

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2014**



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

William P. Kenoi  
Mayor

Walter Lau  
Managing Director

Prepared by  
The Department of Finance  
Nancy Crawford  
Director of Finance

# COUNTY OF HAWAII

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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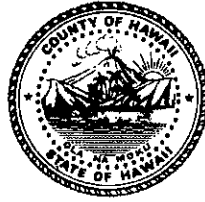
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## INTRODUCTORY SECTION

William P. Kenoi  
Mayor



Deanna S. Sako  
Director

Lisa K. Miura  
Deputy Director

## County of Hawaii

### Finance Department

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

January 12, 2015

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, 2013 to June 30, 2014.

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, 2014 and results of operations for the fiscal year then ended. The report is divided into three sections:

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

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

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

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

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

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

### **Economic Condition and Outlook**

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

The Big Island is the most diversified of the neighbor island economies. As a result it is buffered to some extent when any one industry lags. Although the past few years proved challenging to the island's economy, it appears that the County will continue on its steady but slow road to improved financial health. This favorable outlook is supported by positive trends in the following key areas of the island's economy.

The unemployment rate for the County for the current fiscal year is at approximately 6%, which represents over a two percent decline from last year's rate for the same period of 8.3% and an even larger decline from the high of 11% in 2011.

**Tourism** – Tourism has always been one of the major industries 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 each fiscal year for the past two fiscal years. However, the County is less dependent on this industry than the other islands in the State, which is fortunate considering that the overall number of tourists to the island declined slightly (4%) in the current year.

**Construction** – 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. According to the *Economic Forecast* by First Hawaiian Bank, private building permits are up to about \$60 million per month and single-family quarterly building permits have increased from \$10-\$13 million per month in 2011 to \$20 million per month earlier this year.

Several large construction projects are on the horizon for each side of the island. The west side of the island is experiencing increased activity in residential construction with several projects moving forward due to the resolution of issues surrounding the infrastructure at Hokulia. Construction also continued with the Hawaii Community College's Palama Nui campus and several substantial highway projects, which include includes the Hawaii Community College and the widening of the Queen Kaahumanu Highway (\$75 million) and completion of Phase III of the Saddle Road (\$32 million). A large portion of the east side construction activity focuses on the Hilo harbor where construction has begun on the new inter-island cargo facility and another \$47 million is anticipated to be spent on Phase II and III, which does not include the \$5 million to be spent on demolition of part of the Pier I to allow larger ships access to the port.

**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. Astronomy continues to be a major factor in the success of the County's economy with an estimated nearly 500 new jobs opening up through 2023 to meet the needs of the current observatories and the creation of new jobs with the development of the Thirty Meter Telescope (TMT) by the TMT Observatory Corporation. On October 7, 2014, the dedication and groundbreaking ceremony for the TMT was held. It is anticipated that the construction and equipment costs will approximate \$1.2 billion and once it becomes operational in 2021, 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** – The Police Department conducted various recruitments, resulting in the hiring of 30 police recruits, eight police radio dispatchers, five inter-governmental movements, three school crossing guards, one custodian, one clerk and one secretary. Internally, there were 33 temporary promotions to police officer III, five promotions to police sergeant, four promotions to detective, and four promotions to police lieutenant.

The Accreditation Section assisted in raising the bar on professionalism within the Police

Department. In August 2015, the department will once again be under review by independent assessors to retain accreditation, which the department earned in November 2012.

**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 2014. Completing construction of final 20 units for a total of 96 units for this project. 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.

Kamakoa Nui is a master planned community in Waikoloa that 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. The first sales were recognized in this current fiscal year with twelve homes sold.

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

**Public Safety** – Securing funding for the South Kona Police Station continues to remain a goal of the Hawai‘i Police Department along with planning for a new station in the Puna District to replace the soon to be retired Kea’au Police Station.

The Police Department has completed extensive research into the process of procuring a modernized and fully integrated Computer Aided Dispatch (CAD) and records Management System (RMS) to better serve the community and that system has been put out for bid with the award expected to be announced in early 2015. Additionally, the Police department is one of several County Departments that collaborated on modernizing the County’s Radio System which will be getting under way in late 2014.

**Public Works** – The Department of Public Works began reconstructing the four-lane roadway and Pauahi Street/Kamehameha Avenue intersection, on March 3, 2014. Estimated completion is mid-2015. The Federal Highway Administration is paying eighty (80) percent of the \$13 million estimated cost and the County the remaining twenty (20) percent.

The following projects are in the design phase:

- Kawailani/Iwalani Intersection Improvement Project (STIP),
- Manono Street Improvements Project (STIP),
- Kapi’olani Street Extension Project,
- Alii Drive Shoulder Improvements Project,
- Komohana Street Reconstruction Project
- Henry Street Reconstruction Project.

The following projects are in the planning phase:

- Ali'i Drive Culvert Replacement Project (STIP)
- Kuakini Phase II Project (STIP),
- Upper Waianuenue Ave Improvement Project (STIP),
- Mamalahoa Highway (Waimea) Widening Project (STIP),
- Kamehameha Avenue Reconstruction Phase II Project,
- Mamalahoa Highway (Waimea) Improvements Project,
- Nani Kailua Extension,
- Lako Street Extension Project.

## **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 .26%.

The County's policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, with the exception of \$295,104 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 both a slightly higher value of net taxable real property and building tax rates, the County experienced an increase of \$20.5 million in property tax revenues from the prior year. This was however offset by substantial increases in employment costs due to negotiated bargaining unit pay raises, the end of furloughs and increases in associated fringe benefits.

After temporarily forgoing its employer contributions relating to the pre-funding of its postemployment benefits other than pension for the past two years, the County made a contribution of \$3.17 million.

## **Other Information**

### ***Independent Audit***

The County Charter requires an annual audit by independent certified public accountants. N&K CPAs Inc. 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. Four bargaining units have contracts that will expire on June 30, 2017.

### ***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, 2013. This was the twenty-sixth 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.



DEANNA SAKO  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

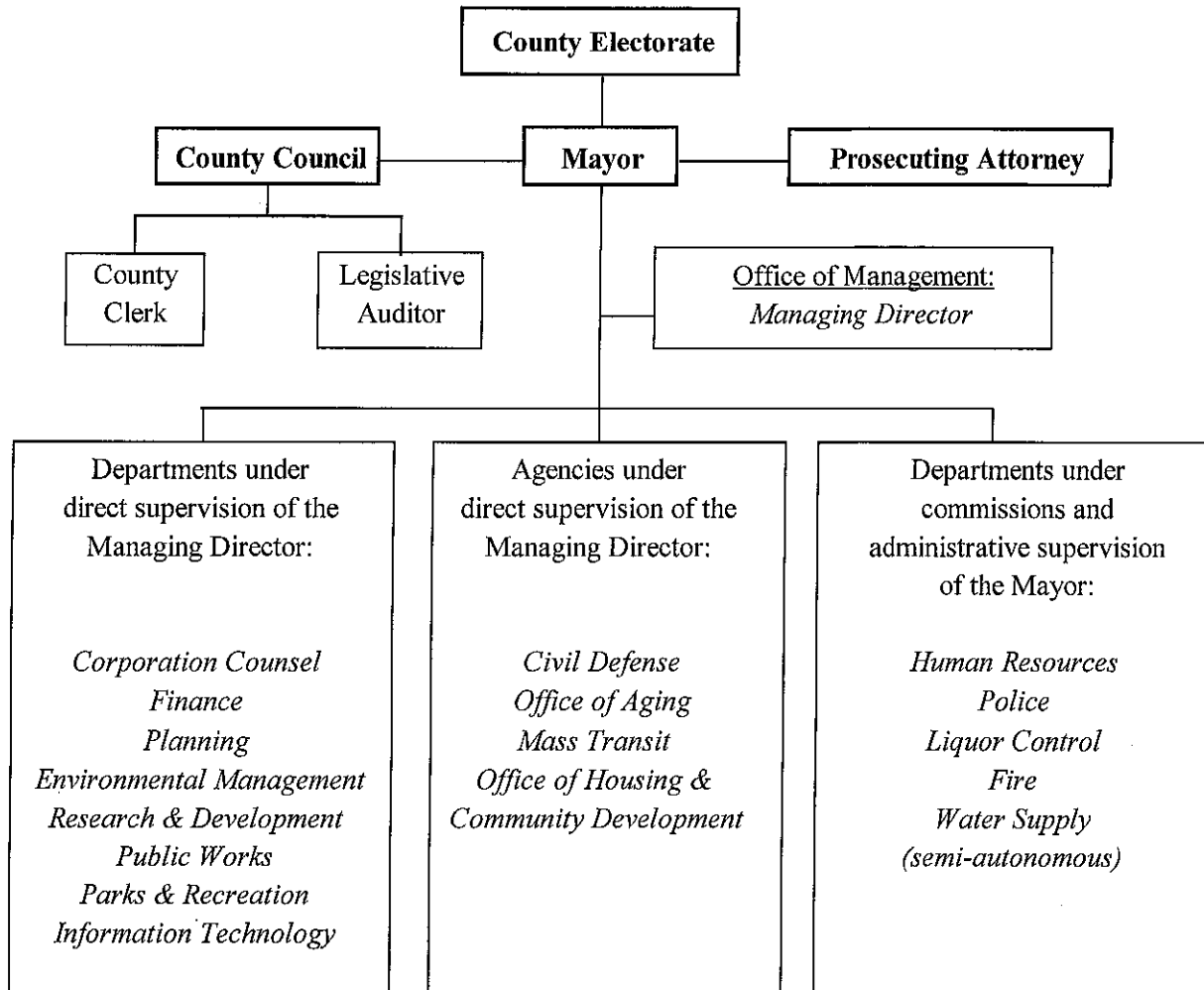
**County of Hawaii  
Hawaii**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# County of Hawaii Organization Chart



**County of Hawaii  
Elected Officials**

June 30, 2014

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, 2014

County Clerk	Stewart Maeda
Legislative Auditor	Bonnie Nims
Managing Director	Walter Lau
Deputy Managing Director	Randy Kurohara
Corporation Counsel	Molly Stebbins
Director of Finance	Nancy E. Crawford
Planning Director	Duane Kanuha
Director of Personnel	Sharon Kamahale-Toriano
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	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	Donald F. Jacobs, Jr.

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## FINANCIAL SECTION

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## **INDEPENDENT AUDITOR'S REPORT**

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 (County), as of and for the fiscal year ended June 30, 2014, 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 fiscal year ended June 30, 2014, 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.

### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall financial statement 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 of Hawai'i, State of Hawai'i as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 16 through 26) and schedule of funding progress for the Hawaii Employer Union Health Benefit Trust Fund (page 88) 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.

*Adjustment to Prior Period Financial Statements*

As discussed in Note 1 (page 58) to the financial statements, the County has adjusted its 2013 financial statements to retroactively apply the change in accounting for deferred bond costs, unamortized loss on advanced refunding of bonds, and deferred inflows of resources as required by the provisions of Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, 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 at a future date. 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.

*N & K CPAs, Inc.*

Honolulu, Hawai'i  
January 12, 2015

## 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, 2014. 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 \$808.0 million (net position). This amount includes a negative balance of \$16.9 million in unrestricted net position, a decrease of \$18.1 million from the prior year, which is explained in the sections below.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$206.0 million, an increase of \$10.7 million from the prior year. Approximately 43 percent of this total amount, \$89.5 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 \$46.3 million, or 19 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

The **statement of net 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, 2014 and 2013**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2014	2013 (as restated)	2014	2013	2014	2013 (as restated)
<b>Assets:</b>						
Current and other assets	\$ 260,511,277	\$ 253,214,295	\$ 1,153,595	\$ 1,111,875	\$ 261,664,872	\$ 254,326,170
Capital assets, net	1,052,246,842	1,009,857,355	1,577,149	1,611,888	1,053,823,991	1,011,469,243
Total assets	1,312,758,119	1,263,071,650	2,730,744	2,723,763	1,315,488,863	1,265,795,413
<b>Deferred Outflows</b>						
Of Resources:	1,283,292	1,589,564	--	--	1,283,292	1,589,564
<b>Total Assets and Deferred Outflows of Resources</b>	1,314,041,411	1,264,661,214	2,730,744	2,723,763	1,316,772,155	1,267,384,977
<b>Liabilities:</b>						
Long-term liabilities outstanding	474,116,332	465,209,668	1,208,300	1,296,633	475,324,632	466,506,301
Other liabilities	32,625,472	34,788,387	59,845	66,685	32,685,317	34,855,072
Total liabilities	506,741,804	499,998,055	1,268,145	1,363,318	508,009,949	501,361,373
<b>Deferred Inflows</b>						
Of Resources:	797,272	718,241	--	--	797,272	718,241
<b>Total Liabilities and Deferred Inflows of Resources</b>	507,539,076	500,716,296	1,268,145	1,363,318	508,807,221	502,079,614
<b>Net position:</b>						
Net investment in capital assets	734,889,023	699,326,156	368,849	315,255	735,257,872	699,641,411
Restricted	89,620,936	64,437,707	--	--	89,620,936	64,437,707
Unrestricted	(18,007,624)	181,055	1,093,750	1,045,190	(16,913,874)	1,226,245
Total net position	\$ 806,502,335	\$ 763,944,918	\$ 1,462,599	\$ 1,360,445	\$807,964,934	\$765,305,363

## **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 \$808.0 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 (11 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 two of its three categories of net position, both for the government as a whole, as well as for its separate governmental activities. All three categories of net position are positive for its business-type activities.

The County's net position increased by \$42.7 million during the current fiscal year, which was a decrease of \$41.3 million (49%) from the increase that was experienced last fiscal year. One of the main reasons for the lower increase in net position is due to a \$50.0 million decrease in capital grants and contributions related to highways and streets as compared to the prior fiscal year. This substantial decrease was partially offset by a \$7.8 million increase from that of the prior fiscal year in capital grants and contributions related to culture and recreation.

The County's net capital assets increased by \$42.4 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 \$8.8 million (2 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 liability for post closure remediation costs relating to closure of the County's two metal salvage facilities. 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 Statements of Activities  
For the Fiscal Years Ended June 30, 2014 and 2013**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2014	2013 (as restated)	2014	2013	2014	2013 (as restated)
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 40,900,135	\$ 34,930,495	\$ 468,018	\$ 432,057	\$ 41,368,153	\$ 35,362,552
Operating grants and contributions	42,957,370	44,410,353	127,119	123,800	43,084,489	44,534,153
Capital grants and contributions	62,370,497	107,584,670	-	-	62,370,497	107,584,670
General revenues:						
Property taxes	221,260,681	200,775,779	-	-	221,260,681	200,775,779
Other taxes	28,546,783	28,206,334	-	-	28,546,783	28,206,334
Grants and contributions, unrestricted	17,705,917	17,750,132	-	-	17,705,917	17,750,132
Investment earnings (loss)	815,606	(81,020)	1,739	1,416	817,345	(79,604)
Other	5,574,147	2,320,838	-	342,275	5,574,147	2,663,113
<b>Total revenues</b>	<b>420,131,136</b>	<b>435,897,581</b>	<b>596,876</b>	<b>899,548</b>	<b>420,728,012</b>	<b>436,797,129</b>
<b>Expenses:</b>						
General government	59,448,042	55,616,102	-	-	59,448,042	55,616,102
Public safety	163,889,113	151,975,049	-	-	163,889,113	151,975,049
Highways and streets	38,670,145	42,219,903	-	-	38,670,145	42,219,903
Health, education and welfare	28,343,056	28,001,020	494,722	496,017	28,837,778	28,497,037
Culture and recreation	25,590,117	22,121,336	-	-	25,590,117	22,121,336
Sanitation	48,721,810	38,505,086	-	-	48,721,810	38,505,086
Interest on long-term debt	12,911,436	14,301,921	-	-	12,911,436	14,301,921
<b>Total expenses</b>	<b>377,573,719</b>	<b>352,740,417</b>	<b>494,722</b>	<b>496,017</b>	<b>378,068,441</b>	<b>353,236,434</b>
Increase in net position	42,557,417	83,157,164	102,154	403,531	42,659,571	83,560,695
Net position at beginning of year, as previously stated	763,944,918	682,085,644	1,360,445	956,914	765,305,363	683,042,558
Cumulative effect of accounting change	-	(1,297,890)	-	-	-	(1,297,890)
Net position at beginning of year, as adjusted	763,944,918	680,787,754	1,360,445	956,914	765,305,363	681,744,668
Net position at end of year	<b>\$ 806,502,335</b>	<b>\$ 763,944,918</b>	<b>\$ 1,462,599</b>	<b>\$ 1,360,445</b>	<b>\$ 807,964,934</b>	<b>\$ 765,305,363</b>

**Analysis of Changes in Net Position**

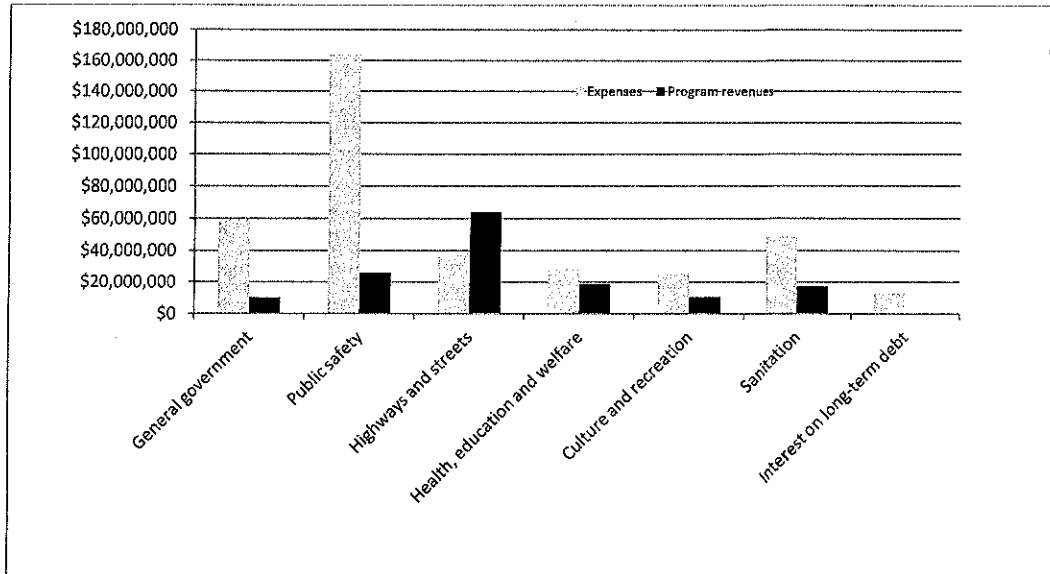
**Governmental activities.** Governmental activities increased the County's net position by \$42.6 million or basically all of the total growth in net position of the County.

The primary reason for the \$15.8 million (4 percent) decrease in total revenues was due to Capital grants and contributions decreasing by approximately \$45.2 million, which related mostly to decreases in highways and streets projects. This substantial decrease was partially offset by increases in the other revenue sources. The most significant increase of \$20.5 million was in real property taxes, which was due to a slight increase in the value of net taxable real property and building tax rates as evidenced in the accompanying statistical tables. The second largest increase in revenues was in Charges for services of \$6.0 million from the prior year, with the largest percentage relating to the area of highways and streets.

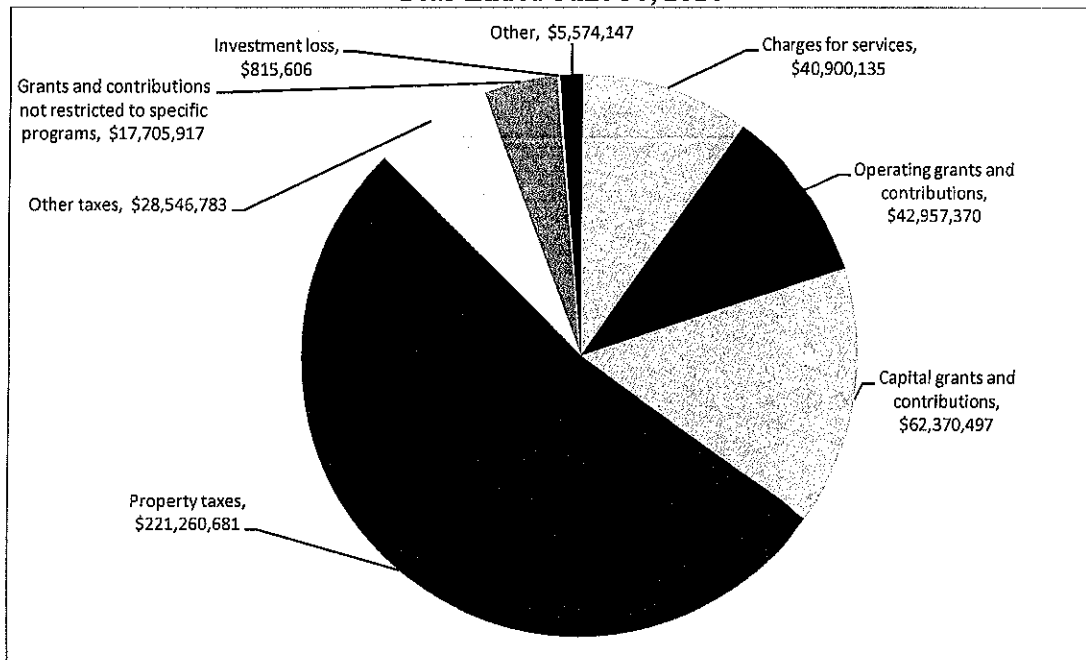
Total expenses increased by \$24.8 million with 89 percent of the increase resulting from increases in the areas of Public safety and Sanitation. There was an increase of \$11.9 million in Public safety expenditures of which \$5.5 million was due to increases in salaries and wages and \$3.5 million was due to increases in related employee benefits including post employment

benefits. The \$10.2 million increase in Sanitation was mostly due to the liability resulting from the closure of the County's two metal salvage facilities with remediation costs estimated at \$8.8 million.

**Expenses and Program Revenues – Governmental Activities  
Year Ended June 30, 2014**



**Revenue by Source – Governmental Activities  
Year Ended June 30, 2014**



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 sanitation (13 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 (53 percent), followed by capital grants and contributions (15 percent) and operating grants and contributions (10 percent).

**Business-type activities.** Business-type activities increased the County's net position by \$102,154 versus an increase of \$403,531 in the prior year. Expenses for health, education and welfare account for all of the \$494,722 of expenses with very little change from the prior year. Charges for services were \$468,018, operating grants and contributions were \$127,119 and investment earnings were \$1,739, which were all comparable to the prior year. However, other income decreased by \$342,275 from the prior year due to the one-time recognition of the forgiveness of a lease payable.

### 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 \$206.0 million, an increase of \$10.7 million (5 percent) in comparison with prior year. Approximately 43 percent of this total amount (\$89.5 million) constitutes unrestricted fund balance. The unrestricted portion of the fund balance is comprised of (1) \$50.8 million in committed fund balance, (2) \$36.9 million in assigned fund balance and (3) \$1.8 million in unassigned fund balance. The remainder of the fund balance is divided between \$3.8 million in nonspendable fund balance for inventory and \$112.6 million in restricted fund balance. Approximately 80 percent of the total restricted fund balance is due to restrictions relating to highways, streets and abandoned vehicles (\$67.0 million) and debt service (\$23.6 million).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$46.3 million, while total fund balance increased to \$55.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 19 percent of total general fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of the County's general fund increased by \$1.6 million during the current fiscal year as compared to an increase of \$5.2 million in the prior year. Key factors in this decrease (\$3.6 million) over last year's increase are as follows:

- A positive increase of \$22.3 million (11 percent) in real property tax revenues and \$1.6 million (3 percent) decrease in combined Federal and State intergovernmental revenues. As explained previously, the increase in real property tax revenues is due to a slight increase in

the value of net taxable real property and building tax rates as evidenced in the accompanying statistical tables.

- The positive impact of the increase in revenues was offset by increases of \$20.3 million (9 percent) in expenditures and \$7.6 million (16 percent) in transfers out. \$8.6 million of the total increase in expenditures is due to increases in salaries and wages from the prior year and \$7.2 million in associated employee benefits.

The fund balance of the County's capital projects fund increased by \$5.4 million (7 percent) 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 state revolving fund loan proceeds (\$3.1 million); intergovernmental revenue (\$8.8 million); private contributions (\$21.2 million); real estate sales (\$3.5 million) and transfers in (\$5.9 million) being greater than capital expenditures (\$37.7 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 \$23.6 million, all of which is restricted for the payment of debt service. The net increase in the combined fund balances during the current year in the debt service funds was \$4.4 million (23 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 \$759,878, and \$333,872 for the Ouli Ekahi Affordable Housing Project (Ouli Ekahi). The total net position for Kulaimano decreased by \$5,886 and the net position for Ouli Ekahi increased by \$108,040. 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 \$7.3 million increase in appropriations, the most significant single reason (46 percent) due to an increase in the appropriations for capital outlays.

Differences between the final budget and the actual (budgetary basis) resulted in approximately \$536,000 less revenues than expected and \$20.8 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 \$4.1 million was negated by an almost equal negative variance in intergovernmental revenues for both the federal and state grants of \$3.0 million and in total charges for services of \$1.2 million.
- \$3.2 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 (\$1.3 million) and general government (\$1.3 million).
- \$2.1 million is due to lower than anticipated payments needing to be made in pension related payments. With each department increasing efforts to control costs, overtime was also closely monitored and the corresponding pension expenditures were not incurred.
- \$2.7 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, 2014 amounts to \$1,054 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 4 percent.

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

- Construction continued on Na Kahua Hale O Ulu Wini Housing Project (formerly known as Kaloko Housing Program) and costs at the end of the current fiscal year for Phases 3 and 4 totaled \$8.1 million of which \$2.7 was from the current fiscal year; the portion relating to the completed Phase 3 was transferred to Building and Improvements.
- Construction continued on the County's Corporation Counsel and Liquor Control Offices Hazardous Abatement and Restoration project; construction in progress as of the end of the current fiscal year increased by \$2.6 million to reach a total of \$5.0 million, which was transferred to Buildings and Improvements.
- Construction continued on the Kalaniana'ole Sewer Interceptor Line Rehabilitation Phase 2; construction in progress as of the end of the current fiscal year increased by \$2.1 million to reach a total of \$7.5 million, which was transferred to Buildings and Improvements.
- Construction continued on the Reed Island Bridge Rehabilitation; construction in progress as of the end of the current fiscal year increased by \$5.8 million to reach a total of \$8.0 million, which was transferred to Infrastructure.
- Construction continued on the La'aloa Avenue Extension with work also beginning on Phase 2 of the project; construction in progress for both phases as of the end of the current fiscal year increased by \$4.8 million to reach a total of \$6.1 million.
- Construction continued on the Kaiminani Drive Roadway Improvements Phase I; construction in progress as of the end of the current fiscal year had reached \$8.3 million with \$2.2 million coming from the current fiscal year.
- Construction continued on the Kamehameha Avenue Reconstruction (Wailoa Bridge to Ponahawai) project; construction in progress as of the end of the current fiscal year had reached \$2.5 million with \$2.1 million coming from the current fiscal year.
- Construction began on two projects associated with the Honoka'a Rodeo Arena, which were the accessibility improvements and the covered bleachers facility. Costs for both projects reached a total of \$2.8 million, which was transferred to Building and Improvements.
- \$17.9 million of dedicated roads were received by the County in the current fiscal year.
- \$6.6 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, 2014 and 2013**

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 189,366,207	\$ 163,565,168	\$ 753,877	\$ 753,877	\$ 190,120,084	\$ 164,319,045
Infrastructure assets	274,721,099	274,969,315	-	-	274,721,099	274,969,315
Ground and site improvements	-	-	70,934	75,280	70,934	75,280
Buildings and improvements	498,293,093	476,759,437	718,631	754,675	499,011,724	477,514,112
Easements	3,803,176	3,500,794	-	-	3,803,176	3,500,794
Equipment	48,353,349	48,585,309	33,707	28,056	48,387,056	48,613,365
Construction work in progress	37,709,918	42,477,332	-	-	37,709,918	42,477,332
Total	<u>\$1,052,246,842</u>	<u>\$1,009,857,355</u>	<u>\$ 1,577,149</u>	<u>\$ 1,611,888</u>	<u>\$1,053,823,991</u>	<u>\$1,011,469,243</u>

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

**Long-term debt.** Long-term debt is primarily comprised of bonds of \$297.1 million and State Revolving Fund loans of \$22.9 million. At the end of the current fiscal year, the County had total bonded debt outstanding of \$297.1 million. This entire amount was comprised of general obligation bonds which are backed by the full faith and credit of the County.

The County's total bonded debt decreased by \$16.2 million (5 percent) during the current fiscal year due to regularly scheduled principal payments.

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

State statutes limit the amount of general obligation debt the County may issue up to 15 percent of the total assessed value of all county real property as established for tax purposes on the last tax assessment rolls. The current debt limitation for the County is \$3.5 billion, which is in excess of the County's outstanding general obligation debt. Currently the County's outstanding debt represents 8 percent of our debt limitation.

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 approximately 6.0 percent, which represents over a two percent decline from last year's rate for the same period of 8.3 percent and an even larger decline from the high of 11.0 percent in 2011.
- The number of visitors to the County for the current fiscal year was approximately 1.42 million, with an approximately 4.0 percent decrease from the previous year's count of 1.47 million. However, for the most part, the County is less dependent on tourism than the other islands in the State.
- Astronomy continues to be a major factor in the success of the County's economy with an estimated nearly 500 new jobs opening up through 2023 to meet the needs of the current observatories and the creation of new jobs with the development of the Thirty Meter Telescope (TMT) by the TMT Observatory Corporation. On October 7, 2014, the dedication and groundbreaking ceremony for the TMT was held. It is anticipated that the

construction and equipment costs will approximate \$1.2 billion and once it becomes operational in 2021, the TMT will have an annual operational budget of \$27 million.

- 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. According to the *Economic Forecast* by First Hawaiian Bank, private building permits are up to about \$60 million per month and single-family quarterly building permits have increased from \$10-\$13 million per month in 2011 to \$20 million per month earlier this year.

Several large construction projects are on the horizon for each side of the island. The west side of the island is experiencing increased activity in residential construction with several projects moving forward due to the resolution of issues surrounding the infrastructure at Hokuia. Construction also continued with the Hawaii Community College's Palama Nui campus and several substantial highway projects, which include includes the Hawaii Community College and the widening of the Queen Kaahumanu Highway (\$75 million) and completion of Phase III of the Saddle Road (\$32 million). A large portion of the east side construction activity focuses on the Hilo harbor where construction has begun on the new inter-island cargo facility and another \$47 million is anticipated to be spent on Phase II and III, which does not include the \$5 million to be spent on demolition of part of the Pier I to allow larger ships access to the port.

These factors were considered in preparing the County's budget for the 2015 fiscal year.

At the end of the current fiscal year, unrestricted fund balance in the general fund was \$46.3 million. The County has appropriated \$25.5 million of this amount for spending in the 2015 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.

## BASIC FINANCIAL STATEMENTS

COUNTY OF HAWAII

Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents (notes 3 and 14)	\$ 49,657,131	\$ 869,198	\$ 50,526,329	\$ 36,246,439
Restricted cash and cash equivalents (note 3 and 14)	46,741,035	40,334	46,781,369	-
Investments (note 3)	9,742,381	-	9,742,381	-
Restricted investments (note 3)	53,690,196	-	53,690,196	-
Receivables, net (note 4)	49,422,538	5,777	49,428,315	7,839,518
Receivable from improvement district (notes 4 and 10)	66,993	-	66,993	-
Internal balances (note 5)	1,350	(1,350)	-	-
Inventories	3,794,963	-	3,794,963	1,143,074
Prepaid expenses	-	1,490	1,490	171,855
Real estate held for sale	2,935,216	-	2,935,216	-
Other	779,927	-	779,927	-
<b>Total current assets</b>	<b>216,831,730</b>	<b>915,449</b>	<b>217,747,179</b>	<b>45,400,886</b>
Investments (note 3)	26,130,593	200,184	26,330,777	-
Restricted investments (note 3)	15,885,348	-	15,885,348	-
Restricted cash and cash equivalents (note 3 and 14)	-	37,962	37,962	2,085,134
Receivable from improvement district, excluding current portion (notes 4 and 10)	1,663,606	-	1,663,606	-
Preliminary survey and investigation charges	-	-	-	3,732,743
<b>Capital assets (notes 6, 8 and 14):</b>				
Utility plant in service, net	-	-	-	255,317,677
Infrastructure assets, net	274,721,099	-	274,721,099	-
Ground and site improvements, net	-	70,933	70,933	-
Buildings and improvements, net	498,293,093	718,631	499,011,724	-
Equipment, net	48,353,349	33,708	48,387,057	-
Easements, net	3,803,176	-	3,803,176	-
Construction work in progress	37,709,918	-	37,709,918	7,358,252
Land and improvements	189,366,207	753,877	190,120,084	4,564,602
<b>Total capital assets, net</b>	<b>1,052,246,842</b>	<b>1,577,149</b>	<b>1,053,823,991</b>	<b>267,240,531</b>
<b>Total noncurrent assets</b>	<b>1,095,926,389</b>	<b>1,815,295</b>	<b>1,097,741,684</b>	<b>273,058,408</b>
<b>Total assets</b>	<b>1,312,758,119</b>	<b>2,730,744</b>	<b>1,315,488,863</b>	<b>318,459,294</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding	1,283,292	-	1,283,292	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,314,041,411</b>	<b>2,730,744</b>	<b>1,316,772,155</b>	<b>318,459,294</b>

(Continued)

COUNTY OF HAWAII

Statement of Net Position

June 30, 2014

(Concluded)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 12,714,764	\$ 44,985	\$ 12,759,749	\$ 2,486,389
Accrued payroll	8,462,522	-	8,462,522	1,376,106
Advance collections - intergovernmental	3,314,289	711	3,315,000	-
Interest due on long-term debt	5,657,950	14,149	5,672,099	984,682
Bonds and loans payable, current portion net (notes 10 and 14)	22,278,027	84,412	22,362,439	3,374,743
Compensated absences, current portion (note 10)	8,342,581	-	8,342,581	441,666
Claims and judgments, current portion (notes 10, 12 and 14)	2,915,021	-	2,915,021	68,675
Capital leases, current portion (notes 8 and 10)	1,066,531	-	1,066,531	-
Landfill costs payable, current portion (notes 9 and 10)	224,478	-	224,478	-
Customers' deposits	-	-	-	601,695
Other	2,475,947	-	2,475,947	-
Total current liabilities	<u>67,452,110</u>	<u>144,257</u>	<u>67,596,367</u>	<u>9,333,956</u>
Noncurrent liabilities:				
Bonds and loans payable, net (notes 10 and 14)	318,789,131	1,123,888	319,913,019	49,482,475
Compensated absences (note 10)	25,642,863	-	25,642,863	1,135,714
Claims and judgments (notes 10, 12 and 14)	10,808,872	-	10,808,872	238,325
Capital leases (notes 8 and 10)	1,241,710	-	1,241,710	-
Landfill costs payable (notes 9 and 10)	22,488,522	-	22,488,522	-
Unearned revenue, noncurrent	-	-	-	1,583,953
Customers' deposits	-	-	-	15,611,876
Other (note 13)	60,318,596	-	60,318,596	-
Total noncurrent liabilities	<u>439,289,694</u>	<u>1,123,888</u>	<u>440,413,582</u>	<u>68,052,343</u>
Total liabilities	<u>506,741,804</u>	<u>1,268,145</u>	<u>508,009,949</u>	<u>77,386,299</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows - Other	<u>797,272</u>	<u>-</u>	<u>797,272</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>507,539,076</u>	<u>1,268,145</u>	<u>508,807,221</u>	<u>77,386,299</u>
<b>Net Position</b>				
Net investment in capital assets	734,889,023	368,849	735,257,872	216,468,447
Restricted for:				
Capital projects	46,753,013	-	46,753,013	-
Debt service (note 10)	23,576,248	-	23,576,248	-
Highways, streets and abandoned vehicles	12,668,047	-	12,668,047	-
Public access open space	4,713,485	-	4,713,485	-
Other	1,910,143	-	1,910,143	-
Unrestricted	<u>(18,007,624)</u>	<u>1,093,750</u>	<u>(16,913,874)</u>	<u>24,604,548</u>
Total net position	<u>\$ 806,502,335</u>	<u>\$ 1,462,599</u>	<u>\$ 807,964,934</u>	<u>\$ 241,072,995</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

Statement of Activities

For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 59,448,042	\$ 2,495,917	\$ 2,070,680	\$ 5,531,849
Public safety	163,889,113	5,562,424	20,164,816	4,685
Highways and streets	38,670,145	13,901,679	1,728,448	48,338,507
Health, education and welfare	28,343,056	559,381	18,219,695	15,367
Culture and recreation	25,590,117	1,954,213	68,627	8,453,770
Sanitation	48,721,810	16,426,521	705,104	26,319
Interest on long-term debt	12,911,436	-	-	-
Total governmental activities	377,573,719	40,900,135	42,957,370	62,370,497
Business-type activities:				
Health, education and welfare	494,722	468,018	127,119	-
Total primary government	<u>\$ 378,068,441</u>	<u>\$ 41,368,153</u>	<u>\$ 43,084,489</u>	<u>\$ 62,370,497</u>
<b>Component unit:</b>				
Water (note 14)	<u>\$ 54,306,190</u>	<u>\$ 48,310,623</u>	<u>\$ -</u>	<u>\$ 10,299,452</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Public service company taxes

Public utility franchise taxes

Fuel taxes

Grants and contributions not restricted to specific programs

Investment earnings (loss)

Other

Total general revenues

Change in net position

Net position, beginning of year, as previously stated

Cumulative effect of accounting change

Net position, beginning of year, as adjusted

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
\$ (49,349,596)	\$ -	\$ (49,349,596)	\$ -
(138,157,188)	-	(138,157,188)	-
25,298,489	-	25,298,489	-
(9,548,613)	-	(9,548,613)	-
(15,113,507)	-	(15,113,507)	-
(31,563,866)	-	(31,563,866)	-
(12,911,436)	-	(12,911,436)	-
(231,345,717)	-	(231,345,717)	-
-	100,415	100,415	-
(231,345,717)	100,415	(231,245,302)	-
-	-	-	4,303,885
221,260,681	-	221,260,681	-
10,380,341	-	10,380,341	-
10,792,967	-	10,792,967	-
7,373,475	-	7,373,475	-
17,705,917	-	17,705,917	-
815,606	1,739	817,345	226,696
5,574,147	-	5,574,147	-
273,903,134	1,739	273,904,873	226,696
42,557,417	102,154	42,659,571	4,530,581
765,659,726	1,360,445	767,020,171	236,542,414
(1,714,808)	-	(1,714,808)	-
763,944,918	1,360,445	765,305,363	236,542,414
\$ 806,502,335	\$ 1,462,599	\$807,964,934	\$ 241,072,995

COUNTY OF HAWAII

**Governmental Funds**

Balance Sheet

June 30, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (note 3)	\$ 8,101,976	\$ 41,444,758	\$ 46,851,432	\$ 96,398,166
Investments (note 3)	39,743,842	45,977,282	19,727,394	105,448,518
Receivables, net (note 4)	22,045,275	1,160,441	2,683,028	25,888,744
Due from other governmental funds (note 5)	705,593	1,874,282	69,530	2,649,405
Due from other nongovernmental funds (note 5)	-	-	1,350	1,350
Receivables from other governments (note 4)	19,773,218	3,173,661	586,915	23,533,794
Inventories	3,794,963	-	-	3,794,963
Real estate held for sale	-	2,935,216	-	2,935,216
Other	468,512	-	311,415	779,927
<b>Total assets</b>	<b>\$ 94,633,379</b>	<b>\$ 96,565,640</b>	<b>\$ 70,231,064</b>	<b>\$ 261,430,083</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,440,806	\$ 6,223,500	\$ 3,050,458	\$ 12,714,764
Accrued payroll	7,393,593	-	1,068,929	8,462,522
Due to other governmental funds (note 5)	1,458,029	409,049	782,327	2,649,405
Due to other nongovernmental funds (note 5)	-	-	-	-
Advance collections-intergovernmental (note 7)	2,042,023	1,165,939	106,327	3,314,289
Other	1,909,322	5,098	561,527	2,475,947
<b>Total liabilities</b>	<b>16,243,773</b>	<b>7,803,586</b>	<b>5,569,568</b>	<b>29,616,927</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	22,842,547	286,900	2,724,970	25,854,417
<b>Fund balances:</b>				
Nonspendable: Inventory	3,794,963	-	-	3,794,963
Restricted for:				
Debt service (note 10)	-	-	23,576,248	23,576,248
Highways, streets and abandoned vehicles	-	54,374,443	12,668,047	67,042,490
Public access open space	4,713,485	-	-	4,713,485
Other	745,865	15,382,259	1,164,278	17,292,402
Committed to:				
Budget stabilization	5,367,886	-	-	5,367,886
Disaster and emergencies	5,428,818	-	-	5,428,818
Lower Puna area	-	-	4,938,635	4,938,635
Rental assistance and subsidy	-	-	2,282,439	2,282,439
Sanitation	-	-	12,194,717	12,194,717
Self insurance	1,283,680	-	-	1,283,680
Highways, streets and abandoned vehicles	-	827,600	4,557,474	5,385,074
Parks and recreational projects	-	3,079,495	86,517	3,166,012
Zoning change impact mitigation (fair share)	-	5,398,416	-	5,398,416
Other	714,398	4,195,960	468,171	5,378,529
Assigned to:				
Subsequent year's budget	25,545,000	-	-	25,545,000
Other	6,128,075	5,216,981	-	11,345,056
Unassigned	1,824,889	-	-	1,824,889
<b>Total fund balances</b>	<b>55,547,059</b>	<b>88,475,154</b>	<b>61,936,526</b>	<b>205,958,739</b>
<b>Total liabilities and fund balances</b>	<b>\$ 94,633,379</b>	<b>\$ 96,565,640</b>	<b>\$ 70,231,064</b>	<b>\$ 261,430,083</b>

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, 2014

**Total fund balances - governmental funds** \$ 205,958,739

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	189,366,207	
Infrastructure assets, net	274,721,099	
Buildings and improvements, net	498,293,093	
Equipment, net	48,353,349	
Easements, net	3,803,176	
Construction work in progress	<u>37,709,918</u>	
Total capital assets, net		1,052,246,842

Deferred amounts on refunding are reported as deferred outflows of resources in the government-wide financial statements but are not reported in the governmental fund statements 1,283,292

Some of the County's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred (unearned) in the funds. (note 7) 25,057,145

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

Bonds and loans payable, net of receivable from improvement district	(339,336,559)	
Interest on long-term debt	(5,657,950)	
Capital leases	(2,308,241)	
Compensated absences	(33,985,444)	
Claims and judgments	(13,723,893)	
Landfill costs payable	(22,713,000)	
Pollution remediation	(8,770,000)	
Other Postemployment Benefit Obligation (OPEB)	<u>(51,548,596)</u>	
Total long-term liabilities		<u>(478,043,683)</u>

**Net position of governmental activities** \$ 806,502,335

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, 2014

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$223,481,503	\$ -	\$ -	\$223,481,503
Public service company taxes	10,380,341	-	-	10,380,341
Fuel taxes	-	-	7,373,475	7,373,475
Public utility franchise taxes	-	-	10,792,967	10,792,967
Licenses and permits	7,932,958	-	11,684,894	19,617,852
Intergovernmental	48,830,066	8,844,696	17,581,906	75,256,668
Charges for services	3,728,783	-	15,663,717	19,392,500
Investment earnings (losses)	1,051,850	645,839	5,389	1,703,078
Other	3,816,087	24,704,185	1,563,524	30,083,796
Total revenues	<u>299,221,588</u>	<u>34,194,720</u>	<u>64,665,872</u>	<u>398,082,180</u>
<b>Expenditures</b>				
Current:				
General government	36,659,186	-	19,550	36,678,736
Public safety	104,991,128	-	6,229,784	111,220,912
Highways and streets	2,525,821	-	17,744,534	20,270,355
Health, education and welfare	7,030,116	-	16,040,110	23,070,226
Culture and recreation	17,415,015	-	918,875	18,333,890
Sanitation	1,027,084	-	28,921,920	29,949,004
Pension and retirement contributions (note 13)	28,783,471	-	4,248,684	33,032,155
Employees' health insurance	24,866,245	-	1,920,081	26,786,326
Other postemployment benefits	3,170,000	-	-	3,170,000
Other	1,712,964	-	1,524,818	3,237,782
Debt service:				
Principal	551,219	-	18,461,371	19,012,590
Interest	41,493	-	14,602,833	14,644,326
Capital outlay	13,643,090	37,725,580	-	51,368,670
Total expenditures	<u>242,416,832</u>	<u>37,725,580</u>	<u>110,632,560</u>	<u>390,774,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,804,756</u>	<u>(3,530,860)</u>	<u>(45,966,688)</u>	<u>7,307,208</u>

(Continued)

COUNTY OF HAWAII

**Governmental Funds**

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(Concluded)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Sale of assets	\$ 10,264	\$ -	\$ -	\$ 10,264
Increase in capital leases (notes 8 and 10)	13,817	-	-	13,817
State Revolving Fund loans (note 10)	-	3,072,577	-	3,072,577
Issuance of bonds (note 10)	-	-	-	-
Premium on bonds (note 10)	-	-	-	-
Refunding bonds (note 10)	-	-	-	-
Payment to refunded bond escrow agent (note 10)	-	-	-	-
Retirement of refunded debt (note 10)	-	-	-	-
Transfers in (note 5)	-	5,863,047	55,374,541	61,237,588
Transfers out (note 5)	(55,532,884)	-	(5,704,704)	(61,237,588)
Total other financing sources (uses)	<u>(55,508,803)</u>	<u>8,935,624</u>	<u>49,669,837</u>	<u>3,096,658</u>
Net change in fund balances	1,295,953	5,404,764	3,703,149	10,403,866
Fund balances at beginning of year	53,948,607	83,070,390	58,233,377	195,252,374
Increase in reserve for inventories	302,499	-	-	302,499
Fund balances at end of year	<u>\$ 55,547,059</u>	<u>\$ 88,475,154</u>	<u>\$ 61,936,526</u>	<u>\$ 205,958,739</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

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

For the Fiscal Year Ended June 30, 2014

**Net change in fund balances - total governmental funds** \$ 10,403,866

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	54,801,851	
Dedicated and contributed property	24,540,091	
Depreciation expense and loss on disposals	<u>(36,952,455)</u>	
Excess of capital outlay over depreciation expense		42,389,487

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:

State Revolving Fund loans	(3,072,577)	
Capital leases	<u>(13,817)</u>	
Total debt proceeds		(3,086,394)

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	16,648,372	
State Revolving Fund loan repayments	1,026,222	
Capital lease payments	<u>1,337,996</u>	
Total long-term debt repayment		19,012,590

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.

(2,171,662)

(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, 2014

(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	\$ 302,499	
Increase in Other Postemployment Benefit Obligation (OPEB)	(13,388,094)	
Increase in compensated absences	(1,820,334)	
Increase in claims and judgments	(1,319,431)	
Increase in landfill closure/postclosure care costs	(728,000)	
Increase in pollution remediation costs	(8,770,000)	
Amortization of premium from bond issuance	1,577,653	
Amortization of deferred loss on refunding	(306,272)	
Net decrease in accrued interest	<u>461,509</u>	
Net additional expenses		<u>(23,990,470)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 42,557,417</u></b>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

General Fund

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments:				
Property taxes	\$ 219,400,000	\$ 219,600,000	\$ 223,481,503	\$ 3,881,503
Public service company taxes	10,145,000	10,145,000	10,380,341	235,341
Total taxes and assessments	<u>229,545,000</u>	<u>229,745,000</u>	<u>233,861,844</u>	<u>4,116,844</u>
Licenses and permits:				
Nonbusiness licenses and permits	3,355,500	3,355,500	3,657,112	301,612
Business licenses	1,873,068	1,873,068	1,753,415	(119,653)
Street use	2,399,600	2,399,600	2,522,431	122,831
Total licenses and permits	<u>7,628,168</u>	<u>7,628,168</u>	<u>7,932,958</u>	<u>304,790</u>
Intergovernmental:				
Federal:				
Programs for the aged	2,224,785	2,224,785	1,724,734	(500,051)
Community development block grants	-	2,805,552	2,805,552	-
HOME program grant	-	394,441	394,441	-
Law enforcement	2,314,967	2,659,858	1,758,216	(901,642)
Other	2,851,500	2,917,884	2,176,571	(741,313)
Total federal	<u>7,391,252</u>	<u>11,002,520</u>	<u>8,859,514</u>	<u>(2,143,006)</u>
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	6,443,506	9,646,406	8,783,402	(863,004)
Total State	<u>38,100,098</u>	<u>41,302,998</u>	<u>40,439,994</u>	<u>(863,004)</u>
Total intergovernmental revenue	<u>45,491,350</u>	<u>52,305,518</u>	<u>49,299,508</u>	<u>(3,006,010)</u>
Charges for services:				
General government	5,780,561	5,780,561	5,052,098	(728,463)
Culture and recreation	1,341,900	1,364,500	1,124,714	(239,786)
Highways and streets	1,476,500	1,476,500	1,216,181	(260,319)
Public safety	112,123	112,123	115,272	3,149
Total charges for services	<u>8,711,084</u>	<u>8,733,684</u>	<u>7,508,265</u>	<u>(1,225,419)</u>
Fines and forfeitures	1,373,500	1,373,500	585,417	(788,083)
Rents	218,040	218,040	199,938	(18,102)

(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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues (continued):</b>				
Interest and penalties	\$ 200,000	\$ 200,000	\$ 496,056	\$ 296,056
Miscellaneous	4,357,598	4,602,410	4,386,565	(215,845)
Total revenues	<u>297,524,740</u>	<u>304,806,320</u>	<u>304,270,551</u>	<u>(535,769)</u>
<b>Expenditures:</b>				
Current:				
General government:				
Finance	11,062,763	11,095,132	10,341,563	753,569
General government building	5,078,894	5,173,694	5,075,999	97,695
Legislative	4,262,904	3,409,189	3,077,753	331,436
Automotive equipment	5,948,589	5,952,589	5,267,945	684,644
Law	2,677,876	2,739,876	2,533,928	205,948
Research and development	3,520,714	3,583,534	3,383,729	199,805
Planning and zoning	3,274,512	3,274,512	2,892,951	381,561
Mayor's office	1,492,014	1,505,014	1,496,765	8,249
Engineering	1,335,168	1,335,168	1,224,625	110,543
Information technology	2,441,339	2,442,339	2,065,896	376,443
Human resources	1,833,258	1,836,068	1,728,504	107,564
Public works administration	1,390,004	1,316,004	1,264,243	51,761
Elections	904,598	918,598	665,867	252,731
Legislative auditor	793,955	793,955	627,881	166,074
Total general government	<u>46,016,588</u>	<u>45,375,672</u>	<u>41,647,649</u>	<u>3,728,023</u>
Public safety:				
Police department	55,084,045	59,431,010	56,597,579	2,833,431
Fire department	38,642,008	39,151,592	37,857,106	1,294,486
Prosecuting attorney	8,660,019	8,711,993	7,166,596	1,545,397
Protective inspection	2,150,702	2,150,902	2,034,945	115,957
Liquor control	1,844,268	1,867,868	1,654,886	212,982
Flood control	330,000	330,000	330,000	-
Civil defense agency	959,724	1,059,724	794,324	265,400
Animal control	1,982,500	1,982,500	1,961,875	20,625
Total public safety	<u>109,653,266</u>	<u>114,685,589</u>	<u>108,397,311</u>	<u>6,288,278</u>
Highways and streets:				
Mass transit	3,461,171	3,466,194	2,646,435	819,759

(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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Expenditures (continued):</b>				
Current (continued):				
Health, education and welfare:				
Elderly activities	\$ 3,669,501	\$ 3,788,501	\$ 3,411,073	\$ 377,428
Office of aging	2,636,208	2,636,223	2,454,391	181,832
Education	58,500	58,500	42,638	15,862
Social programs	1,500,000	1,500,000	1,475,500	24,500
Cemeteries	360,498	391,498	342,081	49,417
Physical examination	133,825	133,825	133,568	257
Total health, education and welfare	<u>8,358,532</u>	<u>8,508,547</u>	<u>7,859,251</u>	<u>649,296</u>
Culture and recreation:				
Community music	249,457	234,457	198,109	36,348
Organized recreation:				
Maintenance	8,462,426	8,434,651	8,389,126	45,525
Recreation	2,686,605	2,821,422	2,600,993	220,429
Aquatics	2,375,686	2,291,086	2,194,080	97,006
Hoolulu park complex	1,020,214	1,025,814	972,314	53,500
Administration	1,753,489	1,947,555	1,811,776	135,779
Children's zoo	707,888	715,136	665,586	49,550
Summer/Intersession	544,085	548,085	351,135	196,950
Culture and arts	277,949	306,349	275,316	31,033
Elderly activities administration	580,789	612,389	563,272	49,117
Total culture and recreation	<u>18,658,588</u>	<u>18,936,944</u>	<u>18,021,707</u>	<u>915,237</u>
Sanitation:				
Environmental management	1,069,283	1,069,283	994,678	74,605
Pension and retirement contributions	30,298,132	30,298,132	28,242,592	2,055,540
Employees' health insurance	27,500,000	27,500,000	24,842,599	2,657,401
Other postemployment benefits	3,180,000	3,180,000	3,180,000	-
Other	6,750,000	5,373,916	1,737,118	3,636,798
Total current	<u>254,945,560</u>	<u>258,394,277</u>	<u>237,569,340</u>	<u>20,824,937</u>

(Continued)

COUNTY OF HAWAII

General Fund

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

For the Fiscal Year Ended June 30, 2014

(Concluded)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Expenditures (continued):</b>				
Capital Outlay:				
Community Development Block grants (HUD)	\$ -	\$ 2,980,363	\$ 2,980,363	\$ -
HOME Program	-	394,441	394,441	-
Total capital outlay	-	3,374,804	3,374,804	-
Total expenditures	254,945,560	261,769,081	240,944,144	20,824,937
Excess of revenues over expenditures	42,579,180	43,037,239	63,326,407	20,289,168
<b>Other financing sources (uses):</b>				
Transfers out:				
Housing Fund	(1,402,916)	(1,402,916)	(1,402,916)	-
Solid Waste Fund	(15,515,377)	(15,520,377)	(15,520,377)	-
Sewer Fund	(1,739,548)	(1,739,548)	(1,739,548)	-
Golf Course Fund	(330,000)	(361,000)	(361,000)	-
Capital Project Fund	--	(158,343)	(158,343)	-
Highway Fund	--	(63,715)	(63,715)	-
Disaster/Emergency Fund	(250,000)	(250,000)	(250,000)	-
Public Access, Open Space, and Natural Resources Preservation Fund	(4,388,000)	(4,563,000)	(4,469,630)	93,370
Public Access, Open Space, and Natural Resources Preservation Maintenance Fund	(548,500)	(573,500)	(558,703)	14,797
Budget Stabilization Fund	(250,000)	(250,000)	(250,000)	-
Debt Service Fund	(39,898,751)	(39,898,751)	(39,638,084)	260,667
Total transfers out	(64,323,092)	(64,781,150)	(64,412,316)	368,834
Total other financing uses	(64,323,092)	(64,781,150)	(64,412,316)	368,834
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(21,743,912)	(21,743,911)	(1,085,909)	20,658,002
Fund balance at beginning of year	53,948,607	53,948,607	53,948,607	-
Fund balance at end of year	\$ 32,204,695	\$ 32,204,696	\$ 52,862,698	\$ 20,658,002

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Proprietary Funds**

Statement of Net Position

June 30, 2014

	Business-type Activities-		
	Enterprise Funds		
	Kulaimano	Ouli Ekahi	Total
	Elderly Housing Project	Affordable Housing Project	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (note 3)	\$ 579,485	\$ 289,563	\$ 869,048
Restricted cash and cash equivalents (note 3)	10,864	29,470	40,334
Imprest fund (note 3)	50	100	150
Receivables, net (note 4)	740	5,037	5,777
Prepaid expenses	1,490	-	1,490
Total current assets	<u>592,629</u>	<u>324,170</u>	<u>916,799</u>
Noncurrent assets:			
Restricted cash and cash equivalents (note 3)	-	37,962	37,962
Investments (note 3)	200,184	-	200,184
Capital assets (note 6):			
Land and site improvements	511,000	515,727	1,026,727
Buildings and equipment	1,244,354	479,014	1,723,368
Less accumulated depreciation	<u>(1,147,660)</u>	<u>(25,286)</u>	<u>(1,172,946)</u>
Total capital assets	<u>607,694</u>	<u>969,455</u>	<u>1,577,149</u>
Total noncurrent assets	<u>807,878</u>	<u>1,007,417</u>	<u>1,815,295</u>
Total assets	<u>1,400,507</u>	<u>1,331,587</u>	<u>2,732,094</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	6,071	-	6,071
Internal Balances (note 5)	1,350	-	1,350
Security deposits payable from restricted assets	10,864	28,050	38,914
Deferred revenue (note 7)	501	210	711
Interest payable	14,149	-	14,149
Notes payable, current portion (note 10)	<u>50,187</u>	<u>34,225</u>	<u>84,412</u>
Total current liabilities	<u>83,122</u>	<u>62,485</u>	<u>145,607</u>
Noncurrent liabilities:			
Notes payable (note 10)	<u>760,850</u>	<u>363,038</u>	<u>1,123,888</u>
Total liabilities	<u>843,972</u>	<u>425,523</u>	<u>1,269,495</u>
<b>Net Position</b>			
Net investment in capital assets	(203,343)	572,192	368,849
Unrestricted	<u>759,878</u>	<u>333,872</u>	<u>1,093,750</u>
Total net position	<u>\$ 556,535</u>	<u>\$ 906,064</u>	<u>\$ 1,462,599</u>

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, 2014

	Business-type Activities- Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
Operating revenues:			
Rental receipts from tenants	\$ 124,995	\$ 326,595	\$ 451,590
Rental subsidy from federal government - HUD	127,119	-	127,119
Laundry receipts	3,269	-	3,269
Other	-	13,159	13,159
Total operating revenues	<u>255,383</u>	<u>339,754</u>	<u>595,137</u>
Operating expenses:			
Utilities	38,271	58,801	97,072
General and administration	96,470	101,493	197,963
Maintenance and repairs	49,489	56,128	105,617
Depreciation (note 6)	35,313	15,304	50,617
Total operating expenses	<u>219,543</u>	<u>231,726</u>	<u>451,269</u>
Operating income	<u>35,840</u>	<u>108,028</u>	<u>143,868</u>
Nonoperating revenues (expenses):			
Investment income	1,727	12	1,739
Interest expense	(43,453)	-	(43,453)
Other income	-	-	-
Total nonoperating revenues (expenses)	<u>(41,726)</u>	<u>12</u>	<u>(41,714)</u>
Change in net position	<u>(5,886)</u>	<u>108,040</u>	<u>102,154</u>
Net position, beginning of year	<u>562,421</u>	<u>798,024</u>	<u>1,360,445</u>
Net position, end of year	<u>\$ 556,535</u>	<u>\$ 906,064</u>	<u>\$ 1,462,599</u>

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Proprietary Funds**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Kulaimano Elderly Housing Project	Ouli Ekahi Affordable Housing Project	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from tenants	\$ 124,852	\$ 338,182	\$ 463,034
Receipts from federal government - HUD	127,119	-	127,119
Payments to suppliers for goods and services	<u>(180,893)</u>	<u>(220,760)</u>	<u>(401,653)</u>
Net cash provided by operating activities	<u>71,078</u>	<u>117,422</u>	<u>188,500</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on notes payable	(24,071)	(64,262)	(88,333)
Interest paid on notes payable	(45,095)	-	(45,095)
Purchase of capital assets	(6,499)	(9,379)	(15,878)
Other receipts	<u>31,304</u>	<u>-</u>	<u>31,304</u>
Net cash used in capital and related financing activities	<u>(44,361)</u>	<u>(73,641)</u>	<u>(118,002)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	<u>973</u>	<u>12</u>	<u>985</u>
Net cash provided by investing activities	<u>973</u>	<u>12</u>	<u>985</u>
Net increase in cash and cash equivalents	27,690	43,793	71,483
Cash and cash equivalents at beginning of year (including restricted cash and cash equivalents)	<u>562,709</u>	<u>313,302</u>	<u>876,011</u>
Cash and cash equivalents at end of year (including restricted cash and cash equivalents)	<u>\$ 590,399</u>	<u>\$ 357,095</u>	<u>\$ 947,494</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 35,840	\$ 108,028	\$ 143,868
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	35,313	15,304	50,617
Change in assets and liabilities:			
Receivables, net	(430)	(368)	(798)
Prepaid expenses	11	-	11
Accounts and other payables	1,075	(5,379)	(4,304)
Deferred revenue	<u>(731)</u>	<u>(163)</u>	<u>(894)</u>
Net cash provided by operating activities	<u>\$ 71,078</u>	<u>\$ 117,422</u>	<u>\$ 188,500</u>
Supplemental disclosure of cash flow information - Interest paid	\$ 45,095	\$ -	\$ 45,095
Noncash investing, capital and financing activities:			
Net increase in fair value of investments	\$ 184	\$ -	\$ 184

See accompanying notes to the basic financial statements.

COUNTY OF HAWAII

**Fiduciary Funds**

Statement of Fiduciary Net Position

June 30, 2014

	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents (note 3)	\$ 1,575,569	\$ 3,770,681
Investments (note 3)	3,048,195	193,238
Receivables:		
Due from other agency funds	-	2,444
Other receivables	<u>463</u>	<u>104,579</u>
Total receivables	<u>463</u>	<u>107,023</u>
Total assets	<u>4,624,227</u>	<u>\$ 4,070,942</u>
<b>Liabilities</b>		
Due to other agency funds	-	2,444
Accrued liabilities	-	2,985,915
Advances payable	-	244,252
Assets held for the benefit of improvement districts	<u>-</u>	<u>838,331</u>
Total liabilities	<u>-</u>	<u>\$ 4,070,942</u>
<b>Net Position</b>		
Held in trust for other parties	<u>4,624,227</u>	
Total net position	<u>\$ 4,624,227</u>	

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, 2014

	Private- Purpose Trusts
<b>Additions</b>	
Contributions:	
Puna Geothermal Venture	\$ 50,000
Investment earnings:	
Net increase in fair value of investments	17,434
Dividends	56,995
Interest	<u>10,362</u>
Total additions	<u>134,791</u>
<b>Deductions</b>	
Claims Consultant	34,745
Grant payments	<u>248,297</u>
Total deductions	<u>283,042</u>
Change in net position	(148,251)
Net position, beginning of year	<u>4,772,478</u>
Net position, end of year	<u>\$ 4,624,227</u>

See accompanying notes to the basic financial statements.

# COUNTY OF HAWAI'I

## Notes to the Basic Financial Statements

June 30, 2014

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

# COUNTY OF HAWAI'I

## Notes to the Basic Financial Statements

June 30, 2014

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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 Board, 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 Kekūanaō'a 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.

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2014

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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 using the current financial resource focus 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 using 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 activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The effect of interfund activity have 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

**Notes to the Basic Financial Statements**

June 30, 2014

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

**Activities in funds** – The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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:

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

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

The County reports the following fiduciary funds:

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

## COUNTY OF HAWAI'I

### Notes to the Basic Financial Statements

June 30, 2014

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**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 No. 19 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

# COUNTY OF HAWAII

## Notes to the Basic Financial Statements

June 30, 2014

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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 deferred inflow of resources in its fund financial statements (see Note 7). Deferred inflows of resources 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 deferred inflow 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; (c) principal and interest on general long-term debt which are recognized as expenditures when due; and (d) liabilities relating to pollution remediation .

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 savings accounts, 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

## COUNTY OF HAWAI'I

### Notes to the Basic Financial Statements

June 30, 2014

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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 value, as they almost invariably are held to maturity. Investments also consist of equity securities in the fiduciary fund financial statements. These investments are stated at fair value based on closing quoted prices.

#### **Real Property Taxes**

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

#### **Inventories**

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

#### **Liquor Control**

Section 281 of the Hawai'i Revised Statutes requires that liquor license revenues collected be used only for costs and expenses directly relating to operational and administrative costs actually incurred by the liquor commission collecting such fees. The unexpended fees at June 30, 2014 of \$745,865 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.

**Notes to the Basic Financial Statements**

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20 to 100 years
Buildings and improvements	50 to 100 years
Ground and site improvements	20 to 50 years
Equipment	5 to 40 years
Easements	Dependent on terms of easement agreement

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until that time. The County has one item that qualifies for reporting in this category. The County reports the deferred loss on refunding as a deferred outflow of resources in its statement of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes, fees and other non-exchange transactions received in the current fiscal year for the ensuing fiscal year are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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

# COUNTY OF HAWAI'I

## Notes to the Basic Financial Statements

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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, 2014 totaled \$69,787,000 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.

**Notes to the Basic Financial Statements**

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**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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 Hawai'i Revised Statutes or County of Hawai'i 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 and can only be undone via the same manner. 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 §2-219 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, which is conveyed by the Mayor via his approval of

COUNTY OF HAWAII

**Notes to the Basic Financial Statements**

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allotment requests and his approval of the current year's fund balance amount to be included in the submittal for next year's annual budget ordinance.

Unassigned Fund Balance – This is the residual classification of the General 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 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 implemented this Statement in the fiscal year ended June 30, 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012- An Amendment of GASB Statements No. 10 and No. 62*. 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 and did not have an impact on the County's financials for the fiscal year ended June 30, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. 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

**Notes to the Basic Financial Statements**

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that receive nonexchange financial guarantees. The requirements for this Statement are effective for the County for periods beginning after June 15, 2013 and did not have an impact on the County's financials for the year ending June 30, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. 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.

**Accounting Change**

The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and retroactively changed its method of accounting for debt issuance costs that were previously capitalized and amortized over the life of the debt and are now recognized as an expense in the period incurred. As a result, the County's net position as of June 30, 2013 was restated and decreased by \$1,714,808. The effect on this change on the Statement of Activities was to increase the annual amortization related to bond issuance premiums by \$124,533.

**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.

# COUNTY OF HAWAI'I

## Notes to the Basic Financial Statements

June 30, 2014

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- 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 2013-2014 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 \$7.3 million in the general fund and \$4.7 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, Hawai'i 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.

COUNTY OF HAWAI'I

Notes to the Basic Financial Statements

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**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, 2014:

Ending fund balance – GAAP basis	\$55,547,059
Encumbrance adjustments:	
Beginning encumbrances and unexpended allotments	3,182,390
Ending encumbrances and unexpended allotments	(5,954,985)
Other adjustments	<u>88,234</u>
Ending fund balance – Non-GAAP budgetary basis	<u>\$52,862,698</u>

**3. CASH AND INVESTMENTS**

The Director of Finance is responsible for the safekeeping of all monies paid to the County. The Director of Finance invests any monies of the County which in the Director's judgment are in excess of the amounts necessary for meeting the day-to-day operating needs of the County. Under Section 46-50 of the Hawai'i 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, 2014 was \$163,581,324 for the primary government and \$5,346,250 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 \$175,980,325 at June 30, 2014. Of that amount, \$175,685,221 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 \$295,104 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 and savings accounts, time certificates of deposit, and repurchase agreements, the County requires, in

COUNTY OF HAWAII

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June 30, 2014

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, 2014 are as follows:

	<u>Fair Value</u>	<u>Maturity (in years)</u>	
		<u>Less than 1</u>	<u>1 – 5</u>
Investments – Primary Government:			
Certificates of deposit	\$ 66,282,958	\$ 63,632,761	\$ 2,650,197
Government sponsored securities	<u>39,365,744</u>	<u>--</u>	<u>39,365,744</u>
	<u>\$ 105,648,702</u>	<u>\$ 63,632,761</u>	<u>\$ 42,015,941</u>
Investments – Private-Purpose Trusts:			
Government sponsored securities	<u>\$ 1,775,463</u>	<u>\$ --</u>	<u>\$ 1,775,463</u>
Equity securities	<u>\$ 1,272,732</u>		
Investments – Agency Funds:			
Government sponsored securities	<u>\$ 193,238</u>	<u>\$ --</u>	<u>\$ 193,238</u>

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

*Credit Risk:* The County's investment portfolio primarily consists of U.S. government or agency obligations, bonds of government sponsored enterprises, 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

COUNTY OF HAWAI'I

**Notes to the Basic Financial Statements**

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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, 2014, investments were distributed as follows: Central Pacific Bank, 19.1%; FTN Financial, 16.2%; Multi Bank Securities, 17.0%; Stifel Nicolaus, 9.5%; First Hawaiian Bank, 25.6%; Raymond James, 4.2%; Hawai'i National Bank, 4.2%; Territorial Savings Bank, 4.2%.

**Restricted Cash and Cash Equivalents and Investments**

Cash and cash equivalents and investments classified as restricted assets for the primary government at June 30, 2014 amounted to \$116,394,875.

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 \$72,260,275 at June 30, 2014.

Cash and investments in the Bond Redemption Fund and the Interest Fund are restricted to debt service related payments and amounted to \$23,868,178.

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 \$14,563,839.

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 and maintenance of lands or property entitlements for public outdoor recreation and education. Such amounts totaled \$745,865 and \$4,878,422, respectively.

Tenant security deposits received by the County for the Kula'imano Elderly Housing Project and the Ouli Ekahi Affordable Housing Project are recorded as restricted assets. Such funds amounted to \$10,864 and \$29,470, respectively, at June 30, 2014.

An operating reserve fund was established by the Ouli Ekahi Affordable Housing Project pursuant to an agreement with the Hawai'i Housing Finance and Development Corporation, who are the holders of the project's note. This restricted reserve amounted to \$37,962 at June 30, 2014.

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Notes to the Basic Financial Statements

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**4. RECEIVABLES**

Receivables as of June 30, 2014, 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	\$22,992,843	\$ --	\$ --	\$22,992,843
Accounts receivable:				
Sewer	--	--	2,126,220	2,126,220
Solid waste	--	--	1,768,764	1,768,764
Capital projects	--	1,160,441	--	1,160,441
Intergovernmental	<u>19,773,218</u>	<u>3,173,661</u>	<u>586,915</u>	<u>23,533,794</u>
Gross receivables	42,766,061	4,334,102	4,481,899	51,582,062
Less: allowance for uncollectibles	<u>(947,568)</u>	<u>-</u>	<u>(1,211,956)</u>	<u>(2,159,524)</u>
Net total receivables	<u>\$41,818,493</u>	<u>\$4,334,102</u>	<u>\$3,269,943</u>	<u>\$49,422,538</u>

During fiscal year 2005, the County issued \$3,887,493 in general obligation bonds on behalf of Improvement District No. 18, an agency fund. On February 12, 2013 bonds were issued to refund the outstanding principal balance of \$1,345,945 for the Improvement District. During fiscal year 2014, the County also issued \$448,669 in general obligation bonds on behalf of Improvement District No. 19, an agency fund. At June 30, 2014, the outstanding balance for both Improvement Districts of \$1,730,599 is reflected in the government-wide statement of net position as a receivable (see Note 10).

**Business-type activities:**

	Enterprise Funds
Accounts receivable:	
Rent	\$9,624
Other	<u>325</u>
Gross receivables	9,949
Less: allowance for uncollectibles	<u>(4,172)</u>
Net total receivables	<u>\$ 5,777</u>

COUNTY OF HAWAI'I

Notes to the Basic Financial Statements

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**5. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables consist of the following at June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Capital projects fund	\$ 408,593
	Other governmental funds	<u>297,000</u>
		705,593
Capital projects fund	General fund	1,388,999
	Other governmental funds	<u>485,283</u>
		1,874,282
Other governmental funds	General fund	69,030
	Capital projects fund	456
	Other governmental funds	<u>44</u>
		69,530
Total		<u>\$2,649,405</u>
Other governmental funds	Enterprise funds	<u>\$1,350</u>

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

Transfers for the fiscal year ended June 30, 2014 consisted of the following:

	Transfers out:		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers in:			
Capital Projects Fund	\$ 158,343	\$5,704,704	\$ 5,863,047
Other governmental funds	<u>55,374,541</u>	<u>--</u>	<u>55,374,541</u>
	<u>\$55,532,884</u>	<u>\$5,704,704</u>	<u>\$61,237,588</u>

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

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 for the County was as follows:

	Balance July 1, <u>2013</u>	<u>Additions</u>	Retirements/ <u>Transfers</u>	Balance June 30, <u>2014</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 163,565,168	\$ 25,801,039	\$ --	\$ 189,366,207
Easements	3,427,578	375,598	--	3,803,176
Construction work in progress	<u>42,477,332</u>	<u>33,301,625</u>	<u>(38,069,039)</u>	<u>37,709,918</u>
Total capital assets not being depreciated	<u>209,470,078</u>	<u>59,478,262</u>	<u>(38,069,039)</u>	<u>230,879,301</u>
Capital assets being depreciated:				
Buildings and improvements	556,961,770	30,192,664	(301,818)	586,852,616
Equipment	125,084,893	7,994,004	(1,980,838)	131,098,059
Easements	439,300	--	--	439,300
Infrastructure	<u>476,996,037</u>	<u>19,746,051</u>	<u>--</u>	<u>496,742,088</u>
Total capital assets being depreciated	<u>1,159,482,000</u>	<u>57,932,719</u>	<u>(2,282,656)</u>	<u>1,215,132,063</u>
Less accumulated depreciation for:				
Buildings and improvements	(80,202,333)	(8,386,395)	29,205	(88,559,523)
Equipment	(76,499,584)	(8,094,697)	1,849,571	(82,744,710)
Easements	(366,084)	(73,216)	--	(439,300)
Infrastructure	<u>(202,026,722)</u>	<u>(19,994,267)</u>	<u>--</u>	<u>(222,020,989)</u>
Total accumulated depreciation	<u>(359,094,723)</u>	<u>(36,548,575)</u>	<u>1,878,776</u>	<u>(393,764,522)</u>
Total capital assets being depreciated, net	<u>800,387,277</u>	<u>21,384,144</u>	<u>(403,880)</u>	<u>821,367,541</u>
Governmental activities capital assets, net	<u>\$1,009,857,355</u>	<u>\$ 80,862,406</u>	<u>(\$38,472,919)</u>	<u>\$1,052,246,842</u>

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Notes to the Basic Financial Statements

June 30, 2014

	July 1, <u>2013</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	June 30, <u>2014</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ <u>753,877</u>	\$ --	\$ --	\$ <u>753,877</u>
Capital assets being depreciated:				
Buildings and improvements	1,593,187	--	--	1,593,187
Ground and site improvements	272,850	--	--	272,850
Equipment	<u>117,781</u>	<u>15,878</u>	<u>(3,478)</u>	<u>130,181</u>
Total capital assets being depreciated	<u>1,983,818</u>	<u>15,878</u>	<u>(3,478)</u>	<u>1,996,218</u>
Less accumulated depreciation for:				
Buildings and improvements	(838,512)	(36,044)	--	(874,556)
Ground and site improvements	(197,570)	(4,347)	--	(201,917)
Equipment	<u>(89,725)</u>	<u>(10,226)</u>	<u>3,478</u>	<u>(96,473)</u>
Total accumulated depreciation	<u>(1,125,807)</u>	<u>(50,617)</u>	<u>3,478</u>	<u>(1,172,946)</u>
Total capital assets being depreciated, net	<u>858,011</u>	<u>(34,739)</u>	--	<u>823,272</u>
Business-type activities capital assets, net	<u>\$1,611,888</u>	<u>\$(34,739)</u>	\$ --	<u>\$1,577,149</u>

In fiscal year 2013, 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, 2014, approximately \$1.4 million was expended and capitalized.

The County is currently managing and assessing the effects of the lava flow from Kilauea Volcano commonly referred to as the "June 27" lava flow. It is probable that subsequent to fiscal year end, the path of the lava flow will cross the County road (Pahoa Village Road). Estimates of any potential impairment to the value of Pahoa Village Road and any impact to the basic financial statements cannot be made at this time. The County has made

COUNTY OF HAWAI'I

Notes to the Basic Financial Statements

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arrangements and taken necessary steps to provide alternate travel routes for the citizens impacted by the potential closure of the road.

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

Governmental activities:	
General government	\$ 2,790,708
Public safety	3,630,090
Highways and streets	21,452,599
Sanitation	4,963,296
Health, education and welfare	1,883,519
Culture and recreation	<u>1,828,363</u>
Total depreciation expense -- governmental activities	<u>\$36,548,575</u>
Business-type activities:	
Kula'imano Elderly Housing Project	\$35,313
Ouli Ekahi Affordable Housing Project	<u>15,304</u>
Total depreciation expense -- business-type activities	<u>\$50,617</u>

**7. DEFERRED INFLOW OF RESOURCES:**

Deferred inflow of resources consists of the following at June 30, 2014:

**Governmental activities:**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Real property taxes	\$ 22,655,517	\$ --	\$ --	\$ 22,655,517
Liquor control revenue	187,030	--	--	187,030
Sewer revenue	--	--	1,306,659	1,306,659
Housing revenue	--	--	41,942	41,942
Solid waste revenue	--	--	1,376,369	1,376,369
Sale of real estate	<u>--</u>	<u>286,900</u>	<u>--</u>	<u>286,900</u>
Total presented in fund financial statements	22,842,547	286,900	2,724,970	25,854,417
Less adjustments for accrual of revenues	<u>(22,045,275)</u>	<u>(286,900)</u>	<u>(2,724,970)</u>	<u>(25,057,145)</u>
Total government- wide financial statements	<u>\$ 797,272</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 797,272</u>

COUNTY OF HAWAI'I

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**8. LEASES**

The County leases machinery and equipment under noncancellable leases expiring at various dates through August 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 \$5,868,794 and \$2,106,939, respectively, and the related present value of the remaining obligations under the capital leases amounting to \$2,308,241 at June 30, 2014 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 April 2032. Expenditures for such operating leases were \$1,767,009 for the fiscal year ended June 30, 2014.

The future minimum payments under capital and operating leases at June 30, 2014 are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending June 30:		
2015	\$1,108,953	\$1,498,220
2016	722,519	1,302,110
2017	408,484	971,741
2018	138,560	906,956
2019	521	306,751
2020 - 2024	--	1,070,047
2025 - 2029	--	116,423
2030 - 2032	--	1,266
Total minimum lease payments	2,379,037	<u>\$6,173,514</u>
Less amount representing interest	<u>(70,796)</u>	
Obligations under capital leases	<u>\$2,308,241</u>	

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

**Hilo Landfill** The County owns and operates a landfill located in the city of Hilo. State and federal laws require the County to place covers on certain landfill sites and to monitor and maintain the sites for thirty years after the facility is closed. Although the closure and postclosure care costs will be paid near and after the date that the landfill stops accepting waste, the County recognizes a portion of the closure and postclosure care costs in each operating period. The liability for these costs is included in the government-wide statement of net position. The amount recognized each year is based on the landfill capacity used as of the statement of net position date. At June 30, 2014, the County recognized a liability of \$14,431,000, based on the use of 98% of the estimated capacity of the landfill. During the

## COUNTY OF HAWAII

### Notes to the Basic Financial Statements

June 30, 2014

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fiscal year ended June 30, 2014, there were no expenditures incurred for the closure of the landfill. The remaining \$299,000 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 one year. These amounts are based on what it would cost to perform the required closure and postclosure care in 2014. 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 \$16,550,000, based on what it would cost to perform the required closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Through June 30, 2014, \$8,268,000 was spent on closure and postclosure care of the landfill. The remaining estimated liability of \$8,282,000 is included in the government-wide statement of net position. During the year ended June 30, 2014, \$242,000 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 2014, 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

COUNTY OF HAWAII

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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.

In fiscal year 2013, the County closed its two metal salvage facilities located near the Hilo and Kealakehe Transfer Stations. The anticipated liability (\$8,770,000) for the remediation costs associated with these closures is included in the County's financial statements.

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, 2014:

Bonds Authorized	Issue Amount	Bond Balance July 1, 2013	Issues	Retirements	Bond Balance June 30, 2014	Due Within One Year
2003 Series A	\$ 36,310,000	\$ 1,795,000	\$ --	(\$ 1,795,000)	\$ --	\$ --
2004 Series A	30,000,000	2,890,000	--	(1,410,000)	1,480,000	1,480,000
2004 Ref Series B	19,545,000	6,815,000	--	(2,160,000)	4,655,000	2,270,000
2004 Ref Series C	5,050,140	1,139,164	--	(558,052)	581,112	581,112
2006 Series A	25,000,000	19,825,000	--	(1,022,500)	18,802,500	1,072,500
2007 Series A	85,000,000	70,370,000	--	(3,360,000)	67,010,000	3,505,000
2007 Series B	20,820,000	13,545,000	--	(2,000,000)	11,545,000	2,105,000
2007 Series C	10,787,388	9,163,410	--	(860,904)	8,302,506	896,775
2008 Series A	50,000,000	44,790,000	--	(1,885,000)	42,905,000	1,970,000
2010 Series A	26,493,750	26,493,750	--	--	26,493,750	1,162,500
2010 Series B	18,506,250	18,506,250	--	--	18,506,250	798,750
2013 Series A	58,509,892	58,509,892	--	(1,660,929)	56,848,963	1,839,813
2013 Series B	21,010,000	21,010,000	--	--	21,010,000	1,715,000
2013 Series C	18,470,000	18,470,000	--	--	18,470,000	--
2013 PI Series A	448,669	--	448,669	--	448,669	--
	425,951,089	313,322,466	448,669	(16,712,385)	297,058,750	19,396,450
Add unamortized premium	27,643,628	20,942,617	1,714,806	(1,577,653)	21,079,770	1,505,152
	<u>\$453,594,717</u>	<u>\$334,265,083</u>	<u>\$ 2,163,475</u>	<u>(\$18,290,038)</u>	<u>\$318,138,520</u>	<u>\$20,901,602</u>

The 2010 Series B bonds were issued as bonds designated as "Recovery Zone Economic Development Bonds" under the American Recovery and Reinvestment Act of 2009. The County will receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series B bonds.

COUNTY OF HAWAI'I

Notes to the Basic Financial Statements

June 30, 2014

General obligation bonds payable reported in the governmental activities section on the government-wide statement of net position at June 30, 2014 are comprised of the following individual issues:

Public improvement (PI) and/or refunding bonds:	
2004 Series A at 3.0% to 5.25%, due through 2014	\$ 1,480,000
2004 Refunding Series B at 3.5% to 5.0%, due through 2015	4,655,000
2004 Refunding Series C at 2.0% to 3.7%, due through 2014	581,112
2006 Series A at 4.0% to 5.0%, due through 2026	18,802,500
2007 Series A at 4.0% to 5.0%, due through 2027	67,010,000
2007 Series B at 3.75% to 5.0%, due through 2018	11,545,000
2007 Series C at 4.0% to 5.0%, due through 2021	8,302,506
2008 Series A at 4.0% to 6.0%, due through 2028	42,905,000
2010 Series A at 4.0% 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	56,848,963
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
2013 PI Series A at 2.75%, due through 2048	<u>448,669</u>
Total general obligation bonds payable	<u>\$297,058,750</u>

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

Fiscal year ending June 30:	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 19,396,450	\$ 13,571,316
2016	19,649,001	12,688,668
2017	18,060,827	11,823,626
2018	18,945,749	10,930,196
2019	19,866,529	10,049,055
2020 – 2024	96,638,779	37,422,695
2025 – 2029	83,209,607	15,416,306
2030 – 2034	21,042,917	2,011,286
2035 – 2039	72,059	29,376
2040 – 2044	82,527	18,764
2045 – 2049	<u>94,305</u>	<u>6,613</u>
Total	<u>\$297,058,750</u>	<u>\$113,967,901</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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**Bond Premiums**

At June 30, 2014, total unamortized bond premiums were \$21,079,772, 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 \$357.6 million in general obligation bonds to finance specified capital improvement projects. At June 30, 2014, \$213.7 million was not yet issued.

*Subsequent Events* On October 16, 2014, the County issued a general obligation bond anticipation note (BAN) in the total amount of \$10,000,000. These notes were issued to provide funds for the acquisition and construction of major capital facilities and bear interest at 1.03% and had an original maturity date of July 8, 2015.

**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 ten projects approved for funding with these loans.

The schedule below shows the County's SRF transactions for the fiscal year ended June 30, 2014:

Loans Authorized	Approved Amount	Loan Balance July 1, 2013	Additions	Retirements	Loan Balance June 30, 2014	Due Within One Year
Waiākea Mill	\$ 1,300,000	\$ 82,003	\$ --	(\$ 82,003)	\$ --	\$ --
Kealakehe	1,300,071	81,854	--	(81,854)	--	--
Cesspool Conversion	8,363,773	5,964,174	--	(428,156)	5,536,018	430,299
Honoka'a LCC	4,153,158	3,243,528	66,246	(87,987)	3,221,787	176,618
Queen Lili'uokalani	9,421,732	8,189,382	--	(238,239)	7,951,143	478,608
Kalaniana'ole	<u>8,621,409</u>	<u>3,321,342</u>	<u>3,006,331</u>	<u>(107,983)</u>	<u>6,219,690</u>	<u>290,900</u>
	<u>\$33,160,143</u>	<u>\$20,882,283</u>	<u>\$ 3,072,577</u>	<u>(\$1,026,222)</u>	<u>\$22,928,638</u>	<u>\$ 1,376,425</u>

The remaining loans bear interest at 0.50% exclusive of a 0.25% loan fee, and require payments through fiscal year 2033.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

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

Fiscal year ending June 30:	Governmental Activities	
	Principal	Interest
2015	\$ 1,376,425	\$ 166,499
2016	1,406,466	159,046
2017	1,413,590	148,402
2018	1,420,628	137,824
2019	1,427,740	127,156
2020 – 2024	7,246,617	473,900
2025 – 2029	6,280,220	207,652
2030 – 2033	<u>2,356,952</u>	<u>31,353</u>
Total	<u>\$22,928,638</u>	<u>\$1,451,832</u>

**Other General Long-Term Obligations**

The following is a summary of other general long-term obligations transactions for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions*	Payments	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Compensated absences	\$32,165,110	\$13,033,788	(\$11,213,454)	\$33,985,444	\$8,342,581
Claims and judgments (see Note 12)	12,404,462	4,877,501	(3,558,070)	13,723,893	2,915,021
Capital leases (see Note 8)	3,632,420	13,817	(1,337,996)	2,308,241	1,066,531
Landfill costs payable (see Note 9)	21,985,000	970,302	(242,302)	22,713,000	224,478
Pollution remediation (see Note 9)	--	8,770,000	--	8,770,000	--
Other post employment benefit obligation (see Note 13)	<u>38,160,502</u>	<u>30,841,000</u>	<u>(17,452,906)</u>	<u>51,548,596</u>	<u>--</u>
Total	<u>\$108,347,494</u>	<u>\$58,506,408</u>	<u>(\$33,804,728)</u>	<u>\$133,049,174</u>	<u>\$12,548,611</u>

\* 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.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2014

**Fund Balances - Debt Service Funds**

The fund balance in the debt service funds at June 30, 2014 includes \$21,120,840, which is reserved for principal payments on general obligation bonds and \$2,455,408, 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 Kula'imano 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, 2014:

Balance at July 1, 2013	\$835,108
Deductions	<u>(24,071)</u>
Balance at June 30, 2014	811,037
Less current portion	<u>(50,187)</u>
Note payable, net of current portion	<u>\$ 760,850</u>

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

Fiscal year ending June 30:	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 50,187	\$ 42,317
2016	53,043	39,381
2017	56,061	36,278
2018	59,251	32,999
2019	62,622	29,533
2020 – 2024	370,795	88,362
2025 – 2026	<u>159,078</u>	<u>4,465</u>
Total	<u>\$811,037</u>	<u>\$273,335</u>

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On October 29, 2012, the County assumed the loan of its lessee Ouli Ekahi Partnership with the Hawai'i 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, 2014:

Balance at July 1, 2013	\$461,525
Deductions	<u>(64,262)</u>
Balance at June 30, 2014	397,263
Less current portion	<u>(34,225)</u>
Loan payable, net of current portion	<u>\$ 363,038</u>

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

Fiscal year ending June 30:	<u>Business-type Activities</u>
	<u>Principal</u>
2015	\$ 34,225
2016	16,500
2017	16,500
2018	16,500
2019	16,500
2020 – 2024	82,500
2025 – 2029	82,500
2030 – 2034	82,500
2035 – 2037	<u>49,538</u>
Total	<u>\$397,263</u>

**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 \$1,281,930 at June 30, 2014.

COUNTY OF HAWAI'I

Notes to the Basic Financial Statements

June 30, 2014

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The County has also issued general obligation bonds on behalf of Improvement District No. 19 for water improvements (see Note 4). The Improvement District is responsible for the payment of the debt service on these bonds, but the County remains liable because they are general obligations of the County. The improvement district's share of the refunded bonds matures annually through 2048 and bear interest at the previous rates of 2.75%. Total general obligation bonds payable included in the government-wide statement of net position were \$448,669 at June 30, 2014.

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, and No. 19, Kona Ocean View Properties Subdivision for the fiscal year ended June 30, 2014:

Balance at July 1, 2013	\$1,345,945
Additions	448,669
Deductions	<u>(64,015)</u>
Balance at June 30, 2014	<u>\$1,730,599</u>

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

Fiscal year ending June 30:	<u>Principal</u>	<u>Interest</u>
2015	\$ 66,993	\$ 70,457
2016	78,258	67,155
2017	81,744	63,589
2018	85,389	59,862
2019	89,199	55,964
2020 – 2024	509,495	214,880
2025 – 2029	507,713	90,100
2030 – 2034	62,917	38,641
2035 – 2039	72,059	29,376
2040 – 2044	82,527	18,764
2045 – 2049	<u>94,305</u>	<u>6,613</u>
Total	<u>\$1,730,599</u>	<u>\$ 715,401</u>

Notes to the Basic Financial Statements

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11. COMMITMENTS AND CONTINGENCIES

**Contractual commitments** – Contractual commitments for capital projects, expenses, and supplies at June 30, 2014, 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	\$ 5,954,985
Capital projects fund	73,778,294
Nonmajor funds	<u>8,427,844</u>
	<u>\$88,161,123</u>

Contractual commitments for the enterprise funds were immaterial.

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

**Claims** – Numerous claims and lawsuits have been filed against the County in the normal course of its operations. A liability for probable losses is included on the government-wide statement of net 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

# COUNTY OF HAWAI'I

## Notes to the Basic Financial Statements

June 30, 2014

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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 Hawai'i'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; some of the projects within the four year plan have been completed. 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. Also, Parks has a Recreation Specialist who reviews and investigates requests for reasonable accommodations, and recommends specific actions on those requests.

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2014

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**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 (Kula'imano, 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, 2014, the amount of this liability was \$13,723,893. This is the County's best estimate based on available information. Changes in the reported liability since July 1, 2012 are given below.

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total Liability</u>
Balance at July 1, 2012	\$ 964,416	\$ 9,482,691	\$ 10,447,107
Incurred claims (including IBNR)*	1,625,532	2,824,512	4,450,044
Claim payments	<u>(176,129)</u>	<u>(2,316,560)</u>	<u>(2,492,689)</u>
Balance at June 30, 2013	\$ 2,413,819	\$ 9,990,643	\$ 12,404,462
Incurred claims (including IBNR)*	1,227,372	3,650,129	4,877,501
Claim payments	<u>(1,007,472)</u>	<u>(2,550,598)</u>	<u>(3,558,070)</u>
Balance at June 30, 2014	<u>\$ 2,633,719</u>	<u>\$ 11,090,174</u>	<u>\$ 13,723,893</u>

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

**Notes to the Basic Financial Statements**

June 30, 2014

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**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

**Notes to the Basic Financial Statements**

June 30, 2014

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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 23.00% for police officers and fire fighters, and 16.00% for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every five years.

The required pension contributions by the County for the years ended June 30, 2014, 2013, and 2012 were \$26,525,388, \$23,559,710, and \$21,832,179, 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.

# COUNTY OF HAWAI'I

## Notes to the Basic Financial Statements

June 30, 2014

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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*

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2014

*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 22.8% of annual covered payroll.

The following section shows the County's Annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in the net OPEB liability:

Annual required contribution	\$30,526,000
Interest on net OPEB obligation	2,671,000
Adjustment to annual required contribution	<u>(2,356,000)</u>
Annual OPEB Cost	30,841,000
Contributions made	<u>17,452,906</u>
Increase in net OPEB liability	13,388,094
Net OPEB liability-beginning of year	<u>38,160,502</u>
Net OPEB liability-end of year	<u><u>\$51,548,596</u></u>

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 \$51,548,596.

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, 2014 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, 2012	\$36,191,000	37.9%	\$22,340,332
June 30, 2013	\$29,712,000	46.8%	\$38,160,502
June 30, 2014	\$30,841,000	56.6%	\$51,548,596

The schedule of funding progress based on the actuarial valuation date of July 1, 2013, is as follows:

Actuarial accrued liability	\$410,182,000
Actuarial value of plan assets	<u>66,077,000</u>
Unfunded actuarial accrued liability (UAAL)	\$344,105,000
Funded ratio	16%
Covered payroll (active plan members)	\$137,810,000
UAAL as a percentage of covered payroll	250%

**Notes to the Basic Financial Statements**

June 30, 2014

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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, 2013 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 7.5-9.0% initially, reduced by decrements to an ultimate rate of 5.0% after ten 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 a closed basis. The remaining amortization period at July 1, 2013 for the UAAL balance varies depending on the date each portion was established but is set to not exceed 30 years. The equivalent single amortization period is 23.5.

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

**Deferred Compensation Plan**

County employees are permitted to participate in a deferred compensation plan of the State of Hawaii, 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

**Notes to the Basic Financial Statements**

June 30, 2014

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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, 2014, the carrying amount of cash, time certificates of deposit and money market funds of \$38,331,573, with bank balances of \$39,397,607 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 \$2,085,134 at June 30, 2014. At June 30, 2014, 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 25 years
Water systems	10 to 40 years

COUNTY OF HAWAI'I

Notes to the Basic Financial Statements

June 30, 2014

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The capital assets of the Department at June 30, 2014 were as follows:

Utility plant in service	\$454,575,245
Less: accumulated depreciation	<u>(199,257,568)</u>
	255,317,677
Land and rights	4,564,602
Construction work in progress	<u>7,358,252</u>
Net capital assets	<u>\$267,240,531</u>

**Long-Term Debt**

The County has issued general obligation bonds on behalf of the Department. The Department is responsible for the payment of the debt service on these bonds, but the County remains liable because they are general obligations of the County. The Department has recorded a liability for these general obligation bonds, which amounted to \$39,198,501 at June 30, 2014.

General obligation bonds payable issued on behalf of the Department and other long-term debt at June 30, 2014 are comprised of the following:

Public improvement bonds:	
2004 Series D at 4.5%, due through 2039	\$ 227,608
2006 Series A at 4.0% to 5.0%, due through 2026	18,802,500
2008 Series A at 4.125%, due through 2043	137,767
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	<u>6,168,750</u>
Total public improvement bonds	34,167,875
Public improvement refunding bonds:	
2004 Series at 2.0% to 5.25%, due through 2015	48,888
2007 Series at 4.0% to 5.0%, due through 2021	<u>4,427,494</u>
Total public improvement refunding bonds	4,476,382
Revolving fund loans:	
State revolving fund loans, interest up to 1.37%, due through 2032	<u>13,658,717</u>
Total long-term debt	52,302,974
Add: Unamortized premium	<u>554,244</u>
Total	<u>\$52,857,218</u>

COUNTY OF HAWAII

Notes to the Basic Financial Statements

June 30, 2014

At June 30, 2014, future principal and interest payments for long-term debt are scheduled as follows:

Fiscal year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,374,743	\$ 1,827,190	\$ 5,201,933
2016	3,435,920	1,715,140	5,151,060
2017	3,545,057	1,601,665	5,146,722
2018	3,665,812	1,482,950	5,148,762
2019	3,790,703	1,368,495	5,159,198
2020 – 2024	18,383,044	4,820,841	23,203,885
2025 – 2029	13,775,671	1,722,900	15,498,571
2030 – 2034	2,193,868	120,481	2,314,349
2035 – 2039	94,283	20,625	114,908
2040 – 2043	<u>43,873</u>	<u>3,439</u>	<u>47,312</u>
Total	<u>\$52,302,974</u>	<u>\$14,683,726</u>	<u>\$66,986,700</u>

**Contributions in Aid of Construction**

The Department recognized \$10,299,452 of contributions in aid of construction for the fiscal year ended June 30, 2014.

**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, 2014 for workers' compensation claims of \$307,000 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 \$9,452,000 at June 30, 2014.

**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, 2014 was \$1,899,000. The Department made contributions of \$1,900,758 during the year ended June 30, 2014 and recorded a postemployment benefit asset of \$4,758 at June 30, 2014.

COUNTY OF HAWAII

**Required Supplementary Information**

June 30, 2014

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 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%
July 1, 2013	\$66,077	\$410,182	\$344,105	16.1%	\$137,810	249.7%

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **DEBT SERVICE FUND**

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

*BOND REDEMPTION FUND* - Used to accumulate moneys for the payment of general obligation bonds. Moneys required to retire the bonds are transferred from the General Fund one year in advance of maturity.

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COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
<b>Assets</b>					
Cash and cash equivalents	\$12,541,430	\$ 5,089,238	\$ 9,168,994	\$103,909	\$220,262
Investments	-	-	-	-	-
Imprest fund	-	400	250	-	-
Receivables:					
Due from other governments	-	-	440,160	-	-
Due from other governmental funds	2,094	38,416	-	-	-
Due from other nongovernmental funds	-	1,350	-	-	-
Trade, net of allowance for doubtful accounts	-	1,306,659	1,376,369	-	-
Other	-	-	148,504	-	-
	<u>2,094</u>	<u>1,346,425</u>	<u>1,965,033</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$12,543,524</u>	<u>\$ 6,436,063</u>	<u>\$11,134,277</u>	<u>\$103,909</u>	<u>\$220,262</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 785,597	\$ 257,475	\$ 1,853,901	\$ -	\$ -
Accrued payroll	434,884	145,383	306,218	-	-
Due to other governmental funds	545,896	7,072	40,075	-	-
Advance Collections-Intergovernmental	94,329	-	11,998	-	-
Other	10,300	70,470	3	-	-
Total liabilities	<u>1,871,006</u>	<u>480,400</u>	<u>2,212,195</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable Revenue	<u>-</u>	<u>1,306,659</u>	<u>1,376,369</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	-	-
Highways, streets and abandoned vehicles	10,672,518	-	-	-	-
Rental assistance and subsidy	-	-	-	-	-
Committed to:					
Sanitation	-	4,649,004	7,545,713	-	-
Highways, streets and abandoned vehicles	-	-	-	-	220,262
Rental assistance and subsidy	-	-	-	-	-
Cemetery	-	-	-	103,909	-
Golf course	-	-	-	-	-
Lower Puna area	-	-	-	-	-
Parks and recreational projects	-	-	-	-	-
Total fund balances	<u>10,672,518</u>	<u>4,649,004</u>	<u>7,545,713</u>	<u>103,909</u>	<u>220,262</u>
Total liabilities, deferred inflows and fund balances	<u>\$12,543,524</u>	<u>\$ 6,436,063</u>	<u>\$11,134,277</u>	<u>\$103,909</u>	<u>\$220,262</u>

Special Revenue Funds

Vehicle Disposal Fund	Bikeway Fund	Workforce Investment Act Fund	Golf Course Fund	Geothermal Reloc. & Community Benefits Fund	Beautification Fund	Hawaii County Housing Agency	Park Dedication Fund
\$4,345,789	\$ 792,230	\$ -	\$ 411,599	\$ 4,864,362	\$ 1,230,179	\$ 3,853,289	\$ 16,743
-	-	-	-	-	-	-	69,774
-	-	-	2,000	-	-	200	-
-	-	146,755	-	-	-	-	-
-	-	-	-	-	-	29,020	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	38,993	370	74,273	-	49,275	-
-	-	185,748	370	74,273	-	78,295	-
<u>\$4,345,789</u>	<u>\$ 792,230</u>	<u>\$ 185,748</u>	<u>\$ 413,969</u>	<u>\$ 4,938,635</u>	<u>\$ 1,230,179</u>	<u>\$ 3,931,784</u>	<u>\$ 86,517</u>
\$ 4,059	\$ 13,903	\$ -	\$ 5,880	\$ -	\$ 12,977	\$ 116,666	\$ -
4,518	-	-	40,291	-	-	137,635	-
-	-	185,748	3,536	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	188,824	-
<u>8,577</u>	<u>13,903</u>	<u>185,748</u>	<u>49,707</u>	<u>-</u>	<u>12,977</u>	<u>443,125</u>	<u>-</u>
-	-	-	-	-	-	41,942	-
-	-	-	-	-	-	-	-
-	778,327	-	-	-	1,217,202	-	-
-	-	-	-	-	-	1,164,278	-
-	-	-	-	-	-	-	-
4,337,212	-	-	-	-	-	-	-
-	-	-	-	-	-	2,282,439	-
-	-	-	-	-	-	-	-
-	-	-	364,262	-	-	-	-
-	-	-	-	4,938,635	-	-	-
-	-	-	-	-	-	-	86,517
<u>4,337,212</u>	<u>778,327</u>	<u>-</u>	<u>364,262</u>	<u>4,938,635</u>	<u>1,217,202</u>	<u>3,446,717</u>	<u>86,517</u>
<u>\$4,345,789</u>	<u>\$ 792,230</u>	<u>\$ 185,748</u>	<u>\$ 413,969</u>	<u>\$ 4,938,635</u>	<u>\$ 1,230,179</u>	<u>\$ 3,931,784</u>	<u>\$ 86,517</u>

(Continued)

COUNTY OF HAWAII

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

(Concluded)

	Debt Service Fund		Total Nonmajor Governmental Funds
	Interest Fund	Bond Redemption Fund	
<b>Assets</b>			
Cash and cash equivalents	\$ 365,000	\$ 3,845,558	\$ 46,848,582
Investments	2,162,338	17,495,282	19,727,394
Imprest fund	-	-	2,850
Receivables:			
Due from other governments	-	-	586,915
Due from other governmental funds	-	-	69,530
Due from other nongovernmental funds	-	-	1,350
Trade, net of allowance for doubtful accounts	-	-	2,683,028
Other	-	-	311,415
	<u>-</u>	<u>-</u>	<u>3,652,238</u>
Total assets	<u>\$2,527,338</u>	<u>\$21,340,840</u>	<u>\$ 70,231,064</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,050,458
Accrued payroll	-	-	1,068,929
Due to other governmental funds	-	-	782,327
Advance Collections-Intergovernmental	-	-	106,327
Other	71,930	220,000	561,527
Total liabilities	<u>71,930</u>	<u>220,000</u>	<u>5,569,568</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>-</u>	<u>-</u>	<u>2,724,970</u>
Fund balances:			
Restricted for:			
Debt service	2,455,408	21,120,840	23,576,248
Highways, streets and abandoned vehicles	-	-	12,668,047
Rental assistance and subsidy	-	-	1,164,278
Committed to:			
Sanitation	-	-	12,194,717
Highways, streets and abandoned vehicles	-	-	4,557,474
Rental assistance and subsidy	-	-	2,282,439
Cemetery	-	-	103,909
Golf course	-	-	364,262
Lower Puna area	-	-	4,938,635
Parks and recreational projects	-	-	86,517
Total fund balances	<u>2,455,408</u>	<u>21,120,840</u>	<u>61,936,526</u>
Total liabilities, deferred inflows and fund balances	<u>\$2,527,338</u>	<u>\$21,340,840</u>	<u>\$ 70,231,064</u>

See accompanying independent auditors' report.

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COUNTY OF HAWAII

**Nonmajor Governmental Funds**

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

For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds				
	Highway Fund	Sewer Fund	Solid Waste Fund	Cemetery Fund	Parking Meter Fund
<b>Revenues</b>					
Fuel taxes	\$ 7,373,475	\$ -	\$ -	\$ -	\$ -
Public utility franchise taxes	10,792,967	-	-	-	-
Licenses and permits	9,274,608	-	-	-	-
Intergovernmental	686,835	-	705,104	-	-
Charges for services	-	7,231,125	7,587,487	-	16,475
Investment earnings (loss)	-	-	-	-	-
Other	606,043	185	66,169	6,000	-
<b>Total revenues</b>	<b>28,733,928</b>	<b>7,231,310</b>	<b>8,358,760</b>	<b>6,000</b>	<b>16,475</b>
<b>Expenditures</b>					
Current:					
General Government	15,000	-	-	-	-
Public safety	6,229,784	-	-	-	-
Highways and streets	17,592,901	-	-	-	-
Health, education and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Sanitation	-	6,936,190	21,725,963	-	-
Pension and retirement contributions	1,789,768	603,576	1,163,767	-	-
Employees' health insurance	852,712	204,096	573,294	-	-
Other	860,032	99,210	561,484	-	-
Debt service:					
Principal	-	-	777,959	-	-
Interest	-	-	31,471	-	-
<b>Total expenditures</b>	<b>27,340,197</b>	<b>7,843,072</b>	<b>24,833,938</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	1,393,731	(611,762)	(16,475,178)	6,000	16,475
<b>Other Financing Sources (Uses)</b>					
Transfers in	63,714	1,739,548	15,520,377	-	-
Transfers out	(3,704,704)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(3,640,990)</b>	<b>1,739,548</b>	<b>15,520,377</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(2,247,259)</b>	<b>1,127,786</b>	<b>(954,801)</b>	<b>6,000</b>	<b>16,475</b>
Fund balances at beginning of year	12,919,777	3,521,218	8,500,514	97,909	203,787
Fund balances at end of year	\$ 10,672,518	\$ 4,649,004	\$ 7,545,713	\$ 103,909	\$220,262

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,144,344	87,247	-	-	-	178,695	-	-
-	-	1,242,465	-	-	-	14,539,979	-
839	-	-	827,791	-	-	-	-
-	-	-	-	-	-	3,681	1,708
525	-	-	-	766,514	-	118,088	-
<u>2,145,708</u>	<u>87,247</u>	<u>1,242,465</u>	<u>827,791</u>	<u>766,514</u>	<u>178,695</u>	<u>14,661,748</u>	<u>1,708</u>
-	-	-	-	4,550	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	151,633	-	-
-	-	1,242,465	-	-	-	14,797,645	-
-	-	-	881,431	-	37,444	-	-
259,767	-	-	-	-	-	-	-
23,447	-	-	162,863	-	-	505,263	-
18,272	-	-	80,325	-	-	191,382	-
-	-	-	4,092	-	-	-	-
-	-	-	-	-	-	8,819	-
-	-	-	-	-	-	1,072	-
<u>301,486</u>	<u>-</u>	<u>1,242,465</u>	<u>1,128,711</u>	<u>4,550</u>	<u>189,077</u>	<u>15,504,181</u>	<u>-</u>
<u>1,844,222</u>	<u>87,247</u>	<u>-</u>	<u>(300,920)</u>	<u>761,964</u>	<u>(10,382)</u>	<u>(842,433)</u>	<u>1,708</u>
-	-	-	361,000	-	-	1,402,916	-
-	-	-	-	-	-	(2,000,000)	-
-	-	-	361,000	-	-	(597,084)	-
1,844,222	87,247	-	60,080	761,964	(10,382)	(1,439,517)	1,708
<u>2,492,990</u>	<u>691,080</u>	<u>-</u>	<u>304,182</u>	<u>4,176,671</u>	<u>1,227,584</u>	<u>4,886,234</u>	<u>84,809</u>
<u>\$ 4,337,212</u>	<u>\$ 778,327</u>	<u>\$ -</u>	<u>\$ 364,262</u>	<u>\$ 4,938,635</u>	<u>\$ 1,217,202</u>	<u>\$ 3,446,717</u>	<u>\$ 86,517</u>

(Continued)

COUNTY OF HAWAII

Nonmajor Governmental Funds

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

For the Fiscal Year Ended June 30, 2014

(Concluded)

	Debt Service Fund		Total
	Interest Fund	Bond Redemption Fund	Nonmajor Governmental Funds
<b>Revenues</b>			
Fuel taxes	\$ -	\$ -	\$ 7,373,475
Public utility franchise taxes	-	-	10,792,967
Licenses and permits	-	-	11,684,894
Intergovernmental	407,523	-	17,581,906
Charges for services	-	-	15,663,717
Investment earnings (loss)	-	-	5,389
Other	-	-	1,563,524
Total revenues	<u>407,523</u>	<u>-</u>	<u>64,665,872</u>
<b>Expenditures</b>			
Current:			
General Government	-	-	19,550
Public safety	-	-	6,229,784
Highways and streets	-	-	17,744,534
Health, education and welfare	-	-	16,040,110
Culture and recreation	-	-	918,875
Sanitation	-	-	28,921,920
Pension and retirement contributions	-	-	4,248,684
Employees' health insurance	-	-	1,920,081
Other	-	-	1,524,818
Debt service:			
Principal	-	17,674,593	18,461,371
Interest	<u>14,570,290</u>	<u>-</u>	<u>14,602,833</u>
Total expenditures	<u>14,570,290</u>	<u>17,674,593</u>	<u>110,632,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,162,767)</u>	<u>(17,674,593)</u>	<u>(45,966,688)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	14,224,300	22,062,686	55,374,541
Transfers out	<u>-</u>	<u>-</u>	<u>(5,704,704)</u>
Total other financing sources (uses)	<u>14,224,300</u>	<u>22,062,686</u>	<u>49,669,837</u>
Net change in fund balances	61,533	4,388,093	3,703,149
Fund balances at beginning of year	<u>2,393,875</u>	<u>16,732,747</u>	<u>58,233,377</u>
Fund balances at end of year	<u>\$ 2,455,408</u>	<u>\$ 21,120,840</u>	<u>\$ 61,936,526</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

Highway Fund

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Taxes:				
Fuel taxes	\$ 7,250,000	\$ 7,250,000	\$ 7,373,475	\$ 123,475
Public utility franchise taxes	11,567,200	11,567,200	10,792,967	(774,233)
Total taxes	18,817,200	18,817,200	18,166,442	(650,758)
Licenses and permits - motor vehicle weight taxes	9,213,364	9,213,364	9,274,608	61,244
Intergovernmental	631,564	816,564	766,164	(50,400)
Charges for services	500,000	500,000	420,706	(79,294)
Other	71,732	106,733	185,337	78,604
Total revenues	29,233,860	29,453,861	28,813,257	(640,604)
Expenditures:				
General government	50,000	56,107	56,107	-
Public safety - traffic engineering	7,098,161	7,349,822	6,195,597	1,154,225
Highways and streets	12,982,467	13,008,414	11,054,043	1,954,371
Highways and streets - mass transit	6,726,250	6,726,250	6,680,239	46,011
Pension and retirement contributions	1,828,000	1,878,000	1,785,082	92,918
Employees' health insurance	1,209,000	1,209,000	854,958	354,042
Other	1,200,000	1,150,000	894,098	255,902
Total expenditures	31,093,878	31,377,593	27,520,124	3,857,469
Excess (deficiency) of revenues over (under) expenditures	(1,860,018)	(1,923,732)	1,293,133	3,216,865
Other financing uses - transfers in (out) -				
Transfers in - General Fund	-	63,714	63,714	-
Transfers out - Capital Projects Fund	(3,430,000)	(3,704,704)	(3,704,704)	-
Deficiency of revenues under expenditures and other uses	(5,290,018)	(5,564,722)	(2,347,857)	3,216,865
Fund balance at beginning of year	12,919,777	12,919,777	12,919,777	-
Fund balance at end of year	\$ 7,629,759	\$ 7,355,055	\$ 10,571,920	\$ 3,216,865

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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues:</b>				
Charges for services - sewer fees	\$ 6,834,151	\$ 6,834,151	\$ 7,231,125	\$ 396,974
Other	-	-	185	185
Total revenues	<u>6,834,151</u>	<u>6,834,151</u>	<u>7,231,310</u>	<u>397,159</u>
<b>Expenditures:</b>				
Sanitation	7,441,659	7,441,659	6,916,435	525,224
Pension and retirement contributions	688,361	688,361	603,333	85,028
Employees' health insurance	374,671	374,671	205,752	168,919
Other	<u>1,252,513</u>	<u>1,252,513</u>	<u>57,011</u>	<u>1,195,502</u>
Total expenditures	<u>9,757,204</u>	<u>9,757,204</u>	<u>7,782,531</u>	<u>1,974,673</u>
Deficiency of revenues under expenditures	(2,923,053)	(2,923,053)	(551,221)	2,371,832
<b>Other financing sources:</b>				
Transfers in - General Fund	<u>1,739,548</u>	<u>1,739,548</u>	<u>1,739,548</u>	-
Deficiency of revenues and other sources under expenditures	(1,183,505)	(1,183,505)	1,188,327	2,371,832
Fund balance at beginning of year	<u>3,521,218</u>	<u>3,521,218</u>	<u>3,521,218</u>	-
Fund balance at end of year	<u><u>\$ 2,337,713</u></u>	<u><u>\$ 2,337,713</u></u>	<u><u>\$ 4,709,545</u></u>	<u><u>\$ 2,371,832</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Solid Waste Fund**

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 233,333	\$ 717,266	\$ 714,229	\$ (3,037)
Charges for services - tipping fees	6,329,950	6,329,950	7,587,487	1,257,537
Other	-	-	66,169	66,169
Total revenues	<u>6,563,283</u>	<u>7,047,216</u>	<u>8,367,885</u>	<u>1,320,669</u>
Expenditures:				
Sanitation	22,666,003	23,154,936	21,561,718	1,593,218
Pension and retirement contributions	1,236,733	1,236,733	1,161,933	74,800
Employees' health insurance	744,775	738,175	574,650	163,525
Other	720,000	726,600	481,584	245,016
Total expenditures	<u>25,367,511</u>	<u>25,856,444</u>	<u>23,779,885</u>	<u>2,076,559</u>
Deficiency of revenues under expenditures	(18,804,228)	(18,809,228)	(15,412,000)	3,397,228
Other financing sources:				
Transfers in - General Fund	<u>15,515,377</u>	<u>15,520,377</u>	<u>15,520,377</u>	-
Deficiency of revenues and other sources under expenditures	(3,288,851)	(3,288,851)	108,377	3,397,228
Fund balance at beginning of year	<u>8,500,514</u>	<u>8,500,514</u>	<u>8,500,514</u>	-
Fund balance at end of year	<u><u>\$ 5,211,663</u></u>	<u><u>\$ 5,211,663</u></u>	<u><u>\$ 8,608,891</u></u>	<u><u>\$ 3,397,228</u></u>

See accompanying independent auditors' report

COUNTY OF HAWAII

**Cemetery Fund**

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - other - sale of cemetery plots	\$ 10,000	\$ 10,000	\$ 6,000	\$ (4,000)
Expenditures - health, education and welfare	10,000	10,000	-	10,000
Excess of revenues over expenditures	-	-	6,000	6,000
Fund balance at beginning of year	97,909	97,909	97,909	-
Fund balance at end of year	<u>\$ 97,909</u>	<u>\$ 97,909</u>	<u>\$ 103,909</u>	<u>\$ 6,000</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Parking Meter Fund**

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

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - Charges for services - highways and streets	\$ -	\$ -	\$ 16,475	\$ 16,475
Excess of revenues over expenditures	-	-	16,475	16,475
Fund balance at beginning of year	<u>203,787</u>	<u>203,787</u>	<u>203,787</u>	-
Fund balance at end of year	<u>\$ 203,787</u>	<u>\$ 203,787</u>	<u>\$ 220,262</u>	<u>\$ 16,475</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Vehicle Disposal Fund**

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues:</b>				
Licenses and permits - vehicle disposal fee	\$ 2,058,000	\$ 2,058,000	\$ 2,144,344	\$ 86,344
Charges for services - towing charges	-	-	839	839
Miscellaneous	-	-	525	525
Total revenues	<u>2,058,000</u>	<u>2,058,000</u>	<u>2,145,708</u>	<u>87,708</u>
<b>Expenditures:</b>				
Sanitation	2,412,149	2,412,149	143,271	2,268,878
Pension and retirement contributions	30,900	30,900	23,874	7,026
Employees' health insurance	25,986	25,986	18,516	7,470
Other	6,000	6,000	-	6,000
Total expenditures	<u>2,475,035</u>	<u>2,475,035</u>	<u>185,661</u>	<u>2,289,374</u>
Excess (deficiency) of revenues over (under) expenditures	(417,035)	(417,035)	1,960,047	(2,201,666)
Fund balance at beginning of year	<u>2,492,990</u>	<u>2,492,990</u>	<u>2,492,990</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,075,955</u></u>	<u><u>\$ 2,075,955</u></u>	<u><u>\$ 4,453,037</u></u>	<u><u>\$ (2,201,666)</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Bikeway Fund**

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

For the Fiscal Year Ended June 30, 2014

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - licenses and permits - bicycle tax	\$ 20,000	\$ 87,247	\$ 67,247
Expenditures - highways and streets	<u>171,000</u>	<u>-</u>	<u>171,000</u>
Excess (deficiency) of revenues over (under) expenditures	(151,000)	87,247	238,247
Fund balance at beginning of year	<u>691,080</u>	<u>691,080</u>	<u>-</u>
Fund balance at end of year	<u><u>\$540,080</u></u>	<u><u>\$778,327</u></u>	<u><u>\$238,247</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Workforce Investment Act Fund**

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues - intergovernmental - federal grants	\$ -	\$ 1,621,232	\$ 1,077,860	\$ (543,372)
Expenditures - health, education and welfare	-	1,621,232	1,077,860	543,372
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Golf Course Fund**

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

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Charges for services	\$ 876,445	\$ 876,445	\$ 827,791	\$ (48,654)
Expenditures:				
Culture and recreation	891,733	937,733	897,113	40,620
Pension and retirement contributions	166,402	166,402	161,862	4,540
Employees' health insurance	99,709	99,709	80,415	19,294
Other	48,601	33,601	4,093	29,508
Total expenditures	<u>1,206,445</u>	<u>1,237,445</u>	<u>1,143,483</u>	<u>93,962</u>
Deficiency of revenues under expenditures	(330,000)	(361,000)	(315,692)	(142,616)
Other financing sources:				
Transfers in - General Fund	<u>330,000</u>	<u>361,000</u>	<u>361,000</u>	<u>-</u>
Excess of revenues and other sources over expenditures	-	-	45,308	(142,616)
Fund balance at beginning of year	<u>304,182</u>	<u>304,182</u>	<u>304,182</u>	<u>-</u>
Fund balance at end of year	<u>\$ 304,182</u>	<u>\$ 304,182</u>	<u>\$ 349,490</u>	<u>\$ (142,616)</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Geothermal Relocation and Community Benefits Fund**

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

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - other - geothermal royalties	\$ 600,000	\$ 600,000	\$ 766,514	\$ 166,514
Expenditures:				
General government:				
Planning and zoning	<u>1,700,000</u>	<u>1,700,000</u>	<u>4,550</u>	<u>1,695,450</u>
Excess (deficiency) of revenues over (under) expenditures	(1,100,000)	(1,100,000)	761,964	(1,528,936)
Fund balance at beginning of year	<u>4,176,671</u>	<u>4,176,671</u>	<u>4,176,671</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,076,671</u></u>	<u><u>\$ 3,076,671</u></u>	<u><u>\$ 4,938,635</u></u>	<u><u>\$(1,528,936)</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Beautification Fund**

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

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - licenses and permits - highway beautification	\$ 171,000	\$ 171,000	\$ 178,695	\$ 7,695
Expenditures:				
Highways and streets	121,370	121,370	118,567	2,803
Culture and recreation	<u>61,300</u>	<u>61,300</u>	<u>25,842</u>	<u>35,458</u>
Total expenditures	<u>182,670</u>	<u>182,670</u>	<u>144,409</u>	<u>38,261</u>
Deficiency of revenues under expenditures	(11,670)	(11,670)	34,286	45,956
Fund balance at beginning of year	<u>1,227,584</u>	<u>1,227,584</u>	<u>1,227,584</u>	<u>-</u>
Fund balance at end of year	<u><u>\$1,215,914</u></u>	<u><u>\$1,215,914</u></u>	<u><u>\$1,261,870</u></u>	<u><u>\$ 45,956</u></u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

Hawaii County Housing Agency

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
Federal - HUD - Voucher program	\$ 14,657,717	\$ 14,657,717	\$ 14,539,979	\$ (117,738)
Investment earnings	3,000	3,000	3,681	681
Resale of property	-	-	27,000	27,000
Other	181,179.00	181,179	91,088	(90,091)
Total revenues	<u>14,841,896</u>	<u>14,841,896</u>	<u>14,661,748</u>	<u>(180,148)</u>
<b>Expenditures:</b>				
Health, education and welfare	15,635,839	15,635,839	14,831,607	804,232
Pension and retirement contributions	561,256	561,256	501,445	59,811
Employees' health insurance	231,368	231,368	190,546	40,822
Other	120,000	120,000	-	120,000
Total expenditures	<u>16,548,463</u>	<u>16,548,463</u>	<u>15,523,598</u>	<u>1,024,865</u>
Deficiency of revenues under expenditures	(1,706,567)	(1,706,567)	(861,850)	844,717
<b>Other financing uses - transfers in (out) -</b>				
Transfers in - General Fund	1,402,916	1,402,916	1,402,916	-
Transfers out - Capital Projects Fund	-	(2,000,000)	(2,000,000)	-
Deficiency of revenues and other sources under expenditures and other uses	(303,651)	(2,303,651)	(1,458,934)	844,717
Fund balance at beginning of year	4,886,234	4,886,234	4,886,234	-
Fund balance at end of year	<u>\$ 4,582,583</u>	<u>\$ 2,582,583</u>	<u>\$ 3,427,300</u>	<u>\$ 844,717</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Park Dedication Fund**

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

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues - investment earnings	\$ -	\$ -	\$ 367	\$ 367
Excess of revenues over expenditures	-	-	367	367
Fund balance at beginning of year	<u>84,809</u>	<u>84,809</u>	<u>84,809</u>	<u>-</u>
Fund balance at end of year	<u>\$ 84,809</u>	<u>\$ 84,809</u>	<u>\$ 85,176</u>	<u>\$ 367</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Agency Funds**

Combining Statement of Agency Funds Net Position

June 30, 2014

	State Weight Tax Fund	Improvement District No. 18 Fund	Improvement District No. 19 Fund	Improvement District Revolving Fund	Performance and Refundable Deposits Fund
<u>Assets</u>					
Cash and cash equivalents	\$1,849,041	\$ 254,036	\$ 374,927	\$ 16,306	\$ 231,644
Investments	-	-	-	193,238	-
Due from other agency funds	-	-	-	-	-
Other receivables	-	3,653	-	-	200
Total assets	<u>\$1,849,041</u>	<u>\$ 257,689</u>	<u>\$ 374,927</u>	<u>\$ 209,544</u>	<u>\$ 231,844</u>
<u>Liabilities</u>					
Due to other agency funds	\$ -	\$ -	\$ -	\$ -	\$ 1,475
Accrued liabilities	1,849,041	5,929	-	-	1,228
Advances payable	-	15,111	-	-	229,141
Assets held for the benefit of improvement districts	-	236,649	374,927	209,544	-
Total liabilities	<u>\$1,849,041</u>	<u>\$ 257,689</u>	<u>\$ 374,927</u>	<u>\$ 209,544</u>	<u>\$ 231,844</u>

See accompanying independent auditors' report.

<u>Payroll Clearance Fund</u>	<u>Flexible Spending Account</u>	<u>Lapsed Warrants Fund</u>	<u>Non-Profit License Plates Fund</u>	<u>Organ and Tissue Education Fund</u>	<u>Business Improvement District 1 - Kailua</u>	<u>Total</u>
\$ 424,347	\$ 374,858	\$ 242,745	\$ 1,125	\$ 948	\$ 704	\$ 3,770,681
-	-	-	-	-	-	193,238
-	-	2,444	-	-	-	2,444
25,446	-	58,069	-	-	17,211	104,579
<u>\$ 449,793</u>	<u>\$ 374,858</u>	<u>\$ 303,258</u>	<u>\$ 1,125</u>	<u>\$ 948</u>	<u>\$ 17,915</u>	<u>\$ 4,070,942</u>
\$ 869	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ 2,444
448,924	374,858	303,258	1,025	948	704	2,985,915
-	-	-	-	-	-	244,252
-	-	-	-	-	17,211	838,331
<u>\$ 449,793</u>	<u>\$ 374,858</u>	<u>\$ 303,258</u>	<u>\$ 1,125</u>	<u>\$ 948</u>	<u>\$ 17,915</u>	<u>\$ 4,070,942</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>State Weight Tax Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,682,830	\$ 23,738,703	\$ 23,572,492	\$ 1,849,041
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 23,566,191	\$ 23,566,191	\$ -
Accrued liabilities	-	-	-	-
Accrued liabilities - due to State of Hawaii	1,682,830	21,942,097	21,775,886	1,849,041
Total liabilities	<u>\$ 1,682,830</u>	<u>\$ 45,508,288</u>	<u>\$ 45,342,077</u>	<u>\$ 1,849,041</u>
<b>Improvement District No. 18 Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 183,262	\$ 379,867	\$ 309,093	\$ 254,036
Other receivables	8,269	267,277	271,893	3,653
Total assets	<u>\$ 191,531</u>	<u>\$ 647,144</u>	<u>\$ 580,986</u>	<u>\$ 257,689</u>
<u>Liabilities</u>				
Vouchers Payable	\$ -	\$ 527	\$ 527	\$ -
Accrued liabilities	10,687	230,838	235,596	5,929
Advances payable	11,911	15,111	11,911	15,111
Assets held for the benefit of improvement districts	168,933	353,063	285,347	236,649
Total liabilities	<u>\$ 191,531</u>	<u>\$ 599,539</u>	<u>\$ 533,381</u>	<u>\$ 257,689</u>
<b>Improvement District No. 19 Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 378,377	\$ 3,450	\$ 374,927
<u>Liabilities</u>				
Vouchers Payable	\$ -	\$ 2,083	\$ 2,083	\$ -
Assets held for the benefit of improvement districts	-	378,377	3,450	374,927
Total liabilities	<u>\$ -</u>	<u>\$ 380,460</u>	<u>\$ 5,533</u>	<u>\$ 374,927</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Improvement District Revolving Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 37,894	\$ 1,014	\$ 22,602	\$ 16,306
Investments	189,525	3,713	-	193,238
Total assets	<u>\$ 227,419</u>	<u>\$ 4,727</u>	<u>\$ 22,602</u>	<u>\$ 209,544</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 22,601	\$ 22,601	\$ -
Assets held for the benefit of improvement districts	227,419	159,724	177,599	209,544
Total liabilities	<u>\$ 227,419</u>	<u>\$ 182,325</u>	<u>\$ 200,200</u>	<u>\$ 209,544</u>
<b>Performance and Refundable Deposits Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 229,483	\$ 412,934	\$ 410,773	\$ 231,644
Due from other non-agency funds	-	200	-	200
Total assets	<u>\$ 229,483</u>	<u>\$ 413,134</u>	<u>\$ 410,773</u>	<u>\$ 231,844</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 404,277	\$ 404,277	\$ -
Due to other agency funds	1,670	1,475	1,670	1,475
Accrued liabilities	-	1,228	-	1,228
Advances payable	227,813	412,284	410,956	229,141
Total liabilities	<u>\$ 229,483</u>	<u>\$ 819,264</u>	<u>\$ 816,903</u>	<u>\$ 231,844</u>
<b>Payroll Clearance Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 341,667	\$ 227,296,301	\$ 227,213,621	\$ 424,347
Due from other non-agency funds	-	213,771,742	213,771,742	-
Other receivables	33,425	346,990	354,969	25,446
Total assets	<u>\$ 375,092</u>	<u>\$ 441,415,033</u>	<u>\$ 441,340,332</u>	<u>\$ 449,793</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 112,784,960	\$ 112,784,960	\$ -
Due to other agency funds	872	869	872	869
Accrued liabilities	374,220	236,791,688	236,716,984	448,924
Total liabilities	<u>\$ 375,092</u>	<u>\$ 349,577,517</u>	<u>\$ 349,502,816</u>	<u>\$ 449,793</u>

COUNTY OF HAWAII

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Flexible Spending Account</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 381,933	\$ 325,224	\$ 332,299	\$ 374,858
<u>Liabilities</u>				
Accrued liabilities	\$ 381,933	\$ 325,224	\$ 332,299	\$ 374,858
<b>Lapsed Warrants Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 234,640	\$ 12,608	\$ 4,503	\$ 242,745
Due from other agency funds	2,542	2,444	2,542	2,444
Other receivables	10,065	58,070	10,066	58,069
Total assets	\$ 247,247	\$ 73,122	\$ 17,111	\$ 303,258
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 4,502	\$ 4,502	\$ -
Accrued liabilities	247,247	91,872	35,861	303,258
Total liabilities	\$ 247,247	\$ 96,374	\$ 40,363	\$ 303,258
<b>Non-Profit License Plates Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,250	\$ 5,042	\$ 5,167	\$ 1,125
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 5,130	\$ 5,130	\$ -
Due to other agency funds	-	100	-	100
Accrued liabilities:				
Due to non-profit agency	1,250	4,737	4,962	1,025
Total liabilities	\$ 1,250	\$ 9,967	\$ 10,092	\$ 1,125
<b>Organ and Tissue Education Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 954	\$ 3,749	\$ 3,755	\$ 948
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 3,754	\$ 3,754	\$ -
Accrued liabilities - due to State of Hawaii	954	3,576	3,582	948
Total liabilities	\$ 954	\$ 7,330	\$ 7,336	\$ 948

COUNTY OF HAWAII

**Agency Funds**

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
<b>Business Improvement District 1-Kailua</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 184	\$ 762,130	\$ 761,610	\$ 704
Other receivables - BID 1-Kailua Assessment	20,741	758,600	762,130	17,211
Other receivables	-	919	919	-
Total assets	<u>\$ 20,925</u>	<u>\$ 1,521,649</u>	<u>\$ 1,524,659</u>	<u>\$ 17,915</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 756,158	\$ 756,158	\$ -
Accrued liabilities - due to KVBID	121	704	121	704
Accrued liabilities	62	5,389	5,451	-
Assets held for the benefit of improvement districts	20,742	746,708	750,239	17,211
Total liabilities	<u>\$ 20,925</u>	<u>\$ 1,508,959</u>	<u>\$ 1,511,969</u>	<u>\$ 17,915</u>
<b>Total - All Agency Funds</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 3,094,097	\$ 253,315,949	\$ 252,639,365	\$ 3,770,681
Investments	189,525	3,713	-	193,238
Due from other agency funds	2,542	2,444	2,542	2,444
Due from other non-agency funds	-	213,771,942	213,771,742	200
Other receivables - BID 1-Kailua Assessment	20,741	758,600	762,130	17,211
Other receivables	51,759	673,256	637,847	87,168
Total assets	<u>\$ 3,358,664</u>	<u>\$ 468,525,904</u>	<u>\$ 467,813,626</u>	<u>\$ 4,070,942</u>
<u>Liabilities</u>				
Vouchers payable	\$ -	\$ 137,550,183	\$ 137,550,183	\$ -
Due to other agency funds	2,542	2,444	2,542	2,444
Accrued liabilities	1,014,149	237,446,239	237,326,191	1,134,197
Accrued liabilities - due to non-profit agency	1,250	4,737	4,962	1,025
Accrued liabilities - due to State of Hawaii	1,683,784	21,945,673	21,779,468	1,849,989
Accrued liabilities - due to KVBID	121	704	121	704
Advances payable	239,724	427,395	422,867	244,252
Assets held for the benefit of improvement districts	417,094	1,637,872	1,216,635	838,331
Total liabilities	<u>\$ 3,358,664</u>	<u>\$ 399,015,247</u>	<u>\$ 398,302,969</u>	<u>\$ 4,070,942</u>

See accompanying independent auditors' report.

COUNTY OF HAWAII

**Private Purpose Trusts**

Combining Statement of Private Purpose Trust Net Position

June 30, 2014

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
<b>Assets</b>			
Cash and cash equivalents	\$ 441,296	\$ 1,134,273	\$ 1,575,569
Investments	1,775,463	1,272,732	3,048,195
Other Receivable	-	463	463
Total assets	<u>\$ 2,216,759</u>	<u>\$ 2,407,468</u>	<u>\$ 4,624,227</u>
<b>Net Position</b>			
Held in trust for other parties	<u>\$ 2,216,759</u>	<u>\$ 2,407,468</u>	<u>\$ 4,624,227</u>
Total net position	<u>\$ 2,216,759</u>	<u>\$ 2,407,468</u>	<u>\$ 4,624,227</u>

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, 2014

	Geothermal Asset Fund	Shippers' Wharf Trust Fund	Total Private Purpose Trusts
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Additions</b>			
Contributions:			
Puna Geothermal Venture	\$ 50,000	\$ -	\$ 50,000
Investment earnings:			
Net increase (decrease) in fair value of investments	34,120	(16,686)	17,434
Dividends	-	56,995	56,995
Interest	9,341	1,021	10,362
Total additions	<u>93,461</u>	<u>41,330</u>	<u>134,791</u>
<b>Deductions</b>			
Claims Consultant	34,745	-	34,745
Grant payments	-	248,297	248,297
Total deductions	<u>34,745</u>	<u>248,297</u>	<u>283,042</u>
Change in net position	58,716	(206,967)	(148,251)
Net position, beginning of year	<u>2,158,043</u>	<u>2,614,435</u>	<u>4,772,478</u>
Net position, end of year	<u>\$ 2,216,759</u>	<u>\$ 2,407,468</u>	<u>\$ 4,624,227</u>

See accompanying independent auditors' report.

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## STATISTICAL SECTION

(UNAUDITED)

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<i>Debt Capacity</i> – These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	130
<i>Demographic and Economic Information</i> – These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial acitivities take place.	133
<i>Operating Information</i> – These schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services provided and the activities performed by the County.	135

COUNTY OF HAWAII  
**Net Position by Component**  
 Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013, as restated	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$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	\$734,889,023
Restricted	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	89,620,936
Unrestricted	(11,741,743)	8,885,911	21,350,091	27,329,104	42,457,132	37,623,937	40,287,046	39,340,897	181,055	(18,007,624)
<b>Total governmental activities net position</b>	<b>\$394,870,896</b>	<b>\$440,484,795</b>	<b>\$470,996,749</b>	<b>\$513,481,598</b>	<b>\$525,480,990</b>	<b>\$550,818,478</b>	<b>\$606,436,981</b>	<b>\$682,085,644</b>	<b>\$763,944,918</b>	<b>\$806,502,335</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 325,800	\$ 317,534	\$ 310,409	\$ 307,424	\$ 305,127	\$ 303,244	\$ 308,966	\$ 315,848	\$ 315,255	\$ 368,849
Restricted	182,167	182,797	183,832	184,352	184,643	184,914	185,087	185,148	-	-
Unrestricted	850,962	813,431	636,756	608,195	609,798	497,466	449,581	455,918	1,045,190	1,093,750
<b>Total business-type activities net position</b>	<b>\$ 1,358,929</b>	<b>\$ 1,313,762</b>	<b>\$ 1,130,997</b>	<b>\$ 1,099,971</b>	<b>\$ 1,099,568</b>	<b>\$ 985,624</b>	<b>\$ 943,634</b>	<b>\$ 956,914</b>	<b>\$ 1,360,445</b>	<b>\$ 1,462,599</b>
<b>Primary government</b>										
Net investment in capital assets	\$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	\$735,257,872
Restricted	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	89,620,936
Unrestricted	(10,890,781)	9,699,342	21,986,847	27,937,299	43,066,930	38,121,403	40,736,627	39,796,815	1,226,245	(16,913,874)
<b>Total primary government net position</b>	<b>\$396,229,825</b>	<b>\$441,798,557</b>	<b>\$472,127,746</b>	<b>\$514,581,569</b>	<b>\$526,580,558</b>	<b>\$551,804,102</b>	<b>\$607,380,615</b>	<b>\$683,042,558</b>	<b>\$765,305,363</b>	<b>\$807,964,934</b>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Changes in Net Position

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013, as restated	2014
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 2,495,917
Public safety	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	5,562,424
Highways and streets	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	13,901,679
Health, education and welfare	1,272,091	980,147	799,075	754,758	532,832	713,774	424,107	454,913	570,312	559,381
Culture and recreation	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	1,954,213
Sanitation	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	16,426,521
Operating grants and contributions	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	42,957,370
Capital grants and contributions	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	62,370,497
Total governmental activities program revenues	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	146,228,002
Business-type activities:										
Charges for services:										
Health, education and welfare	314,971	338,141	345,802	365,655	371,511	337,982	372,599	393,464	432,057	468,018
Operating grants and contributions	135,829	141,019	134,211	125,795	135,674	136,802	133,215	131,227	123,800	127,119
Total business-type activities program revenues	450,800	479,160	480,013	491,450	507,185	474,784	505,814	524,691	555,857	595,137
Total primary government program revenues	\$ 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	\$ 146,823,139
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 59,448,042
Public safety	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	163,889,113
Highways and streets	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	38,670,145
Health, education and welfare	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	28,343,056
Culture and recreation	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	25,590,117
Sanitation	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	48,721,810
Interest on long-term debt	8,718,758	10,168,710	10,303,332	13,117,325	13,914,969	14,120,398	15,176,682	14,519,382	14,301,921	12,911,436
Total governmental activities expenses	239,558,237	246,195,946	295,684,176	329,682,473	371,714,226	338,660,512	345,544,934	351,976,444	352,740,417	377,573,719
Business-type activities:										
Health, education and welfare	484,879	547,201	698,329	556,304	525,449	590,131	550,801	517,052	496,017	494,722
Total business-type activities expenses	484,879	547,201	698,329	556,304	525,449	590,131	550,801	517,052	496,017	494,722
Total primary government expenses	\$ 240,043,116	\$ 246,743,147	\$ 296,382,505	\$ 330,238,777	\$ 372,239,675	\$ 339,250,643	\$ 346,095,735	\$ 352,493,496	\$ 353,236,434	\$ 378,068,441
<b>Net Expense</b>										
Governmental activities	\$(141,588,103)	\$(154,163,965)	\$(209,277,686)	\$(231,680,180)	\$(275,279,248)	\$(240,182,698)	\$(221,868,630)	\$(184,578,958)	\$(165,814,899)	\$(231,345,717)
Business-type activities	(34,079)	(68,041)	(218,316)	(64,854)	(18,264)	(115,347)	(44,987)	7,639	59,840	100,415
Total primary government net expense	\$(141,622,182)	\$(154,232,006)	\$(209,496,002)	\$(231,745,034)	\$(275,297,512)	\$(240,298,045)	\$(221,913,617)	\$(184,571,319)	\$(165,755,059)	\$(231,245,302)

Continued next page.

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

## Governmental activities:

## General revenues:

Property taxes	\$ 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	\$ 221,260,681
Public service company taxes	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	10,380,341
Public utility franchise taxes	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	10,792,967
Fuel taxes	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	7,373,475
Grants and contributions not restricted to specific programs	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	17,705,917
Investment earnings (loss)	2,957,188	4,976,178	9,727,911	11,454,850	8,369,221	2,187,266	609,617	230,804	(81,020)	815,606
Other	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	5,574,147
Total governmental activities	<u>173,074,145</u>	<u>199,777,864</u>	<u>239,789,640</u>	<u>274,165,029</u>	<u>287,278,640</u>	<u>265,520,186</u>	<u>277,487,133</u>	<u>260,227,621</u>	<u>248,972,063</u>	<u>273,903,134</u>

## Business-type activities:

## General revenues:

Investment earnings	13,580	22,874	35,551	33,828	17,861	1,403	2,997	5,641	1,416	1,739
Other	-	-	-	-	-	-	-	-	342,275	-
Total business-type activities	<u>13,580</u>	<u>22,874</u>	<u>35,551</u>	<u>33,828</u>	<u>17,861</u>	<u>1,403</u>	<u>2,997</u>	<u>5,641</u>	<u>343,691</u>	<u>1,739</u>
Total primary government	<u>\$ 173,087,725</u>	<u>\$ 199,800,738</u>	<u>\$ 239,825,191</u>	<u>\$ 274,198,857</u>	<u>\$ 287,296,501</u>	<u>\$ 265,521,589</u>	<u>\$ 277,490,130</u>	<u>\$ 260,233,262</u>	<u>\$ 249,315,754</u>	<u>\$ 273,904,873</u>

**Changes in Net Position**

Governmental activities	\$ 31,486,042	\$ 45,613,899	\$ 30,511,954	\$ 42,484,849	\$ 11,999,392	\$ 25,337,488	\$ 55,618,503	\$ 75,648,663	\$ 83,157,164	\$ 42,557,417
Business-type activities	(20,499)	(45,167)	(182,765)	(31,026)	(403)	(113,944)	(41,990)	13,280	403,531	102,154
Total primary government changes in net position	<u>\$ 31,465,543</u>	<u>\$ 45,568,732</u>	<u>\$ 30,329,189</u>	<u>\$ 42,453,823</u>	<u>\$ 11,998,989</u>	<u>\$ 25,223,544</u>	<u>\$ 55,576,513</u>	<u>\$ 75,661,943</u>	<u>\$ 83,560,695</u>	<u>\$ 42,659,571</u>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

**Fund Balances, Governmental Funds**

(Modified accrual basis of accounting)

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund:</b>										
Reserved	\$ 8,313,800	\$ 11,519,135	\$ 15,659,683	\$ 17,468,606	\$ 14,974,272	\$ 8,088,347	\$ -	\$ -	\$ -	\$ -
Unreserved	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	3,794,963
Restricted	-	-	-	-	-	-	4,296,363	3,693,958	4,863,905	5,459,350
Committed	-	-	-	-	-	-	8,756,426	11,710,875	12,065,528	12,794,782
Assigned	-	-	-	-	-	-	17,960,596	21,840,843	24,832,390	31,673,075
Unassigned	-	-	-	-	-	-	10,809,404	8,176,727	8,694,320	1,824,889
<b>Total general fund</b>	<b>23,978,072</b>	<b>34,965,207</b>	<b>44,610,351</b>	<b>48,870,351</b>	<b>59,578,247</b>	<b>39,518,917</b>	<b>44,658,150</b>	<b>48,726,954</b>	<b>53,948,607</b>	<b>55,547,059</b>
<b>All other Government Funds:</b>										
Reserved	66,720,836	103,359,563	122,060,550	141,972,067	177,995,184	106,555,618	-	-	-	-
Unreserved, reported in:										
Special revenue fund	18,525,727	20,342,112	24,874,744	24,553,386	26,088,685	29,436,463	-	-	-	-
Capital projects fund	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	107,165,275
Committed	-	-	-	-	-	-	40,148,878	36,866,120	29,502,567	38,029,424
Unassigned	-	-	-	-	-	-	(3,609,332)	(10,258,317)	6,914,320	5,212,487
<b>Total of other governmental funds</b>	<b>150,162,046</b>	<b>172,047,513</b>	<b>242,619,509</b>	<b>205,641,818</b>	<b>183,982,500</b>	<b>132,701,268</b>	<b>114,279,174</b>	<b>97,641,515</b>	<b>141,303,767</b>	<b>150,407,186</b>
<b>Total Fund Balances</b>	<b>\$ 174,140,118</b>	<b>\$ 207,012,720</b>	<b>\$ 287,229,860</b>	<b>\$ 254,512,169</b>	<b>\$ 243,560,747</b>	<b>\$ 172,220,185</b>	<b>\$ 158,937,324</b>	<b>\$ 146,368,469</b>	<b>\$ 195,252,374</b>	<b>\$ 205,954,245</b>

Unaudited - see accompanying independent auditors' report.

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

## COUNTY OF HAWAII

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Property tax	\$131,087	\$153,207	\$181,446	\$208,313	\$225,858	\$215,548	\$216,511	\$208,231	\$201,201	\$223,482
Public service company tax	6,351	6,812	7,396	8,381	10,229	9,647	9,297	9,897	10,766	10,380
Fuel tax	7,581	7,857	8,471	7,888	7,662	7,406	7,603	8,293	6,353	7,373
Public utility franchise tax	6,017	7,329	8,520	9,027	11,118	8,963	9,416	11,065	11,087	10,793
Licenses and permits	14,442	16,544	16,269	15,918	14,972	14,725	15,097	15,790	15,991	19,618
Intergovernmental	73,372	69,637	63,599	72,601	70,869	77,614	93,748	100,867	79,912	75,257
Charges for services	18,149	19,852	21,685	22,154	21,404	18,909	16,416	16,885	17,055	19,392
Investment earnings (loss)	3,104	5,223	10,291	12,144	8,914	2,253	510	406	(618)	1,699
Settlement contributions	-	-	-	-	-	-	-	-	12,500	-
Other	4,450	4,380	5,073	7,151	5,690	3,241	7,874	4,201	4,399	30,084
<b>Total Revenues</b>	<b>264,553</b>	<b>290,841</b>	<b>322,750</b>	<b>363,577</b>	<b>376,716</b>	<b>358,306</b>	<b>376,472</b>	<b>375,635</b>	<b>358,646</b>	<b>398,078</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	26,183	31,153	37,652	42,991	45,882	40,586	34,251	35,088	33,360	36,679
Public safety	76,404	83,591	93,241	103,617	107,540	108,798	104,917	104,523	106,885	111,221
Highways and streets	9,787	12,608	14,033	19,529	17,159	20,222	17,114	17,338	17,923	20,270
Sanitation	21,883	26,565	31,817	33,405	35,025	35,675	28,424	29,511	30,672	29,949
Health, education and welfare	19,870	19,050	21,470	24,609	24,596	25,519	26,847	23,749	24,199	23,070
Culture and recreation	13,982	14,731	17,118	18,179	18,853	17,266	16,001	16,763	16,337	18,334
Pension and retirement contributions	14,204	19,937	21,796	24,296	28,870	28,509	27,284	27,773	29,816	33,032
Employees' health insurance	16,168	16,133	16,941	18,089	19,119	23,573	25,212	25,902	26,011	26,786
Other postemployment benefits	-	-	-	13,629	14,950	15,700	17,307	-	-	3,170
Other	6,133	6,780	5,108	5,344	6,257	4,773	4,758	4,183	2,991	3,238
<b>Debt service:</b>										
Principal	13,150	14,060	16,076	16,548	19,749	20,720	42,233	24,834	25,718	19,013
Interest	9,534	9,914	9,894	13,116	12,790	14,584	14,841	15,032	14,345	14,644
<b>Capital outlay</b>	<b>32,816</b>	<b>30,588</b>	<b>52,285</b>	<b>70,156</b>	<b>89,368</b>	<b>100,653</b>	<b>87,782</b>	<b>71,220</b>	<b>48,565</b>	<b>51,369</b>
<b>Total Expenditures</b>	<b>260,114</b>	<b>285,110</b>	<b>337,431</b>	<b>403,508</b>	<b>440,158</b>	<b>456,578</b>	<b>446,971</b>	<b>395,916</b>	<b>376,822</b>	<b>390,775</b>
<b>Revenues over (under) Expenditures</b>	<b>4,439</b>	<b>5,731</b>	<b>(14,681)</b>	<b>(39,931)</b>	<b>(63,442)</b>	<b>(98,272)</b>	<b>(70,499)</b>	<b>(20,281)</b>	<b>(18,176)</b>	<b>7,303</b>
<b>Other Financing Sources (Uses):</b>										
Sale of assets	1,486	82	5	3,470	58	10	6	153	1	10
Capital leases	1,369	404	2,403	2,187	1,026	1,948	47	2,521	1,307	14
State Revolving Fund loans	1,504	25	6,255	1,916	280	6,811	9,257	4,569	4,991	3,072
Sale of bonds	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	42,119	45,691	59,139	64,929	56,697	61,495	56,099	59,971	51,356	61,238
Transfers out	(42,119)	(45,691)	(59,139)	(64,929)	(56,697)	(61,495)	(56,099)	(59,971)	(51,356)	(61,238)
<b>Total other financing sources</b>	<b>35,965</b>	<b>26,483</b>	<b>95,452</b>	<b>7,573</b>	<b>51,549</b>	<b>27,750</b>	<b>56,388</b>	<b>7,243</b>	<b>66,872</b>	<b>3,096</b>
<b>Net change in fund balances</b>	<b>\$ 40,404</b>	<b>\$ 32,214</b>	<b>\$ 80,771</b>	<b>\$ (32,358)</b>	<b>\$ (11,893)</b>	<b>\$ (70,522)</b>	<b>\$ (14,111)</b>	<b>\$ (13,038)</b>	<b>\$ 48,696</b>	<b>\$ 10,399</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>10.3%</b>	<b>9.7%</b>	<b>9.0%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>10.4%</b>	<b>15.9%</b>	<b>12.3%</b>	<b>13.9%</b>	<b>10.0%</b>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Real Property Assessed Values by Classification and Tax Rates

Last Ten Fiscal Years  
(Values in Thousands)

Fiscal Year	Class of Property	Value of Net Taxable Building	Building Tax Rates Per \$1000	Value of Net Taxable Land	Land Tax Rates Per \$1000	Value of Net Taxable Real Property
2005	Improved Residential	\$969,500	\$ 9.10	\$1,264,100	\$ 9.10	\$2,233,600
	Unimproved Residential	30,408	9.85	366,885	9.85	397,293
	Apartment	1,772,930	9.85	745,530	9.85	2,518,460
	Hotel and Resort	845,026	9.85	897,268	9.85	1,742,294
	Commercial	516,945	9.85	455,664	9.85	972,609
	Industrial	226,265	9.85	239,022	9.85	465,287
	Agricultural	917,253	9.85	1,697,117	9.85	2,614,370
	Conservation	24,485	9.85	346,186	9.85	370,671
	Homeowners	1,714,555	5.55	1,504,821	5.55	3,219,376
			<u>\$7,017,367</u>		<u>\$7,516,593</u>	
Fiscal year 2005 total direct rate \$8.92						
2006	Improved Residential	\$1,082,244	\$ 9.10	\$1,935,085	\$ 9.10	\$3,017,329
	Unimproved Residential	29,762	9.85	470,738	9.85	500,500
	Apartment	2,340,515	9.85	907,150	9.85	3,247,665
	Hotel and Resort	981,538	9.85	942,988	9.85	1,924,526
	Commercial	538,389	9.85	502,433	9.85	1,040,822
	Industrial	255,292	9.85	280,950	9.85	536,242
	Agricultural	970,198	9.85	2,082,838	9.85	3,053,036
	Conservation	21,488	9.85	340,573	9.85	362,061
	Homeowners	1,191,435	5.55	1,604,418	5.55	2,795,853
			<u>\$7,410,861</u>		<u>\$9,067,173</u>	
Fiscal year 2006 total direct rate \$8.98						

Continued next page.

Table 5

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

Continued next page.

Table 5

Fiscal Year	Class of Property	Value of Net Taxable Building	Building Tax Rates Per \$1000	Value of Net Taxable Land	Land Tax Rates Per \$1000	Value of Net Taxable Real Property
2010	Residential	\$2,447,576	\$ 7.10	\$3,804,696	\$ 8.10	\$6,252,272
	Apartment	3,602,514	8.10	1,546,866	8.10	5,149,380
	Hotel and Resort	1,390,884	9.00	1,177,796	9.00	2,568,680
	Commercial	733,260	9.00	928,999	9.00	1,662,259
	Industrial	453,406	9.00	593,224	9.00	1,046,630
	Agricultural & Native Forest	2,272,248	6.35	3,625,585	8.35	5,897,833
	Conservation	46,321	8.55	337,860	8.55	384,181
	Homeowners	2,388,048	5.55	2,686,692	5.55	5,074,740
	Affordable Rental Housing	67,746	5.55	47,703	5.55	115,449
		<u>\$13,402,003</u>		<u>\$14,749,421</u>		<u>\$28,151,424</u>
Fiscal year 2010 total direct rate \$7.75						
2011	Residential	\$3,040,977	\$ 9.10	\$3,787,185	\$ 9.10	\$6,828,162
	Apartment	2,660,600	9.85	1,144,873	9.85	3,805,473
	Hotel and Resort	820,418	9.85	690,834	9.85	1,511,252
	Commercial	713,161	9.10	908,741	9.10	1,621,902
	Industrial	454,868	9.10	594,589	9.10	1,049,457
	Agricultural & Native Forest	2,232,765	8.35	2,860,494	8.35	5,093,259
	Conservation	48,766	9.85	341,496	9.85	390,262
	Homeowners	2,479,437	5.55	2,573,527	5.55	5,052,964
	Affordable Rental Housing	108,290	5.55	57,821	5.55	166,111
		<u>\$12,559,282</u>		<u>\$12,959,560</u>		<u>\$25,518,842</u>
Fiscal year 2011 total direct rate \$8.39						
2012	Residential	\$2,849,965	\$ 9.10	\$3,549,133	\$ 9.10	\$6,399,098
	Apartment	2,772,190	9.85	1,147,288	9.85	3,919,478
	Hotel and Resort	771,971	9.85	601,800	9.85	1,373,771
	Commercial	676,465	9.10	837,094	9.10	1,513,559
	Industrial	446,247	9.10	563,710	9.10	1,009,957
	Agricultural & Native Forest	2,023,285	8.35	2,571,826	8.35	4,595,111
	Conservation	44,874	9.85	323,210	9.85	368,084
	Homeowners	2,480,038	5.55	2,524,611	5.55	5,004,649
	Affordable Rental Housing	142,899	5.55	79,498	5.55	222,397
		<u>\$12,207,934</u>		<u>\$12,198,170</u>		<u>\$24,406,104</u>
Fiscal year 2012 total direct rate \$8.52						

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
2013	Residential	\$2,872,890	\$ 9.10	\$3,534,961	\$ 10.05	\$6,407,851
	Apartment	2,403,216	9.85	1,069,999	10.85	3,473,215
	Hotel and Resort	711,884	9.85	506,998	10.85	1,218,882
	Commercial	661,323	9.10	806,131	10.05	1,467,454
	Industrial	472,242	9.10	463,832	10.05	936,074
	Agricultural & Native Forest	2,067,097	8.35	2,425,798	9.25	4,492,895
	Conservation	41,505	9.85	287,375	10.85	328,880
	Homeowners	2,525,018	5.55	2,502,822	6.15	5,027,840
	Affordable Rental Housing	110,208	5.55	64,270	6.15	174,478
			<u>\$11,865,383</u>		<u>\$11,662,186</u>	
Fiscal year 2013 total direct rate \$8.37						
2014	Residential	\$2,961,309	\$ 10.05	\$3,470,148	\$ 10.05	\$6,431,457
	Apartment	2,431,314	10.85	1,077,153	10.85	3,508,467
	Hotel and Resort	669,850	10.85	477,981	10.85	1,147,831
	Commercial	648,273	10.05	766,029	10.05	1,414,302
	Industrial	470,992	10.05	443,702	10.05	914,694
	Agricultural & Native Forest	2,105,481	9.25	2,365,245	9.25	4,470,726
	Conservation	36,902	10.85	255,602	10.85	292,504
	Homeowners	2,645,121	6.15	2,537,128	6.15	5,182,249
	Affordable Rental Housing	115,384	6.15	64,662	6.15	180,046
			<u>\$12,084,626</u>		<u>\$11,457,650</u>	
Fiscal year 2014 total direct rate \$9.23						

Source: County of Hawai'i, Department of Finance, Real Property Tax Division

NOTES: Assessed value is at 100% of market value.  
Property is reassessed annually.  
The County Council sets the tax rates annually.  
There are no overlapping property tax rates in the County of Hawaii.  
The improved residential and unimproved residential classes were combined into a single class beginning with the fiscal years ending June 30, 2009.

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Principal Taxpayers

June 30, 2014 and 2005

Taxpayer	Business	Fiscal Year 2014			Fiscal Year 2005		
		2013 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2004 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Mauna Kea/Hapuna Beach Corps.	Developer/Hotel	\$ 172,664,900	3	0.7%	\$ -	-	-
Hilton Land Investment I LLC	Hotel	201,844,300	1	0.9%	-	-	-
Hualalai Investors LLC	Developer/Hotel	185,883,000	2	0.8%	-	-	-
Orchid 09 LLC	Hotel	112,853,500	5	0.5%	-	-	-
WB KD Acquisition LLC	Developer	66,357,900	7	0.3%	-	-	-
Mauna Lani Resort Inc.	Developer/Hotel	93,320,500	6	0.4%	99,337,000	9	0.5%
Hilton Resorts Corp.	Timeshare	148,089,500	4	0.6%	-	-	-
Target Coporation	Retailer	64,456,100	9	0.3%	-	-	-
Kohanaiki Shores LLC	Developer	65,032,900	8	0.3%	-	-	-
Ho Retail Properties	Developer	59,844,900	10	0.3%	-	-	-
BP Bishop Estate	Developer	-	-	-	488,641,200	1	2.5%
Mauna Kea Development Corp	Hotels/Dev.	-	-	-	201,862,600	3	1.1%
WB Kukio Resorts LLC	Developer	-	-	-	113,874,600	8	0.6%
WB Manini'owali LLC	Developer	-	-	-	128,253,000	6	0.7%
Global Resort Partners	Hotel	-	-	-	171,043,600	4	0.9%
Liliuokalani Trust Estate	Land Trust	-	-	-	218,507,500	2	1.1%
FHR (ML) Hotel Holdings LLC	Hotel	-	-	-	120,000,000	7	0.6%
Kaupulehu Makai Venture	Developer	-	-	-	159,249,800	5	0.8%
RWH Inc.	Hotel	-	-	-	59,804,200	10	0.3%
		<u>\$1,170,347,500</u>		<u>5.1%</u>	<u>\$ 1,760,573,500</u>		<u>9.2%</u>

Note: Gross valuation at January 1, 2013: \$23,542,277,844

Gross valuation at January 1, 2004: \$19,202,446,000

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

Unaudited - see accompanying independent auditors' report.

Table 7

COUNTY OF HAWAI'I  
**Property Tax Levies and Collections**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>*Current Tax Levy</u>	<u>*Current Tax Collections</u>	<u>*Percent of Levy Collected</u>	<u>*Delinquent Tax Collections</u>	<u>*Total Tax Collections</u>	<u>*Total Collections as Percent of Current Levy</u>	<u>*Outstanding Delinquent Taxes</u>	<u>*Outstanding Delinquent Taxes as Percent of Current Levy</u>
2005	\$128,842,161	\$126,574,921	98%	\$ 2,150,713	\$ 128,725,634	100%	\$ 116,527	0%
2006	150,290,867	147,712,630	98%	2,430,277	150,142,907	100%	147,960	0%
2007	181,538,387	177,326,418	98%	3,907,785	181,234,203	100%	304,184	0%
2008	207,887,728	202,702,858	98%	4,809,164	207,512,022	100%	375,706	0%
2009	226,634,290	219,437,531	97%	6,588,694	226,026,225	100%	608,065	0%
2010	215,255,355	207,501,307	96%	6,939,859	214,441,166	100%	814,189	0%
2011	215,719,162	208,106,918	96%	6,245,505	214,352,423	99%	1,366,739	1%
2012	204,877,533	198,274,186	97%	4,501,956	202,776,142	99%	2,101,391	1%
2013	197,028,782	191,154,491	97%	2,845,022	193,999,513	98%	3,029,269	2%
2014	217,269,825	211,711,407	97%	-	211,711,407	97%	5,558,418	3%

\* Amounts reflect subsequent adjustments

Source: County of Hawai'i, Department of Finance, Real Property Tax Division

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Ratios of Outstanding Debt by Type

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

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government (a)	Component Unit		Total Primary Government		Total Primary Government and Component Unit	
	General Obligation Bonds (c)	State Revolving Fund Loans	Capital Leases	Bonds/Notes Payable		General Obligation Bonds	State Revolving Fund Loans	Percentage of Personal Income (b)	Per Capita (b)	Percentage of Personal Income (b)	Per Capita (b)
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	5.18%	1,777	5.99%	2,055
2014	297,058,750	22,928,638	2,308,241	1,208,300	323,503,929	38,644,257	13,658,717	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.

## COUNTY OF HAWAII

**Ratios of General Bonded Debt Outstanding**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Debt Applicable to Legal Debt Margin (a)</u>	<u>Percent of Net Taxable Property Value (b)</u>	<u>Per Capita (c)</u>
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%	1,654
2014	298,709,020	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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit (a)	\$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	\$ 3,531,341
Debt applicable to limit	195,198	205,220	281,837	265,431	296,536	277,482	315,616	317,700	315,677	298,709
Legal debt margin (b)	<u>\$1,984,896</u>	<u>\$2,266,485</u>	<u>\$3,124,307</u>	<u>\$3,675,045</u>	<u>\$4,129,309</u>	<u>\$3,945,232</u>	<u>\$3,512,210</u>	<u>\$3,343,216</u>	<u>\$ 3,213,458</u>	<u>\$ 3,232,632</u>
Debt applicable to the limit as a percentage of debt limit	8.95%	8.30%	8.27%	6.74%	6.70%	6.57%	8.25%	8.68%	8.94%	8.46%

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 2014

Net assessed value	<u>\$23,542,276</u>
Debt limit (15% of net assessed value)	\$ 3,531,341
Debt applicable to limit	298,709
Legal debt margin	<u>\$ 3,232,632</u>

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAI'I

**Demographic and Economic Statistics**

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>*Resident Population as of July 1</u>	<u>*Personal Income (thousands of dollars)</u>	<u>*Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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%
2013	190,821	\$ 6,544,583	\$ 34,297	n/a	6.6%

\* Amounts reflect subsequent adjustments

*Source:* County of Hawai'i, Department of Research and Development, Bureau of Economic Analysis  
and State of Hawaii Department of Labor

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAI'I

## Principal Employers, County of Hawaii

June 30, 2014 and 2005

<u>Employer</u>	2014			2004(a)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
State of Hawai'i	8,229	1	10.2%	7,608	1	10.0%
County of Hawai'i	2,657	2	3.3%	2,291	2	3.0%
United States Government	1,430	3	1.8%	1,221	3	1.6%
Hilton Waikoloa Village	910	4	1.1%	1,100	4	1.4%
KTA Super Stores	767	7	1.0%	785	5	1.0%
Walmart	660	8	0.8%	-	-	-
Target Stores	490	10	0.6%	-	-	-
Four Seasons Resort Hualalai	(b)	6	(b)	557	8	0.7%
The Fairmont Orchid, Hawai'i	640	9	0.8%	600	6	0.8%
Mauna Kea Beach Hotel	800	5	1.0%	556	9	0.7%
Mauna Lani Bay Hotel	-	-	-	580	7	0.8%
Hapuna Beach Prince Hotel	-	-	-	542	10	0.7%
Total	<u>16,583</u>		<u>20.6%</u>	<u>15,840</u>		<u>20.7%</u>
Total employee count			<u>80,700</u>			<u>76,200</u>

## NOTES:

(a) Data for Fiscal Year 2005 is unavailable.

(b) Exact employee count is unavailable.

Source: County of Hawai'i, Department of Research and Development and  
Department of Finance  
State of Hawaii Department of Labor and Industrial Relations and

Unaudited - see accompanying independent auditors' report.

## COUNTY OF HAWAII

## Full-Time Equivalent County Government Employees by Function

Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	38.00	54.50	54.00	68.00	55.48	56.08	53.00	54.00	52.50	46.40
Legislative Auditor	-	-	-	-	5.00	5.00	5.00	4.75	3.75	5.00
Mayor	21.58	21.70	20.68	25.17	22.49	19.00	21.99	18.50	16.00	18.75
Corporation Counsel	41.00	39.00	39.98	33.00	30.00	32.00	29.00	29.00	27.00	28.00
Finance	88.00	91.00	94.49	102.89	128.44	123.89	121.89	123.35	131.37	134.98
Human Resources	26.00	24.50	27.46	28.98	28.96	27.98	25.49	25.48	24.00	24.49
Planning	31.50	35.00	36.00	47.00	48.00	49.00	49.49	48.00	50.00	51.00
Research & Development	13.00	13.20	14.48	15.00	15.00	14.00	14.00	12.00	12.00	11.49
Information Technology	14.00	17.00	17.00	17.00	16.00	15.48	16.00	16.00	16.00	22.00
Public Works Admin & Building	121.00	123.40	141.97	166.37	170.44	162.99	158.84	155.48	155.50	162.49
Public Safety:										
Police	520.80	536.20	535.23	572.51	553.37	558.32	565.99	541.25	548.98	567.23
Fire	346.23	340.20	363.71	424.07	412.05	411.53	414.08	391.28	418.57	429.57
Liquor Control	11.00	13.00	12.00	14.48	14.00	14.00	14.00	15.00	14.00	14.00
Civil Defense	7.00	6.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00
Prosecuting Attorney	83.00	86.50	93.00	96.49	103.00	98.24	99.00	91.49	99.49	98.97
Highways and Streets:										
Mass Transit	7.00	6.00	5.00	7.00	6.00	7.00	7.00	7.00	8.00	11.00
Traffic and Highways	151.00	168.00	169.98	183.48	182.48	174.48	176.48	178.48	176.48	173.48
Sanitation:										
Administration	18.00	19.50	19.49	19.98	19.49	16.98	18.49	17.00	17.00	19.49
Sewer	40.00	38.00	32.97	37.49	41.47	44.98	47.49	47.49	46.00	44.49
Vehicle Disposal	1.00	1.00	3.00	3.00	2.00	2.00	2.00	2.00	4.00	1.00
Solid Waste	57.80	69.00	86.49	87.49	93.49	93.00	95.00	99.00	98.00	103.50
Health, Education and Welfare:										
Housing	43.48	39.50	43.97	46.95	44.95	47.44	47.48	43.48	41.00	43.00
Aging	10.00	12.50	13.00	12.00	12.00	11.00	12.00	13.00	11.00	12.00
Culture and Recreation	386.48	434.90	402.43	390.11	391.45	379.50	380.74	370.15	370.87	352.14
Total	<u>2,085.87</u>	<u>2,198.60</u>	<u>2,240.33</u>	<u>2,412.46</u>	<u>2,411.56</u>	<u>2,379.89</u>	<u>2,390.45</u>	<u>2,319.18</u>	<u>2,357.51</u>	<u>2,390.47</u>

Source: County of Hawai'i, Department of Finance

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAII  
**Operating Indicators by Function**  
 Last Ten Fiscal Years

<b>Function</b>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety:</b>										
<b>Police:</b>										
DUI arrests	964	1,163	1,354	1,397	1,395	1,452	1,468	1,403	1,176	1,351
Traffic citations issued	51,818	54,435	54,606	62,736	66,461	63,883	61,947	60,967	49,292	63,921
<b>Fire:</b>										
Fire responses	888	897	1,095	892	751	889	731	684	654	671
Emergency medical/rescue responses	13,671	14,945	15,502	16,098	15,099	15,308	15,726	16,361	16,454	15,968
Inspections - Occupancy/Fire Protective Equipment	1,843	2,131	1,958	1,858	1,479	1,579	3,021	2,050	1,463	1,687
<b>Sanitation:</b>										
Refuse disposed (tons per year)	225,051	222,945	223,144	210,199	172,431	154,914	166,455	152,949	153,581	166,890
<b>Highways and Streets:</b>										
In-house street resurfacing (miles)	42	15	33	26	27	23	18	20	20	17
<b>Parks and Recreation:</b>										
Pavilion permits issued	1,908	1,888	1,744	2,055	2,310	2,340	4,667	2,805	2,775	2,708
Camping permits issued	4,765	5,146	5,200	3,870	3,998	4,290	4,019	4,450	5,175	4,261
Rounds of golf	79,101	74,677	82,182	76,648	80,229	80,407	83,358	72,162	71,352	71,568
Zoo attendance	163,176	171,958	172,315	163,601	182,286	172,737	172,677	213,537	245,715	220,323
<b>Transit:</b>										
Bus passengers	N/A	711,608	727,677	821,359	908,651	1,060,057	1,149,042	1,315,222	1,269,550	920,280
<b>Public Works:</b>										
Building permits issued	5,350	5,883	5,165	4,507	3,929	3,234	3,039	3,258	4,754	4,797
Electrical permits issued	4,750	5,097	5,072	4,569	3,869	3,602	3,821	4,080	5,137	5,313
Plumbing permits issued	3,888	4,557	4,368	3,622	2,983	2,638	2,071	1,749	2,001	1,664
Sign permits issued	63	50	51	75	62	62	58	55	52	57

Source: County of Hawai'i, Individual Departments

Unaudited - see accompanying independent auditors' report.

COUNTY OF HAWAI'I  
**Capital Asset Statistics by Functions**  
 Last Ten Fiscal Years

<b>Function</b>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety:</b>										
<b>Police:</b>										
Stations	8	8	8	8	8	8	8	8	8	8
Substations	13	13	13	10	10	10	10	10	8	8
Fire stations	20	20	20	20	20	20	20	20	20	21
<b>Highways and Streets:</b>										
County streets (miles)	903	907	927	942	943	944	946	954	945	961
Streetlights	9,017	9,027	9,246	9,308	9,404	9,592	9,864	9,883	9,939	10,165
<b>Parks and Recreation:</b>										
Parks	121	122	123	123	143	143	143	144	145	145
Gyms and recreation centers	38	38	38	38	61	61	61	62	62	62
<b>Sanitation:</b>										
Sanitary sewers (miles)	53	53	58	100*	100*	111*	111*	112*	112*	105*

\*GIS database utilized beginning FY 2008

Source: County of Hawai'i, Department of Research and Development

Unaudited - see accompanying independent auditors' report.