</u>
Governmental activities capital assets, net	<u>\$757,580,639</u>	<u>\$259,801,504</u>	<u>(\$180,708,040)</u>	<u>\$836,674,103</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

	Balance July 1, <u>2010</u>	<u>Additions</u>	Retirements/ <u>Transfers</u>	Balance June 30, <u>2011</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ <u>753,877</u>	\$ --	\$ --	\$ <u>753,877</u>
Capital assets being depreciated:				
Buildings and improvements	1,136,008	--	--	1,136,008
Ground and site improvements	261,000	--	--	261,000
Equipment	<u>98,634</u>	<u>7,960</u>	<u>(5,746)</u>	<u>100,848</u>
Total capital assets being depreciated	<u>1,495,642</u>	<u>7,960</u>	<u>(5,746)</u>	<u>1,497,856</u>
Less accumulated depreciation for:				
Buildings and improvements	(757,048)	(24,615)	--	(781,663)
Ground and site improvements	(185,911)	(3,755)	--	(189,666)
Equipment	<u>(87,199)</u>	<u>(5,753)</u>	<u>5,746</u>	<u>(87,206)</u>
Total accumulated depreciation	<u>(1,030,158)</u>	<u>(34,123)</u>	<u>5,746</u>	<u>(1,058,535)</u>
Total capital assets being depreciated, net	<u>465,484</u>	<u>(26,163)</u>	<u>--</u>	<u>439,321</u>
Business-type activities capital assets, net	<u>\$1,219,361</u>	<u>(\$26,163)</u>	<u>\$ --</u>	<u>\$1,193,198</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,602,948
Public safety	2,712,562
Highways and streets	12,407,325
Sanitation	4,098,778
Health, education and welfare	408,011
Culture and recreation	<u>1,648,070</u>
Total depreciation expense – governmental activities	<u>\$23,877,694</u>
Business-type activities:	
Kulaimano Elderly Housing Project	<u>\$34,123</u>

**7. DEFERRED REVENUE:**

Deferred revenue consists of the following at June 30, 2011:

**Governmental activities:**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Real property taxes	\$ 23,244,569	\$ --	\$ --	\$ 23,244,569
Liquor control revenue	170,170	--	--	170,170
Sewer revenue	--	--	1,056,941	1,056,941
Housing revenue	--	--	25,906	25,906
Solid waste revenue	--	--	1,511,532	1,511,532
Intergovernmental	<u>474,862</u>	<u>1,389,333</u>	<u>--</u>	<u>1,864,195</u>
Total presented in fund financial statements	23,889,601	1,389,333	2,594,379	27,873,313
Less adjustments for accrual of revenues	<u>(22,855,874)</u>	<u>--</u>	<u>(2,582,381)</u>	<u>(25,438,255)</u>
Total government-wide financial statements	<u>\$ 1,033,727</u>	<u>\$1,389,333</u>	<u>\$ 11,998</u>	<u>\$ 2,435,058</u>

**Business-type activities:**

	Enterprise Funds
Unearned rental income	<u>\$4,609</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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**8. LEASES**

The County leases machinery and equipment under noncancellable leases expiring at various dates through June 2016. These capital leases are financed from the resources of various funds.

The estimated value of the leased machinery and equipment at the inception of the capital leases and accumulated depreciation, amounting to \$15,410,372 and \$7,337,209, respectively, and the related present value of the remaining obligations under the capital leases amounting to \$3,057,082 at June 30, 2011 are included in capital assets and long-term debt, respectively.

The County also leases land, office facilities and other equipment under noncancellable operating leases expiring through July 2029. Expenditures for such operating leases were \$2,508,223 for the fiscal year ended June 30, 2011.

The future minimum payments under capital and operating leases at June 30, 2011 are as follows:

Year Ending June 30:	Capital <u>Leases</u>	Operating <u>Leases</u>
2012	\$1,503,069	\$1,713,143
2013	833,974	1,276,640
2014	535,812	781,468
2015	297,662	757,176
2016	5,234	708,176
2017 – 2021	--	1,451,275
2022 - 2026	--	73,190
2027 - 2030	--	46,731
Total minimum lease payments	3,175,751	<u>\$6,807,799</u>
Less amount representing interest	<u>(118,669)</u>	
Obligations under capital leases	<u>\$3,057,082</u>	

**9. SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

**Hilo Landfill** The County owns and operates a landfill located in the city of Hilo. State and federal laws require the County to place covers on certain landfill sites and to monitor and maintain the sites for thirty years after the facility is closed. Although the closure and postclosure care costs will be paid near and after the date that the landfill stops accepting waste, the County recognizes a portion of the closure and postclosure care costs in each operating period. The liability for these costs is included in the government-wide statement

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

June 30, 2011

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of net assets. The amount recognized each year is based on the landfill capacity used as of the statement of net assets date. At June 30, 2011, the County recognized a liability of \$12,733,000, based on the use of 87% of the estimated capacity of the landfill. During the fiscal year ended June 30, 2011, there were no expenditures incurred for the closure of the landfill. The remaining \$1,997,000 in estimated cost of closure and postclosure care will be recognized as the remaining estimated capacity is used. The estimated remaining useful life of the landfill is approximately four years. These amounts are based on what it would cost to perform the required closure and postclosure care in 2011. Actual costs at that time may be higher due to inflation, changes in technology, or changes in regulations.

Landfill capacity estimates are based on volumes going into the landfill subsequent to the last available engineer's calculation. The volumes going into the landfill do not account for decomposition, settlement, and corrosion, therefore the estimates are revised when new engineering calculations, based on aerial photos and surveys, are available.

The County's permit to operate the landfill expired October 9, 1998. The County filed for an extension which was approved by the State until permitted capacity is reached. In accordance with state statute, the County is allowed to continue operations provided that the County acts consistently with the permit previously granted and the extension application, plans, specifications and all other information contained therein.

***Kealakehe*** In October 1993, the County closed its Kealakehe landfill in Kona. Under state and federal requirements, the County would have to monitor and maintain this site for ten years from the closure date. However, the County anticipates monitoring and maintaining the site for thirty years because there is presently a subterranean fire which requires active management. The estimated cost of closure and postclosure is \$15,850,000, based on what it would cost to perform the required closure and postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Through June 30, 2011, \$7,574,000 was spent on closure and postclosure care of the landfill. The remaining estimated liability of \$8,276,000 is included in the government-wide statement of net assets. During the year ended June 30, 2011, \$146,000 was spent on closure of the landfill. The County is providing financial assurance for postclosure care and remediation through self insurance as explained below.

***Pu'uana'hulu*** In May 1993, the County contracted with a private company to construct and operate a new landfill on County land at Pu'uana'hulu in West Hawai'i. The present contract calls for County employees to perform the daily operations of the landfill, and for the private company to retain the overall management as well as perform all construction work on the landfill cells. Under the terms of the contract, the County has no responsibility for remediation, closure or postclosure care. Accordingly, no liability for this landfill is included in the County's financial statements.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

**Financial Assurance** For fiscal year 2011, the County has provided for financial resources that will be available to provide for closure, postclosure care and remediation or containment of environmental hazards at the above landfills, except Pu‘uanahulu. The Environmental Protection Agency’s financial assurance rules include a local government financial test consisting of a financial component, a public notice component, and a recordkeeping component. Local governments are required to satisfy each of the three components to pass the annual test. Management believes that the County has satisfied each of the components of the local government financial assurance requirements.

**10. LONG-TERM DEBT**

**General Obligation Bonds**

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds have been issued by the County for the primary government, component unit activities (see Note 14) and an improvement district.

The following is a summary of general obligation bond transactions reported in the government-wide statement of net assets for the County for the fiscal year ended June 30, 2011:

Bonds Authorized	Issue Amount	Bond Balance July 1, 2010	Issues	Retirements	Bond Balance June 30, 2011	Due Within One Year
1993 Ref & PI	\$86,770,000	\$ 16,905,000	\$ --	(\$ 5,330,000)	\$ 11,575,000	\$ 5,630,000
2001 Series A	23,000,000	704,348	--	(704,348)	--	--
2003 Series A	36,310,000	30,345,000	--	(1,610,000)	28,735,000	1,665,000
2004 Series A	30,000,000	26,505,000	--	(1,235,000)	25,270,000	1,280,000
2004 Ref Series B	19,545,000	12,735,000	--	(1,890,000)	10,845,000	1,975,000
2004 Ref Series C	5,050,140	2,707,244	--	(507,320)	2,199,924	521,156
2004 PI Series A	2,776,400	2,319,837	--	(41,317)	2,278,520	43,279
2004 PI Series B	920,000	867,707	--	(14,534)	853,173	15,170
2004 PI Series C	191,093	40,511	--	(40,511)	--	--
2006 Series A	25,000,000	22,607,500	--	(882,500)	21,725,000	927,500
2007 Series A	85,000,000	79,525,000	--	(2,905,000)	76,620,000	3,050,000
2007 Series B	20,820,000	19,115,000	--	(1,790,000)	17,325,000	1,855,000
2007 Series C	10,787,388	10,787,388	--	--	10,787,388	795,684
2008 Series A	50,000,000	50,000,000	--	(1,665,000)	48,335,000	1,735,000
2010 Series A	26,493,750	--	26,493,750	--	26,493,750	--
2010 Series B	18,506,250	--	18,506,250	--	18,506,250	--
	<u>441,170,021</u>	<u>275,164,535</u>	<u>45,000,000</u>	<u>(18,615,530)</u>	<u>301,549,005</u>	<u>19,492,789</u>
Add unamortized premium	7,683,432	4,217,931	2,078,415	(332,210)	5,964,136	384,171
Less deferred amount on refunding	<u>(2,828,759)</u>	<u>(1,682,356)</u>	<u>--</u>	<u>248,721</u>	<u>(1,433,635)</u>	<u>(248,721)</u>
	<u>\$446,024,694</u>	<u>\$277,700,110</u>	<u>\$ 47,078,415</u>	<u>(\$18,699,019)</u>	<u>\$306,079,506</u>	<u>\$19,628,239</u>

The 2010 Series B bonds were issued as bonds designated as “Recovery Zone Economic Development Bonds” under the American Recovery and Reinvestment Act of 2009. The

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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County will receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series B bonds.

General obligation bonds payable reported on the government-wide statement of net assets at June 30, 2011 are comprised of the following individual issues:

Public improvement (PI) and/or refunding bonds:	
1993 Refunding and PI at 5.6%, due through 2013	\$ 11,575,000
2003 Series A at 2.5% to 5.125%, due through 2023	28,735,000
2004 Series A at 3.25% to 5.25%, due through 2024	25,270,000
2004 Refunding Series B at 3.5% to 5.0%, due through 2015	10,845,000
2004 Refunding Series C at 3.25% to 3.7%, due through 2014	2,199,924
2004 PI Series A at 4.75%, due through 2037	2,278,520
2004 PI Series B at 4.375%, due through 2039	853,173
2006 Series A at 4.0% to 5.0%, due through 2026	21,725,000
2007 Series A at 4.0% to 5.0%, due through 2027	76,620,000
2007 Series B at 3.75% to 5.0%, due through 2018	17,325,000
2007 Series C at 4.0% to 5.0%, due through 2021	10,787,388
2008 Series A at 4.0% to 6.0%, due through 2028	48,335,000
2010 Series A at 1.7% to 5.0%, due through 2030	26,493,750
2010 Series B at 3.335% to 6.1%, due through 2030	<u>18,506,250</u>
 Total general obligation bonds payable	 <u>\$301,549,005</u>

Annual debt service requirements to maturity for the above general obligation bonds are as follows:

Fiscal year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 19,492,789	\$ 14,144,536
2013	20,401,566	13,163,874
2014	15,115,470	12,176,281
2015	17,773,630	11,457,512
2016	18,014,007	10,608,543
2017 – 2021	84,678,180	41,003,713
2022 – 2026	83,853,048	20,700,558
2027 – 2031	40,952,168	3,895,232
2032 – 2036	796,892	204,572
2037 – 2040	<u>471,255</u>	<u>30,499</u>
Total	<u>\$301,549,005</u>	<u>\$127,385,320</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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**Bond Premiums**

At June 30, 2011, total unamortized bond premiums were \$5,964,136, which are being amortized over the remaining life of the respective bond issues.

**Bonds Authorized and Unissued**

The County Council has authorized the issuance of \$265.1 million in general obligation bonds to finance specified capital improvement projects. At June 30, 2011, \$130.1 million was not yet issued.

**General Obligation Bond Anticipation Notes**

In March 2011, the County issued a general obligation bond anticipation note (BAN) in the total amount of \$10,000,000. These notes were issued to provide funds for the acquisition and construction of major capital facilities and bear interest at 1.22% and had an original maturity date of September 2, 2011. The note was then renewed and an additional \$15,000,000 was issued with a maturity date of March 2, 2012. Since the renewed BAN has a maturity date within 12 months of fiscal year end, the \$10,000,000 of debt is reflected as current liabilities.

The following is a summary of general obligation bond anticipation note transactions reported in the government-wide statement of net assets for the County for the fiscal year ended June 30, 2011:

<u>Authorized</u>	<u>Issue Amount</u>	<u>Balance July 1, 2010</u>	<u>Issues</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
2010 Series A	\$ 5,000,000	\$ 5,000,000	\$ --	\$ 5,000,000	\$ --
2010 Series A	10,000,000	10,000,000	--	10,000,000	--
2010 Series A	4,000,000	4,000,000	--	4,000,000	--
2011 Series B	<u>10,000,000</u>	<u>--</u>	<u>10,000,000</u>	<u>--</u>	<u>10,000,000</u>
	<u>\$29,000,000</u>	<u>\$19,000,000</u>	<u>\$10,000,000</u>	<u>\$19,000,000</u>	<u>\$10,000,000</u>

**State Revolving Fund Loans**

The County has obtained loans to assist in financing mandated wastewater projects from the State Water Pollution Control Revolving Fund (SRF). The purpose of this revolving fund is to provide low-interest, long-term loans and other financial assistance to the four counties in the state to finance construction of wastewater projects. The County has twenty projects approved for funding with these loans.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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The schedule below shows the County's SRF transactions for the fiscal year ended June 30, 2011:

Loans Authorized	Approved Amount	Loan Balance July 1, 2010	Additions	Retirements	Loan Balance June 30, 2011	Due Within One Year
Hilo WWTP	\$12,724,311	\$ 2,359,160	\$ --	(\$ 767,051)	\$1,592,109	\$ 786,227
Waiakea Mill	1,300,000	316,207	--	(76,148)	240,059	78,052
Waiakea						
Houselots	459,321	85,508	--	(27,802)	57,706	28,497
Waiakea						
Houselots II	5,024,266	2,707,583	--	(270,761)	2,436,822	277,881
Ainako A&B	2,239,174	595,024	--	(127,484)	467,540	130,124
Kalaniana'ole	1,499,944	520,969	--	(88,710)	432,259	91,408
Kalaniana'ole RH	1,615,980	1,270,044	--	(74,351)	1,195,693	76,126
Alii Drive A&B	3,210,243	812,290	--	(194,254)	618,036	199,691
Alii Drive C&D	3,780,000	1,223,292	--	(212,507)	1,010,785	216,908
Alii Drive E&F	2,112,654	819,530	--	(126,259)	693,271	130,100
Waiaha Bay	3,697,893	1,252,512	--	(213,742)	1,038,770	219,725
Kealakehe	1,300,071	315,632	--	(76,010)	239,622	77,910
Holualoa Bay	3,080,000	1,246,503	--	(176,286)	1,070,217	181,651
Paukaa CCS	2,143,448	1,128,752	--	(113,843)	1,014,909	116,525
Cesspool						
Conversion	8,363,773	7,235,884	--	(421,789)	6,814,095	423,829
Pahoehoe	2,817,760	1,769,889	--	(140,844)	1,629,045	144,548
Komohana Hts						
LCC - ARRA	1,085,800	997,091	88,709	--	1,085,800	1,085,800
Honokaa LCC - ARRA	5,332,346	2,133,074	2,932,655	--	5,065,729	5,065,729
Queen						
Liliuokalani						
LCC-ARRA	1,019,929	1,019,929	--	--	1,019,929	1,019,929
Queen						
Liliuokalani	<u>10,186,277</u>	<u>2,660,894</u>	<u>6,235,603</u>	<u>(63,629)</u>	<u>8,832,868</u>	<u>456,117</u>
	<u>\$72,993,190</u>	<u>\$30,469,767</u>	<u>\$ 9,256,967</u>	<u>(\$3,171,470)</u>	<u>\$36,555,264</u>	<u>\$10,806,777</u>

The loans bear interest at 0.50% to 3.02%, exclusive of a 1.00% loan fee for all loans except for the Hawaii County Cesspool Conversion Project which is subject to a 0.25% loan fee, and require payments through fiscal year 2030. Those loans with the "ARRA" designation are interest free with principal forgiveness upon the County's fulfillment of certain conditions.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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Debt service to maturity for disbursements to date on these projects are as follows:

Fiscal year ending June 30:	Governmental Activities	
	Principal	Interest
2012	\$ 10,806,777	\$ 708,870
2013	3,699,247	631,917
2014	2,922,625	472,524
2015	2,524,278	375,611
2016	2,207,206	286,792
2017 – 2021	7,293,317	632,353
2022 – 2026	4,956,874	199,535
2027 – 2030	<u>2,144,940</u>	<u>33,115</u>
Total	<u>\$36,555,264</u>	<u>\$3,340,717</u>

**Subsequent Events**

On August 22, 2011, the State of Hawaii forgave portions of the principal amounts for the Komohana Heights Large Capacity Cesspool Replacement and Queen Liliuokalani Large Capacity Cesspool Replacement loans that related to the American Recovery and Reinvestment Act (ARRA) because the County had complied with all of the requirements. These amounts totaled \$1,085,800 and \$1,019,929, respectively.

**Other General Long-Term Obligations**

The following is a summary of other general long-term obligations transactions for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions*	Payments	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Compensated absences	\$30,468,140	\$12,653,429	(\$9,269,697)	\$33,851,872	\$8,504,320
Claims and judgments (see Note 12)	15,370,691	(444,165)	(4,029,389)	10,897,137	2,405,503
Capital leases (see Note 8)	4,552,290	47,112	(1,542,320)	3,057,082	1,436,943
Landfill costs payable (see Note 9)	<u>20,504,000</u>	<u>651,448</u>	<u>(146,448)</u>	<u>21,009,000</u>	<u>219,540</u>
Total	<u>\$70,895,121</u>	<u>\$12,907,824</u>	<u>(\$14,987,854)</u>	<u>\$68,815,091</u>	<u>\$12,566,306</u>

\* Net of new claims liability and existing claims resolved at less than previous estimate.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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**Fund Balances - Debt Service Funds**

The fund balance in the debt service funds at June 30, 2011 includes \$24,742,795, which is available for principal payments on general obligation bonds and \$1,871,887, which is reserved for the payment of interest on the bonds.

**Enterprise Fund Notes Payable**

The Kulaimano Elderly Housing Project (Project) is indebted to the U.S. Department of Agriculture, Farmers Home Administration on two notes payable with balances aggregating \$884,232 at June 30, 2011. The notes, which mature in September 2029, are repayable in monthly installments of \$7,826 including interest and are collateralized by substantially all of the Project's property and equipment. Although the stated annual rate of interest on the notes is 9%, such rate is reduced to 7% for as long as the Project has a U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payment contract in effect for all or part of the units within the Project.

The following is a summary of enterprise fund notes payable transactions for the fiscal year ended June 30, 2011:

Balance at July 1, 2010	\$916,117
Deductions	<u>(31,885)</u>
Balance at June 30, 2011	884,232
Less current portion	<u>(33,063)</u>
Note payable, net of current portion	<u>\$ 851,169</u>

The following is a summary of the annual maturities for the enterprise fund notes payable:

Fiscal year ending June 30:	Business-type Activities	
	Principal	Interest
2012	\$ 33,063	\$ 60,849
2013	35,453	58,459
2014	38,016	55,896
2015	40,764	53,148
2016	43,711	50,201
2017 - 2021	270,778	198,782
2022 - 2026	383,862	85,698
2027 - 2030	<u>38,585</u>	<u>677</u>
Total	<u>\$884,232</u>	<u>\$563,710</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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**Special Assessment Bonds**

In 2011 the County retired its outstanding special assessment bonds for one improvement district. In 1991, the County issued \$14 million of special assessment bonds for Improvement District No. 17, Kaloko Subdivision, to finance a roadway and water system. In 2001, the County refunded the remaining bonds outstanding of \$6,370,000. The bonds matured annually through 2011 and bore interest at 7.375%. The remaining balance of \$1,715,000 was paid during the current fiscal year.

These were not general obligation bonds and the County was not obligated in any manner for the repayment of these bonds. The bonds were secured by a first lien on the land benefited by the improvements, and were to be repaid from the annual assessments levied against the owners of the land. The County acted as an agent for the property owners within the improvement districts to collect assessments receivable, forward payments to bond-paying agents at appropriate dates and, if required, administer foreclosure proceedings. Accordingly, these bonds were not reflected on the County's government-wide statement of net assets.

The County has issued general obligation bonds on behalf of Improvement District No. 18 for water improvements (see Note 4). The Improvement District is responsible for the payment of the debt service on these bonds, but the County remains liable because they are general obligations of the County. The bonds mature annually through 2039 and bear interest at 4.375% to 4.75%. Total general obligation bonds payable included in the government-wide statement of net assets were \$3,131,693 at June 30, 2011.

The bonds are secured by a first lien on the land benefited by the improvements, and are to be repaid from the annual assessments levied against the owners of the land. The County acts as an agent for the property owners within the improvement districts to collect assessments receivable, forward payments to bond-paying agents at appropriate dates and, if required, administer foreclosure proceedings.

The following is a summary of bond transactions for Improvement District No. 18, Coastview/Wonderview Water Improvements, for the fiscal year ended June 30, 2011:

Balance at July 1, 2010	\$3,228,055
Deductions	<u>(96,362)</u>
Balance at June 30, 2011	<u>\$3,131,693</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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The following is a summary of the annual maturities for the improvement district general obligation bonds:

Fiscal year ending June 30:	<u>Principal</u>	<u>Interest</u>
2012	\$ 58,449	\$ 144,196
2013	61,168	141,413
2014	64,014	138,502
2015	66,993	135,454
2016	70,111	132,263
2017 – 2021	402,643	608,009
2022 – 2026	505,500	502,758
2027 – 2031	634,668	370,577
2032 – 2036	796,892	204,572
2037 – 2040	<u>471,255</u>	<u>30,499</u>
Total	<u>\$3,131,693</u>	<u>\$2,408,243</u>

11. COMMITMENTS AND CONTINGENCIES

*Contractual commitments* – Contractual commitments for capital projects, expenses, and supplies at June 30, 2011, except in the enterprise funds, are reflected in the balance sheets as a part of the respective fund balance categories and are as follows:

General fund	\$ 4,024,596
Capital projects fund	29,143,442
Nonmajor funds	<u>7,634,005</u>
	<u>\$40,802,043</u>

Contractual commitments for the enterprise funds were immaterial.

*Intergovernmental revenues* – The County has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. In the opinion of management of the County, disallowed costs, if any, would not be material.

*Claims* – Numerous claims and lawsuits have been filed against the County in the normal course of its operations. A liability for probable losses is included on the government-wide statement of net assets (see Note 12). Although the outcome of the various claims and lawsuits is not presently determinable, in the opinion of the County's Corporation Counsel, the resolution of such matters will not have a material adverse affect on the financial condition of the County.

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

June 30, 2011

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**ADA compliance** – The County has entered into two stipulated agreements (or Consent Decrees) approved by the federal district court judges to implement provisions of the Americans with Disabilities Act (“ADA”). With respect to the first stipulated agreement relating to curb cuts, the County, with the help of a consultant, surveyed 669 intersections, then ranked them in order of priority. A transition plan, along with a funding commitment, was approved by the County Council. The total cost of all curb cuts was estimated to be \$6.2 million. The cost of the first phase of the plan was \$3 million, to be used in high priority areas such as government facilities, schools, and hospitals. The remaining cost will cover curb cuts at parks and in low-density single family residential areas. All corrective action was to be completed by July 2005, with an estimated 682 ramps to be completed. Funding allocated so far for this effort is \$10.6 million. Since the proposed timetable proved to be too ambitious, the parties amended the agreement to require contracting by July 2005, rather than completion by that date. Pursuant to the April 2005 Stipulation of the Parties and Order of the Court, all curb ramps for 2005 and most curb ramps for 2004 were deferred. In the first phase, construction of curb ramps commenced in 2000 and ended in 2004, whereby 229 curb ramps were completed. In the second phase, 153 proposed curb ramps were deferred and 161 curb ramps were to be constructed. As of May 21, 2008, there were approximately 204 curb ramps (which included at least 151 of the 161 curb ramps that were required by the amended transition plan) installed in Hilo, Waikoloa and Kona at a total cost of close to \$4.8 million. The County will be seeking closure of this matter with the federal district court by the end of March 2012. In addition, the Department of Public Works has developed and advertised Procedures for Requesting New Curb Ramps or Modifications to Existing Curb Ramps within the County Streets.

The second stipulated agreement relates to the Department of Parks and Recreation (the Parks Department). The agreement required the Parks Department to establish practices, policies and procedures regarding its programs, and prepare a transition plan by the middle of the year 2000. The self-evaluation and transition plan for programs, practices and procedures has been completed and approved by the County Council. The cost impact of implementation is not material because the necessary modifications are primarily procedural. This is an ongoing effort. The second part of this stipulated agreement is the reevaluation of all County facilities, which was completed and accepted by the County Council on June 30, 2000. Approximately 240 County facilities were surveyed as part of this effort. The tentative completion date of all necessary repairs and renovations is 12 years from the date the County Council accepted the self-evaluation. The initial (1997-2000) estimated cost of the facilities repairs was \$15.1 million, which would have been spent over the 12-year period. Funding allocated initially for facilities repairs was \$17.5 million, with another \$4 million of federal funding anticipated through community development block grants over the next 2 years. Since 2000, the Department of Parks and Recreation has requested \$2 to \$3 million a year for the different park facilities’ ADA projects. The Department of Public Works has requested an additional \$2 million a year for the other County ADA facilities’ project. Because of the substantial hardships predominantly incurred in the funding and cost aspects of the implementation of the Original Transition Plan, the learning curve process, and the timing

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2011

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and scheduling of the different stages of work for each project, the parties have been working on a plan to ensure implementation of a Transition Plan with the assistance of a federal district court Monitor and an ADA Specialist, to obtain extensions on the initial deadlines for completion that were set in the Original Transition Plan and to establish a Revised Transition Plan to satisfy the requirements of the ADA. The County had spent \$42.0 million for the construction and design fees to complete 50 park facilities (some having multiple ADA work being completed). There are four park facilities where construction has progressed; 30 park facilities that must be completed; and the Parks estimated costs for completion is \$15.1 million. The Court and parties are working on establishing a reasonable four year timeline to complete the remaining ADA work. In addition, the County's ADA coordinator (Equal Opportunity Officer) has access to an identifiable account of at least \$50,000 to handle requests for reasonable accommodations for County departments; and the procedures for these requests have been finalized and are available on The County's ADA web page.

### 12. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains fire and commercial multiple peril insurance on County facilities, flood insurance on selected structures, medical malpractice insurance for emergency medical technicians, aviation liability for helicopter operations, liability coverage on transit buses and privately owned police vehicles, and property damage coverage on County Police fleet vehicles. There was no reduction in insurance coverage during the year from coverage in the prior year. During the past three fiscal years, the amount of settlements in cases covered by insurance has not exceeded the insurance coverage. The County is substantially self-insured for the majority of its vehicles as well as for all other perils including workers' compensation and general liability. The liability for claims and judgements is reported on the government-wide statement of net assets and the majority will be liquidated from the County's general fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claim liabilities, including IBNR, are based on the estimated ultimate cost of settling the claims, and include incremental costs for the hiring of special counsel and expert witnesses. Claims liabilities are estimated by a case-by-case review of all claims and the application of historical experience to outstanding claims. Estimates of IBNR are based on historical experience. The liability for claims and judgments is reported on the government-wide statement of net assets. At June 30, 2011, the amount of this liability was \$10,897,137. This is the County's best estimate based on available information. Changes in the reported liability since June 30, 2009 are given below.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

	General <u>Liability</u>	Workers' <u>Compensation</u>	Total <u>Liability</u>
Balance at July 1, 2009	\$ 6,446,770	\$ 11,230,939	\$17,677,709
Incurred claims (including IBNR)*	(1,015,017)	2,652,784	1,637,767
Claim payments	<u>(1,292,001)</u>	<u>(2,652,784)</u>	<u>(3,944,785)</u>
Balance at June 30, 2010	\$ 4,139,752	\$ 11,230,939	\$15,370,691
Incurred claims (including IBNR)*	(993,836)	549,671	(444,165)
Claim payments	<u>(1,477,017)</u>	<u>(2,552,372)</u>	<u>(4,029,389)</u>
Balance at June 30, 2011	<u>\$ 1,668,899</u>	<u>\$ 9,228,238</u>	<u>\$10,897,137</u>

\*Net of new claims liability and existing claims resolved at less than previous estimate.

**13. EMPLOYEE BENEFIT PLANS**

**Pension Plan**

*Plan description* All eligible employees of the County are required by Chapter 88 of the Hawai'i Revised Statutes (HRS) to become members of the Employees' Retirement System of the State of Hawai'i (the ERS), a cost-sharing multiple-employer defined benefit pension plan. The ERS provides retirement, survivor, and disability benefits with multiple benefit structures known as the contributory, hybrid, and noncontributory plans. All contributions, benefits, and eligibility requirements are established by Chapter 88, HRS, and can be amended by legislative action.

The ERS regards the County, including its component unit, as one employer. Therefore, separate information for the primary government and its component unit is not available. All information given below on the pension plan is for the reporting entity as a whole, including both the primary government and its component unit.

Employees covered by Social Security on June 30, 1984 were given the option of joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984 and before July 1, 2006, who are covered by Social Security, were generally required to join the noncontributory plan. Qualified employees in the contributory and noncontributory plan were given the option of joining the hybrid plan effective July 1, 2006, or remaining in their existing plan. Starting July 1, 2006, all new employees covered by Social Security are required to join the hybrid plan.

The three plans provide a monthly retirement allowance equal to the benefit multiplier percentage (1.25% or 2.00%) multiplied by the average final compensation (AFC) multiplied by years of credited service. The 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

COUNTY OF HAWAII

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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 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.).

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

**Contributory Plan** General employees in the contributory plan are required to contribute 7.8% of their salary and are fully vested for benefits upon receiving 5 years of credited service. The County may also make contributions for these members. Under the contributory plan, employees may retire with full benefits at age 55 and 5 years of 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.

Police officers, fire fighters and certain other members that are not covered by Social Security 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 10 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service is in any of the qualified occupations.

**Hybrid Plan** General employees in the hybrid plan are required to contribute 6.0% of their salary and are fully vested for benefits upon receiving 5 years of credited service. The County 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 of credited service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 2.0%.

**Noncontributory Plan** General employees in the noncontributory plan are fully vested upon receiving 10 years of credited service. The County 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

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

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contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. The funding method used to calculate the total employer contribution required is the entry age normal actuarial cost method. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability. Employers contribute 19.70% for police officers and fire fighters, and 15.00% 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 County for the years ended June 30, 2011, 2010, and 2009 were \$21,435,798, \$22,127,289, and \$22,334,894, respectively, which equal 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 County.

The ERS issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information, which may be obtained by writing to the Employees' Retirement System of the State of Hawai'i, 201 Merchant Street, Suite 1400, Honolulu, Hawai'i 96813.

#### **Post-Retirement Benefits**

In addition to providing pension benefits, the County is required by state statute (HRS Chapter 87A) to contribute to the Hawai'i Employer-Union Health Benefits Trust Fund (the EUTF). The EUTF is an agent, multiple-employer defined benefit plan providing certain healthcare and life insurance benefits to all qualified retirees, active employees, their dependents and their beneficiaries. The EUTF was established on July 1, 2003 to design, provide, and administer medical, prescription drug, dental, vision, chiropractic, dual-coverage medical and prescription drug, and group life benefits.

For employees hired prior to July 1, 1996, the County pays the entire monthly healthcare premium for employees retiring with 10 or more years of credited service, and 50% of the monthly premium for employees retiring with fewer than 10 years of credited service. The current (pay-as-you-go) premium costs are paid by the respective funds but the net other postemployment benefit obligation is paid by the General Fund.

For employees hired after June 30, 1996, and who retire with fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the retired employees' monthly Medicare or non-Medicare premium. For employees hired after June 30, 1996, and who retire with at least 15 years but fewer than 25 years of service, the County pays 75% of the retired employees'

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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monthly Medicare or non-Medicare premium. For those retiring with over 25 years of service, the County pays the entire healthcare premium.

For employees hired after June 30, 2001, and who retire with fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the retired employees' monthly Medicare or non-Medicare premium based on the self-plan. For employees hired after June 30, 2001, and who retire with at least 15 years but fewer than 25 years of service, the County pays 75% of the retired employees' monthly Medicare or non-Medicare premium; for those retiring with over 25 years of service, the County pays the entire healthcare premium.

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.

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, which is an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Statement No. 45). GASB Statement No. 45 addresses the failure of previous financial reporting practices to measure and recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The current ARC rate is 27.5% of annual covered payroll.

The following section shows the County's Annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan, and changes in the net OPEB asset:

Annual required contribution	\$34,969,000
Interest on net OPEB obligation	(276,000)
Adjustment to annual required contribution	220,000
Annual OPEB Cost	<u>34,913,000</u>
Contributions made	<u>31,102,387</u>
Decrease in net OPEB asset	3,810,613
Net OPEB asset-beginning of year	<u>(3,931,381)</u>
Net OPEB asset-end of year	<u>(\$120,768)</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the year ended June 30, 2011 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2009	\$23,426,000	102.9%	(\$1,572,116)
June 30, 2010	\$25,823,000	109.1%	(\$3,931,381)
June 30, 2011	\$34,913,000	89.1%	(\$120,768)

The schedule of funding progress based on the actuarial valuation date of July 1, 2009, is as follows:

Actuarial accrued liability	\$439,225,000
Actuarial value of plan assets	28,814,000
Unfunded actuarial accrued liability (UAAL)	\$410,411,000
Funded ratio	7%
Covered payroll (active plan members)	\$133,555,000
UAAL as a percentage of covered payroll	307%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the entry age normal cost actuarial cost method was used. The actuarial assumptions included a 7.0% discount rate, which is based on the County's anticipated funding level, and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5.0% after nine years. The assumptions also include a 3.5% increase in payroll and a 3.0% inflation rate. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2009 for the UAAL balance varies depending on the date each portion was established but is set to not exceed 30 years.

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

June 30, 2011

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The EUTF issues a publicly available financial report that includes financial statements and required supplementary information, which is available on-line at their web-site [www.eutf.hawaii.gov](http://www.eutf.hawaii.gov) or by contacting them at P.O. Box 2121, Honolulu, HI 96805-2121.

#### **Deferred Compensation Plan**

County employees are permitted to participate in a deferred compensation plan of the State of Hawai'i, adopted pursuant to Internal Revenue Code (IRC) section 457. The plan permits eligible employees to defer a portion of their salary until future years by contributing to a fund managed by a plan administrator. The deferred compensation amounts are 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 and from diversion to any uses other than paying benefits to participants and beneficiaries. The County has no responsibility for loss due to the investment or failure of investment of funds and assets in the plans, but does have the duty of due care that would be required of an ordinary prudent investor. Therefore, the deferred compensation plan assets are not reported in the accompanying basic financial statements.

#### **14. COMPONENT UNIT DISCLOSURES**

##### **Deposits and Investments**

At June 30, 2011, cash, time certificates of deposit and money market funds of \$34,708,811, with bank balances of \$35,389,258 were held by the County on behalf of the Department. These balances were fully insured or collateralized with securities held by the County's agent in the County's name.

The deposits and investments include investments received by the Department that are restricted as to use and are recorded as a restricted asset. Such funds amounted to \$15,904,088 at June 30, 2011. At June 30, 2011, the Department's investment portfolio consists of certificates of deposit.

##### **Capital Assets**

The Department began operations as of January 1, 1950. At that date, the utility plant in service was transferred to the Department from the County at the cost of the utility plant assets acquired by the County for its water system from January 1, 1924 to December 31, 1949, less accumulated depreciation. Acquisitions prior to 1924 and acquisitions by gift or grant prior to 1950 are not included in utility plant. Additions to utility plant since January 1, 1950 are stated at original cost and include contributions by governmental agencies, private subdividers and customers at their cost or estimated cost. Construction costs include amounts for contract work, engineering supervision and other

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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direct and indirect costs. Construction period interest is capitalized on utility plant constructed with tax-exempt debt.

Depreciation on the Department's utility plant assets in service is computed using the straight-line method over the estimated useful lives of the assets as follows:

Structures and improvements	40 to 50 years
Machinery and equipment	5 to 20 years
Water systems	10 to 40 years

The capital assets of the Department at June 30, 2011 were as follows:

Utility plant in service	\$366,730,898
Less: accumulated depreciation	<u>(165,193,987)</u>
	201,536,911
Land and rights	1,783,726
Construction work in progress	<u>64,700,194</u>
Net capital assets	<u>\$268,020,831</u>

**Long-Term Debt**

The County has issued general obligation bonds on behalf of the Department. The Department is responsible for the payment of the debt service on these bonds, but the County remains liable because they are general obligations of the County. The Department has recorded a liability for these general obligation bonds, which amounted to \$45,366,098 at June 30, 2011.

General obligation bonds payable issued on behalf of the Department and other long-term debt at June 30, 2011 are comprised of the following:

Public improvement bonds:	
1993 Series A at 2.5% to 5.6%, due through 2013	\$ 1,625,000
2004 Series D at 4.5%, due through 2039	240,775
2006 Series A at 4.0% to 5.0%, due through 2026	21,725,000
2008 Series A at 4.125%, due through 2043	144,830
2010 Series A at 3.33% to 6.1%, due through 2030	9,585,706
2010 Series B at 3.33% to 6.1%, due through 2030	<u>6,107,099</u>
Total public improvement bonds	39,428,410
Public improvement refunding bonds:	
2004 Series at 2.0% to 5.25%, due through 2015	185,076
2007 Series at 4.0% to 5.0%, due through 2021	<u>5,752,612</u>
Total public improvement refunding bonds	5,937,688

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2011

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Revolving fund loans:	
State revolving fund loan, interest up to 1.37%, due through 2030	14,064,339
American Recovery and Reinvestment Act State revolving fund loan, interest free, with total principal forgiveness upon fulfillment of conditions	<u>3,947,975</u>
Total revolving fund loans	<u>18,012,314</u>
Total	<u>\$63,378,412</u>

At June 30, 2011, future principal payments for long-term debt are scheduled as follows:

Fiscal year ending June 30:

2012	\$ 7,105,000
2013	3,274,000
2014	2,515,000
2015	3,247,000
2016	3,307,000
2017 – 2021	18,265,000
2022 – 2026	16,647,000
2027 – 2031	8,832,000
2032 – 2036	83,000
2037 – 2041	87,000
2042 – 2043	<u>16,412</u>
Total	<u>\$63,378,412</u>

**Contributions in Aid of Construction**

The Department recognized \$11,582,090 of contributions in aid of construction as nonoperating revenues for the fiscal year ended June 30, 2011.

**Commitments and Contingent Liabilities**

**Claims and judgments** – The Department maintains property, auto liability, and general liability insurance policies. The Department remains self-insured for workers' compensation and other perils. The liability at June 30, 2011 for workers' compensation claims of \$242,000 was estimated based on a combination of case-by-case review and the application of historical experience to outstanding claims.

**Construction contracts** – The Department is obligated under construction contracts for the utility plant and other projects. Such commitments approximated \$21,758,000 at June 30, 2011.

COUNTY OF HAWAII

**Notes to the Basic Financial Statements**

June 30, 2011

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**Post-Retirement Benefits**

Effective July 1, 2007, the Department adopted the provisions of GASB Statement No. 45. This statement addresses how state and local governments should account for and report their costs and obligations related to postemployment benefits, healthcare, and other nonpension benefits. The Department's annual required contribution for its postemployment benefit obligation for the year ended June 30, 2011 was \$2,319,000 with interest and adjustments of (\$18,000) and \$14,000, respectively. The Department made contributions of \$2,069,000 during the year ended June 30, 2011 and recorded a postemployment benefit asset of \$4,000 at June 30, 2011.

COUNTY OF HAWAII

**Required Supplementary Information**

June 30, 2011

**Schedule of Funding Progress for the EUTF**  
(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	-	\$275,828	\$275,828	-	\$127,420	216.5%
July 1, 2009	\$28,814	\$439,225	\$410,411	6.6%	\$133,555	307.3%

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*HIGHWAY FUND* - Used to account for the costs of maintaining the County's highways and streets. Financing is provided primarily by fuel, motor vehicle weight and public utility franchise taxes.

*SEWER FUND* - Used to account for costs of operating the County's various sewer systems. Financing is provided by charges to users for sewer services.

*SOLID WASTE FUND* - Used to accumulate moneys for the operation, maintenance, and administration of the County's solid waste management, collection and disposal systems. Financing is provided by tipping fees at the landfills and by disposal permit fees.

*CEMETERY FUND* - Used to accumulate moneys to guarantee the future maintenance of County cemetery sites. Financing is provided from the sale of burial lots in County cemeteries.

*PARKING METER FUND* - Used to account for the costs of maintaining County on-street and off-street parking areas. Financing is provided by the proceeds from parking meters.

*VEHICLE DISPOSAL FUND* - Used to accumulate moneys for the towing, removal, disposal and recycling of abandoned or discarded automobiles and automobile parts. Financing is provided by annual fees collected with motor vehicle registrations.

*BIKEWAY FUND* - Used to accumulate moneys for the construction of bikeways within the County. Financing is provided by bicycle license fees.

*WORKFORCE INVESTMENT ACT FUND* - Used to account for employment and training services provided to economically disadvantaged adults, dislocated workers and youth. Financing is provided by federal grants.

*GOLF COURSE FUND* - Used to account for the cost of operating the Hilo Municipal Golf Course. Funding is provided from green fees and payments from restaurant and pro shop concessionaires.

*GEOHERMAL RELOCATION AND COMMUNITY BENEFITS FUND* - Used to account for the County's share of geothermal resource royalties received from the operator of a geothermal power plant located in the County. The funds are earmarked for a geothermal relocation program and to benefit the lower Puna area.

*BEAUTIFICATION FUND* - Used to accumulate moneys for the beautification of highways and disposal of abandoned vehicles within the County. Financing is provided by assessments on vehicle registrations.

*HAWAII COUNTY HOUSING AGENCY* - Used to account for Federal and County moneys used to provide public housing assistance within the County.

*PARK DEDICATION FUND* - Used to account for moneys deposited with the County by subdividers to provide land for parks and playgrounds in subdivisions.

### **DEBT SERVICE FUND**

*INTEREST FUND* - Used to accumulate moneys for payment of interest on general obligation bonds. Moneys required to service interest maturities are transferred annually from the General Fund.

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COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
<b>Assets</b>					
Cash and cash equivalents	\$13,248,630	\$ 5,548,541	\$ 8,363,666	\$ 84,659	\$173,679
Investments	-	-	-	-	-
Imprest fund	-	400	250	-	-
Receivables:					
Due from other governments	80,278	4,254	618,798	-	-
Due from other governmental funds	971,155	8,993	11,346	-	-
Due from other nongovernmental funds	-	1,350	-	-	-
Trade, net of allowance for doubtful accounts	-	1,056,941	1,499,534	-	-
Other	81	-	494,347	-	-
	<u>1,051,514</u>	<u>1,071,538</u>	<u>2,624,025</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$14,300,144</u>	<u>\$ 6,620,479</u>	<u>\$10,987,941</u>	<u>\$ 84,659</u>	<u>\$173,679</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 725,251	\$ 289,786	\$ 2,176,942	\$ -	\$ -
Due to other governmental funds	277,547	10,883	30,046	-	-
Deferred revenue	-	1,056,941	1,511,532	-	-
Other	-	69,529	229	-	-
Total liabilities	<u>1,002,798</u>	<u>1,427,139</u>	<u>3,718,749</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	-	-
Highways, streets and abandoned vehicles	13,297,346	-	-	-	-
Committed to:					
Sanitation	-	5,193,340	7,269,192	-	-
Highways, streets and abandoned vehicles	-	-	-	-	173,679
Rental assistance and subsidy	-	-	-	-	-
Cemetery	-	-	-	84,659	-
Golf course	-	-	-	-	-
Lower Puna area	-	-	-	-	-
Parks and recreational facilities	-	-	-	-	-
Total fund balances	<u>13,297,346</u>	<u>5,193,340</u>	<u>7,269,192</u>	<u>84,659</u>	<u>173,679</u>
Total liabilities and fund balances	<u>\$14,300,144</u>	<u>\$ 6,620,479</u>	<u>\$10,987,941</u>	<u>\$ 84,659</u>	<u>\$173,679</u>

Special Revenue Funds

Vehicle Disposal Fund	Bikeway Fund	Workforce Investment Act Fund	Golf Course Fund	Geothermal Reloc. & Community Benefits Fund	Beautification Fund	Housing Agency	Park Dedication Fund
\$1,973,370	\$ 553,873	\$ -	\$ 216,622	\$ 3,097,692	\$ 1,124,147	\$ 822,973	\$ 86,722
-	-	-	-	-	-	3,400,000	-
-	-	-	2,000	-	-	200	-
-	-	344,271	-	-	-	577,416	-
-	-	-	-	-	-	66,121	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	38,994	84	180,128	-	132,674	-
-	-	383,265	84	180,128	-	776,211	-
<u>\$1,973,370</u>	<u>\$ 553,873</u>	<u>\$ 383,265</u>	<u>\$ 218,706</u>	<u>\$ 3,277,820</u>	<u>\$ 1,124,147</u>	<u>\$ 4,999,384</u>	<u>\$ 86,722</u>
\$ 422,346	\$ -	\$ -	\$ 2,166	\$ -	\$ 2,530	\$ 11,240	\$ -
-	-	383,265	3,756	-	-	-	-
-	-	-	-	-	-	25,906	-
-	-	-	-	-	-	136,104	-
<u>422,346</u>	<u>-</u>	<u>383,265</u>	<u>5,922</u>	<u>-</u>	<u>2,530</u>	<u>173,250</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	553,873	-	-	-	1,121,617	-	-
-	-	-	-	-	-	-	-
1,551,024	-	-	-	-	-	-	-
-	-	-	-	-	-	4,826,134	-
-	-	-	-	-	-	-	-
-	-	-	212,784	-	-	-	-
-	-	-	-	3,277,820	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	86,722
<u>1,551,024</u>	<u>553,873</u>	<u>-</u>	<u>212,784</u>	<u>3,277,820</u>	<u>1,121,617</u>	<u>4,826,134</u>	<u>86,722</u>
<u>\$1,973,370</u>	<u>\$ 553,873</u>	<u>\$ 383,265</u>	<u>\$ 218,706</u>	<u>\$ 3,277,820</u>	<u>\$ 1,124,147</u>	<u>\$ 4,999,384</u>	<u>\$ 86,722</u>

(Continued)

COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011

(Concluded)

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Interest Fund</u>	
<b>Assets</b>		
Cash and cash equivalents	\$1,944,409	\$ 37,238,983
Investments	-	3,400,000
Imprest fund	-	2,850
Receivables:		
Due from other governments	-	1,625,017
Due from other governmental funds	-	1,057,615
Due from other nongovernmental funds	-	1,350
Trade, net of allowance for doubtful accounts	-	2,556,475
Other	-	846,308
	<u>-</u>	<u>6,086,765</u>
Total assets	<u>\$1,944,409</u>	<u>\$ 46,728,598</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ -	\$ 3,630,261
Due to other governmental funds	-	705,497
Deferred revenue	-	2,594,379
Other	<u>72,522</u>	<u>278,384</u>
Total liabilities	<u>72,522</u>	<u>7,208,521</u>
Fund balances:		
Restricted for:		
Debt service	1,871,887	1,871,887
Highways, streets and abandoned vehicles	-	14,972,836
Committed to:		
Sanitation	-	12,462,532
Highways, streets and abandoned vehicles	-	1,724,703
Rental assistance and subsidy	-	4,826,134
Cemetery	-	84,659
Golf course	-	212,784
Lower Puna area	-	3,277,820
Parks and recreational facilities	-	86,722
Total fund balances	<u>1,871,887</u>	<u>39,520,077</u>
Total liabilities and fund balances	<u>\$1,944,409</u>	<u>\$ 46,728,598</u>

See accompanying independent auditors' report.

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COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
<b>Revenues</b>					
Fuel taxes	\$ 7,603,501	\$ -	\$ -	\$ -	\$ -
Public utility franchise taxes	9,415,624	-	-	-	-
Licenses and permits	7,053,887	-	-	-	-
Intergovernmental	1,164,361	5,214	981,578	-	-
Charges for services	-	6,570,979	6,617,430	-	16,646
Investment earnings	-	-	-	-	-
Other	597,598	-	4,032	8,000	-
Total revenues	<u>25,834,971</u>	<u>6,576,193</u>	<u>7,603,040</u>	<u>8,000</u>	<u>16,646</u>
<b>Expenditures</b>					
Current:					
Public safety	5,490,286	-	-	-	-
Highways and streets	11,309,031	-	-	-	-
Health, education and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Sanitation	-	5,978,853	19,101,847	-	-
Pension and retirement contributions	1,537,727	562,505	971,857	-	-
Employees' health insurance	854,608	256,907	556,722	-	-
Other	339,426	530,044	349,814	-	-
Debt service:					
Principal	-	-	1,443,085	-	-
Interest	-	-	104,382	-	-
Total expenditures	<u>19,531,078</u>	<u>7,328,309</u>	<u>22,527,707</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,303,893</u>	<u>(752,116)</u>	<u>(14,924,667)</u>	<u>8,000</u>	<u>16,646</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	13,453,532	-	-
Transfers out	<u>(3,559,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,559,000)</u>	<u>-</u>	<u>13,453,532</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,744,893	(752,116)	(1,471,135)	8,000	16,646
Fund balances at beginning of year	<u>10,552,453</u>	<u>5,945,456</u>	<u>8,740,327</u>	<u>76,659</u>	<u>157,033</u>
Fund balances at end of year	<u>\$ 13,297,346</u>	<u>\$ 5,193,340</u>	<u>\$ 7,269,192</u>	<u>\$ 84,659</u>	<u>\$173,679</u>

Special Revenue Funds

Vehicle Disposal Fund	Bikeway Fund	Workforce Investment Act Fund	Golf Course Fund	Geothermal Reloc. & Community Benefits Fund	Beauti- fication Fund	Housing Agency	Park Dedication Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,058,772	91,730	-	-	-	171,589	-	-
-	-	2,535,329	-	-	-	16,016,720	-
275	-	-	736,820	-	-	-	-
-	-	-	-	-	-	11,745	43
-	-	-	20	568,193	-	37,647	-
<u>2,059,047</u>	<u>91,730</u>	<u>2,535,329</u>	<u>736,840</u>	<u>568,193</u>	<u>171,589</u>	<u>16,066,112</u>	<u>43</u>
-	-	-	-	-	-	-	-
-	266	-	-	-	59,334	-	-
-	-	2,535,329	-	-	-	17,664,615	-
-	-	-	824,638	124,000	28,575	-	-
2,551,329	-	-	-	-	-	-	-
20,200	-	-	143,387	-	-	457,262	-
16,056	-	-	80,578	-	-	208,451	-
-	-	-	4,196	-	-	33,005	-
-	-	-	-	-	-	488	-
-	-	-	-	-	-	4	-
<u>2,587,585</u>	<u>266</u>	<u>2,535,329</u>	<u>1,052,799</u>	<u>124,000</u>	<u>87,909</u>	<u>18,363,825</u>	<u>-</u>
<u>(528,538)</u>	<u>91,464</u>	<u>-</u>	<u>(315,959)</u>	<u>444,193</u>	<u>83,680</u>	<u>(2,297,713)</u>	<u>43</u>
-	-	-	361,379	-	-	1,161,187	-
-	-	-	-	(184,965)	-	-	-
-	-	-	361,379	(184,965)	-	1,161,187	-
(528,538)	91,464	-	45,420	259,228	83,680	(1,136,526)	43
2,079,562	462,409	-	167,364	3,018,592	1,037,937	5,962,660	86,679
<u>\$1,551,024</u>	<u>\$ 553,873</u>	<u>\$ -</u>	<u>\$ 212,784</u>	<u>\$ 3,277,820</u>	<u>\$1,121,617</u>	<u>\$ 4,826,134</u>	<u>\$ 86,722</u>

(Continued)

COUNTY OF HAWAII

**Nonmajor Governmental Funds**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2011

(Concluded)

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	Interest Fund	
<b>Revenues</b>		
Fuel taxes	\$ -	\$ 7,603,501
Public utility franchise taxes	-	9,415,624
Licenses and permits	-	9,375,978
Intergovernmental	261,942	20,965,144
Charges for services	-	13,942,150
Investment earnings	-	11,788
Other	-	1,215,490
	<u>261,942</u>	<u>62,529,675</u>
<b>Expenditures</b>		
Current:		
Public safety	-	5,490,286
Highways and streets	-	11,368,631
Health, education and welfare	-	20,199,944
Culture and recreation	-	977,213
Sanitation	-	27,632,029
Pension and retirement contributions	-	3,692,938
Employees' health insurance	-	1,973,322
Other	-	1,256,485
Debt service:		
Principal	-	1,443,573
Interest	<u>14,725,016</u>	<u>14,829,402</u>
Total expenditures	<u>14,725,016</u>	<u>88,863,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,463,074)</u>	<u>(26,334,148)</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	14,493,480	29,469,578
Transfers out	<u>-</u>	<u>(3,743,965)</u>
Total other financing sources (uses)	<u>14,493,480</u>	<u>25,725,613</u>
Net change in fund balances	30,406	(608,535)
Fund balances at beginning of year	<u>1,841,481</u>	<u>40,128,612</u>
Fund balances at end of year	<u>\$ 1,871,887</u>	<u>\$39,520,077</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

Highway Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Taxes:				
Fuel taxes	\$ 7,547,000	\$ 7,547,000	\$ 7,603,501	\$ 56,501
Public utility franchise taxes	9,000,000	9,000,000	9,415,624	415,624
Total taxes	<u>16,547,000</u>	<u>16,547,000</u>	<u>17,019,125</u>	<u>472,125</u>
Licenses and permits - motor vehicle weight taxes	6,308,000	6,308,000	7,053,887	745,887
Intergovernmental	531,426	551,776	1,164,361	612,585
Charges for services	356,000	356,000	540,686	184,686
Other	122,392	122,392	56,912	(65,480)
Total revenues	<u>23,864,818</u>	<u>23,885,168</u>	<u>25,834,971</u>	<u>1,949,803</u>
Expenditures:				
Public safety - traffic engineering	5,628,954	5,999,304	5,514,796	484,508
Highways and streets	11,623,871	11,623,871	9,561,819	2,062,052
Highways and streets - mass transit	943,892	943,892	943,892	-
Pension and retirement contributions	2,125,534	2,125,534	1,537,727	587,807
Employees' health insurance	816,000	856,000	854,608	1,392
Other	1,214,888	824,888	346,314	478,574
Total expenditures	<u>22,353,139</u>	<u>22,373,489</u>	<u>18,759,156</u>	<u>3,614,333</u>
Excess of revenues over expenditures	1,511,679	1,511,679	7,075,815	5,564,136
Other financing uses:				
Transfers out - Capital Projects Fund	<u>(3,559,000)</u>	<u>(3,559,000)</u>	<u>(3,559,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(2,047,321)	(2,047,321)	3,516,815	5,564,136
Fund balance at beginning of year	<u>10,552,453</u>	<u>10,552,453</u>	<u>10,552,453</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,505,132</u>	<u>\$ 8,505,132</u>	<u>\$ 14,069,268</u>	<u>\$ 5,564,136</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Sewer Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 5,214	\$ 5,214
Charges for services - sewer fees	<u>6,586,919</u>	<u>6,586,919</u>	<u>6,570,979</u>	<u>(15,940)</u>
Total revenues	<u>6,586,919</u>	<u>6,586,919</u>	<u>6,576,193</u>	<u>(10,726)</u>
Expenditures:				
Sanitation	7,047,302	7,047,302	5,900,626	1,146,676
Pension and retirement contributions	637,155	637,155	562,505	74,650
Employees' health insurance	274,380	274,380	256,907	17,473
Other	<u>1,502,000</u>	<u>1,502,000</u>	<u>566,881</u>	<u>935,119</u>
Total expenditures	<u>9,460,837</u>	<u>9,460,837</u>	<u>7,286,919</u>	<u>2,173,918</u>
Deficiency of revenues under expenditures	(2,873,918)	(2,873,918)	(710,726)	2,163,192
Fund balance at beginning of year	<u>5,945,456</u>	<u>5,945,456</u>	<u>5,945,456</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,071,538</u></u>	<u><u>\$ 3,071,538</u></u>	<u><u>\$ 5,234,730</u></u>	<u><u>\$ 2,163,192</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Solid Waste Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental	\$1,053,333	\$ 1,053,333	\$ 916,671	\$ (136,662)
Charges for services - tipping fees	8,135,700	8,135,700	6,617,430	(1,518,270)
Other	-	-	4,032	4,032
<b>Total revenues</b>	<u>9,189,033</u>	<u>9,189,033</u>	<u>7,538,133</u>	<u>(1,650,900)</u>
<b>Expenditures:</b>				
Sanitation	24,795,427	24,611,427	20,989,781	3,621,646
Pension and retirement contributions	1,095,000	1,095,000	971,857	123,143
Employees' health insurance	630,000	630,000	556,722	73,278
Other	222,172	406,172	351,223	54,949
<b>Total expenditures</b>	<u>26,742,599</u>	<u>26,742,599</u>	<u>22,869,583</u>	<u>3,873,016</u>
Deficiency of revenues under expenditures	(17,553,566)	(17,553,566)	(15,331,450)	2,222,116
<b>Other financing sources:</b>				
Transfers in - General Fund	<u>13,453,532</u>	<u>13,453,532</u>	<u>13,453,532</u>	-
Deficiency of revenues and other sources under expenditures	(4,100,034)	(4,100,034)	(1,877,918)	2,222,116
Fund balance at beginning of year	<u>8,740,327</u>	<u>8,740,327</u>	<u>8,740,327</u>	-
Fund balance at end of year	<u>\$4,640,293</u>	<u>\$ 4,640,293</u>	<u>\$ 6,862,409</u>	<u>\$ 2,222,116</u>

See accompanying independent auditors' report

COUNTY OF HAWAII

**Cemetery Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - other - sale of cemetery plots	\$ 10,000	\$ 10,000	\$ 8,000	\$ (2,000)
Expenditures - health, education and welfare	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess of revenues over expenditures	-	-	8,000	8,000
Fund balance at beginning of year	<u>76,659</u>	<u>76,659</u>	<u>76,659</u>	<u>-</u>
Fund balance at end of year	<u>\$ 76,659</u>	<u>\$ 76,659</u>	<u>\$ 84,659</u>	<u>\$ 8,000</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Parking Meter Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - Charges for services - highways and streets	\$ -	\$ -	\$ 16,646	\$ 16,646
Excess of revenues over expenditures	-	-	16,646	16,646
Fund balance at beginning of year	<u>157,033</u>	<u>157,033</u>	<u>157,033</u>	-
Fund balance at end of year	<u>\$ 157,033</u>	<u>\$ 157,033</u>	<u>\$ 173,679</u>	<u>\$ 16,646</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Vehicle Disposal Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Licenses and permits - vehicle disposal fee	\$2,027,328	\$2,027,328	\$2,058,772	\$ 31,444
Charges for services - towing charges	-	-	275	275
Total revenues	<u>2,027,328</u>	<u>2,027,328</u>	<u>2,059,047</u>	<u>31,719</u>
<b>Expenditures:</b>				
Sanitation	2,928,163	2,928,163	2,414,314	513,849
Pension and retirement contributions	22,000	21,943	20,200	1,743
Employees' health insurance	16,000	16,057	16,056	1
Other	2,000	2,000	-	2,000
Total expenditures	<u>2,968,163</u>	<u>2,968,163</u>	<u>2,450,570</u>	<u>517,593</u>
Deficiency of revenues under expenditures	(940,835)	(940,835)	(391,523)	549,312
Fund balance at beginning of year	<u>2,079,562</u>	<u>2,079,562</u>	<u>2,079,562</u>	-
Fund balance at end of year	<u>\$1,138,727</u>	<u>\$1,138,727</u>	<u>\$1,688,039</u>	<u>\$ 549,312</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Bikeway Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - licenses and permits - bicycle tax	\$ 20,000	\$ 91,730	\$ 71,730
Expenditures - highways and streets	<u>171,000</u>	<u>(3,041)</u>	<u>174,041</u>
Excess (deficiency) of revenues over (under) expenditures	(151,000)	94,771	245,771
Fund balance at beginning of year	<u>462,409</u>	<u>462,409</u>	<u>-</u>
Fund balance at end of year	<u><u>\$311,409</u></u>	<u><u>\$557,180</u></u>	<u><u>\$245,771</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Workforce Investment Act Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - intergovernmental - federal grants	\$ -	\$ 1,995,580	\$ 1,928,901	\$ (66,679)
Expenditures - health, education and welfare	-	1,995,580	1,928,901	66,679
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Golf Course Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Charges for services	\$ 768,103	\$ 768,103	\$ 736,820	\$ (31,283)
Other	-	-	20	20
Total revenues	<u>768,103</u>	<u>768,103</u>	<u>736,840</u>	<u>(31,263)</u>
<b>Expenditures:</b>				
Culture and recreation	878,716	878,116	858,031	20,085
Pension and retirement contributions	157,743	157,743	143,387	14,356
Employees' health insurance	80,000	80,600	80,578	22
Other	13,023	13,023	4,437	8,586
Total expenditures	<u>1,129,482</u>	<u>1,129,482</u>	<u>1,086,433</u>	<u>43,049</u>
Deficiency of revenues under expenditures	(361,379)	(361,379)	(349,593)	11,786
<b>Other financing sources:</b>				
Transfers in - General Fund	<u>361,379</u>	<u>361,379</u>	<u>361,379</u>	-
Excess of revenues and other sources over expenditures	-	-	11,786	11,786
Fund balance at beginning of year	<u>167,364</u>	<u>167,364</u>	<u>167,364</u>	-
Fund balance at end of year	<u>\$ 167,364</u>	<u>\$ 167,364</u>	<u>\$ 179,150</u>	<u>\$ 11,786</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Geothermal Relocation and Community Benefits Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - other - geothermal royalties	\$ 550,000	\$ 550,000	\$ 568,193	\$ 18,193
Expenditures:				
General government - planning	550,000	241,035	-	241,035
Culture and recreation	-	124,000	124,000	-
Total expenditures	<u>550,000</u>	<u>365,035</u>	<u>124,000</u>	<u>241,035</u>
Excess of revenues over expenditures	-	184,965	444,193	259,228
Other financing uses:				
Transfers out - Capital Projects Fund	-	(184,965)	(184,965)	-
Excess of revenues over expenditures and other uses	-	-	259,228	259,228
Fund balance at beginning of year	<u>3,018,592</u>	<u>3,018,592</u>	<u>3,018,592</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,018,592</u></u>	<u><u>\$ 3,018,592</u></u>	<u><u>\$ 3,277,820</u></u>	<u><u>\$ 259,228</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Beautification Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - licenses and permits - highway beautification	\$ 160,000	\$ 160,000	\$ 171,589	\$ 11,589
Expenditures:				
Highways and streets	120,000	120,000	36,307	83,693
Culture and recreation	<u>120,000</u>	<u>120,000</u>	<u>28,575</u>	<u>91,425</u>
Total expenditures	<u>240,000</u>	<u>240,000</u>	<u>64,882</u>	<u>175,118</u>
Excess (deficiency) of revenues over (under) expenditures	(80,000)	(80,000)	106,707	186,707
Fund balance at beginning of year	<u>1,037,937</u>	<u>1,037,937</u>	<u>1,037,937</u>	-
Fund balance at end of year	<u><u>\$ 957,937</u></u>	<u><u>\$ 957,937</u></u>	<u><u>\$ 1,144,644</u></u>	<u><u>\$ 186,707</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Hawaii County Housing Agency**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental -				
Federal - HUD - Voucher program	\$ 14,663,400	\$ 17,163,400	\$ 15,997,404	\$ (1,165,996)
Other	49,104	49,104	19,316	(29,788)
Investment earnings	60,000	60,000	11,745	(48,255)
Resale of property	-	-	37,550	37,550
Other	-	-	97	97
Total revenues	<u>14,772,504</u>	<u>17,272,504</u>	<u>16,066,112</u>	<u>(1,206,392)</u>
Expenditures:				
Health, education and welfare	15,208,291	17,708,291	16,986,001	722,290
Pension and retirement contributions	515,400	515,400	457,262	58,138
Employees' health insurance	210,000	210,000	208,451	1,549
Total expenditures	<u>15,933,691</u>	<u>18,433,691</u>	<u>17,651,714</u>	<u>781,977</u>
Deficiency of revenues under expenditures	(1,161,187)	(1,161,187)	(1,585,602)	(424,415)
Other financing sources:				
Transfers in - General Fund	<u>1,161,187</u>	<u>1,161,187</u>	<u>1,161,187</u>	<u>-</u>
Deficiency of revenues and other sources under expenditures	-	-	(424,415)	(424,415)
Fund balance at beginning of year	<u>5,962,660</u>	<u>5,962,660</u>	<u>5,962,660</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,962,660</u>	<u>\$ 5,962,660</u>	<u>\$ 5,538,245</u>	<u>\$ (424,415)</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Park Dedication Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - investment earnings	\$ -	\$ -	\$ 43	\$ 43
Excess of revenues over expenditures	-	-	43	43
Fund balance at beginning of year	<u>86,679</u>	<u>86,679</u>	<u>86,679</u>	-
Fund balance at end of year	<u>\$ 86,679</u>	<u>\$ 86,679</u>	<u>\$ 86,722</u>	<u>\$ 43</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Agency Funds**

Combining Statement of Agency Funds Net Assets

June 30, 2011

	State Weight Tax Fund	Improvement District No. 17 Fund	Improvement District No. 18 Fund	Improvement District Revolving Fund	Performance and Refundable Deposits Fund
<u>Assets</u>					
Cash and cash equivalents	\$ 893,557	\$ 83,314	\$ 68,307	\$ 401,220	\$ 548,549
Investments	-	-	1,586,399	-	-
Due from other agency funds	-	-	-	-	-
Other receivables	-	-	12,014	-	11,600
Total assets	<u>\$ 893,557</u>	<u>\$ 83,314</u>	<u>\$ 1,666,720</u>	<u>\$ 401,220</u>	<u>\$ 560,149</u>
<u>Liabilities</u>					
Due to other agency funds	\$ -	\$ -	\$ -	\$ -	\$ 800
Accrued liabilities	893,557	-	14,873	-	-
Advances payable	-	-	11,702	-	559,349
Assets held for the benefit of improvement districts	-	83,314	1,640,145	401,220	-
Total liabilities	<u>\$ 893,557</u>	<u>\$ 83,314</u>	<u>\$ 1,666,720</u>	<u>\$ 401,220</u>	<u>\$ 560,149</u>

See accompanying independent auditors' report.

<u>Payroll Clearance Fund</u>	<u>Flexible Spending Account</u>	<u>Lapsed Warrants Fund</u>	<u>Non-Profit License Plates Fund</u>	<u>Organ and Tissue Education Fund</u>	<u>Business Improvement District 1 - Kailua</u>	<u>Total</u>
\$ 1,699,774	\$ 366,905	\$ 202,302	\$ 1,175	\$ 577	\$ 5,287	\$ 4,270,967
-	-	-	-	-	-	1,586,399
-	-	2,116	-	-	-	2,116
8,674	-	17,898	-	-	15,335	65,521
<u>\$ 1,708,448</u>	<u>\$ 366,905</u>	<u>\$ 222,316</u>	<u>\$ 1,175</u>	<u>\$ 577</u>	<u>\$ 20,622</u>	<u>\$ 5,925,003</u>
\$ 1,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,116
1,707,132	366,905	222,316	1,175	577	5,287	3,211,822
-	-	-	-	-	-	571,051
-	-	-	-	-	15,335	2,140,014
<u>\$ 1,708,448</u>	<u>\$ 366,905</u>	<u>\$ 222,316</u>	<u>\$ 1,175</u>	<u>\$ 577</u>	<u>\$ 20,622</u>	<u>\$ 5,925,003</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2011</u>
<b>State Weight Tax Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 841,021	\$ 10,760,224	\$ 10,707,688	\$ 893,557
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 10,707,353	\$ 10,707,353	\$ -
Due to other agency funds	7	306	313	-
Accrued liabilities - due to State of Hawaii	841,014	10,686,618	10,634,075	893,557
Total liabilities	<u>\$ 841,021</u>	<u>\$ 21,394,277</u>	<u>\$ 21,341,741</u>	<u>\$ 893,557</u>
<b>Improvement District No. 17 Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 869,708	\$ 1,027,768	\$ 1,814,162	\$ 83,314
Restricted cash and cash equivalents	637,000	-	637,000	-
Other receivables	71,839	318,801	390,640	-
Total assets	<u>\$ 1,578,547</u>	<u>\$ 1,346,569</u>	<u>\$ 2,841,802</u>	<u>\$ 83,314</u>
<u>Liabilities</u>				
Accrued liabilities	\$ 77,213	\$ 320,750	\$ 397,963	\$ -
Advances payable	647	-	647	-
Assets held for the benefit of improvement districts	1,500,687	390,767	1,808,140	83,314
Total liabilities	<u>\$ 1,578,547</u>	<u>\$ 711,517</u>	<u>\$ 2,206,750</u>	<u>\$ 83,314</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Improvement District No. 18 Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 268,538	\$ 81,676	\$ 281,907	\$ 68,307
Investments	1,323,233	263,166	-	1,586,399
Other receivables	4,799	346,847	339,632	12,014
Total assets	<u>\$ 1,596,570</u>	<u>\$ 691,689</u>	<u>\$ 621,539</u>	<u>\$ 1,666,720</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 50,931	\$ 50,931	\$ -
Accrued liabilities	7,370	313,312	305,809	14,873
Advances payable	7,507	12,350	8,155	11,702
Assets held for the benefit of improvement districts	1,581,693	315,955	257,503	1,640,145
Total liabilities	<u>\$ 1,596,570</u>	<u>\$ 692,548</u>	<u>\$ 622,398</u>	<u>\$ 1,666,720</u>
<b>Improvement District Revolving Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 401,000	\$ 220	\$ -	\$ 401,220
Other receivables	20	-	20	-
Total assets	<u>\$ 401,020</u>	<u>\$ 220</u>	<u>\$ 20</u>	<u>\$ 401,220</u>
<u>Liabilities</u>				
Assets held for the benefit of improvement districts	\$ 401,020	\$ 220	\$ 20	\$ 401,220
<b>Performance and Refundable Deposits Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 236,937	\$ 697,098	\$ 385,486	\$ 548,549
Due from other non-agency funds	-	11,650	50	11,600
Total assets	<u>\$ 236,937</u>	<u>\$ 708,748</u>	<u>\$ 385,536</u>	<u>\$ 560,149</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 379,137	\$ 379,137	\$ -
Due to other agency funds	1,790	800	1,790	800
Accrued liabilities	665	-	665	-
Advances payable	234,482	710,198	385,331	559,349
Total liabilities	<u>\$ 236,937</u>	<u>\$ 1,090,135</u>	<u>\$ 766,923</u>	<u>\$ 560,149</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Payroll Clearance Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,813,102	\$ 221,213,775	\$ 221,327,103	\$ 1,699,774
Due from other non-agency funds	-	223,455,527	223,455,527	-
Other receivables	2,911	5,766	3	8,674
Total assets	<u>\$ 1,816,013</u>	<u>\$ 444,675,068</u>	<u>\$ 444,782,633</u>	<u>\$ 1,708,448</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 99,249,544	\$ 99,249,544	\$ -
Due to other agency funds	158	1,316	158	1,316
Accrued liabilities	1,815,855	347,286,568	347,395,291	1,707,132
Total liabilities	<u>\$ 1,816,013</u>	<u>\$ 446,537,428</u>	<u>\$ 446,644,993</u>	<u>\$ 1,708,448</u>
<b>Flexible Spending Account</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 356,863	\$ 330,621	\$ 320,579	\$ 366,905
<u>Liabilities</u>				
Accrued liabilities	\$ 356,863	\$ 330,621	\$ 320,579	\$ 366,905
<b>Lapsed Warrants Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 168,872	\$ 34,102	\$ 672	\$ 202,302
Due from other agency funds	1,955	2,116	1,955	2,116
Other receivables	32,147	17,898	32,147	17,898
Total assets	<u>\$ 202,974</u>	<u>\$ 54,116</u>	<u>\$ 34,774</u>	<u>\$ 222,316</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 622	\$ 622	\$ -
Accrued liabilities	202,974	36,418	17,076	222,316
Total liabilities	<u>\$ 202,974</u>	<u>\$ 37,040</u>	<u>\$ 17,698</u>	<u>\$ 222,316</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Non-Profit License Plates Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,100	\$ 5,450	\$ 5,375	\$ 1,175
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 5,415	\$ 5,415	\$ -
Accrued liabilities:				
Due to non-profit agency	1,100	5,020	4,945	1,175
Total liabilities	\$ 1,100	\$ 10,435	\$ 10,360	\$ 1,175
<b>Organ and Tissue Education Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 364	\$ 2,425	\$ 2,212	\$ 577
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 2,548	\$ 2,548	\$ -
Accrued liabilities - due to State of Hawaii	364	2,260	2,047	577
Total liabilities	\$ 364	\$ 4,808	\$ 4,595	\$ 577
<b>Business Improvement District 1-Kailua</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,088	\$ 890,428	\$ 886,229	\$ 5,287
Other receivables - BID 1-Kailua Assessment	11,347	945,775	941,787	15,335
Other receivables	-	3,976	3,976	-
Total assets	\$ 12,435	\$ 1,840,179	\$ 1,831,992	\$ 20,622
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 827,956	\$ 827,956	\$ -
Accrued liabilities - due to KVBID	1,088	5,287	1,088	5,287
Assets held for the benefit of improvement districts	11,347	833,709	829,721	15,335
Total liabilities	\$ 12,435	\$ 1,666,952	\$ 1,658,765	\$ 20,622

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Total - All Agency Funds</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 4,958,593	\$ 235,043,787	\$ 235,731,413	\$ 4,270,967
Investments	1,323,233	263,166	-	1,586,399
Due from other agency funds	1,955	2,116	1,955	2,116
Due from other non-agency funds	-	223,467,177	223,455,577	11,600
Other receivables - BID 1-Kailua Assessment	11,347	945,775	941,787	15,335
Other receivables	111,716	693,288	766,418	38,586
Restricted cash and cash equivalents	637,000	-	637,000	-
	<u>\$ 7,043,844</u>	<u>\$ 460,415,309</u>	<u>\$ 461,534,150</u>	<u>\$ 5,925,003</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 111,223,506	\$ 111,223,506	\$ -
Due to other agency funds	1,955	2,422	2,261	2,116
Accrued liabilities	2,460,940	348,287,669	348,437,383	2,311,226
Accrued liabilities - due to non-profit agency	1,100	5,020	4,945	1,175
Accrued liabilities - due to State of Hawaii	841,378	10,688,878	10,636,122	894,134
Accrued liabilities - due to KVBID	1,088	5,287	1,088	5,287
Advances payable	242,636	722,548	394,133	571,051
Assets held for the benefit of improvement districts	3,494,747	1,540,651	2,895,384	2,140,014
	<u>\$ 7,043,844</u>	<u>\$ 472,475,981</u>	<u>\$ 473,594,822</u>	<u>\$ 5,925,003</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Private Purpose Trusts**

Combining Statement of Private Purpose Trust Net Assets

June 30, 2011

<b>Assets</b>	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
Cash and cash equivalents	\$ 2,106,800	\$ 1,621,577	\$ 3,728,377
Investments	-	1,038,870	1,038,870
Total assets	<u>\$ 2,106,800</u>	<u>\$ 2,660,447</u>	<u>\$ 4,767,247</u>
 <b>Net Assets</b>			
Held in trust for other parties	\$ 2,106,800	\$ 2,660,447	\$ 4,767,247
Total net assets	<u>\$ 2,106,800</u>	<u>\$ 2,660,447</u>	<u>\$ 4,767,247</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Private Purpose Trusts**

Combining Statement of Changes in Private Purpose Trust Net Assets

For the Fiscal Year Ended June 30, 2011

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
<b>Additions</b>			
Contributions:			
Puna Geothermal Venture	\$ 50,000	\$ -	\$ 50,000
Investment earnings:			
Net increase in fair value of investments	-	268,785	268,785
Dividends	-	54,491	54,491
Interest	974	17,911	18,885
Total additions	<u>50,974</u>	<u>341,187</u>	<u>392,161</u>
<b>Deductions</b>			
Grant payments	-	273,546	273,546
Total deductions	<u>-</u>	<u>273,546</u>	<u>273,546</u>
Change in net assets	50,974	67,641	118,615
Net assets, beginning of year	<u>2,055,826</u>	<u>2,592,806</u>	<u>4,648,632</u>
Net assets, end of year	<u>\$ 2,106,800</u>	<u>\$ 2,660,447</u>	<u>\$ 4,767,247</u>

See accompanying independent auditors' report.

## STATISTICAL SECTION

(UNAUDITED)

<b>Contents</b>	<b>Page</b>
<i>Financial Trends</i> – These schedules contain trend information to help help the reader understand how the County’s financial performance and well-being have changed over time.	119
<i>Revenue Capacity</i> – These schedules contain information to help the reader assess the County’s most significant local revenue source, the property tax.	124
<i>Debt Capacity</i> – These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	130
<i>Demographic and Economic Information</i> – These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial acitivities take place.	133
<i>Operating Information</i> – These schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services provided and the activities performed by the County.	135

## COUNTY OF HAWAII

## Net Assets by Component

## Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$316,909,229	\$333,571,558	\$336,435,768	\$364,662,377	\$386,861,296	\$394,789,635	\$419,174,559	\$419,615,479	\$469,235,881	\$514,309,238
Restricted	22,122,090	27,577,754	37,333,730	41,950,262	44,737,588	54,857,023	66,977,935	63,408,379	43,958,660	51,840,697
Unrestricted	(19,830,952)	(13,132,955)	(10,384,644)	(11,741,743)	8,885,911	21,350,091	27,329,104	42,457,132	37,623,937	40,287,046
<b>Total governmental activities net assets</b>	<b>\$319,200,367</b>	<b>\$348,016,357</b>	<b>\$363,384,854</b>	<b>\$394,870,896</b>	<b>\$440,484,795</b>	<b>\$470,996,749</b>	<b>\$513,481,598</b>	<b>\$525,480,990</b>	<b>\$550,818,478</b>	<b>\$606,436,981</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 347,480	\$ 333,860	\$ 324,942	\$ 325,800	\$ 317,534	\$ 310,409	\$ 307,424	\$ 305,127	\$ 303,244	\$ 308,966
Restricted	179,028	180,782	180,782	182,167	182,797	183,832	184,352	184,643	184,914	185,087
Unrestricted	849,832	876,107	873,704	850,962	813,431	636,756	608,195	609,798	497,466	449,581
<b>Total business-type activities net assets</b>	<b>\$ 1,376,340</b>	<b>\$ 1,390,749</b>	<b>\$ 1,379,428</b>	<b>\$ 1,358,929</b>	<b>\$ 1,313,762</b>	<b>\$ 1,130,997</b>	<b>\$ 1,099,971</b>	<b>\$ 1,099,568</b>	<b>\$ 985,624</b>	<b>\$ 943,634</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$317,256,709	\$333,905,418	\$336,760,710	\$364,988,177	\$387,178,830	\$395,100,044	\$419,481,983	\$419,920,606	\$469,539,125	\$514,618,204
Restricted	22,301,118	27,758,536	37,514,512	42,132,429	44,920,385	55,040,855	67,162,287	63,593,022	44,143,574	52,025,784
Unrestricted	(18,981,120)	(12,256,848)	(9,510,940)	(10,890,781)	9,699,342	21,986,847	27,937,299	43,066,930	38,121,403	40,736,627
<b>Total primary government net assets</b>	<b>\$320,576,707</b>	<b>\$349,407,106</b>	<b>\$364,764,282</b>	<b>\$396,229,825</b>	<b>\$441,798,557</b>	<b>\$472,127,746</b>	<b>\$514,581,569</b>	<b>\$526,580,558</b>	<b>\$551,804,102</b>	<b>\$607,380,615</b>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Changes in Net Assets

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 2,173,770	\$ 1,911,070	\$ 1,947,554	\$ 3,227,420	\$ 4,032,542	\$ 4,460,016	\$ 6,017,819	\$ 5,442,950	\$ 4,315,849	\$ 1,856,795
Public safety	3,927,495	4,349,355	5,061,174	6,262,259	6,975,962	5,798,126	5,843,733	4,846,834	4,449,519	4,447,120
Highways and streets	4,422,416	5,324,908	6,052,544	7,629,139	9,079,084	9,354,639	9,701,815	9,636,799	9,351,219	9,800,983
Health, education and welfare	865,365	991,725	884,075	1,272,091	980,147	799,075	754,758	532,832	713,774	424,107
Culture and recreation	1,366,370	1,593,620	1,588,945	1,521,127	1,439,784	1,634,008	1,595,409	1,557,597	1,609,041	1,626,178
Sanitation	10,969,909	10,596,469	13,653,722	15,465,478	16,469,745	18,486,502	18,643,952	16,415,985	14,934,570	15,889,364
Operating grants and contributions	27,198,314	31,544,494	33,327,191	36,370,993	38,252,889	38,068,138	46,117,399	42,273,795	49,571,173	50,820,951
Capital grants and contributions	27,871,495	19,064,821	9,668,981	26,221,627	14,801,828	7,805,986	9,327,408	15,728,186	13,532,669	38,810,806
Total governmental activities program revenues	<u>78,795,134</u>	<u>75,376,462</u>	<u>72,184,186</u>	<u>97,970,134</u>	<u>92,031,981</u>	<u>86,406,490</u>	<u>98,002,293</u>	<u>96,434,978</u>	<u>98,477,814</u>	<u>123,676,304</u>
Business-type activities:										
Charges for services:										
Health, education and welfare	279,369	304,671	303,047	314,971	338,141	345,802	365,655	371,511	337,982	372,599
Operating grants and contributions	147,582	147,997	143,769	135,829	141,019	134,211	125,795	135,674	136,802	133,215
Total business-type activities program revenues	<u>426,951</u>	<u>452,668</u>	<u>446,816</u>	<u>450,800</u>	<u>479,160</u>	<u>480,013</u>	<u>491,450</u>	<u>507,185</u>	<u>474,784</u>	<u>505,814</u>
Total primary government program revenues	<u>\$ 79,222,085</u>	<u>\$ 75,829,130</u>	<u>\$ 72,631,002</u>	<u>\$ 98,420,934</u>	<u>\$ 92,511,141</u>	<u>\$ 86,886,503</u>	<u>\$ 98,493,743</u>	<u>\$ 96,942,163</u>	<u>\$ 98,952,598</u>	<u>\$ 124,182,118</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 37,796,311	\$ 36,461,949	\$ 40,085,357	\$ 51,262,329	\$ 38,264,132	\$ 46,349,904	\$ 68,794,961	\$ 69,968,534	\$ 65,552,278	\$ 53,439,428
Public safety	75,709,394	77,131,374	90,434,696	94,422,057	106,067,466	118,010,316	137,500,608	144,755,837	148,115,428	154,008,027
Highways and streets	22,627,472	15,512,957	17,563,608	20,857,341	24,783,476	28,185,968	33,577,707	36,466,541	38,075,835	34,812,165
Health, education and welfare	17,854,112	20,205,386	23,041,963	21,503,635	20,181,685	23,203,874	14,986,972	33,783,223	30,528,977	30,336,420
Culture and recreation	14,903,986	16,430,590	15,979,854	16,124,457	19,464,962	26,948,501	20,450,172	32,633,418	14,739,755	22,167,818
Sanitation	18,641,654	19,022,213	20,084,654	26,669,660	27,265,515	42,682,281	41,254,728	40,191,704	27,527,841	35,604,394
Interest on long-term debt	8,769,167	8,680,999	9,553,966	8,718,758	10,168,710	10,303,332	13,117,325	13,914,969	14,120,398	15,176,682
Total governmental activities expenses	<u>196,302,096</u>	<u>193,445,468</u>	<u>216,744,098</u>	<u>239,558,237</u>	<u>246,195,946</u>	<u>295,684,176</u>	<u>329,682,473</u>	<u>371,714,226</u>	<u>338,660,512</u>	<u>345,544,934</u>
Business-type activities:										
Health, education and welfare	455,936	450,343	466,143	484,879	547,201	698,329	556,304	525,449	590,131	550,801
Total business-type activities expenses	<u>455,936</u>	<u>450,343</u>	<u>466,143</u>	<u>484,879</u>	<u>547,201</u>	<u>698,329</u>	<u>556,304</u>	<u>525,449</u>	<u>590,131</u>	<u>550,801</u>
Total primary government expenses	<u>\$ 196,758,032</u>	<u>\$ 193,895,811</u>	<u>\$ 217,210,241</u>	<u>\$ 240,043,116</u>	<u>\$ 246,743,147</u>	<u>\$ 296,382,505</u>	<u>\$ 330,238,777</u>	<u>\$ 372,239,675</u>	<u>\$ 339,250,643</u>	<u>\$ 346,095,735</u>
<b>Net Expense</b>										
Governmental activities	\$(117,506,962)	\$(118,069,006)	\$(144,559,912)	\$(141,588,103)	\$(154,163,965)	\$(209,277,686)	\$(231,680,180)	\$(275,279,248)	\$(240,182,698)	\$(221,868,630)
Business-type activities	(28,985)	2,325	(19,327)	(34,079)	(68,041)	(218,316)	(64,854)	(18,264)	(115,347)	(44,987)
Total primary government net expense	<u>\$(117,535,947)</u>	<u>\$(118,066,681)</u>	<u>\$(144,579,239)</u>	<u>\$(141,622,182)</u>	<u>\$(154,232,006)</u>	<u>\$(209,496,002)</u>	<u>\$(231,745,034)</u>	<u>\$(275,297,512)</u>	<u>\$(240,298,045)</u>	<u>\$(221,913,617)</u>

Continued next page.

**General Revenues and Other Changes in Net Assets**

Table 2

Governmental activities:

General revenues:										
Property taxes	\$ 94,197,060	\$ 109,151,524	\$ 119,864,237	\$ 129,775,410	\$ 152,182,806	\$ 183,611,050	\$ 210,217,690	\$ 229,262,980	\$ 218,037,567	\$ 225,055,099
Public service company taxes	5,108,291	5,063,897	5,332,478	6,351,273	6,811,483	7,396,084	8,381,367	10,228,607	9,647,055	9,296,852
Public utility franchise taxes	4,992,959	4,816,565	5,373,144	6,016,890	7,328,887	8,520,133	9,026,841	11,118,365	8,963,041	9,415,624
Fuel taxes	6,421,837	7,343,088	7,552,317	7,580,740	7,857,394	8,471,453	7,887,998	7,662,113	7,405,996	7,603,501
Grants and contributions not restricted to specific programs										
	13,501,966	13,931,403	15,251,443	16,734,850	18,510,262	18,999,596	19,395,089	17,888,019	17,500,038	19,533,165
Investment earnings	3,568,210	1,936,635	1,729,531	2,957,188	4,976,178	9,727,911	11,454,850	8,369,221	2,187,266	609,617
Other	1,582,980	4,641,884	4,825,259	3,657,794	2,110,854	3,063,413	7,801,194	2,749,335	1,779,223	5,973,275
Transfers out	(838,445)	-	-	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>128,534,858</b>	<b>146,884,996</b>	<b>159,928,409</b>	<b>173,074,145</b>	<b>199,777,864</b>	<b>239,789,640</b>	<b>274,165,029</b>	<b>287,278,640</b>	<b>265,520,186</b>	<b>277,487,133</b>

Business-type activities:

General revenues:										
Investment earnings	19,064	12,084	8,006	13,580	22,874	35,551	33,828	17,861	1,403	2,997
<b>Total business-type activities</b>	<b>19,064</b>	<b>12,084</b>	<b>8,006</b>	<b>13,580</b>	<b>22,874</b>	<b>35,551</b>	<b>33,828</b>	<b>17,861</b>	<b>1,403</b>	<b>2,997</b>
<b>Total primary government</b>	<b>\$ 128,553,922</b>	<b>\$ 146,897,080</b>	<b>\$ 159,936,415</b>	<b>\$ 173,087,725</b>	<b>\$ 199,800,738</b>	<b>\$ 239,825,191</b>	<b>\$ 274,198,857</b>	<b>\$ 287,296,501</b>	<b>\$ 265,521,589</b>	<b>\$ 277,490,130</b>

**Changes In Net Assets**

Governmental activities	\$ 11,027,896	\$ 28,815,990	\$ 15,368,497	\$ 31,486,042	\$ 45,613,899	\$ 30,511,954	\$ 42,484,849	\$ 11,999,392	\$ 25,337,488	\$ 55,618,503
Business-type activities	(9,921)	14,409	(11,321)	(20,499)	(45,167)	(182,765)	(31,026)	(403)	(113,944)	(41,990)
<b>Total primary government changes in net assets</b>	<b>\$ 11,017,975</b>	<b>\$ 28,830,399</b>	<b>\$ 15,357,176</b>	<b>\$ 31,465,543</b>	<b>\$ 45,568,732</b>	<b>\$ 30,329,189</b>	<b>\$ 42,453,823</b>	<b>\$ 11,998,989</b>	<b>\$ 25,223,544</b>	<b>\$ 55,576,513</b>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

Fund Balances, Governmental Funds  
(Modified accrual basis of accounting)

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund:</b>										
Reserved	\$ 5,717,010	\$ 7,062,628	\$ 7,452,338	\$ 8,313,800	\$ 11,519,135	\$ 15,659,683	\$ 17,468,606	\$ 14,974,272	\$ 8,088,347	\$ -
Unreserved	3,831,680	9,093,877	12,270,870	15,664,272	23,446,072	28,950,668	31,401,745	44,603,975	31,430,570	-
Nonspendable	-	-	-	-	-	-	-	-	-	2,835,361
Restricted	-	-	-	-	-	-	-	-	-	4,296,363
Committed	-	-	-	-	-	-	-	-	-	8,756,426
Assigned	-	-	-	-	-	-	-	-	-	17,960,596
Unassigned	-	-	-	-	-	-	-	-	-	10,809,404
<b>Total general fund</b>	<b>9,548,690</b>	<b>16,156,505</b>	<b>19,723,208</b>	<b>23,978,072</b>	<b>34,965,207</b>	<b>44,610,351</b>	<b>48,870,351</b>	<b>59,578,247</b>	<b>39,518,917</b>	<b>44,658,150</b>
<b>All other Government Funds:</b>										
Reserved	44,711,572	58,714,024	66,991,733	66,720,836	103,359,563	122,060,550	141,972,067	177,995,184	106,555,618	-
Unreserved, reported in:										
Special revenue fund	12,670,179	14,336,385	15,151,534	18,525,727	20,342,112	24,874,744	24,553,386	26,088,685	29,436,463	-
Capital projects fund	21,179,311	38,966,652	32,293,518	64,915,483	48,345,838	95,684,215	39,116,365	(20,101,369)	(3,290,813)	-
Restricted	-	-	-	-	-	-	-	-	-	77,739,628
Committed	-	-	-	-	-	-	-	-	-	40,148,878
Unassigned	-	-	-	-	-	-	-	-	-	(3,609,332)
<b>Total of other governmental funds</b>	<b>78,561,062</b>	<b>112,017,061</b>	<b>114,436,785</b>	<b>150,162,046</b>	<b>172,047,513</b>	<b>242,619,509</b>	<b>205,641,818</b>	<b>183,982,500</b>	<b>132,701,268</b>	<b>114,279,174</b>
<b>Total Fund Balances</b>	<b>\$ 88,109,752</b>	<b>\$ 128,173,566</b>	<b>\$ 134,159,993</b>	<b>\$ 174,140,118</b>	<b>\$ 207,012,720</b>	<b>\$ 287,229,860</b>	<b>\$ 254,512,169</b>	<b>\$ 243,560,747</b>	<b>\$ 172,220,185</b>	<b>\$ 158,937,324</b>

Unaudited - see accompanying independent auditors' report.

NOTE--GASB 54 was implemented in 2011. Except for the unassigned category, conversion of prior year data to new categories is not possible at this time.

## COUNTY OF HAWAII

Changes in Fund Balances, Governmental Funds  
(Modified accrual basis of accounting)Last Ten Fiscal Years  
(Amounts in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
Property tax	\$ 93,712	\$ 109,991	\$ 121,868	\$ 131,087	\$ 153,207	\$ 181,446	\$ 208,313	\$ 225,858	\$ 215,548	\$ 216,511
Public service company tax	5,108	5,064	5,332	6,351	6,812	7,396	8,381	10,229	9,647	9,297
Fuel tax	6,422	7,343	7,552	7,581	7,857	8,471	7,888	7,662	7,406	7,603
Public utility franchise tax	4,993	4,817	5,373	6,017	7,329	8,520	9,027	11,118	8,963	9,416
Licenses and permits	7,781	9,261	11,840	14,442	16,544	16,269	15,918	14,972	14,725	15,097
Intergovernmental	68,918	65,203	58,559	73,372	69,637	63,599	72,601	70,869	77,614	93,748
Charges for services	11,689	13,481	14,467	18,149	19,852	21,685	22,154	21,404	18,909	16,416
Investment earnings	3,801	2,066	1,806	3,104	5,223	10,291	12,144	8,914	2,253	510
Other	3,035	6,179	4,718	4,450	4,380	5,073	7,151	5,690	3,241	7,874
<b>Total Revenues</b>	<b>205,459</b>	<b>223,405</b>	<b>231,515</b>	<b>264,553</b>	<b>290,841</b>	<b>322,750</b>	<b>363,577</b>	<b>376,716</b>	<b>358,306</b>	<b>376,472</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	20,192	22,317	23,070	26,183	31,153	37,652	42,991	45,882	40,586	34,251
Public safety	61,870	64,667	69,117	76,404	83,591	93,241	103,617	107,540	108,798	104,917
Highways and streets	8,376	8,675	9,542	9,787	12,608	14,033	19,529	17,159	20,222	17,114
Sanitation	14,789	16,629	17,602	21,883	26,565	31,817	33,405	35,025	35,675	28,424
Health, education and welfare	16,726	18,867	19,047	19,870	19,050	21,470	24,609	24,596	25,519	26,847
Culture and recreation	12,127	13,086	13,169	13,982	14,731	17,118	18,179	18,853	17,266	16,001
Pension and retirement contributions	11,019	7,926	11,081	14,204	19,937	21,796	24,296	28,870	28,509	27,284
Employees' health insurance	12,198	12,758	14,256	16,168	16,133	16,941	18,089	19,119	23,573	25,212
Other postemployment benefits	-	-	-	-	-	-	13,629	14,950	15,700	17,307
Other	5,330	5,629	7,128	6,133	6,780	5,108	5,344	6,257	4,773	4,758
<b>Debt service:</b>										
Principal	10,025	11,800	12,826	13,150	14,060	16,076	16,548	19,749	20,720	42,233
Interest	8,467	8,469	9,283	9,534	9,914	9,894	13,116	12,790	14,584	14,841
Capital outlay	41,580	32,952	23,474	32,816	30,588	52,285	70,156	89,368	100,653	87,782
<b>Total Expenditures</b>	<b>222,699</b>	<b>223,775</b>	<b>229,595</b>	<b>260,114</b>	<b>285,110</b>	<b>337,431</b>	<b>403,508</b>	<b>440,158</b>	<b>456,578</b>	<b>446,971</b>
<b>Revenues over (under) Expenditures</b>	<b>(17,240)</b>	<b>(370)</b>	<b>1,920</b>	<b>4,439</b>	<b>5,731</b>	<b>(14,681)</b>	<b>(39,931)</b>	<b>(63,442)</b>	<b>(98,272)</b>	<b>(70,499)</b>
<b>Other Financing Sources (Uses):</b>										
Sale of assets	15	9	1,593	1,486	82	5	3,470	58	10	6
Capital leases	930	1,353	1,474	1,369	404	2,403	2,187	1,026	1,948	47
State Revolving Fund loans	578	853	-	1,504	25	6,255	1,916	280	6,811	9,257
Sale of bonds	15,175	37,262	1,725	30,000	25,000	85,000	-	50,000	-	45,000
Issuance of bond anticipation notes (BAN)	-	-	-	-	-	-	-	-	19,000	-
Refunding bonds	-	-	-	24,595	-	31,607	-	-	-	-
Premium on bonds	-	-	-	3,025	972	3,099	-	185	-	2,078
Refunding bonds/BANs issuance costs	-	-	-	(129)	-	(218)	-	-	(19)	-
Payment to refunded bond escrow agent	-	-	-	(25,885)	-	(32,699)	-	-	-	-
Transfers in	29,529	29,943	39,440	42,119	45,691	59,139	64,929	56,697	61,495	56,099
Transfers out	(30,367)	(29,943)	(39,440)	(42,119)	(45,691)	(59,139)	(64,929)	(56,697)	(61,495)	(56,099)
<b>Total other financing sources</b>	<b>15,860</b>	<b>39,477</b>	<b>4,792</b>	<b>35,965</b>	<b>26,483</b>	<b>95,452</b>	<b>7,573</b>	<b>51,549</b>	<b>27,750</b>	<b>56,388</b>
<b>Net change in fund balances</b>	<b>\$ (1,380)</b>	<b>\$ 39,107</b>	<b>\$ 6,712</b>	<b>\$ 40,404</b>	<b>\$ 32,214</b>	<b>\$ 80,771</b>	<b>\$ (32,358)</b>	<b>\$ (11,893)</b>	<b>\$ (70,522)</b>	<b>\$ (14,111)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>10.0%</b>	<b>10.7%</b>	<b>10.8%</b>	<b>10.3%</b>	<b>9.7%</b>	<b>9.0%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>10.4%</b>	<b>15.9%</b>

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII

Real Property Assessed Values by Classification and Tax Rates

Last Ten Fiscal Years  
(Values in Thousands)

Fiscal Year	Class of Property	Value of Net Taxable Building	Building Tax Rates Per \$1000	Value of Net Taxable Land	Land Tax Rates Per \$1000	Value of Net Taxable Real Property
2002	Improved Residential	\$702,795	\$ 8.50	\$929,082	\$ 8.50	\$1,631,877
	Unimproved Residential	34,430	8.50	266,680	10.00	301,110
	Apartment	1,108,163	8.50	607,368	10.00	1,715,531
	Hotel and Resort	679,994	8.50	674,698	10.00	1,354,692
	Commercial	434,810	8.50	404,682	10.00	839,492
	Industrial	175,926	8.50	219,603	10.00	395,529
	Agricultural	721,915	8.50	1,565,525	10.00	2,287,440
	Conservation	13,052	8.50	281,050	10.00	294,102
	Homeowners	1,131,340	4.45	1,120,213	4.45	2,251,553
			<u>\$5,002,425</u>		<u>\$6,068,901</u>	
Fiscal year 2002 total direct rate \$8.28						
2003	Improved Residential	\$745,956	\$ 9.10	\$982,098	\$ 9.10	\$1,728,054
	Unimproved Residential	25,869	9.85	299,285	9.85	325,154
	Apartment	1,298,965	9.85	692,299	9.85	1,991,264
	Hotel and Resort	698,520	9.85	742,371	9.85	1,440,891
	Commercial	419,126	9.85	410,289	9.85	829,415
	Industrial	181,812	9.85	217,552	9.85	399,364
	Agricultural	767,171	9.85	1,511,217	9.85	2,278,388
	Conservation	12,708	9.85	265,025	9.85	277,733
	Homeowners	1,234,939	5.55	1,185,169	5.55	2,420,108
			<u>\$5,385,066</u>		<u>\$6,305,305</u>	

Fiscal year 2003 total direct rate \$9.13

Continued next page.

Table 5

Fiscal Year	Class of Property	Value of Net Taxable Building	Building Tax Rates Per \$1000	Value of Net Taxable Land	Land Tax Rates Per \$1000	Value of Net Taxable Real Property
2004	Improved Residential	\$826,773	\$ 9.10	\$1,035,139	\$ 9.10	\$1,861,912
	Unimproved Residential	28,212	9.85	308,963	9.85	337,175
	Apartment	1,506,172	9.85	777,079	9.85	2,283,251
	Hotel and Resort	780,725	9.85	856,550	9.85	1,637,275
	Commercial	473,665	9.85	416,505	9.85	890,170
	Industrial	207,676	9.85	227,817	9.85	435,493
	Agricultural	842,650	9.85	1,522,580	9.85	2,365,230
	Conservation	17,250	9.85	325,262	9.85	342,512
	Homeowners	1,453,595	5.55	1,284,728	5.55	2,738,323
		<u>\$6,136,718</u>		<u>\$6,754,623</u>		<u>\$12,891,341</u>
Fiscal year 2004 total direct rate \$9.09						
2005	Improved Residential	\$969,500	\$ 9.10	\$1,264,100	\$ 9.10	\$2,233,600
	Unimproved Residential	30,408	9.85	366,885	9.85	397,293
	Apartment	1,772,930	9.85	745,530	9.85	2,518,460
	Hotel and Resort	845,026	9.85	897,268	9.85	1,742,294
	Commercial	516,945	9.85	455,664	9.85	972,609
	Industrial	226,265	9.85	239,022	9.85	465,287
	Agricultural	917,253	9.85	1,697,117	9.85	2,614,370
	Conservation	24,485	9.85	346,186	9.85	370,671
	Homeowners	1,714,555	5.55	1,504,821	5.55	3,219,376
		<u>\$7,017,367</u>		<u>\$7,516,593</u>		<u>\$14,533,960</u>
Fiscal year 2005 total direct rate \$8.92						
2006	Improved Residential	\$1,082,244	\$ 9.10	\$1,935,085	\$ 9.10	\$3,017,329
	Unimproved Residential	29,762	9.85	470,738	9.85	500,500
	Apartment	2,340,515	9.85	907,150	9.85	3,247,665
	Hotel and Resort	981,538	9.85	942,988	9.85	1,924,526
	Commercial	538,389	9.85	502,433	9.85	1,040,822
	Industrial	255,292	9.85	280,950	9.85	536,242
	Agricultural	970,198	9.85	2,082,838	9.85	3,053,036
	Conservation	21,488	9.85	340,573	9.85	362,061
	Homeowners	1,191,435	5.55	1,604,418	5.55	2,795,853
		<u>\$7,410,861</u>		<u>\$9,067,173</u>		<u>\$16,478,034</u>
Fiscal year 2006 total direct rate \$8.98						

Continued next page.

Table 5

Fiscal Year	Class of Property	Value of Net Taxable Building	Building Tax Rates Per \$1000	Value of Net Taxable Land	Land Tax Rates Per \$1000	Value of Net Taxable Real Property
2007	Improved Residential	\$1,281,050	\$ 8.10	\$2,938,402	\$ 8.10	\$4,219,452
	Unimproved Residential	43,372	8.10	762,664	8.10	806,036
	Apartment	3,154,981	8.10	1,347,158	8.10	4,502,139
	Hotel and Resort	1,209,050	9.00	1,050,628	9.00	2,259,678
	Commercial	620,567	9.00	662,801	9.00	1,283,368
	Industrial	317,852	9.00	397,211	9.00	715,063
	Agricultural	1,195,256	8.35	3,985,647	8.35	5,180,903
	Conservation	28,472	8.55	356,316	8.55	384,788
	Homeowners	1,408,215	5.55	1,947,983	5.55	3,356,198
		<u>\$9,258,815</u>		<u>\$13,448,810</u>		<u>\$22,707,625</u>
Fiscal year 2007 total direct rate \$7.96						
2008	Improved Residential	\$1,520,234	\$ 8.10	\$3,843,169	\$ 8.10	\$5,363,403
	Unimproved Residential	40,056	8.10	430,757	8.10	470,813
	Apartment	3,690,371	8.10	1,517,500	8.10	5,207,871
	Hotel and Resort	1,377,492	9.00	1,194,879	9.00	2,572,371
	Commercial	695,318	9.00	805,168	9.00	1,500,486
	Industrial	370,118	9.00	474,100	9.00	844,218
	Agricultural	1,353,403	8.35	4,529,187	8.35	5,882,590
	Conservation	31,771	8.55	347,798	8.55	379,569
	Homeowners	1,687,649	5.55	2,360,873	5.55	4,048,522
		<u>\$10,766,412</u>		<u>\$15,503,431</u>		<u>\$26,269,843</u>
Fiscal year 2008 total direct rate \$7.94						
2009	Residential	\$2,385,714	\$ 7.10	\$4,287,515	\$ 8.10	\$6,673,229
	Apartment	4,079,199	8.10	1,561,009	8.10	5,640,208
	Hotel and Resort	1,542,712	9.00	1,271,240	9.00	2,813,952
	Commercial	742,561	9.00	905,079	9.00	1,647,640
	Industrial	418,607	9.00	561,220	9.00	979,827
	Agricultural & Native Forest	2,245,161	6.35	4,325,743	8.35	6,570,904
	Conservation	44,670	8.55	340,254	8.55	384,924
	Homeowners	2,091,891	5.55	2,623,241	5.55	4,715,132
	Affordable Rental Housing	41,793	5.55	38,026	5.55	79,819
			<u>\$13,592,308</u>		<u>\$15,913,327</u>	
Fiscal year 2009 total direct rate \$7.68						

Continued next page.

Table 5

Fiscal Year	Class of Property	Value of Net Taxable Building	Building Tax Rates Per \$1000	Value of Net Taxable Land	Land Tax Rates Per \$1000	Value of Net Taxable Real Property
2010	Residential	\$2,447,576	\$ 7.10	\$3,804,696	\$ 8.10	\$6,252,272
	Apartment	3,602,514	8.10	1,546,866	8.10	5,149,380
	Hotel and Resort	1,390,884	9.00	1,177,796	9.00	2,568,680
	Commercial	733,260	9.00	928,999	9.00	1,662,259
	Industrial	453,406	9.00	593,224	9.00	1,046,630
	Agricultural & Native Forest	2,272,248	6.35	3,625,585	8.35	5,897,833
	Conservation	46,321	8.55	337,860	8.55	384,181
	Homeowners	2,388,048	5.55	2,686,692	5.55	5,074,740
	Affordable Rental Housing	67,746	5.55	47,703	5.55	115,449
		<u>\$13,402,003</u>		<u>\$14,749,421</u>		<u>\$28,151,424</u>
Fiscal year 2010 total direct rate \$7.75						
2011	Residential	\$3,040,977	\$ 9.10	\$3,787,185	\$ 9.10	\$6,828,162
	Apartment	2,660,600	9.85	1,144,873	9.85	3,805,473
	Hotel and Resort	820,418	9.85	690,834	9.85	1,511,252
	Commercial	713,161	9.10	908,741	9.10	1,621,902
	Industrial	454,868	9.10	594,589	9.10	1,049,457
	Agricultural & Native Forest	2,232,765	8.35	2,860,494	8.35	5,093,259
	Conservation	48,766	9.85	341,496	9.85	390,262
	Homeowners	2,479,437	5.55	2,573,527	5.55	5,052,964
	Affordable Rental Housing	108,290	5.55	57,821	5.55	166,111
		<u>\$12,559,282</u>		<u>\$12,959,560</u>		<u>\$25,518,842</u>
Fiscal year 2011 total direct rate \$8.39						

Source: County of Hawaii, Department of Finance, Real Property Tax Division

NOTES: Assessed value is at 100% of market value.

Property is reassessed annually.

The County Council sets the tax rates annually.

There are no overlapping property tax rates in the County of Hawaii.

The improved residential and unimproved residential classes were combined into a single class beginning with the fiscal years ending June 30, 2009.

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Principal Taxpayers

June 30, 2011 and 2002

Taxpayer	Business	Fiscal Year 2011			Fiscal Year 2002		
		2010 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2001 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Mauna Kea Development Corp.	Developer/Hotel	\$ 262,023,800	1	1.0%	\$ 192,854,000	2	1.4%
Hilton Land Investment I LLC	Hotel	224,278,600	2	0.9%	-	-	-
Hualalai Investors LLC	Developer/Hotel	216,994,300	3	0.9%	-	-	-
Orchid 09 LLC	Hotel	135,642,700	4	0.5%	-	-	-
WB KD Acquisition LLC	Developer	113,006,000	5	0.4%	-	-	-
Mauna Lani Resort Inc.	Developer/Hotel	103,201,700	6	0.4%	65,627,000	8	0.5%
Hilton Resorts Corp.	Timeshare	87,810,800	7	0.3%	-	-	-
Kohanaiki Shores LLC	Developer	76,408,900	8	0.3%	-	-	-
Kona Village Investors LLC	Hotel	64,233,600	9	0.3%	-	-	-
BRE/Waikoloa LLC	Hotel	59,705,400	10	0.2%	-	-	-
WB Kukio Resorts LLC	Developer	-	-	-	302,713,589	1	2.2%
BP Bishop Estate	Developer	-	-	-	164,923,816	3	1.2%
Global Resort Partners	Hotel	-	-	-	150,000,000	4	1.1%
1250 Oceanside Partners	Developer	-	-	-	141,464,700	5	1.0%
Liliuokalani Trust Estate	Land Trust	-	-	-	137,061,144	6	1.0%
Kaupulehu Makai Venture	Developer	-	-	-	102,243,720	7	0.8%
KM Kona Partners	Commercial Dev	-	-	-	61,958,600	9	0.5%
RWH Inc.	Hotel	-	-	-	51,698,300	10	0.4%
		<u>\$1,343,305,800</u>		<u>5.2%</u>	<u>\$ 1,370,544,869</u>		<u>10.1%</u>

Note: Gross valuation at January 1, 2010: \$25,518,842,894

Gross valuation at January 1, 2001: \$13,554,849,852

Source: County of Hawaii, Department of Finance, Real Property Tax Division

Unaudited - see accompanying independent auditors' report.

Table 7

COUNTY OF HAWAII  
Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	*Current Tax Levy	*Current Tax Collections	*Percent of Levy Collected	*Delinquent Tax Collections	*Total Tax Collections	*Total Collections as Percent of Current Levy	*Outstanding Delinquent Taxes	*Outstanding Delinquent Taxes as Percent of Current Levy
2002	\$ 91,256,466	\$ 88,306,322	97%	\$ 2,863,803	\$ 91,170,125	100%	\$ 86,341	0%
2003	106,274,993	102,995,602	97%	3,154,594	106,150,196	100%	124,797	0%
2004	116,423,310	113,416,817	97%	2,885,595	116,302,412	100%	120,898	0%
2005	128,842,947	126,574,921	98%	2,127,000	128,701,921	100%	141,026	0%
2006	150,289,177	147,712,630	98%	2,380,973	150,093,603	100%	195,574	0%
2007	181,532,224	177,326,418	98%	3,707,807	181,034,225	100%	497,999	0%
2008	207,887,815	202,702,858	98%	3,998,100	206,700,958	99%	1,186,857	1%
2009	226,623,147	219,437,531	97%	4,710,247	224,147,778	99%	2,475,369	1%
2010	215,216,933	207,501,307	96%	3,277,489	210,778,796	98%	4,438,137	2%
2011	212,452,730	208,106,918	98%	-	208,106,918	98%	4,345,812	2%

\* Amounts reflect subsequent adjustments

Source: County of Hawaii, Department of Finance, Real Property Tax Division

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government (a)	Component Unit		Total Primary Government		Total Primary Government and Component Unit	
	General Obligation Bonds (c)	State Revolving Fund Loans	Capital Leases	Notes Payable		General Obligation Bonds	State Revolving Fund Loans	Percentage of Personal Income (b)	Per Capita (b)	Percentage of Personal Income (b)	Per Capita (b)
2002	\$ 138,169,500	\$32,999,781	\$2,695,213	\$ 1,101,772	\$ 174,966,266	\$17,769,900	\$ 718,384	4.91%	\$ 1,134	5.43%	\$ 1,253
2003	168,607,000	31,680,295	3,293,462	1,084,667	204,665,424	16,794,600	2,842,108	5.50%	1,297	6.03%	1,421
2004	157,908,300	29,497,373	3,547,085	1,065,417	192,018,175	15,737,700	3,054,549	4.68%	1,187	5.14%	1,303
2005	182,158,285	28,760,504	3,642,928	1,041,285	215,603,002	14,657,708	2,905,354	4.87%	1,295	5.27%	1,401
2006	196,652,008	26,413,342	2,864,515	1,019,386	226,949,251	38,374,312	3,175,607	4.78%	1,326	5.65%	1,568
2007	269,281,339	30,246,751	4,085,735	995,854	304,609,679	36,708,368	5,599,767	5.94%	1,765	6.77%	2,011
2008	257,099,399	29,376,186	4,606,527	970,892	292,053,004	35,823,543	5,423,551	5.18%	1,661	5.91%	1,896
2009	291,363,218	26,697,288	4,179,805	944,124	323,184,435	33,954,671	8,154,507	5.68%	1,817	6.41%	2,054
2010	294,164,535	30,469,767	4,552,290	916,117	330,102,709	31,730,311	11,984,221	N/A	1,843	N/A	2,087
2011	311,549,005	36,555,264	3,057,082	884,232	352,045,583	44,673,293	18,012,314	N/A	N/A	N/A	N/A

## NOTES:

(a) Includes governmental activities and business-type activities.

(b) See Table 11 for personal income and population data.

(c) Includes Bond Anticipation Notes (BANs)

Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

**Ratios of General Bonded Debt Outstanding**

Last Ten Fiscal Years

Fiscal Year	Debt Applicable to Legal Debt Margin (a)	Percent of Net Taxable Property Value (b)	Per Capita (c)
2002	\$ 161,310,657	1.5%	\$ 1,042
2003	187,316,839	1.6%	1,180
2004	176,693,195	1.4%	1,082
2005	195,198,142	1.3%	1,167
2006	205,219,940	1.2%	1,199
2007	281,836,503	1.2%	1,633
2008	265,431,280	1.0%	1,510
2009	296,535,925	1.0%	1,667
2010	277,481,633	1.0%	1,549
2011	305,615,691	1.2%	N/A

## NOTES:

- (a) See Table 10 for debt applicable to legal debt margin.  
 (b) See Table 5 for net taxable property values.  
 (c) See Table 11 for population data.

Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII

**Legal Debt Margin Information**

Last Ten Fiscal Years  
(Amounts in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit (a)	\$1,660,699	\$1,753,556	\$1,933,701	\$2,180,094	\$2,471,705	\$3,406,144	\$3,940,476	\$4,425,845	\$4,222,714	\$ 3,827,826
Debt applicable to limit	161,311	187,317	176,396	195,198	205,220	281,837	265,431	296,536	277,482	305,616
Legal debt margin (b)	<u>\$1,499,388</u>	<u>\$1,566,239</u>	<u>\$1,757,305</u>	<u>\$1,984,896</u>	<u>\$2,266,485</u>	<u>\$3,124,307</u>	<u>\$3,675,045</u>	<u>\$4,129,309</u>	<u>\$3,945,232</u>	<u>\$ 3,522,210</u>
Debt applicable to the limit as a percentage of debt limit	9.71%	10.68%	9.12%	8.95%	8.30%	8.27%	6.74%	6.70%	6.57%	7.98%

NOTES:

- (a) State finance statutes limit the County's outstanding general debt to no more than 15 percent of the net assessed value of property. See Table 5 for net assessed value of property.
- (b) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the net debt applicable to the legal debt limit from the legal debt limit.

Legal Debt Margin Calculation for Fiscal Year 2011

Net assessed value	<u>\$25,518,842</u>
Debt limit (15% of net assessed value)	\$ 3,827,826
Debt applicable to limit	<u>305,616</u>
Legal debt margin	<u>\$ 3,522,210</u>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

**Demographic and Economic Statistics**

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>*Resident Population as of July 1</u>	<u>*Personal Income (thousands of dollars)</u>	<u>*Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2001	151,025	\$ 3,478,755	\$ 23,034	29,792	5.0%
2002	153,362	\$ 3,697,485	\$ 24,110	29,826	4.6%
2003	156,605	\$ 3,869,362	\$ 24,708	29,635	4.6%
2004	160,333	\$ 4,223,829	\$ 26,344	29,827	3.9%
2005	164,995	\$ 4,638,838	\$ 28,115	30,262	3.3%
2006	169,568	\$ 5,064,624	\$ 29,868	30,539	2.9%
2007	173,178	\$ 5,509,169	\$ 31,812	30,618	3.4%
2008	176,290	\$ 5,732,566	\$ 32,518	30,408	5.6%
2009	177,808	\$ 5,694,731	\$ 32,027	30,138	9.7%
2010	179,105	N/A	N/A	29,741	10.0%

\* Amounts reflect subsequent adjustments

*Source:* County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Principal Employers, County of Hawaii

June 30, 2011 and 2002

<u>Employer</u>	2010 (a)			2004 (a)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
State of Hawaii	8,063	1	10.7%	7,608	1	10.0%
County of Hawaii	2,663	2	3.5%	2,291	2	3.0%
United States Government	1,421	3	1.9%	1,221	3	1.6%
Hilton Waikoloa Village	881	4	1.2%	1,100	4	1.4%
Wal-Mart	770	5	1.0%	-	-	-
KTA Super Stores	700	6	0.9%	785	5	1.0%
The Fairmont Orchid, Hawaii	618	7	0.8%	600	6	0.8%
Four Seasons Resort Hualalai	550	8	0.7%	557	8	0.7%
Mauna Kea Beach Hotel	550	9	0.7%	556	9	0.7%
Mauna Lani Resort (Operations) Inc.	529	10	0.7%	-	-	-
Mauna Lani Bay Hotel	-	-	-	580	7	0.8%
Hapuna Beach Prince Hotel	-	-	-	542	10	0.7%
Total	<u>16,745</u>		<u>22.1%</u>	<u>15,840</u>		<u>20.7%</u>
Total employee count			<u>75,150</u>			<u>76,200</u>

## NOTES:

(a) Data for Fiscal Year 2011 and the period of 2001 to 2003 are unavailable.

Source: County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII  
**Full-Time Equivalent County Government Employees by Function**

Last Ten Fiscal Years

<u>Function</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
County Council	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
County Clerk	44.00	41.00	42.50	38.00	54.50	54.00	68.00	55.48	56.08	53.00
Legislative Auditor	-	-	-	-	-	-	-	5.00	5.00	5.00
Mayor	17.75	17.90	19.90	21.58	21.70	20.68	25.17	22.49	19.00	21.99
Corporation Counsel	37.00	37.00	38.00	41.00	39.00	39.98	33.00	30.00	32.00	29.00
Finance	79.00	85.00	90.00	88.00	91.00	94.49	102.89	128.44	123.89	121.89
Human Resources	22.00	24.00	24.00	26.00	24.50	27.46	28.98	28.96	27.98	25.49
Planning	29.00	29.00	31.00	31.50	35.00	36.00	47.00	48.00	49.00	49.49
Research & Development	9.00	13.00	12.00	13.00	13.20	14.48	15.00	15.00	14.00	14.00
Data Systems	15.00	16.00	15.00	14.00	17.00	17.00	17.00	16.00	15.48	16.00
Public Works Admin & Building	115.00	115.00	121.00	121.00	123.40	141.97	166.37	170.44	162.99	158.84
Public Safety:										
Police	537.50	523.25	526.50	520.80	536.20	535.23	572.51	553.37	558.32	565.99
Fire	300.48	301.48	316.98	346.23	340.20	363.71	424.07	412.05	411.53	414.08
Liquor Control	12.00	11.00	11.00	11.00	13.00	12.00	14.48	14.00	14.00	14.00
Civil Defense	6.00	5.00	5.00	7.00	6.00	5.00	5.00	7.00	7.00	7.00
Prosecuting Attorney	81.50	84.00	86.00	83.00	86.50	93.00	96.49	103.00	98.24	99.00
Highways and Streets:										
Mass Transit	5.00	5.00	5.00	7.00	6.00	5.00	7.00	6.00	7.00	7.00
Traffic and Highways	163.00	156.00	153.00	151.00	168.00	169.98	183.48	182.48	174.48	176.48
Sanitation:										
Administration	-	4.00	5.00	18.00	19.50	19.49	19.98	19.49	16.98	18.49
Sewer	46.00	44.00	42.05	40.00	38.00	32.97	37.49	41.47	44.98	47.49
Vehicle Disposal	1.00	1.00	1.00	1.00	1.00	3.00	3.00	2.00	2.00	2.00
Solid Waste	56.75	52.75	56.75	57.80	69.00	86.49	87.49	93.49	93.00	95.00
Health, Education and Welfare:										
Housing	38.48	39.48	42.48	43.48	39.50	43.97	46.95	44.95	47.44	47.48
Aging	10.00	10.75	10.00	10.00	12.50	13.00	12.00	12.00	11.00	12.00
Culture and Recreation	390.15	398.70	390.05	386.48	434.90	402.43	390.11	391.45	379.50	380.74
<b>Total</b>	<u>2,024.61</u>	<u>2,023.31</u>	<u>2,053.21</u>	<u>2,085.87</u>	<u>2,198.60</u>	<u>2,240.33</u>	<u>2,412.46</u>	<u>2,411.56</u>	<u>2,379.89</u>	<u>2,390.45</u>

Source: County of Hawaii, Department of Finance

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Operating Indicators by Function

Last Ten Fiscal Years

<b>Function</b>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public Safety:</b>										
<b>Police:</b>										
DUI arrests	841	1,004	900	964	1,163	1,354	1,397	1,395	1,452	1,468
Traffic citations issued	52,775	38,974	58,432	51,818	54,435	54,606	62,736	66,461	63,883	61,947
<b>Fire:</b>										
Fire responses	623	1,751	1,207	888	897	1,095	892	751	889	731
Emergency medical/rescue responses	12,003	11,944	14,693	13,671	14,945	15,502	16,098	15,099	15,308	15,726
Inspections - Occupancy/Fire Protective Equipment	5,508	6,415	4,210	1,843	2,131	1,958	1,858	1,479	1,579	3,021
<b>Sanitation:</b>										
Refuse disposed (tons per year)	166,625	179,284	201,011	225,051	222,945	223,144	210,199	172,431	154,914	166,455
<b>Highways and Streets:</b>										
In-house street resurfacing (miles)	8	40	12	42	15	33	26	27	23	18
<b>Parks and Recreation</b>										
Pavilion permits issued	1,948	1,567	1,739	1,908	1,888	1,744	2,055	2,310	2,340	4,667
Camping permits issued	4,233	4,576	4,627	4,765	5,146	5,200	3,870	3,998	4,290	4,019
Rounds of golf	87,862	88,889	80,015	79,101	74,677	82,182	76,648	80,229	80,407	83,358
Zoo attendance	137,000	133,086	156,184	163,176	171,958	172,315	163,601	182,286	172,737	172,677
<b>Transit</b>										
Bus passengers	N/A	N/A	N/A	N/A	711,608	727,677	821,359	908,651	1,060,057	1,149,042
<b>Public Works:</b>										
Building permits issued	3,497	4,250	4,418	5,350	5,883	5,165	4,507	3,929	3,234	3,039
Electrical permits issued	3,349	3,999	3,896	4,750	5,097	5,072	4,569	3,869	3,602	3,821
Plumbing permits issued	2,696	2,954	1,907	3,888	4,557	4,368	3,622	2,983	2,638	2,071
Sign permits issued	60	59	46	63	50	51	75	62	62	58

Source: County of Hawaii, Individual Departments

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII  
**Capital Asset Statistics by Functions**  
 Last Ten Fiscal Years

<b>Function</b>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public Safety:</b>										
<b>Police:</b>										
Stations	8	8	8	8	8	8	8	8	8	8
Substations	4	3	3	13	13	13	10	10	10	10
Fire stations	19	20	20	20	20	20	20	20	20	20
<b>Highways and Streets:</b>										
County streets (miles)	902	903	903	903	907	927	942	943	944	946
Streetlights	8,719	8,823	8,949	9,017	9,027	9,246	9,308	9,404	9,592	9,864
<b>Parks and Recreation:</b>										
Parks	118	118	119	121	122	123	123	143	143	143
Gyms and recreation centers	38	38	38	38	38	38	38	61	61	61
<b>Sanitation:</b>										
Sanitary sewers (miles)	53	53	53	53	53	58	100*	100*	111*	111*

\*GIS database utilized beginning FY 2008

Source: County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.