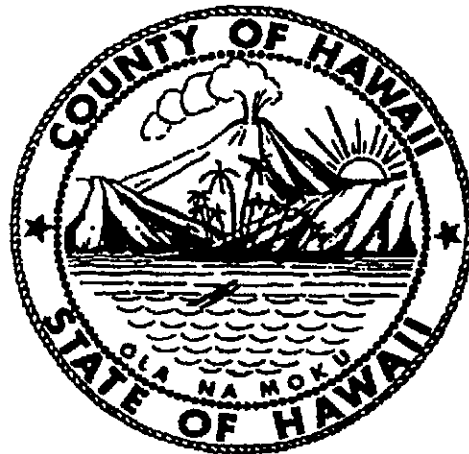


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012



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, 2012

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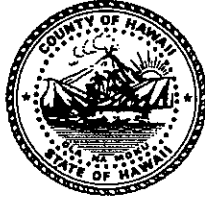
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INTRODUCTORY SECTION

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, 2012

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, 2011 to June 30, 2012.

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, 2012 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 the past few years proved challenging to the island's economy, it appears that the County will continue on its steady but slow road to improved financial health. This favorable outlook is supported by positive trends in the following key areas of the island's economy.

The County's labor force numbered 83,617 at June 2012, which is a slight increase from a year ago. A sign that the economy is continuing on the road to a brighter position than that which faced the County several years ago is the fact that the County's unemployment rate for the current fiscal year 2012 (9.2%) was slightly lower than the prior fiscal year 2011 (9.5%), which serves as a positive indicator for the third year in a row.

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 4% increase in the number of visitors to the island from the prior fiscal year. More importantly, spending growth for this sector has been even stronger than the actual arrivals.

Construction – The construction industry continues to serve as the lagging sector of the economy but there are recent signs that this may change soon. Although, construction jobs remain below that of peak times, private building permits which serve as a better indicator of the future shows encouraging results.

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 \$75 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. The Hawaiian Volcano Observatory in Hawai'i Volcanoes National Park and the Natural Energy Laboratory of Hawai'i Authority at Keāhole, 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 – Construction continued on the Makalei Fire Station reaching a total cost of approximately \$6.1 million at the end of the year and is expected to be placed into service in the next fiscal year. The Fire Department installed two new lifeguard towers valued at \$87,000 for Hapuna Beach Park and Punaluu Beach Park and purchased a new 2,000 gallon Fire Apparatus Tanker for Kau for \$221,000 that was funded by a Community Development Block Grant.

Public Works – The Ane Keohokalole Highway in Kona was opened to the public in June 2012 at a cost to the County of \$28.9 million. The 2.9 mile highway serves as the largest expenditure of American Recovery & Reinvestment Act money for transportation infrastructure in the State and is also the first major road to be built by the County in Kona since statehood.

Environmental Management – The processing capacity of the Honokaa Wastewater Treatment Plant was upgraded from 56,400 to 200,000 gallons per day to service the schools and business community within the Honokaa Town area at a cost of approximately \$5.0 million.

For the Future

Public Safety – The Hawai'i Police Department held the On-Site Assessment by the Commission on Accreditation for Law Enforcement Agencies (CALEA), on August 5-8, 2012. On Saturday, November 17, 2012, the Hawai'i Police Department marked an historical event when it was awarded a full three-year accreditation by CALEA. This process, which began in early 2004, is a tribute to all of our employees, both civilian and sworn, who collectively are bound to adhere to over 400 plus required standards. What accreditation means for the Hawai'i Police Department is that the public can now be assured, based on an independent review, we are indeed a department that adheres to standards that are sensible, professional and ethical, and in keeping with a 21st century law enforcement agency.

The Hawaii Fire Department is working to obtain two new Fire Pumper Apparatus with County funded leases. A new Fire Tanker Apparatus also will be secured primarily with Community Development Block Grant funds. These replacements are important to the continuing effort to provide apparatus that meets current National Fire Protection Association safety guidelines.

The Kawailani Fire Station relocation planning and design will be initiated.

In this period of economic recovery the Fire Department is striving to continue to provide needed services to the Hawai'i County residents and visitors.

Public Works – Two connector road projects in Kona will be underway in mid-2013. At an estimated construction cost of \$14 million, the Laaloa Avenue Extension Ph 1 in North Kona will connect Laaloa Avenue with Kuakini Highway.

The Federal Highway Administration is helping to fund the following two road projects on the island. The first is the Kaiminani Drive Roadway Improvements in North Kona at an estimated cost of \$10 million and the second is the Kamehameha Avenue Reconstruction project in South Hilo at an estimated construction cost of \$13 million.

Planning – The National Historic Preservation Act has charged the Hawaii State Department of Land and Natural Resources with the monitoring of Hawaii's natural and cultural resources. The Planning Department has begun the process of staffing the Hawaii County Cultural Resource Commission as-well-as assisting the mayor's office in seating commissioners. This commission will review, comment and may include granting permits on all County projects, taking into consideration the cultural and historical significance of island wide sites and surroundings.

The County of Hawaii will be hosting the Hawaii Congress of Planning Officials in September 2013. This conference is for all planning commissions, planning directors and planners for all counties within the State of Hawaii in addition to most of the industry including architects, surveyors, major land owners and developers.

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 those 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 .17%.

The County's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, with the exception of \$236,177 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.

Financial Highlights

As a result of another year of declining property values which negatively impacted real property tax revenues, the County was again faced with the dilemma of balancing its budget. To avoid negatively impacting the local economy, the County worked diligently to lower its operating costs while continuing to service the community and its people rather than raise real property taxes.

The County continued the furloughs and pay reductions for both its HGEA and UPW union employees but reduced the number of days from twice a month to only once a month. The County also implemented a one-time payroll lag which delayed the payment of the June 30, 2012 payroll to the following fiscal year and enabled the County to save on salaries and wage expenditures for the current year.

As part of the strategy for balancing the budget, the County also decided to temporarily forgo the employer contributions relating to the pre-funding of its postemployment benefits other than pensions that it had fully funded for the previous four fiscal years.

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

Six bargaining units have contracts that will expire on June 30, 2013 and negotiations are underway. The remaining two bargaining units' contracts have already expired. One remaining bargaining unit had an interest arbitration in November 2012 and the County anticipates a decision by January 30, 2013. The other remaining bargaining unit is planning for an interest arbitration in March 2013 and the County anticipates a decision by June 17, 2013.

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, 2011. This was the twenty-fourth 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, 2011

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.



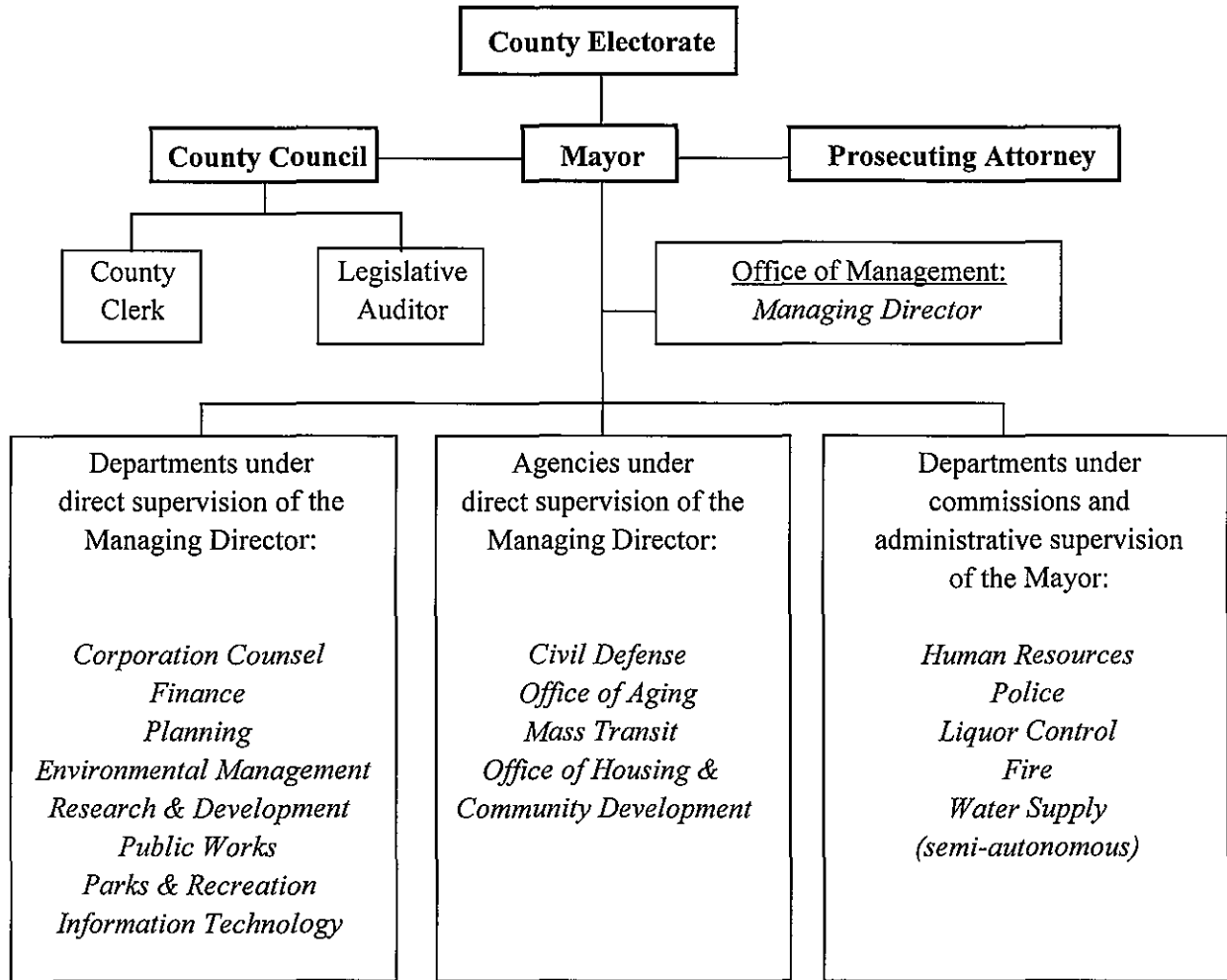
Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

County of Hawaii Organization Chart



**County of Hawaii
Elected Officials**

June 30, 2012

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, 2012

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	Darren Rosario
Director of Public Works	Warren Lee
Director of Environmental Management, Acting	Dora Beck
Director of Parks and Recreation	Robert Fitzgerald
Manager, Department of Water Supply	Quirino Antonio, Jr.
Civil Defense Administrator	Quince Mento
Director of Liquor Control	Gerald Takase
Transit Operations Administrator	Vacant
Executive on Aging	Alan Parker
Administrator, Office of Housing and Community Development	Stephen Arnett
Director of Information Technology	Mark Ow

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FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2012, 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedule of funding progress for the EUTF information on pages 15 through 25 and 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

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HONOLULU, HAWAII 96813
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inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, fund schedules, 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 and fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and fund schedules are fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Accuity LLP

Honolulu, Hawai'i
December 27, 2012

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, 2012. 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 \$683.0 million (net assets). This amount includes \$39.8 million in unrestricted net assets, a decrease of \$0.9 million from the prior year.
- The County's total net assets increased by \$75.7 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 \$146.4 million, a decrease of \$12.6 million from the prior year. Approximately 47 percent of this total amount, \$68.3 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 \$41.7 million, or 19 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 both required and 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 and capital projects 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 certain required supplementary information, which is presented immediately following the notes to the basic financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds and budgetary comparison schedules for the nonmajor special revenue funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Condensed Statement of Net Assets
June 30, 2012 and 2011**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 252,075,426	\$ 220,271,120	\$ 1,036,087	\$ 1,057,768	\$ 253,111,513	\$ 221,328,888
Capital assets, net	917,249,344	836,674,103	1,167,154	1,193,198	918,416,498	837,867,301
Total assets	<u>1,169,324,770</u>	<u>1,056,945,223</u>	<u>2,203,241</u>	<u>2,250,966</u>	<u>1,171,528,011</u>	<u>1,059,196,189</u>
Liabilities:						
Long-term liabilities						
outstanding	438,814,811	421,449,861	851,306	884,232	439,666,117	422,334,093
Other liabilities	48,424,315	29,058,381	395,021	423,100	48,819,336	29,481,481
Total liabilities	<u>487,239,126</u>	<u>450,508,242</u>	<u>1,246,327</u>	<u>1,307,332</u>	<u>488,485,453</u>	<u>451,815,574</u>
Net assets:						
Invested in capital assets, net						
of related debt	594,384,524	514,309,238	315,848	308,966	594,700,372	514,618,204
Restricted	48,360,223	51,840,697	185,148	185,087	48,545,371	52,025,784
Unrestricted	39,340,897	40,287,046	455,918	449,581	39,796,815	40,736,627
Total net assets	<u>\$ 682,085,644</u>	<u>\$ 606,436,981</u>	<u>\$ 956,914</u>	<u>\$ 943,634</u>	<u>\$683,042,558</u>	<u>\$607,380,615</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 \$683.0 million at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (87 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 (7 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 \$75.7 million during the current fiscal year, which was \$20.1 million more than the increase during last fiscal year. Capital grants and contributions increased by approximately \$47.9 million relating mostly to highways and streets and sanitation. The increase was offset and reduced by a decrease in real property taxes of approximately \$15.2 million.

The County's net capital assets increased by \$80.5 million due to the large amount of capital improvement projects done by the County during the current fiscal year and infrastructure related assets that were contributed. See further discussion of the increase in capital assets on page 23.

The County's long-term liabilities outstanding increased by \$17.3 million (4 percent) due primarily to the increases resulting from the County's decision to forgo the employer contributions relating to the pre-funding of its postemployment benefits other than pensions and the issuance of new Bond Anticipation Notes. These increases were offset by principal payments on the General Obligation Bonds and the State Revolving Fund loans from the prior year. See further discussion of the increase in long-term debt outstanding on page 24.

**Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2012 and 2011**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 34,875,798	\$ 34,044,547	\$ 393,464	\$ 372,599	\$ 35,269,262	\$ 34,417,146
Operating grants and contributions	45,767,655	50,820,951	131,227	133,215	45,898,882	50,954,166
Capital grants and contributions	86,754,033	38,810,806	-	-	86,754,033	38,810,806
General revenues:						
Property taxes	209,894,427	225,055,099	-	-	209,894,427	225,055,099
Other taxes	29,255,027	26,315,977	-	-	29,255,027	26,315,977
Grants and contributions, unrestricted	19,074,105	19,533,165	-	-	19,074,105	19,533,165
Investment earnings	230,804	609,617	5,641	2,997	236,445	612,614
Other	1,773,258	5,973,275	-	-	1,773,258	5,973,275
Total revenues	<u>427,625,107</u>	<u>401,163,437</u>	<u>530,332</u>	<u>508,811</u>	<u>428,155,439</u>	<u>401,672,248</u>
Expenses:						
General government	56,115,599	53,439,428	-	-	56,115,599	53,439,428
Public safety	152,288,979	154,008,027	-	-	152,288,979	154,008,027
Highways and streets	42,462,299	34,812,165	-	-	42,462,299	34,812,165
Health, education and welfare	28,127,691	30,336,420	517,052	550,801	28,644,743	30,887,221
Culture and recreation	23,412,948	22,167,818	-	-	23,412,948	22,167,818
Sanitation	35,049,546	35,604,394	-	-	35,049,546	35,604,394
Interest on long-term debt	14,519,382	15,176,682	-	-	14,519,382	15,176,682
Total expenses	<u>351,976,444</u>	<u>345,544,934</u>	<u>517,052</u>	<u>550,801</u>	<u>352,493,496</u>	<u>346,095,735</u>
Increase (decrease) in net assets	75,648,663	55,618,503	13,280	(41,990)	75,661,943	55,576,513
Net assets at beginning of year	606,436,981	550,818,478	943,634	985,624	607,380,615	551,804,102
Net assets at end of year	<u>\$ 682,085,644</u>	<u>\$ 606,436,981</u>	<u>\$ 956,914</u>	<u>\$ 943,634</u>	<u>\$ 683,042,558</u>	<u>\$ 607,380,615</u>

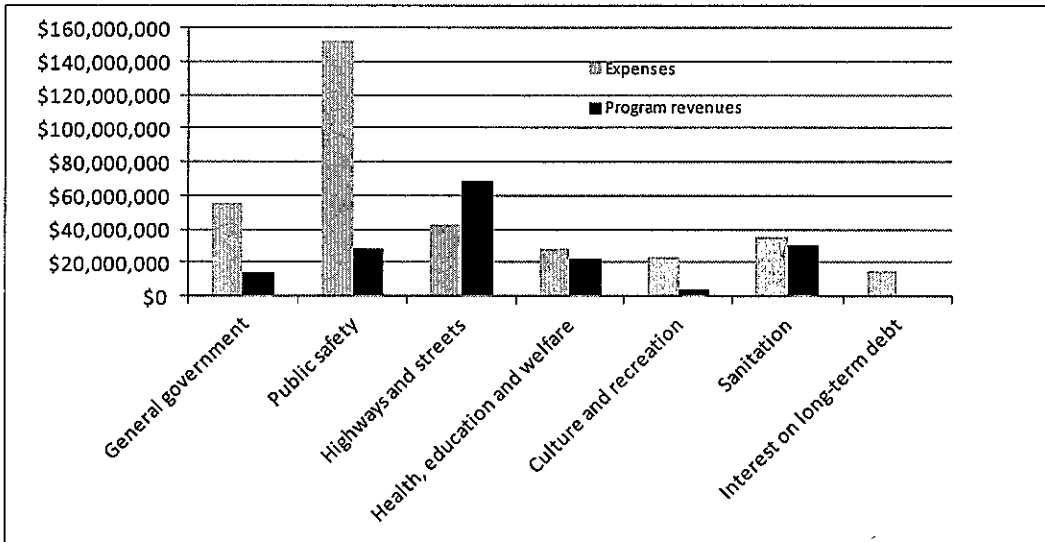
Analysis of Changes in Net Assets

Governmental activities. Governmental activities increased the County's net assets by \$75.6 million or basically all of the total growth in net assets of the County.

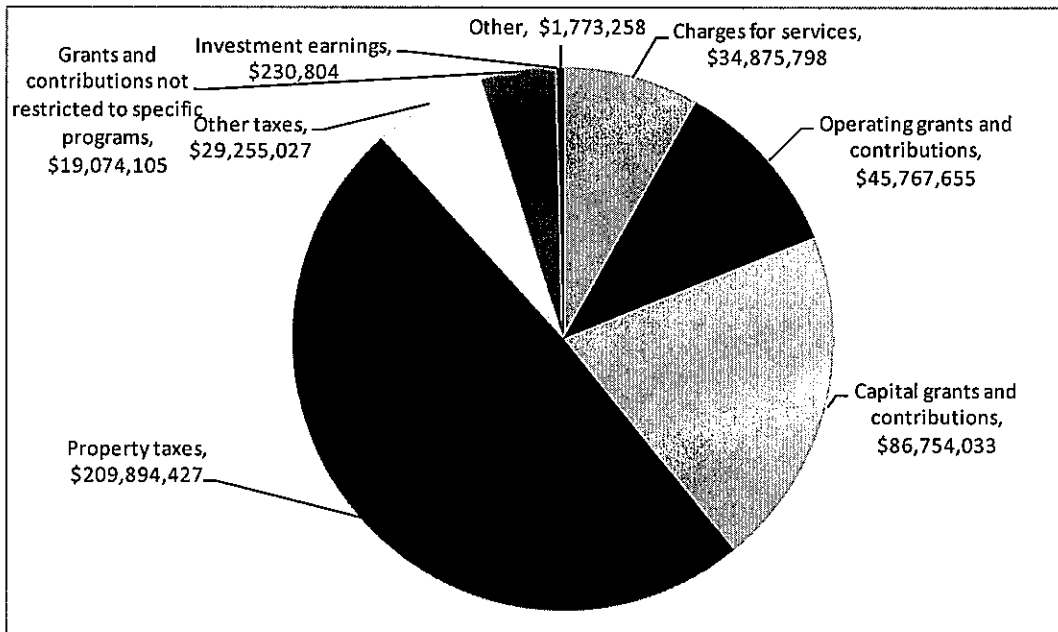
Total revenues increased by \$26.5 million (7 percent). The combined total revenues for both the Operating and Capital grants and contributions also increased by approximately \$42.9 million, which related mostly to sanitation and highways and streets projects. This increase in grants and contributions revenue was offset by decreases in the other revenue sources. The most significant decrease of \$15.2 million was in real property taxes, which was due to a slight decline in the value of net taxable real property as evidenced in the accompanying statistical tables.

Total expenses increased by \$6.4 million (2 percent). The major reason for the increase was due to the rising cost of labor. The cost of employees' health care increased specifically relating to future health benefits for employees by approximately \$1.3 million and overall salaries and wages increased by \$2.6 million as a result of a reduction in the number of furlough days that employees in several bargaining units were required to take each month.

**Expenses and Program Revenues – Governmental Activities
Year Ended June 30, 2012**



**Revenue by Source – Governmental Activities
Year Ended June 30, 2012**



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 (43 percent), followed by general government (16 percent) and highways and streets (12 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 (49 percent), followed by capital grants and contributions (20 percent) and operating grants and contributions (11 percent).

Business-type activities. Business-type activities increased the County's net assets by \$13,280 versus a decrease of \$41,990 in the prior year. Expenses for health, education and welfare account for all of the \$517,052 of expenses. Charges for services were \$393,464, operating grants and contributions were \$131,227 and investment earnings were \$5,641. Revenues increased by \$21,521 due to a \$21,525 increase in rental receipts. Expenses decreased \$33,749 (6 percent) due to decreases in general and administration expenses of \$29,739 and in lease expense of \$18,364, which were offset by an increase in utilities expense of \$19,275.

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 \$146.4 million, a decrease of \$12.6 million in comparison with prior year. Approximately 47 percent of this total amount (\$68.3 million) constitutes unrestricted fund balance. The unrestricted portion of the fund balance is comprised of (1) \$48.6 million in committed fund balance, (2) \$21.8 million in assigned fund balance and (3) negative \$2.1 million in unassigned fund balance. The remainder of the fund balance is divided between \$3.3 million in nonspendable fund balance for inventory and \$74.7 million in restricted fund balance. Approximately 79% of the restricted fund balance is due to restrictions relating to highways, streets and abandoned vehicles (\$32.9 million) and debt service (\$26.2 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 \$41.7 million, while total fund balance increased to \$48.7 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 19 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of the County's general fund increased by \$4.1 million during the current fiscal year as compared to an increase of \$5.1 million in the prior year. Key factors in this decrease from last year's amount are as follows:

- A decrease of \$8.3 million (4 percent) in real property taxes, which was mostly due to lower collections resulting from the slight decline in the value of net taxable real property as evidenced in the accompanying statistical tables.

- A decrease in intergovernmental revenue of \$6.2 million (11 percent). The most significant causes of the decrease were due to declines in public safety operating grants (\$3.1 million) and in health, education and welfare capital grants (\$3.0 million).
- A net decrease of \$15.7 million (7 percent) in total expenditures for the general fund which is primarily the result of the County's decision to forgo the employer contributions relating to the pre-funding of its postemployment benefits other than pensions that it had made for the previous four fiscal years.

The fund balance of the County's capital projects fund decreased by \$20.5 million during the current fiscal year. The decrease is primarily due to the combined total of the fund's main revenue source of long-term debt financing, which consists of state revolving fund loan proceeds (\$4.6 million), intergovernmental revenue (\$30.0 million), and transfers in (\$3.7 million) being less than capital and debt service expenditures (\$59.3 million) for the current fiscal year.

Although the fund balance of the capital projects fund was \$29.5 million at the end of the current fiscal year and the total unrestricted portion was \$2.2 million, the unassigned portion of the unrestricted fund balance was a negative \$10.2 million. This was due to a change 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 and will instead issue Bond Anticipation Notes. As of June 30, 2012, these notes are reflected as a current liability in the fund because the legal steps regarding the issuance of the bonds to pay off these notes have not been completed at the time the audited financial statements are being issued.

The debt service funds consist of the Bond Redemption Fund and the Interest Fund. These funds have combined total fund balances of \$26.2 million, all of which is restricted for the payment of debt service. The net decrease in the combined fund balances during the current year in the debt service funds was \$0.5 million (2 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 \$564,659, and the unrestricted net deficit of the Ouli Ekahi Affordable Housing Project (Ouli Ekahi) amounted to \$108,741. The net assets for Kulaimano decreased by \$22,032 and the net assets for Ouli Ekahi increased by \$35,312. 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 \$11.0 million increase in appropriations, most of which (94%) 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 \$3.9 million less revenues than expected and \$26.3 million less expenditures than appropriated. This is primarily due to the following factors:

- \$5.3 million negative variance in intergovernmental revenue, which was made up almost entirely of the decrease in federal grants.

- \$6.5 million of the unspent appropriations is related to salaries and wages. The variance is due primarily to unfilled vacancies and continued efforts by each department to control payroll costs during the budget year due to the tough economic conditions facing the County. The following functions are responsible for the majority of the variance: public safety (\$3.9 million), general government (\$1.8 million) and culture and recreation (\$0.7 million).
- \$2.3 million was unspent by Mass Transit regarding the purchase of new buses because the federal grant that they received was lower than originally anticipated.
- \$1.9 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.
- \$2.5 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, 2012 amounts to \$918.4 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 \$13.3 million to reach a total of \$28.9 million, which was transferred to Infrastructure.
- 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 \$5.0 million to reach a total of \$14.0 million, of which the portions relating to the completed phases were transferred to Building and Improvements.
- Construction continued on the Honokaa large capacity cesspool project, construction in progress as of the end of the current fiscal year increased by \$3.9 million to reach a total of \$4.9 million.
- Construction continued on the Makalei Fire Station; construction in progress as of the end of the current fiscal year had increased by \$5.4 million to reach a total of \$6.1 million.
- Construction continued on the Panaewa Park New Covered Play Courts; construction in progress as of the end of the current fiscal year had reached \$2.4 million, which was transferred to Buildings and Improvements.
- Construction began on the Hawaiian Ocean View Estates (H.O.V.E.) Water Facilities Project; construction in progress as of the end of the current fiscal year had reached \$6.0 million, which was transferred to Buildings and Improvements.
- \$31.8 million of dedicated roads were received by the County in the current fiscal year.
- \$6.3 million of sewer systems were dedicated to the County in the current fiscal year.

**Capital Assets
(net of depreciation)
June 30, 2012 and 2011**

	Governmental Activities		Primary Government Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
	Land and improvements	\$ 129,569,750	\$ 107,682,068	\$ 753,877	\$ 753,877	\$ 130,323,627
Infrastructure assets	246,938,042	204,755,865	-	-	246,938,042	204,755,865
Ground and site improvements	-	-	67,580	71,334	67,580	71,334
Buildings and improvements	455,481,924	387,259,565	329,730	354,345	455,811,654	387,613,910
Easements	3,232,428	1,649,304	-	-	3,232,428	1,649,304
Equipment	50,089,791	52,130,844	15,967	13,642	50,105,758	52,144,486
Construction work in progress	31,937,409	83,196,457	-	-	31,937,409	83,196,457
Total	\$ 917,249,344	\$ 836,674,103	\$ 1,167,154	\$ 1,193,198	\$ 918,416,498	\$ 837,867,301

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 primarily comprised of bonds of \$281.8 million, State Revolving Fund loans of \$29.1 million and general obligation bond anticipation notes of \$33.0 million. At the end of the current fiscal year, the County had total bonded debt outstanding of \$281.8 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 decreased by \$19.8 million (6.6 percent) during the current fiscal year due to 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 up 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 \$3.7 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 9.2 percent, which represents a slight decline from last year's rate for the same period of 9.5 percent.
- The number of visitors to the County for the current fiscal year was 1,371,073, which represents a 4 percent increase from the previous year's count of 1,322,289. More importantly, spending growth for this sector has been even stronger than the actual arrivals.

- 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 it is in its final stages of approval. 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 current annual operating cost of the observatories that sit atop Mauna Kea is approximately \$75.3 million, which includes the employment of over 500 county based workers.
- The construction industry continues to serve as the lagging sector of the economy but there are recent signs that this may change soon. Although, construction jobs remain below that of peak times, private building permits which serve as a better indicator of the future shows encouraging results.
- Several industries in the County will reap the benefits from UH-Hilo's June groundbreaking for Phase I of the University Village Student Housing Project. At an estimated \$32 million, the project will house just over 300 students and sit on a 33 acre parcel fronting the University main entrance.
- The County's agriculture sector generally offers a positive economic view this year, which is most evident in the macadamia and coffee production. In West Hawaii, the forecasted nut production is expected to increase by about 15% with levels in East Hawaii remaining the same as last year. Prices overall are anticipated to remain consistently strong at levels comparable to last year or possibly even higher. Coffee production on the island overall is expected to increase by 10% and prices are expected to remain stable.

These factors were considered in preparing the County's budget for the 2013 fiscal year.

At the end of the current fiscal year, unrestricted fund balance in the general fund was \$41.7 million. The County has appropriated \$18.0 million of this amount for spending in the 2013 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (notes 3 and 14)	\$ 80,442,824	\$ 391,951	\$ 80,834,775	\$ 18,845,331
Restricted cash and cash equivalents (note 3)	50,693,240	37,914	50,731,154	-
Investments (notes 3 and 14)	9,160,002	401,080	9,561,082	5,935,775
Restricted investments (note 3)	23,325,561	-	23,325,561	-
Receivables, net (note 4)	49,326,271	4,856	49,331,127	7,420,277
Receivable from improvement district (notes 4 and 10)	61,168	-	61,168	-
Internal balances (note 5)	1,350	(1,350)	-	-
Inventories	3,304,551	-	3,304,551	1,103,258
Prepaid expenses	-	1,621	1,621	155,049
Other	762,868	-	762,868	-
Total current assets	217,077,835	836,072	217,913,907	33,459,690
Investments (note 3)	6,452,722	-	6,452,722	-
Restricted investments (notes 3 and 14)	25,815,511	-	25,815,511	5,349,930
Restricted cash and cash equivalents (note 3)	-	200,015	200,015	-
Receivable from improvement district, excluding current portion (notes 4 and 10)	2,729,358	-	2,729,358	-
Deferred charges	-	-	-	3,125,475
Capital assets (notes 6, 8 and 14):				
Utility plant in service, net	-	-	-	219,014,522
Infrastructure assets, net	246,938,042	-	246,938,042	-
Ground and site improvements, net	-	67,580	67,580	-
Buildings and improvements, net	455,481,924	329,730	455,811,654	-
Equipment, net	50,089,791	15,967	50,105,758	-
Easements, net	3,232,428	-	3,232,428	-
Construction work in progress	31,937,409	-	31,937,409	46,237,024
Land and improvements	129,569,750	753,877	130,323,627	3,570,659
Total capital assets, net	917,249,344	1,167,154	918,416,498	268,822,205
Total noncurrent assets	952,246,935	1,367,169	953,614,104	277,297,610
Total assets	1,169,324,770	2,203,241	1,171,528,011	310,757,300

(Continued)

COUNTY OF HAWAII

Statement of Net Assets

June 30, 2012

(Concluded)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 15,423,389	\$ 391,571	\$ 15,814,960	\$ 3,832,912
Accrued payroll	7,678,607	-	7,678,607	1,050,040
Deferred revenue (note 7)	2,503,918	3,450	2,507,368	-
Interest due on long-term debt	6,038,265	-	6,038,265	1,079,222
Bonds and loans payable, current portion net (notes 10 and 14)	57,381,678	35,443	57,417,121	7,757,218
Compensated absences, current portion (note 10)	7,835,700	-	7,835,700	426,626
Claims and judgments, current portion (notes 10, 12 and 14)	2,317,306	-	2,317,306	34,897
Capital leases, current portion (notes 8 and 10)	1,349,916	-	1,349,916	-
Landfill costs payable, current portion (notes 9 and 10)	200,757	-	200,757	-
Customers' deposits	-	-	-	577,870
Other	16,780,136	-	16,780,136	-
Total current liabilities	117,509,672	430,464	117,940,136	14,758,785
Noncurrent liabilities:				
Bonds and loans payable, net (notes 10 and 14)	290,837,497	815,863	291,653,360	53,289,576
Compensated absences (note 10)	24,744,879	-	24,744,879	1,153,470
Claims and judgments (notes 10, 12 and 14)	8,129,801	-	8,129,801	121,103
Capital leases (notes 8 and 10)	2,453,702	-	2,453,702	-
Landfill costs payable (notes 9 and 10)	21,223,243	-	21,223,243	-
Deferred revenue	-	-	-	1,583,953
Customers' deposits	-	-	-	15,596,808
Other (note 13)	22,340,332	-	22,340,332	-
Total noncurrent liabilities	369,729,454	815,863	370,545,317	71,744,910
Total liabilities	487,239,126	1,246,327	488,485,453	86,503,695
Net Assets				
Invested in capital assets, net of related debt	594,384,524	315,848	594,700,372	213,125,341
Restricted for:				
Capital projects	1,004,694	-	1,004,694	-
Debt service (note 10)	26,152,909	185,148	26,338,057	-
Highways, streets and abandoned vehicles	16,597,972	-	16,597,972	-
Public access open space	2,518,242	-	2,518,242	-
Other	2,086,406	-	2,086,406	-
Unrestricted	39,340,897	455,918	39,796,815	11,128,264
Total net assets	\$ 682,085,644	\$ 956,914	\$ 683,042,558	\$ 224,253,605

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Statement of Activities

For the Fiscal Year Ended June 30, 2012

<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>
Primary government:				
Governmental activities:				
General government	\$ 56,115,599	\$ 2,306,855	\$ 3,669,761	\$ 7,692,048
Public safety	152,288,979	5,136,278	19,056,602	3,840,122
Highways and streets	42,462,299	10,544,711	2,193,469	56,283,086
Health, education and welfare	28,127,691	454,913	19,769,528	1,840,873
Culture and recreation	23,412,948	1,601,195	107,539	2,182,876
Sanitation	35,049,546	14,831,846	970,756	14,915,028
Interest on long-term debt	<u>14,519,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	351,976,444	34,875,798	45,767,655	86,754,033
Business-type activities:				
Health, education and welfare	<u>517,052</u>	<u>393,464</u>	<u>131,227</u>	<u>-</u>
Total primary government	<u>\$ 352,493,496</u>	<u>\$ 35,269,262</u>	<u>\$ 45,898,882</u>	<u>\$ 86,754,033</u>
Component unit:				
Water (note 14)	<u>\$ 52,105,064</u>	<u>\$ 47,514,463</u>	<u>\$ -</u>	<u>\$ 3,162,508</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
\$ (42,446,935)	\$ -	\$ (42,446,935)	\$ -
(124,255,977)	-	(124,255,977)	-
26,558,967	-	26,558,967	-
(6,062,377)	-	(6,062,377)	-
(19,521,338)	-	(19,521,338)	-
(4,331,916)	-	(4,331,916)	-
(14,519,382)	-	(14,519,382)	-
(184,578,958)	-	(184,578,958)	-
-	7,639	7,639	-
(184,578,958)	7,639	(184,571,319)	-
-	-	-	(1,428,093)
209,894,427	-	209,894,427	-
9,896,715	-	9,896,715	-
11,065,112	-	11,065,112	-
8,293,200	-	8,293,200	-
19,074,105	-	19,074,105	-
230,804	5,641	236,445	226,785
1,773,258	-	1,773,258	-
260,227,621	5,641	260,233,262	226,785
75,648,663	13,280	75,661,943	(1,201,308)
606,436,981	943,634	607,380,615	225,454,913
<u>\$ 682,085,644</u>	<u>\$ 956,914</u>	<u>\$683,042,558</u>	<u>\$ 224,253,605</u>

COUNTY OF HAWAII

Governmental Funds

Balance Sheet

June 30, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (note 3)	\$ 35,865,540	\$ 26,265,902	\$ 69,004,622	\$ 131,136,064
Investments (note 3)	12,212,724	49,141,072	3,400,000	64,753,796
Receivables, net (note 4)	24,792,447	1,025,077	2,652,678	28,470,202
Due from other governmental funds (note 5)	1,065,980	-	210,918	1,276,898
Due from other nongovernmental funds (note 5)	-	-	1,350	1,350
Receivables from other governments (note 4)	9,837,366	10,042,009	976,694	20,856,069
Inventories	3,304,551	-	-	3,304,551
Other	103,757	-	659,111	762,868
Total assets	<u>\$ 87,182,365</u>	<u>\$ 86,474,060</u>	<u>\$ 76,905,373</u>	<u>\$ 250,561,798</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,311,882	\$ 9,655,769	\$ 3,455,738	\$ 15,423,389
Accrued payroll	6,667,776	-	1,010,831	7,678,607
Due to other governmental funds (note 5)	62,859	699,554	514,485	1,276,898
Deferred revenue (note 7)	26,343,809	940,558	2,749,932	30,034,299
Bond anticipation note payable (note 10)	-	33,000,000	-	33,000,000
Other	3,069,085	12,629,409	1,081,642	16,780,136
Total liabilities	<u>38,455,411</u>	<u>56,925,290</u>	<u>8,812,628</u>	<u>104,193,329</u>
Fund balances:				
Nonspendable: Inventory	3,304,551	-	-	3,304,551
Restricted for:				
Debt service (note 10)	-	-	26,152,909	26,152,909
Highways, streets and abandoned vehicles	-	16,282,701	16,597,972	32,880,673
Public access open space	2,518,242	-	-	2,518,242
Other	1,175,716	11,089,440	910,690	13,175,846
Committed to:				
Budget stabilization	4,883,803	-	-	4,883,803
Disaster and emergencies	4,944,925	-	-	4,944,925
Lower Puna area	-	-	3,448,283	3,448,283
Rental assistance and subsidy	-	-	4,332,253	4,332,253
Sanitation	-	-	13,555,472	13,555,472
Self insurance	1,282,117	-	-	1,282,117
Highways, streets and abandoned vehicles	-	2,873,725	2,722,286	5,596,011
Parks and recreational projects	-	3,923,963	86,785	4,010,748
Zoning change impact mitigation (fair share)	-	2,995,486	-	2,995,486
Other	600,030	2,641,772	286,095	3,527,897
Assigned to:				
Subsequent year's budget	18,003,150	-	-	18,003,150
Other	3,837,693	-	-	3,837,693
Unassigned	8,176,727	(10,258,317)	-	(2,081,590)
Total fund balances	<u>48,726,954</u>	<u>29,548,770</u>	<u>68,092,745</u>	<u>146,368,469</u>
Total liabilities and fund balances	<u>\$ 87,182,365</u>	<u>\$ 86,474,060</u>	<u>\$ 76,905,373</u>	<u>\$ 250,561,798</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, 2012

Total fund balances - governmental funds \$ 146,368,469

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	129,569,750	
Infrastructure assets, net	246,938,042	
Buildings and improvements, net	455,481,924	
Equipment, net	50,089,791	
Easements, net	3,232,428	
Construction work in progress	<u>31,937,409</u>	
Total capital assets		917,249,344

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) 27,530,381

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	(312,428,649)	
Interest on long-term debt	(6,038,265)	
Capital leases	(3,803,618)	
Compensated absences	(32,580,579)	
Claims and judgments	(10,447,107)	
Landfill costs payable	(21,424,000)	
Other Postemployment Benefit Obligation (OPEB)	<u>(22,340,332)</u>	
Total long-term liabilities		<u>(409,062,550)</u>

Net assets of governmental activities **\$ 682,085,644**

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, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$208,230,486	\$ -	\$ -	\$208,230,486
Public service company taxes	9,896,715	-	-	9,896,715
Fuel taxes	-	-	8,293,200	8,293,200
Public utility franchise taxes	-	-	11,065,112	11,065,112
Licenses and permits	6,329,639	-	9,459,964	15,789,603
Intergovernmental	51,582,697	29,968,100	19,316,545	100,867,342
Charges for services	2,950,352	-	13,934,994	16,885,346
Investment earnings	242,352	155,445	7,962	405,759
Other	1,912,465	473,198	1,815,815	4,201,478
Total revenues	<u>281,144,706</u>	<u>30,596,743</u>	<u>63,893,592</u>	<u>375,635,041</u>
Expenditures				
Current:				
General government	34,820,684	-	267,094	35,087,778
Public safety	98,584,723	-	5,938,867	104,523,590
Highways and streets	2,797,464	-	14,540,212	17,337,676
Health, education and welfare	6,755,112	-	16,993,666	23,748,778
Culture and recreation	15,906,268	-	856,367	16,762,635
Sanitation	970,292	-	28,540,492	29,510,784
Pension and retirement				
contributions (note 13)	23,843,236	-	3,929,449	27,772,685
Employees' health insurance	23,772,419	-	2,129,549	25,901,968
Other	3,040,601	-	1,142,732	4,183,333
Debt service:				
Principal	225,817	-	24,608,315	24,834,132
Interest	29,325	85,005	14,917,538	15,031,868
Capital outlay	<u>11,572,257</u>	<u>59,211,493</u>	<u>436,576</u>	<u>71,220,326</u>
Total expenditures	<u>222,318,198</u>	<u>59,296,498</u>	<u>114,300,857</u>	<u>395,915,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,826,508</u>	<u>(28,699,755)</u>	<u>(50,407,265)</u>	<u>(20,280,512)</u>

(Continued)

COUNTY OF HAWAII

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2012

(Concluded)

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)				
Sale of assets	\$ 152,702	\$ -	\$ -	\$ 152,702
Increase in capital leases (notes 8 and 10)	927,591	-	1,593,418	2,521,009
State Revolving Fund loans (note 10)	-	4,568,756	-	4,568,756
Transfers in (note 5)	-	3,663,467	56,307,187	59,970,654
Transfers out (note 5)	<u>(56,307,187)</u>	<u>-</u>	<u>(3,663,467)</u>	<u>(59,970,654)</u>
Total other financing sources (uses)	<u>(55,226,894)</u>	<u>8,232,223</u>	<u>54,237,138</u>	<u>7,242,467</u>
Net change in fund balances	3,599,614	(20,467,532)	3,829,873	(13,038,045)
Fund balances at beginning of year	44,658,150	50,016,302	64,262,872	158,937,324
Increase in reserve for inventories	<u>469,190</u>	<u>-</u>	<u>-</u>	<u>469,190</u>
Fund balances at end of year	<u>\$ 48,726,954</u>	<u>\$ 29,548,770</u>	<u>\$ 68,092,745</u>	<u>\$ 146,368,469</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, 2012

Net change in fund balances - total governmental funds \$ (13,038,045)

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	70,373,656	
Dedicated and contributed property	42,045,951	
Depreciation expense and loss on disposals	<u>(31,844,366)</u>	
Excess of capital outlay over depreciation expense		80,575,241

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:

State Revolving Fund loans	(4,568,756)	
Capital leases	<u>(2,521,009)</u>	
Total debt proceeds		(7,089,765)

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	19,434,340	
State Revolving Fund loan repayments/forgiveness	12,073,394	
Capital lease payments	<u>1,774,473</u>	
Total long-term debt repayment		33,282,207

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.

2,092,126

(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, 2012

(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	\$ 469,190	
Increase in Other Postemployment Benefit Obligation (OPEB)	(22,461,100)	
Decrease in compensated absences	1,271,293	
Decrease in claims and judgments	450,030	
Increase in landfill closure/postclosure care costs	(415,000)	
Amortization of premium from bond issuance	384,171	
Amortization of deferred amount on refunding of bonds	(248,721)	
Net decrease in accrued interest	<u>377,036</u>	
Net additional expenses		<u>(20,173,101)</u>
Change in net assets of governmental activities		<u>\$ 75,648,663</u>

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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Taxes and assessments:				
Property taxes	\$ 207,300,000	\$ 207,400,000	\$ 208,230,486	\$ 830,486
Public service company taxes	9,100,000	9,100,000	9,896,715	796,715
Total taxes and assessments	<u>216,400,000</u>	<u>216,500,000</u>	<u>218,127,201</u>	<u>1,627,201</u>
Licenses and permits:				
Nonbusiness licenses and permits	3,018,689	3,018,689	3,224,716	206,027
Business licenses	1,516,743	1,516,743	1,598,196	81,453
Street use	1,480,000	1,480,000	1,506,727	26,727
Total licenses and permits	<u>6,015,432</u>	<u>6,015,432</u>	<u>6,329,639</u>	<u>314,207</u>
Intergovernmental:				
Federal:				
Programs for the aged	2,313,614	2,343,614	1,647,440	(696,174)
Community development block grants	-	2,520,236	2,520,236	-
HOME program grant	-	2,925,000	2,925,000	-
Law enforcement	1,596,500	3,982,438	3,430,234	(552,204)
Other	4,282,452	6,436,917	3,358,239	(3,078,678)
Total federal	<u>8,192,566</u>	<u>18,208,205</u>	<u>13,881,149</u>	<u>(4,327,056)</u>
State:				
State General Fund - Act 185, SLH 1990	17,298,000	17,298,000	18,686,406	1,388,406
Emergency medical services	14,358,592	14,374,308	14,374,308	-
Other	6,701,357	7,047,601	4,651,076	(2,396,525)
Total State	<u>38,357,949</u>	<u>38,719,909</u>	<u>37,711,790</u>	<u>(1,008,119)</u>
Total intergovernmental revenue	<u>46,550,515</u>	<u>56,928,114</u>	<u>51,592,939</u>	<u>(5,335,175)</u>
Charges for services:				
General government	4,948,025	4,948,025	5,689,615	741,590
Culture and recreation	1,061,400	1,061,400	869,145	(192,255)
Highways and streets	919,050	919,050	774,680	(144,370)
Public safety	94,000	94,000	111,201	17,201
Total charges for services	<u>7,022,475</u>	<u>7,022,475</u>	<u>7,444,641</u>	<u>422,166</u>
Fines and forfeitures	1,388,500	1,388,500	872,118	(516,382)
Rents	190,545	190,545	150,887	(39,658)

(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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues (continued):				
Interest and penalties	\$ 517,820	\$ 517,820	\$ 226,833	\$ (290,987)
Miscellaneous	5,104,818	5,396,200	5,262,878	(133,322)
Total revenues	<u>283,190,105</u>	<u>293,959,086</u>	<u>290,007,136</u>	<u>(3,951,950)</u>
Expenditures:				
Current:				
General government:				
Finance	10,122,771	10,379,124	8,687,482	1,691,642
General government building	5,035,294	5,028,994	4,252,670	776,324
Legislative	2,920,450	3,270,450	3,141,691	128,759
Automotive equipment	5,630,649	5,628,549	4,816,928	811,621
Law	2,587,458	2,587,458	2,265,566	321,892
Research and development	3,229,731	3,271,594	3,079,864	191,730
Planning and zoning	2,739,337	2,754,750	2,481,912	272,838
Mayor's office	1,274,491	1,413,115	1,134,728	278,387
Engineering	1,185,333	1,187,433	1,108,919	78,514
Information technology	1,476,741	1,476,741	1,222,804	253,937
Human resources	1,722,935	1,732,877	1,551,755	181,122
Public works administration	1,253,203	1,263,103	1,196,045	67,058
Elections	775,638	775,638	619,280	156,358
Legislative auditor	841,102	766,102	602,385	163,717
Total general government	<u>40,795,133</u>	<u>41,535,928</u>	<u>36,162,029</u>	<u>5,373,899</u>
Public safety:				
Police department	52,140,405	53,897,623	49,256,137	4,641,486
Fire department	35,792,795	36,058,013	33,889,836	2,168,177
Prosecuting attorney	7,305,990	7,954,876	6,704,376	1,250,500
Protective inspection	1,919,138	1,915,538	1,751,891	163,647
Liquor control	1,469,143	1,504,143	1,185,892	318,251
Flood control	437,440	437,440	421,945	15,495
Civil defense agency	1,635,088	1,635,088	1,162,783	472,305
Animal control	1,982,500	1,982,500	1,982,500	-
Total public safety	<u>102,682,499</u>	<u>105,385,221</u>	<u>96,355,360</u>	<u>9,029,861</u>
Highways and streets:				
Mass transit	3,933,565	5,719,878	3,008,677	2,711,201

(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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Expenditures (continued):				
Current (continued):				
Health, education and welfare:				
Elderly activities	\$ 3,423,535	\$ 3,473,535	\$ 3,053,173	\$ 420,362
Office of aging	2,826,076	2,904,320	2,220,474	683,846
Education	58,500	58,500	50,417	8,083
Social programs	1,500,000	1,500,000	1,500,000	-
Cemeteries	365,297	360,617	324,233	36,384
Physical examination	128,249	128,249	123,285	4,964
Total health, education and welfare	<u>8,301,657</u>	<u>8,425,221</u>	<u>7,271,582</u>	<u>1,153,639</u>
Culture and recreation:				
Community music	263,726	260,726	197,723	63,003
Organized recreation:				
Maintenance	6,790,279	6,955,799	6,702,039	253,760
Recreation	2,254,537	2,254,537	2,205,633	48,904
Aquatics	2,297,694	2,298,783	2,093,437	205,346
Hoolulu park complex	1,011,393	1,039,893	959,526	80,367
Administration	2,148,238	1,927,738	1,708,279	219,459
Children's zoo	637,682	648,842	609,276	39,566
Summer/Intersession	520,528	520,528	339,685	180,843
Culture and arts	222,001	225,001	203,733	21,268
Elderly activities administration	536,321	536,321	445,157	91,164
Total culture and recreation	<u>16,682,399</u>	<u>16,668,168</u>	<u>15,464,488</u>	<u>1,203,680</u>
Sanitation:				
Environmental management	965,358	965,358	935,012	30,346
Pension and retirement contributions	24,517,127	24,517,127	22,598,082	1,919,045
Employees' health insurance	25,871,043	25,871,043	23,347,082	2,523,961
Other postemployment benefits	30,000	30,000	-	30,000
Other	4,696,022	4,668,085	2,341,641	2,326,444
Total current	<u>228,474,803</u>	<u>233,786,029</u>	<u>207,483,953</u>	<u>26,302,076</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, 2012

(Concluded)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Expenditures (continued):				
Capital Outlay:				
Community Development Block grants (HUD)	\$ -	\$ 2,595,236	\$ 2,595,236	\$ -
HOME Program	-	2,992,519	2,992,519	-
Total capital outlay	-	5,587,755	5,587,755	-
Total expenditures	228,474,803	239,373,784	213,071,708	26,302,076
Excess of revenues over expenditures	54,715,302	54,585,302	76,935,428	22,350,126
Other financing sources (uses):				
Transfers in:				
Disaster/Emergency Fund	-	200,000	200,000	-
Transfers out:				
Housing Fund	(838,384)	(838,384)	(838,384)	-
Solid Waste Fund	(18,158,708)	(18,158,708)	(18,158,708)	-
Golf Course Fund	(315,666)	(315,666)	(315,666)	-
Sewer Connection Loan Fund	(50,000)	(50,000)	(50,000)	-
Sewer Loan Fund	(50,000)	(50,000)	(50,000)	-
Self Insurance Fund	(1,000,000)	(1,000,000)	(1,000,000)	-
Disaster/Emergency Fund	(100,000)	(100,000)	(100,000)	-
Public Access, Open Space, and Natural Resources Preservation Fund	(4,146,000)	(4,246,000)	(4,164,610)	81,390
Budget Stabilization Fund	(2,777,397)	(2,777,397)	(2,777,397)	-
Debt Service Fund	(41,215,147)	(41,215,147)	(41,215,147)	-
Total transfers out	(68,651,302)	(68,751,302)	(68,669,912)	81,390
Total other financing uses	(68,651,302)	(68,551,302)	(68,469,912)	81,390
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(13,936,000)	(13,966,000)	8,465,516	22,431,516
Fund balance at beginning of year	44,658,150	44,658,150	44,658,150	-
Fund balance at end of year	\$ 30,722,150	\$ 30,692,150	\$ 53,123,666	\$ 22,431,516

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Proprietary Funds

Statement of Net Assets

June 30, 2012

	Business-type Activities-		
	Enterprise Funds		
	Kulaimano	Ouli Ekahi	
	Elderly	Affordable	
	Housing	Housing	
	Project	Project	Total
Assets			
Current assets:			
Cash and cash equivalents (note 3)	\$ 167,168	\$ 224,633	\$ 391,801
Restricted cash and cash equivalents (note 3)	12,120	25,794	37,914
Investments (note 3)	401,080	-	401,080
Imprest fund (note 3)	50	100	150
Receivables, net (note 4)	977	3,879	4,856
Prepaid expenses	1,621	-	1,621
Total current assets	<u>583,016</u>	<u>254,406</u>	<u>837,422</u>
Noncurrent assets:			
Restricted cash and cash equivalents (note 3)	185,148	14,867	200,015
Capital assets (note 6):			
Land and site improvements	511,000	503,877	1,014,877
Buildings and equipment	1,239,032	-	1,239,032
Less accumulated depreciation	(1,086,755)	-	(1,086,755)
Total capital assets	<u>663,277</u>	<u>503,877</u>	<u>1,167,154</u>
Total noncurrent assets	<u>848,425</u>	<u>518,744</u>	<u>1,367,169</u>
Total assets	<u>1,431,441</u>	<u>773,150</u>	<u>2,204,591</u>
Liabilities			
Current liabilities:			
Accounts payable	3,431	343,891	347,322
Internal balances (note 5)	1,350	-	1,350
Due to developer	-	7,729	7,729
Security deposits payable from restricted assets	12,120	24,400	36,520
Deferred revenue (note 7)	1,456	1,994	3,450
Notes payable, current portion (note 10)	35,443	-	35,443
Total current liabilities	<u>53,800</u>	<u>378,014</u>	<u>431,814</u>
Noncurrent liabilities:			
Notes payable (note 10)	815,863	-	815,863
Total liabilities	<u>869,663</u>	<u>378,014</u>	<u>1,247,677</u>
Net Assets			
Invested in capital assets, net of related debt	(188,029)	503,877	315,848
Restricted for debt service	185,148	-	185,148
Unrestricted	564,659	(108,741)	455,918
Total net assets	<u>\$ 561,778</u>	<u>\$ 395,136</u>	<u>\$ 956,914</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, 2012

	Business-type Activities-		
	Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Operating revenues:			
Rental receipts from tenants	\$ 116,263	\$ 270,362	\$ 386,625
Rental subsidy from federal government - HUD	131,227	-	131,227
Laundry receipts	3,195	-	3,195
Other	-	3,644	3,644
Total operating revenues	<u>250,685</u>	<u>274,006</u>	<u>524,691</u>
Operating expenses:			
Utilities	40,941	48,096	89,037
General and administration	91,015	105,486	196,501
Maintenance and repairs	52,512	56,354	108,866
Lease expense	-	28,755	28,755
Depreciation (note 6)	32,907	-	32,907
Total operating expenses	<u>217,375</u>	<u>238,691</u>	<u>456,066</u>
Operating income	<u>33,310</u>	<u>35,315</u>	<u>68,625</u>
Nonoperating revenues (expenses):			
Investment income (loss)	5,644	(3)	5,641
Interest expense	(60,986)	-	(60,986)
Total nonoperating expenses	<u>(55,342)</u>	<u>(3)</u>	<u>(55,345)</u>
Change in net assets	(22,032)	35,312	13,280
Net assets, beginning of year	<u>583,810</u>	<u>359,824</u>	<u>943,634</u>
Net assets, end of year	<u>\$ 561,778</u>	<u>\$ 395,136</u>	<u>\$ 956,914</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, 2012

	Business-type Activities - Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Cash Flows from Operating Activities			
Receipts from tenants	\$ 118,335	\$ 273,437	\$ 391,772
Receipts from federal government - HUD	131,227	-	131,227
Payments to suppliers for goods and services	<u>(186,196)</u>	<u>(268,000)</u>	<u>(454,196)</u>
Net cash provided by operating activities	<u>63,366</u>	<u>5,437</u>	<u>68,803</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on notes payable	(32,926)	-	(32,926)
Interest paid on notes payable	(60,986)	-	(60,986)
Purchase of capital assets	<u>(6,863)</u>	<u>-</u>	<u>(6,863)</u>
Net cash used in capital and related financing activities	<u>(100,775)</u>	<u>-</u>	<u>(100,775)</u>
Cash Flows from Investing Activities			
Proceeds from maturities of investments	200,000	-	200,000
Interest on investments	<u>4,896</u>	<u>(3)</u>	<u>4,893</u>
Net cash provided by (used in) investing activities	<u>204,896</u>	<u>(3)</u>	<u>204,893</u>
Net increase in cash and cash equivalents	167,487	5,434	172,921
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents)	<u>196,999</u>	<u>259,960</u>	<u>456,959</u>
Cash and cash equivalents at end of year (including restricted cash and cash equivalents)	<u>\$ 364,486</u>	<u>\$ 265,394</u>	<u>\$ 629,880</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 33,310	\$ 35,315	\$ 68,625
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	32,907	-	32,907
Change in assets and liabilities:			
Receivables, net	478	(3,804)	(3,326)
Prepaid expenses	(21)	-	(21)
Accounts and other payables	(1,449)	(26,774)	(28,223)
Deferred revenue	<u>(1,859)</u>	<u>700</u>	<u>(1,159)</u>
Net cash provided by operating activities	<u>\$ 63,366</u>	<u>\$ 5,437</u>	<u>\$ 68,803</u>
Supplemental disclosure of cash flow information - Interest paid	\$ 60,986	\$ -	\$ 60,986
Noncash investing, capital and financing activities:			
Net increase in fair value of investments	\$ 1,080	\$ -	\$ 1,080

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012

	Private- Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents (note 3)	\$ 3,716,617	\$ 3,496,791
Investments (note 3)	1,208,703	1,458,449
Receivables:		
Due from other agency funds	-	2,246
Other receivables	-	34,293
Total receivables	<u>-</u>	<u>36,539</u>
Total assets	<u>4,925,320</u>	<u>\$ 4,991,779</u>
Liabilities		
Due to other agency funds	-	2,246
Accrued liabilities	-	2,694,125
Advances payable	-	534,805
Assets held for the benefit of improvement districts	-	1,760,603
Total liabilities	<u>-</u>	<u>\$ 4,991,779</u>
Net Assets		
Held in trust for other parties	<u>4,925,320</u>	
Total net assets	<u>\$ 4,925,320</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, 2012

	<u>Private- Purpose Trusts</u>
Additions	
Contributions:	
Puna Geothermal Venture	\$ 50,000
Investment earnings:	
Net increase in fair value of investments	169,833
Dividends	55,919
Interest	<u>2,930</u>
Total additions	<u>278,682</u>
Deductions	
Grant payments	<u>120,609</u>
Total deductions	<u>120,609</u>
Change in net assets	158,073
Net assets, beginning of year	<u>4,767,247</u>
Net assets, end of year	<u>\$ 4,925,320</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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 (CAFR).

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, 2012

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, 2012

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 activities 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 activities 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, 2012

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.

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.

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.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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 (Officially closed on October 31, 2011)
- 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

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.

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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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.

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.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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). Valuations of investments in government sponsored enterprises such as Federal National Mortgage Association (FannieMae) and Federal Home Loan Mortgage Corporation (Freddie Mac) are based on quoted market rates. Valuations of certificates of deposits are based on cost, which approximate fair market value, as they almost invariably are held to maturity. 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.

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, 2012 of \$1,175,716 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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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
Easements	Dependent on terms of easement agreement

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.

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.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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, 2012 totaled \$66,800,000 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 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.

Notes to the Basic Financial Statements

June 30, 2012

New Accounting Pronouncements

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 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 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 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, deferred inflows of resources, and net position. 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 March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to clarify the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. The provisions for this Statement are effective for the County for periods beginning after December 15, 2012. The County has not yet determined the effect this Statement will have on its financial statements.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012*. The objective of this Statement is to enhance usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions for this Statement are effective for the County for periods beginning after December 15, 2012. The County has not yet determined the effect this Statement will have on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The requirements for this Statement are effective for the County for periods beginning after June 15, 2014. 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 2011-2012 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 \$11.0 million in the general fund and \$2.2 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,

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Vehicle Disposal Fund, Bikeway Fund, Workforce Investment Act Fund, Golf Course 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, 2012:

Ending fund balance – GAAP basis	\$48,726,954
Encumbrance adjustments:	
Beginning encumbrances and unexpended allotments	4,024,596
Ending encumbrances and unexpended allotments	(3,837,693)
Other adjustments	<u>4,209,809</u>
Ending fund balance – Non-GAAP budgetary basis	<u>\$53,123,666</u>

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.

COUNTY OF HAWAII

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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, 2012 was \$164,547,074 for the primary government and \$8,671,857 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 \$186,056,299 at June 30, 2012. Of that amount, \$185,820,122 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 \$236,177 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.

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.

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Notes to the Basic Financial Statements

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The County's investments and maturities at June 30, 2012 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	\$ 17,321,800	\$ 15,885,009	\$ 1,436,791
Repurchase agreements	15,500,000	15,500,000	--
Government sponsored securities	<u>32,333,076</u>	<u>--</u>	<u>32,333,076</u>
	<u>\$ 65,154,876</u>	<u>\$ 31,385,009</u>	<u>\$ 33,769,867</u>
Investments – Fiduciary Funds:			
Certificates of deposit	<u>\$ 1,458,449</u>	<u>\$ 403,138</u>	<u>\$ 1,055,311</u>
Equity securities	<u>\$ 1,208,703</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 portfolio consists of U.S. government or agency obligations, time certificates of deposit and repurchase agreements. These investments are either insured by the FDIC, secured by collateral or carry a credit rating equivalent to 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. More than 5% of the County's investments are in certificates of deposit and repurchase agreements with the following issuers: Bank of Hawaii (23%), First Hawaiian Bank (17%), Territorial Savings Bank (7%).

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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, 2012 amounted to \$100,072,241.

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 \$51,947,335 at June 30, 2012.

Cash and investments in the Bond Redemption Fund and the Interest Fund are restricted to debt service related payments and amounted to \$26,444,839.

Cash in the Highway Fund, Bikeway Fund and Beautification Fund are restricted to costs incurred relating to highways and streets and the beautification of such items and amounted to \$17,765,859.

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 \$1,175,716 and \$2,500,563, 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 \$12,120 and \$25,794, respectively, at June 30, 2012.

Restricted amounts set aside by the Kulaimano Elderly Housing Project under its loan agreement with the Farmers Home Administration totaled \$185,148 at June 30, 2012. 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 \$14,867 at June 30, 2012.

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Notes to the Basic Financial Statements

June 30, 2012

4. RECEIVABLES

Receivables as of June 30, 2012, 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 Fund	Capital Projects Fund	Other Governmental Funds	Total
Real property taxes	\$25,638,428	\$ --	\$ --	\$25,638,428
Accounts receivable:				
Sewer	--	--	2,183,482	2,183,482
Solid waste	--	--	2,302,878	2,302,878
Capital projects	--	1,025,077	--	1,025,077
Intergovernmental	<u>9,837,366</u>	<u>10,042,009</u>	<u>976,694</u>	<u>20,856,069</u>
Gross receivables	35,475,794	11,067,086	5,463,054	52,005,934
Less: allowance for uncollectibles	<u>(845,981)</u>	<u>--</u>	<u>(1,833,682)</u>	<u>(2,679,663)</u>
Net total receivables	<u>\$34,629,813</u>	<u>\$11,067,086</u>	<u>\$3,629,372</u>	<u>\$49,326,271</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, 2012, the outstanding balance of \$2,790,526 is reflected in the government-wide statement of net assets as a receivable (see Note 10).

Business-type activities:

	Enterprise Funds
Accounts receivable:	
Rent	\$4,349
Other	<u>507</u>
Gross receivables	4,856
Less: allowance for uncollectibles	<u>--</u>
Net total receivables	<u>\$ 4,856</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of the following at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 699,554
	Other governmental funds	<u>366,426</u>
		1,065,980
Other governmental funds	General Fund	62,859
	Other governmental funds	<u>148,059</u>
		<u>210,918</u>
Total		<u>\$1,276,898</u>
Other governmental funds	Enterprise funds	<u>\$1,350</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, 2012 consisted of the following:

	Transfers out:		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers in:			
Capital Projects Fund	\$ --	\$3,663,467	\$ 3,663,467
Other governmental funds	<u>56,307,187</u>	<u>--</u>	<u>56,307,187</u>
	<u>\$56,307,187</u>	<u>\$3,663,467</u>	<u>\$59,970,654</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

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6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 for the County was as follows:

	Balance July 1, 2011	<u>Additions</u>	Retirements/ <u>Transfers</u>	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 107,682,068	\$ 9,072,382	\$ 12,815,300	\$ 129,569,750
Easements	1,283,221	1,729,557	--	3,012,778
Construction work in progress	<u>83,196,457</u>	<u>51,098,752</u>	<u>(102,357,800)</u>	<u>31,937,409</u>
Total capital assets not being depreciated	<u>192,161,746</u>	<u>61,900,691</u>	<u>(89,542,500)</u>	<u>164,519,937</u>
Capital assets being depreciated:				
Buildings and improvements	452,785,465	75,034,467	(6,795)	527,813,137
Equipment	118,629,410	5,868,591	(4,192,609)	120,305,392
Easements	439,300	--	--	439,300
Infrastructure	<u>371,325,581</u>	<u>71,973,658</u>	<u>(12,815,300)</u>	<u>430,483,939</u>
Total capital assets being depreciated	<u>943,179,756</u>	<u>152,876,716</u>	<u>(17,014,704)</u>	<u>1,079,041,768</u>
Less accumulated depreciation for:				
Buildings and improvements	(65,525,900)	(6,811,474)	6,161	(72,331,213)
Equipment	(66,498,566)	(7,597,297)	3,880,262	(70,215,601)
Easements	(73,217)	(146,433)	--	(219,650)
Infrastructure	<u>(166,569,716)</u>	<u>(16,976,181)</u>	<u>--</u>	<u>(183,545,897)</u>
Total accumulated depreciation	<u>(298,667,399)</u>	<u>(31,531,385)</u>	<u>3,886,423</u>	<u>(326,312,361)</u>
Total capital assets being depreciated, net	<u>644,512,357</u>	<u>121,345,331</u>	<u>(13,128,281)</u>	<u>752,729,407</u>
Governmental activities capital assets, net	<u>\$836,674,103</u>	<u>\$183,246,022</u>	<u>(\$102,670,781)</u>	<u>\$917,249,344</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	Retirements/ <u>Transfers</u>	Balance June 30, <u>2012</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 753,877	\$ --	\$ --	\$ 753,877
Capital assets being depreciated:				
Buildings and improvements	1,136,008	--	--	1,136,008
Ground and site improvements	261,000	--	--	261,000
Equipment	<u>100,848</u>	<u>6,863</u>	<u>(4,687)</u>	<u>103,024</u>
Total capital assets being depreciated	<u>1,497,856</u>	<u>6,863</u>	<u>(4,687)</u>	<u>1,500,032</u>
Less accumulated depreciation for:				
Buildings and improvements	(781,663)	(24,615)	--	(806,278)
Ground and site improvements	(189,666)	(3,754)	--	(193,420)
Equipment	<u>(87,206)</u>	<u>(4,538)</u>	<u>4,687</u>	<u>(87,057)</u>
Total accumulated depreciation	<u>(1,058,535)</u>	<u>(32,907)</u>	<u>4,687</u>	<u>(1,086,755)</u>
Total capital assets being depreciated, net	<u>439,321</u>	<u>(26,044)</u>	<u>--</u>	<u>413,277</u>
Business-type activities capital assets, net	<u>\$1,193,198</u>	<u>(\$26,044)</u>	<u>\$ --</u>	<u>\$1,167,154</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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

Governmental activities:	
General government	\$ 3,024,680
Public safety	2,784,312
Highways and streets	18,388,134
Sanitation	4,618,173
Health, education and welfare	1,131,582
Culture and recreation	<u>1,584,504</u>
Total depreciation expense – governmental activities	<u>\$31,531,385</u>
Business-type activities:	
Kulaimano Elderly Housing Project	<u>\$32,907</u>

7. DEFERRED REVENUE:

Deferred revenue consists of the following at June 30, 2012:

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Real property taxes	\$ 25,167,370	\$ --	\$ --	\$ 25,167,370
Liquor control revenue	184,280	--	--	184,280
Sewer revenue	--	--	1,288,376	1,288,376
Housing revenue	--	--	85,256	85,256
Solid waste revenue	--	--	1,376,300	1,376,300
Intergovernmental	<u>992,159</u>	<u>940,558</u>	<u>--</u>	<u>1,932,717</u>
Total presented in fund financial statements	26,343,809	940,558	2,749,932	30,034,299
Less adjustments for accrual of revenues	<u>(24,792,447)</u>	<u>--</u>	<u>(2,737,934)</u>	<u>(27,530,381)</u>
Total government-wide financial statements	<u>\$ 1,551,362</u>	<u>\$ 940,558</u>	<u>\$ 11,998</u>	<u>\$ 2,503,918</u>

Business-type activities:

	Enterprise Funds
Unearned rental income	<u>\$3,450</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

8. LEASES

The County leases machinery and equipment under noncancellable leases expiring at various dates through June 2017. 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 \$7,509,730 and \$1,368,064, respectively, and the related present value of the remaining obligations under the capital leases amounting to \$3,803,618 at June 30, 2012 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 \$1,836,075 for the fiscal year ended June 30, 2012.

The future minimum payments under capital and operating leases at June 30, 2012 are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending June 30:		
2013	\$1,433,397	\$1,605,942
2014	1,135,236	788,668
2015	831,634	757,776
2016	445,200	708,176
2017	131,165	686,301
2018 – 2022	--	779,267
2023 - 2027	--	74,053
2028 - 2030	--	31,575
Total minimum lease payments	<u>3,976,632</u>	<u>\$5,431,758</u>
Less amount representing interest	<u>(173,014)</u>	
Obligations under capital leases	<u>\$3,803,618</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 of net assets. The amount recognized each year is based on the landfill capacity used as of

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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the statement of net assets date. At June 30, 2012, the County recognized a liability of \$13,172,000, based on the use of 90% of the estimated capacity of the landfill. During the fiscal year ended June 30, 2012, there were no expenditures incurred for the closure of the landfill. The remaining \$1,558,000 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 still approximately four years. These amounts are based on what it would cost to perform the required closure and postclosure care in 2012. 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 \$15,950,000, based on what it would cost to perform the required closure and postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Through June 30, 2012, \$7,698,000 was spent on closure and postclosure care of the landfill. The remaining estimated liability of \$8,252,000 is included in the government-wide statement of net assets. During the year ended June 30, 2012, \$124,000 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.

Financial Assurance For fiscal year 2012, the County has provided for financial resources that will be available to provide for closure, postclosure care and remediation or containment

COUNTY OF HAWAII

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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, 2012:

Bonds Authorized	Issue Amount	Bond Balance July 1, 2011	Issues	Retirements	Bond Balance June 30, 2012	Due Within One Year
1993 Ref & PI	\$86,770,000	\$ 11,575,000	\$ --	(\$ 5,630,000)	\$ 5,945,000	\$ 5,945,000
2003 Series A	36,310,000	28,735,000	--	(1,665,000)	27,070,000	1,725,000
2004 Series A	30,000,000	25,270,000	--	(1,280,000)	23,990,000	1,340,000
2004 Ref Series B	19,545,000	10,845,000	--	(1,975,000)	8,870,000	2,055,000
2004 Ref Series C	5,050,140	2,199,924	--	(521,156)	1,678,768	539,604
2004 PI Series A	2,776,400	2,278,520	--	(325,997)	1,952,523	45,335
2004 PI Series B	920,000	853,173	--	(15,170)	838,003	15,833
2006 Series A	25,000,000	21,725,000	--	(927,500)	20,797,500	972,500
2007 Series A	85,000,000	76,620,000	--	(3,050,000)	73,570,000	3,200,000
2007 Series B	20,820,000	17,325,000	--	(1,855,000)	15,470,000	1,925,000
2007 Series C	10,787,388	10,787,388	--	(795,684)	9,991,704	828,294
2008 Series A	50,000,000	48,335,000	--	(1,735,000)	46,600,000	1,810,000
2010 Series A	26,493,750	26,493,750	--	--	26,493,750	--
2010 Series B	18,506,250	18,506,250	--	--	18,506,250	--
	417,978,928	301,549,005	--	(19,775,507)	281,773,498	20,401,566
Add unamortized premium	7,683,432	5,964,136	--	(384,171)	5,579,965	384,171
Less deferred amount on refunding	(2,828,759)	(1,433,635)	--	248,721	(1,184,914)	(248,721)
	<u>\$422,833,601</u>	<u>\$306,079,506</u>	<u>\$ --</u>	<u>(\$19,910,957)</u>	<u>\$286,168,549</u>	<u>\$20,537,016</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 will receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series B bonds.

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Notes to the Basic Financial Statements

June 30, 2012

General obligation bonds payable reported on the government-wide statement of net assets at June 30, 2012 are comprised of the following individual issues:

Public improvement (PI) and/or refunding bonds:	
1993 Refunding and PI at 5.6%, due through 2013	\$ 5,945,000
2003 Series A at 2.5% to 5.125%, due through 2023	27,070,000
2004 Series A at 3.25% to 5.25%, due through 2024	23,990,000
2004 Refunding Series B at 3.5% to 5.0%, due through 2015	8,870,000
2004 Refunding Series C at 3.25% to 3.7%, due through 2014	1,678,768
2004 PI Series A at 4.75%, due through 2037	1,952,523
2004 PI Series B at 4.375%, due through 2040	838,003
2006 Series A at 4.0% to 5.0%, due through 2026	20,797,500
2007 Series A at 4.0% to 5.0%, due through 2027	73,570,000
2007 Series B at 3.75% to 5.0%, due through 2018	15,470,000
2007 Series C at 4.0% to 5.0%, due through 2021	9,991,704
2008 Series A at 4.0% to 6.0%, due through 2028	46,600,000
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>\$281,773,498</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>
2013	\$ 20,401,566	\$ 13,153,332
2014	15,115,470	12,162,852
2015	17,773,630	11,444,082
2016	18,014,007	10,595,113
2017	16,366,890	9,781,285
2018 – 2022	86,067,203	36,947,764
2023 – 2027	81,130,284	16,644,275
2028 – 2032	26,064,225	2,066,732
2033 – 2037	695,934	102,719
2038 – 2040	<u>144,289</u>	<u>9,634</u>
Total	<u>\$281,773,498</u>	<u>\$112,907,788</u>

Bond Premiums

At June 30, 2012, total unamortized bond premiums were \$5,579,965, which are being amortized over the remaining life of the respective bond issues.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

Bonds Authorized and Unissued

The County Council has authorized the issuance of \$296.1 million in general obligation bonds to finance specified capital improvement projects. At June 30, 2012, \$161.1 million was not yet issued.

Subsequent Events On November 8, 2012 and November 21, 2012, the County Council authorized the issuance of \$30.4 million and \$5.1 million, respectively, in general obligation bonds for the County to finance specified capital improvement projects.

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 on September 2, 2011 and again on March 1, 2012 with a new maturity date of August 30, 2012.

There was a new issuance of a \$15,000,000 note on September 2, 2011, which matured on March 1, 2012 and was then renewed with a maturity date of August 30, 2012.

There was a new issuance of an \$8,000,000 BAN on June 27, 2012 with a maturity date of October 31, 2012.

Since all three of the BANs have a maturity date within 12 months of fiscal year end, the \$33,000,000 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, 2012:

<u>Authorized</u>	<u>Issue Amount</u>	<u>Balance July 1, 2011</u>	<u>Issues</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
2011 Series B R-1	\$ 10,000,000	\$ 10,000,000	\$ --	\$ 10,000,000	\$ --
2011 Series B R-2	10,000,000	--	10,000,000	10,000,000	--
2011 Series B R-3	15,000,000	--	15,000,000	15,000,000	--
2012 Series B R-4	10,000,000	--	10,000,000	--	10,000,000
2012 Series B R-5	15,000,000	--	15,000,000	--	15,000,000
2012 Series B R-6	<u>8,000,000</u>	<u>--</u>	<u>8,000,000</u>	<u>--</u>	<u>8,000,000</u>
	<u>\$68,000,000</u>	<u>\$10,000,000</u>	<u>\$58,000,000</u>	<u>\$35,000,000</u>	<u>\$33,000,000</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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.

The schedule below shows the County's SRF transactions for the fiscal year ended June 30, 2012:

Loans Authorized	Approved Amount	Loan Balance July 1, 2011	Additions	Retirements / Forgiveness	Loan Balance June 30, 2012	Due Within One Year
Hilo WWTP	\$12,724,311	\$1,592,109	\$ --	(\$ 786,227)	\$ 805,882	\$ 805,882
Waiakea Mill	1,300,000	240,059	--	(78,052)	162,007	80,003
Waiakea Houselots	459,321	57,706	--	(28,497)	29,209	29,209
Waiakea Houselots II	5,024,266	2,436,822	--	(277,881)	2,158,941	285,162
Ainako A&B	2,239,174	467,540	--	(130,123)	337,417	132,818
Kalaniana'ole	1,499,944	432,259	--	(91,408)	340,851	94,190
Kalaniana'ole RH	1,615,980	1,195,693	--	(76,126)	1,119,567	77,934
Alii Drive A&B	3,210,243	618,036	--	(199,691)	418,345	205,281
Alii Drive C&D	3,780,000	1,010,785	--	(216,908)	793,877	221,399
Alii Drive E&F	2,112,654	693,271	--	(130,100)	563,171	134,059
Waiaha Bay	3,697,893	1,038,770	--	(219,725)	819,045	225,876
Kealahou	1,300,071	239,622	--	(77,910)	161,712	79,858
Holualoa Bay	3,080,000	1,070,217	--	(181,651)	888,566	187,178
Paukaa CCS	2,143,448	1,014,909	--	(116,525)	898,384	119,400
Cesspool Conversion	8,363,773	6,814,095	--	(423,829)	6,390,266	426,092
Pahoehoe	2,817,760	1,629,045	--	(144,548)	1,484,497	148,333
Komohana Hts LCC - ARRA	1,085,800	1,085,800	--	(1,085,800)	--	--
Honokaa LCC - ARRA	5,332,346	5,065,729	266,617	(5,332,346)	--	--
Honokaa LCC	4,811,709	--	3,776,904	(1,000,000)	2,776,904	117,370
Queen Liliuokalani LCC-ARRA	1,019,929	1,019,929	--	(1,019,929)	--	--
Queen Liliuokalani	<u>10,186,277</u>	<u>8,832,868</u>	<u>525,235</u>	<u>(456,118)</u>	<u>8,901,985</u>	<u>474,618</u>
	<u>\$77,804,899</u>	<u>\$36,555,264</u>	<u>\$ 4,568,756</u>	<u>(\$12,073,394)</u>	<u>\$29,050,626</u>	<u>\$ 3,844,662</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 2032. 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

June 30, 2012

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

Fiscal year ending June 30:	Governmental Activities	
	Principal	Interest
2013	\$ 3,844,662	\$ 650,808
2014	3,087,580	495,888
2015	2,690,059	397,737
2016	2,373,818	307,672
2017	1,860,420	214,350
2018 – 2022	7,459,286	576,640
2023 – 2027	5,525,962	200,958
2028 – 2032	<u>2,208,839</u>	<u>32,818</u>
Total	<u>\$29,050,626</u>	<u>\$2,876,871</u>

Other General Long-Term Obligations

The following is a summary of other general long-term obligations transactions for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions*	Payments	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Compensated absences	\$33,851,872	\$9,165,390	(\$10,436,683)	\$32,580,579	\$7,835,700
Claims and judgments (see Note 12)	10,897,137	3,150,000	(3,600,030)	10,447,107	2,317,306
Capital leases (see Note 8)	3,057,082	2,521,009	(1,774,473)	3,803,618	1,349,916
Landfill costs payable (see Note 9)	21,009,000	538,652	(123,652)	21,424,000	200,757
Other post employment benefit obligation (see Note 13)	<u>(120,768)</u>	<u>36,193,000</u>	<u>(13,731,900)</u>	<u>22,340,332</u>	<u>--</u>
Total	<u>\$68,694,323</u>	<u>\$51,568,051</u>	<u>(\$29,666,738)</u>	<u>\$90,595,636</u>	<u>\$11,703,679</u>

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

Fund Balances - Debt Service Funds

The fund balance in the debt service funds at June 30, 2012 includes \$24,014,149, which is reserved for principal payments on general obligation bonds and \$2,138,760, which is reserved for the payment of interest on the bonds.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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 \$851,306 at June 30, 2012. 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, 2012:

Balance at July 1, 2011	\$884,232
Deductions	<u>(32,926)</u>
Balance at June 30, 2012	851,306
Less current portion	<u>(35,443)</u>
Note payable, net of current portion	<u>\$ 815,863</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
2013	\$ 35,443	\$ 58,469
2014	38,006	55,906
2015	40,753	53,159
2016	43,699	50,213
2017	46,858	47,054
2018 – 2022	290,272	179,288
2023 – 2027	<u>356,275</u>	<u>59,010</u>
Total	<u>\$851,306</u>	<u>\$503,099</u>

Subsequent Events

On October 29, 2012, the County assumed the loan of its lessee Ouli Ekahi Partnership with the Hawaii Housing Finance and Development Corporation in the amount of \$478,430. The loan is non-interest bearing and matures on February 27, 2041. In exchange, the County assumed ownership of the Ouli Ekahi project which consists of a 33 single family affordable rental housing project.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

Special Assessment Bonds

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 2040 and bear interest at 4.375% to 4.75%. Total general obligation bonds payable included in the government-wide statement of net assets were \$2,790,526 at June 30, 2012.

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, 2012:

Balance at July 1, 2011	\$3,131,693
Deductions	<u>(341,167)</u>
Balance at June 30, 2012	<u>\$2,790,526</u>

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>
2013	\$ 61,168	\$ 130,871
2014	64,014	125,073
2015	66,993	122,024
2016	70,111	118,833
2017	73,373	115,494
2018 – 2022	421,385	521,686
2023 – 2027	529,034	411,530
2028 – 2032	664,225	273,186
2033 – 2037	695,934	102,719
2038 – 2040	<u>144,289</u>	<u>9,634</u>
Total	<u>\$2,790,526</u>	<u>\$1,931,050</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

11. COMMITMENTS AND CONTINGENCIES

Contractual commitments – Contractual commitments for capital projects, expenses, and supplies at June 30, 2012, 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	\$ 3,837,693
Capital projects fund	25,910,289
Nonmajor funds	<u>10,330,170</u>
	<u>\$40,078,152</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.

ADA compliance – The County 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, filed on October 2, 1997, 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 was intended to 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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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. 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. On September 20, 2012, the close-out order of the consent decree was filed, thus dismissing the curb ramp case with prejudice, and a copy of "County of Hawaii's Accessibility Design Guidelines and General Policies and Procedures, Curb Ramps within Public Rights-of-Way" (June 2012) was attached as an exhibit to that order.

The second stipulated agreement, filed on June 4, 1998, 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. 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 and scheduling of the different stages of work for each project, the parties worked on a plan to implement the 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; 29 park facilities that must be completed; and the Parks estimated costs for completion is \$15.1 million. On March 23, 2012, the close-out of the consent decree was filed, whereby the Court and parties established a reasonable four year timeline to complete the remaining ADA work by December 31, 2016. 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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

have been finalized and are available on the Human Resources Department's Equal Opportunity and the 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 judgments 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, 2012, the amount of this liability was \$10,447,107. This is the County's best estimate based on available information. Changes in the reported liability since July 1, 2010 are given below.

	General <u>Liability</u>	Workers' <u>Compensation</u>	Total <u>Liability</u>
Balance at July 1, 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	\$ 1,668,899	\$ 9,228,238	\$10,897,137
Incurred claims (including IBNR)*	598,474	2,551,526	3,150,000
Claim payments	<u>(1,302,957)</u>	<u>(2,297,073)</u>	<u>(3,600,030)</u>
Balance at June 30, 2012	<u>\$ 964,416</u>	<u>\$ 9,482,691</u>	<u>\$10,447,107</u>

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

Notes to the Basic Financial Statements

June 30, 2012

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 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.).

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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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 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 contributed 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.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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The required pension contributions by the County for the years ended June 30, 2012, 2011, and 2010 were \$21,832,179, \$21,435,798, and \$22,127,289, 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 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' 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.

COUNTY OF HAWAII

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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 27.8% of annual covered payroll.

The following section shows the County's Annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the net OPEB liability:

Annual required contribution	\$36,193,000
Interest on net OPEB obligation	(9,000)
Adjustment to annual required contribution	7,000
Annual OPEB Cost	36,191,000
Contributions made	13,729,900
Increase in net OPEB liability	22,461,100
Net OPEB asset-beginning of year	(120,768)
Net OPEB liability-end of year	\$22,340,332

The above net OPEB liability at the end of the year is included in the Statement of Net Assets in the noncurrent other liability amount of \$22,340,332.

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, 2012 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
June 30, 2010	\$25,823,000	109.1%	(\$3,931,381)
June 30, 2011	\$34,913,000	89.1%	(\$120,768)
June 30, 2012	\$36,191,000	37.9%	\$22,340,332

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

The schedule of funding progress based on the actuarial valuation date of July 1, 2011, is as follows:

Actuarial accrued liability	\$394,633,000
Actuarial value of plan assets	<u>61,907,000</u>
Unfunded actuarial accrued liability (UAAL)	\$332,726,000
Funded ratio	16%
Covered payroll (active plan members)	\$130,170,000
UAAL as a percentage of covered payroll	256%

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, 2011 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 8.0% 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, 2011 for the UAAL balance varies depending on the date each portion was established but is set to not exceed 30 years.

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 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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

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, 2012, cash, time certificates of deposit and money market funds of \$30,131,036, with bank balances of \$32,585,411 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 \$5,349,930 at June 30, 2012. At June 30, 2012, 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 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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

The capital assets of the Department at June 30, 2012 were as follows:

Utility plant in service	\$394,804,290
Less: accumulated depreciation	<u>(175,789,768)</u>
	219,014,522
Land and rights	3,570,659
Construction work in progress	<u>46,237,024</u>
Net capital assets	<u>\$268,822,205</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 \$43,173,981 at June 30, 2012.

General obligation bonds payable issued on behalf of the Department and other long-term debt at June 30, 2012 are comprised of the following:

Public improvement bonds:	
1993 Series A at 2.5% to 5.6%, due through 2013	\$ 835,000
2004 Series D at 4.5%, due through 2039	236,578
2006 Series A at 4.0% to 5.0%, due through 2026	20,797,500
2008 Series A at 4.125%, due through 2043	142,570
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	37,704,453
Public improvement refunding bonds:	
2004 Series at 2.0% to 5.25%, due through 2015	141,232
2007 Series at 4.0% to 5.0%, due through 2021	<u>5,328,296</u>
Total public improvement refunding bonds	5,469,528
Revolving fund loans:	
State revolving fund loan, interest up to 1.37%, due through 2030	13,406,406
American Recovery and Reinvestment Act State revolving fund loan, interest free, with total principal forgiveness upon fulfillment of conditions	<u>4,466,407</u>
Total revolving fund loans	<u>17,872,813</u>
Total	<u>\$61,046,794</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2012

At June 30, 2012, future principal payments for long-term debt are scheduled as follows:

Fiscal year ending June 30:

2013	\$ 7,757,000
2014	2,532,000
2015	3,264,000
2016	3,324,000
2017	3,432,000
2018 – 2022	18,907,000
2023 – 2027	16,272,000
2028 – 2032	5,388,000
2033 – 2037	87,000
2038 – 2042	76,000
2043	<u>7,794</u>
Total	<u>\$61,046,794</u>

Contributions in Aid of Construction

The Department recognized \$3,162,508 of contributions in aid of construction as nonoperating revenues for the fiscal year ended June 30, 2012.

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, 2012 for workers' compensation claims of \$156,000 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 \$22,534,000 at June 30, 2012.

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, 2012 was \$2,400,000. The Department made contributions of \$2,399,000 during the year ended June 30, 2012 and recorded a postemployment benefit asset of \$3,000 at June 30, 2012.

COUNTY OF HAWAII

Required Supplementary Information

June 30, 2012

Schedule of Funding Progress for the EUTF
(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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%
July 1, 2011	\$61,907	\$394,633	\$332,726	15.7%	\$130,170	255.6%

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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.

GEOTHERMAL 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.

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.

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COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
Assets					
Cash and cash equivalents	\$ 15,920,849	\$ 4,700,657	\$10,733,325	\$ 91,659	\$186,796
Investments	-	-	-	-	-
Imprest fund	-	400	250	-	-
Receivables:					
Due from other governments	150,000	-	575,009	-	-
Due from other governmental funds	-	10,260	273	-	-
Due from other nongovernmental funds	-	1,350	-	-	-
Trade, net of allowance for doubtful accounts	-	1,288,376	1,364,302	-	-
Other	152	-	291,682	-	-
	<u>150,152</u>	<u>1,299,986</u>	<u>2,231,266</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 16,071,001</u>	<u>\$ 6,001,043</u>	<u>\$12,964,841</u>	<u>\$ 91,659</u>	<u>\$186,796</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 860,218	\$ 431,617	\$ 1,634,273	\$ -	\$ -
Accrued payroll	419,004	147,023	287,374	-	-
Due to other governmental funds	34,133	3,153	183,368	-	-
Deferred revenue	-	1,288,376	1,376,300	-	-
Other	179	58,871	57	-	-
Total liabilities	<u>1,313,534</u>	<u>1,929,040</u>	<u>3,481,372</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	-	-
Highways, streets and abandoned vehicles	14,757,467	-	-	-	-
Rental assistance and subsidy	-	-	-	-	-
Committed to:					
Sanitation	-	4,072,003	9,483,469	-	-
Highways, streets and abandoned vehicles	-	-	-	-	186,796
Rental assistance and subsidy	-	-	-	-	-
Cemetery	-	-	-	91,659	-
Golf course	-	-	-	-	-
Lower Puna area	-	-	-	-	-
Parks and recreational projects	-	-	-	-	-
Total fund balances	<u>14,757,467</u>	<u>4,072,003</u>	<u>9,483,469</u>	<u>91,659</u>	<u>186,796</u>
Total liabilities and fund balances	<u>\$ 16,071,001</u>	<u>\$ 6,001,043</u>	<u>\$12,964,841</u>	<u>\$ 91,659</u>	<u>\$186,796</u>

Special Revenue Funds

Vehicle Disposal Fund	Bikeway Fund	Workforce Investment Act Fund	Golf Course Fund	Geothermal Reloc. & Community Benefits Fund	Beautification Fund	Hawaii County Housing Agency	Park Dedication Fund
\$2,820,134	\$ 643,203	\$ -	\$ 230,618	\$ 3,233,775	\$ 1,201,807	\$ 2,707,325	\$ 86,785
-	-	-	-	-	-	3,400,000	-
-	-	-	2,000	-	-	200	-
-	-	251,685	-	-	-	-	-
124,981	-	-	-	-	-	75,404	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	38,993	1,688	220,035	-	106,561	-
124,981	-	290,678	1,688	220,035	-	181,965	-
<u>\$2,945,115</u>	<u>\$ 643,203</u>	<u>\$ 290,678</u>	<u>\$ 234,306</u>	<u>\$ 3,453,810</u>	<u>\$ 1,201,807</u>	<u>\$ 6,289,490</u>	<u>\$ 86,785</u>
\$ 404,702	\$ -	\$ -	\$ 3,086	\$ 5,527	\$ 4,505	\$ 111,810	\$ -
4,923	-	-	33,631	-	-	118,876	-
-	-	290,678	3,153	-	-	-	-
-	-	-	-	-	-	85,256	-
-	-	-	-	-	-	730,605	-
<u>409,625</u>	<u>-</u>	<u>290,678</u>	<u>39,870</u>	<u>5,527</u>	<u>4,505</u>	<u>1,046,547</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	643,203	-	-	-	1,197,302	-	-
-	-	-	-	-	-	910,690	-
-	-	-	-	-	-	-	-
2,535,490	-	-	-	-	-	-	-
-	-	-	-	-	-	4,332,253	-
-	-	-	-	-	-	-	-
-	-	-	194,436	-	-	-	-
-	-	-	-	3,448,283	-	-	-
-	-	-	-	-	-	-	86,785
<u>2,535,490</u>	<u>643,203</u>	<u>-</u>	<u>194,436</u>	<u>3,448,283</u>	<u>1,197,302</u>	<u>5,242,943</u>	<u>86,785</u>
<u>\$2,945,115</u>	<u>\$ 643,203</u>	<u>\$ 290,678</u>	<u>\$ 234,306</u>	<u>\$ 3,453,810</u>	<u>\$ 1,201,807</u>	<u>\$ 6,289,490</u>	<u>\$ 86,785</u>

(Continued)

COUNTY OF HAWAII
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012

(Concluded)

	Debt Service Fund		Total
	Interest Fund	Bond Redemption Fund	Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,210,690	\$24,234,149	\$ 69,001,772
Investments	-	-	3,400,000
Imprest fund	-	-	2,850
Receivables:			
Due from other governments	-	-	976,694
Due from other governmental funds	-	-	210,918
Due from other nongovernmental funds	-	-	1,350
Trade, net of allowance for doubtful accounts	-	-	2,652,678
Other	-	-	659,111
	-	-	4,500,751
Total assets	\$ 2,210,690	\$24,234,149	\$ 76,905,373
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,455,738
Accrued payroll	-	-	1,010,831
Due to other governmental funds	-	-	514,485
Deferred revenue	-	-	2,749,932
Other	71,930	220,000	1,081,642
Total liabilities	71,930	220,000	8,812,628
Fund balances:			
Restricted for:			
Debt service	2,138,760	24,014,149	26,152,909
Highways, streets and abandoned vehicles	-	-	16,597,972
Rental assistance and subsidy	-	-	910,690
Committed to:			
Sanitation	-	-	13,555,472
Highways, streets and abandoned vehicles	-	-	2,722,286
Rental assistance and subsidy	-	-	4,332,253
Cemetery	-	-	91,659
Golf course	-	-	194,436
Lower Puna area	-	-	3,448,283
Parks and recreational projects	-	-	86,785
Total fund balances	2,138,760	24,014,149	68,092,745
Total liabilities and fund balances	\$ 2,210,690	\$24,234,149	\$ 76,905,373

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, 2012

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
Revenues					
Fuel taxes	\$ 8,293,200	\$ -	\$ -	\$ -	\$ -
Public utility franchise taxes	11,065,112	-	-	-	-
Licenses and permits	7,149,063	-	-	-	-
Intergovernmental	728,029	28,695	942,061	-	-
Charges for services	-	6,533,752	6,656,158	-	13,117
Investment earnings	-	-	-	-	-
Other	840,903	361	4,816	7,000	-
Total revenues	<u>28,076,307</u>	<u>6,562,808</u>	<u>7,603,035</u>	<u>7,000</u>	<u>13,117</u>
Expenditures					
Current:					
General Government	-	-	-	-	-
Public safety	5,902,867	-	-	-	-
Highways and streets	14,465,703	-	-	-	-
Health, education and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Sanitation	-	6,442,200	21,221,008	-	-
Pension and retirement contributions	1,641,686	581,853	1,067,490	-	-
Employees' health insurance	942,590	271,361	614,216	-	-
Other	449,873	388,731	299,574	-	-
Debt service:					
Principal	-	-	1,538,811	-	-
Interest	-	-	75,858	-	-
Capital outlay	-	-	280,250	-	-
Total expenditures	<u>23,402,719</u>	<u>7,684,145</u>	<u>25,097,207</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,673,588</u>	<u>(1,121,337)</u>	<u>(17,494,172)</u>	<u>7,000</u>	<u>13,117</u>
Other Financing Sources (Uses)					
Transfers in	-	-	18,158,708	-	-
Increase in capital leases	-	-	1,549,741	-	-
Transfers out	<u>(3,213,467)</u>	-	-	-	-
Total other financing sources (uses)	<u>(3,213,467)</u>	<u>-</u>	<u>19,708,449</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,460,121	(1,121,337)	2,214,277	7,000	13,117
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 14,757,467</u>	<u>\$ 4,072,003</u>	<u>\$ 9,483,469</u>	<u>\$ 91,659</u>	<u>\$ 186,796</u>

Special Revenue Funds

Vehicle Disposal Fund	Bikeway Fund	Workforce Investment Act Fund	Golf Course Fund	Geothermal Reloc. & Community Benefits Fund	Beautification Fund	Hawaii County Housing Agency	Park Dedication Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,050,680	89,330	-	-	-	170,891	-	-
-	-	1,962,571	-	-	-	15,212,470	-
-	-	-	731,967	-	-	-	-
-	-	-	-	-	-	7,899	63
-	-	-	20	929,084	-	33,631	-
<u>2,050,680</u>	<u>89,330</u>	<u>1,962,571</u>	<u>731,987</u>	<u>929,084</u>	<u>170,891</u>	<u>15,254,000</u>	<u>63</u>
-	-	-	-	267,094	-	-	-
-	-	-	-	36,000	-	-	-
-	-	-	-	-	74,509	-	-
-	-	1,962,571	-	-	-	15,031,095	-
-	-	-	830,143	5,527	20,697	-	-
877,284	-	-	-	-	-	-	-
19,996	-	-	144,706	-	-	473,718	-
12,608	-	-	86,598	-	-	202,176	-
-	-	-	4,554	-	-	-	-
-	-	-	-	-	-	9,845	-
-	-	-	-	-	-	2,418	-
<u>156,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,066,214</u>	<u>-</u>	<u>1,962,571</u>	<u>1,066,001</u>	<u>308,621</u>	<u>95,206</u>	<u>15,719,252</u>	<u>-</u>
<u>984,466</u>	<u>89,330</u>	<u>-</u>	<u>(334,014)</u>	<u>620,463</u>	<u>75,685</u>	<u>(465,252)</u>	<u>63</u>
-	-	-	315,666	-	-	838,384	-
-	-	-	-	-	-	43,677	-
-	-	-	-	(450,000)	-	-	-
-	-	-	<u>315,666</u>	<u>(450,000)</u>	<u>-</u>	<u>882,061</u>	<u>-</u>
984,466	89,330	-	(18,348)	170,463	75,685	416,809	63
<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>\$ 2,535,490</u>	<u>\$ 643,203</u>	<u>\$ -</u>	<u>\$ 194,436</u>	<u>\$ 3,448,283</u>	<u>\$ 1,197,302</u>	<u>\$ 5,242,943</u>	<u>\$ 86,785</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, 2012

(Concluded)

	Debt Service Fund		Total Nonmajor Governmental Funds
	Interest Fund	Bond Redemption Fund	
Revenues			
Fuel taxes	\$ -	\$ -	\$ 8,293,200
Public utility franchise taxes	-	-	11,065,112
Licenses and permits	-	-	9,459,964
Intergovernmental	442,719	-	19,316,545
Charges for services	-	-	13,934,994
Investment earnings	-	-	7,962
Other	-	-	1,815,815
Total revenues	442,719	-	63,893,592
Expenditures			
Current:			
General Government	-	-	267,094
Public safety	-	-	5,938,867
Highways and streets	-	-	14,540,212
Health, education and welfare	-	-	16,993,666
Culture and recreation	-	-	856,367
Sanitation	-	-	28,540,492
Pension and retirement contributions	-	-	3,929,449
Employees' health insurance	-	-	2,129,549
Other	-	-	1,142,732
Debt service:			
Principal	-	23,059,659	24,608,315
Interest	14,839,262	-	14,917,538
Capital outlay	-	-	436,576
Total expenditures	14,839,262	23,059,659	114,300,857
Excess (deficiency) of revenues over (under) expenditures	(14,396,543)	(23,059,659)	(50,407,265)
Other Financing Sources (Uses)			
Transfers in	14,663,416	22,331,013	56,307,187
Increase in capital leases	-	-	1,593,418
Transfers out	-	-	(3,663,467)
Total other financing sources (uses)	14,663,416	22,331,013	54,237,138
Net change in fund balances	266,873	(728,646)	3,829,873
Fund balances at beginning of year	1,871,887	24,742,795	64,262,872
Fund balances at end of year	\$ 2,138,760	\$ 24,014,149	\$ 68,092,745

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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Taxes:				
Fuel taxes	\$ 6,690,816	\$ 6,690,816	\$ 8,293,200	\$ 1,602,384
Public utility franchise taxes	9,325,032	9,325,032	11,065,112	1,740,080
Total taxes	16,015,848	16,015,848	19,358,312	3,342,464
Licenses and permits - motor vehicle weight taxes	6,667,389	6,667,389	7,149,063	481,674
Intergovernmental	577,210	727,210	728,029	819
Charges for services	400,000	400,000	570,158	170,158
Other	80,618	80,618	270,745	190,127
Total revenues	23,741,065	23,891,065	28,076,307	4,185,242
Expenditures:				
Public safety - traffic engineering	5,800,716	6,137,716	5,620,162	517,554
Highways and streets	12,070,566	12,070,566	10,509,326	1,561,240
Highways and streets - mass transit	4,044,593	4,044,593	4,044,389	204
Pension and retirement contributions	2,075,283	2,075,283	1,574,013	501,270
Employees' health insurance	1,087,116	1,087,116	902,401	184,715
Other	1,000,000	813,000	443,016	369,984
Total expenditures	26,078,274	26,228,274	23,093,307	3,134,967
Excess (deficiency) of revenues over (under) expenditures	(2,337,209)	(2,337,209)	4,983,000	7,320,209
Other financing uses:				
Transfers out - Capital Projects Fund	(3,189,216)	(3,213,467)	(3,213,467)	-
Excess (deficiency) of revenues over (under) expenditures and other uses	(5,526,425)	(5,550,676)	1,769,533	7,320,209
Fund balance at beginning of year	13,297,346	13,297,346	13,297,346	-
Fund balance at end of year	\$ 7,770,921	\$ 7,746,670	\$ 15,066,879	\$ 7,320,209

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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 28,695	\$ 28,695
Charges for services - sewer fees	6,920,957	6,920,957	6,533,752	(387,205)
Other	-	-	361	361
Total revenues	<u>6,920,957</u>	<u>6,920,957</u>	<u>6,562,808</u>	<u>(358,149)</u>
Expenditures:				
Sanitation	6,486,318	6,616,918	6,282,844	334,074
Pension and retirement contributions	661,303	557,803	557,443	360
Employees' health insurance	302,797	260,297	260,216	81
Other	1,635,000	1,650,400	485,272	1,165,128
Total expenditures	<u>9,085,418</u>	<u>9,085,418</u>	<u>7,585,775</u>	<u>1,499,643</u>
Deficiency of revenues under expenditures	(2,164,461)	(2,164,461)	(1,022,967)	1,141,494
Fund balance at beginning of year	<u>5,193,340</u>	<u>5,193,340</u>	<u>5,193,340</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,028,879</u>	<u>\$ 3,028,879</u>	<u>\$ 4,170,373</u>	<u>\$ 1,141,494</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 915,000	\$ 930,000	\$ 905,461	\$ (24,539)
Charges for services - tipping fees	6,875,306	6,875,306	6,656,158	(219,148)
Other	-	-	4,816	4,816
Total revenues	<u>7,790,306</u>	<u>7,805,306</u>	<u>7,566,435</u>	<u>(238,871)</u>
Expenditures:				
Sanitation	25,978,228	25,993,228	22,832,853	3,160,375
Pension and retirement contributions	1,169,928	1,169,928	1,020,259	149,669
Employees' health insurance	657,036	657,036	588,410	68,626
Other	450,000	450,000	300,947	149,053
Total expenditures	<u>28,255,192</u>	<u>28,270,192</u>	<u>24,742,469</u>	<u>3,527,723</u>
Deficiency of revenues under expenditures	(20,464,886)	(20,464,886)	(17,176,034)	3,288,852
Other financing sources:				
Transfers in - General Fund	<u>18,158,708</u>	<u>18,158,708</u>	<u>18,158,708</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures	(2,306,178)	(2,306,178)	982,674	3,288,852
Fund balance at beginning of year	<u>7,269,192</u>	<u>7,269,192</u>	<u>7,269,192</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,963,014</u>	<u>\$ 4,963,014</u>	<u>\$ 8,251,866</u>	<u>\$ 3,288,852</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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - other - sale of cemetery plots	\$ 10,000	\$ 10,000	\$ 7,000	\$ (3,000)
Expenditures - health, education and welfare	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess of revenues over expenditures	-	-	7,000	7,000
Fund balance at beginning of year	<u>84,659</u>	<u>84,659</u>	<u>84,659</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 84,659</u></u>	<u><u>\$ 84,659</u></u>	<u><u>\$ 91,659</u></u>	<u><u>\$ 7,000</u></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, 2012

	<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	\$ -	\$ -	\$ 13,117	\$ 13,117
Excess of revenues over expenditures	-	-	13,117	13,117
Fund balance at beginning of year	<u>173,679</u>	<u>173,679</u>	<u>173,679</u>	<u>-</u>
Fund balance at end of year	<u>\$ 173,679</u>	<u>\$ 173,679</u>	<u>\$ 186,796</u>	<u>\$ 13,117</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Licenses and permits - vehicle disposal fee	\$ 2,031,888	\$ 2,031,888	\$ 2,050,680	\$ 18,792
Expenditures:				
Sanitation	2,559,268	2,559,268	2,169,232	390,036
Pension and retirement contributions	21,563	21,563	19,194	2,369
Employees' health insurance	15,986	15,986	12,148	3,838
Other	2,000	2,000	-	2,000
Total expenditures	<u>2,598,817</u>	<u>2,598,817</u>	<u>2,200,574</u>	<u>398,243</u>
Deficiency of revenues under expenditures	(566,929)	(566,929)	(149,894)	417,035
Fund balance at beginning of year	<u>1,551,024</u>	<u>1,551,024</u>	<u>1,551,024</u>	<u>-</u>
Fund balance at end of year	<u>\$ 984,095</u>	<u>\$ 984,095</u>	<u>\$ 1,401,130</u>	<u>\$ 417,035</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, 2012

	Original and Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - licenses and permits - bicycle tax	\$ 20,000	\$ 89,330	\$ 69,330
Expenditures - highways and streets	<u>171,000</u>	<u>-</u>	<u>171,000</u>
Excess (deficiency) of revenues over (under) expenditures	(151,000)	89,330	240,330
Fund balance at beginning of year	<u>553,873</u>	<u>553,873</u>	<u>-</u>
Fund balance at end of year	<u><u>\$402,873</u></u>	<u><u>\$643,203</u></u>	<u><u>\$240,330</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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - intergovernmental - federal grants	\$ -	\$ 1,521,232	\$ 1,422,662	\$ (98,570)
Expenditures - health, education and welfare	-	1,521,232	1,422,662	98,570
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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 804,647	\$ 804,647	\$ 731,967	\$ (72,680)
Other	-	-	20	20
Total revenues	<u>804,647</u>	<u>804,647</u>	<u>731,987</u>	<u>(72,660)</u>
Expenditures:				
Culture and recreation	849,592	849,592	783,521	66,071
Pension and retirement contributions	151,845	152,445	139,223	13,222
Employees' health insurance	105,357	105,357	83,241	22,116
Other	13,519	12,919	4,383	8,536
Total expenditures	<u>1,120,313</u>	<u>1,120,313</u>	<u>1,010,368</u>	<u>109,945</u>
Deficiency of revenues under expenditures	(315,666)	(315,666)	(278,381)	37,285
Other financing sources:				
Transfers in - General Fund	315,666	315,666	315,666	-
Excess of revenues and other sources over expenditures	-	-	37,285	37,285
Fund balance at beginning of year	<u>212,784</u>	<u>212,784</u>	<u>212,784</u>	-
Fund balance at end of year	<u>\$ 212,784</u>	<u>\$ 212,784</u>	<u>\$ 250,069</u>	<u>\$ 37,285</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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - other - geothermal royalties	\$ 575,000	\$ 575,000	\$ 929,084	\$ 354,084
Expenditures:				
General government:				
Legislative	24,890	24,890	24,890	-
Planning and zoning	429,110	429,110	242,204	186,906
Public safety - traffic	96,000	96,000	36,000	60,000
Culture and recreation - parks and recreation	25,000	25,000	-	25,000
Total expenditures	<u>575,000</u>	<u>575,000</u>	<u>303,094</u>	<u>271,906</u>
Excess of revenues over expenditures	-	-	625,990	625,990
Other financing uses:				
Transfers out - Capital Projects Fund	-	(450,000)	(450,000)	-
Excess (deficiency) of revenues over (under) expenditures and other uses	-	(450,000)	175,990	625,990
Fund balance at beginning of year	<u>3,277,820</u>	<u>3,277,820</u>	<u>3,277,820</u>	-
Fund balance at end of year	<u>\$ 3,277,820</u>	<u>\$ 2,827,820</u>	<u>\$ 3,453,810</u>	<u>\$ 625,990</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - licenses and permits - highway beautification	\$ 153,600	\$ 153,600	\$ 170,891	\$ 17,291
Expenditures:				
Highways and streets	92,300	92,300	72,534	19,766
Culture and recreation	<u>61,300</u>	<u>61,300</u>	<u>27,394</u>	<u>33,906</u>
Total expenditures	<u>153,600</u>	<u>153,600</u>	<u>99,928</u>	<u>53,672</u>
Excess of revenues over expenditures	-	-	70,963	70,963
Fund balance at beginning of year	<u>1,121,617</u>	<u>1,121,617</u>	<u>1,121,617</u>	<u>-</u>
Fund balance at end of year	<u><u>\$1,121,617</u></u>	<u><u>\$1,121,617</u></u>	<u><u>\$1,192,580</u></u>	<u><u>\$ 70,963</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental -				
Federal - HUD - Voucher program	\$ 15,265,687	\$ 15,265,687	\$ 15,178,813	\$ (86,874)
Other	41,046	41,046	33,657	(7,389)
Investment earnings	6,000	6,000	7,899	1,899
Resale of property	-	-	33,545	33,545
Other	-	-	86	86
Total revenues	<u>15,312,733</u>	<u>15,312,733</u>	<u>15,254,000</u>	<u>(58,733)</u>
Expenditures:				
Health, education and welfare	15,404,388	15,404,388	14,725,884	678,504
Pension and retirement contributions	521,478	521,478	453,774	67,704
Employees' health insurance	<u>225,251</u>	<u>225,251</u>	<u>193,586</u>	<u>31,665</u>
Total expenditures	<u>16,151,117</u>	<u>16,151,117</u>	<u>15,373,244</u>	<u>777,873</u>
Deficiency of revenues under expenditures	(838,384)	(838,384)	(119,244)	719,140
Other financing sources:				
Transfers in - General Fund	<u>838,384</u>	<u>838,384</u>	<u>838,384</u>	<u>-</u>
Excess of revenues and other sources over expenditures	-	-	719,140	719,140
Fund balance at beginning of year	<u>4,826,134</u>	<u>4,826,134</u>	<u>4,826,134</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,826,134</u>	<u>\$ 4,826,134</u>	<u>\$ 5,545,274</u>	<u>\$ 719,140</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - investment earnings	\$ -	\$ -	\$ 63	\$ 63
Excess of revenues over expenditures	-	-	63	63
Fund balance at beginning of year	<u>86,722</u>	<u>86,722</u>	<u>86,722</u>	<u>-</u>
Fund balance at end of year	<u>\$ 86,722</u>	<u>\$ 86,722</u>	<u>\$ 86,785</u>	<u>\$ 63</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

Agency Funds

Combining Statement of Agency Funds Net Assets

June 30, 2012

	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	\$1,755,546	\$ -	\$ 17,532	\$ 286,569	\$ 522,542
Investments	-	-	1,458,449	-	-
Due from other agency funds	-	-	-	-	-
Other receivables	-	-	8,146	-	-
Total assets	<u>\$1,755,546</u>	<u>\$ -</u>	<u>\$ 1,484,127</u>	<u>\$ 286,569</u>	<u>\$ 522,542</u>
<u>Liabilities</u>					
Due to other agency funds	\$ -	\$ -	\$ -	\$ -	\$ 1,920
Accrued liabilities	1,755,546	-	10,907	-	-
Advances payable	-	-	14,183	-	520,622
Assets held for the benefit of improvement districts	-	-	1,459,037	286,569	-
Total liabilities	<u>\$1,755,546</u>	<u>\$ -</u>	<u>\$ 1,484,127</u>	<u>\$ 286,569</u>	<u>\$ 522,542</u>

See accompanying independent auditors' report.

Payroll Clearance Fund	Flexible Spending Account	Lapsed Warrants Fund	Non-Profit License Plates Fund	Organ and Tissue Education Fund	Business Improvement District 1 - Kailua	Total
\$ 323,344	\$ 365,481	\$ 221,496	\$ 1,175	\$ 923	\$ 2,183	\$ 3,496,791
-	-	-	-	-	-	1,458,449
-	-	2,246	-	-	-	2,246
-	-	11,150	-	-	14,997	34,293
<u>\$ 323,344</u>	<u>\$ 365,481</u>	<u>\$ 234,892</u>	<u>\$ 1,175</u>	<u>\$ 923</u>	<u>\$ 17,180</u>	<u>\$ 4,991,779</u>
\$ 326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,246
323,018	365,481	234,892	1,175	923	2,183	2,694,125
-	-	-	-	-	-	534,805
-	-	-	-	-	14,997	1,760,603
<u>\$ 323,344</u>	<u>\$ 365,481</u>	<u>\$ 234,892</u>	<u>\$ 1,175</u>	<u>\$ 923</u>	<u>\$ 17,180</u>	<u>\$ 4,991,779</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
State Weight Tax Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 893,557	\$ 18,285,628	\$ 17,423,639	\$ 1,755,546
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 17,336,190	\$ 17,336,190	\$ -
Accrued liabilities	-	1	-	1
Accrued liabilities - due to State of Hawaii	893,557	18,286,295	17,424,307	1,755,545
Total liabilities	<u>\$ 893,557</u>	<u>\$ 35,622,486</u>	<u>\$ 34,760,497</u>	<u>\$ 1,755,546</u>
Improvement District No. 17 Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 83,314	\$ 720,728	\$ 804,042	\$ -
<u>Liabilities</u>				
Vouchers Payable	\$ -	\$ 83,498	\$ 83,498	\$ -
Assets held for the benefit of improvement districts	83,314	230	83,544	-
Total liabilities	<u>\$ 83,314</u>	<u>\$ 83,728</u>	<u>\$ 167,042</u>	<u>\$ -</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Improvement District No. 18 Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 68,307	\$ 343,083	\$ 393,858	\$ 17,532
Investments	1,586,399	12,314	140,264	1,458,449
Other receivables	12,014	310,969	314,837	8,146
Total assets	<u>\$ 1,666,720</u>	<u>\$ 666,366</u>	<u>\$ 848,959</u>	<u>\$ 1,484,127</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 284,851	\$ 284,851	\$ -
Accrued liabilities	14,873	266,510	270,476	10,907
Advances payable	11,702	14,183	11,702	14,183
Assets held for the benefit of improvement districts	1,640,145	319,880	500,988	1,459,037
Total liabilities	<u>\$ 1,666,720</u>	<u>\$ 885,424</u>	<u>\$ 1,068,017</u>	<u>\$ 1,484,127</u>
Improvement District Revolving Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 401,220	\$ 290	\$ 114,941	\$ 286,569
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 114,936	\$ 114,936	\$ -
Assets held for the benefit of improvement districts	401,220	290	114,941	286,569
Total liabilities	<u>\$ 401,220</u>	<u>\$ 115,226</u>	<u>\$ 229,877</u>	<u>\$ 286,569</u>
Performance and Refundable Deposits Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 548,549	\$ 374,996	\$ 401,003	\$ 522,542
Due from other non-agency funds	11,600	-	11,600	-
Total assets	<u>\$ 560,149</u>	<u>\$ 374,996</u>	<u>\$ 412,603</u>	<u>\$ 522,542</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 385,166	\$ 385,166	\$ -
Due to other agency funds	800	1,920	800	1,920
Advances payable	559,349	361,251	399,978	520,622
Total liabilities	<u>\$ 560,149</u>	<u>\$ 748,337</u>	<u>\$ 785,944</u>	<u>\$ 522,542</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Payroll Clearance Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,699,774	\$ 203,409,644	\$ 204,786,074	\$ 323,344
Due from other non-agency funds	-	204,811,333	204,811,333	-
Other receivables	8,674	-	8,674	-
Total assets	<u>\$ 1,708,448</u>	<u>\$ 408,220,977</u>	<u>\$ 409,606,081</u>	<u>\$ 323,344</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 94,017,611	\$ 94,017,611	\$ -
Due to other agency funds	1,316	326	1,316	326
Accrued liabilities	1,707,132	387,133,467	388,517,581	323,018
Total liabilities	<u>\$ 1,708,448</u>	<u>\$ 481,151,404</u>	<u>\$ 482,536,508</u>	<u>\$ 323,344</u>
Flexible Spending Account				
<u>Assets</u>				
Cash and cash equivalents	\$ 366,905	\$ 284,109	\$ 285,533	\$ 365,481
<u>Liabilities</u>				
Accrued liabilities	\$ 366,905	\$ 284,109	\$ 285,533	\$ 365,481
Lapsed Warrants Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 202,302	\$ 20,231	\$ 1,037	\$ 221,496
Due from other agency funds	2,116	2,246	2,116	2,246
Other receivables	17,898	11,150	17,898	11,150
Total assets	<u>\$ 222,316</u>	<u>\$ 33,627</u>	<u>\$ 21,051</u>	<u>\$ 234,892</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 1,038	\$ 1,038	\$ -
Accrued liabilities	222,316	39,654	27,078	234,892
Total liabilities	<u>\$ 222,316</u>	<u>\$ 40,692</u>	<u>\$ 28,116</u>	<u>\$ 234,892</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Non-Profit License Plates Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,175	\$ 4,537	\$ 4,537	\$ 1,175
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 4,425	\$ 4,425	\$ -
Accrued liabilities:				
Due to non-profit agency	1,175	4,537	4,537	1,175
Total liabilities	\$ 1,175	\$ 8,962	\$ 8,962	\$ 1,175
Organ and Tissue Education Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 577	\$ 3,634	\$ 3,288	\$ 923
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 3,237	\$ 3,237	\$ -
Accrued liabilities - due to State of Hawaii	577	3,634	3,288	923
Total liabilities	\$ 577	\$ 6,871	\$ 6,525	\$ 923
Business Improvement District 1-Kailua				
<u>Assets</u>				
Cash and cash equivalents	\$ 5,287	\$ 784,080	\$ 787,184	\$ 2,183
Other receivables - BID 1-Kailua Assessment	15,335	783,779	784,117	14,997
Other receivables	-	27,469	27,469	-
Total assets	\$ 20,622	\$ 1,595,328	\$ 1,598,770	\$ 17,180
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 785,265	\$ 785,265	\$ -
Accrued liabilities - due to KVBID	5,287	2,183	5,287	2,183
Assets held for the benefit of improvement districts	15,335	776,917	777,255	14,997
Total liabilities	\$ 20,622	\$ 1,564,365	\$ 1,567,807	\$ 17,180

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Total - All Agency Funds				
<u>Assets</u>				
Cash and cash equivalents	\$ 4,270,967	\$ 224,230,960	\$ 225,005,136	\$ 3,496,791
Investments	1,586,399	12,314	140,264	1,458,449
Due from other agency funds	2,116	2,246	2,116	2,246
Due from other non-agency funds	11,600	204,811,333	204,822,933	-
Other receivables - BID 1-Kailua Assessment	15,335	783,779	784,117	14,997
Other receivables	38,586	349,588	368,878	19,296
	<u>\$ 5,925,003</u>	<u>\$ 430,190,220</u>	<u>\$ 431,123,444</u>	<u>\$ 4,991,779</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 113,016,217	\$ 113,016,217	\$ -
Due to other agency funds	2,116	2,246	2,116	2,246
Accrued liabilities	2,311,226	387,723,741	389,100,668	934,299
Accrued liabilities - due to non-profit agency	1,175	4,537	4,537	1,175
Accrued liabilities - due to State of Hawaii	894,134	18,289,929	17,427,595	1,756,468
Accrued liabilities - due to KVBID	5,287	2,183	5,287	2,183
Advances payable	571,051	375,434	411,680	534,805
Assets held for the benefit of improvement districts	2,140,014	1,097,317	1,476,728	1,760,603
	<u>\$ 5,925,003</u>	<u>\$ 520,511,604</u>	<u>\$ 521,444,828</u>	<u>\$ 4,991,779</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

Private Purpose Trusts

Combining Statement of Private Purpose Trust Net Assets

June 30, 2012

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
Assets			
Cash and cash equivalents	\$ 2,158,332	\$ 1,558,285	\$ 3,716,617
Investments	-	1,208,703	1,208,703
Total assets	<u>\$ 2,158,332</u>	<u>\$ 2,766,988</u>	<u>\$ 4,925,320</u>
Net Assets			
Held in trust for other parties	<u>\$ 2,158,332</u>	<u>\$ 2,766,988</u>	<u>\$ 4,925,320</u>
Total net assets	<u>\$ 2,158,332</u>	<u>\$ 2,766,988</u>	<u>\$ 4,925,320</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, 2012

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
Additions			
Contributions:			
Puna Geothermal Venture	\$ 50,000	\$ -	\$ 50,000
Investment earnings:			
Net increase in fair value of investments	-	169,833	169,833
Dividends	-	55,919	55,919
Interest	1,532	1,398	2,930
Total additions	<u>51,532</u>	<u>227,150</u>	<u>278,682</u>
Deductions			
Grant payments	-	120,609	120,609
Total deductions	<u>-</u>	<u>120,609</u>	<u>120,609</u>
Change in net assets	51,532	106,541	158,073
Net assets, beginning of year	<u>2,106,800</u>	<u>2,660,447</u>	<u>4,767,247</u>
Net assets, end of year	<u>\$ 2,158,332</u>	<u>\$ 2,766,988</u>	<u>\$ 4,925,320</u>

See accompanying independent auditors' report.

STATISTICAL SECTION

(UNAUDITED)

Contents	Page
<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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$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	\$594,384,524
Restricted	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	48,360,223
Unrestricted	(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	39,340,897
Total governmental activities net assets	\$348,016,357	\$363,384,854	\$394,870,896	\$440,484,795	\$470,996,749	\$513,481,598	\$525,480,990	\$550,818,478	\$606,436,981	\$682,085,644
Business-type activities										
Invested in capital assets, net of related debt	\$ 333,860	\$ 324,942	\$ 325,800	\$ 317,534	\$ 310,409	\$ 307,424	\$ 305,127	\$ 303,244	\$ 308,966	\$ 315,848
Restricted	180,782	180,782	182,167	182,797	183,832	184,352	184,643	184,914	185,087	185,148
Unrestricted	876,107	873,704	850,962	813,431	636,756	608,195	609,798	497,466	449,581	455,918
Total business-type activities net assets	\$ 1,390,749	\$ 1,379,428	\$ 1,358,929	\$ 1,313,762	\$ 1,130,997	\$ 1,099,971	\$ 1,099,568	\$ 985,624	\$ 943,634	\$ 956,914
Primary government										
Invested in capital assets, net of related debt	\$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	\$594,700,372
Restricted	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	48,545,371
Unrestricted	(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	39,796,815
Total primary government net assets	\$349,407,106	\$364,764,282	\$396,229,825	\$441,798,557	\$472,127,746	\$514,581,569	\$526,580,558	\$551,804,102	\$607,380,615	\$683,042,558

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII

Changes in Net Assets

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 2,306,855
Public safety	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	5,136,278
Highways and streets	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	10,544,711
Health, education and welfare	991,725	884,075	1,272,091	980,147	799,075	754,758	532,832	713,774	424,107	454,913
Culture and recreation	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	1,601,195
Sanitation	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	14,831,846
Operating grants and contributions	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	45,767,655
Capital grants and contributions	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	86,754,033
Total governmental activities program revenues	<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>	<u>167,397,486</u>
Business-type activities:										
Charges for services:										
Health, education and welfare	304,671	303,047	314,971	338,141	345,802	365,655	371,511	337,982	372,599	393,464
Operating grants and contributions	147,997	143,769	135,829	141,019	134,211	125,795	135,674	136,802	133,215	131,227
Total business-type activities program revenues	<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>	<u>524,691</u>
Total primary government program revenues	<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>	<u>\$ 167,922,177</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 56,115,599
Public safety	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	152,288,979
Highways and streets	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	42,462,299
Health, education and welfare	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	28,127,691
Culture and recreation	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	23,412,948
Sanitation	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	35,049,546
Interest on long-term debt	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	14,519,382
Total governmental activities expenses	<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>	<u>351,976,444</u>
Business-type activities:										
Health, education and welfare	450,343	466,143	484,879	547,201	698,329	556,304	525,449	590,131	550,801	517,052
Total business-type activities expenses	<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>	<u>517,052</u>
Total primary government expenses	<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>	<u>\$ 352,493,496</u>
Net Expense										
Governmental activities	\$(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)	\$(184,578,958)
Business-type activities	2,325	(19,327)	(34,079)	(68,041)	(218,316)	(64,854)	(18,264)	(115,347)	(44,987)	7,639
Total primary government net expense	<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>	<u>\$(184,571,319)</u>

Continued next page.

General Revenues and Other Changes in Net Assets

Table 2

Governmental activities:

General revenues:

Property taxes	\$ 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	\$ 209,894,427
Public service company taxes	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	9,896,715
Public utility franchise taxes	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	11,065,112
Fuel taxes	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	8,293,200
Grants and contributions not restricted to specific programs	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	19,074,105
Investment earnings	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	230,804
Other	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	1,773,258
Total governmental activities	146,884,996	159,928,409	173,074,145	199,777,864	239,789,640	274,165,029	287,278,640	265,520,186	277,487,133	260,227,621

Business-type activities:

General revenues:

Investment earnings	12,084	8,006	13,580	22,874	35,551	33,828	17,861	1,403	2,997	5,641
Total business-type activities	12,084	8,006	13,580	22,874	35,551	33,828	17,861	1,403	2,997	5,641
Total primary government	\$ 146,897,080	\$ 159,936,415	\$ 173,087,725	\$ 199,800,738	\$ 239,825,191	\$ 274,198,857	\$ 287,296,501	\$ 265,521,589	\$ 277,490,130	\$ 260,233,262

Changes In Net Assets

Governmental activities	\$ 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	\$ 75,648,663
Business-type activities	14,409	(11,321)	(20,499)	(45,167)	(182,765)	(31,026)	(403)	(113,944)	(41,990)	13,280
Total primary government changes in net assets	\$ 28,830,399	\$ 15,357,176	\$ 31,465,543	\$ 45,568,732	\$ 30,329,189	\$ 42,453,823	\$ 11,998,989	\$ 25,223,544	\$ 55,576,513	\$ 75,661,943

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII

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

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 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	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	3,304,551
Restricted	-	-	-	-	-	-	-	-	4,296,363	3,693,958
Committed	-	-	-	-	-	-	-	-	8,756,426	11,710,875
Assigned	-	-	-	-	-	-	-	-	17,960,596	21,840,843
Unassigned	-	-	-	-	-	-	-	-	10,809,404	8,176,727
Total general fund	16,156,505	19,723,208	23,978,072	34,965,207	44,610,351	48,870,351	59,578,247	39,518,917	44,658,150	48,726,954
All other Government Funds:										
Reserved	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	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	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	71,033,712
Committed	-	-	-	-	-	-	-	-	40,148,878	36,866,120
Unassigned	-	-	-	-	-	-	-	-	(3,609,332)	(10,258,317)
Total of other governmental funds	112,017,061	114,436,785	150,162,046	172,047,513	242,619,509	205,641,818	183,982,500	132,701,268	114,279,174	97,641,515
Total Fund Balances	\$ 128,173,566	\$ 134,159,993	\$ 174,140,118	\$ 207,012,720	\$ 287,229,860	\$ 254,512,169	\$ 243,560,747	\$ 172,220,185	\$ 158,937,324	\$ 146,368,469

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.

Table 4

COUNTY OF HAWAII

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property tax	\$109,991	\$121,868	\$131,087	\$153,207	\$181,446	\$208,313	\$225,858	\$215,548	\$216,511	\$208,231
Public service company tax	5,064	5,332	6,351	6,812	7,396	8,381	10,229	9,647	9,297	9,897
Fuel tax	7,343	7,552	7,581	7,857	8,471	7,888	7,662	7,406	7,603	8,293
Public utility franchise tax	4,817	5,373	6,017	7,329	8,520	9,027	11,118	8,963	9,416	11,065
Licenses and permits	9,261	11,840	14,442	16,544	16,269	15,918	14,972	14,725	15,097	15,790
Intergovernmental	65,203	58,559	73,372	69,637	63,599	72,601	70,869	77,614	93,748	100,867
Charges for services	13,481	14,467	18,149	19,852	21,685	22,154	21,404	18,909	16,416	16,885
Investment earnings	2,066	1,806	3,104	5,223	10,291	12,144	8,914	2,253	510	406
Other	6,179	4,718	4,450	4,380	5,073	7,151	5,690	3,241	7,874	4,201
Total Revenues	223,405	231,515	264,553	290,841	322,750	363,577	376,716	358,306	376,472	375,635
Expenditures:										
Current:										
General government	22,317	23,070	26,183	31,153	37,652	42,991	45,882	40,586	34,251	35,088
Public safety	64,667	69,117	76,404	83,591	93,241	103,617	107,540	108,798	104,917	104,523
Highways and streets	8,675	9,542	9,787	12,608	14,033	19,529	17,159	20,222	17,114	17,338
Sanitation	16,629	17,602	21,883	26,565	31,817	33,405	35,025	35,675	28,424	29,511
Health, education and welfare	18,867	19,047	19,870	19,050	21,470	24,609	24,596	25,519	26,847	23,749
Culture and recreation	13,086	13,169	13,982	14,731	17,118	18,179	18,853	17,266	16,001	16,763
Pension and retirement contributions	7,926	11,081	14,204	19,937	21,796	24,296	28,870	28,509	27,284	27,773
Employees' health insurance	12,758	14,256	16,168	16,133	16,941	18,089	19,119	23,573	25,212	25,902
Other postemployment benefits	-	-	-	-	-	13,629	14,950	15,700	17,307	-
Other	5,629	7,128	6,133	6,780	5,108	5,344	6,257	4,773	4,758	4,183
Debt service:										
Principal	11,800	12,826	13,150	14,060	16,076	16,548	19,749	20,720	42,233	24,834
Interest	8,469	9,283	9,534	9,914	9,894	13,116	12,790	14,584	14,841	15,032
Capital outlay	32,952	23,474	32,816	30,588	52,285	70,156	89,368	100,653	87,782	71,220
Total Expenditures	223,775	229,595	260,114	285,110	337,431	403,508	440,158	456,578	446,971	395,916
Revenues over (under) Expenditures	(370)	1,920	4,439	5,731	(14,681)	(39,931)	(63,442)	(98,272)	(70,499)	(20,281)
Other Financing Sources (Uses):										
Sale of assets	9	1,593	1,486	82	5	3,470	58	10	6	153
Capital leases	1,353	1,474	1,369	404	2,403	2,187	1,026	1,948	47	2,521
State Revolving Fund loans	853	-	1,504	25	6,255	1,916	280	6,811	9,257	4,569
Sale of bonds	37,262	1,725	30,000	25,000	85,000	-	50,000	-	45,000	-
Issuance of bond anticipation notes (BANs)	-	-	-	-	-	-	-	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	29,943	39,440	42,119	45,691	59,139	64,929	56,697	61,495	56,099	59,971
Transfers out	(29,943)	(39,440)	(42,119)	(45,691)	(59,139)	(64,929)	(56,697)	(61,495)	(56,099)	(59,971)
Total other financing sources	39,477	4,792	35,965	26,483	95,452	7,573	51,549	27,750	56,388	7,243
Net change in fund balances	\$ 39,107	\$ 6,712	\$ 40,404	\$ 32,214	\$ 80,771	\$ (32,358)	\$ (11,893)	\$ (70,522)	\$ (14,111)	\$ (13,038)
Debt service as a percentage of noncapital expenditures	10.7%	10.8%	10.3%	9.7%	9.0%	9.3%	9.0%	10.4%	15.9%	12.3%

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
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						
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>	
Fiscal year 2004 total direct rate \$9.09						

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
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>	
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>	
Fiscal year 2006 total direct rate \$8.98						
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>	
Fiscal year 2007 total direct rate \$7.96						

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
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>		<u>\$29,505,635</u>
Fiscal year 2009 total direct rate \$7.68						
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						

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
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>	
Fiscal year 2011 total direct rate \$8.39						
2012	Residential	\$2,849,965	\$ 9.10	\$3,549,133	\$ 9.10	\$6,399,098
	Apartment	2,772,190	9.85	1,147,288	9.85	3,919,478
	Hotel and Resort	771,971	9.85	601,800	9.85	1,373,771
	Commercial	676,465	9.10	837,094	9.10	1,513,559
	Industrial	446,247	9.10	563,710	9.10	1,009,957
	Agricultural & Native Forest	2,023,285	8.35	2,571,826	8.35	4,595,111
	Conservation	44,874	9.85	323,210	9.85	368,084
	Homeowners	2,480,038	5.55	2,524,611	5.55	5,004,649
	Affordable Rental Housing	142,899	5.55	79,498	5.55	222,397
			<u>\$12,207,934</u>		<u>\$12,198,170</u>	
Fiscal year 2012 total direct rate \$8.52						

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, 2012 and 2003

Taxpayer	Business	Fiscal Year 2012			Fiscal Year 2003		
		2011 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2002 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Mauna Kea/Hapuna Beach Corps.	Developer/Hotel	\$ 217,554,100	1	0.7%	\$ -	-	-
Hilton Land Investment I LLC	Hotel	206,052,400	2	0.7%	-	-	-
Hualalai Investors LLC	Developer/Hotel	189,089,800	3	0.6%	-	-	-
Orchid 09 LLC	Hotel	116,619,400	4	0.4%	-	-	-
WB KD Acquisition LLC	Developer	106,003,500	5	0.4%	-	-	-
Mauna Lani Resort Inc.	Developer/Hotel	89,006,000	6	0.3%	102,923,900	7	0.7%
Hilton Resorts Corp.	Timeshare	88,977,200	7	0.3%	-	-	-
Kohanaiki Shores LLC	Developer	65,347,900	8	0.2%	-	-	-
Kona Coast Resort LTD	Hotel	57,409,200	9	0.2%	-	-	-
BRE/Waikoloa LLC	Hotel	55,610,900	10	0.2%	-	-	-
BP Bishop Estate	Developer	-	-	-	428,030,800	1	3.0%
Mauna Kea Development Corp	Hotels/Dev.	-	-	-	238,141,700	2	1.7%
WB Kukio Resorts LLC	Developer	-	-	-	190,704,200	3	1.3%
Global Resort Partners	Hotel	-	-	-	156,732,600	4	1.1%
Liliuokalani Trust Estate	Land Trust	-	-	-	143,313,700	5	1.0%
FHR (ML) Hotel Holdings LLC	Hotel	-	-	-	128,678,600	6	0.9%
1250 Oceanside Partners	Developer	-	-	-	78,528,600	8	0.6%
Kaupulehu Makai Venture	Developer	-	-	-	74,396,800	9	0.5%
RWH Inc.	Hotel	-	-	-	54,723,400	10	0.4%
		<u>\$ 1,191,670,400</u>		<u>4.0%</u>	<u>\$ 1,596,174,300</u>		<u>11.2%</u>

Note: Gross valuation at January 1, 2011: \$29,720,043,200

Gross valuation at January 1, 2002: \$14,266,522,103

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

<u>Fiscal Year</u>	<u>*Current Tax Levy</u>	<u>*Current Tax Collections</u>	<u>*Percent of Levy Collected</u>	<u>*Delinquent Tax Collections</u>	<u>*Total Tax Collections</u>	<u>*Total Collections as Percent of Current Levy</u>	<u>*Outstanding Delinquent Taxes</u>	<u>*Outstanding Delinquent Taxes as Percent of Current Levy</u>
2003	\$106,384,903	\$103,105,478	97%	\$ 3,180,292	\$ 106,285,770	100%	\$ 99,133	0%
2004	116,508,891	113,501,954	97%	2,902,147	116,404,101	100%	104,790	0%
2005	128,842,190	126,574,921	98%	2,143,751	128,718,672	100%	123,518	0%
2006	150,292,119	147,712,630	98%	2,420,714	150,133,344	100%	158,775	0%
2007	181,538,661	177,326,418	98%	3,824,049	181,150,467	100%	388,194	0%
2008	207,895,260	202,702,858	98%	4,404,006	207,106,864	100%	788,396	0%
2009	226,630,144	219,437,531	97%	5,630,096	225,067,627	99%	1,562,517	1%
2010	215,272,277	207,501,307	96%	5,004,379	212,505,686	99%	2,766,591	1%
2011	215,797,530	208,106,918	96%	3,237,630	211,344,548	98%	4,452,982	2%
2012	204,944,928	198,274,186	97%	-	198,274,186	97%	6,670,742	3%

* 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)
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	5.77%	1,843	6.54%	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	1,885	N/A	2,221
2012	314,773,498	29,050,626	3,803,618	851,306	348,479,048	42,481,176	17,872,813	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.

Table 9

COUNTY OF HAWAII

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Debt Applicable to Legal Debt Margin (a)</u>	<u>Percent of Net Taxable Property Value (b)</u>	<u>Per Capita (c)</u>
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%	1,636
2012	317,699,844	1.3%	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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit (a)	\$ 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	\$ 3,660,916
Debt applicable to limit	187,317	176,396	195,198	205,220	281,837	265,431	296,536	277,482	315,616	317,700
Legal debt margin (b)	<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>\$ 3,512,210</u>	<u>\$ 3,343,216</u>
Debt applicable to the limit as a percentage of debt limit	10.68%	9.12%	8.95%	8.30%	8.27%	6.74%	6.70%	6.57%	8.25%	8.68%

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 2012

Net assessed value	<u>\$24,406,104</u>
Debt limit (15% of net assessed value)	\$ 3,660,916
Debt applicable to limit	317,700
Legal debt margin	<u>\$ 3,343,216</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>
2002	154,576	\$ 3,697,485	\$ 23,920	29,826	4.6%
2003	158,442	\$ 3,869,362	\$ 24,421	29,635	4.6%
2004	162,852	\$ 4,223,829	\$ 25,937	29,827	3.9%
2005	168,237	\$ 4,638,838	\$ 27,573	30,262	3.3%
2006	173,536	\$ 5,064,624	\$ 29,185	30,539	3.0%
2007	177,733	\$ 5,509,169	\$ 30,997	30,618	3.4%
2008	181,506	\$ 5,899,236	\$ 32,502	30,408	5.7%
2009	183,629	\$ 5,517,497	\$ 30,047	30,138	9.9%
2010	185,381	\$ 5,717,885	\$ 30,844	29,741	10.0%
2011	186,738	N/A	N/A	30,103	9.9%

* 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, 2012 and 2003

<u>Employer</u>	2011 (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	7,962	1	10.1%	7,608	1	10.0%
County of Hawaii	2,630	2	3.3%	2,291	2	3.0%
United States Government	1,429	3	1.8%	1,221	3	1.6%
Hilton Waikoloa Village	935	4	1.2%	1,100	4	1.4%
KTA Super Stores	750	5	0.9%	785	5	1.0%
Walmart	741	6	0.9%	-	-	-
Four Seasons Resort Hualalai	650	7	0.8%	557	8	0.7%
The Fairmont Orchid, Hawaii	616	8	0.8%	600	6	0.8%
Mauna Kea Beach Hotel	513	9	0.6%	556	9	0.7%
Mauna Lani Resort (Operations) Inc.	450	10	0.6%	-	-	-
Mauna Lani Bay Hotel	-	-	-	580	7	0.8%
Hapuna Beach Prince Hotel	-	-	-	542	10	0.7%
Total	<u>16,676</u>		<u>21.1%</u>	<u>15,840</u>		<u>20.8%</u>
Total employee count			<u>78,950</u>			<u>76,200</u>

NOTES:

(a) Data for Fiscal Year 2012 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>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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	41.00	42.50	38.00	54.50	54.00	68.00	55.48	56.08	53.00	54.00
Legislative Auditor	-	-	-	-	-	-	5.00	5.00	5.00	4.75
Mayor	17.90	19.90	21.58	21.70	20.68	25.17	22.49	19.00	21.99	18.50
Corporation Counsel	37.00	38.00	41.00	39.00	39.98	33.00	30.00	32.00	29.00	29.00
Finance	85.00	90.00	88.00	91.00	94.49	102.89	128.44	123.89	121.89	123.35
Human Resources	24.00	24.00	26.00	24.50	27.46	28.98	28.96	27.98	25.49	25.48
Planning	29.00	31.00	31.50	35.00	36.00	47.00	48.00	49.00	49.49	48.00
Research & Development	13.00	12.00	13.00	13.20	14.48	15.00	15.00	14.00	14.00	12.00
Information Technology	16.00	15.00	14.00	17.00	17.00	17.00	16.00	15.48	16.00	16.00
Public Works Admin & Building	115.00	121.00	121.00	123.40	141.97	166.37	170.44	162.99	158.84	155.48
Public Safety:										
Police	523.25	526.50	520.80	536.20	535.23	572.51	553.37	558.32	565.99	541.25
Fire	301.48	316.98	346.23	340.20	363.71	424.07	412.05	411.53	414.08	391.28
Liquor Control	11.00	11.00	11.00	13.00	12.00	14.48	14.00	14.00	14.00	15.00
Civil Defense	5.00	5.00	7.00	6.00	5.00	5.00	7.00	7.00	7.00	7.00
Prosecuting Attorney	84.00	86.00	83.00	86.50	93.00	96.49	103.00	98.24	99.00	91.49
Highways and Streets:										
Mass Transit	5.00	5.00	7.00	6.00	5.00	7.00	6.00	7.00	7.00	7.00
Traffic and Highways	156.00	153.00	151.00	168.00	169.98	183.48	182.48	174.48	176.48	178.48
Sanitation:										
Administration	4.00	5.00	18.00	19.50	19.49	19.98	19.49	16.98	18.49	17.00
Sewer	44.00	42.05	40.00	38.00	32.97	37.49	41.47	44.98	47.49	47.49
Vehicle Disposal	1.00	1.00	1.00	1.00	3.00	3.00	2.00	2.00	2.00	2.00
Solid Waste	52.75	56.75	57.80	69.00	86.49	87.49	93.49	93.00	95.00	99.00
Health, Education and Welfare:										
Housing	39.48	42.48	43.48	39.50	43.97	46.95	44.95	47.44	47.48	43.48
Aging	10.75	10.00	10.00	12.50	13.00	12.00	12.00	11.00	12.00	13.00
Culture and Recreation	398.70	390.05	386.48	434.90	402.43	390.11	391.45	379.50	380.74	370.15
Total	2,023.31	2,053.21	2,085.87	2,198.60	2,240.33	2,412.46	2,411.56	2,379.89	2,390.45	2,319.18

Source: County of Hawaii, Department of Finance

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII
Operating Indicators by Function
 Last Ten Fiscal Years

<u>Function</u>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police:										
DUI arrests	1,004	900	964	1,163	1,354	1,397	1,395	1,452	1,468	1,403
Traffic citations issued	38,974	58,432	51,818	54,435	54,606	62,736	66,461	63,883	61,947	60,967
Fire:										
Fire responses	1,751	1,207	888	897	1,095	892	751	889	731	684
Emergency medical/rescue responses	11,944	14,693	13,671	14,945	15,502	16,098	15,099	15,308	15,726	16,361
Inspections - Occupancy/Fire Protective Equipment	6,415	4,210	1,843	2,131	1,958	1,858	1,479	1,579	3,021	2,050
Sanitation:										
Refuse disposed (tons per year)	179,284	201,011	225,051	222,945	223,144	210,199	172,431	154,914	166,455	152,949
Highways and Streets:										
In-house street resurfacing (miles)	40	12	42	15	33	26	27	23	18	20
Parks and Recreation:										
Pavilion permits issued	1,567	1,739	1,908	1,888	1,744	2,055	2,310	2,340	4,667	2,805
Camping permits issued	4,576	4,627	4,765	5,146	5,200	3,870	3,998	4,290	4,019	4,450
Rounds of golf	88,889	80,015	79,101	74,677	82,182	76,648	80,229	80,407	83,358	72,162
Zoo attendance	133,086	156,184	163,176	171,958	172,315	163,601	182,286	172,737	172,677	213,537
Transit:										
Bus passengers	N/A	N/A	N/A	711,608	727,677	821,359	908,651	1,060,057	1,149,042	1,315,222
Public Works:										
Building permits issued	4,250	4,418	5,350	5,883	5,165	4,507	3,929	3,234	3,039	3,258
Electrical permits issued	3,999	3,896	4,750	5,097	5,072	4,569	3,869	3,602	3,821	4,080
Plumbing permits issued	2,954	1,907	3,888	4,557	4,368	3,622	2,983	2,638	2,071	1,749
Sign permits issued	59	46	63	50	51	75	62	62	58	55

Source: County of Hawaii, Individual Departments

Unaudited - see accompanying independent auditors' report.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police:										
Stations	8	8	8	8	8	8	8	8	8	8
Substations	3	3	13	13	13	10	10	10	10	10
Fire stations	20	20	20	20	20	20	20	20	20	20
Highways and Streets:										
County streets (miles)	903	903	903	907	927	942	943	944	946	954
Streetlights	8,823	8,949	9,017	9,027	9,246	9,308	9,404	9,592	9,864	9,883
Parks and Recreation:										
Parks	118	119	121	122	123	123	143	143	143	144
Gyms and recreation centers	38	38	38	38	38	38	61	61	61	62
Sanitation:										
Sanitary sewers (miles)	53	53	53	53	58	100*	100*	111*	111*	112*

*GIS database utilized beginning FY 2008

Source: County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.