COMPREHENSIVE
ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

COUNTY OF HAWAII
Hilo, Hawaii

William P. Kenoi
Mayor

Walter Lau
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, 2013

Table of Contents

FINANCIAL SECTION (Continued)

STATISTICAL SECTION

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 24, 2013

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, 2012 to June 30, 2013.

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, 2013 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.

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

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 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.

For the fourth year in a row, the County's unemployment rate has served as a positive indicator that the island's economy is on a course to recovery. The County's unemployment rate for the current fiscal year (8.3%) was almost a full percent lower than that of the prior year (9.2%).

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, with almost 3.7 million visitors in fiscal year 2013 representing an almost

7% increase from the prior fiscal year. Another indication of the County's slowly rebounding industry, is the fact that there was also a 7% increase in the total number of visitors to the island from the prior fiscal year. More significantly, spending growth for this sector has been almost constantly increasing since the beginning of 2010.

Construction – Construction jobs have recovered by one-third of the decline experienced in recent years and private building permits are up 25% in the first part of 2013 compared to the same period the year before.

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. According to the First Hawaiian Bank *Economic Forecast*, Mauna Kea observatories involve 11 facilities with an annual budget of $75 million to support 527 county-based staff. 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. Permits have been issued for the TMT but a final appeal has been lodged with the courts. Once construction begins, it is anticipated that the construction and equipment costs will be $1.2 billion and the TMT will have an annual operational budget of $27 million.

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 – On November 17, 2012, the Hawaii Police Department gained accreditation by the Commission on Accreditation for Law Enforcement Agencies (CALEA) for the first time.

Housing – Construction on Na Kahua Hale O Ulu Wini ("Ulu Wini", formerly known as Kaloko Housing Program) located in North Kona continued through fiscal year 2013. During the year, 36 units were constructed with the remaining 20 slated for completion next fiscal year. Ulu Wini provides transitional (short-term, less than two years) and permanent rental housing for families with children earning below 50% of the County's adjusted median income, with preference for those impacted by homelessness. Entire build-out of the site will include 96 two-bedroom units, a community center complete with meeting room administrative offices, a laundry facility and kitchen, an employment training facility, a playground and a wastewater treatment plant. Families engaged at Ulu Wini will be provided either transitional or rental housing, case management, mail and computer access, and an array of on-site support services including employment and life skills training, mental health services, counseling and childcare.

Following the completion of Kamakoa Nui's four model homes in the prior fiscal year, sales began strong with the first five homes sold before the end of fiscal year 2013. Kamakoa Nui is a master planned community in Waikoloa. The first phase of development includes the construction of 91 homes. The project is intended to serve the local work force population with affordable homes for purchase near the largest employer on the Big Island, the Kohala Coast hotels.

For the Future

Public Safety – Securing funding for the South Kona Police Station continues to remain a goal of the Hawaii Police Department along with planning for a new station in the Puna District to replace the soon to be retired Keaau Police Station.

The Police Department has also begun the process of procuring a modernized and fully integrated Computer Aided Dispatch (CAD) and Records Management System (RMS) to better serve the community. Additionally, the Police Department is one of several County Departments working on modernizing the County's public safety radio system.

Public Works – Improvements on Kaiminani Road are focused on reconstructing the roadway, retaining walls, and drainage. 80% of the $10 million construction cost is paid by the Federal Highways Administration and was completed on November 30, 2013.

The first phase of Kona's $7.8 million Laaloa Avenue Extension project is taking place. The project includes a 1,900-foot connector road that will link Alii Drive with Kuakini Highway. This is the first connector road to be built in decades along Alii Drive. Construction is scheduled for completion in 2014.

Planning – The Planning Department's regulatory functions can be measured in terms of volume and responsiveness. In order to have the ability to measure its responsiveness, the Department is embarking on an effort to invest in the current tracking system to generate performance reports that reflect categories of regulatory functions and parameters.

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 .18%.

The County's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, with the exception of $264,173 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.

In an effort to lower its debt service costs, the County issued bonds to refund $52.9 million of various debt instruments, resulting in an estimated savings of approximately $9.5 million in principal and interest payments.

The County continued the furloughs and pay reductions for both its HGEA and UPW union employees from the prior 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 four of the previous five 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

County employees are members of seven different bargaining units. Three bargaining units have contracts that will expire on June 30, 2015. Three bargaining units have contracts that will expire on June 30, 2017. The one remaining bargaining unit received an interest arbitration decision in November 2013, however, the cost items associated with that decision are currently subject to the approval of all legislative bodies. The County anticipates this cost approval process will conclude on or about the end of the 2014 Legislative session (May 2014).

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, 2012. This was the twenty-fifth consecutive year that the government has received 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
NANCY CRAWFORD
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Hawaii

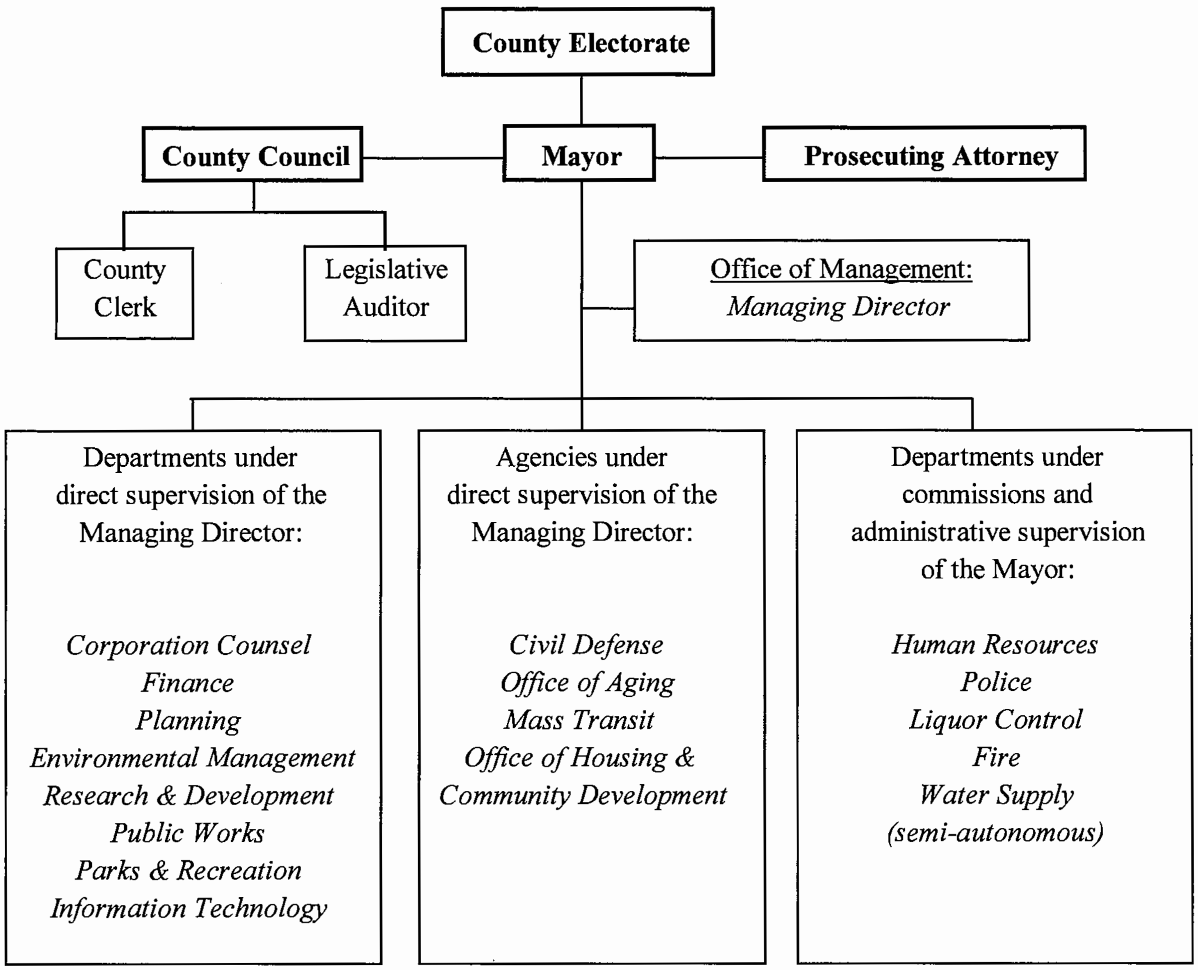
Hawaii

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

County of Hawaii
Organization Chart



County of Hawaii
Elected Officials

June 30, 2013

Administrative Officers (Term: 2012-2016)	
William P. Kenoi	Mayor
Mitchell Roth	Prosecuting Attorney
County Council (Term: 2012-2014)	
J Yoshimoto	Chair
Karen Eoff	Vice Chair
Brenda Ford	Member
Greggor Ilagan	Member
Dru Mamo Kanuha	Member
Zendo Kern	Member
Dennis "Fresh" Onishi	Member
Valerie Poindexter	Member
Margaret Wille	Member

Principal Officials

June 30, 2013

County Clerk	Stewart Maeda
Legislative Auditor, Acting	Lane Shibata
Managing Director	Walter Lau
Deputy Managing Director	Randy Kurohara
Corporation Counsel	Lincoln Ashida
Director of Finance	Nancy E. Crawford
Planning Director	Duane Kanuha
Director of Personnel	Ronald Takahashi
Director of Research and Development	Laverne Omori
Chief of Police	Harry S. Kubojiri
Fire Chief	Darren Rosario
Director of Public Works	Warren Lee
Director of Environmental Management	Bobby Jean Leithead-Todd
Parks and Recreation Director	Clayton Honma
Manager-Chief Engineer, Department of Water Supply	Quirino Antonio, Jr.
Civil Defense Administrator, Acting	Darryl Oliveira
Director of Liquor Control	Gerald Takase
Mass Transit Administrator	Tiffany Kai
Executive on Aging	Alan Parker
Administrator, Office of Housing and Community Development	Stephen Arnett
Director of Information Technology, Acting	Donald F. Jacobs, Jr.

This page intentionally left blank.

FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited each fiduciary fund type of the County as of and for the year ended June 30, 2013, as displayed in the County's basic financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as well as each fiduciary fund type of the County, as of June 30, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813
Telephone: 808 531 3400 Facsimile: 808 531 3433

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the EUTF information on pages 15 through 25 and 91 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 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and fund schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013 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* in considering the County's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawai'i
December 24, 2013

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, 2013. 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 $767.0 million (net position). This amount includes $2.9 million in unrestricted net position, a decrease of $36.9 million from the prior year.
- The County's total net position increased by $84.0 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 $195.3 million, an increase of $48.9 million from the prior year. Approximately 42 percent of this total amount, $82.0 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 $45.6 million, or 21 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 position** presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position
June 30, 2013 and 2012

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$ 253,214,295	$ 252,075,426	$ 1,111,875	$ 1,036,087	$ 254,326,170	$ 253,111,513
Capital assets, net	1,009,857,355	917,249,344	1,611,888	1,167,154	1,011,469,243	918,416,498
Total assets	1,263,071,650	1,169,324,770	2,723,763	2,203,241	1,265,795,413	1,171,528,011
Liabilities:						
Long-term liabilities outstanding	461,905,296	438,814,811	1,296,633	851,306	463,201,929	439,666,117
Other liabilities	35,506,628	48,424,315	66,685	395,021	35,573,313	48,819,336
Total liabilities	497,411,924	487,239,126	1,363,318	1,246,327	498,775,242	488,485,453
Net position:						
Net investment in capital assets	699,326,156	594,384,524	315,255	315,848	699,641,411	594,700,372
Restricted	64,437,707	48,360,223	--	185,148	64,437,707	48,545,371
Unrestricted	1,895,863	39,340,897	1,045,190	455,918	2,941,053	39,796,815
Total net position	$ 765,659,726	$ 682,085,644	$ 1,360,445	$ 956,914	$767,020,171	$683,042,558

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $767.0 million at the close of the most recent fiscal year.

By far the largest portion of the County's net position (91 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 position (8 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The County's net position increased by $84.0 million during the current fiscal year, which was $8.3 million more than the increase during last fiscal year. Capital grants and contributions increased by approximately $20.8 million relating mostly due to increases related to highways and streets with reductions in those related to sanitation. The increase was offset and reduced by a decrease in real property taxes of approximately $9.1 million.

The County's net capital assets increased by $93.1 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 $23.5 million (5 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 bonds. 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, 2013 and 2012

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 34,930,495	$ 34,875,798	$ 432,057	$ 393,464	$ 35,362,552	$ 35,269,262
Operating grants and contributions	44,410,353	45,767,655	123,800	131,227	44,534,153	45,898,882
Capital grants and contributions	107,584,670	86,754,033	-	-	107,584,670	86,754,033
General revenues:						
Property taxes	200,775,779	209,894,427	-	-	200,775,779	209,894,427
Other taxes	28,206,334	29,255,027	-	-	28,206,334	29,255,027
Grants and contributions, unrestricted	17,750,132	19,074,105	-	-	17,750,132	19,074,105
Investment earnings (loss)	(81,020)	230,804	1,416	5,641	(79,604)	236,445
Other	2,320,838	1,773,258	342,275	-	2,663,113	1,773,258
Total revenues	435,897,581	427,625,107	899,548	530,332	436,797,129	428,155,439
Expenses:						
General government	55,616,102	56,115,599	-	-	55,616,102	56,115,599
Public safety	151,975,049	152,288,979	-	-	151,975,049	152,288,979
Highways and streets	42,219,903	42,462,299	-	-	42,219,903	42,462,299
Health, education and welfare	28,001,020	28,127,691	496,017	517,052	28,497,037	28,644,743
Culture and recreation	22,121,336	23,412,948	-	-	22,121,336	23,412,948
Sanitation	38,505,086	35,049,546	-	-	38,505,086	35,049,546
Interest on long-term debt	13,885,003	14,519,382	-	-	13,885,003	14,519,382
Total expenses	352,323,499	351,976,444	496,017	517,052	352,819,516	352,493,496
Increase in net position	83,574,082	75,648,663	403,531	13,280	83,977,613	75,661,943
Net position at beginning of year	682,085,644	606,436,981	956,914	943,634	683,042,558	607,380,615
Net position at end of year	$ 765,659,726	$ 682,085,644	$ 1,360,445	$ 956,914	$ 767,020,171	$ 683,042,558

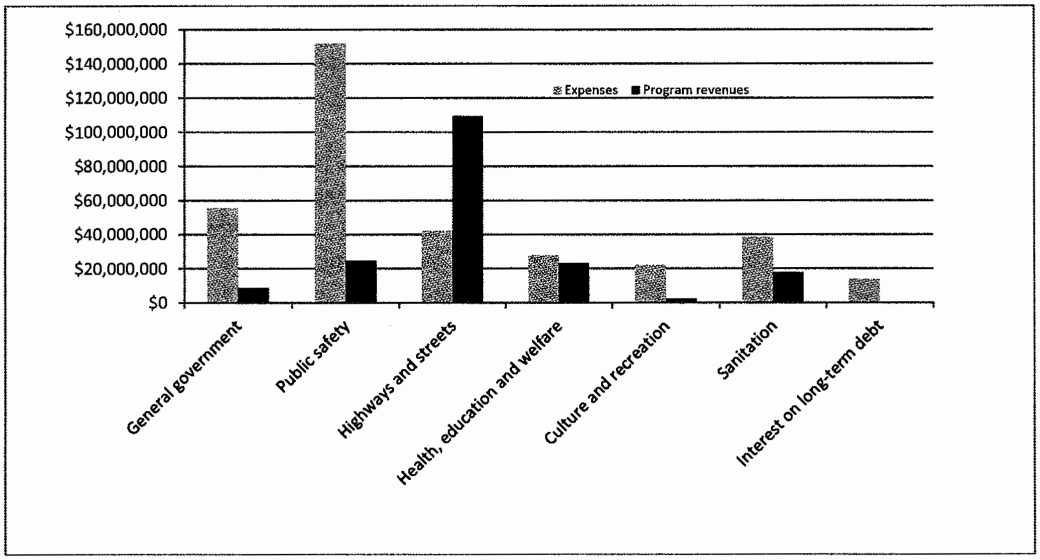
Analysis of Changes in Net Position

Governmental activities. Governmental activities increased the County's net position by $83.6 million or basically all of the total growth in net position of the County.

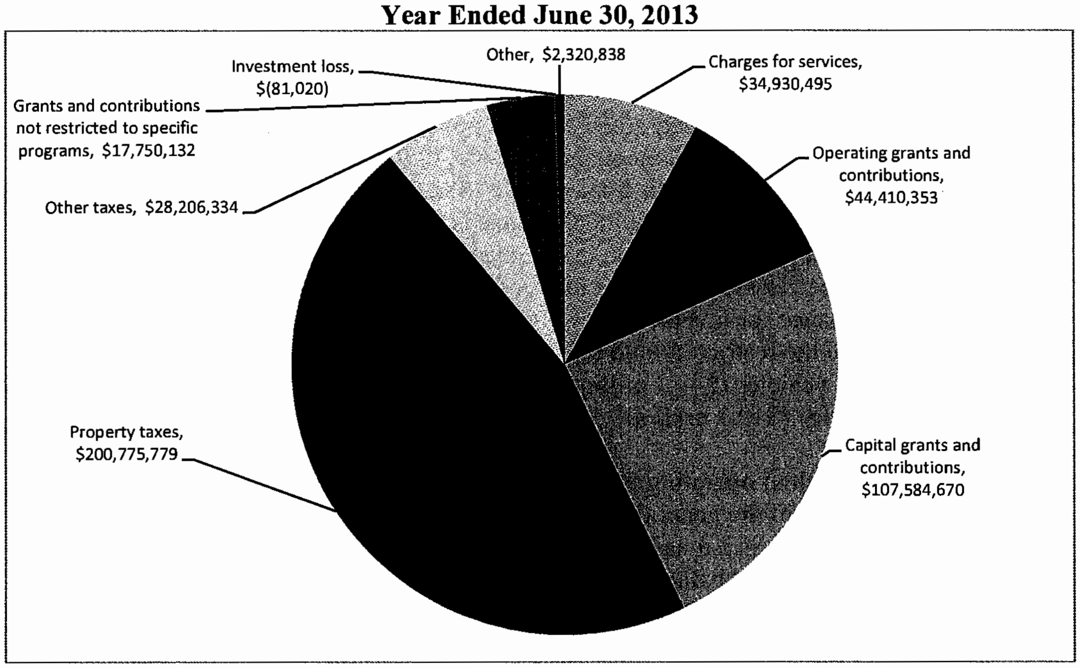
Total revenues increased by $8.3 million (2 percent). The combined total revenues for both the Operating and Capital grants and contributions also increased by approximately $19.5 million, which related mostly to increases in highways and streets projects being netted with decreases in sanitation. This overall increase in grants and contributions revenue was offset by decreases in the other revenue sources. The most significant decrease of $9.1 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 but is an improvement as compared to the decrease of $15.2 million experienced in the prior year.

Total expenses increased by only $347,055 (less than 0.5 percent).

Expenses and Program Revenues – Governmental Activities
Year Ended June 30, 2013



Revenue by Source – Governmental Activities
Year Ended June 30, 2013



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 (46 percent), followed by capital grants and contributions (25 percent) and operating grants and contributions (10 percent).

Business-type activities. Business-type activities increased the County's net position by $403,531 versus an increase of only $13,280 in the prior year. Expenses for health, education and welfare account for all of the $496,017 of expenses. Charges for services were $432,057, operating grants and contributions were $123,800 and investment earnings were $1,416. Other income of $342,275 was recognized due to the forgiveness of a lease payable, which accounts for substantially all of the $369,000 increase in overall revenues. Expenses decreased $21,035 (4 percent) mostly due to decreases in general and administration expenses of $33,839.

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 $195.3 million, an increase of $48.9 million in comparison with prior year. Approximately 42 percent of this total amount ($82.0 million) constitutes unrestricted fund balance. The unrestricted portion of the fund balance is comprised of (1) $41.6 million in committed fund balance, (2) $31.7 million in assigned fund balance and (3) $8.7 million in unassigned fund balance. The remainder of the fund balance is divided between $3.5 million in nonspendable fund balance for inventory and $109.8 million in restricted fund balance. Approximately 84% of the restricted fund balance is due to restrictions relating to highways, streets and abandoned vehicles ($48.3 million), public safety radio system upgrade ($25.0 million), and debt service ($19.1 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 $45.6 million, while total fund balance increased to $53.9 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 21 percent of total general fund expenditures, while total fund balance represents 24 percent of that same amount.

The fund balance of the County's general fund increased by $5.2 million during the current fiscal year as compared to an increase of $4.1 million in the prior year. Key factors in this slight increase ($1.1 million) over last year's increase are as follows:

- A decrease of $8.4 million (15 percent) in transfers out to other funds, with the largest reductions in the transfers to the debt service funds ($6.0 million) and to the Solid Waste Fund ($2.4 million).
- The positive impact of the decrease in transfers out was mitigated by a decrease of $7.0 million (3 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.

The fund balance of the County's capital projects fund increased by $53.5 million during the current fiscal year. The increase is primarily due to the combined total of the fund's main revenue sources of long-term debt financing, which consists of bond proceeds ($50.5 million), premiums on the issuance of bonds ($10.1 million) and state revolving fund loan proceeds ($5.0 million); intergovernmental revenue ($11.2 million); settlement contributions ($12.5 million) and transfers in ($3.5 million) being greater than capital and debt service expenditures ($39.5 million) for the current fiscal year.

The debt service funds consist of the Bond Redemption Fund and the Interest Fund. These funds have combined total fund balances of $19.1 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 $7.0 million (27 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 position of the Kulaimano Elderly Housing Project (Kulaimano) at the end of the year amounted to $761,021, and $284,169 for the Ouli Ekahi Affordable Housing Project (Ouli Ekahi). The total net position for Kulaimano increased by $643 and the net position for Ouli Ekahi increased by $402,888. 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 $6.7 million increase in appropriations, most of which (60 percent) is due to increases in the appropriations for capital outlays.

Differences between the final budget and the actual (budgetary basis) resulted in $242,000 more revenues than expected and $21.8 million less expenditures than appropriated. This is primarily due to the following factors:

- The positive variances in real property and public service company taxes of $3.7 million was negated by an almost equal negative variance in intergovernmental revenues for both the federal and state grants of $3.3 million.
- $5.5 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 ($3.5 million), general government ($1.2 million) and culture and recreation ($0.7 million).
- $2.2 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.

- $3.5 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, 2013 amounts to $1,011 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; additional construction costs of $1.3 million were capitalized during the fiscal year.
- Construction continued on Na Kahua Hale O Ulu Wini Housing Project (formerly known as Kaloko Housing Program) and related housing employment training facility; construction in progress as of the end of the current fiscal year for both projects increased by $5.6 million to reach a total of $6.7 million, of which the portions relating to the completed phases were transferred to Building and Improvements.
- Construction continued on the Kalanianaole Sewer Interceptor Line Rehabilitation Phase 2; construction in progress as of the end of the current fiscal year increased by $5.1 million to reach a total of $5.3 million.
- Construction began on two Mamalahoa Highway Earthquake projects (MP 4.4 and 8.9); construction in progress as of the end of the current fiscal year for both projects had reached $3.9 million, which was transferred to Infrastructure.
- Construction began on the Edith Kanakaole Multi-Purpose Stadium Improvements; construction in progress as of the end of the current fiscal year had reached $3.3 million, which was transferred to Buildings and Improvements.
- Construction began on the Kaiminani Drive Roadway Improvements Phase I; construction in progress as of the end of the current fiscal year had reached $6.1 million.
- $68.5 million of dedicated roads were received by the County in the current fiscal year.
- $8.1 million of various other equipment and real property were dedicated and donated to the County in the current fiscal year.

Capital Assets
(net of depreciation)
June 30, 2013 and 2012

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	$ 163,565,168	$ 129,569,750	$ 753,877	$ 753,877	$ 164,319,045	$ 130,323,627
Infrastructure assets	274,969,315	246,938,042	-	-	274,969,315	246,938,042
Ground and site improvements	-	-	75,280	67,580	75,280	67,580
Buildings and improvements	476,759,437	455,481,924	754,675	329,730	477,514,112	455,811,654
Easements	3,500,794	3,232,428	-	-	3,500,794	3,232,428
Equipment	48,585,309	50,089,791	28,056	15,967	48,613,365	50,105,758
Construction work in progress	42,477,332	31,937,409	-	-	42,477,332	31,937,409
Total	$1,009,857,355	$ 917,249,344	$ 1,611,888	$ 1,167,154	$1,011,469,243	$ 918,416,498

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 $313.3 million and State Revolving Fund loans of $20.9 million. At the end of the current fiscal year, the County had total bonded debt outstanding of $313.3 million. This entire amount was comprised of general obligation bonds which are backed by the full faith and credit of the County.

The County's total bonded debt increased by $31.5 million (11.2 percent) during the current fiscal year due to the issuance of new bonds totaling $50.5 million, which were offset by regularly scheduled principal payments.

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

State statutes limit the amount of general obligation debt the County may issue 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 $3.5 billion, which is in excess of the County's outstanding general obligation debt. Currently the County's outstanding debt represents 9 percent of our debt limitation.

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 8.3 percent, which represents almost a full percent decline from last year's rate for the same period of 9.2 percent.
- The number of visitors to the County for the current fiscal year was approximately 1.5 million, which represents an approximately 7 percent increase from the previous year's count of 1.4 million. More importantly, visitors have been increasing their spending almost constantly since the beginning of 2010 and the 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. Permits have been issued for the TMT but a final appeal has been lodged with the courts. Once construction begins, it is anticipated that the construction and equipment costs will be $1.2 billion and the TMT will have an annual operational budget of $27 million. According to the First Hawaiian Bank *Economic Forecast*, Mauna Kea observatories involve 11 facilities with an annual budget of $75 million to support 527 county-based staff.

- The outlook for the construction industry based on building permits seems to be improving despite a few challenges that remain in the areas of the rising cost of materials and the workforce availability. Construction jobs have recovered by one-third of the decline experienced in recent years and private building permits are up 25% in the first part of 2013 compared to the same period the year before.

  Several large construction projects are on the horizon for each side of the island. The west side of the island saw the initial breaking ground on the $20 million Palamaui campus construction project for the Hawaii Community College and several substantial highway projects, which include includes the Hawaii Community College and the widening of the Queen Kaahumanu Highway ($75 million) and Phase III of the Saddle Road ($32 million). The east side includes the Mohouli Senior Housing Project ($30 million) and the Route 130 widening (expected to be $150 million).

These factors were considered in preparing the County's budget for the 2014 fiscal year.

At the end of the current fiscal year, unrestricted fund balance in the general fund was $45.6 million. The County has appropriated $21.7 million of this amount for spending in the 2014 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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

COUNTY OF HAWAII

Statement of Net Position

June 30, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current assets:				
Cash and cash equivalents (notes 3 and 14)	$ 37,444,459	$ 810,157	$ 38,254,616	$ 29,430,095
Restricted cash and cash equivalents (note 3)	36,916,644	39,448	36,956,092	-
Investments (notes 3 and 14)	11,854,523	-	11,854,523	-
Restricted investments (note 3)	45,759,190	-	45,759,190	-
Receivables, net (note 4)	46,219,906	4,979	46,224,885	7,528,043
Receivable from improvement district (notes 4 and 10)	64,014	-	64,014	-
Internal balances (note 5)	(29,954)	29,954	-	-
Inventories	3,492,464	-	3,492,464	1,225,218
Prepaid expenses	-	1,501	1,501	170,541
Real estate held for sale	1,208,129	-	1,208,129	-
Other	904,578	-	904,578	-
Total current assets	183,833,953	886,039	184,719,992	38,353,897
Investments (note 3)	34,918,751	199,430	35,118,181	-
Restricted investments (note 3)	33,179,660	-	33,179,660	-
Restricted cash and cash equivalents (note 3)	-	26,406	26,406	2,574,396
Receivable from improvement district, excluding current portion (notes 4 and 10)	1,281,931	-	1,281,931	-
Deferred charges	-	-	-	3,137,633
Capital assets (notes 6, 8 and 14):				
Utility plant in service, net	-	-	-	255,152,015
Infrastructure assets, net	274,969,315	-	274,969,315	-
Ground and site improvements, net	-	75,280	75,280	-
Buildings and improvements, net	476,759,437	754,675	477,514,112	-
Equipment, net	48,585,309	28,056	48,613,365	-
Easements, net	3,500,794	-	3,500,794	-
Construction work in progress	42,477,332	-	42,477,332	11,708,146
Land and improvements	163,565,168	753,877	164,319,045	4,528,502
Total capital assets, net	1,009,857,355	1,611,888	1,011,469,243	271,388,663
Total noncurrent assets	1,079,237,697	1,837,724	1,081,075,421	277,100,692
Total assets	1,263,071,650	2,723,763	1,265,795,413	315,454,589

(Continued)

COUNTY OF HAWAII

Statement of Net Position

June 30, 2013

(Concluded)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$ 14,986,633	$ 49,289	$ 15,035,922	$ 2,769,640
Accrued payroll	7,653,546	-	7,653,546	1,020,654
Deferred revenue (note 7)	3,440,011	1,605	3,441,616	-
Interest due on long-term debt	6,119,459	15,791	6,135,250	1,029,460
Bonds and loans payable, current portion net (notes 10 and 14)	18,854,249	40,571	18,894,820	2,556,320
Compensated absences, current portion (note 10)	7,540,581	-	7,540,581	403,222
Claims and judgments, current portion (notes 10, 12 and 14)	2,608,535	-	2,608,535	51,227
Capital leases, current portion (notes 8 and 10)	1,335,930	-	1,335,930	-
Landfill costs payable, current portion (notes 9 and 10)	193,821	-	193,821	-
Customers' deposits	-	-	-	589,539
Other	3,306,979	-	3,306,979	-
Total current liabilities	66,039,744	107,256	66,147,000	8,420,062
Noncurrent liabilities:				
Bonds and loans payable, net (notes 10 and 14)	334,703,553	1,256,062	335,959,615	51,123,708
Compensated absences (note 10)	24,624,529	-	24,624,529	1,147,631
Claims and judgments (notes 10, 12 and 14)	9,795,927	-	9,795,927	177,773
Capital leases (notes 8 and 10)	2,296,490	-	2,296,490	-
Landfill costs payable (notes 9 and 10)	21,791,179	-	21,791,179	-
Deferred revenue	-	-	-	1,583,953
Customers' deposits	-	-	-	16,459,048
Other (note 13)	38,160,502	-	38,160,502	-
Total noncurrent liabilities	431,372,180	1,256,062	432,628,242	70,492,113
Total liabilities	497,411,924	1,363,318	498,775,242	78,912,175
Net Position				
Net investment in capital assets	699,326,156	315,255	699,641,411	220,283,031
Restricted for:				
Capital projects	22,760,127	-	22,760,127	-
Debt service (note 10)	19,126,622	-	19,126,622	-
Highways, streets and abandoned vehicles	14,838,441	-	14,838,441	-
Public access open space	4,192,817	-	4,192,817	-
Other	3,519,700	-	3,519,700	-
Unrestricted	1,895,863	1,045,190	2,941,053	16,259,383
Total net position	$ 765,659,726	$ 1,360,445	$ 767,020,171	$ 236,542,414

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Statement of Activities

For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 55,616,102	$ 1,695,152	$ 1,983,060	$ 5,217,111
Public safety	151,975,049	5,117,102	19,664,648	25
Highways and streets	42,219,903	10,159,443	2,073,483	97,316,020
Health, education and welfare	28,001,020	570,312	19,562,429	3,194,290
Culture and recreation	22,121,336	1,794,553	59,213	640,400
Sanitation	38,505,086	15,593,933	1,067,520	1,216,824
Interest on long-term debt	13,885,003	-	-	-
Total governmental activities	352,323,499	34,930,495	44,410,353	107,584,670
Business-type activities:				
Health, education and welfare	496,017	432,057	123,800	-
Total primary government	$ 352,819,516	$ 35,362,552	$ 44,534,153	$ 107,584,670
Component unit:				
Water (note 14)	$ 51,575,668	$ 48,406,240	$ -	$ 15,226,253

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 (loss)
Other
Total general revenues
Change in net position
Net position, beginning of year
Net position, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
$ (46,720,779)	$ -	$ (46,720,779)	$ -
(127,193,274)	-	(127,193,274)	-
67,329,043	-	67,329,043	-
(4,673,989)	-	(4,673,989)	-
(19,627,170)	-	(19,627,170)	-
(20,626,809)	-	(20,626,809)	-
(13,885,003)	-	(13,885,003)	-
(165,397,981)	-	(165,397,981)	-
-	59,840	59,840	-
(165,397,981)	59,840	(165,338,141)	-
-	-	-	12,056,825
200,775,779	-	200,775,779	-
10,766,021	-	10,766,021	-
11,087,369	-	11,087,369	-
6,352,944	-	6,352,944	-
17,750,132	-	17,750,132	-
(81,020)	1,416	(79,604)	231,984
2,320,838	342,275	2,663,113	-
248,972,063	343,691	249,315,754	231,984
83,574,082	403,531	83,977,613	12,288,809
682,085,644	956,914	683,042,558	224,253,605
$ 765,659,726	$ 1,360,445	$767,020,171	$ 236,542,414

COUNTY OF HAWAII

Governmental Funds

Balance Sheet

June 30, 2013

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (note 3)	$ 9,791,443	$ 26,619,537	$ 37,950,123	$ 74,361,103
Investments (note 3)	43,304,841	59,679,192	22,728,091	125,712,124
Receivables, net (note 4)	24,361,511	911,667	2,774,122	28,047,300
Due from other governmental funds (note 5)	1,093,757	725,732	241,289	2,060,778
Due from other nongovernmental funds (note 5)	-	-	1,350	1,350
Receivables from other governments (note 4)	10,768,812	5,688,423	1,715,371	18,172,606
Inventories	3,492,464	-	-	3,492,464
Real estate held for sale	-	1,208,129	-	1,208,129
Other	307,135	-	597,443	904,578
Total assets	$ 93,119,963	$ 94,832,680	$ 66,007,789	$253,960,432
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 2,457,715	$ 9,604,872	$ 2,924,046	$ 14,986,633
Accrued payroll	6,637,658	-	1,015,888	7,653,546
Due to other governmental funds (note 5)	548,747	1,001,980	510,051	2,060,778
Due to other nongovernmental funds (note 5)	31,304	-	-	31,304
Deferred revenue (note 7)	26,936,536	852,988	2,879,294	30,668,818
Other	2,559,396	302,450	445,133	3,306,979
Total liabilities	39,171,356	11,762,290	7,774,412	58,708,058
Fund balances:				
Nonspendable: Inventory	3,492,464	-	-	3,492,464
Restricted for:				
Debt service (note 10)	-	-	19,126,622	19,126,622
Highways, streets and abandoned vehicles	-	33,504,647	14,838,441	48,343,088
Public access open space	4,192,817	-	-	4,192,817
Public safety radio system upgrade	-	25,000,000	-	25,000,000
Other	671,088	9,568,558	2,848,612	13,088,258
Committed to:				
Budget stabilization	5,016,857	-	-	5,016,857
Disaster and emergencies	5,076,587	-	-	5,076,587
Lower Puna area	-	-	4,176,671	4,176,671
Rental assistance and subsidy	-	-	2,037,622	2,037,622
Sanitation	-	-	12,021,732	12,021,732
Self insurance	1,252,921	-	-	1,252,921
Highways, streets and abandoned vehicles	-	946,490	2,696,777	3,643,267
Parks and recreational projects	-	1,866,699	84,809	1,951,508
Zoning change impact mitigation (fair share)	-	2,624,050	-	2,624,050
Other	719,163	2,645,626	402,091	3,766,880
Assigned to:				
Subsequent year's budget	21,650,000	-	-	21,650,000
Other	3,182,390	6,914,320	-	10,096,710
Unassigned	8,694,320	-	-	8,694,320
Total fund balances	53,948,607	83,070,390	58,233,377	195,252,374
Total liabilities and fund balances	$ 93,119,963	$ 94,832,680	$ 66,007,789	$253,960,432

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2013

Total fund balances - governmental funds		$ 195,252,374
Amounts reported for governmental activities in the statement of net position 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	163,565,168	
Infrastructure assets, net	274,969,315	
Buildings and improvements, net	476,759,437	
Equipment, net	48,585,309	
Easements, net	3,500,794	
Construction work in progress	42,477,332	
Total capital assets		1,009,857,355
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)		27,228,807
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	(352,211,857)	
Interest on long-term debt	(6,119,459)	
Capital leases	(3,632,420)	
Compensated absences	(32,165,110)	
Claims and judgments	(12,404,462)	
Landfill costs payable	(21,985,000)	
Other Postemployment Benefit Obligation (OPEB)	(38,160,502)	
Total long-term liabilities		(466,678,810)
Net position of governmental activities		$ 765,659,726

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, 2013

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$201,200,542	$ -	$ -	$201,200,542
Public service company taxes	10,766,021	-	-	10,766,021
Fuel taxes	-	-	6,352,944	6,352,944
Public utility franchise taxes	-	-	11,087,369	11,087,369
Licenses and permits	6,392,990	-	9,598,257	15,991,247
Intergovernmental	50,421,639	11,156,209	18,333,691	79,911,539
Charges for services	2,782,119	-	14,273,236	17,055,355
Investment earnings (losses)	(338,974)	(281,305)	2,353	(617,926)
Settlement contributions	-	12,500,000	-	12,500,000
Other	2,470,808	578,192	1,349,757	4,398,757
Total revenues	273,695,145	23,953,096	60,997,607	358,645,848
Expenditures				
Current:				
General government	33,334,811	-	24,890	33,359,701
Public safety	100,962,048	-	5,922,594	106,884,642
Highways and streets	2,756,175	-	15,167,091	17,923,266
Health, education and welfare	7,293,799	-	16,904,896	24,198,695
Culture and recreation	15,473,939	-	862,797	16,336,736
Sanitation	870,428	-	29,801,393	30,671,821
Pension and retirement contributions (note 13)	25,737,117	-	4,079,470	29,816,587
Employees' health insurance	23,909,503	-	2,101,864	26,011,367
Other	2,172,038	-	819,487	2,991,525
Debt service:				
Principal	413,716	-	25,303,992	25,717,708
Interest	41,116	-	14,303,986	14,345,102
Capital outlay	9,108,584	39,456,179	-	48,564,763
Total expenditures	222,073,274	39,456,179	115,292,460	376,821,913
Excess (deficiency) of revenues over (under) expenditures	51,621,871	(15,503,083)	(54,294,853)	(18,176,065)

(Continued)

COUNTY OF HAWAII

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

(Concluded)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Sale of assets	$ 1,046	$ -	$ -	$ 1,046
Increase in capital leases (notes 8 and 10)	1,306,791	-	-	1,306,791
State Revolving Fund loans (note 10)	-	4,991,351	-	4,991,351
Issuance of bonds (note 10)	-	50,480,049	-	50,480,049
Premium on bonds (note 10)	5,871,519	10,092,820	1,605,461	17,569,800
Refunding bonds (note 10)	39,480,000	-	8,029,843	47,509,843
Payment to refunded bond escrow agent (note 10)	(45,351,519)	-	-	(45,351,519)
Retirement of refunded debt (note 10)	-	-	(9,635,304)	(9,635,304)
Transfers in (note 5)	-	3,460,483	47,895,968	51,356,451
Transfers out (note 5)	(47,895,968)	-	(3,460,483)	(51,356,451)
Total other financing sources (uses)	(46,588,131)	69,024,703	44,435,485	66,872,057
Net change in fund balances	5,033,740	53,521,620	(9,859,368)	48,695,992
Fund balances at beginning of year	48,726,954	29,548,770	68,092,745	146,368,469
Increase in reserve for inventories	187,913	-	-	187,913
Fund balances at end of year	$ 53,948,607	$ 83,070,390	$ 58,233,377	$ 195,252,374

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, 2013

Net change in fund balances - total governmental funds		$ 48,695,992
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	51,569,008	
Dedicated and contributed property	76,587,171	
Depreciation expense and loss on disposals	(35,548,168)	
Excess of capital outlay over depreciation expense		92,608,011
Borrowings provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:		
General obligation bonds, net of refunding	(45,073,574)	
Premium on bond issuance	(17,569,800)	
Deferred amount on refunding of bonds	682,146	
State Revolving Fund loans, net of refunding	(4,991,351)	
Capital leases	(1,306,791)	
Total debt proceeds		(68,259,370)
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 position. In the current year, these amounts consist of:		
Bond principal retirement, net of refunding	12,080,025	
State Revolving Fund loan repayments/forgiveness	13,159,694	
Capital lease payments	1,477,989	
Total long-term debt repayment		26,717,708
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 decreased by this amount this year.		(301,574)

(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, 2013

(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	$ 187,913	
Increase in Other Postemployment Benefit Obligation (OPEB)	(15,820,170)	
Decrease in compensated absences	415,469	
Increase in claims and judgments	(1,957,355)	
Increase in landfill closure/postclosure care costs	(561,000)	
Amortization of premium from bond issuance	2,207,148	
Amortization of deferred amount on refunding of bonds	(277,496)	
Net increase in accrued interest	(81,194)	
Net additional expenses		(15,886,685)
Change in net position of governmental activities		$ 83,574,082

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Taxes and assessments:				
Property taxes	$ 198,300,000	$ 198,590,000	$ 201,200,542	$ 2,610,542
Public service company taxes	9,377,600	9,627,600	10,766,021	1,138,421
Total taxes and assessments	207,677,600	208,217,600	211,966,563	3,748,963
Licenses and permits:				
Nonbusiness licenses and permits	2,879,200	2,879,200	3,755,144	875,944
Business licenses	1,522,102	1,522,102	1,090,342	(431,760)
Street use	1,510,000	1,510,000	1,547,504	37,504
Total licenses and permits	5,911,302	5,911,302	6,392,990	481,688
Intergovernmental:				
Federal:				
Programs for the aged	2,013,996	2,013,996	1,372,809	(641,187)
Community development block grants	-	2,500,000	2,500,000	-
HOME program grant	-	1,050,279	1,050,279	-
Law enforcement	2,285,050	2,633,107	1,484,359	(1,148,748)
Other	3,265,838	3,833,328	3,458,118	(375,210)
Total federal	7,564,884	12,030,710	9,865,565	(2,165,145)
State:				
State General Fund - Act 185, SLH 1990	17,298,000	17,298,000	17,298,000	-
Emergency medical services	14,358,592	14,358,592	14,358,592	-
Other	5,930,857	7,275,959	6,131,710	(1,144,249)
Total State	37,587,449	38,932,551	37,788,302	(1,144,249)
Total intergovernmental revenue	45,152,333	50,963,261	47,653,867	(3,309,394)
Charges for services:				
General government	5,372,021	5,372,021	4,842,578	(529,443)
Culture and recreation	1,159,400	1,159,400	965,450	(193,950)
Highways and streets	824,000	824,000	694,821	(129,179)
Public safety	112,123	112,123	114,788	2,665
Total charges for services	7,467,544	7,467,544	6,617,637	(849,907)
Fines and forfeitures	1,388,600	1,388,600	1,425,268	36,668
Rents	186,080	186,080	167,031	(19,049)

(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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues (continued):				
Interest and penalties	$ 100,000	$ 100,000	$ 352,948	$ 252,948
Miscellaneous	5,132,589	5,207,589	5,108,145	(99,444)
Total revenues	273,016,048	279,441,976	279,684,449	242,473
Expenditures:				
Current:				
General government:				
Finance	9,833,353	9,904,648	8,884,850	1,019,798
General government building	4,948,692	4,821,192	4,446,301	374,891
Legislative	3,100,704	3,131,357	2,995,006	136,351
Automotive equipment	5,743,679	5,740,079	4,948,719	791,360
Law	2,532,561	2,532,561	2,229,181	303,380
Research and development	2,951,619	3,071,619	2,774,527	297,092
Planning and zoning	2,847,535	2,847,535	2,667,137	180,398
Mayor's office	1,276,657	1,321,764	1,173,120	148,644
Engineering	1,237,009	1,237,009	1,160,370	76,639
Information technology	1,631,339	1,631,339	1,534,174	97,165
Human resources	1,707,354	1,707,354	1,627,266	80,088
Public works administration	1,215,174	1,218,774	1,162,601	56,173
Elections	868,879	873,104	837,035	36,069
Legislative auditor	786,484	786,484	599,394	187,090
Total general government	40,681,039	40,824,819	37,039,681	3,785,138
Public safety:				
Police department	53,948,484	54,280,705	50,565,735	3,714,970
Fire department	37,382,687	37,662,304	35,935,154	1,727,150
Prosecuting attorney	7,830,753	8,169,766	6,579,553	1,590,213
Protective inspection	1,964,771	2,092,271	1,834,010	258,261
Liquor control	1,469,102	1,721,402	1,557,798	163,604
Flood control	309,000	309,000	306,550	2,450
Civil defense agency	1,231,059	1,354,511	955,193	399,318
Animal control	1,982,500	1,982,500	1,870,000	112,500
Total public safety	106,118,356	107,572,459	99,603,993	7,968,466
Highways and streets:				
Mass transit	3,300,812	3,300,812	3,174,806	126,006

(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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Expenditures (continued):				
Current (continued):				
Health, education and welfare:				
Elderly activities	$ 3,353,637	$ 3,354,637	$ 3,076,479	$ 278,158
Office of aging	2,323,947	3,225,872	2,435,632	790,240
Education	58,500	58,500	48,690	9,810
Social programs	1,500,000	1,500,000	1,455,250	44,750
Cemeteries	348,944	323,944	292,016	31,928
Physical examination	133,825	133,825	128,355	5,470
Total health, education and welfare	7,718,853	8,596,778	7,436,422	1,160,356
Culture and recreation:				
Community music	271,886	240,386	198,212	42,174
Organized recreation:				
Maintenance	7,129,510	7,236,510	6,865,167	371,343
Recreation	2,468,345	2,520,334	2,385,206	135,128
Aquatics	2,260,033	2,236,033	2,107,883	128,150
Hoolulu park complex	902,602	906,602	888,845	17,757
Administration	1,518,575	1,432,575	1,315,943	116,632
Children's zoo	638,232	640,232	629,640	10,592
Summer/Intersession	502,045	502,045	335,989	166,056
Culture and arts	230,833	232,333	198,727	33,606
Elderly activities administration	499,285	500,285	433,270	67,015
Total culture and recreation	16,421,346	16,447,335	15,358,882	1,088,453
Sanitation:				
Environmental management	1,006,997	1,006,997	872,536	134,461
Pension and retirement contributions	27,396,238	27,396,238	25,174,814	2,221,424
Employees' health insurance	27,405,000	27,405,000	23,912,049	3,492,951
Other postemployment benefits	30,000	30,000	15,833	14,167
Other	4,250,000	3,861,152	2,021,046	1,840,106
Total current	234,328,641	236,441,590	214,610,062	21,831,528

(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, 2013

(Concluded)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Expenditures (continued):				
Capital Outlay:				
Community Development Block grants (HUD)	$ -	$ 2,575,000	$ 2,575,000	$ -
HOME Program	-	1,050,279	1,050,279	-
Other	-	400,000	400,000	-
Total capital outlay	-	4,025,279	4,025,279	-
Total expenditures	234,328,641	240,466,869	218,635,341	21,831,528
Excess of revenues over expenditures	38,687,407	38,975,107	61,049,108	22,074,001
Other financing sources (uses):				
Transfers out:				
Housing Fund	(838,384)	(838,384)	(838,384)	-
Solid Waste Fund	(15,736,944)	(15,736,944)	(15,736,944)	-
Golf Course Fund	(299,000)	(299,000)	(299,000)	-
Sewer Connection Loan Fund	(100,000)	(100,000)	(100,000)	-
Disaster/Emergency Fund	(250,000)	(250,000)	(250,000)	-
Public Access, Open Space, and Natural Resources Preservation Fund	(3,966,000)	(4,256,000)	(4,024,011)	231,989
Public Access, Open Space, and Natural Resources Preservation Maintenance Fund	-	(250,000)	(220,960)	29,040
Budget Stabilization Fund	(250,000)	(250,000)	(250,000)	-
Debt Service Fund	(35,250,229)	(35,250,229)	(35,250,229)	-
Total transfers out	(56,690,557)	(57,230,557)	(56,969,528)	261,029
Total other financing uses	(56,690,557)	(57,230,557)	(56,969,528)	261,029
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(18,003,150)	(18,255,450)	4,079,580	22,335,030
Fund balance at beginning of year	48,726,954	48,726,954	48,726,954	-
Fund balance at end of year	$ 30,723,804	$ 30,471,504	$ 52,806,534	$ 22,335,030

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Proprietary Funds

Statement of Net Position

June 30, 2013

	Business-type Activities- Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Assets			
Current assets:			
Cash and cash equivalents (note 3)	$ 550,325	$ 259,682	$ 810,007
Restricted cash and cash equivalents (note 3)	12,334	27,114	39,448
Imprest fund (note 3)	50	100	150
Receivables, net (note 4)	310	4,669	4,979
Internal balances, net (note 5)	29,954	-	29,954
Prepaid expenses	1,501	-	1,501
Total current assets	594,474	291,565	886,039
Noncurrent assets:			
Restricted cash and cash equivalents (note 3)	-	26,406	26,406
Investments (note 3)	199,430	-	199,430
Capital assets (note 6):			
Land and site improvements	511,000	515,727	1,026,727
Buildings and equipment	1,241,333	469,635	1,710,968
Less accumulated depreciation	(1,115,825)	(9,982)	(1,125,807)
Total capital assets	636,508	975,380	1,611,888
Total noncurrent assets	835,938	1,001,786	1,837,724
Total assets	1,430,412	1,293,351	2,723,763
Liabilities			
Current liabilities:			
Accounts payable	3,526	-	3,526
Due to developer	-	7,729	7,729
Security deposits payable from restricted assets	12,334	25,700	38,034
Deferred revenue (note 7)	1,232	373	1,605
Interest payable	15,791	-	15,791
Notes payable, current portion (note 10)	24,071	16,500	40,571
Total current liabilities	56,954	50,302	107,256
Noncurrent liabilities:			
Notes payable (note 10)	811,037	445,025	1,256,062
Total liabilities	867,991	495,327	1,363,318
Net Position			
Net investment in capital assets	(198,600)	513,855	315,255
Unrestricted	761,021	284,169	1,045,190
Total net position	$ 562,421	$ 798,024	$ 1,360,445

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Proprietary Funds

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

For the Fiscal Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Operating revenues:			
Rental receipts from tenants	$ 121,731	$ 303,067	$ 424,798
Rental subsidy from federal government - HUD	123,800	-	123,800
Laundry receipts	3,454	-	3,454
Other	-	3,805	3,805
Total operating revenues	248,985	306,872	555,857
Operating expenses:			
Utilities	39,957	84,082	124,039
General and administration	77,049	85,613	162,662
Maintenance and repairs	43,947	66,590	110,537
Depreciation (note 6)	34,422	9,982	44,404
Total operating expenses	195,375	246,267	441,642
Operating income	53,610	60,605	114,215
Nonoperating revenues (expenses):			
Investment income	1,408	8	1,416
Interest expense	(54,375)	-	(54,375)
Other income	-	342,275	342,275
Total nonoperating revenues (expenses)	(52,967)	342,283	289,316
Change in net position	643	402,888	403,531
Net position, beginning of year	561,778	395,136	956,914
Net position, end of year	$ 562,421	$ 798,024	$ 1,360,445

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Cash Flows from Operating Activities			
Receipts from tenants	$ 125,842	$ 305,761	$ 431,603
Receipts from federal government - HUD	123,800	-	123,800
Payments to suppliers for goods and services	(160,738)	(237,901)	(398,639)
Net cash provided by operating activities	88,904	67,860	156,764
Cash Flows from Capital and Related Financing Activities			
Principal paid on notes payable	(20,182)	(16,905)	(37,087)
Issuance of bonds	831,124	-	831,124
Retirement of refunded debt	(831,124)	-	(831,124)
Interest paid on notes payable	(34,600)	-	(34,600)
Purchase of capital assets	(7,653)	(3,055)	(10,708)
Other payments	(31,304)	-	(31,304)
Net cash used in capital and related financing activities	(93,739)	(19,960)	(113,699)
Cash Flows from Investing Activities			
Purchase of investments	(200,000)	-	(200,000)
Proceeds from maturities of investments	400,000	-	400,000
Interest on investments	3,058	8	3,066
Net cash provided by investing activities	203,058	8	203,066
Net increase in cash and cash equivalents	198,223	47,908	246,131
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents)	364,486	265,394	629,880
Cash and cash equivalents at end of year (including restricted cash and cash equivalents)	$ 562,709	$ 313,302	$ 876,011
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 53,610	$ 60,605	$ 114,215
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	34,422	9,982	44,404
Change in assets and liabilities:			
Receivables, net	667	(790)	(123)
Prepaid expenses	120	-	120
Accounts and other payables	309	(316)	(7)
Deferred revenue	(224)	(1,621)	(1,845)
Net cash provided by operating activities	$ 88,904	$ 67,860	$ 156,764
Supplemental disclosure of cash flow information - Interest paid	$ 34,600	$ -	$ 34,600
Noncash investing, capital and financing activities:			
Net decrease in fair value of investments	$ 570	$ -	$ 570
Acquisition of housing project in exchange for assumption of debt	$ -	$ 478,430	$ 478,430

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2013

	Private-Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents (note 3)	$ 1,741,254	$ 3,094,097
Investments (note 3)	3,030,761	189,525
Receivables:		
Due from other agency funds	-	2,542
Other receivables	463	72,500
Total receivables	463	75,042
Total assets	4,772,478	$ 3,358,664
Liabilities		
Due to other agency funds	-	2,542
Accrued liabilities	-	2,699,304
Advances payable	-	239,724
Assets held for the benefit of improvement districts	-	417,094
Total liabilities	-	$ 3,358,664
Net Position		
Held in trust for other parties	4,772,478	
Total net position	$ 4,772,478	

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2013

	Private-Purpose Trusts
Additions	
Contributions:	
Puna Geothermal Venture	$ 50,000
Investment earnings:	
Net increase in fair value of investments	29,967
Dividends	55,825
Interest	2,100
Total additions	137,892
Deductions	
Grant payments	290,734
Total deductions	290,734
Change in net position	(152,842)
Net position, beginning of year	4,925,320
Net position, end of year	$ 4,772,478

See accompanying notes to the basic financial statements.

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), Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39) and Statement No. 61, *The Financial Reporting Entity: Omnibus,* an amendment of GASB Statements No. 14 and 34 (GASB Statement No. 61). All organizations, activities or functions that meet the criteria in GASB Statement No. 14, No. 39 and No. 61 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, as amended by GASB Statement No. 61, defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable or for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. "Financial accountability" is the level of accountability that exists if a primary government appoints a voting majority of an organization's governing board or if the organization is fiscally dependent on the primary government 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.

As required by GAAP as set forth in GASB Statement No. 14, No. 39 and No. 61, 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 position, 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. 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 position and the statement of changes in net position) 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 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.

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. 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 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.

The County applies all applicable GASB pronouncements, including the adoption of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB (Financial Accounting Standards Board) and AICPA (American Institute of Certified Public Accountants) Pronouncements.*

Encumbrances

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

Cash and Investments

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

Investments consist of certificates of deposit, repurchase agreements, and securities with original maturities exceeding three months. These include 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 (Fannie Mae) 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 Hawaiʻi 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, 2013 of $671,088 are reflected as a restriction of general fund balance.

Capital Assets

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

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

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

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

Assets	Years
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 position. Certain other governmental fund obligations not expected to be financed with current available resources are also reported on the government-wide statement of net position. 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 position along with the estimated liability for social security and Medicare taxes and employers' retirement contributions on those amounts.

Sick leave accumulates without limit. Sick leave can be taken only in the event of illness and is not convertible to pay upon termination of employment; therefore there is no related liability. However, a County employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawai'i. Accumulated sick leave at June 30, 2013 totaled $65,452,000 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 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.

Fund Balances

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

The County reports the following classifications:

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

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

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

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

Unassigned Fund Balance – This is the residual classification of the General Fund and the Capital Projects Fund.

Net Position

When both restricted and unrestricted net position are available for use, it is the County's policy to use restricted net position first, and then unrestricted net position.

New Accounting Pronouncements

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements. The requirements of this Statement were effective for financial statements for periods beginning after December 15, 2011 and did not have an impact on the County's financials for the year ending June 30, 2013.

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 inclusion of component units in the financial reporting entity. The provisions of this statement were effective for the County for periods beginning after June 15, 2012 and did not have an impact on the County's financials for the year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB (Financial Accounting Standards Board) and AICPA (American Institute of Certified Public Accountants) 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 were effective for the County for periods beginning after December 15, 2011 and did not have an impact on the County's financials for the year ending June 30, 2013.

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 were effective for the County for periods beginning after December 15, 2011. The County implemented this Statement in fiscal year ended June 30, 2013.

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.

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.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The requirements for this Statement are effective for the County for periods beginning after December 15, 2013. The County has not yet determined the effect this Statement will have on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The requirements for this Statement are effective for the County for periods beginning after June 15, 2013. The County has not yet determined the effect this Statement will have on its financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. 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 2012-2013 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 $6.7 million in the general fund and $2.4 million in the special revenue funds. Legally adopted budgets include the General Fund, Highway Fund, Sewer Fund, Solid Waste Fund, Cemetery Fund, Parking Meter Fund, Vehicle Disposal Fund, Bikeway Fund, Workforce Investment Act Fund, Golf Course 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, 2013:

Ending fund balance – GAAP basis	$53,948,607
Encumbrance adjustments:	
Beginning encumbrances and unexpended allotments	3,837,693
Ending encumbrances and unexpended allotments	(3,182,390)
Other adjustments	(1,797,376)
Ending fund balance – Non-GAAP budgetary basis	$52,806,534

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. Under Section 46-50 of the Hawaii Revised Statutes, legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally insured financial institutions.

Cash

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

The carrying amount of the County's deposits (cash, time certificates of deposit, and money market accounts) as of June 30, 2013 was $155,705,150 for the primary government and $4,835,351 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 $170,335,603 at June 30, 2013. Of that amount, $170,071,430 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 $264,173 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 funds also hold equity securities.

The County's investments and maturities at June 30, 2013 are as follows:

		Maturity (in years)	
	Fair Value	Less than 1	1 – 5
Investments – Primary Government:			
Certificates of deposit	$ 80,508,706	$ 57,613,713	$22,894,993
Government sponsored securities	45,402,848	--	45,402,848
	$ 125,911,554	$ 57,613,713	$68,297,841
Investments – Fiduciary Funds:			
Government sponsored securities	$ 1,741,343	$ --	$ 1,741,343
Equity securities	$ 1,289,418		
Investments – Agency Funds:			
Government sponsored securities	$ 189,525	$ --	$ 189,525

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. As of June 30, 2013, investments were distributed as follows: Central Pacific Bank, 38.3%; FTN Financial, 15.8%; Multi Bank Securities, 14.0%; Stifel Nicolaus, 9.7%; First Hawaiian Bank, 6.5%; Raymond James, 4.8%; Bank of Hawaii, 3.9%; Hawaii National Bank, 3.5%; Territorial Savings Bank, 3.5%.

Restricted Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments classified as restricted assets for the primary government at June 30, 2013 amounted to $115,921,348.

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 $75,092,166 at June 30, 2013.

Cash and investments in the Bond Redemption Fund and the Interest Fund are restricted to debt service related payments and amounted to $19,418,552.

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 $16,717,909.

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 $671,088 and $3,955,779, 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 $12,334 and $27,114, respectively, at June 30, 2013.

An operating reserve fund was established by the Ouli Ekahi Affordable Housing Project pursuant to an agreement with the Hawaii Housing Finance and Development Corporation, who are the holders of the project's note. This restricted reserve amounted to $26,406 at June 30, 2013.

4. RECEIVABLES

Receivables as of June 30, 2013, 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	$25,213,665	$ --	$ --	$25,213,665
Accounts receivable:				
Sewer	--	--	2,218,373	2,218,373
Solid waste	--	--	2,280,764	2,280,764
Capital projects	--	911,667	--	911,667
Intergovernmental	10,768,812	5,688,423	1,715,371	18,172,606
Gross receivables	35,982,477	6,600,090	6,214,508	48,797,075
Less: allowance for uncollectibles	(852,154)	-	(1,725,015)	(2,577,169)
Net total receivables	$35,130,323	$6,600,090	$4,489,493	$46,219,906

During fiscal year 2005, the County issued $3,887,493 in general obligation bonds on behalf of Improvement District No. 18, an agency fund. On February 12, 2013 bonds were issued to refund the outstanding principal balance of $1,345,945 for the Improvement District. At June 30, 2013, the outstanding balance of $1,345,945 is reflected in the government-wide statement of net position as a receivable (see Note 10).

Business-type activities:

	Enterprise Funds
Accounts receivable:	
Rent	$4,810
Other	169
Gross receivables	4,979
Less: allowance for uncollectibles	--
Net total receivables	$ 4,979

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of the following at June 30, 2013:

Receivable Fund	Payable Fund	Amount
General fund	Capital projects fund	$ 870,680
	Other governmental funds	223,077
		1,093,757
Capital projects fund	General fund	456,714
	Other governmental funds	269,018
		725,732
Other governmental funds	General fund	92,033
	Capital projects fund	131,300
	Other governmental funds	17,956
		241,289
Total		$2,060,778
Other governmental funds	Enterprise funds	$1,350
Enterprise funds	General Fund	$31,304

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, 2013 consisted of the following:

	Transfers out: General Fund	Other Governmental Funds	Total
Transfers in:			
Capital Projects Fund	$ --	$3,460,483	$ 3,460,483
Other governmental funds	47,895,968	--	47,895,968
	$47,895,968	$3,460,483	$51,356,451

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.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 for the County was as follows:

	Balance July 1, 2012	Additions	Retirements/ Transfers	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 129,569,750	$ 33,995,418	$ --	$ 163,565,168
Easements	3,012,778	414,800	--	3,427,578
Construction work in progress	31,937,409	38,704,214	(28,164,291)	42,477,332
Total capital assets not being depreciated	164,519,937	73,114,432	(28,164,291)	209,470,078
Capital assets being depreciated:				
Buildings and improvements	527,813,137	30,391,984	(1,243,351)	556,961,770
Equipment	120,305,392	6,301,956	(1,522,455)	125,084,893
Easements	439,300	--	--	439,300
Infrastructure	430,483,939	46,512,098	--	476,996,037
Total capital assets being depreciated	1,079,041,768	83,206,038	(2,765,806)	1,159,482,000
Less accumulated depreciation for:				
Buildings and improvements	(72,331,213)	(7,939,154)	68,034	(80,202,333)
Equipment	(70,215,601)	(7,632,077)	1,348,094	(76,499,584)
Easements	(219,650)	(146,434)	--	(366,084)
Infrastructure	(183,545,897)	(18,480,825)	--	(202,026,722)
Total accumulated depreciation	(326,312,361)	(34,198,490)	1,416,128	(359,094,723)
Total capital assets being depreciated, net	752,729,407	49,007,548	(1,349,678)	800,387,277
Governmental activities capital assets, net	$917,249,344	$122,121,980	($29,513,969)	$1,009,857,355

Business-type activities:	Balance July 1, 2012	Additions	Retirements/ Transfers	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$ 753,877	$ --	$ --	$ 753,877
Capital assets being depreciated:				
Buildings and improvements	1,136,008	457,179	--	1,593,187
Ground and site improvements	261,000	11,850	--	272,850
Equipment	103,024	20,109	(5,352)	117,781
Total capital assets being depreciated	1,500,032	489,138	(5,352)	1,983,818
Buildings and improvements	(806,278)	(32,234)	--	(838,512)
Ground and site improvements	(193,420)	(4,150)	--	(197,570)
Equipment	(87,057)	(8,020)	5,352	(89,725)
Total accumulated depreciation	(1,086,755)	(44,404)	5,352	(1,125,807)
Total capital assets being depreciated, net	413,277	444,734	--	858,011
Business-type activities capital assets, net	$1,167,154	$444,734	$ --	$1,611,888

The County received $12.5 million as a partial settlement from a developer that did not complete the required infrastructure for their development. The funds are to be used by the County to construct the roadway that was initially required of the developer. As of June 30, 2013, approximately $160,000 was expended and capitalized.

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

Governmental activities:	
General government	$ 2,974,208
Public safety	2,950,175
Highways and streets	19,888,722
Sanitation	4,851,858
Health, education and welfare	1,817,852
Culture and recreation	1,715,675
Total depreciation expense – governmental activities	$34,198,490
Business-type activities:	
Kulaimano Elderly Housing Project	$34,422
Ouli Ekahi Affordable Housing Project	9,982
Total depreciation expense – business-type activities	44,404

7. DEFERRED REVENUE:

Deferred revenue consists of the following at June 30, 2013:

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Real property taxes	$ 24,881,442	$ --	$ --	$ 24,881,442
Liquor control revenue	198,310	--	--	198,310
Sewer revenue	--	--	1,351,064	1,351,064
Housing revenue	--	--	93,174	93,174
Solid waste revenue	--	--	1,435,056	1,435,056
Intergovernmental	1,856,784	852,988	--	2,709,772
Total presented in fund financial statements	26,936,536	852,988	2,879,294	30,668,818
Less adjustments for accrual of revenues	(24,361,511)	--	(2,867,296)	(27,228,807)
Total government-wide financial statements	$ 2,575,025	$ 852,988	$ 11,998	$ 3,440,011

Business-type activities:

	Enterprise Funds
Unearned rental income	$1,605

8. LEASES

The County leases machinery and equipment under noncancellable leases expiring at various dates through February 2018. 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 $6,697,301 and $1,609,301, respectively, and the related present value of the remaining obligations under the capital leases amounting to $3,632,420 at June 30, 2013 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 $1,847,541 for the fiscal year ended June 30, 2013.

The future minimum payments under capital and operating leases at June 30, 2013 are as follows:

	Capital Leases	Operating Leases
Year Ending June 30:		
2014	$1,409,426	$1,473,506
2015	1,105,824	1,305,269
2016	719,390	1,251,840
2017	405,355	966,758
2018	135,432	899,477
2019 – 2023	--	1,342,570
2024 - 2028	--	135,883
2029 - 2030	--	16,422
Total minimum lease payments	3,775,427	$7,391,725
Less amount representing interest	(143,007)	
Obligations under capital leases	$3,632,420	

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 position. The amount recognized each year is based on the landfill capacity used as of the statement of net position date. At June 30, 2013, the County recognized a liability of $13,711,000, based on the use of 93% of the estimated capacity of the landfill. During the fiscal year ended June 30, 2013, there were no expenditures incurred for the closure of the landfill. The remaining $1,019,000 in estimated cost of closure and postclosure care will be recognized as the remaining estimated capacity is used. The estimated remaining useful life of the landfill is approximately two years. These amounts are based on what it would cost to perform the required closure and postclosure care in 2013. 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 $16,300,000, based on what it would cost to perform the required closure and postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Through June 30, 2013, $8,026,000 was spent on closure and postclosure care of the landfill. The remaining estimated liability of $8,274,000 is included in the government-wide statement of net position. During the year ended June 30, 2013, $328,000 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'uanahulu In May 1993, the County contracted with a private company to construct and operate a new landfill on County land at Pu'uanahulu 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 2013, the County has provided for financial resources that will be available to provide for closure, postclosure care and remediation or containment of environmental hazards at the above landfills, except Pu'uanahulu. The Environmental Protection Agency's financial assurance rules include a local government financial test consisting of a financial component, a public notice component, and a recordkeeping component. Local governments are required to satisfy each of the three components to pass the annual test. Management believes that the County has satisfied each of the components of the local government financial assurance requirements.

10. LONG-TERM DEBT

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds have been issued by the County for the primary government, component unit activities (see Note 14) and an improvement district. The following is a summary of general obligation bond transactions reported in the governmental activities section of the government-wide statement of net position for the County for the fiscal year ended June 30, 2013:

Bonds Authorized	Issue Amount	Bond Balance July 1, 2012	Issues	Retirements	Bond Balance June 30, 2013	Due Within One Year
1993 Ref & PI	$86,770,000	$ 5,945,000	$ --	($ 5,945,000)	$ --	$ --
2003 Series A	36,310,000	27,070,000	--	(25,275,000)	1,795,000	1,795,000
2004 Series A	30,000,000	23,990,000	--	(21,100,000)	2,890,000	1,410,000
2004 Ref Series B	19,545,000	8,870,000	--	(2,055,000)	6,815,000	2,160,000
2004 Ref Series C	5,050,140	1,678,768	--	(539,604)	1,139,164	558,052
2004 PI Series A	2,776,400	1,952,523	--	(1,952,523)	--	--
2004 PI Series B	920,000	838,003	--	(838,003)	--	--
2006 Series A	25,000,000	20,797,500	--	(972,500)	19,825,000	1,022,500
2007 Series A	85,000,000	73,570,000	--	(3,200,000)	70,370,000	3,360,000
2007 Series B	20,820,000	15,470,000	--	(1,925,000)	13,545,000	2,000,000
2007 Series C	10,787,388	9,991,704	--	(828,294)	9,163,410	860,904
2008 Series A	50,000,000	46,600,000	--	(1,810,000)	44,790,000	1,885,000
2010 Series A	26,493,750	26,493,750	--	--	26,493,750	--
2010 Series B	18,506,250	18,506,250	--	--	18,506,250	--
2013 Series A	58,509,892	--	58,509,892	--	58,509,892	1,660,929
2013 Series B	21,010,000	--	21,010,000	--	21,010,000	--
2013 Series C	18,470,000	--	18,470,000	--	18,470,000	--
	515,968,820	281,773,498	97,989,892	(66,440,924)	313,322,466	16,712,385
Add unamortized premium	25,152,930	5,579,965	17,569,800	(2,207,148)	20,942,617	1,453,119
Less deferred amount on refunding	(3,510,905)	(1,184,914)	(682,146)	277,496	(1,589,564)	(306,272)
	$537,610,845	$286,168,549	$114,877,546	($68,370,576)	$332,675,519	$17,859,232

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.

General obligation bonds payable reported in the governmental activities section on the government-wide statement of net position at June 30, 2013 are comprised of the following individual issues:

Public improvement (PI) and/or refunding bonds:	
2003 Series A at 2.5% to 5.125%, due through 2013	$ 1,795,000
2004 Series A at 3.25% to 5.25%, due through 2014	2,890,000
2004 Refunding Series B at 3.5% to 5.0%, due through 2015	6,815,000
2004 Refunding Series C at 3.25% to 3.7%, due through 2014	1,139,164
2006 Series A at 4.0% to 5.0%, due through 2026	19,825,000
2007 Series A at 4.0% to 5.0%, due through 2027	70,370,000
2007 Series B at 3.75% to 5.0%, due through 2018	13,545,000
2007 Series C at 4.0% to 5.0%, due through 2021	9,163,410
2008 Series A at 4.0% to 6.0%, due through 2028	44,790,000
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	18,506,250
2013 Series A at 2.0% to 5.0%, due through 2033	58,509,892
2013 Series B at 3.0% to 5.0%, due through 2024	21,010,000
2013 Series C at 4.0% to 5.0%, due through 2025	18,470,000
Total general obligation bonds payable	$313,322,466

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

	Governmental Activities	
Fiscal year ending June 30:	Principal	Interest
2014	$ 16,712,385	$ 14,551,304
2015	19,396,450	13,558,978
2016	19,640,854	12,676,441
2017	18,052,456	11,811,628
2018	18,937,148	10,918,429
2019 – 2023	96,093,588	41,713,484
2024 – 2028	91,965,835	19,591,208
2029 – 2033	32,523,750	3,443,954
Total	$313,322,466	$128,265,426

Refunded Bonds

2013 Series A In fiscal year 2013, the County issued a mixture of refunding bonds, $8,029,843 and new bonds, $50,480,049 as the 2013 Series A general obligation bond issue. The refunding bonds have a true interest cost of 1.567% and were issued to current refund the $8,029,843 of loans from the State Water Pollution Control Revolving Fund (SRF) and general obligation bonds previously issued on behalf of Improvement District No. 18.

The County's total debt service requirements over the next seventeen years will decrease by $1,704,150 as a result of the refunding, and the net economic gain (difference between the present values on the old and new debt) after taking into account all allocable costs of issuance of the bonds was $1,516,044.

2013 Series B Also, in fiscal year 2013, the County issued $21,010,000 in refunding bonds as the 2013 Series B general obligation bond issue. The refunding bonds have a true interest cost of 1.639% and were issued to advance refund $23,550,000 of the total callable bonds outstanding of the 2003 Series A general obligation bond issue.

The bonds refunded bore interest at rates ranging from 3.000% to 5.000%. The par amount of $21,010,000 plus a premium of $3,216,926, minus $107,916 in underwriting fees, insurance and other issuance costs resulted in net proceeds of $24,119,010. The net proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust administered by an escrow agent and provided full payment on the outstanding 2003 Series A refunded bonds on July 15, 2013. The bonds were considered defeased and are not included in the government-wide statement of net position.

The County's total debt service requirements over the next eleven years will decrease by $4,483,238 as a result of the refunding, and the net economic gain (difference between the present values on the old and new debt) after taking into account all allocable costs of issuance of the bonds was $4,063,240.

2013 Series C Also, in fiscal year 2013, the County issued $18,470,000 in refunding bonds as the 2013 Series C general obligation bond issue. The refunding bonds have a true interest cost of 1.827% and were issued to advance refund the $19,760,000 of callable bonds outstanding of the 2004 Series A general obligation bond issue.

The bonds refunded bore interest at rates ranging from 4.000% to 5.000%. The par amount of $18,470,000 plus a premium of $2,863,307, minus $100,798 in underwriting fees, insurance and other issuance costs resulted in net proceeds of $21,232,509. The net proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust administered by an escrow agent and will provide full payment on the outstanding 2004 Series A refunded bonds on July 15, 2014. The bonds were considered defeased and are not included in the government-wide statement of net position.

The County's total debt service requirements over the next twelve years will decrease by $3,321,784 as a result of the refunding, and the net present value savings was $2,998,797.

As of June 30, 2013, bonds and loans outstanding considered defeased amounted to $43,310,000.

Bond Premiums

At June 30, 2013, total unamortized bond premiums were $20,942,617, which are being amortized over the remaining life of the respective bond issues.

Bonds Authorized and Unissued

The County Council has authorized the issuance of $296.1 million in general obligation bonds to finance specified capital improvement projects. At June 30, 2013, $151.1 million was not yet issued.

Subsequent Events On July 24, 2013, the County Council authorized the issuance of $1,169,000 in general obligation bonds for the County to finance specified capital improvement projects. On September 19, 2013 these bonds were issued for Improvement District No. 19. 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.

General Obligation Bond Anticipation Notes

The following is a summary of general obligation bond anticipation note transactions for the County for the fiscal year ended June 30, 2013:

Authorized	Issue Amount	Balance July 1, 2012	Issues	Retirements	Balance June 30, 2013
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	8,000,000	8,000,000	--	8,000,000	--
	$33,000,000	$33,000,000	$ --	$33,000,000	$ --

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 eight projects approved for funding with these loans.

The schedule below shows the County's SRF transactions for the fiscal year ended June 30, 2013:

Loans Authorized	Approved Amount	Loan Balance July 1, 2012	Additions	Retirements / Forgiveness	Loan Balance June 30, 2013	Due Within One Year
Hilo WWTP	$12,724,311	$ 805,882	$ --	($ 805,882)	$ --	$ --
Waiakea Mill	1,300,000	162,007	--	(80,004)	82,003	82,003
Waiakea Houselots	459,321	29,209	--	(29,209)	--	--
Waiakea Houselots II	5,024,266	2,158,941	--	(2,158,941)	--	--
Ainako A&B	2,239,174	337,417	--	(337,417)	--	--
Kalanianaole	1,499,944	340,851	--	(340,851)	--	--
Kalanianaole RH	1,615,980	1,119,567	--	(1,119,567)	--	--
Alii Drive A&B	3,210,243	418,345	--	(418,345)	--	--
Alii Drive C&D	3,780,000	793,877	--	(793,877)	--	--
Alii Drive E&F	2,112,654	563,171	--	(563,171)	--	--
Waiaha Bay	3,697,893	819,045	--	(819,045)	--	--
Kealakehe	1,300,071	161,712	--	(79,858)	81,854	81,854
Holualoa Bay	3,080,000	888,566	--	(888,566)	--	--
Paukaa CCS	2,143,448	898,384	--	(898,384)	--	--
Cesspool Conversion	8,363,773	6,390,266	--	(426,092)	5,964,174	428,156
Pahoehoe	2,817,760	1,484,497	--	(1,484,497)	--	--
Honokaa LCC	4,811,709	2,776,904	670,009	(203,385)	3,243,528	86,151
Queen Liliuokalani	10,186,277	8,901,985	--	(712,603)	8,189,382	238,239
Kalanianaole	8,621,409	--	4,321,342	(1,000,000)	3,321,342	78,614
	$78,988,233	$29,050,626	$ 4,991,351	($13,159,694)	$20,882,283	$ 995,017

The loans bear interest at 0.50% to 2.50%, exclusive of a 0.25% to 1.0% loan fee, and require payments through fiscal year 2032.

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

	Governmental Activities	
Fiscal year ending June 30:	Principal	Interest
2014	$ 995,017	$ 113,581
2015	1,244,959	146,819
2016	1,251,145	137,516
2017	1,257,495	128,034
2018	1,263,750	118,631
2019 – 2023	6,414,280	449,860
2024 – 2028	5,888,281	209,172
2029 – 2032	2,567,356	37,831
Total	$20,882,283	$1,341,444

Other General Long-Term Obligations

The following is a summary of other general long-term obligations transactions for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions*	Payments	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Compensated absences	$32,580,579	$10,062,763	($10,478,232)	$32,165,110	$7,540,581
Claims and judgments (see Note 12)	10,447,107	4,450,044	(2,492,689)	12,404,462	2,608,535
Capital leases (see Note 8)	3,803,618	1,306,791	(1,477,989)	3,632,420	1,335,930
Landfill costs payable (see Note 9)	21,424,000	888,949	(327,949)	21,985,000	193,821
Other post employment benefit obligation (see Note 13)	22,340,332	29,712,000	(13,891,830)	38,160,502	--
Total	$90,595,636	$46,420,547	($28,668,689)	$108,347,494	$11,678,867

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

Historically, the County's general fund has been used to liquidate the majority of other long-term liabilities, including the other post employment benefit obligation and the compensated absences since most employees are paid by the general fund.

Fund Balances - Debt Service Funds

The fund balance in the debt service funds at June 30, 2013 includes $16,732,747, which is reserved for principal payments on general obligation bonds and $2,393,875, which is reserved for the payment of interest on the bonds.

Enterprise Fund Notes, Bond and Loan Payable

On February 12, 2013, the County issued general obligation bonds on behalf of Kulaimano Elderly Housing Project (Project) to pay off its two notes payable to the U.S. Department of Agriculture, Farmers Home Administration with principal and interest balances aggregating $835,108. The Project is responsible for the debt service payment related to their portion of the bonds, which is also secured with the County's general obligation pledge. Because the Project is responsible for only a portion of the total bonds issued, it was decided that the Project would continue to make bond payments equivalent to its previous monthly installment payments of $7,826 on the old notes at 5.547% interest. Under this payment schedule, the Project will make contributions through 2025 of the bonds 2032 maturity date.

The following is a summary of the Project's bond payable transactions for the fiscal year ended June 30, 2013:

Balance at July 1, 2012	$851,306
Deductions	(20,182)
Balance converted to bond payable	831,124
Add interest payable to bond	3,984
Balance at June 30, 2013	835,108
Less current portion	(24,071)
Note payable, net of current portion	$ 811,037

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

	Business-type Activities	
Fiscal year ending June 30:	Principal	Interest
2014	$ 24,071	$ 45,095
2015	50,187	42,317
2016	53,043	39,381
2017	56,061	36,278
2018	59,251	32,999
2019 – 2023	350,832	108,885
2024 – 2026	241,663	13,475
Total	$835,108	$318,430

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.

The following is a summary of enterprise fund loan payable transactions for the fiscal year ended June 30, 2013:

Loan assumption	$478,430
Deductions	(16,905)
Balance at June 30, 2013	461,525
Less current portion	(16,500)
Loan payable, net of current portion	$ 445,025

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

	Business-type Activities
Fiscal year ending June 30:	Principal
2014	$ 16,500
2015	16,500
2016	16,500
2017	16,500
2018	16,500
2019 – 2023	82,500
2024 – 2028	82,500
2029 – 2033	82,500
2034 – 2038	82,500
2039 – 2041	49,025
Total	$461,525

Special Assessment Bonds

The County has issued general obligation bonds on behalf of Improvement District No. 18 for water improvements (see Note 4). These bonds were then refunded by a portion of the 2013 Series A Bonds that were issued. 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 improvement district's share of the refunded bonds matures annually through 2027 and bear interest at the previous rates of 4.375% to 4.75%. Total general obligation bonds payable included in the government-wide statement of net position were $1,345,945 at June 30, 2013.

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, 2013:

Balance at July 1, 2012	$2,790,526
Deductions	(1,444,581)
Balance at June 30, 2013	$1,345,945

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

Fiscal year ending June 30:	Principal	Interest
2014	$ 64,014	$ 69,406
2015	66,993	58,118
2016	70,111	54,929
2017	73,373	51,590
2018	76,788	48,096
2019 – 2023	440,999	182,091
2024 – 2028	553,667	66,798
Total	$1,345,945	$ 531,028

11. COMMITMENTS AND CONTINGENCIES

Contractual commitments – Contractual commitments for capital projects, expenses, and supplies at June 30, 2013, 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	$ 3,182,390
Capital projects fund	29,304,525
Nonmajor funds	9,520,305
	$42,007,220

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 position (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 for this effort is $10.6 million. Since the proposed timetable proved to be too ambitious, the parties amended the agreement to require contracting by July 2005, rather than completion by that date. Pursuant to the April 2005 Stipulation of the Parties and Order of the Court, all curb ramps for 2005 and most curb ramps for 2004 were deferred. In the first phase, construction of curb ramps commenced in 2000 and ended in 2004, whereby 229 curb ramps were completed. In the second phase, 153 proposed curb ramps were deferred and 161 curb ramps were to be constructed. As of May 21, 2008, there were approximately 204 curb ramps (which included at least 151 of the 161 curb ramps that were required by the amended transition plan) installed in Hilo, Waikoloa and Kona at a total cost of close to $4.8 million. In addition, the Department of Public Works has developed and advertised Procedures for Requesting New Curb Ramps or Modifications to Existing Curb Ramps ("Curb Ramp Request") within the County Streets, and the Curb Ramp Request is available on the Department of Public Works web page. 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 (Parks). The agreement required Parks 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 was 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, Parks 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 Parks estimated costs for completion is $15.1 million as of June 30, 2013. 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 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. The County maintains Fire and property coverage on several County Housing projects (Kulaimano, Ouli Ekahi, and four model homes at Kamakoa Nui). 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 position 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 position. At June 30, 2013, the amount of this liability was $12,404,462. This is the County's best estimate based on available information. Changes in the reported liability since July 1, 2011 are given below.

	General Liability	Workers' Compensation	Total Liability
Balance at July 1, 2011	$ 1,668,899	$ 9,228,238	$ 10,897,137
Incurred claims (including IBNR)*	598,474	2,551,526	3,150,000
Claim payments	(1,302,957)	(2,297,073)	(3,600,030)
Balance at June 30, 2012	$ 964,416	$ 9,482,691	$ 10,447,107
Incurred claims (including IBNR)*	1,625,532	2,824,512	4,450,044
Claim payments	(176,129)	(2,316,560)	(2,492,689)
Balance at June 30, 2013	$ 2,413,819	$ 9,990,643	$ 12,404,462

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

13. EMPLOYEE BENEFIT PLANS

Pension Plan

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

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

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

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

For postretirement increases, every retiree's original retirement allowance is increased by 2.5% on each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.).

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

Contributory Plan General employees in the contributory plan are required to contribute 7.8% of their salary and are fully vested for benefits upon receiving 5 years of credited service. The County may also make contributions for these members. Under the contributory plan, employees may retire with full benefits at age 55 and 5 years of credited service, or may retire early at any age with at least 25 years of credited service and reduced benefits. The benefit multiplier is 2.0% for employees covered by Social Security.

Police officers, fire fighters and certain other members that are not covered by Social Security contribute 12.2% of their salary and receive a retirement benefit using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of AFC. These members may retire at age 55 with 10 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service is in any of the qualified occupations.

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

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

The ERS funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer 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 22.00% for police officers and fire fighters, and 15.50% for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every five years.

The required pension contributions by the County for the years ended June 30, 2013, 2012, and 2011 were $23,559,710, $21,832,179, and $21,435,798, 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.

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 21.7% of annual covered payroll.

The following section shows the County's Annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan, and changes in the net OPEB liability:

Annual required contribution	$29,494,000
Interest on net OPEB obligation	1,564,000
Adjustment to annual required contribution	(1,346,000)
Annual OPEB Cost	29,712,000
Contributions made	13,891,830
Increase in net OPEB liability	15,820,170
Net OPEB liability-beginning of year	22,340,332
Net OPEB liability-end of year	$38,160,502

The above net OPEB liability at the end of the year is included in the Statement of Net Position in the noncurrent other liability amount of $38,160,502.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) liability for the year ended June 30, 2013 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, 2011	$34,913,000	89.1%	($120,768)
June 30, 2012	$36,191,000	37.9%	$22,340,332
June 30, 2013	$29,712,000	46.8%	$38,160,502

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	61,907,000
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.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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, 2013, cash, time certificates of deposit and money market funds of $32,004,491, with bank balances of $32,438,987 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 cash received by the Department that is restricted as to use and is recorded as a restricted asset. Such funds amounted to $2,574,396 at June 30, 2013. At June 30, 2013, the Department had no investments.

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 plan constructed with tax-exempt debt.

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

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

The capital assets of the Department at June 30, 2013 were as follows:

Utility plant in service	$442,248,055
Less: accumulated depreciation	(187,096,040)
	255,152,015
Land and rights	4,528,502
Construction work in progress	11,708,146
Net capital assets	$271,388,663

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 $40,768,718 at June 30, 2013.

General obligation bonds payable issued on behalf of the Department and other long-term debt at June 30, 2013 are comprised of the following:

Public improvement bonds:	
2004 Series D at 4.5%, due through 2039	$ 232,191
2006 Series A at 4.0% to 5.0%, due through 2026	19,825,000
2008 Series A at 4.125%, due through 2043	140,217
2010 Series A at 3.33% to 6.1%, due through 2030	8,831,250
2010 Series B at 3.33% to 6.1%, due through 2030	6,168,750
Total public improvement bonds	35,197,408
Public improvement refunding bonds:	
2004 Series at 2.0% to 5.25%, due through 2015	95,836
2007 Series at 4.0% to 5.0%, due through 2021	4,886,590
Total public improvement refunding bonds	4,982,426
Revolving fund loans:	
State revolving fund loans, interest up to 1.37%, due through 2030	12,911,310
Total long-term debt	53,091,144
Add: Unamortized premium	588,884
Total	$53,680,028

At June 30, 2013, future principal payments for long-term debt are scheduled as follows:

Fiscal year ending June 30:	
2014	$ 2,556,000
2015	3,287,000
2016	3,348,000
2017	3,456,000
2018	3,576,000
2019 – 2023	18,474,000
2024 – 2028	14,872,000
2029 – 2033	3,367,000
2034 – 2038	90,000
2039 – 2043	65,144
Total	$53,091,144

Contributions in Aid of Construction

The Department recognized $15,226,253 of contributions in aid of construction for the fiscal year ended June 30, 2013.

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, 2013 for workers' compensation claims of $229,000 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 $15,708,000 at June 30, 2013.

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, 2013 was $1,834,000. The Department made contributions of $1,834,000 during the year ended June 30, 2013 and recorded a postemployment benefit asset of $3,000 at June 30, 2013.

COUNTY OF HAWAII

Required Supplementary Information

June 30, 2013

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)	*Funded Ratio (a/b)*	*Covered Payroll (c)*	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%

This page intentionally left blank.

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.

This page intentionally left blank.

COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
Assets					
Cash and cash equivalents	$ 14,771,554	$ 3,961,888	$ 8,228,955	$ 97,909	$ 203,787
Investments	-	-	-	-	-
Imprest fund	-	400	250	-	-
Receivables:					
Due from other governments	119,153	-	1,457,205	-	-
Due from other governmental funds	44,762	10,764	131,299	-	-
Due from other nongovernmental funds	-	1,350	-	-	-
Trade, net of allowance for doubtful accounts	-	1,351,064	1,423,058	-	-
Other	-	-	235,626	-	-
	163,915	1,363,178	3,247,188	-	-
Total assets	$ 14,935,469	$ 5,325,466	$ 11,476,393	$ 97,909	$ 203,787
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,296,911	$ 247,592	$ 1,219,441	$ -	$ -
Accrued payroll	415,794	148,796	294,618	-	-
Due to other governmental funds	301,084	4,984	23,485	-	-
Deferred revenue	-	1,351,064	1,435,056	-	-
Other	1,903	51,812	3,279	-	-
Total liabilities	2,015,692	1,804,248	2,975,879	-	-
Fund balances:					
Restricted for:					
Debt service	-	-	-	-	-
Highways, streets and abandoned vehicles	12,919,777	-	-	-	-
Rental assistance and subsidy	-	-	-	-	-
Committed to:					
Sanitation	-	3,521,218	8,500,514	-	-
Highways, streets and abandoned vehicles	-	-	-	-	203,787
Rental assistance and subsidy	-	-	-	-	-
Cemetery	-	-	-	97,909	-
Golf course	-	-	-	-	-
Lower Puna area	-	-	-	-	-
Parks and recreational projects	-	-	-	-	-
Total fund balances	12,919,777	3,521,218	8,500,514	97,909	203,787
Total liabilities and fund balances	$ 14,935,469	$ 5,325,466	$ 11,476,393	$ 97,909	$ 203,787

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
$2,525,642	$ 704,983	$ -	$ 339,336	$ 3,955,138	$ 1,241,372	$ 1,741,439	$ 16,376
-	-	-	-	-	-	3,400,000	68,433
-	-	-	2,000	-	-	200	-
-	-	139,013	-	-	-	-	-
1,887	-	-	-	-	-	52,577	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	38,993	3,094	221,533	-	98,197	-
1,887	-	178,006	3,094	221,533	-	150,774	-
$2,527,529	$ 704,983	$ 178,006	$ 344,430	$ 4,176,671	$ 1,241,372	$ 5,292,413	$ 84,809
$ 25,876	$ 13,903	$ -	$ 1,971	$ -	$ 13,788	$ 104,564	$ -
8,663	-	-	35,785	-	-	112,232	-
-	-	178,006	2,492	-	-	-	-
-	-	-	-	-	-	93,174	-
-	-	-	-	-	-	96,209	-
34,539	13,903	178,006	40,248	-	13,788	406,179	-
-	-	-	-	-	-	-	-
-	691,080	-	-	-	1,227,584	-	-
-	-	-	-	-	-	2,848,612	-
-	-	-	-	-	-	-	-
2,492,990	-	-	-	-	-	-	-
-	-	-	-	-	-	2,037,622	-
-	-	-	-	-	-	-	-
-	-	-	304,182	-	-	-	-
-	-	-	-	4,176,671	-	-	-
-	-	-	-	-	-	-	84,809
2,492,990	691,080	-	304,182	4,176,671	1,227,584	4,886,234	84,809
$2,527,529	$ 704,983	$ 178,006	$ 344,430	$ 4,176,671	$ 1,241,372	$ 5,292,413	$ 84,809

(Continued)

COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

(Concluded)

	Debt Service Fund		Total
	Interest Fund	Bond Redemption Fund	Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ 158,894	$ -	$ 37,947,273
Investments	2,306,911	16,952,747	22,728,091
Imprest fund	-	-	2,850
Receivables:			
Due from other governments	-	-	1,715,371
Due from other governmental funds	-	-	241,289
Due from other nongovernmental funds	-	-	1,350
Trade, net of allowance for doubtful accounts	-	-	2,774,122
Other	-	-	597,443
	-	-	5,329,575
Total assets	$ 2,465,805	$ 16,952,747	$ 66,007,789
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ -	$ -	$ 2,924,046
Accrued payroll	-	-	1,015,888
Due to other governmental funds	-	-	510,051
Deferred revenue	-	-	2,879,294
Other	71,930	220,000	445,133
Total liabilities	71,930	220,000	7,774,412
Fund balances:			
Restricted for:			
Debt service	2,393,875	16,732,747	19,126,622
Highways, streets and abandoned vehicles	-	-	14,838,441
Rental assistance and subsidy	-	-	2,848,612
Committed to:			
Sanitation	-	-	12,021,732
Highways, streets and abandoned vehicles	-	-	2,696,777
Rental assistance and subsidy	-	-	2,037,622
Cemetery	-	-	97,909
Golf course	-	-	304,182
Lower Puna area	-	-	4,176,671
Parks and recreational projects	-	-	84,809
Total fund balances	2,393,875	16,732,747	58,233,377
Total liabilities and fund balances	$ 2,465,805	$ 16,952,747	$ 66,007,789

See accompanying independent auditors' report.

This page intentionally left blank.

COUNTY OF HAWAII

Nonmajor Governmental Funds

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

For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
Revenues					
Fuel taxes	$ 6,352,944	$ -	$ -	$ -	$ -
Public utility franchise taxes	11,087,369	-	-	-	-
Licenses and permits	7,247,674	-	-	-	-
Intergovernmental	574,037	-	1,067,520	-	-
Charges for services	-	6,904,712	6,520,495	-	16,991
Investment earnings (loss)	-	-	-	-	-
Other	393,843	39,189	24,788	6,250	-
Total revenues	25,655,867	6,943,901	7,612,803	6,250	16,991
Expenditures					
Current:					
General Government	-	-	-	-	-
Public safety	5,922,594	-	-	-	-
Highways and streets	15,042,939	-	-	-	-
Health, education and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Sanitation	-	6,501,040	21,202,184	-	-
Pension and retirement contributions	1,713,563	604,971	1,132,511	-	-
Employees' health insurance	946,581	255,873	614,350	-	-
Other	407,397	132,802	276,216	-	-
Debt service:					
Principal	-	-	1,055,883	-	-
Interest	-	-	51,558	-	-
Total expenditures	24,033,074	7,494,686	24,332,702	-	-
Excess (deficiency) of revenues over (under) expenditures	1,622,793	(550,785)	(16,719,899)	6,250	16,991
Other Financing Sources (Uses)					
Premium on bonds	-	-	-	-	-
Refunding bonds	-	-	-	-	-
Refunding bonds issuance costs	-	-	-	-	-
Retirement of refunded debt	-	-	-	-	-
Transfers in	-	-	15,736,944	-	-
Transfers out	(3,460,483)	-	-	-	-
Total other financing sources (uses)	(3,460,483)	-	15,736,944	-	-
Net change in fund balances	(1,837,690)	(550,785)	(982,955)	6,250	16,991
Fund balances at beginning of year	14,757,467	4,072,003	9,483,469	91,659	186,796
Fund balances at end of year	$ 12,919,777	$ 3,521,218	$ 8,500,514	$ 97,909	$ 203,787

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
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
2,091,972	84,280	-	-	-	174,331	-	-
-	-	1,611,249	-	-	-	14,638,166	-
-	-	-	831,038	-	-	-	-
-	-	-	-	-	-	4,329	(1,976)
-	-	-	40	761,524	-	124,123	-
2,091,972	84,280	1,611,249	831,078	761,524	174,331	14,766,618	(1,976)
-	-	-	-	24,890	-	-	-
-	-	-	-	-	-	-	-
-	36,403	-	-	-	87,749	-	-
-	-	1,611,249	-	-	-	15,293,647	-
-	-	-	798,251	8,246	56,300	-	-
2,098,169	-	-	-	-	-	-	-
21,104	-	-	139,591	-	-	467,730	-
15,199	-	-	79,418	-	-	190,443	-
-	-	-	3,072	-	-	-	-
-	-	-	-	-	-	8,390	-
-	-	-	-	-	-	1,501	-
2,134,472	36,403	1,611,249	1,020,332	33,136	144,049	15,961,711	-
(42,500)	47,877	-	(189,254)	728,388	30,282	(1,195,093)	(1,976)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	299,000	-	-	838,384	-
-	-	-	-	-	-	-	-
-	-	-	299,000	-	-	838,384	-
(42,500)	47,877	-	109,746	728,388	30,282	(356,709)	(1,976)
2,535,490	643,203	-	194,436	3,448,283	1,197,302	5,242,943	86,785
$ 2,492,990	$ 691,080	$ -	$ 304,182	$ 4,176,671	$ 1,227,584	$ 4,886,234	$ 84,809

(Continued)

COUNTY OF HAWAII

Nonmajor Governmental Funds

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

For the Fiscal Year Ended June 30, 2013

(Concluded)

	Debt Service Fund		Total
	Interest Fund	Bond Redemption Fund	Nonmajor Governmental Funds
Revenues			
Fuel taxes	$ -	$ -	$ 6,352,944
Public utility franchise taxes	-	-	11,087,369
Licenses and permits	-	-	9,598,257
Intergovernmental	442,719	-	18,333,691
Charges for services	-	-	14,273,236
Investment earnings (loss)	-	-	2,353
Other	-	-	1,349,757
Total revenues	442,719	-	60,997,607
Expenditures			
Current:			
General Government	-	-	24,890
Public safety	-	-	5,922,594
Highways and streets	-	-	15,167,091
Health, education and welfare	-	-	16,904,896
Culture and recreation	-	-	862,797
Sanitation	-	-	29,801,393
Pension and retirement contributions	-	-	4,079,470
Employees' health insurance	-	-	2,101,864
Other	-	-	819,487
Debt service:			
Principal	-	24,239,719	25,303,992
Interest	14,250,927	-	14,303,986
Total expenditures	14,250,927	24,239,719	115,292,460
Excess (deficiency) of revenues over (under) expenditures	(13,808,208)	(24,239,719)	(54,294,853)
Other Financing Sources (Uses)			
Premium on bonds	-	1,650,192	1,650,192
Refunding bonds	-	8,029,843	8,029,843
Refunding bonds issuance costs	-	(44,731)	(44,731)
Retirement of refunded debt	-	(9,635,304)	(9,635,304)
Transfers in	14,063,323	16,958,317	47,895,968
Transfers out	-	-	(3,460,483)
Total other financing sources (uses)	14,063,323	16,958,317	44,435,485
Net change in fund balances	255,115	(7,281,402)	(9,859,368)
Fund balances at beginning of year	2,138,760	24,014,149	68,092,745
Fund balances at end of year	$ 2,393,875	$ 16,732,747	$ 58,233,377

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Taxes:				
Fuel taxes	$ 7,660,000	$ 7,660,000	$ 6,352,944	$ (1,307,056)
Public utility franchise taxes	10,560,000	10,560,000	11,087,369	527,369
Total taxes	18,220,000	18,220,000	17,440,313	(779,687)
Licenses and permits - motor vehicle weight taxes	7,090,000	7,090,000	7,247,674	157,674
Intergovernmental	528,564	578,564	619,884	41,320
Charges for services	500,000	500,000	301,371	(198,629)
Other	71,732	71,732	92,472	20,740
Total revenues	26,410,296	26,460,296	25,701,714	(758,582)
Expenditures:				
Public safety - traffic engineering	6,624,102	6,659,102	6,240,096	419,006
Highways and streets	13,697,698	13,712,698	11,101,066	2,611,632
Highways and streets - mass transit	4,845,250	4,845,250	4,845,250	-
Pension and retirement contributions	2,016,000	2,016,000	1,712,503	303,497
Employees' health insurance	980,000	980,000	949,483	30,517
Other	1,000,000	1,000,000	(121,137)	1,121,137
Total expenditures	29,163,050	29,213,050	24,727,261	4,485,789
Excess (deficiency) of revenues over (under) expenditures	(2,752,754)	(2,752,754)	974,453	3,727,207
Other financing uses:				
Transfers out - Capital Projects Fund	(3,610,000)	(3,610,000)	(3,460,483)	149,517
Deficiency of revenues under expenditures and other uses	(6,362,754)	(6,362,754)	(2,486,030)	3,876,724
Fund balance at beginning of year	14,757,467	14,757,467	14,757,467	-
Fund balance at end of year	$ 8,394,713	$ 8,394,713	$ 12,271,437	$ 3,876,724

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Charges for services - sewer fees	$ 6,966,219	$ 6,966,219	$ 6,904,712	$ (61,507)
Other	-	-	39,189	39,189
Total revenues	6,966,219	6,966,219	6,943,901	(22,318)
Expenditures:				
Sanitation	7,107,239	7,107,239	6,618,533	488,706
Pension and retirement contributions	671,471	671,471	603,946	67,525
Employees' health insurance	340,610	340,610	256,735	83,875
Other	1,201,829	1,201,829	34,841	1,166,988
Total expenditures	9,321,149	9,321,149	7,514,055	1,807,094
Deficiency of revenues under expenditures	(2,354,930)	(2,354,930)	(570,154)	1,784,776
Fund balance at beginning of year	4,072,003	4,072,003	4,072,003	-
Fund balance at end of year	$ 1,717,073	$ 1,717,073	$ 3,501,849	$ 1,784,776

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 1,049,200	$ 1,049,200	$ 1,014,219	$ (34,981)
Charges for services - tipping fees	6,392,400	6,392,400	6,520,495	128,095
Other	-	-	24,788	24,788
Total revenues	7,441,600	7,441,600	7,559,502	117,902
Expenditures:				
Sanitation	23,130,400	23,092,402	21,797,773	1,294,629
Pension and retirement contributions	1,090,261	1,140,261	1,130,548	9,713
Employees' health insurance	625,000	625,000	614,768	10,232
Other	555,000	542,998	270,208	272,790
Total expenditures	25,400,661	25,400,661	23,813,297	1,587,364
Deficiency of revenues under expenditures	(17,959,061)	(17,959,061)	(16,253,795)	1,705,266
Other financing sources:				
Transfers in - General Fund	15,736,944	15,736,944	15,736,944	-
Deficiency of revenues and other sources under expenditures	(2,222,117)	(2,222,117)	(516,851)	1,705,266
Fund balance at beginning of year	9,483,469	9,483,469	9,483,469	-
Fund balance at end of year	$ 7,261,352	$ 7,261,352	$ 8,966,618	$ 1,705,266

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - other - sale of cemetery plots	$ 10,000	$ 10,000	$ 6,250	$ (3,750)
Expenditures - health, education and welfare	10,000	10,000	-	10,000
Excess of revenues over expenditures	-	-	6,250	6,250
Fund balance at beginning of year	91,659	91,659	91,659	-
Fund balance at end of year	$ 91,659	$ 91,659	$ 97,909	$ 6,250

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - Charges for services - highways and streets	$ -	$ -	$ 16,991	$ 16,991
Excess of revenues over expenditures	-	-	16,991	16,991
Fund balance at beginning of year	186,796	186,796	186,796	-
Fund balance at end of year	$ 186,796	$ 186,796	$ 203,787	$ 16,991

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Licenses and permits - vehicle disposal fee	$ 2,030,364	$ 2,030,364	$ 2,091,972	$ 61,608
Expenditures:				
Sanitation	2,551,567	2,548,567	1,034,301	1,514,266
Pension and retirement contributions	21,805	21,805	20,722	1,083
Employees' health insurance	12,000	15,000	14,954	46
Other	2,000	2,000	-	2,000
Total expenditures	2,587,372	2,587,372	1,069,977	1,517,395
Excess (deficiency) of revenues over (under) expenditures	(557,008)	(557,008)	1,021,995	1,579,003
Fund balance at beginning of year	2,535,490	2,535,490	2,535,490	-
Fund balance at end of year	$ 1,978,482	$ 1,978,482	$ 3,557,485	$ 1,579,003

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, 2013

	Original and Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - licenses and permits - bicycle tax	$ 20,000	$ 84,280	$ 64,280
Expenditures - highways and streets	171,000	25,000	146,000
Excess (deficiency) of revenues over (under) expenditures	(151,000)	59,280	210,280
Fund balance at beginning of year	643,203	643,203	-
Fund balance at end of year	$492,203	$702,483	$210,280

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - intergovernmental - federal grants	$ -	$ 1,521,232	$ 1,521,232	$ -
Expenditures - health, education and welfare	-	1,521,232	1,521,232	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	$ -	$ -	$ -	$ -

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Charges for services	$ 840,672	$ 840,672	$ 831,038	$ (9,634)
Other	-	-	40	40
Total revenues	840,672	840,672	831,078	(9,594)
Expenditures:				
Culture and recreation	865,653	865,653	789,497	76,156
Pension and retirement contributions	160,709	160,709	139,296	21,413
Employees' health insurance	99,709	99,709	79,517	20,192
Other	13,601	13,601	3,243	10,358
Total expenditures	1,139,672	1,139,672	1,011,553	128,119
Deficiency of revenues under expenditures	(299,000)	(299,000)	(180,475)	118,525
Other financing sources:				
Transfers in - General Fund	299,000	299,000	299,000	-
Excess of revenues and other sources over expenditures	-	-	118,525	118,525
Fund balance at beginning of year	194,436	194,436	194,436	-
Fund balance at end of year	$ 194,436	$ 194,436	$ 312,961	$ 118,525

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - other - geothermal royalties	$ 600,000	$ 600,000	$ 761,524	$ 161,524
Expenditures:				
General government:				
Legislative	24,890	24,890	24,890	-
Planning and zoning	351,230	1,051,230	-	1,051,230
Public safety - traffic	80,000	80,000	-	80,000
Highways and streets - mass transit	17,000	17,000	-	17,000
Culture and recreation - parks and recreation	126,880	126,880	13,773	113,107
Total expenditures	600,000	1,300,000	38,663	1,261,337
Excess (deficiency) of revenues over (under) expenditures	-	(700,000)	722,861	1,422,861
Fund balance at beginning of year	3,448,283	3,448,283	3,448,283	-
Fund balance at end of year	$ 3,448,283	$ 2,748,283	$ 4,171,144	$ 1,422,861

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - licenses and permits - highway beautification	$ 157,920	$ 157,920	$ 174,331	$ 16,411
Expenditures:				
Highways and streets	96,620	168,620	129,909	38,711
Culture and recreation	61,300	86,300	63,587	22,713
Total expenditures	157,920	254,920	193,496	61,424
Deficiency of revenues under expenditures	-	(97,000)	(19,165)	77,835
Fund balance at beginning of year	1,197,302	1,197,302	1,197,302	-
Fund balance at end of year	$ 1,197,302	$ 1,100,302	$ 1,178,137	$ 77,835

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Intergovernmental -				
Federal - HUD - Voucher program	$ 15,659,252	$ 15,659,252	$ 14,613,640	$ (1,045,612)
Other	29,122	29,122	24,526	(4,596)
Investment earnings	6,000	6,000	4,329	(1,671)
Resale of property	-	-	124,027	124,027
Other	-	-	96	96
Total revenues	15,694,374	15,694,374	14,766,618	(927,756)
Expenditures:				
Health, education and welfare	16,209,060	16,209,060	15,310,585	898,475
Pension and retirement contributions	530,834	530,834	469,133	61,701
Employees' health insurance	225,182	225,182	191,646	33,536
Total expenditures	16,965,076	16,965,076	15,971,364	993,712
Deficiency of revenues under expenditures	(1,270,702)	(1,270,702)	(1,204,746)	65,956
Other financing sources:				
Transfers in - General Fund	838,384	838,384	838,384	-
Deficiency of revenues and other sources under expenditures	(432,318)	(432,318)	(366,362)	65,956
Fund balance at beginning of year	5,242,943	5,242,943	5,242,943	-
Fund balance at end of year	$ 4,810,625	$ 4,810,625	$ 4,876,581	$ 65,956

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, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - investment earnings	$ -	$ -	$ 18	$ 18
Excess of revenues over expenditures	-	-	18	18
Fund balance at beginning of year	86,785	86,785	86,785	-
Fund balance at end of year	$ 86,785	$ 86,785	$ 86,803	$ 18

See accompanying independent auditors' report.

COUNTY OF HAWAII

Agency Funds

Combining Statement of Agency Funds Net Position

June 30, 2013

	State Weight Tax Fund	Improvement District No. 18 Fund	Improvement District Revolving Fund	Performance and Refundable Deposits Fund	Payroll Clearance Fund	Flexible Spending Account
Assets						
Cash and cash equivalents	$ 1,682,830	$ 183,262	$ 37,894	$ 229,483	$ 341,667	$ 381,933
Investments	-	-	189,525	-	-	-
Due from other agency funds	-	-	-	-	-	-
Other receivables	-	8,269	-	-	33,425	-
Total assets	$ 1,682,830	$ 191,531	$ 227,419	$ 229,483	$ 375,092	$ 381,933
Liabilities						
Due to other agency funds	$ -	$ -	$ -	$ 1,670	$ 872	$ -
Accrued liabilities	1,682,830	10,687	-	-	374,220	381,933
Advances payable	-	11,911	-	227,813	-	-
Assets held for the benefit of improvement districts	-	168,933	227,419	-	-	-
Total liabilities	$ 1,682,830	$ 191,531	$ 227,419	$ 229,483	$ 375,092	$ 381,933

See accompanying independent auditors' report.

Lapsed Warrants Fund	Non-Profit License Plates Fund	Organ and Tissue Education Fund	Business Improvement District 1 - Kailua	Total
$ 234,640	$ 1,250	$ 954	$ 184	$ 3,094,097
-	-	-	-	189,525
2,542	-	-	-	2,542
10,065	-	-	20,741	72,500
$ 247,247	$ 1,250	$ 954	$ 20,925	$ 3,358,664
$ -	$ -	$ -	$ -	$ 2,542
247,247	1,250	954	183	2,699,304
-	-	-	-	239,724
-	-	-	20,742	417,094
$ 247,247	$ 1,250	$ 954	$ 20,925	$ 3,358,664

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
State Weight Tax Fund				
Assets				
Cash and cash equivalents	$ 1,755,546	$ 23,412,342	$ 23,485,058	$ 1,682,830
Liabilities				
Vouchers payable	$ -	$ 23,475,406	$ 23,475,406	$ -
Accrued liabilities	1	-	1	-
Accrued liabilities - due to State of Hawaii	1,755,545	21,504,223	21,576,938	1,682,830
Total liabilities	$ 1,755,546	$ 44,979,629	$ 45,052,345	$ 1,682,830
Improvement District No. 18 Fund				
Assets				
Cash and cash equivalents	$ 17,532	$ 315,224	$ 149,494	$ 183,262
Investments	1,458,449	-	1,458,449	-
Other receivables	8,146	343,770	343,647	8,269
Total assets	$ 1,484,127	$ 658,994	$ 1,951,590	$ 191,531
Liabilities				
Vouchers Payable	$ -	$ 1,392,773	$ 1,392,773	$ -
Accrued liabilities	10,907	296,251	296,471	10,687
Advances payable	14,183	11,911	14,183	11,911
Assets held for the benefit of improvement districts	1,459,037	279,470	1,569,574	168,933
Total liabilities	$ 1,484,127	$ 1,980,405	$ 3,273,001	$ 191,531
Improvement District Revolving Fund				
Assets				
Cash and cash equivalents	$ 286,569	$ 57	$ 248,732	$ 37,894
Investments	-	189,525	-	189,525
Total assets	$ 286,569	$ 189,582	$ 248,732	$ 227,419
Liabilities				
Vouchers payable	$ -	$ 53,684	$ 53,684	$ -
Assets held for the benefit of improvement districts	286,569	157,466	216,616	227,419
Total liabilities	$ 286,569	$ 211,150	$ 270,300	$ 227,419

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Performance and Refundable Deposits Fund				
Assets				
Cash and cash equivalents	$ 522,542	$ 326,855	$ 619,914	$ 229,483
Liabilities				
Vouchers payable	$ -	$ 615,145	$ 615,145	$ -
Due to other agency funds	1,920	1,670	1,920	1,670
Advances payable	520,622	325,185	617,994	227,813
Total liabilities	$ 522,542	$ 942,000	$ 1,235,059	$ 229,483
Payroll Clearance Fund				
Assets				
Cash and cash equivalents	$ 323,344	$ 212,058,388	$ 212,040,065	$ 341,667
Due from other non-agency funds	-	208,885,478	208,885,478	-
Other receivables	-	41,479	8,054	33,425
Total assets	$ 323,344	$ 420,985,345	$ 420,933,597	$ 375,092
Liabilities				
Vouchers payable	$ -	$ 104,907,344	$ 104,907,344	$ -
Due to other agency funds	326	872	326	872
Accrued liabilities	323,018	382,454,965	382,403,763	374,220
Total liabilities	$ 323,344	$ 487,363,181	$ 487,311,433	$ 375,092
Flexible Spending Account				
Assets				
Cash and cash equivalents	$ 365,481	$ 324,846	$ 308,394	$ 381,933
Liabilities				
Accrued liabilities	$ 365,481	$ 324,846	$ 308,394	$ 381,933

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Lapsed Warrants Fund				
Assets				
Cash and cash equivalents	$ 221,496	$ 13,396	$ 252	$ 234,640
Due from other agency funds	2,246	2,542	2,246	2,542
Other receivables	11,150	10,065	11,150	10,065
Total assets	$ 234,892	$ 26,003	$ 13,648	$ 247,247
Liabilities				
Vouchers payable	$ -	$ 252	$ 252	$ -
Accrued liabilities	234,892	27,175	14,820	247,247
Total liabilities	$ 234,892	$ 27,427	$ 15,072	$ 247,247
Non-Profit License Plates Fund				
Assets				
Cash and cash equivalents	$ 1,175	$ 4,750	$ 4,675	$ 1,250
Liabilities				
Vouchers payable	$ -	$ 4,650	$ 4,650	$ -
Accrued liabilities:				
Due to non-profit agency	1,175	4,750	4,675	1,250
Total liabilities	$ 1,175	$ 9,400	$ 9,325	$ 1,250
Organ and Tissue Education Fund				
Assets				
Cash and cash equivalents	$ 923	$ 3,547	$ 3,516	$ 954
Liabilities				
Vouchers payable	$ -	$ 3,516	$ 3,516	$ -
Accrued liabilities - due to State of Hawaii	923	3,547	3,516	954
Total liabilities	$ 923	$ 7,063	$ 7,032	$ 954

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Business Improvement District 1-Kailua				
Assets				
Cash and cash equivalents	$ 2,183	$ 754,248	$ 756,247	$ 184
Other receivables - BID 1-Kailua Assessment	14,997	760,006	754,262	20,741
Other receivables	-	470	470	-
Total assets	$ 17,180	$ 1,514,724	$ 1,510,979	$ 20,925
Liabilities				
Vouchers payable	$ -	$ 755,241	$ 755,241	$ -
Accrued liabilities - due to KVBID	2,183	121	2,183	121
Accrued liabilities	-	62	-	62
Assets held for the benefit of improvement districts	14,997	897,965	892,220	20,742
Total liabilities	$ 17,180	$ 1,653,389	$ 1,649,644	$ 20,925
Total - All Agency Funds				
Assets				
Cash and cash equivalents	$ 3,496,791	$ 237,213,653	$ 237,616,347	$ 3,094,097
Investments	1,458,449	189,525	1,458,449	189,525
Due from other agency funds	2,246	2,542	2,246	2,542
Due from other non-agency funds	-	208,885,478	208,885,478	-
Other receivables - BID 1-Kailua Assessment	14,997	760,006	754,262	20,741
Other receivables	19,296	395,784	363,321	51,759
Total assets	$ 4,991,779	$ 447,446,988	$ 449,080,103	$ 3,358,664
Liabilities				
Vouchers payable	$ -	$ 131,208,011	$ 131,208,011	$ -
Due to other agency funds	2,246	2,542	2,246	2,542
Accrued liabilities	934,299	383,103,299	383,023,449	1,014,149
Accrued liabilities - due to non-profit agency	1,175	4,750	4,675	1,250
Accrued liabilities - due to State of Hawaii	1,756,468	21,507,770	21,580,454	1,683,784
Accrued liabilities - due to KVBID	2,183	121	2,183	121
Advances payable	534,805	337,096	632,177	239,724
Assets held for the benefit of improvement districts	1,760,603	1,334,901	2,678,410	417,094
Total liabilities	$ 4,991,779	$ 537,498,490	$ 539,131,605	$ 3,358,664

See accompanying independent auditors' report.

COUNTY OF HAWAII

Private Purpose Trusts

Combining Statement of Private Purpose Trust Net Position

June 30, 2013

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
Assets			
Cash and cash equivalents	$ 416,700	$ 1,324,554	$ 1,741,254
Investments	1,741,343	1,289,418	3,030,761
Other Receivable	-	463	463
Total assets	$ 2,158,043	$ 2,614,435	$ 4,772,478
Net Position			
Held in trust for other parties	$ 2,158,043	$ 2,614,435	$ 4,772,478
Total net position	$ 2,158,043	$ 2,614,435	$ 4,772,478

See accompanying independent auditors' report.

COUNTY OF HAWAII

Private Purpose Trusts

Combining Statement of Changes in Private Purpose Trust Net Position

For the Fiscal Year Ended June 30, 2013

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
Additions			
Contributions:			
Puna Geothermal Venture	$ 50,000	$ -	$ 50,000
Investment earnings:			
Net increase (decrease) in fair value of investments	(50,748)	80,715	29,967
Dividends	-	55,825	55,825
Interest	459	1,641	2,100
Total additions	(289)	138,181	137,892
Deductions			
Grant payments	-	290,734	290,734
Total deductions	-	290,734	290,734
Change in net position	(289)	(152,553)	(152,842)
Net position, beginning of year	2,158,332	2,766,988	4,925,320
Net position, end of year	$ 2,158,043	$ 2,614,435	$ 4,772,478

See accompanying independent auditors' report.

This page intentionally left blank.

STATISTICAL SECTION

(UNAUDITED)

Contents **Page**

Table 1

COUNTY OF HAWAII

Net Position by Component

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$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	$699,326,156
Restricted	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	64,437,707
Unrestricted	(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	1,895,863
Total governmental activities net position	$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	$765,659,726
Business-type activities										
Net investment in capital assets	$ 324,942	$ 325,800	$ 317,534	$ 310,409	$ 307,424	$ 305,127	$ 303,244	$ 308,966	$ 315,848	$ 315,255
Restricted	180,782	182,167	182,797	183,832	184,352	184,643	184,914	185,087	185,148	-
Unrestricted	873,704	850,962	813,431	636,756	608,195	609,798	497,466	449,581	455,918	1,045,190
Total business-type activities net position	$ 1,379,428	$ 1,358,929	$ 1,313,762	$ 1,130,997	$ 1,099,971	$ 1,099,568	$ 985,624	$ 943,634	$ 956,914	$ 1,360,445
Primary government										
Net investment in capital assets	$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	$699,641,411
Restricted	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	64,437,707
Unrestricted	(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	2,941,053
Total primary government net position	$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	$767,020,171

Unaudited - see accompanying independent auditors' report.

Table 2

COUNTY OF HAWAII

Changes in Net Position

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 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	$ 1,695,152
Public safety	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	5,117,102
Highways and streets	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	10,159,443
Health, education and welfare	884,075	1,272,091	980,147	799,075	754,758	532,832	713,774	424,107	454,913	570,312
Culture and recreation	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	1,794,553
Sanitation	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	15,593,933
Operating grants and contributions	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	44,410,353
Capital grants and contributions	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	107,584,670
Total governmental activites program revenues	72,184,186	97,970,134	92,031,981	86,406,490	98,002,293	96,434,978	98,477,814	123,676,304	167,397,486	186,925,518
Business-type activities:										
Charges for services:										
Health, education and welfare	303,047	314,971	338,141	345,802	365,655	371,511	337,982	372,599	393,464	432,057
Operating grants and contributions	143,769	135,829	141,019	134,211	125,795	135,674	136,802	133,215	131,227	123,800
Total business-type activities program revenues	446,816	450,800	479,160	480,013	491,450	507,185	474,784	505,814	524,691	555,857
Total primary grovernment program revenues	$ 72,631,002	$ 98,420,934	$ 92,511,141	$ 86,886,503	$ 98,493,743	$ 96,942,163	$ 98,952,598	$ 124,182,118	$ 167,922,177	$ 187,481,375
Expenses										
Governmental activities:										
General government	$ 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	$ 55,616,102
Public safety	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	151,975,049
Highways and streets	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	42,219,903
Health, education and welfare	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	28,001,020
Culture and recreation	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	22,121,336
Sanitation	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	38,505,086
Interest on long-term debt	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	13,885,003
Total governmental activities expenses	216,744,098	239,558,237	246,195,946	295,684,176	329,682,473	371,714,226	338,660,512	345,544,934	351,976,444	352,323,499
Business-type activities:										
Health, education and welfare	466,143	484,879	547,201	698,329	556,304	525,449	590,131	550,801	517,052	496,017
Total business-type activities expenses	466,143	484,879	547,201	698,329	556,304	525,449	590,131	550,801	517,052	496,017
Total primary government expenses	$ 217,210,241	$ 240,043,116	$ 246,743,147	$ 296,382,505	$ 330,238,777	$ 372,239,675	$ 339,250,643	$ 346,095,735	$ 352,493,496	$ 352,819,516
Net Expense										
Governmental activities	$ (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)	$ (165,397,981)
Business-type activities	(19,327)	(34,079)	(68,041)	(218,316)	(64,854)	(18,264)	(115,347)	(44,987)	7,639	59,840
Total primary government net expense	$ (144,579,239)	$ (141,622,182)	$ (154,232,006)	$ (209,496,002)	$ (231,745,034)	$ (275,297,512)	$ (240,298,045)	$ (221,913,617)	$ (184,571,319)	$ (165,338,141)

Continued next page.

General Revenues and Other Changes in Net Position Table 2

Governmental activities:										
General revenues:										
Property taxes	$ 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	$ 200,775,779
Public service company taxes	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	10,766,021
Public utility franchise taxes	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	11,087,369
Fuel taxes	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	6,352,944
Grants and contributions not restricted to specific programs	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	17,750,132
Investment earnings (loss)	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	(81,020)
Other	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	2,320,838
Total governmental activities	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	248,972,063
Business-type activities:										
General revenues:										
Investment earnings	8,006	13,580	22,874	35,551	33,828	17,861	1,403	2,997	5,641	1,416
Other	-	-	-	-	-	-	-	-	-	342,275
Total business-type activities	8,006	13,580	22,874	35,551	33,828	17,861	1,403	2,997	5,641	343,691
Total primary government	$ 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	$ 249,315,754
Changes In Net Position										
Governmental activities	$ 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	$ 83,574,082
Business-type activities	(11,321)	(20,499)	(45,167)	(182,765)	(31,026)	(403)	(113,944)	(41,990)	13,280	403,531
Total primary government changes in net position	$ 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	$ 83,977,613

Unaudited - see accompanying independent auditors' report.

Table 3

COUNTY OF HAWAII

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

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	$ 7,452,338	$ 8,313,800	$ 11,519,135	$ 15,659,683	$ 17,468,606	$ 14,974,272	$ 8,088,347	$ -	$ -	$ -
Unreserved	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	3,492,464
Restricted	-	-	-	-	-	-	-	4,296,363	3,693,958	4,863,905
Committed	-	-	-	-	-	-	-	8,756,426	11,710,875	12,065,528
Assigned	-	-	-	-	-	-	-	17,960,596	21,840,843	24,832,390
Unassigned	-	-	-	-	-	-	-	10,809,404	8,176,727	8,694,320
Total general fund	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	53,948,607
All other Government Funds:										
Reserved	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	15,151,534	18,525,727	20,342,112	24,874,744	24,553,386	26,088,685	29,436,463	-	-	-
Capital projects fund	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	104,886,880
Committed	-	-	-	-	-	-	-	40,148,878	36,866,120	29,502,567
Unassigned	-	-	-	-	-	-	-	(3,609,332)	(10,258,317)	6,914,320
Total of other governmental funds	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	141,303,767
Total Fund Balances	$ 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	$ 195,252,374

Unaudited - see accompanying independent auditors' report.

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

COUNTY OF HAWAII

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

Last Ten Fiscal Years
(Amounts in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property tax	$ 121,868	$ 131,087	$ 153,207	$ 181,446	$ 208,313	$ 225,858	$ 215,548	$ 216,511	$ 208,231	$ 201,201
Public service company tax	5,332	6,351	6,812	7,396	8,381	10,229	9,647	9,297	9,897	10,766
Fuel tax	7,552	7,581	7,857	8,471	7,888	7,662	7,406	7,603	8,293	6,353
Public utility franchise tax	5,373	6,017	7,329	8,520	9,027	11,118	8,963	9,416	11,065	11,087
Licenses and permits	11,840	14,442	16,544	16,269	15,918	14,972	14,725	15,097	15,790	15,991
Intergovernmental	58,559	73,372	69,637	63,599	72,601	70,869	77,614	93,748	100,867	79,912
Charges for services	14,467	18,149	19,852	21,685	22,154	21,404	18,909	16,416	16,885	17,055
Investment earnings (loss)	1,806	3,104	5,223	10,291	12,144	8,914	2,253	510	406	(618)
Settlement contributions	-	-	-	-	-	-	-	-	-	12,500
Other	4,718	4,450	4,380	5,073	7,151	5,690	3,241	7,874	4,201	4,399
Total Revenues	231,515	264,553	290,841	322,750	363,577	376,716	358,306	376,472	375,635	358,646
Expenditures:										
Current:										
General government	23,070	26,183	31,153	37,652	42,991	45,882	40,586	34,251	35,088	33,360
Public safety	69,117	76,404	83,591	93,241	103,617	107,540	108,798	104,917	104,523	106,885
Highways and streets	9,542	9,787	12,608	14,033	19,529	17,159	20,222	17,114	17,338	17,923
Sanitation	17,602	21,883	26,565	31,817	33,405	35,025	35,675	28,424	29,511	30,672
Health, education and welfare	19,047	19,870	19,050	21,470	24,609	24,596	25,519	26,847	23,749	24,199
Culture and recreation	13,169	13,982	14,731	17,118	18,179	18,853	17,266	16,001	16,763	16,337
Pension and retirement contributions	11,081	14,204	19,937	21,796	24,296	28,870	28,509	27,284	27,773	29,816
Employees' health insurance	14,256	16,168	16,133	16,941	18,089	19,119	23,573	25,212	25,902	26,011
Other postemployment benefits	-	-	-	-	13,629	14,950	15,700	17,307	-	-
Other	7,128	6,133	6,780	5,108	5,344	6,257	4,773	4,758	4,183	2,991
Debt service:										
Principal	12,826	13,150	14,060	16,076	16,548	19,749	20,720	42,233	24,834	25,718
Interest	9,283	9,534	9,914	9,894	13,116	12,790	14,584	14,841	15,032	14,345
Capital outlay	23,474	32,816	30,588	52,285	70,156	89,368	100,653	87,782	71,220	48,565
Total Expenditures	229,595	260,114	285,110	337,431	403,508	440,158	456,578	446,971	395,916	376,822
Revenues over (under) Expenditures	1,920	4,439	5,731	(14,681)	(39,931)	(63,442)	(98,272)	(70,499)	(20,281)	(18,176)
Other Financing Sources (Uses):										
Sale of assets	1,593	1,486	82	5	3,470	58	10	6	153	1
Capital leases	1,474	1,369	404	2,403	2,187	1,026	1,948	47	2,521	1,307
State Revolving Fund loans	-	1,504	25	6,255	1,916	280	6,811	9,257	4,569	4,991
Sale of bonds	1,725	30,000	25,000	85,000	-	50,000	-	45,000	-	50,480
Issuance of bond anticipation notes (BANs)	-	-	-	-	-	-	19,000	-	-	-
Refunding bonds	-	24,595	-	31,607	-	-	-	-	-	47,510
Premium on bonds	-	3,025	972	3,099	-	185	-	2,078	-	17,570
Refunding bonds/BANs issuance costs	-	(129)	-	(218)	-	-	(19)	-	-	-
Payment to refunded bond escrow agent	-	(25,885)	-	(32,699)	-	-	-	-	-	(45,352)
Retirement of refunded debt	-	-	-	-	-	-	-	-	-	(9,635)
Transfers in	39,440	42,119	45,691	59,139	64,929	56,697	61,495	56,099	59,971	51,356
Transfers out	(39,440)	(42,119)	(45,691)	(59,139)	(64,929)	(56,697)	(61,495)	(56,099)	(59,971)	(51,356)
Total other financing sources	4,792	35,965	26,483	95,452	7,573	51,549	27,750	56,388	7,243	66,872
Net change in fund balances	$ 6,712	$ 40,404	$ 32,214	$ 80,771	$ (32,358)	$ (11,893)	$ (70,522)	$ (14,111)	$ (13,038)	$ 48,696
Debt service as a percentage of noncapital expenditures	10.8%	10.3%	9.7%	9.0%	9.3%	9.0%	10.4%	15.9%	12.3%	13.9%

Unaudited - see accompanying independent auditors' report.

Table 5

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
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
		$6,136,718		$6,754,623		$12,891,341
	Fiscal year 2004 total direct rate $9.09					
2005	Improved Residential	$969,500	$ 9.10	$1,264,100	$ 9.10	$2,233,600
	Unimproved Residential	30,408	9.85	366,885	9.85	397,293
	Apartment	1,772,930	9.85	745,530	9.85	2,518,460
	Hotel and Resort	845,026	9.85	897,268	9.85	1,742,294
	Commercial	516,945	9.85	455,664	9.85	972,609
	Industrial	226,265	9.85	239,022	9.85	465,287
	Agricultural	917,253	9.85	1,697,117	9.85	2,614,370
	Conservation	24,485	9.85	346,186	9.85	370,671
	Homeowners	1,714,555	5.55	1,504,821	5.55	3,219,376
		$7,017,367		$7,516,593		$14,533,960

Fiscal year 2005 total direct rate $8.92

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
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
		$7,410,861		$9,067,173		$16,478,034
		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
		$9,258,815		$13,448,810		$22,707,625
		Fiscal year 2007 total direct rate $7.96				
2008	Improved Residential	$1,520,234	$ 8.10	$3,843,169	$ 8.10	$5,363,403
	Unimproved Residential	40,056	8.10	430,757	8.10	470,813
	Apartment	3,690,371	8.10	1,517,500	8.10	5,207,871
	Hotel and Resort	1,377,492	9.00	1,194,879	9.00	2,572,371
	Commercial	695,318	9.00	805,168	9.00	1,500,486
	Industrial	370,118	9.00	474,100	9.00	844,218
	Agricultural	1,353,403	8.35	4,529,187	8.35	5,882,590
	Conservation	31,771	8.55	347,798	8.55	379,569
	Homeowners	1,687,649	5.55	2,360,873	5.55	4,048,522
		$10,766,412		$15,503,431		$26,269,843
		Fiscal year 2008 total direct rate $7.94				

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
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
		$13,592,308		$15,913,327		$29,505,635
		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
		$13,402,003		$14,749,421		$28,151,424
		Fiscal year 2010 total direct rate $7.75				
2011	Residential	$3,040,977	$ 9.10	$3,787,185	$ 9.10	$6,828,162
	Apartment	2,660,600	9.85	1,144,873	9.85	3,805,473
	Hotel and Resort	820,418	9.85	690,834	9.85	1,511,252
	Commercial	713,161	9.10	908,741	9.10	1,621,902
	Industrial	454,868	9.10	594,589	9.10	1,049,457
	Agricultural & Native Forest	2,232,765	8.35	2,860,494	8.35	5,093,259
	Conservation	48,766	9.85	341,496	9.85	390,262
	Homeowners	2,479,437	5.55	2,573,527	5.55	5,052,964
	Affordable Rental Housing	108,290	5.55	57,821	5.55	166,111
		$12,559,282		$12,959,560		$25,518,842
		Fiscal year 2011 total direct rate $8.39				

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
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
		$12,207,934		$12,198,170		$24,406,104
	Fiscal year 2012 total direct rate $8.52					
2013	Residential	$2,872,890	$ 10.05	$3,534,961	$ 10.05	$6,407,851
	Apartment	2,403,216	10.85	1,069,999	10.85	3,473,215
	Hotel and Resort	711,884	10.85	506,998	10.85	1,218,882
	Commercial	661,323	10.05	806,131	10.05	1,467,454
	Industrial	472,242	10.05	463,832	10.05	936,074
	Agricultural & Native Forest	2,067,097	9.25	2,425,798	9.25	4,492,895
	Conservation	41,505	10.85	287,375	10.85	328,880
	Homeowners	2,525,018	6.15	2,502,822	6.15	5,027,840
	Affordable Rental Housing	110,208	6.15	64,270	6.15	174,478
		$11,865,383		$11,662,186		$23,527,569
	Fiscal year 2013 total direct rate $8.46					

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.

Table 6

COUNTY OF HAWAII

Principal Taxpayers

June 30, 2013 and 2004

		Fiscal Year 2013			Fiscal Year 2004		
Taxpayer	Business	2012 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2003 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Mauna Kea/Hapuna Beach Corps.	Developer/Hotel	$ 187,032,300	3	0.8%	$ -		-
Hilton Land Investment 1 LLC	Hotel	203,948,300	1	0.9%	-		-
Hualalai Investors LLC	Developer/Hotel	197,921,000	2	0.8%	-		-
Orchid 09 LLC	Hotel	115,055,200	5	0.5%	-		-
WB KD Acquisition LLC	Developer	73,331,000	7	0.3%	-		-
Mauna Lani Resort Inc.	Developer/Hotel	95,267,000	6	0.4%	102,923,900	7	0.7%
Hilton Resorts Corp.	Timeshare	132,459,000	4	0.6%	-		-
Target Coporation	Retailer	65,499,500	8	0.3%	-		-
Kohanaiki Shores LLC	Developer	65,342,600	9	0.3%	-		-
Ho Retail Properties	Devoloper	58,833,600	10	0.3%	-		-
BP Bishop Estate	Developer	-		-	428,030,800	1	2.7%
Mauna Kea Development Corp	Hotels/Dev.	-		-	238,141,700	2	1.5%
WB Kukio Resorts LLC	Developer	-		-	190,704,200	3	1.2%
Global Resort Partners	Hotel	-		-	156,732,600	4	1.0%
Liliuokalani Trust Estate	Land Trust	-		-	143,313,700	5	0.9%
FHR (ML) Hotel Holdings LLC	Hotel	-		-	128,678,600	6	0.8%
1250 Oceanside Partners	Developer	-		-	78,528,600	8	0.5%
Kaupulehu Makai Venture	Developer	-		-	74,396,800	9	0.5%
RWH Inc.	Hotel	-		-	54,723,400	10	0.4%
		$1,194,689,500		5.2%	$ 1,596,174,300		10.2%

Note: Gross valuation at January 1, 2012: $23,527,568,906

Gross valuation at January 1, 2003: $15,605,696,000

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

Unaudited - see accompanying independent auditors' report.

Table 7

COUNTY OF HAWAII

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	*Current Tax Levy	*Current Tax Collections	*Percent of Levy Collected	*Delinquent Tax Collections	*Total Tax Collections	*Total Collections as Percent of Current Levy	*Outstanding Delinquent Taxes	*Outstanding Delinquent Taxes as Percent of Current Levy
2004	$116,510,063	$113,501,954	97%	$ 2,906,331	$116,408,285	100%	$ 101,778	0%
2005	128,843,220	126,574,921	98%	2,148,316	128,723,237	100%	119,983	0%
2006	150,292,805	147,712,630	98%	2,425,897	150,138,527	100%	154,278	0%
2007	181,541,559	177,326,418	98%	3,897,400	181,223,818	100%	317,741	0%
2008	207,892,224	202,702,858	98%	4,732,262	207,435,120	100%	457,104	0%
2009	226,638,993	219,437,531	97%	6,184,984	225,622,515	100%	1,016,478	0%
2010	215,262,172	207,501,307	96%	6,026,138	213,527,445	99%	1,734,727	1%
2011	215,729,273	208,106,918	96%	4,705,925	212,812,843	99%	2,916,430	1%
2012	204,868,717	198,274,186	97%	2,801,030	201,075,216	98%	3,793,501	2%
2013	197,043,064	191,154,491	97%	-	191,154,491	97%	5,888,573	3%

* Amounts reflect subsequent adjustments

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

Unaudited - see accompanying independent auditors' report.

Table 8

COUNTY OF HAWAII

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Amounts in thousands, except per capita)

	Governmental Activities			Business-Type Activities		Component Unit		Total Primary Government		Total Primary Government and Component Unit	
Fiscal Year	General Obligation Bonds (c)	State Revolving Fund Loans	Capital Leases	Bonds/Notes Payable	Total Primary Government (a)	General Obligation Bonds	State Revolving Fund Loans	Percentage of Personal Income (b)	Per Capita (b)	Percentage of Personal Income (b)	Per Capita (b)
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	301,549,005	36,555,264	3,057,082	884,232	342,045,583	44,673,293	18,012,314	5.59%	1,827	6.62%	2,162
2012	281,773,498	29,050,626	3,803,618	851,306	315,479,048	42,481,176	17,872,813	4.99%	1,668	5.95%	1,987
2013	313,322,466	20,882,283	3,632,420	1,296,633	339,133,802	40,179,834	12,911,310	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.

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

Fiscal Year	Debt Applicable to Legal Debt Margin (a)	Percent of Net Taxable Property Value (b)	Per Capita (c)
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%	1,679
2013	315,676,941	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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit (a)	$ 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	$ 3,529,135
Debt applicable to limit	176,396	195,198	205,220	281,837	265,431	296,536	277,482	315,616	317,700	315,677
Legal debt margin (b)	$ 1,757,305	$ 1,984,896	$ 2,266,485	$ 3,124,307	$ 3,675,045	$ 4,129,309	$ 3,945,232	$ 3,512,210	$ 3,343,216	$ 3,213,458
Debt applicable to the limit as a percentage of debt limit	9.12%	8.95%	8.30%	8.27%	6.74%	6.70%	6.57%	8.25%	8.68%	8.94%

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 2013

Net assessed value	$ 23,527,569
Debt limit (15% of net assessed value)	$ 3,529,135
Debt applicable to limit	315,677
Legal debt margin	$ 3,213,458

Unaudited - see accompanying independent auditors' report.

Table 11

COUNTY OF HAWAII

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30,	*Resident Population as of July 1	*Personal Income (thousands of dollars)	*Per Capita Personal Income	School Enrollment	Unemployment Rate
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	187,229	$ 6,114,237	$ 32,656	30,103	9.7%
2012	189,191	$ 6,318,657	$ 33,398	30,314	8.3%

* Amounts reflect subsequent adjustments

Source: County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAI'I

Principal Employers, County of Hawaii

June 30, 2013 and 2004

	2011 (a)			2004		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
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	16,676		21.0%	15,840		20.7%
Total employee count			78,950			76,200

NOTES:
(a) Data for Fiscal Year 2012 and Fiscal Year 2013 are unavailable.

Source: County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.

Table 13

COUNTY OF HAWAII

Full-Time Equivalent County Government Employees by Function

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	42.50	38.00	54.50	54.00	68.00	55.48	56.08	53.00	54.00	52.50
Legislative Auditor	-	-	-	-	-	5.00	5.00	5.00	4.75	3.75
Mayor	19.90	21.58	21.70	20.68	25.17	22.49	19.00	21.99	18.50	16.00
Corporation Counsel	38.00	41.00	39.00	39.98	33.00	30.00	32.00	29.00	29.00	27.00
Finance	90.00	88.00	91.00	94.49	102.89	128.44	123.89	121.89	123.35	131.37
Human Resources	24.00	26.00	24.50	27.46	28.98	28.96	27.98	25.49	25.48	24.00
Planning	31.00	31.50	35.00	36.00	47.00	48.00	49.00	49.49	48.00	50.00
Research & Development	12.00	13.00	13.20	14.48	15.00	15.00	14.00	14.00	12.00	12.00
Information Technology	15.00	14.00	17.00	17.00	17.00	16.00	15.48	16.00	16.00	16.00
Public Works Admin & Building	121.00	121.00	123.40	141.97	166.37	170.44	162.99	158.84	155.48	155.50
Public Safety:										
Police	526.50	520.80	536.20	535.23	572.51	553.37	558.32	565.99	541.25	548.98
Fire	316.98	346.23	340.20	363.71	424.07	412.05	411.53	414.08	391.28	418.57
Liquor Control	11.00	11.00	13.00	12.00	14.48	14.00	14.00	14.00	15.00	14.00
Civil Defense	5.00	7.00	6.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00
Prosecuting Attorney	86.00	83.00	86.50	93.00	96.49	103.00	98.24	99.00	91.49	99.49
Highways and Streets:										
Mass Transit	5.00	7.00	6.00	5.00	7.00	6.00	7.00	7.00	7.00	8.00
Traffic and Highways	153.00	151.00	168.00	169.98	183.48	182.48	174.48	176.48	178.48	176.48
Sanitation:										
Administration	5.00	18.00	19.50	19.49	19.98	19.49	16.98	18.49	17.00	17.00
Sewer	42.05	40.00	38.00	32.97	37.49	41.47	44.98	47.49	47.49	46.00
Vehicle Disposal	1.00	1.00	1.00	3.00	3.00	2.00	2.00	2.00	2.00	4.00
Solid Waste	56.75	57.80	69.00	86.49	87.49	93.49	93.00	95.00	99.00	98.00
Health, Education and Welfare:										
Housing	42.48	43.48	39.50	43.97	46.95	44.95	47.44	47.48	43.48	41.00
Aging	10.00	10.00	12.50	13.00	12.00	12.00	11.00	12.00	13.00	11.00
Culture and Recreation	390.05	386.48	434.90	402.43	390.11	391.45	379.50	380.74	370.15	370.87
Total	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	2,357.51

Source: County of Hawaii, Department of Finance

Unaudited - see accompanying independent auditors' report.

Table 14

COUNTY OF HAWAII

Operating Indicators by Function

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police:										
DUI arrests	900	964	1,163	1,354	1,397	1,395	1,452	1,468	1,403	1,176
Traffic citations issued	58,432	51,818	54,435	54,606	62,736	66,461	63,883	61,947	60,967	49,292
Fire:										
Fire responses	1,207	888	897	1,095	892	751	889	731	684	654
Emergency medical/rescue responses	14,693	13,671	14,945	15,502	16,098	15,099	15,308	15,726	16,361	16,454
Inspections - Occupancy/Fire Protective Equipment	4,210	1,843	2,131	1,958	1,858	1,479	1,579	3,021	2,050	1,463
Sanitation:										
Refuse disposed (tons per year)	201,011	225,051	222,945	223,144	210,199	172,431	154,914	166,455	152,949	153,581
Highways and Streets:										
In-house street resurfacing (miles)	12	42	15	33	26	27	23	18	20	20
Parks and Recreation:										
Pavilion permits issued	1,739	1,908	1,888	1,744	2,055	2,310	2,340	4,667	2,805	2,775
Camping permits issued	4,627	4,765	5,146	5,200	3,870	3,998	4,290	4,019	4,450	5,175
Rounds of golf	80,015	79,101	74,677	82,182	76,648	80,229	80,407	83,358	72,162	71,352
Zoo attendance	156,184	163,176	171,958	172,315	163,601	182,286	172,737	172,677	213,537	245,715
Transit:										
Bus passengers	N/A	N/A	711,608	727,677	821,359	908,651	1,060,057	1,149,042	1,315,222	1,269,550
Public Works:										
Building permits issued	4,418	5,350	5,883	5,165	4,507	3,929	3,234	3,039	3,258	4,754
Electrical permits issued	3,896	4,750	5,097	5,072	4,569	3,869	3,602	3,821	4,080	5,137
Plumbing permits issued	1,907	3,888	4,557	4,368	3,622	2,983	2,638	2,071	1,749	2,001
Sign permits issued	46	63	50	51	75	62	62	58	55	52

Source: County of Hawaii, Individual Departments

Unaudited - see accompanying independent auditors' report.

Table 15

COUNTY OF HAWAII

Capital Asset Statistics by Functions

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police:										
Stations	8	8	8	8	8	8	8	8	8	8
Substations	3	13	13	13	10	10	10	10	10	8
Fire stations	20	20	20	20	20	20	20	20	20	20
Highways and Streets:										
County streets (miles)	903	903	907	927	942	943	944	946	954	945
Streetlights	8,949	9,017	9,027	9,246	9,308	9,404	9,592	9,864	9,883	9,939
Parks and Recreation:										
Parks	119	121	122	123	123	143	143	143	144	145
Gyms and recreation centers	38	38	38	38	38	61	61	61	62	62
Sanitation:										
Sanitary sewers (miles)	53	53	53	58	100*	100*	111*	111*	112*	112*

*GIS database utilized beginning FY 2008

Source: County of Hawaii, Department of Research and Development

Unaudited - see accompanying independent auditors' report.