



Ernesto G. Pasion  
County Auditor

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OFFICE OF  
THE COUNTY AUDITOR  
COUNTY OF KAUAI

DATE: December 14, 2012

TO: The Honorable Jay Furfaro, Council Chair and  
The Kauai County Council

FROM: Ernesto G. Pasion   
County Auditor

SUBJECT: FY2012 County of Kauai  
Comprehensive Annual Financial Report, Single Audit Report and  
Management Advisory Report

Attached are the County of Kauai's Comprehensive Annual Financial Report (CAFR), Single Audit Report and Management Advisory Report for the year ended June 30, 2012.

Attachments: (20) CAFR, (15) Single Audit Report, (9) Management Advisory Report

C 2013 - 28 ;

P-201.1

1/27/2013

Council Services  
Kaua'i County Council  
Communication Referral Slip

(Chair's initials)

(Meeting Date)

~~Council Agenda~~

1-17-2013



Consent Agenda

~~Public Hearing~~

~~Committee~~

(Committee name / date)

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File \_\_\_\_\_

Other: \_\_\_\_\_

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**County of Kaua'i, Hawai'i**



**For the Fiscal Year Ended  
June 30, 2012**

C-2013-28

P-201.1

8/1/2012



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2012**

## **COUNTY OF KAUA'I, HAWAII**



**Bernard P. Carvalho, Jr.  
Mayor**

**Wallace G. Rezentes, Jr.  
Director of Finance**

**Prepared by:  
The Department of Finance,  
Accounting Division**

**COUNTY OF KAUAI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**COUNTY OF KAUAI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

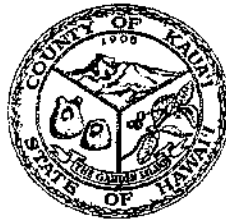
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## INTRODUCTORY SECTION

**Bernard P. Carvalho, Jr.**  
Mayor



**Wallace G. Rezentes, Jr.**  
Director of Finance

**Gary K. Heu**  
Managing Director

**Sally A. Motta**  
Deputy Director of Finance

**DEPARTMENT OF FINANCE**  
**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite 280, Lihue, Hawai'i 96766  
TEL (808) 241-4200 FAX (808) 241-6529

December 12, 2012

Honorable Mayor Bernard P. Carvalho, Jr.  
Honorable Jay J. Furfaro, Council Chair  
And Members of the Kaua'i County Council  
County of Kaua'i  
4444 Rice Street  
Lihue, Hawai'i 96766

Dear Mayor Carvalho, Chairman Furfaro, and Members of the Council:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Kaua'i (County), State of Hawai'i for the fiscal year ended June 30, 2012.

The CAFR was prepared by the Department of Finance, Accounting Division (Accounting Division). The accuracy of the financial statements and the completeness and fairness of their presentation are the responsibility of the County government. We believe the data presented in the CAFR are complete and accurate in all material respects and are provided in a manner designed to present the financial position and results of operations of the County. All disclosures necessary to convey the maximum understanding of the County's financial activities have been included.

The Department of Finance is tasked with the responsibility of establishing and maintaining an internal control structure and process that is designed to ensure that the assets of the County are protected from loss, theft, or misuse. Furthermore, it is the responsibility of the Accounting Division to compile adequate accounting data to allow for the accurate preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

Management is required to make decisions and judgments as to the concept of what constitutes reasonable assurance in reviewing the internal control mechanisms. Management must also weigh the cost of the control against the benefit that will likely be attained.

This report includes all funds of the County, including its component unit, the Department of Water (Department), established by the County Charter as a semi-autonomous body of the County government. This component unit is included in the County's reporting entity for fair presentation of the basic financial statements and to be in conformity with GAAP. The Board of Water Supply is appointed by the Mayor and is accountable for the activities of the Department.

It would be potentially misleading if omitted in the County's financial reports because of its existing debt issuance, common employee benefits, and other fiscal dependence.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **The Reporting Entity**

The County of Kaua'i, commonly known as The Garden Island, includes the populated island of Kaua'i and Ni'ihau of approximately 68,000 residents. The island of Kaua'i has an area of 549 square miles and approximately 137 miles of coastline. Ni'ihau is a privately owned island encompassing approximately 70 square miles and is inhabited primarily by native Hawaiians who work on the Robinson Family ranch. Owners of the island grant limited access to the general public. Kaua'i is the smallest in size, population, and operating budget among the State's four counties. The County's largest industry is tourism, and the island's scenic and tourist attractions include the Waimea Canyon, coined the "Grand Canyon of the Pacific", the incomparable Na Pali Coast, with its secret beaches and hidden valleys, the Fern Grotto reached by riverboat cruises, and many others.

The County has operated under the Mayor-County Council form of government since 1969. The executive branch of the County is headed by the Mayor who is elected on a non-partisan basis for a four-year term and with a two term limit. The legislative branch is the County Council which is composed of seven members who are elected at-large on a non-partisan basis, for a two-year term, but no more than four consecutive two-year terms.

There are no subordinate or separate municipal entities within the County's jurisdiction. All powers of the County shall be carried into execution as provided by its Charter or by ordinance of the County Council and Mayor. The State of Hawai'i constitution sets limits on total bonded indebtedness of the County. Under the Constitution and laws of the State of Hawai'i, the full faith and credit of the County are pledged to the payment of the general obligation bonds issued. For the payment of the principal and interest on the bonds, the County has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the County. The County did not issue any special assessment debt nor is there any overlapping bonded debt on general obligation bonds.

The County provides a full range of municipal services. These services include Public Safety (police, fire, civil defense, humane society, outreach program, highway safety grants, drug related grants, liquor control, lifeguards), Sanitation (wastewater, recycling and solid waste operations), Public Works (engineering, building and construction inspections and approvals, janitorial, and repair and maintenance of its facilities), Culture and Recreation (public pools, parks and beaches, golf course, neighborhood centers, recreation programs, beautification program, auditorium, stadium), Public Welfare (elderly affairs, transportation, housing, community development and assistance programs), Highways and Streets (highway repairs and maintenance, street lights), and General Government (mayor's office, council services, finance, prosecuting attorney, planning, personnel services, economic development, county attorney's office). The proprietary funds are accounted for separately from the above expense functions because combining the costs would obscure the matching of revenues and expenses of their required fund classification.

Services provided by the State of Hawai'i are excluded from this report. The State provides the following services: educational, health and welfare benefits, airport and harbor functions, hospitals, State highway system and the judicial system.

The major revenue sources of the County consist of the following: real property tax, transient accommodation tax, public service company tax, fuel tax, franchise tax, and motor vehicle weight tax. Other revenue sources include Federal and State grants, construction fees, development and impact fees, golf, and wastewater user fees. There are no personal taxes levied by the County.

### **Economic Conditions and Outlook**

Kauai's economy has demonstrated an upward trend since the recession in 2009 and has seen modest gains in visitor arrivals and spending. Recently, the County increased spending on marketing campaigns to keep Kauai in the forefront and competitive with other Hawai'i destinations. At the close of 2011, visitor arrivals exceeded 6.3% and visitor spending was over 19%, surpassing amounts in 2010. Kauai will continue to see a climb in visitor arrivals with increasing flights by Alaska Airlines and direct flights added from Portland and San Diego.

In addition to tourism, Kauai's Westside also benefits from the Pacific Missile Range Facility which employs close to 1,000 residents, the seed corn industry that has realized exponential growth during the last 10 years. The Westside of Kauai also boasts as having the largest coffee plantation in the nation, Kauai Coffee, and is another contributor to Kauai's job market and stable recovery.

### **Tourism**

Kauai continues to enjoy a reputation as one of the world's top island destinations and is considered one of the premier vacation destinations in the Pacific Region. It has received several accolades within the travel industry. Kauai beaches have been nominated for "Best Beaches" category and Waimea Canyon as "Best Active Destination" category of the 10 Besties Readers Choice Travel Awards. In addition, Kauai has been recognized as Hawai'i's #2 film location for "The Descendants" by Sherman's Travel Top 10 Oscar Film Locations. Kauai was also recently noted for 2012 Vote of Excellence for the category of "Best Hawaiian Island for Outdoor Activities" by Travel Age West. The island's three major resort destinations are in the north at Princeville, the "Royal Coconut Coast" in the east in the Wailua-Kapa'a area, and in the south at Po'ipū.

There are several recognizable hotel chains on Kauai that are located throughout the island, which include the St. Regis Princeville Resort, Westin Princeville Ocean Resort Villas, Kauai Marriott Resort and Beach Club and the Grand Hyatt Kauai Resort and Spa, among others.

Kauai has a balanced inventory of visitor accommodations as the 14 hotel properties account for 2,657 units, or 25.5% of total units. In addition to Kauai's hotel inventory, which attracts both high-end and budget travelers, 2,626 or another 25.2% are very popular timeshare units and 32 condominium resorts provide 2,179 units, or 20.9%, of total visitor accommodation inventory. Individual Vacation Units (IVUs) or Vacation Rentals are additional options for visitors as they provide opportunities to vacation in island homes. There are 1,722 IVUs to choose from as they make up Kauai, and there are 1,722 units or 16.5% to choose from.

Latest reports from the State of Hawaii DBEDT and Hawaii Tourism Authority reflect Kauai's visitor arrivals for 2012 will surpass the 1 million mark for the second year in a row and on target to be 7% over 2011 at year's end. Although the length of stay on Kauai has dropped by less than half a percent, visitor spending as of October (YTD) is over 14% at \$1.2 billion.

### **Film**

The film and television industry has a long and rich history on Kaua'i. From the first Hollywood movie *Cane Fire* in 1933, 2010's blockbuster, Disney's *Pirates of the Caribbean – On Stranger Tides*, and 2012 Golden Globe Award winner *The Descendants*. Major film activity was at its peak from 2007-2010 on Kaua'i.

Although there were no major movies filmed on Kaua'i in 2011, there was a Syfy TV movie, "Piranhaconda" produced by Hollywood's iconic filmmaker, Roger Corman who has filmed three other TV movies on Kaua'i since 2004. The movie was shot entirely on Kaua'i in 3 weeks and was broadcast several times on Syfy channel in June and July 2012. Also in 2011, an extensive aerial footage of Kaua'i was filmed and featured in New Line Cinema's "The Journey 2: Mysterious Island" starring Dwayne "The Rock" Johnson.

In 2012, Kaua'i celebrated the 50<sup>th</sup> anniversary of the Elvis Presley movie, "Blue Hawaii" which was filmed in 1961 and premiered on Kaua'i in 1962. The Kaua'i Visitors Bureau invited national media teams to cover the event which took place partly at its original location, the historic Coco Palms Hotel in Wailua and at the Kaua'i Marriott Resort at Kalapakī Beach.

There were a total of 29 film productions in 2011, generating \$1.2 million of film expenditures on Kaua'i, of which, included the hiring of 100+ local islanders.

### **Real Estate and Construction**

A significant portion of real estate transactions are foreclosures and short sales, creating downward pressure on prices. With mortgage interest rates at an all-time low and housing prices becoming more affordable, there has been an up-tick in real estate sales on Kaua'i. Although the median single-home price continues to decline, there has been a slight increase in the median price of condominium units. To some degree, this correlates with a noticeable increase in Transient Vacation Rentals where TVRs make up a significant portion of Kaua'i's visitor accommodation inventory.

After being stagnant for several years, the commercial real estate market is picking up. According to the Kaua'i Board of Realtors, the same can be said for the number of realtors on island as their numbers have been increasing as well.

Kaua'i's construction market remains sluggish. Construction jobs remain 35% below the peak experienced in 2007. Although the Visitor Industry has seen a large increase in visitor arrivals and spending, no resort developments are on the near horizon. With the completion of the Sheraton Kaua'i renovation of public facilities and widening of Kaumuali'i Highway in Līhu'e, there are only a handful of projects to take their place.

Future construction projects include the 47,000 square foot Kīlauea Lighthouse Village located across from the Kong Lung Center and Grove Farm's development of the Hokulei Village with its super-Safeway store anchor, Phase II of the Kaumuali'i Highway project projected at \$46 million, the Port Allen harbor repair, Kapaa High School library, Lihue Airport improvements and a couple of large photovoltaic projects in Anahola and Port Allen.

### **Agriculture / Energy**

The County's agricultural industries are: 1) production of seed for crops such as corn, soy beans, and sunflower, 2) coffee, 3) raising cattle, in addition to other livestock, and 4) crops, including fruits (such as papayas, guavas, and bananas), vegetables and melons, taro, flowers and certain other specialty crops.



There are currently four parent seed corn operations on Kaua'i: Pioneer Hi-Bred International, Inc., Syngenta, Dow Agro-sciences, and BASF have approximately 3,400 acres in production throughout Kaua'i's various micro-climates. Such micro-climates are ideal for the industry, enabling three crops per year to be grown and harvested. The seed companies are also leasing other vacant lands in order to expand their parent seed operations, an important part of the process of bringing seed corn to the domestic and international markets.

Kaua'i coffee growers continue to produce the largest proportion of the State's annual coffee yield. With 3,400 acres, Kaua'i Coffee Company remains the largest coffee plantation in the United States, and is owned by Massimo Zannetti, USA.

Kaua'i produces two-thirds of the State's taro and poi, a staple of the Hawaiian diet and a culturally significant product.

The County is working closely with the local utility cooperative, Kaua'i Island Utility Cooperative (KIUC), to achieve greater energy efficiency and to assist KIUC in the development of renewable energy across the Island. KIUC is aggressively pursuing its goal of 50% renewable energy by 2023. It has several large, utility scale photovoltaic projects under construction at this time in Anahola and Eleele. KIUC continues to work towards the development of additional renewable energy projects include multiple run of river/run of ditch hydro projects around the Island, several additional utility scale photovoltaic installations, as well as completing the installation of smart meters Island wide which the cooperative commenced in early 2012. KIUC expects to exceed 30 MW of utility scale photovoltaic projects installed owithin a few years, making it an industry leader in PV grid penetration as a percentage of total electricity load.

Internally, the County is developing an advanced energy management system for its facilities and planning significant efficiency retrofits. The County has incorporated electric vehicles into its fleet, and has installed photovoltaic systems at several major facilities.

#### **Major Initiatives and Achievements**

Of the 34,023 total taxable parcels, 9,051 parcels qualified for the tax relief programs in fiscal year 2012. The County continued to provide tax relief to its citizens by extending the "Circuit Breaker", "Personal Home Use Exemption (PHU)", and the long term affordable lease credits. These programs provided tax credits totaling \$5.1 million in fiscal year 2012 as compared to \$6.6 million in fiscal year 2011. Although tax credits may not have a direct effect on real property taxes billed, residents that have owned and lived in their homes since 2004 have received significant savings.

The County's capital improvement projects that are in progress, completed, or substantially completed during the year include Kaiakea Fire Station, Kekaha Landfill Phase II Lateral Expansion, Light System Retro-Fit, Kamalani Pavilion and Lydgate ADA Camp Ground Improvement.

To date, the County received a total of approximately \$16.2 million of American Recovery and Reinvestment Act of 2009 (ARRA) funds. As of June 30, 2012, the County expended a total of \$13 million. The remaining major project with funds encumbered at the end of the fiscal year was Lydgate Kapa'a Bike Path, totaling \$3 million.

The Department of Public Works administers the sewer credit relief for qualified low-income residential users for the seventh consecutive year. A total of 8,397 credits at \$20.00 per month were issued to eligible residential users that amounted to approximately \$0.2 million in savings to households in fiscal year 2012. The General Fund subsidized the sewer relief program.

### **Long-term Financial Planning**

No new General Obligation Bonds (GO Bonds) were issued during the current fiscal year. The appropriated balance in the Bond Fund amounted to \$54 million. The following major projects have been appropriated for:

- Alternate energy projects
- Lighting retrofit installation
- Park/Open Space land acquisition
- Līhu'e stadium baseball field improvements
- Pono Kai revetment wall
- Island-wide SCADA system
- ADA access barrier removal
- Aliomanu road erosion
- New landfill site acquisition
- Pi'ikoi interior renovation
- Kekaha lateral expansion
- Moana Kai seawall construction
- Public access and open space acquisition

### **Budgeting Controls**

The County maintains a budgetary control system that enables County departments to comply with legal provisions incorporated in the annual budget ordinance and capital improvement budgets as approved by the County Council.

The County Charter requires that the annual operating budget ordinance be balanced. Financial reports or "Detail Budget Reports" are provided monthly to each department, enabling management to monitor the enacted budget appropriations, including current budget amendments with the expenditures and encumbrances that were charged to the appropriation. The County does not perform formal multi-year forecasts and budgeting. Certain budget amendments need Council approval and are detailed in the operating budget ordinance and charter provisions.

### **Employee Union Contracts**

The negotiated union contracts along with the effective period of the contracts for all County employees are listed by union as follows:

#### **Public Safety:**

State of Hawai'i Organization of Police Officers (SHOPO) and Hawai'i Fire Fighters Association (HFFA) contract information is not currently available, as they remain under negotiation.

#### **Clerical and Professional:** Two years effective July 1, 2011 to June 30, 2013:

The County and the Hawai'i Government Employee Association (HGEA) initiated a Supplemental Agreement which provided no increases for all units, zero directive leave without pay, and 50/50 medical premium.

#### **Utility and Janitorial:** Two years effective July 1, 2011 to June 30, 2013:

The County and the HGEA initiated a Supplemental Agreement which provided no increases for all units, zero directive leave without pay, and 50/50 medical premium.

### **Independent Audit**

The County Charter requires an annual financial audit by licensed and independent certified public accountants at least once every two years, or as deemed necessary. The financial statements are audited on an annual basis. The basic financial statements in this report have been audited by N&K CPAs, Inc. The financial statements of the Department, an enterprise fund included in the government-wide financial statements as a discretely presented component unit, were audited by KMH LLP. The County is also required to have an annual "single audit" in conformity with the provisions of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget Circular A-133, *"Audit of States, Local Governments, and Non-Profit Organizations."* Information pertaining to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and the report of the independent accountants on the internal controls and compliance with all applicable laws and regulations are included in a separate report and has been audited by N&K CPAs, Inc.

### **Awards**

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 for its CAFR for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for period of a one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility of another certificate. The County has received this award for the 19<sup>th</sup> consecutive year.

### **Acknowledgments**

The preparation of the CAFR could not have been accomplished without the commitment, dedication, and efforts of the Accounting Division. We extend our appreciation to the other divisions within the Finance Department and the assistance provided from fiscal personnel in other County departments. We also thank the honorable Mayor Carvalho and the County Council for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Wallace G. Rezentes, Jr.  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Kauai  
Hawaii

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

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



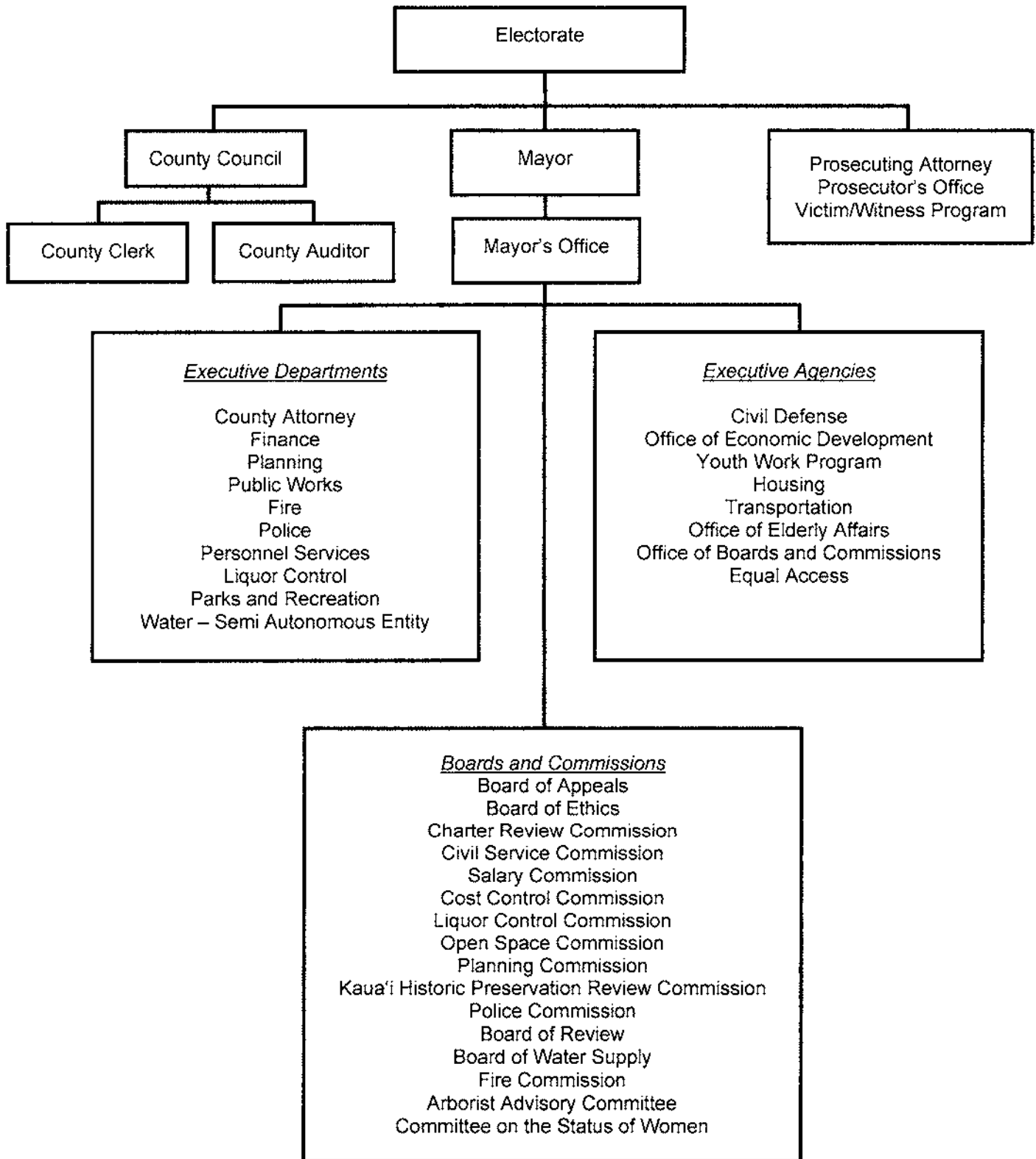
*Linda C. Davidson*

President

*Jeffrey R. Enen*

Executive Director

## County of Kaua'i Organization Chart





**COUNTY OF KAUAI  
PRINCIPAL ELECTED OFFICIALS  
2010 - 2012 TERM**

**County Council Members**

Jay J. Furfaro	Chair
JoAnn A. Yukimura	Vice-Chair
Tim Bynum	Member
Dickie Chang	Member
KipuKai Kualii	Member
Nadine K. Nakamura	Member
Mel Rapozo	Member

**Mayor**

Bernard P. Carvalho, Jr.

**Prosecuting Attorney**

Shaylene Iseri-Carvalho

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the County Council  
County of Kaua'i  
Lihue, Kaua'i, Hawai'i

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Kaua'i, State of Hawai'i (County), as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Water, which is the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Water, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the County, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, the Housing and Community Development Revolving Fund and the Solid Waste Disposal Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, certain errors related to capital assets, tax revenues and fiduciary fund balances as of and for the fiscal year ended June 30, 2011 were noted. Accordingly, adjustments have been made to fund balance and net assets as of June 30, 2012, to correct the errors. Our opinion is not modified with respect to this matter.

N&K CPAs, Inc.

ACCOUNTANTS | CONSULTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 consider 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 principally of inquiries of management regarding 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.

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 fund financial statements, and schedules listed in the table of contents under other supplementary information 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 fund financial statements and schedules listed in the table of contents under other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedure 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*N&K CPAs, Inc.*

Honolulu, Hawai'i  
December 12, 2012

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

The management of the County of Kauai (the County) offers to readers a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 7 of this report and the financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the **governmental activities** exceeded its liabilities at the close of the fiscal year by \$516.8 million in its government-wide financial statements, a decrease of \$16.5 million from the prior year. Unrestricted net assets decreased by \$13.5 million from the prior year and ended at \$51.9 million. Unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors. The changes in governmental activities were due to:
  - 1. Expenses totaling \$171.7 million, an increase of \$12.7 million or 7.9% from the prior year.
  - 2. Program revenues totaling \$49 million, a decrease of \$4.3 million or 9.6% from the prior year.
  - 3. General revenues and transfers remained relatively flat to the prior year, ending at \$106.2 million.
  - 4. Assets, including capital assets, totaling \$737.1 decreased \$16.1 million or 2.1% from the prior year.
- The assets of the **business-type activities** exceeded its liabilities at the close of the fiscal year by \$70.8 million in its government-wide financial statements, an increase of \$8 million from the prior year. Unrestricted net assets increased by \$1.5 million. The business-type activities recorded in the government-wide financial statements are identical to the proprietary funds except for some consolidation of inter-fund receivables and payables within the primary government. The changes in business-type activities were due to:
  - 1. Expenses totaling \$12.6 million, an increase of \$0.2 million or 1.6% from the prior year.
  - 2. Program revenues totaling \$16.5 million, an increase of \$5.7 million or 52.8% from the prior year.
  - 3. General revenues including transfers totaling \$4.1 million, a decrease of \$9.3 million or 69.4%.
  - 4. Assets, including capital assets, increased by \$5.8 million or 6.7% from the prior year.

As of the close of the fiscal year, the County's **governmental fund** financial statements reported combined ending fund balances of \$156.8 million or 18.2% decrease from the prior year.

- The County's ending **General Fund** balance consisted of \$0.5 million in restricted fund balance, \$8.6 million in committed fund balance, \$20.2 million in assigned fund balance and \$15.4 million balance in unassigned fund balance. The General Fund balance at June 30, 2012 amounted to \$44.7 million, a decrease of \$12.6 million from the prior year. The County reported an unassigned fund balance of \$15.4 million due to the required amounts needed to cover revenue shortfalls and contributions to other funds in the upcoming 2013 fiscal year. The balance of \$15.4 million represents the remaining portion of the County's Reserve Fund.



**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A serves as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**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. Accordingly, it presents the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Assets presents information on all of the County's assets (including capital and infrastructure assets) and liabilities (including long-term debt), with the difference between assets and liabilities being net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the County that are primarily 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 General Government, Public Safety, Public Works, Highways and Streets, Sanitation, Cultural and Recreation, and Public Welfare. The business-type activities of the County include three enterprises: Public Housing, Sewer, and Golf.

The government-wide financial statements include the governmental activities and business-type activities of the County (known as the primary government) and the Department of Water (Department), which is a semi-autonomous entity, and is reported separately from the primary government as a discretely presented component unit. Complete financial statements of the Department, which include its MD&A, may be obtained from the Department of Water at 4398 Pua Loke, Lihue, Kauai, Hawaii, 96766.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and GASB Statement No. 54 to define and classify the existing governmental fund types. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements follow the government-wide financial statements in the Comprehensive Annual Financial Report (CAFR).

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using the modified-accrual basis of accounting.

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. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities which is required for Generally Accepted Accounting Principles (GAAP) reporting.

The County's governmental fund types are the General, Special Revenue, Debt Service and Capital Project Funds. Governmental fund financial statements include a Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. The General Fund, Housing and Community Development Revolving Fund, Solid Waste Fund, Bond Fund, Federal Grants Fund, Grants CIP Fund, and General CIP Fund are considered major funds. Balances from the remaining 17 non-major governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Budgetary comparisons have been provided for the General Fund, major Special Revenue Funds (Housing and Community Development Revolving Fund and Solid Waste Disposal Fund), and Capital Project Funds (Bond Fund, Grants CIP Fund, and General CIP Fund) to demonstrate compliance with its annual appropriated budget as required for GAAP financial statements.

**Proprietary Funds** - Services for which the County charges fees to customers are reported as proprietary funds. Similar to the government-wide financial statements, the proprietary fund statements report both long-term and short-term financial information. The County's proprietary funds include the Public Housing Fund, Sewer Fund, and Golf Fund.

**Fiduciary Funds** - Fiduciary funds are used to account money received, held and disbursed in a trustee capacity or as an agent for individuals, other governmental units, and other funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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

**Other Required Supplementary Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with non-major governmental funds and budgetary comparison schedules (including Capital Project Funds and Bond Fund) for legally

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

adopted annual budgets are presented immediately following the notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

By far the largest portion of the County's net assets is its investment in capital assets, net of related debt, at \$457.1 million or 88.4% of net assets. These net assets are categorized separately along with restricted net assets because they are not available for future spending.

The County's restricted net assets category represents \$7.8 million or 1.5% of net assets. These restrictions on net assets are imposed by enabling legislation or parties outside the government (such as creditors, grantors, contributors, laws or regulations of other governments).

The difference between total net assets and the two categories just discussed (invested in capital assets, net of related debt and restricted net assets) is the unrestricted net assets, totaling \$51.9 million or 10% of net assets.

The following is a summary of the Statement of Net Assets as of June 30, 2012 and 2011:

**Summary Statement of Net Assets**  
**(Amounts in millions)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2012	2011 (as restated)	2012	2011 (as restated)	2012	2011 (as restated)
Current and other assets	\$ 214.78	\$ 244.32	\$ 11.82	\$ 9.63	\$ 226.60	\$ 253.95
Capital assets	<u>522.27</u>	<u>508.85</u>	<u>80.08</u>	<u>73.29</u>	<u>602.35</u>	<u>582.14</u>
Total Assets	<u>737.05</u>	<u>753.17</u>	<u>91.90</u>	<u>82.92</u>	<u>828.95</u>	<u>836.09</u>
Non-current liabilities	164.42	164.73	19.84	19.15	184.26	183.88
Other liabilities	<u>55.87</u>	<u>55.11</u>	<u>1.29</u>	<u>1.00</u>	<u>57.16</u>	<u>56.11</u>
Total Liabilities	220.29	219.84	21.13	20.15	241.42	239.99
Net assets:						
Invested in capital assets, net of related debt	457.05	453.19	60.80	54.30	517.85	507.49
Restricted	7.82	18.35	.35	.35	8.18	18.70
Unrestricted	<u>51.89</u>	<u>61.79</u>	<u>9.61</u>	<u>8.12</u>	<u>61.50</u>	<u>69.91</u>
Total Net Assets	\$ <u>516.76</u>	\$ <u>533.33</u>	\$ <u>70.76</u>	\$ <u>62.77</u>	\$ <u>587.53</u>	\$ <u>596.10</u>

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

The following is a summary of the Statement of Activities for the fiscal years ended June 30, 2012 and 2011:

**Summary Statement of Activities**  
**(Amounts in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011 (as restated)	2012	2011 (as restated)	2012	2011 (as restated)
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 16.94	\$ 15.37	\$ 10.03	\$ 10.32	\$ 26.97	\$ 25.69
Operating grants and contributions	22.72	27.06	--	--	22.72	27.06
Capital grants and contributions	9.32	2.25	6.50	0.47	15.82	2.72
General revenues:						
Property taxes	80.87	83.97	--	--	80.87	83.97
Other taxes	12.77	11.09	--	--	12.77	11.09
Other	<u>16.58</u>	<u>18.75</u>	<u>0.05</u>	<u>2.03</u>	<u>16.63</u>	<u>20.78</u>
Total Revenues	<u>159.20</u>	<u>158.49</u>	<u>16.58</u>	<u>12.82</u>	<u>175.78</u>	<u>171.31</u>
<b>Expenses:</b>						
General government	32.78	28.62	--	--	32.78	28.62
Public safety	50.62	50.62	--	--	50.62	50.62
Public works	12.34	18.26	--	--	12.34	18.26
Highways and streets	17.91	18.95	--	--	17.91	18.95
Sanitation	22.20	5.34	--	--	22.20	5.34
Culture and recreation	10.43	9.92	--	--	10.43	9.92
Public welfare	20.39	21.14	--	--	20.39	21.14
Interest on long-term debt	5.03	6.18	--	--	5.03	6.18
Housing programs	--	--	2.18	2.37	2.18	2.37
Sewer	--	--	8.25	7.93	8.25	7.93
Golf	<u>--</u>	<u>--</u>	<u>2.22</u>	<u>2.08</u>	<u>2.22</u>	<u>2.08</u>
Total Expenses	<u>171.70</u>	<u>159.03</u>	<u>12.65</u>	<u>12.38</u>	<u>184.35</u>	<u>171.41</u>
Increase (Decrease) before Transfers	(12.50)	(0.54)	3.93	0.44	(8.57)	(0.10)
Transfers	<u>(4.06)</u>	<u>(8.19)</u>	<u>4.06</u>	<u>8.19</u>	<u>--</u>	<u>--</u>
Change in Net Assets	(16.56)	(8.73)	7.99	8.63	(8.57)	(0.10)
Net Assets - Beginning	<u>533.33</u>	<u>542.06</u>	<u>62.77</u>	<u>54.14</u>	<u>596.10</u>	<u>596.20</u>
Net Assets - Ending	\$ <u>516.77</u>	\$ <u>533.33</u>	\$ <u>70.76</u>	\$ <u>62.77</u>	\$ <u>587.53</u>	\$ <u>596.10</u>

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

Revenues from charges for services increased \$1.6 million. The increase was primarily attributable to Solid Waste Fund increase of \$2.8 million due to new residential refuse fees in the current fiscal year, offset by a decrease in parks and playground permitting fees of \$1.3 million.

Operating grants and contributions decreased \$4.3 million from the prior year. The decrease was primarily attributable to the Kilauea-Wailapa debris clean-up project (\$3.9 million) and Historic County building renovation (\$0.4 million) completed in fiscal year 2011.

Capital grants and contributions increased \$7.1 million in federal grant resources. Major projects funded by federal grants during fiscal year 2012 were Lydgate-Kapa'a Bike Path (\$2.0 million) and the Waimea Wastewater Treatment Plant (\$3.4 million).

The County's real property taxes billed (revenues on full accrual basis) decreased by \$3.1 million and was primarily attributable to decreasing net taxable values, adjustments to its escrow account, refunds and overpayments triggered by the settlement of majority of tax appeal cases, omitted buildings and other clerical adjustments. Net taxable values in the current fiscal year decreased by \$0.9 billion due to decreases in assessed and estimated real property tax values. Tax relief programs decreased by \$1.7 million due to the reduction in real property tax values. Real property tax rates remained unchanged for all property classifications during the current fiscal year. There were approximately 1,030 new parcels recorded in the current fiscal year. The County continued to provide tax relief to its citizens by extending the "Circuit Breaker," the "Personal Home Use Exemption (PHU)" and the Long Term Affordable Lease credits that resulted in \$5.1 million in credits and ended with \$80.9 million in real property tax revenues recorded in the Statement of Activities.

Total expenses increased by approximately \$12.7 million and was primarily attributable to an increase of \$2.3 million in claims and judgments for general government expenses; \$5.6 million of sanitation expenses for the Waimea Wastewater Treatment Plant through State funded loans, an increase of \$1.2 million in landfill closure and post-closure costs, offset by completion of in-progress capital projects in the current year.

Additionally, a large expense came from the funding of other post-employment employee benefit (OPEB) cost, mainly for healthcare benefits of which qualified employees are promised specific benefits upon separation or retirement. GASB Statement No. 45 Accounting Pronouncement has allowed the County to amortize the unfunded accrued OPEB liability (\$186.3 million) as of July 1, 2011 over a blended 30 year period. The County has continued to pay the annual required contribution (ARC) as calculated by the actuary contracted by Hawaii employer-Union Health Benefit Trust Fund (EUTF). The actuary also provided the information needed for financial statement reporting and footnote disclosures. EUTF administers the healthcare benefit plan and develops the annual funding requirements based on the present value of benefits of the actuarial accrued liability using the entry age normal method for calculation. It is the County's intention to continue to prefund the entire ARC in future years.

The County paid 100% of its estimated annual OPEB cost, of which, amounted to \$33.5 million in fiscal years 2011 and 2012. The OPEB obligation for the County is estimated to be fully funded according to GASB Statement No. 45 reporting purposes.



**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

**ANALYSIS OF GOVERNMENTAL FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related 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. The County follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which primarily establishes a hierarchy of fund balance classifications based on constraints placed on the use of these resources.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$156.8 million, a decrease of \$34.8 million in comparison with prior year. Fund balances are reserved to indicate that it is not available for new spending because it is in non-spendable form (\$2.8 million), has already been committed to liquidate contracts and purchase orders (\$28.3 million), pay debt service (\$0.6 million), and/or certain other restricted and/or designated purposes (\$125.1 million).

The following table summarizes the changes in fund balances for the County's governmental funds as of June 30, 2012 in comparison to fiscal year 2011:

Changes in Fund Balances (Amounts in millions)					
	General Fund	Major Governmental Funds	Non-major Governmental Funds	Totals 2012	2011 (as restated)
Revenues:					
Taxes	\$ 84.93	\$ --	\$ 8.54	\$ 93.47	\$ 94.35
Other	<u>18.55</u>	<u>26.70</u>	<u>18.77</u>	<u>64.02</u>	<u>61.47</u>
Total Revenues	103.48	26.70	27.31	157.49	155.82
Expenditures	<u>99.71</u>	<u>50.91</u>	<u>35.45</u>	<u>186.07</u>	<u>176.02</u>
Excess (deficiency) of Revenues over Expenditures	3.77	(24.21)	(8.14)	(28.58)	(20.20)
Transfers and others	<u>(12.73)</u>	<u>4.13</u>	<u>6.03</u>	<u>(2.57)</u>	<u>0.83</u>
Net Changes in Fund Balances	\$ <u>(8.96)</u>	\$ <u>(20.08)</u>	\$ <u>(2.11)</u>	\$ <u>(31.15)</u>	\$ <u>(19.37)</u>

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets can be found on page 28. The major differences relate to certain financial resources and expenditures such as debt financing and capital outlays that are included in the changes in governmental fund balances but are not reported in the changes in net assets.

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

**General Fund** - The General Fund is the chief operating fund of the County. Total revenues in the General Fund amounted to \$103.5 million, or a decrease of \$6.3 million in comparison to the prior year. As stated earlier, the County reported an unassigned fund balance of \$15.4 million due to the required amounts needed to cover revenue shortfalls and contributions to other funds in the upcoming 2013 fiscal year. The balance of \$15.4 million represents the remaining portion of the County's Reserve Fund. The decrease in the overall fund balance may be attributable to the cumulative effect of the following key factors:

- A decrease of \$3.1 million or 3.6% in property tax revenue due to declining property tax values.
- An increase of \$1.2 million or 39.9% in public service company taxes due to an increase in revenues as reported by public utility companies.
- A decrease of \$1.4 million or 9.6% in the County's share of the State-wide transient accommodation tax, of which, is capped at \$13.5 million.
- A decrease of \$11.2 million or 39.8% in operating transfers out to other funds.
- An increase of \$5.7 million or 6.1% in total expenditures.
- Approximately \$18.5 million of fund balance were budgeted to cover revenue shortfalls, and contributions to other funds in the upcoming 2013 fiscal year.

**Major Governmental Funds** - Major governmental fund revenues amounted to \$26.7 million, or a \$4.8 million increase in comparison to the prior year. The increase was primarily attributable to:

- Solid Waste Fund increase of \$2.8 million was primarily due to new residential refuse fees in the current fiscal year, ultimately increasing assigned fund balance.
- Federal Grants Fund decrease of \$5.1 million was primarily due to the American Recovery and Reinvestment Act of 2009 (ARRA) funds received in the prior year. No additional ARRA funds were received in the current fiscal year.
- Grants Capital Improvement Fund increase of \$6.9 million was primarily due to the Waimea Wastewater Treatment Plant funded through State loans.

Total expenditures increased by \$9.4 million from \$41.5 million to \$50.9 million in the current fiscal year. Significant variances included the following:

- Bond Fund increase of \$6.8 million was primarily due to \$5.9 million in land acquisition costs for future development purposes, ultimately reducing the assigned fund balance.
- Federal Grants Fund decrease of \$5.3 million was primarily due to ARRA funds received and expended in the prior year. No additional ARRA funds were received in the current fiscal year.
- Grants Capital Improvement Fund increase of \$6.9 million was primarily due amounts expended for the Waimea Wastewater Treatment Plant.

General Capital Improvement Fund transferred out approximately \$3.9 million to the General Fund, ultimately reducing assigned fund balance.

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

**All Other Governmental Funds** – Revenues remained relatively flat as compared to the prior year. Expenditures decreased by \$2.4 million from \$37.9 million to \$35.5 million in the current fiscal year. The decrease from the prior year was primarily due to the acquisition of land and completion of island-wide resurfacing projects in the prior year.

**BUDGETARY HIGHLIGHTS**

The General Fund exceeded its estimate of budgeted revenues by \$1.6 million. The General Fund lapsed \$14.9 million of budgeted appropriations at year end. The General Fund contribution to other funds amounted to \$16.9 million in the current year, a decrease of \$11.2 million as compared to the prior year. Fund budgetary expenditures differ from the fund expenditures in that the encumbrances at year end are accounted for as expenditures for budgetary purposes. The original budget amount in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) include re-appropriated and committed prior-period encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) provides the reader the assurance of compliance to the budget ordinance. Only budgeted funds have this type of financial statements.

Estimated budgeted General Fund revenues for the fiscal year ended June 30, 2012 was \$101.9 million as compared to \$103.2 million in the prior year, a decrease of \$1.3 million. Positive revenue budget variances of \$1.6 million occurred primarily because of the volatility of predicting certain types of revenues and the conservative approach in estimated revenues. The major positive variances occurred in revenue from real property taxes of \$1.4 million and public service taxes increased approximately \$0.7 million, due to increases in revenues as reported by public utility companies. Interest earned remained relatively flat to prior year, ending at \$0.7 million.

Final amended budgeted expenditures in the General Fund for fiscal year ended June 30, 2012 increased \$7.8 million, ending at \$119.1 million. The General government function budget increased by 3.4%, public safety function increased by 8.8%, public works function remained relatively flat to the prior year with a slight decrease of 1.8%, culture and recreation function increased by 15.2%, and public welfare function increased by 7% as compared to prior year budgets.

The County continues to maintain a conservative budgeting approach; however, increased efforts and focus on tighter budgeting controls must be implemented in future years. Historically, budgeted areas such as salaries and wages, employee benefits, travel and other, have been budgeted more than actual expenditures, resulting in favorable variances. The following represent major variances in the final amended budget to actual expenditures in the General Fund:

- Office of the County Attorney had a favorable variance of approximately \$0.9 million, of which, are primarily attributable to \$0.7 million in unexpended consulting/litigation budgeted costs and \$0.2 in unexpended salaries, fringe and benefits.

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

- Accounting Division had a favorable variance of approximately \$1.6 million primarily due to \$1.5 million in timing differences when payments are made to third parties for employee benefits, and unexpended salary adjustments and vacation credit payout, of which, were anticipated in the current year.
- No significant claims were paid out of the self insurance account in the current fiscal year, whereby, creating a favorable variance of \$1.7 million. The purpose of this account is to prepare for unanticipated and unpredictable future claims.
- Planning department had a favorable variance of \$0.7 million, of which, are primarily attributable to \$0.3 million in unexpended salaries, fringe and benefits due to vacancies and \$0.3 million in unexpended consulting/litigation budgeted costs.
- Police department had a favorable variance of \$2.4 million, of which, are primarily attributable to a vacancies and unfilled positions. Approximately \$1.7 million were due to unexpended salaries, fringe and benefits, and \$0.7 million in unexpended training, travel, and other miscellaneous items.
- Fire department had a favorable variance of \$0.7 million, of which, are primarily attributable to approximately \$0.3 million due to unexpended salaries, fringe and benefits, and \$0.4 million in unexpended training, travel, and other miscellaneous items

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The County's capital assets for its governmental and business-type activities as of June 30, 2012 amounted to \$602.3 million, an increase of \$20.2 million. The net capital assets include land, buildings and improvements, machinery and equipment, infrastructure (roadways, bridges, sewer, and golf), and construction-in-progress, less accumulated depreciation. Most capital projects pass through construction-in-progress before being capitalized because of the multi-year completion process. The following is a summary of the capital assets as of June 30, 2012 in comparison to fiscal year 2011:

	Government Activities Summary of Capital Assets (Amounts in millions)					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u> <u>(as restated)</u>	<u>2012</u>	<u>2011</u> <u>(as restated)</u>
Non-depreciable assets:						
Land	\$ 182.32	\$ 175.01	\$ 9.98	\$ 9.69	\$ 192.30	\$ 184.70
CIP	27.67	42.34	17.20	9.00	44.87	51.34
Depreciable assets:						
Buildings and improvements	103.71	95.42	78.05	78.05	181.76	173.47
Equipment	63.34	60.36	4.52	4.43	67.86	64.79
Infrastructure	662.62	638.44	12.73	12.17	675.35	650.61
Less: Accumulated depreciation	<u>(517.39)</u>	<u>(502.72)</u>	<u>(42.40)</u>	<u>(40.05)</u>	<u>(559.79)</u>	<u>(542.77)</u>
Total Capital Assets, net	\$ <u>522.27</u>	\$ <u>508.85</u>	\$ <u>80.08</u>	\$ <u>73.29</u>	\$ <u>602.35</u>	\$ <u>582.14</u>

**COUNTY OF KAUAI, HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**JUNE 30, 2012**

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

**Long-term Debt** - No new General Obligation Bonds (GO Bonds) were issued during the current fiscal year; however, on July 10, 2012, the County issued approximately \$26 million in GO Bonds (Series 2012A Bonds) to be used primarily for the purpose of refunding the portion outstanding on the Series 2005A Bonds.

At the end of the current fiscal year, the County's, had total bonds and loans outstanding of \$136.8 million (\$117.6 million related to governmental activities and \$19.2 million related to business-type activities). Of this amount, \$118.6 million is comprised of debt backed by the full faith and credit of the government (general obligations) and \$18.2 million represents State Revolving Fund (SRF) loans used to finance construction of wastewater projects.

At the end of the fiscal year, Standard and Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. assigned the County's GO Bonds ratings of AA, Aa2, and AA, respectfully.

State statutes limit the amount of general obligation debt the County may issue up to 15 percent of its net assessed valuation. The current debt limitation for the County is \$2.4 billion. As of June 30, 2012 the County's current outstanding debt applicable to the legal debt margin totaled \$118.5 million or 5% of the County's debt limitation.

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

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Director of Finance, 4444 Rice Street, Suite 280, Līhu'e, Kaua'i, Hawai'i 96766.

**BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**COUNTY OF KAUAI, HAWAII**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Department of Water
<b>Assets:</b>				
Cash and cash equivalents	\$ 32,352,849	\$ 6,188,656	\$ 38,541,505	\$ 13,105,838
Investments	135,475,127	2,554,745	138,029,872	9,727,957
Receivables, net	31,106,224	2,062,080	33,168,304	6,762,683
Internal balances	(167,772)	167,772	--	--
Due from other governments	8,859,907	--	8,859,907	--
Due from fiduciary fund	5,593,610	--	5,593,610	--
Real property held for sale	74,250	239,351	313,601	--
Materials and supplies	--	--	--	848,159
Prepaid items and other	1,489,292	252,167	1,741,459	840,283
<b>Restricted Assets:</b>				
Cash and cash equivalents	--	354,625	354,625	3,520,893
Investments	--	--	--	33,475,645
Other	--	--	--	6,389
<b>Capital Assets:</b>				
Land	182,320,012	9,980,816	192,300,828	1,343,136
Construction in progress	27,670,409	17,203,252	44,873,661	15,841,383
Buildings and improvements	67,769,852	45,557,781	113,327,633	3,591,998
Machinery and equipment	27,928,274	1,969,227	29,897,501	1,216,794
Infrastructure	216,582,938	5,366,596	221,949,534	189,442,896
Total Capital Assets, net	522,271,485	80,077,672	602,349,157	211,436,207
Total Assets	737,054,972	91,897,068	828,952,040	279,724,054
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	27,780,137	1,020,662	28,800,799	4,966,098
Contracts payable	1,359,581	15,450	1,375,031	1,847,491
Due to other government	325,184	--	325,184	--
Customer deposits	189,752	144,189	333,941	899,624
Unearned revenue	24,173,235	20,623	24,193,858	--
Interest payable	2,045,094	88,028	2,133,122	--
<b>Noncurrent liabilities:</b>				
Due within one year	13,429,475	2,338,704	15,768,179	2,983,000
Due in more than one year	150,988,238	17,505,035	168,493,273	98,681,284
Total Liabilities	220,290,696	21,132,691	241,423,387	109,377,497
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	457,053,621	60,798,097	517,851,718	142,687,999
Restricted for capital activity and other	7,823,254	354,625	8,177,879	3,197,055
Unrestricted	51,887,401	9,611,655	61,499,056	24,461,503
Total Net Assets	\$ 516,764,276	\$ 70,764,377	\$ 587,528,653	\$ 170,346,557

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Department of Water
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 32,774,735	\$ 2,145,731	\$ 4,015,063	\$ --	\$ (26,613,941)	\$ --	\$ (26,613,941)	\$ --
Public safety	50,624,242	752,086	5,668,625	65,923	(44,137,608)	--	(44,137,608)	--
Public works	12,334,893	1,356,060	58,187	706,800	(10,213,846)	--	(10,213,846)	--
Highways and streets	17,913,595	4,562,679	24,413	2,929,443	(10,397,060)	--	(10,397,060)	--
Sanitation	22,204,359	6,088,478	336,308	5,599,897	(10,179,676)	--	(10,179,676)	--
Culture and recreation	10,428,386	691,632	35,590	23,615	(9,677,549)	--	(9,677,549)	--
Public welfare	20,393,081	1,341,366	12,583,179	--	(6,468,536)	--	(6,468,536)	--
Interest on long-term debt, unallocated	5,029,937	--	--	--	(5,029,937)	--	(5,029,937)	--
<b>Total Governmental Activities</b>	<b>171,703,228</b>	<b>16,938,032</b>	<b>22,721,365</b>	<b>9,325,678</b>	<b>(122,718,153)</b>	<b>--</b>	<b>(122,718,153)</b>	<b>--</b>
<b>Business-type Activities</b>								
Housing programs	2,178,940	1,791,502	--	--	--	(387,438)	(387,438)	--
Sewer	8,250,110	7,030,940	--	6,496,784	--	5,277,614	5,277,614	--
Golf	2,221,620	1,203,219	--	--	--	(1,018,401)	(1,018,401)	--
<b>Total Business-type Activities</b>	<b>12,650,670</b>	<b>10,025,661</b>	<b>--</b>	<b>6,496,784</b>	<b>--</b>	<b>3,871,775</b>	<b>3,871,775</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 184,353,898</b>	<b>\$ 26,963,693</b>	<b>\$ 22,721,365</b>	<b>\$ 15,822,462</b>	<b>\$ (122,718,153)</b>	<b>\$ 3,871,775</b>	<b>\$ (118,846,378)</b>	<b>\$ --</b>
<b>Component Unit:</b>								
Department of Water	\$ 25,233,484	\$ 24,400,672	\$ --	\$ 22,063,405	--	--	--	21,230,593
<b>General Revenues:</b>								
Property taxes					80,871,076	--	80,871,076	--
Public service company tax					4,226,609	--	4,226,609	--
Franchise tax					4,594,943	--	4,594,943	--
Fuel taxes					3,948,687	--	3,948,687	--
Grants and contributions not restricted to specific programs					15,407,463	--	15,407,463	--
Unrestricted investment earnings					1,168,610	55,468	1,224,078	--
<b>Transfers</b>					<b>(4,062,142)</b>	<b>4,062,142</b>	<b>--</b>	<b>--</b>
<b>Total General Revenues and Transfers</b>					<b>106,155,246</b>	<b>4,117,610</b>	<b>110,272,856</b>	<b>--</b>
Change in Net Assets					(16,562,907)	7,989,385	(8,573,522)	21,230,593
Net Assets - Beginning of Year July 1, 2011					536,940,167	65,995,189	602,935,356	149,115,964
Prior period adjustments					(3,612,984)	(3,220,197)	(6,833,181)	--
<b>Net Assets - End of Year June 30, 2012</b>					<b>\$ 516,764,276</b>	<b>\$ 70,764,377</b>	<b>\$ 587,528,653</b>	<b>\$ 170,346,557</b>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

### MAJOR FUNDS

#### General Fund

Accounts for all financial resources traditionally associated with the government which are not required legally, or by sound financial management, to be accounted for in another fund.

#### Special Revenue Funds

##### **Housing and Community Development Revolving Fund**

Monies collected from the Home Disaster grant loans, Housing Preservation grant loans and Special Purpose Grant loans fund the Housing and Community Development Revolving Fund. This fund supports administrative costs for the Development staff and also supports the "Homebuyer Loan Program" for eligible homebuyers and future project development costs.

##### **Solid Waste Disposal Fund**

Accounts for the costs of operating the County's solid waste disposal system. Financing is provided by charges to commercial users for solid waste disposal services and General Fund contributions for other users.

##### **Federal Grants Fund**

Accounts for federal grant revenues and related expenditures.

#### Capital Project Funds

##### **Grants Capital Improvement Fund**

Accounts for revenues and capital improvements financed by federal and state grants.

##### **General Capital Improvement Fund**

Accounts for the costs of capital projects financed by the General Fund.

##### **Bond Fund**

Accounts for proceeds from and the costs of constructing County capital improvements financed by general obligation bond proceeds.

**COUNTY OF KAUAI, HAWAII  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012**

	General Fund	Housing and Community Development Revolving Fund	Solid Waste Disposal Fund	Bond Fund	Federal Grants	Grants Capital Improvement Fund	General Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>									
Cash and cash equivalents	\$ --	\$ 2,617,969	\$ 3,985,234	\$ 2,114,836	\$ 370,101	\$ --	\$ 5,036,759	\$ 18,227,950	\$ 32,352,849
Investments	56,990,376	--	7,033,600	56,996,688	1,751,257	--	--	12,703,206	135,475,127
Accounts receivable, net	4,701,918	--	353,966	--	--	--	--	1,872,581	6,928,465
Taxes receivable	3,629,434	--	--	--	--	--	--	--	3,629,434
Interest receivable	329,726	895,600	1,877	335,333	467,840	--	--	26,472	2,056,848
Due from other funds	5,605,056	28,483	2,394,119	640	78,037	--	2,749,103	26,606	10,882,044
Due from other governments	--	--	--	--	3,749,652	4,755,847	--	354,408	8,859,907
Loans receivable	--	9,309,825	--	--	9,159,190	--	--	22,462	18,491,477
Real property held for sale	--	74,250	--	--	--	--	--	--	74,250
Prepaid items	--	--	--	--	--	--	--	511,703	511,703
<b>Total Assets</b>	<b>\$ 71,256,510</b>	<b>\$ 12,926,127</b>	<b>\$ 13,768,796</b>	<b>\$ 59,447,497</b>	<b>\$ 15,576,077</b>	<b>\$ 4,755,847</b>	<b>\$ 7,785,862</b>	<b>\$ 33,745,388</b>	<b>\$ 219,262,104</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 20,818,905	\$ 82,810	\$ 933,257	\$ 1,426,490	\$ 990,078	\$ 1,337,812	\$ 353,518	\$ 1,837,267	\$ 27,780,137
Contracts payable	23,355	--	85,099	469,634	86,023	554,450	48,796	92,224	1,359,581
Due to other funds	2,575,555	19,275	--	45,738	39,929	2,755,623	--	20,086	5,456,206
Due to other governments	779	453	--	--	--	--	--	323,952	325,184
Due to customers	--	--	--	--	--	--	--	189,752	189,752
Deferred revenue	3,127,413	8,022,259	3,967	--	14,460,047	107,962	--	1,579,000	27,300,648
Compensated absences	15,194	--	--	--	--	--	--	--	15,194
<b>Total Liabilities</b>	<b>26,561,201</b>	<b>8,124,797</b>	<b>1,022,323</b>	<b>1,941,862</b>	<b>15,576,077</b>	<b>4,755,847</b>	<b>402,314</b>	<b>4,042,281</b>	<b>62,426,702</b>
<b>Fund Balance:</b>									
Reserved for:									
Nonspendable	--	2,257,416	--	--	--	--	--	511,703	2,769,119
Restricted	490,000	--	7,522,189	--	--	--	--	613,554	8,625,743
Committed	8,602,156	160	2,920,636	8,319,952	--	--	1,824,930	6,599,169	28,267,003
Assigned	20,234,694	2,543,754	2,303,648	49,185,683	--	--	5,558,618	21,978,681	101,805,078
Unassigned	15,368,459	--	--	--	--	--	--	--	15,368,459
<b>Total Fund Balance</b>	<b>44,695,309</b>	<b>4,801,330</b>	<b>12,746,473</b>	<b>57,505,635</b>	<b>--</b>	<b>--</b>	<b>7,383,548</b>	<b>29,703,107</b>	<b>156,835,402</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 71,256,510</b>	<b>\$ 12,926,127</b>	<b>\$ 13,768,796</b>	<b>\$ 59,447,497</b>	<b>\$ 15,576,077</b>	<b>\$ 4,755,847</b>	<b>\$ 7,785,862</b>	<b>\$ 33,745,388</b>	<b>\$ 219,262,104</b>

The notes to the financial statements are an integral part of this statement.



**COUNTY OF KAUAI, HAWAII**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

Total Fund Balances - Governmental Funds \$ 156,835,402

Amounts reported for governmental activities in the Statement of Net Assets are different due to:

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

Land	\$ 182,320,012
Construction work in progress	27,670,409
Buildings and improvements	103,713,283
Equipment	63,335,032
Infrastructure assets	662,624,797
Accumulated depreciation	<u>(517,392,048)</u>

Total Capital Assets, net 522,271,485

Some of the County's revenues will be collected after the year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 3,127,413

Bond issuance costs are expensed in the governmental funds but are required to be amortized over the life of the bond issuance. 977,589

Accrued interest payable on outstanding bonds are expensed on the government-wide statement of activities. (2,045,094)

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

Bonds and loans payable	(119,026,446)
Capital leases	(3,697,053)
Compensated absences	(12,052,027)
Claims and judgments	(9,874,398)
Landfill closure/post-closure costs	<u>(19,752,595)</u>

Total Long-term Liabilities (164,402,519)

Net Assets of Governmental Activities \$ 516,764,276

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Housing and Community Development Revolving Fund	Solid Waste Disposal Fund	Bond Fund	Federal Grants	Grants Capital Improvement Fund	General Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>									
Taxes	\$ 84,926,479	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,543,630	\$ 93,470,109
Licenses and permits	1,350,495	--	--	--	--	--	--	5,427,015	6,777,510
Rents and concessions	168,181	--	12,000	--	--	--	--	458,817	638,998
Interest	718,552	200,926	64,123	185,593	--	--	--	210,201	1,379,395
Intergovernmental revenues	13,505,089	18,631	--	--	10,302,656	8,552,955	--	12,400,078	44,779,409
Charges for current services	2,595,401	--	5,995,144	--	--	--	--	--	8,590,545
Bond subsidy	--	--	--	1,138,179	--	--	--	--	1,138,179
Miscellaneous	218,743	162,069	17,329	54,145	--	--	--	267,908	720,194
<b>Total Revenues</b>	<b>103,482,940</b>	<b>381,626</b>	<b>6,088,596</b>	<b>1,377,917</b>	<b>10,302,656</b>	<b>8,552,955</b>	<b>--</b>	<b>27,307,649</b>	<b>157,494,339</b>
<b>Expenditures:</b>									
General government	25,957,521	--	--	106,163	1,881,260	--	251,679	1,653,593	29,850,216
Public safety	45,491,171	--	--	--	637,920	--	--	2,023,785	48,152,876
Public works	10,152,957	--	--	61,103	2,187	--	33,426	204,107	10,453,780
Highways and streets	--	--	--	3,712	--	80,039	479,775	11,401,331	11,964,857
Sanitation	--	--	12,056,656	4,516	--	5,599,897	--	267,035	17,928,104
Culture and recreation	9,215,759	--	--	323,643	20,590	--	227,696	63,829	9,851,517
Public welfare	7,006,908	624,597	--	40,818	4,117,968	--	--	7,968,424	19,758,515
Capital outlay	1,205,485	69,826	387,663	14,328,600	3,042,731	2,873,019	2,523,316	3,301,997	27,732,637
Debt Service:									
Principal	532,346	--	484,070	--	573,314	--	--	3,218,918	4,808,648
Interest and debt issuance cost	150,116	--	48,607	--	26,686	--	--	5,349,343	5,574,752
<b>Total Expenditures</b>	<b>99,712,263</b>	<b>694,423</b>	<b>12,976,996</b>	<b>14,868,355</b>	<b>10,302,656</b>	<b>8,552,955</b>	<b>3,515,892</b>	<b>35,452,362</b>	<b>186,075,902</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,770,677</u>	<u>(312,797)</u>	<u>(6,888,400)</u>	<u>(13,490,438)</u>	<u>--</u>	<u>--</u>	<u>(3,515,892)</u>	<u>(8,144,713)</u>	<u>(28,581,563)</u>
<b>Other Financing Sources (Uses):</b>									
Proceeds from capital leases	276,551	--	354,336	--	--	--	--	101,197	732,084
Proceeds from insurance	--	--	320,480	--	--	--	--	443,715	764,195
Transfers in	3,885,415	--	7,598,432	--	--	--	126,000	6,959,689	18,569,536
Transfers out	(16,888,744)	--	(379,903)	--	--	--	(3,885,415)	(1,477,616)	(22,631,678)
<b>Total Other Financing Sources (Uses)</b>	<b>(12,726,778)</b>	<b>--</b>	<b>7,893,345</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(3,759,415)</b>	<b>6,026,985</b>	<b>(2,585,863)</b>
<b>Net Change in Fund Balances</b>	<b>(8,956,101)</b>	<b>(312,797)</b>	<b>1,004,945</b>	<b>(13,490,438)</b>	<b>--</b>	<b>--</b>	<b>(7,275,307)</b>	<b>(2,117,728)</b>	<b>(31,147,426)</b>
<b>Fund Balance - End of Year June 30, 2011, as previously reported</b>	<b>57,264,394</b>	<b>5,114,127</b>	<b>11,741,528</b>	<b>70,996,073</b>	<b>--</b>	<b>--</b>	<b>14,658,855</b>	<b>31,820,835</b>	<b>191,595,812</b>
Prior period adjustment	(3,612,984)	--	--	--	--	--	--	--	(3,612,984)
<b>Fund Balance - Beginning of Year July 1, 2011, as restated</b>	<b>53,651,410</b>	<b>5,114,127</b>	<b>11,741,528</b>	<b>70,996,073</b>	<b>--</b>	<b>--</b>	<b>14,658,855</b>	<b>31,820,835</b>	<b>187,982,828</b>
<b>Fund Balance - End of Year June 30, 2012</b>	<b>\$ 44,695,309</b>	<b>\$ 4,801,330</b>	<b>\$ 12,746,473</b>	<b>\$ 57,505,635</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 7,383,548</b>	<b>\$ 29,703,107</b>	<b>\$ 156,835,402</b>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balance - Total Governmental Funds		\$ (31,147,426)
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:		
Capital outlay	\$ 27,732,637	
Depreciation expense	<u>(16,089,452)</u>	
Net Capital Outlay		11,643,185
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, CIP closures/transfers, contributed/donated capital assets) is to increase net assets.		1,770,293
Capital leases are recorded as current financial sources in the Statement of Revenues, Expenditures, and Changes in Fund Balances. However, in the Statement of Net Assets, capital leases are recorded as long-term debt and capital assets.		(732,084)
Real property taxes in the Statement of Activities includes all billed amounts which differ from the current financial resource measurement of the governmental funds. This is the net difference of both measurement focuses.		171,206
Bond proceeds are reported as other financing sources in governmental funds and contribute to the increase in fund balance. Bond and capital lease principal payments are reported as an expenditure in governmental funds and reduce fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities and affects the Statement of Activities.		
Bond principal retirement	2,990,000	
Capital lease principal payments	<u>1,818,648</u>	
Total Long-term Debt Repayment		4,808,648
Some items reported in the Statement of Activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:		
Amortization of premium from bond issuance	145,428	
Amortization of deferred refunding costs	(52,210)	
Amortization of deferred bond issuance costs	(53,473)	
Increase in compensated absences	(178,836)	
Increase in claims and judgments	(2,265,708)	
Increase in landfill closure/post-closure care costs	(1,177,000)	
Decrease in accrued interest payable	<u>505,070</u>	
Net Increase in Expenditures		<u>(3,076,729)</u>
Change in Net Assets - Governmental Activities		\$ <u>(16,562,907)</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
<b>Taxes:</b>						
Real property taxes	\$ 79,287,121	\$ 79,287,121	\$ 80,699,870	\$ --	\$ 80,699,870	\$ 1,412,749
Public services company taxes	3,500,000	3,500,000	4,226,609	--	4,226,609	726,609
<b>Total Taxes</b>	<b>82,787,121</b>	<b>82,787,121</b>	<b>84,926,479</b>	<b>--</b>	<b>84,926,479</b>	<b>2,139,358</b>
<b>Licenses and Permits:</b>						
Street use	152,805	152,805	156,355	--	156,355	3,550
Business licenses and fees	14,200	14,200	7,640	--	7,640	(6,560)
Non-business licenses and fees	1,138,000	1,138,000	1,186,500	--	1,186,500	48,500
<b>Total Licenses and Permits</b>	<b>1,305,005</b>	<b>1,305,005</b>	<b>1,350,495</b>	<b>--</b>	<b>1,350,495</b>	<b>45,490</b>
<b>Rents and Concessions</b>	<b>321,500</b>	<b>321,500</b>	<b>168,181</b>	<b>--</b>	<b>168,181</b>	<b>(153,319)</b>
<b>Interest</b>	<b>1,126,000</b>	<b>1,126,000</b>	<b>718,552</b>	<b>--</b>	<b>718,552</b>	<b>(407,448)</b>
<b>Intergovernmental Revenues:</b>						
State grants-in-aid share of transient accomodation tax	13,485,000	13,485,000	13,485,000	--	13,485,000	--
Other state grants-in-aid	5,000	5,000	20,089	--	20,089	15,089
Federal government grant - civil defense	--	--	--	--	--	--
Payment in lieu of taxes	--	--	--	--	--	--
<b>Total Intergovernmental Revenues</b>	<b>13,490,000</b>	<b>13,490,000</b>	<b>13,505,089</b>	<b>--</b>	<b>13,505,089</b>	<b>15,089</b>
<b>Charges for Current Services</b>	<b>2,659,000</b>	<b>2,659,000</b>	<b>2,595,401</b>	<b>--</b>	<b>2,595,401</b>	<b>(63,599)</b>
<b>Miscellaneous</b>	<b>191,500</b>	<b>191,500</b>	<b>218,743</b>	<b>--</b>	<b>218,743</b>	<b>27,243</b>
<b>Total Revenues</b>	<b>\$ 101,880,126</b>	<b>\$ 101,880,126</b>	<b>\$ 103,482,940</b>	<b>\$ --</b>	<b>\$ 103,482,940</b>	<b>\$ 1,602,814</b>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Expenditures:</b>						
<b>General Government</b>						
Council Services and County Clerk	\$ 4,088,387	\$ 4,158,386	\$ 3,605,579	\$ 16,067	\$ 3,621,646	\$ 536,740
Elections	663,173	653,172	456,168	112,263	568,431	84,741
Office of the County Auditor	1,748,997	1,748,997	1,018,795	192,741	1,211,536	537,461
Office of the Mayor:						
Administration	1,574,199	1,579,681	1,464,904	83,522	1,548,426	31,255
Youth Work Program	26,902	27,724	15,030	6,028	21,058	6,666
Kauai Equal Access Program	120,774	121,898	106,882	181	107,063	14,835
Boards and commissions	1,120,567	1,113,139	796,261	255,920	1,052,181	60,958
Office of the County Attorney	3,484,411	3,484,413	1,927,432	643,399	2,570,831	913,582
Office of the Prosecuting Attorney	3,833,385	3,833,385	3,016,168	238,397	3,254,565	578,820
Department of Finance:						
Administration	910,654	918,354	786,605	4,729	791,334	127,020
Accounting and Budgeting	1,737,252	1,737,252	87,755	15,725	103,480	1,633,772
Treasury	242,635	244,650	223,905	-	223,905	20,745
Motor vehicle	899,351	900,700	732,198	37,445	769,643	131,057
Drivers license	659,256	659,257	453,879	70,913	524,792	134,465
Real property assessment	1,786,712	1,787,923	1,614,509	29,958	1,644,467	143,456
Real property collections	505,614	506,956	318,530	41,650	360,180	146,776
Purchasing	881,100	881,100	802,097	45,301	847,398	33,702
Information technology	1,689,421	1,689,421	1,378,846	68,478	1,447,324	242,097
Risk management	329,346	329,346	295,193	-	295,193	34,153
County-wide Costs:						
Insurance:						
Liability insurance	835,327	835,327	606,456	-	606,456	228,871
Fire insurance	620,000	620,000	442,671	-	442,671	177,329
Self insurance (Note D)	1,747,794	1,747,794	19,157	-	19,157	1,728,637
Excess workers compensation	570,000	570,000	316,605	3,215	319,820	250,180
Other County-wide Costs:						
Central services cost	(2,300,000)	(2,300,000)	(2,333,892)	-	(2,333,892)	33,892
Collective bargaining raises	100,000	100,000	-	-	-	100,000
Vacation payout	475,000	475,000	272,990	-	272,990	202,010
Special projects	910,000	892,985	827,940	65,000	892,940	45
Claims	1,000,000	1,000,000	587,711	-	587,711	412,289
Training	17,650	17,650	11,775	-	11,775	5,875
Telephone services	150,000	150,000	131,428	-	131,428	18,572
Computers and accessories	623,241	626,641	412,345	113,665	526,010	100,631
Repair and maintenance, financial system	960,986	960,985	685,891	37,700	723,591	237,394
Personnel Services	1,032,628	1,032,629	913,763	22,634	936,397	96,232
Planning	3,291,800	3,291,800	2,036,311	586,063	2,622,374	669,426
Office of Economic Development	2,630,826	2,630,827	2,332,252	147,225	2,479,477	151,350
Total General Government	\$ 38,967,388	\$ 39,027,392	\$ 26,364,139	\$ 2,838,219	\$ 29,202,358	\$ 9,825,034

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
Public Safety:						
Police Department	\$ 26,818,527	\$ 26,818,528	\$ 23,674,369	\$ 720,876	\$ 24,395,245	\$ 2,423,283
Fire Department	23,167,438	23,167,437	22,297,493	187,612	22,485,105	682,332
Kauai Civil Defense Agency	706,915	706,915	533,016	45,770	578,786	128,129
Total Public Safety	50,692,880	50,692,880	46,504,878	954,258	47,459,136	3,233,744
Public Works:						
Administrative	1,136,281	1,145,981	1,085,460	4,884	1,090,344	55,637
Fiscal and clerical	400,768	406,951	394,069	959	395,028	11,923
Plans, survey and construction	1,807,589	1,670,688	1,517,954	31,616	1,549,570	121,118
Building division:						
Inspection	1,854,218	1,755,863	1,650,980	23,749	1,674,729	81,134
Repairs and maintenance	3,023,785	3,031,658	2,828,340	173,159	3,001,499	30,159
Janitorial	2,555,579	2,767,077	2,677,855	15,877	2,693,732	73,345
Total Public Works	10,778,220	10,778,218	10,154,658	250,244	10,404,902	373,316
Culture and Recreation:						
Administrative and fiscal	1,500,754	1,496,302	1,276,637	48,122	1,324,759	171,543
Planning and development	345,559	345,249	194,788	122	194,910	150,339
Recreation	2,198,454	2,196,215	1,973,941	102,509	2,076,450	119,765
Maintenance	4,412,426	4,442,427	3,944,074	427,902	4,371,976	70,451
Beautification	982,826	1,054,627	1,004,432	16,496	1,020,928	33,699
Auditorium	390,291	397,291	368,090	13,177	381,267	16,024
Stadiums	774,160	672,360	502,369	117,520	619,889	52,471
Total Culture and Recreation	\$ 10,604,470	\$ 10,604,471	\$ 9,264,331	\$ 725,848	\$ 9,990,179	\$ 614,292

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
Public Welfare:						
Housing	\$ 824,971	\$ 824,971	\$ 750,435	\$ 6,394	\$ 756,829	\$ 68,142
Elderly Affairs	1,364,049	1,364,049	1,102,464	1,828	1,104,292	259,757
Transportation	5,798,817	5,798,817	5,294,807	17,303	5,312,110	486,707
Total Public Welfare	7,987,837	7,987,837	7,147,706	25,525	7,173,231	814,606
Total General Fund Expenditures	119,030,795	119,030,798	99,435,712	4,794,094	104,229,806	14,860,992
Excess of Revenues Over (Under) Expenditures	(17,150,669)	(17,210,672)	4,047,228	(4,794,094)	(746,866)	16,463,806
Other Financing Sources (Uses):						
Proceeds from Insurance	-	-	-	-	-	-
Transfers In	3,885,415	3,885,415	3,885,415	-	3,885,415	-
Transfers Out	(16,888,744)	(16,888,744)	(16,888,744)	-	(16,888,744)	-
Total Other Financing Uses	(13,003,329)	(13,003,329)	(13,003,329)	-	(13,003,329)	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Note C)	\$ (30,153,998)	\$ (30,214,001)	(8,956,101)	(4,794,094)	(13,750,195)	16,463,806
Fund Balance - Ending of Year June 30, 2011, as previously reported			57,264,394			
Restatement due to prior period adjustment (Note 20)			(3,612,984)			
Fund Balance - Beginning of Year July 1, 2011, as restated			53,651,410			
Fund Balance - End of Year June 30, 2012			\$ 44,695,309			

- Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.  
Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.  
Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.  
Note D: General Fund includes the General Fund (001) and the Self Insurance Fund (002).

The notes to the financial statements are an integral part of this statement.



**COUNTY OF KAUAI, HAWAII**  
**HOUSING AND COMMUNITY DEVELOPMENT REVOLVING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
Interest	\$ -	\$ -	\$ 200,926	\$ -	\$ 200,926	\$ 200,926
Intergovernmental	2,156,341	2,156,341	18,631	-	18,631	(2,137,710)
Miscellaneous	-	-	162,069	-	162,069	162,069
<b>Total Revenues</b>	<b>2,156,341</b>	<b>2,156,341</b>	<b>381,626</b>	<b>-</b>	<b>381,626</b>	<b>(1,774,715)</b>
<b>Expenditures - Public Welfare:</b>						
Salaries	296,600	296,600	188,378	-	188,378	108,222
Travel expenses	21,050	21,050	5,305	-	5,305	15,745
Other employee benefits	231,328	231,328	104,883	-	104,883	126,445
Other expenses	48,778	48,778	17,513	160	17,673	31,105
Automobile	69,826	69,826	69,826	-	69,826	-
Central services cost	25,000	25,000	25,000	-	25,000	-
Loans	812,864	812,864	-	-	-	812,864
Special projects	761,412	761,412	283,518	-	283,518	477,894
<b>Total Expenditures - Public Welfare</b>	<b>2,266,858</b>	<b>2,266,858</b>	<b>694,423</b>	<b>160</b>	<b>694,583</b>	<b>1,572,275</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures (Note C)</b>	<b>\$ (110,517)</b>	<b>\$ (110,517)</b>	<b>(312,797)</b>	<b>\$ (160)</b>	<b>\$ (312,957)</b>	<b>\$ (202,440)</b>
<b>Fund Balance - Beginning of Year July 1, 2011</b>			<b>5,114,127</b>			
<b>Fund Balance - End of Year June 30, 2012</b>			<b>\$ 4,801,330</b>			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII**  
**SOLID WASTE DISPOSAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts		Budgetary Basis		Variance with Final Budget-Positive (Negative)
	Original (Note A)	Final	(Note B)	Encumbrances	Non-GAAP		
<b>Revenues:</b>							
Rents and concessions	\$ 12,000	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -	
Interest	-	-	64,123	-	64,123	64,123	
Miscellaneous	-	-	17,329	-	17,329	17,329	
Charges for current services:							
Tipping fees	3,223,000	3,223,000	2,846,947	-	2,846,947	(376,053)	
Disposal fees	3,017,000	3,017,000	3,148,197	-	3,148,197	131,197	
Total Revenues	<u>6,252,000</u>	<u>6,252,000</u>	<u>6,088,596</u>	<u>-</u>	<u>6,088,596</u>	<u>(163,404)</u>	
<b>Expenditures - Sanitation:</b>							
Salaries, solid waste disposal	1,760,385	1,687,997	1,586,554	-	1,586,554	101,443	
Other expenses, solid waste disposal	51,205	53,206	33,362	802	33,964	19,242	
Special projects, solid waste disposal	6,341,280	5,904,904	4,510,578	1,363,799	5,874,377	30,527	
Salaries, solid waste collections	1,987,270	2,027,670	1,950,504	-	1,950,504	77,166	
Other expenses, solid waste collections	126,710	127,860	97,547	8,579	106,126	21,734	
Salaries, Kauai recycling center	84,900	83,639	76,601	-	76,601	7,038	
Other expenses, Kauai recycling center	6,150	10,625	9,090	102	9,192	1,433	
Recycling programs	926,657	1,263,282	558,336	687,113	1,245,449	17,833	
Central services cost	787,182	790,332	760,800	12,064	772,864	17,468	
Equipment including capital leases	1,412,257	1,416,237	541,965	848,377	1,390,342	25,895	
Social security taxes	286,538	286,538	247,363	-	247,363	39,175	
Public employees' health fund	385,715	442,364	435,958	-	435,958	6,406	
Worker's compensation	90,202	339,902	323,866	-	323,866	16,036	
Unemployment compensation	1,002	1,002	-	-	-	1,002	
Employees' retirement system	607,910	572,910	522,922	-	522,922	49,988	
Employees' other post employment benefits	1,148,097	994,997	967,214	-	967,214	27,783	
Total Expenditures - Sanitation	<u>16,003,460</u>	<u>16,003,465</u>	<u>12,622,660</u>	<u>2,920,636</u>	<u>15,543,296</u>	<u>460,169</u>	
Deficiency of Revenues Under Expenditures	(9,751,460)	(9,751,465)	(6,534,064)	(2,920,636)	(9,454,700)	296,765	
<b>Other Financing Sources (Uses):</b>							
Proceeds from claims	-	-	320,480	-	320,480	320,480	
Transfers in	7,598,432	7,598,432	7,598,432	-	7,598,432	-	
Transfers out	(379,903)	(379,903)	(379,903)	-	(379,903)	-	
Total Other Financing Sources (Uses)	<u>7,218,529</u>	<u>7,218,529</u>	<u>7,539,009</u>	<u>-</u>	<u>7,539,009</u>	<u>320,480</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Note C)	<u>\$ (2,532,931)</u>	<u>\$ (2,532,936)</u>	<u>1,004,945</u>	<u>\$ (2,920,636)</u>	<u>\$ (1,915,691)</u>	<u>\$ 617,245</u>	
Fund Balance - Beginning of Year July 1, 2011			11,741,528				
Fund Balance - End of Year June 30, 2012			<u>\$ 12,746,473</u>				

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

The notes to the financial statements are an integral part of this statement.

## PROPRIETARY FUND FINANCIAL STATEMENTS

### MAJOR FUNDS

#### Public Housing Fund

Accounts for the acquisition, development, sale, and rental of low-income housing. Financing is provided by low-income housing sales and operating contributions.

#### Sewer Fund

Accounts for the costs of operating the County's sewer system. Financing is provided by charges to users for services.

#### Golf Fund

Accounts for the costs of operating the County's golf course. Financing is provided primarily by golf fees, rents, and concessions.

**COUNTY OF KAUAI, HAWAII**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Business-type Activities			
	Enterprise Funds			
	Public Housing	Sewer	Golf	Total
<b>Assets:</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,838,732	\$ 2,598,206	\$ 751,718	\$ 6,188,656
Restricted cash and cash equivalents	354,625	--	--	354,625
Investments	2,201,543	353,202	--	2,554,745
Receivables, net:				
Accounts	71,040	1,984,484	1,277	2,056,801
Interest	3,815	1,464	--	5,279
Insurance	--	--	--	--
Due from other funds	--	167,940	--	167,940
Real property held for sale	239,351	--	--	239,351
Prepaid expenses	--	247,484	4,683	252,167
Total Current Assets	<u>5,709,106</u>	<u>5,352,780</u>	<u>757,678</u>	<u>11,819,564</u>
Noncurrent Assets:				
Capital assets:				
Land	8,754,216	1,226,600	--	9,980,816
Construction in progress	219,127	16,984,125	--	17,203,252
Buildings	31,338,515	44,173,602	2,538,739	78,050,856
Equipment	7,292	3,544,150	962,803	4,514,245
Infrastructure	--	9,993,559	2,739,725	12,733,284
Less: accumulated depreciation	(9,846,615)	(30,629,653)	(1,928,513)	(42,404,781)
Total Noncurrent Assets	<u>30,472,535</u>	<u>45,292,383</u>	<u>4,312,754</u>	<u>80,077,672</u>
Total Assets	<u>36,181,641</u>	<u>50,645,163</u>	<u>5,070,432</u>	<u>91,897,236</u>
<b>Current Liabilities:</b>				
Accounts payable	165,039	702,394	153,229	1,020,662
Contracts payable	--	15,450	--	15,450
Interest payable	--	69,059	18,969	88,028
Due to other funds	--	168	--	168
Security deposits payable	144,189	--	--	144,189
Unearned revenue	--	20,623	--	20,623
Compensated absences, current portion	--	100,428	40,613	141,041
Notes payable, current portion	--	2,049,385	148,278	2,197,663
Total Current Liabilities	<u>309,228</u>	<u>2,957,507</u>	<u>361,089</u>	<u>3,627,824</u>
<b>Noncurrent Liabilities:</b>				
Notes payable	--	16,222,223	859,689	17,081,912
Compensated absences	--	301,286	121,837	423,123
Total Noncurrent Liabilities	<u>--</u>	<u>16,523,509</u>	<u>981,526</u>	<u>17,505,035</u>
Total Liabilities	<u>309,228</u>	<u>19,481,016</u>	<u>1,342,615</u>	<u>21,132,859</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	30,472,535	27,020,775	3,304,787	60,798,097
Restricted assets:				
Nonexpendable - cash	354,625	--	--	354,625
Unrestricted	5,045,253	4,143,372	423,030	9,611,655
Total Net Assets	<u>\$ 35,872,413</u>	<u>\$ 31,164,147</u>	<u>\$ 3,727,817</u>	<u>\$ 70,764,377</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-type Activities Enterprise Funds			
	Public Housing	Sewer	Golf	Total
Operating Revenues:				
Pa'anau rents	\$ 574,226	\$ --	\$ --	\$ 574,226
Rents and concessions	996,034	--	208,058	1,204,092
Charges for current services	--	7,030,940	991,696	8,022,636
Low-income housing sales	171,290	--	--	171,290
Other	49,952	--	3,465	53,417
Total Operating Revenues	1,791,502	7,030,940	1,203,219	10,025,661
Operating Expenses:				
Public housing	1,326,405	--	--	1,326,405
Sewer	--	6,535,780	--	6,535,780
Golf	--	--	2,032,427	2,032,427
Depreciation	783,488	1,418,141	186,777	2,388,406
Cost of low-income housing sales	57,900	--	--	57,900
Total Operating Expenses	2,167,793	7,953,921	2,219,204	12,340,918
Operating Income (Loss)	(376,291)	(922,981)	(1,015,985)	(2,315,257)
Nonoperating Revenues (Expense):				
Interest income from investments	49,767	5,701	--	55,468
Interest expense on long-term debt	(11,147)	(296,189)	(2,416)	(309,752)
Total Nonoperating Revenues (Expenses)	38,620	(290,488)	(2,416)	(254,284)
Net Income (Loss) Before Transfers and Contributions	(337,671)	(1,213,469)	(1,018,401)	(2,569,541)
Capital contributions	--	6,496,784	--	6,496,784
Insurance proceeds	--	--	--	--
Transfers	--	3,026,529	1,035,613	4,062,142
Change in Net Assets	(337,671)	8,309,844	17,212	7,989,385
Net Assets - Beginning of Year July 1, 2011	39,430,281	22,854,303	3,710,605	65,995,189
Prior period restatement	(3,220,197)	--	--	(3,220,197)
Beginning net assets, as restated	36,210,084	22,854,303	3,710,605	62,774,992
Net Assets - Ending of Year June 30, 2012	\$ 35,872,413	\$ 31,164,147	\$ 3,727,817	\$ 70,764,377

The notes to the financial statements are an integral part of this statement.

**COUNTY OF KAUAI, HAWAII  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-type Activities Enterprise Funds			
	Public Housing	Sewer	Golf	Totals
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 1,607,240	\$ 6,880,308	\$ 1,203,219	\$ 9,690,767
Payments to employees	(63,922)	(1,734,714)	(791,717)	(2,590,353)
Payments to suppliers	(1,187,901)	(4,757,006)	(1,246,165)	(7,191,072)
Net Cash Provided by (Used in) Operating Activities	355,417	388,588	(834,663)	(90,658)
<b>Cash Flows from Non-capital Financing Activities:</b>				
Transfers from other funds	--	3,305,140	1,035,613	4,340,753
Transfers to other funds	--	(278,611)	--	(278,611)
Changes in internal balances	--	(920,500)	(156,005)	(1,076,505)
Net Cash Provided by Non-capital Financing Activities	--	2,106,029	879,608	2,985,637
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	--	(8,876,706)	(7,579)	(8,884,285)
Proceeds from sale of property	171,290	--	--	171,290
Proceeds from loans	--	2,805,726	--	2,805,726
Proceeds from capital leases	--	50,521	--	50,521
Capital contributions	--	6,455,054	--	6,455,054
Development fees	--	41,730	--	41,730
Principal payments-bonds and loans	(205,000)	(1,850,602)	(143,277)	(2,198,879)
Principal payments - capital leases	--	(17,299)	--	(17,299)
Interest payments-bonds and loans	(14,863)	(294,899)	(2,416)	(312,178)
Net Cash Used in Capital and Related Financing Activities	(48,573)	(1,686,475)	(153,272)	(1,888,320)
<b>Cash Flows from Investing Activities:</b>				
Interest received from investments	51,065	5,776	--	56,841
Changes in investments, net	(469,219)	116	--	(469,103)
Net Cash Provided by Investing Activities	(418,154)	5,892	--	(412,262)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(111,310)</b>	<b>814,034</b>	<b>(108,327)</b>	<b>594,397</b>
Cash and Cash Equivalents, Beginning of Year July 1, 2011	2,950,042	1,784,172	860,045	5,594,259
Cash and Cash Equivalents, End of Year June 30, 2012 (including \$354,625 for Public Housing reported in restricted accounts)	\$ 2,838,732	\$ 2,598,206	\$ 751,718	\$ 6,188,656
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating gain (loss)	\$ (376,291)	\$ (922,981)	\$ (1,015,985)	\$ (2,315,257)
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:				
Depreciation	783,488	1,418,141	186,777	2,388,406
Gain on sale of capital assets	(113,390)	--	--	(113,390)
Change in assets and liabilities:				
Accounts receivable	(12,971)	(146,449)	--	(159,420)
Restricted cash	(3,575)	--	--	(3,575)
Prepaid items	--	(239,699)	190	(239,509)
Accounts payable and accrued liabilities	74,582	231,708	1,032	307,322
Security deposits payable	3,574	--	--	3,574
Contracts payable	--	(9,463)	--	(9,463)
Unearned revenue	--	(4,183)	--	(4,183)
Compensated absences	--	61,514	(6,677)	54,837
Net Cash Provided by (Used in) Operating Activities	\$ 355,417	\$ 388,588	\$ (834,663)	\$ (90,658)

The notes to the financial statements are an integral part of this statement.

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**



**COUNTY OF KAUAI, HAWAII  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>11,507,225</u>
Total Assets	<u>11,507,225</u>
<b>Liabilities:</b>	
Customer deposits	5,195,039
Due to other fund	5,593,610
Due to other governments	<u>718,576</u>
Total Liabilities	<u>11,507,225</u>
<b>Net Assets</b>	\$ <u>          --</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***The Financial Reporting Entity***

The County of Kauai (County) is a municipal corporation governed by an elected Mayor and a seven-member County Council. The County operates under a County Charter, which was originally adopted in 1969 and last amended in 2012.

The accompanying financial statements present the operations of the County, the primary government, as well as its discretely presented component unit, the Department of Water. The County's operations are organized into the following general functions: general government, public safety, public works, highways and streets, sanitation, culture and recreation, public welfare, housing, sewer, and other enterprises. For financial reporting purposes, the County includes all funds, agencies, boards, commissions, and authorities that are fiscally dependent upon the County and for which the County is financially accountable.

State of Hawaii (State) agencies assume responsibility for several major functions often performed by local governments; including education, welfare, health, and judiciary functions. State agencies are not fiscally dependent on the County and, therefore, are not included in these financial statements. There are no separate city, county or township governments, nor any school districts, special districts, authorities, nor public corporations with overlapping authority presented in the accompanying financial statements.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its Codification of existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (*Statement and Interpretations*), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The County follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions*, and GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statements contained herein reflect the changes in fund balance reporting and presentation.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Discretely Presented Component Unit***

The component unit column in the financial statements includes the financial data of the County's discretely presented component unit, the Department of Water (Department), which is a semi-autonomous proprietary agency of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

A majority of the members of the Department's governing body are appointed by the Mayor and confirmed by the County Council. The Department is granted corporate powers by the County Charter. The County Council does not have the authority to modify or approve the Department's budgets. Revenue bonds and loans payable of the Department are general obligations of the County. As the County would be obligated to repay these bonds in the event of default by the Department, the County is financially accountable for the debts of the Department. The Department is audited separately. Complete financial statements of the Department may be obtained from:

Department of Water  
County of Kauai  
4398 Pua Loke Street  
Lihu'e, Kauai, Hawaii 96766

***Government-wide Statements***

The basic financial statements include both government-wide and fund financial statements. The reporting model under GASB Statement No. 34 focuses on the County as a whole in the government-wide financial statements and major individual funds in the fund financial statements. Both types of statements categorize primary activities as governmental or business-type. 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 the legally separate component unit for which the primary government is financially accountable.

The government-wide financial statements (i.e., the *Statement of Net Assets* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the County and the Department. For the most part, the effect of interfund activity has been removed from these statements. Internal activities are treated as reimbursements (reductions and increases in expenses) from various functional categories and accordingly adjusted in the *Statement of Activities*. Charges to governmental functions for centralized services are made to recover administrative costs incurred by the general government function as outlined in the operating budget ordinance and are also treated as reimbursements. Certain capital asset payments from governmental activities are treated as capital contributions in

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the business-type activities and, therefore, are capitalized. Interfund contributions are eliminated among governmental activities, but are recorded as transfers in the fund financial statements if between governmental and business-type activities. Interfund payables and reported receivables have been eliminated among governmental activities, but are recorded as internal balances between governmental and business-type activities. In the *Statement of Net Assets*, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The *Statement of Activities* reflects the direct expenses of each functional category or identifiable activity, which are supported by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included in program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

***Fund Financial Statements***

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 is comprised of assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The County reports the following major governmental funds:

*General Fund* - Accounts for all financial resources traditionally associated with the government which are not required legally, or by sound financial management, to be accounted for in another fund.

*Housing and Community Development Revolving Fund* - Monies collected from the Home Disaster grant loans, Housing Preservation grant loans, and Special Purpose grant loans fund the Housing and Community Development Revolving Fund. This fund supports administrative costs for the Development staff and also supports the "Homebuyer Loan Program" for eligible homebuyers and future project development costs.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Solid Waste Disposal Fund* - Accounts for the costs of operating the County's solid waste disposal system. Financing is provided by charges to commercial users for solid waste disposal services and General Fund contributions for other users.

*Federal Grants Fund* - Accounts for federal grant revenues and related expenditures.

*Grants Capital Improvement Fund* - Accounts for revenues and capital improvements financed by federal and state grants.

*General Capital Improvement Fund* - Accounts for the costs of capital projects financed by the General Fund.

*Bond Fund* - Accounts for proceeds from and the costs of constructing County capital improvements financed by general obligation bond proceeds.

The County reports the following major proprietary funds:

*Public Housing Fund* - Accounts for the acquisition, development, sale, and rental of low-income housing. Financing is provided by low-income housing sales and operating contributions.

*Sewer Fund* - Accounts for the costs of operating the County's sewer system. Financing is provided by service charges to users.

*Golf Fund* - Accounts for the costs of operating the County's golf course. Financing is provided primarily by golf fees, rents, and concessions.

The County's fiduciary funds are limited to agency funds. Agency funds are custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting.

Fiduciary funds include the following agency funds:

*Trust and Agency Fund* - This fund is used to account for other monies collected in an agency capacity and include motor vehicle registration fees collected on behalf of the State of Hawaii.

*Treasury Trust Fund* - This fund is used to account for performance and payment bond monies, monies collected from public auctions, monies collected for application fees for public notices, and other monies collected and held for specific purposes as agent or custodian.

*Real Property Trust Fund* - This fund is used for refunds and/or adjustments to real property taxes.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes the criteria for classifying governmental fund balances, to the extent to which a government entity is bound to honor constraints on the specific purposes for which amount in that fund can be spent. The fund balances reported on the governmental fund financial statements consist of the following categories:

*Nonspendable Fund Balance* - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* - This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Sources of these externally enforceable legal restrictions include creditors, grantors, contributors, federal regulations, the State Constitution, State Statutes, and/or County Charter.

*Committed Fund Balance* - This includes amounts that are subject to constraint created by the County and can only be changed by the County's highest level of formal action. For example, the County Council adopts the appropriation budget ordinances and establishes certain funds.

*Assigned Fund Balance* - This includes amounts that are constrained by the County's intent to be used for specific purposes but are neither restricted nor committed.

*Unassigned Fund Balance* - This is the residual classification that includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the County's policy is to apply restricted fund balances first.

When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the County's policy is to apply committed fund balance first, then assigned fund balance and finally unassigned fund balance.



**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means the amounts are determinable. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and landfill post-closure costs are recognized only when payment is due.

Significant revenues that are susceptible to accrual are as follows:

- *Property taxes collected within sixty days after year end*
- *Rents and concessions*
- *Federal and State financial assistance (to the extent that related expenditures that are eligible for reimbursements have been incurred)*
- *Interest*
- *Revenues collected by the State on behalf of the County, such as fuel taxes and transient accommodation taxes*

All other revenue items are considered to be measurable and available only when cash is received.

Intergovernmental revenues are susceptible to accrual based on the compliance, legal, and contractual requirements of the individual programs. There are essentially two types of these revenues. For one type of revenues, monies must be expended for a specific purpose or project and revenues are recognized to the extent of such expenditures. Revenues of this type are deferred for monies received in advance of expenditures and accrued for expenditures in advance of monies received. For the other type of revenues, monies are virtually unrestricted as to the purpose of the expenditure. These resources are recognized as revenues when received, or earlier if susceptible to the accrual criteria.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred. All proprietary funds follow applicable GASB guidance or FASB *Statements and Interpretations*, *Accounting Principles Board Opinions*, and *Accounting Research Bulletins* issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund types are accounted for according to the nature of the fund. These funds account for money received, held and disbursed in a trustee capacity or as an agent for individuals, other governmental units, and other funds. The County has only Agency funds, which are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. Agency funds are accounted for using accrual basis accounting.

The Agency funds are used to account for the (1) money collected and held for specific purposes by certain County agencies as escrow agent or custodian and (2) money and property held by the County as trustee or custodian such as refundable deposits.

***Cash and Cash Equivalents***

The County's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash on deposit with financial institutions is collateralized in accordance with State statutes.

***Investments***

The County generally invests in certificates of deposit, repurchase agreements, money market funds, and government agency securities with federally insured financial institutions and mutual funds. Investments are reported at fair value. The County's investments are consistent with the investment guidelines contained in the Hawai'i Revised Statutes (HRS).

HRS authorizes the County to invest, with certain restrictions, in obligations of the State of Hawai'i, the United States or agencies of the United States, time certificates of deposit and repurchase agreements with federally insured banks and savings and loan associations authorized to do business in the State of Hawai'i.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Real Property Taxes***

Real property taxes are assessed and billed annually. The County's real property taxes, which are levied on July 1 and billed on July 20 of each year, are based on assessed valuations as of the previous January 1. Real property taxes are due in two equal installments on August 20 and February 20. Accordingly, all real property taxes receivable as of June 30 are delinquent and are reported as deferred revenue for amounts not collected within 60 days after the fiscal year end in the fund financial statements. A lien for real property taxes attaches as of July 1 of each year.

***Receivables***

Loans receivable consist of housing rehabilitation loans made with federal funds by the Housing and Community Development Revolving Fund (HCDRF), Federal Grants Fund, and special revenue funds. The loans are partially offset by a deferred revenue account. Revenue is recognized and included in intergovernmental revenues when the loans made with federal funds are collected.

Receivables of the Department are recognized when revenue is earned, including charges for services rendered but not billed, net of allowance for doubtful accounts approximating \$303,000 of billed receivables.

Receivables for federal and state financial assistance are recognized as revenue, in all fund types, as related expenditures are made.

***Real Property Held for Sale***

Inventory of real property held for sale consists of dwelling units available for sale and is stated at the lower of cost or net realizable value.

***Materials and Supplies***

Materials and supplies are stated at the lower of average cost (which approximates the first-in, first-out method) or market.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

estimated useful life of more than one year. The Department defines capital assets as assets with an initial, individual cost of more than \$1,000. Capital 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Depreciation on all assets is provided for on the straight-line basis over the following estimated useful lives:

*Primary Government*

Motor vehicles	3 to 15 years
Furniture and equipment	5 to 20 years
Building and improvements	20 to 50 years
Transmission and distribution equipment	25 to 40 years
Infrastructure	30 to 60 years

*Component Unit*

Motor vehicles	7 to 10 years
Furniture and equipment	5 to 20 years
Building and improvements	40 to 50 years
Transmission and distribution equipment	18 to 63 years

***Restricted Assets***

The County sets aside certain resources for the repayment of enterprise fund revenue bonds. These resources are classified as restricted assets on the *Statement of Net Assets* and *Balance Sheet* because their use is limited by bond covenants. The Department sets aside certain resources to fund future capital improvements of the water supply system.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted funds first, then unrestricted resources as they are needed.

***Interfund Transactions***

Interfund receivables and payables are reported in each fund. Transfers of financial resources between agencies and activities within the same fund, which are recorded as revenues by the transferee and expenditures by the transferor, have been eliminated. Transactions that represent reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Transfers include operating subsidies and authorized transfers from funds receiving revenues to funds that will expend those resources.

Interfund receivables and payables represent borrowing arrangements between governmental fund types that are current interfund loans and expected to be paid off within one year. Advances to and from other funds represent borrowing arrangements between nongovernmental fund types that are noncurrent. All other outstanding current balances between funds are reported as "Due To/From Other Funds."

***Net Assets***

Net assets are comprised of the various net earnings (losses) from operating and nonoperating revenues, expenses, operating transfers, and contributed capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments at year end is not included in the calculation of the amount invested in capital assets, net of related debt. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Restricted net assets are based on the same criteria used to report restricted governmental fund balances. Unrestricted net assets consist of all other net assets not included in the above categories.

***Compensated Absences***

Vacation leave and other compensated absences are accrued as a liability as the benefits are earned if the leave is attributable to past service and it is probable that the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Vacation pay is recognized as an expenditure in the governmental fund types when the amounts, if any, are due and payable. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee retirement or termination. Vacation credit payout is recorded in the respective funds where the employees' salary is incurred.

***Sick Leave***

Permanent full-time County employees accrue sick leave. Sick leave is calculated based upon current compensation levels. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. Sick pay is recognized when leave is taken because it does not vest when earned. As a result, no liability for sick pay is recognized in the accompanying financial statements. Accumulated sick leave (including the Department) was approximately \$33.6 million at June 30, 2012.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Leases***

Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in capital assets and, where appropriate, are amortized over the shorter of their economic useful lives or lease terms. The related capital lease obligations are included in long-term liabilities in the government-wide financial statements.

***Long-term Obligations***

In the government-wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, Governmental Funds recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Facility Reserve Charges***

The Department assesses a fee to commercial and residential developers based upon the number and size of water meters installed at the respective projects which, together with interest earned thereon, provides for the funding of system capital improvements which are included as restricted for utility plant construction in the *Statement of Net Assets*. Expenditures of these monies are restricted by the Department ordinances to water supply system capital improvements.

***Use of Estimates***

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

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

Annual appropriated budgets are adopted for the following funds:

General	Public Access
Housing and Community Development Revolving	Sewer Trust
Solid Waste Disposal	Development Capital Improvement
Highway	Bikeway Capital Improvement
Liquor	Highway Capital Improvement
Beautification	Public Housing Enterprise
Criminal Asset Forfeiture	Sewer Enterprise
Parks and Playground Capital Improvement	Golf Enterprise

Budgets are adopted on a basis consistent with U.S. GAAP except that expenditures include encumbrances as budgetary expenditures in the year the commitments are made and exclude claims and judgments and landfill closure and postclosure liabilities. Annual appropriations, except enterprise funds, lapse at fiscal year end. Project ordinances are adopted for capital projects funds.

The County uses the following procedures in establishing the budgetary data reflected in the financial statements:

- On or before March 15, the Mayor submits a proposed operating and capital projects budget for the year commencing the following July 1 to the County Council. The operating and capital project budgets include proposed expenditures and the means to finance them.
- Public hearings are conducted to obtain citizen comments. The Council may amend the Mayor's budget. On or before June 7 of the fiscal year currently ending, the Council legally enacts the budget through the passage of a budget ordinance.
- Amendments to the enacted budget ordinances may be proposed by the Mayor and enacted by the Council (under the same procedures prescribed for the enactment of the annual budget ordinance), provided that no amendment increases the aggregate of authorized expenditures to an amount greater than the estimate of available financial resources for the fiscal year.
- The Mayor is authorized to transfer appropriations between programs within a department without Council approval; however, any transfer that alters the total expenditures of any department must be approved by the Council.

Formal budgetary integration is employed in the annual operating budgets as a management control device during the year for the General Fund and Special Revenue Funds (except for Section 8, Plans and Permits, and State Grants). Accordingly, budget figures are included in the respective *Statement/Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*. The Capital Projects Funds budgets were adopted on a project basis and they are included in this presentation.



**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

Formal budgetary integration is also employed for the Public Housing, Sewer, and Golf Funds. Accordingly, budget figures are included as additional information in the respective *Schedules of Revenues, Expenditures, and Changes in Fund Equity - Budget and Actual* for these funds.

Formal budgetary integration is not employed for the Debt Service Fund, Bond Fund, Agency Funds, certain Special Revenue Funds, and Capital Projects Funds, as noted above. Budgetary control for these funds is achieved through bond indentures, contractual or grant provisions, project oversight, and legislation.

Flexible budgeting is employed by the Department. Expenditures may not exceed appropriations at the departmental level. Individual fund budgetary comparisons (by object code and by year of appropriation) are reported in separate budgetary reports, which can be obtained from the County's Director of Finance.

The final budget figures presented include all amendments during the year. Amendments to the budget ordinance for the fiscal year were made in compliance with the procedures described above. Several budget amendments were made during the year.

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

Encumbrance accounting is employed as an extension of formal budgetary integration in the General Fund and budgeted Special Revenue Funds. Capital Projects Funds also employ encumbrance accounting to reserve for construction contracts. Actual expenditures on a budgetary basis include current year reserves for encumbrances and exclude payments on prior year encumbrances. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Budgeted deficiencies are funded by the estimated unreserved-undesignated fund balances as of June 30, 2012.

The County's budget is prepared differently from GAAP. Therefore, the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, Housing and Community Development Revolving Fund, and Solid Waste Disposal Fund* are presented on the budgetary basis, using budgetary expenditure categories.

The following is a reconciliation of the differences between the budgetary basis and GAAP basis for the excess of revenues and other sources over expenditures and other uses for the aforementioned financial statements:

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)**

	<u>General Fund</u>	<u>Housing and Community Development Revolving Fund</u>	<u>Solid Waste Disposal Fund</u>
GAAP excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (8,956,101)	\$ (312,797)	\$ 1,004,945
Encumbrances and unexpended allotments, current year	<u>(4,794,094)</u>	<u>(160)</u>	<u>(2,920,636)</u>
Non-GAAP budgetary basis excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(13,750,195)</u>	\$ <u>(312,957)</u>	\$ <u>(1,915,691)</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The County maintains a cash and investment pool that is used by all funds, including the Department. Each of the fund's and component unit's portion of this pool are displayed in the accompanying financial statements.

***Deposits***

The deposits of the County consist of cash and cash equivalents, money market accounts, and non-negotiable certificates of deposit. At year end, the carrying values (book balances) of these deposits with banks and savings institutions approximated \$83,336,000 and the balances carried by the bank were approximately \$87,299,000. The Department's carrying value of these deposits with banks and savings institutions approximated \$16,627,000 and the balances carried by the bank were approximately \$16,458,000. All of these deposits are covered by federal depository insurance or collateralized by securities held by financial institutions in the County's name.

***Investments***

As of June 30, 2012, the County and the Department held approximately \$102,087,000 and \$37,551,000, respectively, or 74% and 90% of their investments in Federal Government Sponsored Entities and Government Securities. The fair value of the investments approximate cost.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

***Interest Rate Risk***

As a means of limiting exposure to fair value losses arising from rising interest rates, State law limits the County from holding investments with maturities in excess of five years.

As of June 30, 2012, the County and the Department had the following investments:

***County***

	Fair Value	Maturity (in years)	
		Less than 1	1- 5
Government Sponsored Entities	\$ 97,828,555	\$ 38,897,409	\$ 58,931,146
Government Securities	4,258,143	2,942,536	1,315,607
Money Market Funds	4,546,505	--	4,546,505
Repurchase Agreements	<u>3,490,000</u>	<u>3,490,000</u>	<u>--</u>
	110,123,203	45,329,945	64,793,258
Certificates of Deposit	<u>27,906,669</u>	<u>15,375,043</u>	<u>12,531,626</u>
Total	\$ <u>138,029,872</u>	\$ <u>60,704,988</u>	\$ <u>77,324,884</u>

***Department***

	Fair Value	Maturity (in years)	
		Less than 1	1- 5
Government Sponsored Entities	\$ 34,237,000	\$ 29,227,000	\$ 5,010,000
Government Securities	3,314,000	2,281,000	1,033,000
Other fixed income	2,020,000	2,020,000	--
Money Market Funds	1,982,000	1,982,000	--
U.S. Corporates	<u>102,000</u>	<u>--</u>	<u>102,000</u>
	41,655,000	35,510,000	6,145,000
Certificates of Deposit	<u>1,549,000</u>	<u>1,549,000</u>	<u>--</u>
Total	\$ <u>43,204,000</u>	\$ <u>37,059,000</u>	\$ <u>6,145,000</u>

***Credit Risk***

State law limits investments to the top rating issued by nationally recognized statistical rating organizations (NRSRO's). The County has no investment policy that would further limit its investment choices. As of June 30, 2012, the County's investments had a AA or greater rating.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the County's investments are held in its name.

***Concentration of Credit Risk***

The County places no limit on the amount which may be invested in any one issuer. As of June 30, 2012, the County and the Department held more than 5% of their investments in the following:

	<u>County</u>		<u>Department</u>	
FHLB - Federal Home Loan Bank	\$ 27,236,645	19.7%	\$ 10,414,702	24.1%
FHLMC - Freddie Mac	16,552,467	12.0%	850,272	2.0%
FNMA - Fannie Mae	34,383,299	24.9%	12,932,125	29.9%
FFCB - Federal Farm Credit Bank	16,656,385	12.1%	6,541,188	15.1%
FMCDN - Fed Mortgage Corp Disc Note	2,999,760	2.2%	1,999,160	4.6%
U.S. Treasury	<u>4,258,143</u>	<u>3.1%</u>	<u>3,314,033</u>	<u>7.7%</u>
Total	\$ <u>102,086,699</u>	<u>74.0%</u>	\$ <u>36,051,480</u>	<u>83.4%</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 5 - RECEIVABLES**

Receivables as of June 30, 2012, for the County's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities:

	General Fund	Housing and Community Development Revolving Fund	Solid Waste Disposal	Federal Grants Fund	Grants Capital Improvement Fund	Bond Fund	Other Governmental Funds	Total
Receivables, net								
Real property taxes	\$ 3,629,434	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,629,434
Accounts receivable	4,701,918	--	353,966	--	--	--	1,872,581	6,928,465
Intergovernmental	--	--	--	3,749,652	4,755,847	--	354,408	8,859,907
Loans receivable	--	9,309,825	--	9,159,190	--	--	22,462	18,491,477
Interest	329,726	895,600	1,877	467,840	--	335,333	26,472	2,056,848
Total Receivables, net	<u>\$ 8,661,078</u>	<u>\$ 10,205,425</u>	<u>\$ 355,843</u>	<u>\$ 13,376,682</u>	<u>\$ 4,755,847</u>	<u>\$ 335,333</u>	<u>\$ 2,275,923</u>	<u>\$ 39,966,131</u>

Business-type Activities:

	Enterprise Funds
Receivables, net	
Accounts receivable	\$ 2,591,062
Interest	5,279
Insurance	--
Less: allowance for uncollectible charges	(534,261)
Total Receivables, net	<u>\$ 2,062,080</u>

The only receivables not expected to be collected within one year are approximately \$17.6 million of loans receivable for the governmental activities which are generally due to the County on various dates through 2066.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 - CAPITAL ASSETS**

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

	Primary Government				Balance June 30, 2012
	Balance June 30, 2011	Increases	Decreases	Transfers	
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 175,012,224	\$ 7,307,788	\$ --	\$ --	\$ 182,320,012
Construction in progress	42,345,720	18,384,623	(33,059,934)	--	27,670,409
Total Capital Assets, Not Being Depreciated	217,357,944	25,692,411	(33,059,934)	--	209,990,421
Capital Assets, Being Depreciated:					
Buildings and improvements	95,422,828	8,290,455	--	--	103,713,283
Machinery and equipment	60,360,247	4,391,027	(1,416,242)	--	63,335,032
Infrastructure	638,435,827	24,188,970	--	--	662,624,797
Total Capital Assets, Being Depreciated	794,218,902	36,870,452	(1,416,242)	--	829,673,112
Less: Accumulated Depreciation:					
Buildings and improvements	(33,169,207)	(2,774,224)	--	--	(35,943,431)
Machinery and equipment	(31,392,668)	(5,430,332)	1,416,242	--	(35,406,758)
Infrastructure	(438,156,963)	(7,884,896)	--	--	(446,041,859)
Total Accumulated Depreciation	(502,718,838)	(16,089,452)	1,416,242	--	(517,392,048)
Governmental Activities - Capital Assets, net	\$ 508,858,008	\$ 46,473,411	\$ (33,059,934)	\$ --	\$ 522,271,485

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 - CAPITAL ASSETS (Continued)**

	Primary Government				
	Adjusted Balance, June 30, 2011 (As Restated See Note 20)	Increases	Decreases	Transfers	Balance June 30, 2012
Business-type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 9,691,964	\$ 288,852	\$ --	\$ --	\$ 9,980,816
Construction in progress	8,993,148	8,770,250	(560,146)	--	17,203,252
Total Capital Assets, Not Being Depreciated	18,685,112	9,059,102	(560,146)	--	27,184,068
Capital Assets, Being Depreciated:					
Buildings and improvements	78,050,856	--	--	--	78,050,856
Machinery and equipment	4,433,475	114,036	(33,266)	--	4,514,245
Infrastructure	12,173,138	560,146	--	--	12,733,284
Total Capital Assets, Being Depreciated	94,657,469	674,182	(33,266)	--	95,298,385
Less: Accumulated Depreciation:					
Buildings and improvements	(30,668,280)	(1,824,795)	--	--	(32,493,075)
Machinery and equipment	(2,256,798)	(321,486)	33,266	--	(2,545,018)
Infrastructure	(7,124,563)	(242,125)	--	--	(7,366,688)
Total Accumulated Depreciation	(40,049,641)	(2,388,406)	33,266	--	(42,404,781)
Business-type Activities - Capital Assets, net	\$ 73,292,940	\$ 7,344,878	\$ (560,146)	\$ --	\$ 80,077,672

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

Governmental Activities	
General government	\$ 1,061,009
Public safety	2,905,272
Public works	2,034,692
Highways and streets	5,885,742
Public welfare	573,665
Culture and recreation	1,171,238
Sanitation	2,457,834
Total Depreciation Expense - Governmental Activities	\$ 16,089,452
Business-type Activities:	
Public housing	\$ 783,488
Sewer	1,418,141
Golf	186,777
Total Depreciation Expense - Business-type Activities	\$ 2,388,406



**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 - CAPITAL ASSETS (Continued)**

	Component Unit				Balance June 30, 2012
	Balance June 30, 2011	Increases	Decreases	Transfers	
Discretely Presented Component Unit:					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,334,128	\$ 9,008	\$ --	\$ --	\$ 1,343,136
Construction in progress	22,536,793	14,723,038	(21,418,448)	--	15,841,383
Total Capital Assets, Not Being Depreciated	23,870,921	14,732,046	(21,418,448)	--	17,184,519
Capital Assets, Being Depreciated:					
Buildings and improvements	5,068,145	135,632	--	--	5,203,777
Machinery and equipment	4,807,778	492,354	--	--	5,300,132
Infrastructure	232,983,431	39,482,269	(1,662,615)	--	270,803,085
Total Capital Assets, Being Depreciated	242,859,354	40,110,255	(1,662,615)	--	281,306,994
Less: Accumulated Depreciation:					
Buildings and improvements	(1,491,961)	(119,818)	--	--	(1,611,779)
Machinery and equipment	(3,905,755)	(177,583)	--	--	(4,083,338)
Infrastructure	(76,369,577)	(6,653,227)	1,662,615	--	(81,360,189)
Total Accumulated Depreciation	(81,767,293)	(6,950,628)	1,662,615	--	(87,055,306)
Component Unit - Capital Assets, net	\$ 184,962,982	\$ 47,891,673	\$ (21,418,448)	\$ --	\$ 211,436,207

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 7 - INTERFUND RECEIVABLES/PAYABLES**

The Interfund Due From/To Other Funds consist of the following as of June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal Grants Fund	\$ 11,446
Housing & Community Development Fund	Federal Grants Fund	28,483
Solid Waste Fund	General Fund	2,393,951
Solid Waste Fund	Sewer Enterprise Fund	168
Bond Fund	General Fund	640
Federal Grants Fund	Bond Fund	45,738
Federal Grants Fund	General Fund	13,024
Federal Grants Fund	Housing & Community Development Fund	19,275
General CIP Fund	Grants CIP Fund	2,749,103
Other Governmental Funds	Grants CIP Fund	6,520
Other Governmental Funds	Other Governmental Funds	20,086
General Fund	Fiduciary Funds	<u>5,593,610</u>
Total, All Funds		\$ <u>10,882,044</u>

Interfund receivables/payables are recorded to cover the temporary cash shortages in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2012.

Internal balances consist of the following at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	Sewer Enterprise Fund	\$ 168
Sewer Enterprise Fund	General Fund	<u>(167,940)</u>
		\$ <u>(167,772)</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 7 - INTERFUND RECEIVABLES/PAYABLES (Continued)**

Transfers for the fiscal year ended June 30, 2012, consisted of the following:

	Transfers out:					Total
	General Fund	Solid Waste Fund	General CIP Fund	Other Governmental Funds	Sewer Enterprise Fund	
Transfers in:						
General Fund	\$ --	\$ --	\$ 3,885,415	\$ --	\$ --	\$ 3,885,415
Other Governmental Funds	4,823,559	379,903	--	1,477,616	278,611	6,959,689
Solid Waste Fund	7,598,432	--	--	--	--	7,598,432
General CIP Fund	126,000	--	--	--	--	126,000
Golf Enterprise Fund	1,035,613	--	--	--	--	1,035,613
Sewer Enterprise Fund	3,305,140	--	--	--	--	3,305,140
	<u>\$ 16,888,744</u>	<u>\$ 379,903</u>	<u>\$ 3,885,415</u>	<u>\$ 1,477,616</u>	<u>\$ 278,611</u>	<u>\$ 22,910,289</u>

Transfers are recorded to fund the short-term operating requirements of individual funds.

**NOTE 8 - NET ASSETS**

At June 30, 2012, net assets consisted of the following:

	Governmental Activities	Business-type Activities	Component Unit
Invested in Capital Assets, Net of Related Debt:			
Net property, plant, and equipment	\$ 522,271,485	\$ 80,077,672	\$ 211,436,207
Less: Long-term debt	(119,026,446)	(19,246,354)	(96,471,882)
Less: Capital lease obligation	(3,697,053)	(33,221)	(4,377,674)
Add: Unspent debt proceeds	57,505,635	--	32,061,348
Subtotal	<u>457,053,621</u>	<u>60,798,097</u>	<u>142,647,999</u>
Restricted:			
Capital projects	66,890,643	--	4,941,579
Less: Unspent debt proceeds	(57,505,635)	--	(32,061,348)
Accrued interest payable	(2,045,094)	--	(1,744,524)
Other - debt service	483,340	--	--
Other - restricted cash and investments	--	354,625	32,061,348
Subtotal, Restricted	<u>7,823,254</u>	<u>354,625</u>	<u>3,197,055</u>
Unrestricted	<u>51,887,401</u>	<u>9,611,655</u>	<u>24,461,503</u>
Total Net Assets	<u>\$ 516,764,276</u>	<u>\$ 70,764,377</u>	<u>\$ 170,306,557</u>

**COUNTY OF KAUAI, HAWAII  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 9 - CAPITAL LEASES**

The County leases machinery and equipment under non-cancelable leases expiring at various dates through February 2017 which meet the criteria for capitalization. These capital leases are financed from General Fund resources.

The estimated value of the leased machinery and equipment at the inception of the leases net of accumulated depreciation, amounted to \$6,989,499. The related present value of the remaining obligations under the capital leases which amounted to \$3,730,275 at June 30, 2012 and are included in the capital assets and long-term liabilities, accordingly.

The future minimum obligations under capital leases at June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,332,491	\$ 140,427	\$ 1,472,918
2014	943,072	104,588	1,047,660
2015	748,071	64,141	812,212
2016	564,379	32,105	596,484
2017	<u>142,262</u>	<u>6,620</u>	<u>148,882</u>
Totals	\$ <u>3,730,275</u>	\$ <u>347,881</u>	\$ <u>4,078,156</u>

On February 19, 2004, the Department entered into a Water Treatment and Delivery Agreement (Agreement) with an unrelated third party developer. The Agreement requires the developer to build, operate, and maintain a surface water treatment plant (SWTP) with a capacity of 3.0 million gallons per day (MGD). The Department is required to purchase, at a minimum, 2.0 MGD, and to provide the developer a credit towards its facility reserve charge. The term of the Agreement is 15 years and the Agreement provides the Department with the option of accepting the dedication of the SWTP at no cost after the reimbursement date, as defined. The Department commenced water purchases on January 1, 2006. This arrangement has been recorded as a capital lease in the Department's basic financial statements.

The capital lease obligation is amortized at an implicit rate of approximately 6%. The annual requirements to amortize capital lease obligation as of June 30, 2012, are approximately as follows:

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 - CAPITAL LEASES (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 545,000	\$ 247,000	\$ 792,000
2014	579,000	213,000	792,000
2015	615,000	177,000	792,000
2016	653,000	139,000	792,000
2017	693,000	99,000	792,000
2018-2019	<u>1,253,000</u>	<u>67,000</u>	<u>1,320,000</u>
Totals	\$ <u>4,338,000</u>	\$ <u>942,000</u>	\$ <u>5,280,000</u>

The utility plant related to the SWTP facility was approximately \$7,181,000 as of June 30, 2012. The provision for accumulated depreciation related to the SWTP facility was approximately \$3,475,000 as of June 30, 2012.

**NOTE 10 - LONG-TERM LIABILITIES**

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Approximate amounts due within one year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 121,070,000	\$ —	\$ 3,460,000	\$ 117,610,000	\$ 2,790,000
Deferred Costs:					
For issuance premiums	995,401	1,292,753	145,428	2,142,726	145,428
On refunding	<u>(187,720)</u>	<u>(590,770)</u>	<u>(52,210)</u>	<u>(726,280)</u>	<u>(52,210)</u>
Total Bonds Payable	121,877,681	701,983	3,553,218	119,026,446	2,883,218
Claims and judgments	7,608,690	3,845,427	1,579,719	9,874,398	5,874,739
Landfill closure and postclosure	18,575,595	1,177,000	—	19,752,595	322,222
Capital lease obligations	4,783,617	732,084	1,818,648	3,697,053	1,332,491
Compensated absences	<u>11,888,386</u>	<u>4,704,126</u>	<u>4,525,291</u>	<u>12,067,221</u>	<u>3,016,805</u>
Governmental Activities, Long-term Liabilities	\$ <u>164,733,969</u>	\$ <u>11,160,620</u>	\$ <u>11,476,876</u>	\$ <u>164,417,713</u>	\$ <u>13,429,475</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Approximate amounts due within one year
<b><i>Business-type Activities:</i></b>					
Bonds Payable:					
General obligation bonds	\$ 1,160,000	\$ --	\$ 145,000	\$ 1,015,000	\$ 150,000
Revenue bonds	205,000	--	205,000	--	--
Deferred Costs:					
For issuance premiums	17,420	--	3,427	13,993	3,427
On refunding	(26,175)	--	(5,149)	(21,026)	(5,149)
Total Bonds Payable	1,356,245	--	348,278	1,007,967	148,278
Loans Payable to State					
Governments	17,283,261	2,805,726	1,850,600	18,238,387	2,033,000
Capital lease obligations	--	50,520	17,299	33,221	16,385
Compensated Absences	509,327	192,018	137,181	564,164	141,041
Business-type Activities, Long-term Liabilities	\$ 19,148,833	\$ 3,048,264	\$ 2,353,358	\$ 19,843,739	\$ 2,338,704
<b><i>Discretely Presented Component Unit:</i></b>					
Bonds Payable:					
General obligation bonds	\$ 71,611,500	\$ 5,125,000	\$ 5,665,500	\$ 71,071,000	\$ 356,000
Deferred Costs:					
For issuance premiums	221,622	315,298	105,138	431,782	--
On refunding	(384,366)	(168,655)	(261,823)	(291,198)	--
Total Bonds Payable	71,448,756	5,271,643	5,508,815	71,211,584	356,000
Loans Payable	26,641,634	204,867	1,586,203	25,260,298	1,595,000
Compensated Absences	872,999	513,389	531,660	854,728	487,000
Capital Lease Obligations	4,851,000	--	513,326	4,337,674	545,000
Component Unit, Long-term Liabilities	\$ 103,814,389	\$ 5,989,899	\$ 8,140,004	\$ 101,664,284	\$ 2,983,000

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 both primary government and component unit activities.

General obligation bonds are direct obligations of the County. The County has pledged its full faith and credit. Additionally, the Department has pledged to maintain and collect revenues sufficient to pay all operating costs and to pay the principal and interest on such bonds as they become due.

The County and the Department issued general obligation bonds through the Build America Bonds and Recovery Zone Economic Development Bonds programs that provide 35% and 45%, respectively, in federal subsidies on the total interest requirements. The interest is paid to the County and the Department on a semi-annual basis corresponding with the interest payment dates to the bondholders. Subsidy payments of \$815,193 and \$322,986 were received in fiscal year 2012 for Build America Bonds and Recovery Zone Economic Development Bonds, respectively.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

Claims and judgments - Claims and lawsuits have been filed against the County in the normal course of its operations and are paid from the General Fund. The liability for probable losses has been accrued for in the government-wide statement of net assets.

Landfill closure and post-closure - The County recognizes a portion of the closure and post-closure care costs each operating period in the Solid Waste Fund. The liability for these costs is included in the government-wide statement of net asset and is based on the landfill capacity used as of the balance sheet date.

Compensated absences - Compensated absences consist of accrued vacation leave and compensated time earned. The liability is liquidated from the appropriate fund that employees are funded from. The liability for the accumulated unpaid portion has been accrued for in the government-wide statement of net assets.

General obligation bonds payable reported on the government-wide *Statement of Net Assets* at June 30, 2012, are comprised of the following individual issues:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General obligation bonds, 2011 Series A, original amount \$20,985,000, due in annual installments of \$1,120,000 to \$1,765,000 through August 2025, interest payments semi-annually from 2% to 5.00%.	\$ 19,580,000
General obligation bonds, 2010 Series A, original amount \$47,835,000, due in annual installments of \$1,490,000 to \$3,570,000 through August 2033, interest payments semi-annually from 1.955% to 5.763% (before the federal subsidy).	47,835,000
General obligation bonds, 2010 Series A, original amount \$12,165,000, due in annual installments of \$3,140,000 to \$9,025,000 through August 2034, interest payments semi-annually from 5.863% to 5.913% (before the federal subsidy).	12,165,000
General obligation bonds, 2005 Series A, original amount \$42,180,000, due in annual installments of \$1,120,000 to \$3,355,000 through August 2029, interest payments semi-annually from 3.25% to 5%.	37,130,000
General obligation taxable bonds, 2000 Series B, original amount \$2,820,000, due in annual installments of \$250,000 to \$325,000 from August 2014, interest payments semi-annually from 8% to 8.1%.	<u>900,000</u>
Total Governmental Activities	\$ <u>117,610,000</u>



**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

	<u>Amount</u>
<b>Business-type Activities:</b>	
General obligation bonds, 2005 Series A, original amount \$1,565,000, due in annual installments of \$145,000 to \$190,000 through August 2017, interest payments semi-annually from 3.25% to 5%.	\$ <u>1,015,000</u>
Total Business-type Activities	\$ <u>1,015,000</u>

Annual requirements to amortize primary government general obligation bonds payable (without regard to the interest subsidies previously identified) as of June 30, 2012, are approximately as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,790,000	\$ 5,547,000	\$ 150,000	\$ 42,000	\$ 2,940,000	\$ 5,589,000
2014	4,390,000	5,422,000	160,000	36,000	4,550,000	5,458,000
2015	4,160,000	5,269,000	165,000	29,000	4,325,000	5,298,000
2016	3,970,000	5,129,000	170,000	22,000	4,140,000	5,151,000
2017	4,105,000	4,986,000	180,000	14,000	4,285,000	5,000,000
2018-2022	24,115,000	22,141,000	190,000	5,000	24,305,000	22,146,000
2023-2027	31,285,000	15,709,000	--	--	31,285,000	15,709,000
2028-2032	24,675,000	8,256,000	--	--	24,675,000	8,256,000
2033-2035	18,120,000	1,919,000	--	--	18,120,000	1,919,000
Totals	\$ <u>117,610,000</u>	\$ <u>74,378,000</u>	\$ <u>1,015,000</u>	\$ <u>148,000</u>	\$ <u>118,625,000</u>	\$ <u>74,526,000</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

	<u>Amount</u>
<b>Component Unit:</b>	
County Series 2010A, last installment 2033. Maturing serially from August 1, 2013. Interest rate - 1.96% to 5.76% (before the federal subsidy). Issued March 24, 2010. Original amount - \$60,000,000.	\$ 60,000,000
County Series 2005A, last installment 2021. Maturing serially from August 1, 2008. Interest rate - 3.25% to 5.00%. Issued November 10, 2005. Original amount - \$6,485,000.	6,240,000
County Series 2011A, last installment 2025. Maturing serially from August 1, 2011. Interest rate - 4.50% to 5.63%. Issued July 7, 2011. Original amount - \$5,125,000.	4,780,000
County Series 1980, last installment 2015. Maturing serially from March 1, 1983. Interest rate - 5.00%. Issued April 7, 1980. Original amount - \$300,000.	<u>51,000</u>
Total Component Unit	\$ <u>71,071,000</u>

Annual requirements to amortize component unit general obligation bonds payable (without regard to the interest subsidies previously identified) as of June 30, 2012, are approximately as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 356,000	\$ 3,386,000	\$ 3,742,000
2014	2,237,000	3,357,000	5,594,000
2015	2,683,000	3,293,000	5,976,000
2016	2,745,000	3,211,000	5,956,000
2017	2,840,000	3,117,000	5,957,000
2018-2022	16,020,000	13,733,000	29,753,000
2023-2027	17,065,000	9,895,000	26,960,000
2028-2032	19,665,000	5,010,000	24,675,000
2033-2034	<u>7,460,000</u>	<u>387,000</u>	<u>7,847,000</u>
Totals	\$ <u>71,071,000</u>	\$ <u>45,389,000</u>	\$ <u>116,460,000</u>

At June 30, 2012, approximately \$40.0 million of primary government and \$9.7 million of component unit general obligation bonds outstanding are considered defeased.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**Conduit Debt Obligations – Special District Bonds**

The following Special District Bonds bearing the County's name were issued to finance the Kukui'ula Development Project. Neither the full faith and credit nor the general taxing powers of the County or the State of Hawaii is pledged to the payment of the bonds. Furthermore, neither the County nor State of Hawaii has any obligation for the payment of the bonds in the case of default.

Issuer	Date of Issuance	Amount of Issue	Balance at June 30, 2012
County of Kauai Community Facilities District No. 2008-1	May 15, 2012	\$ 11,875,000	\$ 11,875,000

Amount

**Loans Payable: Business-type Activities**

The County has a construction loan agreement with the State totaling approximately \$2.6 million to fund a portion of the construction cost of the Kapa'a Wastewater Treatment Plant. Principal, interest, and loan fee payments are due quarterly in equal installments of \$46,272. Interest is accrued at 3.5% per annum. The loan was interest-free during the period of construction.

\$ 490,068

During fiscal year 1993, the County entered into a construction loan agreement with the State totaling approximately \$14.1 million to fund a portion of the construction cost of the Lihu'e Wastewater, Phase IV Project. A supplemental loan agreement reduced the principal amount to approximately \$13.4 million. Principal, interest, and loan fee payments are due quarterly in equal installments of \$239,699 (\$958,796 annually). Interest is accrued from the date of the State-issued warrant (March 7, 1994) or check for each subsequent loan amount disbursed to the County at 3.78% per annum. The construction loans are general obligation debt of the County that do not specify a dedicated revenue source to be used for repayment of the loans. The construction of each of these plants was completed during fiscal year 1997. The County determined that the funding source for repayment of these loans will be from the Sewer Enterprise Fund.

1,508,347

Balance forward

\$ 1,998,415

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

	<u>Amount</u>
Balance carried forward	\$ 1,998,415
During fiscal year 1995, the County entered into an additional construction loan agreement with the State totaling approximately \$700,000 to fund a change order related to the Kapa'a Wastewater Treatment Plant. Principal, interest, and loan fee payments are due in semi-annual installments of \$23,925 (\$47,850 annually). Interest is accrued at 3.06% per annum.	106,858
During fiscal year 2006, the County entered into a new construction agreement with the State to fund a cesspool conversion project. The agreement allows the County to request reimbursement for project related expenditures from the State. Principal and interest payments are due in semi-annual installments of \$44,582 (\$89,164 annually). A loan fee is assessed at 1% of the outstanding principal balance. Interest is accrued at 2.13% per annum.	1,041,071
During fiscal year 2007, the County entered into a construction agreement with the State totaling approximately \$2.2 million to fund a wastewater effluent system. Principal and interest payments are due in semi-annual installments of \$58,425 (\$116,850 annually). A loan fee is assessed at .25% of the outstanding principal balance. Interest is accrued at .50% per annum.	1,579,224
During fiscal year 2009, the County entered into a new construction agreement with the State totaling approximately \$2.1 million to continue to fund the wastewater effluent system. Principal and interest payments are due in semi-annual installments of \$55,611 (\$111,222 annually). A loan fee is assessed at .25% of the outstanding principal balance. Interest is accrued at .50% per annum.	1,605,078
During fiscal year 2009, the County entered into a second new construction agreement with the State totaling approximately \$4.5 million to fund sewer system improvements. Principal and interest payments are due in semi-annual installments of \$108,486 (\$216,972 annually). A loan fee is assessed at .25% of the outstanding principal balance. Interest is accrued at .50% per annum.	3,131,804
Balance forward	\$ <u>9,462,450</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

	<u>Amount</u>
Balance carried forward	\$ 9,462,450
During fiscal year 2009, the County entered into a third new construction agreement with the State totaling approximately \$952,000 to fund wastewater pump station improvements. Principal and interest payments are due in semi-annual installments of \$12,051 (\$24,102 annually). A loan fee is assessed at .25% of the outstanding principal balance. Interest is accrued at .50% per annum.	358,843
During fiscal year 2010, the County entered into a new construction agreement with the State totaling approximately \$4.9 million to fund the wastewater plant digester repair. Principal and interest payments are due in semi-annual installments of \$137,553 (\$275,106 annually). A loan fee is assessed at .25% of the outstanding principal balance. Interest is accrued at .50% per annum.	4,346,529
During fiscal year 2011, the County entered into a new construction agreement with the State totaling approximately \$8.2 million to fund Phase I of the Waimea Wastewater Treatment Plant Expansion. Principal and interest payments are due in semi-annual installments of \$118,377 (\$236,754 annually). A loan fee is assessed at 0.25% of the outstanding principal balance. Interest is accrued at .50% per annum.	<u>4,070,564</u>
Total Business-type Activities	\$ <u>18,238,386</u>

Annual requirements to retire loans payable as of June 30, 2012, are approximately as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,033,000	\$ 276,000	\$ 2,309,000
2014	1,841,000	223,000	2,064,000
2015	1,175,000	148,000	1,323,000
2016	992,000	117,000	1,109,000
2017	998,000	107,000	1,105,000
2018-2022	5,086,000	396,000	5,482,000
2023-2027	4,996,000	156,000	5,152,000
2028-2030	<u>1,117,386</u>	<u>11,000</u>	<u>1,128,386</u>
Totals	\$ <u>18,238,386</u>	\$ <u>1,434,000</u>	\$ <u>19,672,386</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

<b>Component Unit:</b>	<u>Amount</u>
State Revolving Fund Loan -	
Kokolau Tunnel, last installment 2021. Maturing serially from July 15, 2001. Interest rate - 1.37%. Semi-annual loan fee rate - 1.625%. Date issued - July 15, 2001. Original amount - \$1,755,329.	\$ 868,942
Kekaha Well, last installment 2022. Maturing serially from April 15, 2002. Interest rate - 1.01%. Semi-annual loan fee rate 1.625%. Date issued - April 15, 2002. Original amount - \$1,097,536.	493,169
Hanapepe 27" Steel Pipeline, last installment 2023. Maturing serially from July 15, 2003. Interest rate - 0.99%. Semi-annual loan fee rate - 1.625%. Date issued - July 15, 2003. Original amount - \$691,134.	424,704
Hanapepe River Crossing Pipeline, last installment 2023. Maturing serially from July 15, 2003. Interest rate - 0.99%. Semi-annual loan fee rate - 1.625%. Date issued - July 15, 2003. Original amount - \$1,345,040.	762,027
Wailua Homesteads Well No. 3, last installment 2024. Maturing serially from March 15, 2004. Interest rate - 0.54%. Semi-annual loan fee rate - 1.625%. Date issued - March 15, 2004. Original amount - \$418,967.	256,989
Lihu'e Steel Tanks 1 and 2, last installment 2024. Maturing serially from January 15, 2004. Interest rate - 0.46%. Semi-annual loan fee rate - 1.625%. Date issued - January 15, 2004. Original amount - \$1,243,017.	868,641
Ornellas 0.2 MG Tank, last installment 2025. Maturing serially from January 15, 2005. Interest rate - 0.58%. Semi-annual loan fee rate - 1.625%. Date issued - January 15, 2005. Original amount - \$809,398.	558,285
16" Waterline replacement along Kuhio Highway, last installment 2026. Maturing serially from August 15, 2005. Interest rate - 0.16%. Semi-annual loan fee rate - 1.625%. Date issued - August 15, 2005. Original amount - \$2,481,289.	<u>1,706,073</u>
Balance forward	\$ <u>5,938,830</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

	<u>Amount</u>
Balance carried forward	\$ 5,938,830
Poipu Road 16" Main Replacement, last installment 2027. Maturing serially from January 15, 2007. Interest rate - 0.16%. Semi-annual loan fee rate - 1.625%. Date issued - January 15, 2007. Original amount - \$5,595,979.	3,989,775
Stable 1.0 MG Tank, last installment 2029. Maturing serially from March 15, 2009. Interest rate - 0.13%. Semi-annual loan fee rate - 1.625%. Date issued - March 15, 2009. Original amount - \$7,274,996.	6,498,004
Kaumualii Highway 12" Main Replacement, last installment 2029. Maturing serially from August 15, 2009. Interest rate - 0.16%. Semi-annual loan fee rate - 1.625%. Date issued - August 15, 2009. Original amount - \$3,989,537.	3,602,184
Waha, Wawae and Niho Roads Main Replacement, last installment 2029. Maturing serially from August 15, 2009. Interest rate - 0.16%. Semi-annual loan fee rate - 1.625%. Date issued - August 15, 2009. Original amount - \$1,844,718.	1,660,876
Kapilimao 0.5 MG Tank, last installment 2030. Maturing serially from January 15, 2010. Interest rate - 0.21%. Semi- annual loan fee rate - 1.625%. Date issued - January 15, 2010. Original amount - \$3,793,779.	<u>3,570,629</u>
Total Component Unit	\$ <u>25,260,298</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

Annual requirements to retire the component unit loans payable as of June 30, 2012, are approximately as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,595,000	\$ 898,000	\$ 2,493,000
2014	1,608,000	843,000	2,451,000
2015	1,614,000	784,000	2,398,000
2016	1,621,000	725,000	2,346,000
2017	1,628,000	665,000	2,293,000
2018-2022	8,192,000	2,424,000	10,616,000
2023-2027	6,838,000	1,021,000	7,859,000
2028-2030	<u>2,164,000</u>	<u>157,000</u>	<u>2,321,000</u>
Totals	\$ <u>25,260,000</u>	\$ <u>7,517,000</u>	\$ <u>32,777,000</u>

**NOTE 11 - EMPLOYEE BENEFIT PLANS**

***Pension***

Substantially all eligible employees of the County (including the Department) are members of the Employees' Retirement System of the State of Hawai'i (ERS), a cost-sharing, multiple-employer defined benefit pension plan. The ERS provides retirement benefits, as well as, death, and disability benefits. HRS Section 88 establishes or amends benefit provisions. Prior to June 30, 1984, the plan consisted of only a contributory option. In 1984, legislation was enacted to add a new noncontributory option for members of the ERS who are also covered under Social Security. Persons employed in positions not covered by Social Security are precluded from the noncontributory option. The noncontributory option provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory option or to elect the new noncontributory option and receive a refund of employee contributions. Both options provide for a monthly retirement allowance based on the employee's age, years of credited service, and Average Final Compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date and prior to January 1, 2003 is based on the three highest paid years of service, excluding the vacation payment. Effective January 1, 2003, the AFC is the highest three calendar years or highest five calendar years plus lump sum vacation payment or, highest three school contract years, or last 36 credited months or last 60 credited months plus lump sum vacation payment. All benefits vest after five and ten years of credited service under the contributory and noncontributory options, respectively. Members, except



**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)**

police officers, under the contributory option contribute at a rate of 15% of their salary. Members who are police officers have a mandatory contribution rate of 19.70% of their salary.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with five years of credited service or age 55 with 30 years of credited service. Members will receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan, are eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006, are required to join the new hybrid plan.

The ERS provides basic pension benefits to individuals receiving pensions. Employer contributions to the ERS are comprised of normal cost plus level annual payments required to liquidate the unfunded accrued liability over the closed period ending June 30, 2029. The ERS uses the Entry Age Normal Actuarial Cost method to calculate the unfunded accrued liability.

The County's (including the Department's) payroll for employees covered by the plan for the fiscal year ended June 30, 2012, was approximately \$66.4 million. The County is required to contribute an actuarially determined amount to the ERS. Contributions made to the ERS by the County, and employees for the fiscal year ended June 30, 2012, were approximately \$10.8 million and \$4.6 million, respectively. The County's actuarially determined contribution is 1% of the total current year actuarially determined contribution requirements for all employers. The County's contributions to ERS for fiscal years 2012, 2011, and 2010 were approximately \$10.8 million, \$10.9 million, and \$10.7 million, respectively. Contributions for fiscal years 2012, 2011 and 2010 were equal to the required contributions for each respective year.

ERS issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information which may be obtained from the following address:

Employees' Retirement System of the State of Hawaii  
201 Merchant Street, Suite 1400  
Honolulu, Hawaii 96813

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)**

The following data was obtained from the disclosures contained in the most recent *CAFR* for the fiscal year ended June 30, 2009. Number of employers as of June 30, 2009 was:

State	1
Counties	<u>4</u>
Total employers	<u><u>5</u></u>

***Basis of Accounting***

The financial statements of the ERS are prepared using the accrual basis of accounting. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***Method Used to Value Investments***

Plan investments are reported at fair value. Where appropriate, the fair value includes disposition costs. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments and real estate owned are based on independent appraisals and estimated values. Investments that do have an established market are reported at estimated fair value.

***Deferred Compensation Plan***

The County has a Deferred Compensation Plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Small Business Job Protection Act of 1996 requires that all plan assets and income be placed in trust, custodial account or annuity contract for the exclusive benefit of the participants and their beneficiaries.

The County has met the requirements for the Small Business Job Protection Act of 1996 for its Internal Revenue Code Section 457 Plan, and in accordance with the criteria set forth in the GASB Statement No. 32, *Accounting and Financial Reporting Code Section 457 Deferred Compensation Plans*, the County has excluded the plan assets and liabilities from the government-wide financial statements because the County does not have significant administrative involvement in the Plan or perform the investment function for the Plan. All such amounts are not subject to the claims of the County's general creditors.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN**

***Plan Description***

The County provides certain healthcare and life insurance benefits to all qualified employees through the Hawaii employer - Union Health Benefit Trust Fund (EUTF), an agent multiple-employer defined benefit plan, established through Chapter 87A of the Hawaii Revised Statutes (HRS). The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. As an agency of the State, the EUTF contracts with providers of medical, dental, vision, and life insurance plans. The EUTF plan currently provides medical, dental, vision, and life insurance benefits. The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to:

EUTF  
201 Merchant Street, Suite 1520  
Honolulu, Hawaii 96813

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

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less 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 base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the County pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the County pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less 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 base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the County pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the County pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

**COUNTY OF KAUAI, HAWAII  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN (Continued)**

***Funding Policy***

Effective July 1, 2006, EUTF implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. GASB 43 establishes accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB) other than pensions. GASB Statement No. 43 requires defined benefit OPEB plans that are administered as trust or equivalent arrangement to prepare a statement of plan assets and a statement of changes in plan assets.

The reporting of active and retiree (including their respective beneficiaries) healthcare benefits provided through the same plan should separate those benefits for accounting purposes between active and retiree healthcare benefits. Accordingly, the County reports the retiree healthcare benefits as OPEB in conformity with GASB Statement No. 43 and the active employee healthcare benefits as risk financing in conformity with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended.

Effective July 1, 2007, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, which requires reporting the OPEB liability on an accrual basis. Because the Statement was implemented on a prospective basis, the OPEB liability at transition was zero.

The County's base contribution levels to EUTF are established by Statutes. The retiree is responsible to pay the difference if the base contribution is less than the cost of the monthly premium.

***Annual OPEB Cost***

The County's annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters in GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The net OPEB obligation is determined based upon current year contributions and any short-term differences which are amounts that will be contributed within one year or the next actuarial determination date. At June 30, 2012, the County's post-retirement payable of \$10,794,472 is considered a short-term difference and has been included in the respective annual OPEB contributions. At June 30, 2012, the Department's post-retirement payable of \$848,051 is considered a short-term difference and has been included in the respective annual OPEB contributions. The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB liability.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN (Continued)**

County:

<u>Fiscal Year Ending June 30,</u>	<u>Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2010	\$ 11,926,000	100.0%	\$ --
2011	\$ 16,483,000	100.0%	\$ --
2012	\$ 17,060,000	100.2%	\$ (44,000)

Department:

<u>Fiscal Year Ending June 30,</u>	<u>Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2010	\$ 755,000	100.9%	\$ (7,000)
2011	\$ 1,072,000	104.7%	\$ (50,000)
2012	\$ 1,109,000	98.2%	\$ (30,000)

***Funding Status and Funding Progress***

The funded status of the Plan as of the most recent valuation date is as follows:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2011	\$ 29,653,000	\$ 186,265,000	\$ 156,612,000	16%	\$ 66,400,000	236%

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. Actuarially determined amounts are subject to continual revisions 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, is designed to present 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.

***Actuarial methods and assumptions***

Projections of benefits for financial reporting purposes are based on the plan 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 the effects of short-term

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN (Continued)**

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

	<u>County</u>
Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, period ending June 30, 2037
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	7%
Inflation	3%
Projected salary increases	3.5%
Medical and prescription drug	8% initial; 5% ultimate
Dental	4% initial; 4% ultimate
Vision	3% initial; 3% ultimate
Medicare Part B	13.43% initial, 5% ultimate

The number of participants as of July 1, 2011, the effective date of the biannual OPEB valuation, follows. There have been no significant changes in the number of covered participants or the type of coverage since.

	<u>County</u>	<u>Department</u>
Active employees	1,110	76
Retired employees	672	36
Deferred vested employees	<u>86</u>	<u>4</u>
Total	<u>1,868</u>	<u>116</u>

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

***Claims and Judgments***

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 certain comprehensive general liability and property insurance, public official and law enforcement liability insurance, and excess auto liability insurance for claims. It is the opinion of management and legal counsel that such claims and lawsuits are either covered by the County's insurance policies, if they should exceed the County's retained risk, or are recorded in the government-wide financial statements. There was no reduction in

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)**

insurance coverage during the year from coverage in the prior year. During the past four fiscal years, the amount of settlements in cases covered by insurance have not exceeded the insurance coverage. The County is substantially self-insured for its vehicles as well as for all other perils including workers' compensation and general liability below \$500,000. Claims against the County are paid out of the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims 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 on a case-by-case review of all claims and the application of historical experience to outstanding claims. Estimates of IBNR are based on historical experience. The liability for claims and judgments is reported on the government-wide *Statement of Net Assets*. At June 30, 2012, the amount of this liability was approximately \$9.9 million. This is the County's best estimate based on available information. Changes in the reported liability since July 1, 2011, are given below:

<u>Fiscal Year</u>	<u>Liability at Beginning of Year</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments and Adjustments</u>	<u>Liability at End of Year</u>
2011	\$ 8,286,705	\$ 2,045,481	\$ (2,723,496)	\$ 7,608,690
2012	\$ 7,608,690	\$ 3,845,427	\$ (1,579,719)	\$ 9,874,398

***Puhi Metals Recycling Center***

The County of Kauai is facing potential contingent liability for contracting the operation and management of the Puhi Metals Recycling Center (PMRC) from October 11, 2001 to October 11, 2011 to a private contractor. The County leased the property comprising the PMRC from land owner Grove Farm, Inc. for the aforementioned ten (10) year period. Under its contract with the contracted operator, the County was to be defended, indemnified and held harmless for any and all damages to persons and or property during the operation, including its obligations under the land license between the County and Grove Farm, Inc. After the expiration of the contract with the contracted operator, the County was informed by the Grove Farm, Inc. that their property was allegedly damaged by the contracted operator. The County has since procured and obtained environmental studies on the property and the range of contingent liability is from \$2.1 million to \$5.4 million, depending upon the environmental remediation alternative implemented. Based upon the recommendation by the County's consultant, the County plans to implement the alternative corresponding to the estimate of the \$2.1 million. Currently, the County has withheld approximately \$839,000 from their contractor to offset this contingent liability. At June 30, 2012, the County accrued the \$2.1 million estimated for this environmental remediation.

**COUNTY OF KAUAI, HAWAII  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)**

***Purchase Commitments***

The outstanding portion of contractual commitments for capital projects, supplies, and other expenditures at June 30, 2012, was approximately \$28.3 million. Contractual commitments are generally reflected in the governmental fund financial statements as committed fund balance.

**NOTE 14 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS**

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, which is based on the October 9, 1991 United States Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria," establishes closure requirements for all municipal solid waste landfills that receive waste after October 9, 1991. In accordance with GASB Statement No. 18, the County estimates in advance the total cost of closure and post-closure care during the life of those landfills rather than after their closings. Federal and State laws and regulations require the County to place final covers on certain landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Annual additions to the liability for closure and post-closure care costs are based on landfill capacity used as of each balance sheet date.

The County has three landfill sites - Kekaha Landfill Phases I and II, and Halehaka Landfill. The County has closed the Kekaha Landfill Phase I and Halehaka Landfill. The County estimates the closure costs for the Kekaha Landfill Phase II to be approximately \$11.9 million based on estimates provided by project engineers. At June 30, 2012, approximately 90% of the total capacity of the Kekaha Landfill Phase II had been used, and the estimated remaining landfill life is approximately three and a half years.

The County anticipates beginning the construction phase soon for the lateral expansion of the Cell II of the Kekaha Landfill Lateral Expansion. Upon completion, it is anticipated to extend the life of the Kekaha Landfill by an additional 3.5 years. Cell II of the lateral expansion will provide additional capacity for waste by the construction of a baseliner and leachate collection system in the area between Phase I and Phase II, further extending the landfill footprint. Department of Public Works, Solid Waste Division has identified additional options to further extend the life of Kekaha Landfill and is currently investigating the feasibility of those options.



**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 14 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (Continued)**

The total estimated closure costs accrued in the government-wide financial statements for the Kekaha Landfill Phase II, and the remaining post-closure costs for the Kekaha Landfill Phases I and II, and Halehaka Landfill was approximately \$19.8 million, which may change due to inflation, technology or applicable laws or regulations. This amount is fully accrued in the government-wide financial statements.

The County has provided for financial resources that will be available to provide for closure, post-closure care and remediation or containment of environmental hazards at the above landfills. The Environmental Protection Agency's financial assurance rules include a local government financial test consisting of a financial component, a public notice component, and a recordkeeping component. Local governments are required to satisfy each of the three components to pass the annual test. Management believes that the County has satisfied each of the components of the local government financial assurance requirements.

**NOTE 15 - FUND BALANCE CONSTRAINTS**

**Stabilization Arrangements** –The County Resolution 2011-77 established the Reserve Fund and Reserve Fund Policy. The County intends to maintain the Reserve Fund within the General Fund in the range of 20-25% of the previous year's actual operating general fund expenditures, encumbrances, and general fund transfers to other funds. The Reserve Fund was established for the following purposes: working capital (50%), budgetary stabilization (25%), risk management losses (10%) and initial disaster response (15%). The Reserve Fund can only be used to provide a short-term solution to maintain necessary services until revenue growth and/or expenditure reductions are instituted to balance the budget and normalize cash flow. In the event that the funds from the Reserve Fund are utilized, the County Council and Administration shall timely propose and approve a financial plan to replenish the Reserve Fund to prescribed policy levels.

The balance of the Reserve Fund is reported in the fund balance in the General Fund as follows:

	<u>Amount</u>
Committed fund balance	\$ 3,808,062
Unassigned fund balance	<u>15,368,459</u>
Total	\$ <u>19,176,521</u>

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 15 - FUND BALANCE CONSTRAINTS (Continued)**

The constraints on fund balance as listed in aggregate in the *Statement of Revenues, Expenditures, and Changes in Fund Balance* are detailed according to balance classification and fund.

	Major Special Revenue Funds				Major Capital Projects Funds				
	General Fund	Housing and Community Development Revolving Fund	Solid Waste Disposal Fund	Federal Grants Fund	Grants Capital Improvement	General Capital Improvement	Bond	Other Governmental Funds	Total
Fund Balances:									
Nonspendable:									
Prepays	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 511,703	\$ 511,703
Loans receivable	--	2,257,416	--	--	--	--	--	--	2,257,416
Total - Nonspendable	--	2,257,416	--	--	--	--	--	511,703	2,769,119
Restricted:									
Debt service reserve	--	--	--	--	--	--	--	613,554	613,554
Landfill closure and post closure costs	490,000	--	7,522,189	--	--	--	--	--	8,012,189
Total - Restricted	490,000	--	7,522,189	--	--	--	--	613,554	8,625,743
Committed:									
General government	6,646,281	--	--	--	--	564,584	67,019	91,761	7,369,645
Public safety	954,258	--	--	--	--	--	--	14,790	969,048
Public works	250,244	--	--	--	--	821,380	2,316,426	5,833	3,393,883
Highways and streets	--	--	--	--	--	194,205	1,070,025	6,163,820	7,428,050
Sanitation	--	--	2,920,636	--	--	53,883	3,988,276	--	6,962,795
Culture and recreation	725,848	--	--	--	--	190,878	818,470	322,960	2,058,156
Public welfare	25,525	160	--	--	--	--	59,736	5	85,426
Total - Committed	8,602,156	160	2,920,636	--	--	1,824,930	8,319,952	6,599,169	28,267,003
Assigned:									
Balancing future budget shortfalls	18,508,214	2,543,754	2,303,648	--	--	--	--	2,705,120	26,060,736
Self insurance provisions	1,726,480	--	--	--	--	--	--	--	1,726,480
Capital improvement projects	--	--	--	--	--	5,558,618	49,185,683	12,146,342	66,890,643
Other purposes	--	--	--	--	--	--	--	7,127,219	7,127,219
Total - Assigned	20,234,694	2,543,754	2,303,648	--	--	5,558,618	49,185,683	21,978,681	101,805,078
Unassigned:	15,368,459	--	--	--	--	--	--	--	15,368,459
Total Fund Balances	\$ 44,695,309	\$ 4,801,330	\$ 12,746,473	\$ --	\$ --	\$ 7,383,548	\$ 57,505,635	\$ 29,703,107	\$ 156,835,402

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 16 - COMPONENT UNIT DISCLOSURES**

Safe Drinking Water Act - The Department is subject to the requirements of the Safe Drinking Water Act (the Act) which is administered by the State of Hawaii Department of Health on behalf of the United States Environmental Protection Agency. Management indicated that the Department is in full compliance with the requirements of the Act and is not aware of any matters under the Act that materially affected or are currently affecting the Department's customer service area.

**NOTE 17 - RELATED PARTY TRANSACTIONS**

The Department charges the County for fire protection services (hydrant use) at agreed-to rates that approximate the costs for such services. The County provides certain services to the Department and charges the Department for these services at an amount equal to the charge for fire protection services. The amounts charged approximated \$1,148,000 for the fiscal year ended June 30, 2012.

**NOTE 18 - NEW PRONOUNCEMENTS FOR FINANCIAL REPORTING**

GASB has issued the following Statements applicable to the County:

- Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, which will be effective for years beginning after June 15, 2012. This Statement modifies certain requirements for inclusion of Component Units in the financial reporting entity. The County does not expect this Statement will have an impact on its financial statements.
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is effective for reporting periods beginning after December 15, 2011. The objective of this Statement is to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The County does not expect that this will have a material effect on its financial statements.

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 18 - NEW PRONOUNCEMENTS FOR FINANCIAL REPORTING (Continued)**

- Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will become effective for financial statements for periods beginning after December 15, 2011. Statement No. 63 provides financial statement presentation guidance for these elements; however, it does not identify any additional items that should be recognized within these element classifications. Statement No. 63 only will apply to items that have been specifically identified by GASB as deferred outflows of resources or deferred inflows of resources. The County does not expect that this Statement will have a material effect on its financial statements.
- Statement No. 68 *Accounting and Reporting for Pensions (an amendment of GASB Statement No. 27)*. GASB 68 amends the accounting guidance related to employers' accounting for pension plans administered through trusts or similar arrangements and requires the recognition of a liability for the employers' accumulated obligation for pension benefits. Statement No. 68 also provides additional guidance regarding the recognition of annual costs of pension benefits and revises the disclosure requirements for the notes to the financial statements and required supplementary information. Statement No. 68 will be effective for the County's financial statements for the fiscal year ending June 30, 2015. Management is currently assessing the impact of Statement No. 68 on its financial position and results of operations and has not determined if the adoption will have a material effect on its financial statements.

**NOTE 19 - SUBSEQUENT EVENTS**

Only July 10, 2012, the County issued approximately \$26 million of Series 2012A general obligation bonds. The proceeds from the bonds will be utilized to defease Series 2005A general obligation debt. The Department's share of this issue approximated \$2.7 million.

**NOTE 20 - RESTATEMENTS**

The accompanying financial statements reflect adjustments resulting from prior period adjustments and restatements of beginning fund balance and net assets as of June 30, 2011. Beginning fund balances and beginning net assets have been restated to reflect correction in real property revenues and capital assets from prior years. The following information and schedules summarize the effect of the prior period adjustments on the beginning fund balance and net assets at July 1, 2011:

**Real property tax appeals** - In the fiscal year ended June 30, 2011, approximately \$3.6 million in real property tax revenues on appeal were erroneously reported and realized as real property taxes collected. As such, real property tax revenues reported were overstated and the Real Property Trust Fund assets and liabilities were understated by the above noted amount. The prior period adjustment to correct prior year General Fund revenues and Real Property Trust Fund assets and liabilities are as follows:

**COUNTY OF KAUAI, HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 20 – RESTATEMENTS (Continued)**

***Fund financial statements:***

	<u>General Fund</u>
Beginning fund balance, as previously reported	\$ 57,264,394
Real property tax revenues on appeal	<u>(3,612,984)</u>
Beginning fund balance, as restated	\$ <u>53,651,410</u>

***Fiduciary funds financial statements:***

	<u>Real Property Trust Fund</u>
<b>Assets:</b>	
Beginning due from other funds, as previously reported	\$ --
Real property tax revenues on appeal	<u>3,612,984</u>
Beginning due from other funds, as restated	\$ <u>3,612,984</u>
<b>Liabilities:</b>	
Beginning due customer deposits, as previously reported	\$ 1,297,769
Real property tax revenues on appeal	<u>3,612,984</u>
Beginning due customer deposits, as restated	\$ <u>4,910,753</u>

**Housing inventory** - Pa'anau Village Phase 2 apartments were originally classified under construction in-progress and included in capital assets on the financial statements of the Public Housing Fund. At completion of the project, it was determined that Pa'anau Village Phase 2 apartments would not become an asset of the County, thus resulting in the adjustment of approximately \$1.94 million to reclassify the construction in-progress and remove the amounts from capital assets.

The County included approximately \$841,000 in construction in-progress and \$437,000 in real property held-for-sale, resulting in an overstatement of capital assets reported in the prior year. The restatement reclassifies construction in-progress, real property held-for-sale, and removes the amounts from capital assets.

Net assets have been restated as follows:

***Proprietary Fund financial statements:***

	<u>Public Housing</u>
Net assets, as previously reported June 30, 2011	\$ 39,430,281
Adjustment to remove Pa'anau Village Phase 2 apartments construction in-progress assets	(1,942,786)
Adjustment to remove construction in-progress assets	(840,759)
Adjustment to remove real property held-for-sale assets	<u>(436,652)</u>
Net assets, as restated at July 1, 2011	\$ <u>36,210,084</u>

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**COUNTY OF KAUAI, HAWAII  
SCHEDULE OF FUNDING PROGRESS  
FOR THE EUTF HEALTH PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	\$ --	\$ 131,138,000	\$ 131,138,000	0%	\$ 57,779,000	227%
7/1/2009	\$ 13,493,000	\$ 207,039,000	\$ 193,546,000	7%	\$ 65,885,000	294%
7/1/2011	\$ 29,653,000	\$ 186,265,000	\$ 156,612,000	16%	\$ 66,400,000	236%



**OTHER SUPPLEMENTARY INFORMATION**



**COUNTY OF KAUAI, HAWAII**  
**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Special Revenue Funds**

**Highway Fund**

Accounts 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, licenses, and permits.

**Liquor Fund**

Accounts for the costs of operating the County's Liquor Department. Financing is provided by liquor licenses and permits.

**Beautification Fund**

Accumulates monies for the beautification of highways and streets and defrays the cost of disposing of abandoned vehicles. Financing is provided by motor vehicle registration fees. This fund was established for financing projects planned by the Mayor's Committee on Beautification.

**Criminal Assets Forfeiture Fund**

Accounts for monies or forfeited non-cash or tangible property received to be used solely for the Kauai Police Department for law enforcement purposes as delineated in the Comprehensive Crime Control Act of 1984 and The Attorney General's Guidelines on Seized and Forfeited property.

**Plans and Permits Revolving Fund**

Accounts for monies collected from new permits and penalties.

**Section 8 Fund**

Accounts for a contract with the federal government pursuant to Section 8 of the Housing and Community Development Act of 1974. Funds are to be expended for housing assistance payments for lower-income families and for administrative costs.

**State Grants Fund**

Accounts for expenditures of state and county grants.

**Public Access Fund**

Accumulates monies for the acquisition of land or property entitlements for land conservation purposes. This fund is appropriated at a minimum of .5% of the certified real property tax revenues for public access, open space, and natural resources preservation.

**Park Maintenance and Improvements Fund**

Accounts for monies collected and expended for parks.

**COUNTY OF KAUAI, HAWAII**  
**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**  
**(CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Debt Service Fund**

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

**Capital Projects Funds**

**Parks and Playground Capital Improvement Fund**

Accounts for the costs of developing County parks and playgrounds financed by assessments to developers of residential projects.

**Sewer Trust Fund**

Accounts for the costs of expanding the County's sewer system financed by assessments to developers of subdivisions. Construction of the sewer system improvements is financed by general obligation debt that covers multiple public improvements. Repayment of the debt applicable to the sewer system will be made from General Fund sources. Accordingly, all sewer trust fund capital improvements are accounted for in the Capital Projects Fund and recorded as contributed capital in the Sewer Enterprise Fund upon completion.

**Development Capital Improvement Fund**

Accounts for capital improvements financed by assessments to developers of residential, hotel, commercial or industrial projects.

**Bikeway Capital Improvement Fund**

Accumulates monies for the construction and maintenance of bikeways and related activities financed by bicycle license fees.

**Special State Capital Improvement Fund**

Accounts for the costs of capital projects financed by State of Hawaii grants-in-aid to Counties. There was no activity in this fund during fiscal year ended June 30, 2012.

**Highway Capital Improvement Fund**

Accounts for the costs of projects financed by the Highway Fund.

**COUNTY OF KAUAI, HAWAII**  
**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**  
**(CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Fiduciary Funds**

**Trust and Agency Fund**

Accounts for the collection and payment to other governments of monies collected by the County on behalf of the other governments. Monies consist primarily of the collection of State of Hawaii motor vehicle weight taxes.

**Treasury Trust Fund**

Accounts for monies collected for specific purposes by various agencies of the County as escrow agent or custodian.

**Real Property Trust Fund**

This fund is used for the purpose of making refunds and adjustments relating to real property taxes.

**COUNTY OF KAUAI, HAWAII**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Special Revenue Funds									
	Highway	Liquor	Beautification	Criminal Assets	Plans and Permits	Section 8	State Grants	Public Access	Park Maintenance And Improvements	Debt Service Fund
<b>Assets:</b>										
Cash and cash equivalents	\$ 2,095,190	\$ --	\$ 779,873	\$ 75,744	\$ 180,424	\$ 1,207,589	\$ 527,862	\$ 1,586,886	\$ 1,965,938	\$ 483,340
Investments	2,110,904	702,863	--	952,875	--	--	--	--	--	--
Accounts receivable, net	24,413	--	--	--	--	1,638	1,846,530	--	--	--
Interest receivable	2,087	3,265	--	3,895	--	--	--	--	--	--
Due from other funds	20,086	--	--	--	--	--	--	--	--	--
Due from other governments	354,408	--	--	--	--	--	--	--	--	--
Loans receivable	--	--	--	--	--	22,462	--	--	--	--
Prepaid items	--	--	--	--	--	511,703	--	--	--	--
<b>Total Assets</b>	<b>\$ 4,607,088</b>	<b>\$ 706,128</b>	<b>\$ 779,873</b>	<b>\$ 1,032,514</b>	<b>\$ 180,424</b>	<b>\$ 1,743,392</b>	<b>\$ 2,374,392</b>	<b>\$ 1,586,886</b>	<b>\$ 1,965,938</b>	<b>\$ 483,340</b>
<b>Liabilities:</b>										
Accounts payable	734,385	50,361	--	--	8,758	68,592	883,062	840	--	--
Retainage payable	3,407	--	--	--	--	--	4,634	--	--	--
Due to other funds	--	20,086	--	--	--	--	--	--	--	--
Due to customers	--	--	--	--	--	189,752	--	--	--	--
Due to other governments	--	--	--	--	--	323,952	--	--	--	--
Deferred revenue	--	92,304	--	--	--	--	1,486,696	--	--	--
<b>Total Liabilities</b>	<b>737,792</b>	<b>162,751</b>	<b>--</b>	<b>--</b>	<b>8,758</b>	<b>582,296</b>	<b>2,374,392</b>	<b>840</b>	<b>--</b>	<b>--</b>
<b>Fund Balance:</b>										
Nonspendable	--	--	--	--	--	511,703	--	--	--	--
Restricted	--	107,752	--	--	--	22,462	--	--	--	483,340
Committed	609,787	15	--	14,775	5,833	5	--	1,761	3,374	--
Assigned	3,259,509	435,610	779,873	1,017,739	165,833	626,926	--	1,584,285	1,962,564	--
<b>Total Fund Balances</b>	<b>3,869,296</b>	<b>543,377</b>	<b>779,873</b>	<b>1,032,514</b>	<b>171,666</b>	<b>1,161,096</b>	<b>--</b>	<b>1,586,046</b>	<b>1,965,938</b>	<b>483,340</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,607,088</b>	<b>\$ 706,128</b>	<b>\$ 779,873</b>	<b>\$ 1,032,514</b>	<b>\$ 180,424</b>	<b>\$ 1,743,392</b>	<b>\$ 2,374,392</b>	<b>\$ 1,586,886</b>	<b>\$ 1,965,938</b>	<b>\$ 483,340</b>

**COUNTY OF KAUAI, HAWAII**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2012**

	Capital Projects Funds					
	Parks and Playgrounds	Sewer Trust	Development	Bikeway Capital Improvement	Highway Capital Improvement	Total Non-major Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 666,394	\$ 662,088	\$ 361,256	\$ 174,392	\$ 7,460,974	\$ 18,227,950
Investments	7,293,372	--	1,643,192	--	--	12,703,206
Accounts receivable, net	--	--	--	--	--	1,872,581
Interest receivable	6,553	--	10,672	--	--	26,472
Due from other funds	--	--	--	--	6,520	26,606
Due from other governments	--	--	--	--	--	354,408
Loans receivable	--	--	--	--	--	22,462
Prepaid items	--	--	--	--	--	511,703
<b>Total Assets</b>	<b>\$ 7,966,319</b>	<b>\$ 662,088</b>	<b>\$ 2,015,120</b>	<b>\$ 174,392</b>	<b>\$ 7,467,494</b>	<b>\$ 33,745,388</b>
<b>Liabilities:</b>						
Accounts payable	32,056	--	--	--	59,213	1,837,267
Retainage payable	--	--	2,028	--	82,155	92,224
Due to other funds	--	--	--	--	--	20,086
Due to customers	--	--	--	--	--	189,752
Due to other governments	--	--	--	--	--	323,952
Deferred revenue	--	--	--	--	--	1,579,000
<b>Total Liabilities</b>	<b>32,056</b>	<b>--</b>	<b>2,028</b>	<b>--</b>	<b>141,368</b>	<b>4,042,281</b>
<b>Fund Balance:</b>						
Nonspendable	--	--	--	--	--	511,703
Restricted	--	--	--	--	--	613,554
Committed	319,586	--	90,000	--	5,554,033	6,599,169
Assigned	7,614,677	662,088	1,923,092	174,392	1,772,093	21,978,681
<b>Total Fund Balances</b>	<b>7,934,263</b>	<b>662,088</b>	<b>2,013,092</b>	<b>174,392</b>	<b>7,326,126</b>	<b>29,703,107</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,966,319</b>	<b>\$ 662,088</b>	<b>\$ 2,015,120</b>	<b>\$ 174,392</b>	<b>\$ 7,467,494</b>	<b>\$ 33,745,388</b>

**COUNTY OF KAUAI, HAWAII**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds									
	Highway	Liquor	Beautification	Criminal Assets	Plans and Permits	Section 8	State Grants	Public Access	Park Maintenance And Improvements	Debt Service Fund
Revenues:										
Taxes	\$ 8,543,630	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and permits	4,160,838	695,312	356,660	--	169,560	--	--	--	--	--
Rents and concessions	--	--	--	--	--	--	--	--	458,817	--
Interest	39,498	10,161	--	25,031	--	519	--	--	--	--
Intergovernmental revenues	24,413	--	--	--	--	6,572,932	5,802,733	--	--	--
Charges for current services	--	--	--	--	--	--	--	--	--	--
Miscellaneous	536	39,384	--	9,750	--	127,993	--	--	--	--
Total Revenues	<u>12,768,915</u>	<u>744,857</u>	<u>356,660</u>	<u>34,781</u>	<u>169,560</u>	<u>6,701,444</u>	<u>5,802,733</u>	<u>--</u>	<u>458,817</u>	<u>--</u>
Expenditures:										
General government	--	--	--	--	--	--	1,397,197	8,396	--	--
Public safety	--	869,373	--	22,867	--	--	1,131,545	--	--	--
Public works	--	--	--	--	148,107	--	56,000	--	--	--
Highways and streets	10,950,795	--	350,000	--	--	--	--	--	--	--
Sanitation	--	--	--	--	--	--	267,035	--	--	--
Culture and recreation	--	--	--	--	--	--	15,000	--	9,424	--
Public welfare	--	--	--	--	--	7,111,626	856,798	--	--	--
Capital outlay	260,507	--	--	30,907	--	--	2,079,158	--	141,623	--
Debt Service:										
Principal	228,918	--	--	--	--	--	--	--	--	2,990,000
Interest and debt issuance cost	11,562	--	--	--	--	--	--	--	--	5,337,781
Total Expenditures	<u>11,451,782</u>	<u>869,373</u>	<u>350,000</u>	<u>53,774</u>	<u>148,107</u>	<u>7,111,626</u>	<u>5,802,733</u>	<u>8,396</u>	<u>151,047</u>	<u>8,327,781</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,317,133</u>	<u>(124,516)</u>	<u>6,660</u>	<u>(18,993)</u>	<u>21,453</u>	<u>(410,182)</u>	<u>--</u>	<u>(8,396)</u>	<u>307,770</u>	<u>(8,327,781)</u>
Other Financing Sources (Uses):										
Proceeds from capital leases	101,197	--	--	--	--	--	--	--	--	--
Proceeds from claims	--	--	443,715	--	--	--	--	--	--	--
Transfers in	379,670	--	--	--	--	--	--	396,436	--	4,705,967
Transfers out	(1,477,616)	--	--	--	--	--	--	--	--	--
Total Other Financing Sources (Uses)	<u>(996,749)</u>	<u>--</u>	<u>443,715</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>396,436</u>	<u>--</u>	<u>4,705,967</u>
Net Change in Fund Balances	320,384	(124,516)	450,375	(18,993)	21,453	(410,182)	--	388,040	307,770	(3,621,814)
Fund Balance - Beginning of Year July 1, 2011	<u>3,548,912</u>	<u>667,893</u>	<u>329,498</u>	<u>1,051,507</u>	<u>150,213</u>	<u>1,571,278</u>	<u>--</u>	<u>1,198,006</u>	<u>1,658,168</u>	<u>4,105,154</u>
Fund Balance - End of Year June 30, 2012	<u>\$ 3,869,296</u>	<u>\$ 543,377</u>	<u>\$ 779,873</u>	<u>\$ 1,032,514</u>	<u>\$ 171,666</u>	<u>\$ 1,161,096</u>	<u>\$ --</u>	<u>\$ 1,586,046</u>	<u>\$ 1,965,938</u>	<u>\$ 483,340</u>

**COUNTY OF KAUAI, HAWAII**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Capital Projects Funds					
	Parks and Playgrounds	Sewer Trust	Development	Bikeway Capital Improvement	Highway Capital Improvement	Total Non-major Governmental Funds
Revenues:						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,543,630
Licenses and permits	--	--	--	44,645	--	5,427,015
Rents and concessions	--	--	--	--	--	458,817
Interest	109,741	--	25,251	--	--	210,201
Intergovernmental revenues	--	--	--	--	--	12,400,078
Charges for current services	--	--	--	--	--	--
Miscellaneous	6,935	--	83,310	--	--	267,908
Total Revenues	<u>116,676</u>	<u>--</u>	<u>108,561</u>	<u>44,645</u>	<u>--</u>	<u>27,307,649</u>
Expenditures:						
General government	--	--	248,000	--	--	1,653,593
Public safety	--	--	--	--	--	2,023,785
Public works	--	--	--	--	--	204,107
Highways and streets	--	--	--	--	100,536	11,401,331
Sanitation	--	--	--	--	--	267,035
Culture and recreation	39,405	--	--	--	--	63,829
Public welfare	--	--	--	--	--	7,968,424
Capital outlay	96,743	560,146	--	--	132,913	3,301,997
Debt Service:						
Principal	--	--	--	--	--	3,218,918
Interest and debt issuance cost	--	--	--	--	--	5,349,343
Total Expenditures	<u>136,148</u>	<u>560,146</u>	<u>248,000</u>	<u>--</u>	<u>233,449</u>	<u>35,452,362</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,472)</u>	<u>(560,146)</u>	<u>(139,439)</u>	<u>44,645</u>	<u>(233,449)</u>	<u>(8,144,713)</u>
Other Financing Sources (Uses):						
Proceeds from capital leases	--	--	--	--	--	101,197
Proceeds from claims	--	--	--	--	--	443,715
Transfers in	--	--	--	--	1,477,616	6,959,689
Transfers out	--	--	--	--	--	(1,477,616)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,477,616</u>	<u>6,026,985</u>
Net Change in Fund Balances	(19,472)	(560,146)	(139,439)	44,645	1,244,167	(2,117,728)
Fund Balance - Beginning of Year July 1, 2011	<u>7,953,735</u>	<u>1,222,234</u>	<u>2,152,531</u>	<u>129,747</u>	<u>6,081,959</u>	<u>31,820,835</u>
Fund Balance - End of Year June 30, 2012	<u>\$ 7,934,263</u>	<u>\$ 662,088</u>	<u>\$ 2,013,092</u>	<u>\$ 174,392</u>	<u>\$ 7,326,126</u>	<u>\$ 29,703,107</u>

**COUNTY OF KAUAI, HAWAII**  
**AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance June 30, 2011	Restatement (Note 20)	Balance June 30, 2011, as restated	Additions	Reductions	Balance June 30, 2012
<b>Trust and Agency Fund</b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 745,193	\$ --	\$ 745,193	\$ 7,384,734	\$ 7,411,351	\$ 718,576
Total Assets	\$ 745,193	\$ --	\$ 745,193	\$ 7,384,734	\$ 7,411,351	\$ 718,576
<b>Liabilities:</b>						
Due to other governments	\$ 745,193	\$ --	\$ 745,193	\$ 7,384,734	\$ 7,411,351	\$ 718,576
Total Liabilities	\$ 745,193	\$ --	\$ 745,193	\$ 7,384,734	\$ 7,411,351	\$ 718,576
<b>Treasury Trust Fund</b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,175,758	\$ --	\$ 1,175,758	\$ 385,493	\$ 523,905	\$ 1,037,346
Total Assets	\$ 1,175,758	\$ --	\$ 1,175,758	\$ 385,493	\$ 523,905	\$ 1,037,346
<b>Liabilities:</b>						
Customer deposits	\$ 1,175,758	\$ --	\$ 1,175,758	\$ 385,493	\$ 523,905	\$ 1,037,346
Total Liabilities	\$ 1,175,758	\$ --	\$ 1,175,758	\$ 385,493	\$ 523,905	\$ 1,037,346
<b>Real Property Trust Fund</b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,297,769	\$ --	\$ 1,297,769	\$ 11,694,220	\$ 3,240,686	\$ 9,751,303
Due from other funds	--	3,612,984	3,612,984	--	3,612,984	--
Total Assets	\$ 1,297,769	\$ 3,612,984	\$ 4,910,753	\$ 11,694,220	\$ 6,853,670	\$ 9,751,303
<b>Liabilities:</b>						
Customer deposits	\$ 1,297,769	\$ 3,612,984	\$ 4,910,753	\$ 6,100,610	\$ 6,853,670	\$ 4,157,693
Due to other funds	--	--	--	5,593,610	--	5,593,610
Total Liabilities	\$ 1,297,769	\$ 3,612,984	\$ 4,910,753	\$ 11,694,220	\$ 6,853,670	\$ 9,751,303
<b>Total - All Agency Funds</b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 3,218,720	\$ --	\$ 3,218,720	\$ 19,464,447	\$ 11,175,942	\$ 11,507,225
Due from other funds	--	3,612,984	3,612,984	--	3,612,984	--
Total Assets	\$ 3,218,720	\$ 3,612,984	\$ 6,831,704	\$ 19,464,447	\$ 14,788,926	\$ 11,507,225
<b>Liabilities:</b>						
Customer deposits	\$ 2,473,527	\$ 3,612,984	\$ 6,086,511	\$ 6,486,103	\$ 7,377,575	\$ 5,195,039
Due to other funds	--	--	--	5,593,610	--	5,593,610
Due to other governments	745,193	--	745,193	7,384,734	7,411,351	718,576
Total Liabilities	\$ 3,218,720	\$ 3,612,984	\$ 6,831,704	\$ 19,464,447	\$ 14,788,926	\$ 11,507,225



**COUNTY OF KAUAI, HAWAII**  
**HIGHWAY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
<b>Taxes:</b>						
Utility franchise tax	\$ 3,850,000	\$ 3,850,000	\$ 4,594,943	\$ --	\$ 4,594,943	\$ 744,943
Fuel tax	3,800,000	3,800,000	3,948,687	--	3,948,687	148,687
<b>Total Taxes</b>	<b>7,650,000</b>	<b>7,650,000</b>	<b>8,543,630</b>	<b>--</b>	<b>8,543,630</b>	<b>893,630</b>
<b>Licenses and Permits:</b>						
Motor vehicle weight tax	4,010,000	4,010,000	4,160,838	--	4,160,838	150,838
Interest	80,000	80,000	39,498	--	39,498	(40,502)
Intergovernmental revenues	25,000	25,000	24,413	--	24,413	(587)
Other	--	--	536	--	536	536
<b>Total Revenues</b>	<b>11,765,000</b>	<b>11,765,000</b>	<b>12,768,915</b>	<b>--</b>	<b>12,768,915</b>	<b>1,003,915</b>
<b>Expenditures:</b>						
<b>Highways and Streets-Road Maintenance:</b>						
Administration	4,700	4,700	4,348	193	4,541	159
Administration - salaries and overtime	230,553	290,294	280,883	--	280,883	9,411
Hanapēpē baseyard	151,512	151,512	133,241	4,751	137,992	13,520
Hanapēpē baseyard - salaries and overtime	1,103,917	1,056,917	1,052,100	--	1,052,100	4,817
Kapa'a baseyard	181,498	197,698	125,012	66,209	191,221	6,477
Kapa'a baseyard - salaries and overtime	1,222,682	1,110,103	1,085,155	--	1,085,155	24,948
Hanalei baseyard	83,392	83,392	67,355	15,064	82,419	973
Hanalei baseyard - salaries and overtime	621,683	630,620	604,726	--	604,726	25,894
Road signs and marking	108,154	108,154	9,166	86,303	95,469	12,685
Road signs and marking - salaries and overtime	255,804	223,604	219,987	--	219,987	3,617
Auto maintenance and motor pool (AMMP)	1,603,243	1,855,969	1,720,939	90,194	1,811,133	44,836
AMMP - salaries and overtime	1,087,995	954,995	946,912	--	946,912	8,083
Maintenance - street lights	993,000	1,168,500	1,168,379	--	1,168,379	121
Equipment	110,448	205,723	195,850	6,207	202,057	3,666
Capital leases	539,969	556,670	219,160	337,450	556,610	60
Social security taxes	346,268	349,268	293,478	--	293,478	55,790
Public employees' health fund	446,930	464,531	455,056	--	455,056	9,475
Public employees' other post employment benefits	1,401,904	1,210,002	1,164,691	--	1,164,691	45,311
Workers' compensation	55,006	94,306	61,602	--	61,602	32,704
Unemployment compensation	15,006	15,006	--	--	--	15,006
Employees' retirement system	738,967	746,967	626,339	--	626,339	120,628
Collective bargaining raises	26,155	26,155	15,660	3,416	19,076	7,079
Vacation pay	180,439	4,139	171	--	171	3,968
Central services cost	900,000	900,000	900,000	--	900,000	--
Highway administrative overhead	5,400	5,400	375	--	375	5,025
<b>Total Expenditures - Highways and Streets - Road Maintenance</b>	<b>12,414,625</b>	<b>12,414,625</b>	<b>11,350,585</b>	<b>609,787</b>	<b>11,960,372</b>	<b>454,253</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (649,625)</b>	<b>\$ (649,625)</b>	<b>\$ 1,418,330</b>	<b>\$ (609,787)</b>	<b>\$ 808,543</b>	<b>\$ 1,458,168</b>

**COUNTY OF KAUAI, HAWAII**  
**HIGHWAY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original		Actual			
	(Note A)	Final	(Note B)	Encumbrances	Non-GAAP	
Other Financing Sources (Uses):						
Transfers in	\$ 379,670	\$ 379,670	\$ 379,670	\$	\$ 379,670	\$
Transfers out	(1,477,616)	(1,477,616)	(1,477,616)	--	(1,477,616)	--
Total Other Financing Sources (Uses)	(1,097,946)	(1,097,946)	(1,097,946)	--	(1,097,946)	--
Excess (Deficiency) of Revenues and Other Financing Uses Over (Under) Expenditures (Note C)	\$ (1,747,571)	\$ (1,747,571)	320,384	\$ (609,787)	\$ (289,403)	\$ 1,458,168
Fund Balance - Beginning of Year July 1, 2011			3,548,912			
Fund Balance - End of Year June 30, 2012			\$ 3,869,296			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

**COUNTY OF KAUAI, HAWAII**  
**LIQUOR FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
Licenses and Permits:						
Business licenses, alcoholic beverage, and liquor licenses	\$ 1,034,875	\$ 1,034,875	\$ 695,312	\$ --	\$ 695,312	\$ (339,563)
Interest	1,000	1,000	10,161	--	10,161	9,161
Miscellaneous	--	--	39,384	--	39,384	39,384
<b>Total Revenues</b>	<b>1,035,875</b>	<b>1,035,875</b>	<b>744,857</b>	<b>--</b>	<b>744,857</b>	<b>(291,018)</b>
<b>Expenditures - Public Safety:</b>						
Salaries and wages	450,731	428,213	420,143	--	420,143	8,070
Social security taxes	35,700	35,700	29,413	--	29,413	6,287
Public employees' health fund	29,420	51,938	51,938	--	51,938	--
Workers' compensation	10,001	10,001	--	--	--	10,001
Unemployment compensation	5,000	5,000	--	--	--	5,000
Employees' retirement system	70,010	70,010	63,045	--	63,045	6,965
Employees' other post employment benefits	140,000	140,000	119,293	--	119,293	20,707
Other expenses	121,200	121,200	38,690	5	38,695	82,505
Equipment	4,031	4,031	3,273	10	3,283	748
Travel	95,390	95,390	40,216	--	40,216	55,174
Indirect cost	108,000	108,000	103,362	--	103,362	4,638
<b>Total Expenditures - Public Safety</b>	<b>1,069,483</b>	<b>1,069,483</b>	<b>869,373</b>	<b>15</b>	<b>869,388</b>	<b>200,095</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures (Note C)</b>	<b>\$ (33,608)</b>	<b>\$ (33,608)</b>	<b>(124,516)</b>	<b>\$ (15)</b>	<b>\$ (124,531)</b>	<b>\$ (90,923)</b>
 <b>Fund Balance - Beginning of Year July 1, 2011</b>			<b>667,893</b>			
 <b>Fund Balance - End of Year June 30, 2012</b>			<b>\$ 543,377</b>			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

**COUNTY OF KAUAI, HAWAII**  
**BEAUTIFICATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
Licenses and permits	\$ 302,660	\$ 302,660	\$ 356,660	\$ --	\$ 356,660	\$ 54,000
<b>Total Revenues</b>	<u>302,660</u>	<u>302,660</u>	<u>356,660</u>	<u>--</u>	<u>356,660</u>	<u>54,000</u>
<b>Expenditures - Highways and Streets:</b>						
Disposal of abandoned vehicles	350,000	350,000	350,000	--	350,000	--
Beautification projects	<u>102,660</u>	<u>102,660</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>102,660</u>
<b>Total Expenditures - Highways and Streets</b>	<u>452,660</u>	<u>452,660</u>	<u>350,000</u>	<u>--</u>	<u>350,000</u>	<u>102,660</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures (Note C)</b>	<u>(150,000)</u>	<u>(150,000)</u>	<u>6,660</u>	<u>--</u>	<u>6,660</u>	<u>156,660</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Claims	--	--	443,715	--	443,715	443,715
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>443,715</u>	<u>--</u>	<u>443,715</u>	<u>443,715</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures (Note C)</b>	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>450,375</u>	<u>\$ --</u>	<u>\$ 450,375</u>	<u>\$ 600,375</u>
<b>Fund Balance - Beginning of Year July 1, 2011</b>			<u>329,498</u>			
<b>Fund Balance - End of Year June 30, 2012</b>			<u>\$ 779,873</u>			

- Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.  
Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.  
Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

**COUNTY OF KAUAI, HAWAII  
CRIMINAL ASSETS FORFEITURE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
Revenues:						
Interest	\$ --	\$ --	\$ 25,031	\$ --	\$ 25,031	\$ 25,031
Miscellaneous	--	--	9,750	--	9,750	9,750
Total Revenues	--	--	34,781	--	34,781	34,781
Expenditures - Public Safety:						
Police special fund	512,680	512,680	53,774	14,775	68,549	444,131
Total Expenditures - Public Safety	512,680	512,680	53,774	14,775	68,549	444,131
Excess (Deficiency) of Revenues Over (Under) Expenditures (Note C)	\$ (512,680)	\$ (512,680)	(18,993)	\$ (14,775)	\$ (33,768)	\$ 478,912
Fund Balance - Beginning of Year July 1, 2011			1,051,507			
Fund Balance - End of Year June 30, 2012			\$ 1,032,514			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

**COUNTY OF KAUAI, HAWAII**  
**PUBLIC ACCESS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
Revenues:						
Interest	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total Revenues	--	--	--	--	--	--
Expenditures - General Government						
Special projects	396,436	396,436	8,396	1,761	10,157	386,279
Total Expenditures - General Government	396,436	396,436	8,396	1,761	10,157	386,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	(396,436)	(396,436)	(8,396)	(1,761)	(10,157)	386,279
Other Financing Sources (Uses):						
Transfers in	396,436	396,436	396,436	--	396,436	--
Total Other Financing Sources (Uses)	396,436	396,436	396,436	--	396,436	--
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Note C)	\$ --	\$ --	388,040	\$ (1,761)	\$ 386,279	\$ 386,279
Fund Balance - Beginning of Year July 1, 2011			1,198,006			
Fund Balance - End of Year June 30, 2012			\$ 1,586,046			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Deficiency of budgeted revenues and other financing sources over final budgeted expenditures and other financing uses is balanced with available fund balance.

**COUNTY OF KAUAI, HAWAII**  
**PARKS AND PLAYGROUND CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
<b>Revenues:</b>							
Interest	-	\$ --	\$ 109,741	\$ --	\$ --	\$ --	\$ --
Other revenues	-	--	6,935	--	--	--	--
Total Revenues		--	116,676	--	--	--	--
<b>Expenditures:</b>							
<b>Waimea District:</b>							
Park Improvements and Equipment	W95387	54,009	--	54,009	--	54,009	--
Park Improvement Grants, Waimea District	W96073	48,065	3,850	51,915	--	56,095	4,180
Total Waimea District		102,074	3,850	105,924	--	110,104	4,180
<b>Kōloa District:</b>							
Kalāheo Neighborhood Center Gym Floor	W08018	100,000	--	100,000	--	100,000	--
Omao Park Playground Equipment	W08019	30,806	--	30,806	--	50,000	19,194
Ele'ele Nani Park Improvements	W91083	107,935	--	107,935	--	145,000	37,065
Park Improvements and Equipment	W93086	285,499	--	285,499	--	341,720	56,221
Project Contingency, Kōloa District	W96075	--	--	--	--	32,143	32,143
Park Improvement Grant, Kōloa District	W96087	60,887	--	60,887	--	90,887	30,000
New Toro Cartster	R12005	--	--	--	15,638	17,500	1,862
Equip 569 John Deere	R12006	--	--	--	18,000	18,000	--
Po'ipu Restroom Renovations	R12007	--	--	--	28,001	130,000	101,999
Total Kōloa District		585,127	--	585,127	61,639	925,250	278,484
<b>Līhu'e District:</b>							
Puhi Park Playground Equipment	W08020	100,000	--	100,000	--	100,000	--
Park Improvements and Equipment	W93100	145,656	12,793	158,449	--	199,309	40,860
Park Improvement Grant, Līhu'e District	W96102	27,685	--	27,685	--	55,800	28,115
Equip 631 John Deere Mower	R12021	--	--	--	18,000	18,000	--

**COUNTY OF KAUAI, HAWAII**  
**PARKS AND PLAYGROUND CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Resurface Laukono Basketball Court	R12022	\$ --	\$ --	\$ --	\$ 15,000	\$ 15,000	\$ --
Resurface Wiliko Park Basketball Court	R12023	--	--	--	15,000	15,000	--
Resurface Isenberg Park Playground	R12024	--	--	--	--	30,000	30,000
Resurface Isenberg Park Basketball Court	R12025	--	--	--	--	200,000	200,000
Lydgate Pavillion & Restroom Renovation	R12026	--	--	--	72,002	575,000	502,998
Total Lihu'e District		<u>273,341</u>	<u>12,793</u>	<u>286,134</u>	<u>120,002</u>	<u>1,208,109</u>	<u>801,973</u>
Kawaihau District:							
Hockey Rink (Grant)	W08021	--	--	--	--	15,700	15,700
ADA Improvements Papaloa/Waipouli	W08022	--	--	--	--	100,000	100,000
Park Improvements and Equipment	W93116	245,833	83,950	329,783	--	441,187	111,404
Park Improvement Grant, Kawaihau District	W96118	30,755	--	30,755	5,000	60,755	25,000
Anahola Clubhouse Improvements	R10019	--	--	--	--	30,000	30,000
Resurface Anahola HH Basketball Court	R12027	--	--	--	15,000	15,000	--
Resurface Wailua Houselots Playground	R12028	--	--	--	29,000	30,000	1,000
Resurface Kapa'a N/C & Pool Parking Lot	R12029	--	--	--	--	50,000	50,000
Equip 441 John Deere Mower	R12030	--	--	--	18,000	18,000	--
Equip 578 Toro Cartster	R12031	--	327	327	15,638	17,500	1,535
Equip 790 Kubota Mower	R12032	--	15,864	15,864	2,136	18,000	--
Equip 791 Kubota Mower	R12033	--	15,864	15,864	2,136	18,000	--
Equip 576 Toro Cartster	R12034	--	--	--	15,638	17,500	1,862
Total Kawaihau District		<u>276,588</u>	<u>116,005</u>	<u>392,593</u>	<u>102,548</u>	<u>831,642</u>	<u>336,501</u>



**COUNTY OF KAUAI, HAWAII**  
**PARKS AND PLAYGROUND CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
<b>Hanalei District:</b>							
Hanalei Courthouse ADA Improv/Septic System	R09003	\$ 32,366	\$ --	\$ 32,366	\$ 35,397	\$ 717,763	\$ 650,000
Black Pot Expansion	R10018	350,000	--	350,000	--	350,000	--
Project Contingency, Hanalei District	W91124	--	--	--	--	813	813
North Shore Park Improvements	W92132	445,608	3,500	449,108	--	478,536	29,428
Park Improvements and Equipment	W93383	120,967	--	120,967	--	213,717	92,750
Park Improvement Grant, Hanalei District	W96134	5,750	--	5,750	--	35,750	30,000
Resurface Kilauea Park Playground	R12035	--	--	--	--	20,000	20,000
Total Hanalei District		<u>954,691</u>	<u>3,500</u>	<u>958,191</u>	<u>35,397</u>	<u>1,816,579</u>	<u>822,991</u>
Total Expenditures		\$ <u>2,191,821</u>	<u>136,148</u>	\$ <u>2,327,969</u>	\$ <u>319,586</u>	\$ <u>4,891,684</u>	\$ <u>2,244,129</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			(19,472)				
<b>Other Financing Sources:</b>							
Transfers in			--				
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(19,472)				
Fund Balance - Beginning of Year, July 1, 2011			<u>7,953,735</u>				
Fund Balance - End of Year, June 30, 2012			\$ <u>7,934,263</u>				

**COUNTY OF KAUAI, HAWAII  
SEWER TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Revenues:							
Interest	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Other revenues	--	--	--	--	--	--	--
Total Revenues		--	--	--	--	--	--
Expenditures:							
Facilities Reserve	W04398	999,012	560,146	1,559,158	--	2,000,000	440,842
Lihue Sewer System	W91376	366,338	--	366,338	--	426,208	59,870
Waimea Sewer System	W92374	78,557	--	78,557	--	84,852	6,295
Ele'e-le-Hanapēpē Sewer System	W92375	392,880	--	392,880	--	393,180	300
Total Expenditures		\$ 1,836,787	560,146	\$ 2,396,933	\$ --	\$ 2,904,240	\$ 507,307
Excess (Deficiency) of Revenues Over (Under) Expenditures							
			(560,146)				
Other Financing Sources:							
Transfers in			--				
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses							
			(560,146)				
Fund Balance - Beginning of Year, July 1, 2011			1,222,234				
Fund Balance - End of Year, June 30, 2012			\$ 662,088				

**COUNTY OF KAUAI, HAWAII**  
**DEVELOPMENT CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Revenues:							
Interest	--	\$ --	\$ 25,251	\$ --	\$ --	\$ --	\$ --
Other revenues	--	--	83,310	--	--	--	--
Total Revenues		--	108,561	--	--	--	--
Expenditures:							
MSWD Plan Update	W04150	300,000	--	300,000	--	300,000	--
Rubberized Track	W04158	248,000	--	248,000	--	248,000	--
ADA Title II Curb Cut	W05149	11,218	--	11,218	--	11,218	--
Project Contingency	W08002	--	--	--	--	35,568	35,568
Ag. Land Study/Mapping	Z09001	162,000	248,000	410,000	90,000	500,000	--
Total Expenditures		\$ 721,218	248,000	\$ 969,218	\$ 90,000	\$ 1,094,786	\$ 35,568
Excess (Deficiency) of Revenues Over (Under) Expenditures			(139,439)				
Other Financing Sources:							
Transfers in			--				
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(139,439)				
Fund Balance - Beginning of Year, July 1, 2011			2,152,531				
Fund Balance - End of Year, June 30, 2012			\$ 2,013,092				

**COUNTY OF KAUAI, HAWAII**  
**BIKEWAY CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Project No.</u>	<u>Prior Year's Expenditures</u>	<u>Current Year</u>	<u>Project-To-Date Expenditures</u>	<u>Encumbrances</u>	<u>Project Authorization</u>	<u>Balance</u>
<b>Revenues:</b>							
Licenses and permits	--	\$ --	\$ 44,645	\$ --	\$ --	\$ --	\$ --
Other revenues	--	--	--	--	--	--	--
Total Revenues		<u>--</u>	<u>44,645</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Expenditures:</b>							
Island Wide Bike/Pedestrian Path	W05182	70,208	--	70,208	--	112,785	42,577
Total Expenditures		<u>\$ 70,208</u>	<u>--</u>	<u>\$ 70,208</u>	<u>\$ --</u>	<u>\$ 112,785</u>	<u>\$ 42,577</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			44,645				
<b>Other Financing Sources:</b>							
Transfers in			--				
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			44,645				
Fund Balance - Beginning of Year, July 1, 2011			<u>129,747</u>				
Fund Balance - End of Year, June 30, 2012			<u>\$ 174,392</u>				

**COUNTY OF KAUAI, HAWAII**  
**HIGHWAY CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
<b>Revenues:</b>							
Interest	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	-	-	-	-	-
Total Revenues		-	-	-	-	-	-
<b>Expenditures:</b>							
ADA Title II Curb Cut	W05367	8,408	-	8,408	-	8,408	-
Kapahi Bridge Replacement, Design	W05368	2,730	52,793	55,523	2,318	122,000	64,159
Oloheua Bridge	W05369	310,888	-	310,888	-	310,888	-
Kōloa Bypass Phase I (Matching)	W05399	5,061	-	5,061	-	5,061	-
Wawa'e Road Improvement	W06370	23,248	-	23,248	-	23,248	-
Koke'e Road Resurfacing-FHWA	W07006	28,341	456	28,797	21,198	50,000	5
Northern Leg Kōloa Western Bypass Road FHWA	W07007	-	1,084	1,084	-	400,000	398,916
Resurfacing Various Collector Roads FHWA	W07008	14,274	14,954	29,228	2,400	394,967	363,339
Pu'uopae Bridge-Design (County Match)	W10003	2,244	54,889	57,133	23,270	120,000	39,597
Hanapēpē Road	W12067	-	428	428	-	50,000	49,572
Kamalu Bridge Stream	W12068	-	531	531	-	30,000	29,469
Hanapēpē Bridge Ped	W12069	-	38	38	-	24,511	24,473
Maluhi Rd (County Match)	W12070	-	1,857	1,857	-	124,999	123,142
Island Wide Resurfacing	W91354	21,013,101	106,419	21,119,520	5,504,000	27,215,461	591,941
Omao Bridge	W94357	345,722	-	345,722	-	345,722	-
Maluhia, Po'ipū, Hardy Roads	W95360	1,914	-	1,914	-	1,914	-
Rice Street	W95386	354,070	-	354,070	-	354,070	-

**COUNTY OF KAUAI, HAWAII**  
**HIGHWAY CAPITAL IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Bridge Maintenance (County Match)	W96388	\$ 263,266	\$ --	\$ 263,266	\$ 847	\$ 283,509	\$ 19,396
Speed Hump Program	W98364	74,439	--	74,439	--	142,523	68,084
Total Expenditures		<u>\$ 22,447,706</u>	<u>233,449</u>	<u>\$ 22,681,155</u>	<u>\$ 5,554,033</u>	<u>\$ 30,007,281</u>	<u>\$ 1,772,093</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			(233,449)				
Other Financing Sources:							
Transfers in			<u>1,477,616</u>				
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			<u>1,244,167</u>				
Fund Balance - Beginning of Year, July 1, 2011			<u>6,081,959</u>				
Fund Balance - End of Year, June 30, 2012			<u>\$ 7,326,126</u>				

**COUNTY OF KAUAI, HAWAII**  
**GENERAL CIP FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Revenues:							
Interest	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total Revenues		<u>          --</u>	<u>          --</u>	<u>          --</u>	<u>          --</u>	<u>          --</u>	<u>          --</u>
Expenditures:							
Kilauea Ag Plan Phase II	D09001	100,000	--	100,000	--	100,000	--
Energy Sustain Study	D09105	199,944	--	199,944	--	200,000	56
Kaneiolouma Restoration/Matching	D12001	--	--	--	--	100,000	100,000
Kaumakani Pavilion (Materials Only)	R10002	35,567	--	35,567	--	40,000	4,433
Veterans Cemetery Renovation	R12001	--	--	--	--	100,000	100,000
Salt Pond Beach Park Repairs/Painting	R12002	--	--	--	--	250,000	250,000
Lydgate Small Pavilions Renovations	R12003	--	--	--	--	40,000	40,000
Kapa'a/Lihu'e Boys & Girls Club Facilities Upgrade Gr.	R12004	--	125,000	125,000	--	125,000	--
Civic Center Improvements	W00225	2,128,209	2,424	2,130,633	19,966	2,150,599	--
Park Improvement Grant, Waimea District	W01257	3,905	--	3,905	--	3,905	--
KWMCH Improvements	W02226	422,347	85,500	507,847	144,500	887,963	235,616
Kapa'a New Fire Station	W05227	626,012	5,000	631,012	35,523	749,191	82,656
Fishbowl Renovation	W05230	147,436	--	147,436	--	150,000	2,564
Kapa'a Soccer Field	W05265	100,000	--	100,000	--	100,000	--
Po'ipu Bypass Road	W05340	446,687	--	446,687	--	446,687	--
Traffic Calming Program	W05341	33,047	--	33,047	--	33,047	--
A.R. Treatment Center	W05400	263,991	--	263,991	--	263,991	--
IT Renovation	W06231	45,250	--	45,250	--	47,500	2,250
Veterans Cemetery Improvement	W06279	97,854	--	97,854	--	97,854	--

**COUNTY OF KAUAI, HAWAII**  
**GENERAL CIP FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Isenberg Park Bathroom Improvement	W06281	\$ 6,213	\$ 36,000	\$ 42,213	\$ --	\$ 42,213	\$ --
Kilauea Bridge	W06343	2,047,540	--	2,047,540	--	2,047,540	--
Island Wide Road Resurfacing	W06344	165,490	--	165,490	--	165,490	--
Bleachers In County Parks	W07004	28,756	--	28,756	--	100,000	71,244
Ele'ele Nani Park Sidewalks	W07009	441,000	--	441,000	--	441,000	--
Island Wide Parks Improvements/Equipment	W07011	80,527	75,764	156,291	75,594	250,000	18,115
Neighborhood Centers Improvements	W07013	84,550	--	84,550	64,828	149,378	--
Puu Road Improvements	W07014	--	13,675	13,675	--	125,000	111,325
Omao Park Playground Equipment	W07015	50,000	--	50,000	--	50,000	--
Kapaia Swinging Bridge	W07022	135,596	89,254	224,850	--	366,000	141,150
Pedestrian Crosswalk Safety Improvements	W08003	--	--	--	--	75,000	75,000
Ele'ele Effluent Disposal Well Rehab.	W08005	250,000	--	250,000	--	250,000	--
Piikoi Building Renov/Space Planning Study	W08006	484,384	32,874	517,258	--	517,258	--
ADA Projects-Building Facilities	W08007	100,000	--	100,000	--	100,000	--
Wailua Mauka Motocross Track	W08011	54,720	--	54,720	44,680	99,400	--
Habitat Conservation Plan	W08012	119,900	9,496	129,396	70,604	200,000	--
Hanapepe Flood Control Project	W08013	110,000	--	110,000	--	110,000	--
Waimea Flood Control Project	W08014	115,000	--	115,000	--	115,000	--
Aliamanu Road Revetment (Planning/Permits)	W08016	183,638	13,125	196,763	44,539	250,189	8,887
Comprehensive Road Maintenance Plan	W08017	8,690	--	8,690	--	96,114	87,424
Kapaia Bridge Replacement	W08024	423,873	(5,278)	418,595	--	423,873	5,278
Pono Kai Seawall Emergency Repair	W08030	14,747	430	15,177	41,260	56,524	87
Aliamanu Temporary Road Repair	W08031	345,431	--	345,431	--	345,431	--
Kapa'a Ocean 1-Year Field Study	W08032	114,015	197,738	311,753	--	350,000	38,247



**COUNTY OF KAUAI, HAWAII**  
**GENERAL CIP FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Moana Kai (Fujii) Shoreline Design/Permit	W08033	\$ 160,876	\$ 79,233	\$ 240,109	\$ 58,826	\$ 332,000	\$ 33,065
Kapa'a Beach Shoreline Protection Design/Permit	W08034	118,395	--	118,395	--	118,395	--
County Wide Impact Fee & Needs Assessment Study	W08035	--	--	--	161,000	250,000	89,000
Hanapēpē & Waimea Levee	W08037	47,394	319,085	366,479	34,531	440,941	39,931
Hanalei KPD/Fire Asbestos Removal	W08038	300,000	--	300,000	--	300,000	--
Līhu'e Development Plan	W09008	20,000	--	20,000	--	20,000	--
Hanapēpē Public Access	W09010	--	--	--	--	15,000	15,000
ADA Announcer Booth Renovation/Improvements	W09011	105,757	90,535	196,292	--	300,000	103,708
Host Community Benefits-Kekaha	W09012	--	22,500	22,500	--	890,000	867,500
Opaekaa Bridge Replacement-Temp. Repair	W09015	208,435	--	208,435	--	208,435	--
Puuopae Bridge-Temp. Repair	W10004	4,076	--	4,076	--	4,076	--
Kamalu Bridge-Stream Erosion	W10006	--	2,540	2,540	--	60,000	57,460
Adolescent Drug Treatment Center	W10017	--	--	--	500,000	500,000	--
Konohiki Stream	W10048	100,000	--	100,000	--	100,000	--
Up/Low Kapahi Res	W10049	1,800,000	--	1,800,000	--	1,800,000	--
Wailapa/Kila	W10050	371,887	21,142	393,029	--	400,000	6,971
CIP Management System	W10051	--	--	--	--	65,000	65,000
Kekaha Landfill Lat	W10052	24,255	657,117	681,372	53,883	735,255	--
Hanapēpē/Wai Levee	W10053	43,547	--	43,547	--	150,000	106,453
Keapana Bridge Replacement	W10054	426,087	--	426,087	--	426,168	81
Hanapēpē Bridge Ped. Walkway Repl (Match)	W12009	--	98	98	--	5,489	5,391
Puhi Road Construction (Match)	W12010	--	566	566	--	35,000	34,434
Kōloa Fire Station Repairs/Painting	W12012	--	--	--	--	200,000	200,000
Katāheo Fire Station Repairs/Painting	W12013	--	--	--	--	200,000	200,000

**COUNTY OF KAUAI, HAWAII**  
**GENERAL CIP FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Security Renovation - Mayors Office	W12014	\$ --	\$ 8,866	\$ 8,866	\$ 11,421	\$ 50,000	\$ 29,713
RPA Office Renovation	W12015	--	--	--	--	40,000	40,000
Hardy Street Improvements (Match)	W12020	--	16,110	16,110	15,049	900,000	868,841
Hanapēpē & Waimea Levee	W12062	--	--	--	--	150,000	150,000
Kapa'a Baseyard Renovations	W12064	--	--	--	--	20,511	20,511
Kōloa Safe	W12065	--	1,458	1,458	--	15,000	13,542
Piikoi Retrofit	W12066	--	33,420	33,420	45,142	159,000	80,438
Project Contingency	W92208	6,324	--	6,324	--	438,880	432,556
Kīlauea Irrigation	W92220	74,362	--	74,362	--	74,362	--
Vidinha Stadium Light	W97252	121,523	--	121,523	--	166,288	44,765
Island Wide Parks Improvements	W99394	424,000	--	424,000	--	424,000	--
County Imaging Program	X08100	237,874	--	237,874	--	240,000	2,126
Planning, Zoning/Engineering System	X10002	--	109,573	109,573	35,624	189,000	43,803
Document Imaging	X10008	10,863	119,606	130,469	--	581,000	450,531
800 MHZ Radio U/G	X11006	--	1,353,041	1,353,041	217,960	1,571,001	--
Kapa'a Development Plan	Z10002	--	--	--	150,000	150,000	--
Complete Streets/Safe Routes (Kawaihau Road)	Z12006	--	--	--	--	55,000	55,000
Total Expenditures		\$ 14,619,974	3,515,892	\$ 18,135,866	\$ 1,824,930	\$ 25,390,948	\$ 5,430,152
Excess (Deficiency) of Revenues Over (Under) Expenditures			(3,515,892)				
Other Financing Sources:							
Transfers In			126,000				
Transfers Out			(3,885,415)				
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(7,275,307)				
Fund Balance - Beginning of Year, July 1, 2011			14,658,855				
Fund Balance - End of Year, June 30, 2012			\$ 7,383,548				

**COUNTY OF KAUAI, HAWAII**  
**BOND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
<b>Revenues:</b>							
Interest	--	\$ --	\$ 185,593	\$ --	\$ --	\$ --	\$ --
Other revenue			54,145				
Bond subsidies	--	--	1,138,179	--	--	--	--
Total Revenues		--	1,377,917	--	--	--	--
<b>Expenditures:</b>							
Kilauea Ag Park (Design)	D10105	59,749	20,378	80,127	6,466	500,000	413,407
Alternative Energy Projects	D10106	395,986	37,841	433,827	26,295	1,500,000	1,039,878
New Alternate Energy Projects	D10107	--	--	--	--	500,000	500,000
Affordable Housing	H06065	2,000,000	--	2,000,000	--	2,000,000	--
Affordable Housing	H06066	626,608	40,618	667,226	59,736	726,962	--
Lighting Retrofit	R08039	40,623	367,936	408,559	176,702	3,800,000	3,214,739
Park Master Plan	R09001	126,753	164,531	291,284	108,716	400,000	--
Island Wide Parks ADA Full Accessibility	R09002	38,119	--	38,119	--	38,119	--
Coastal Erosion Study	R10001	21,433	128,567	150,000	--	150,000	--
Kamalani Playground	R10008	135,409	4,512	139,921	--	150,000	10,079
Lydgate Pond	R10009	285,909	139,319	425,228	10,916	500,000	63,856
Kapa'a Stadium Improvements	R10010	150	1,589	1,739	239,800	500,000	258,461
Park/Open Space Land Acquisition	R10011	--	5,890,000	5,890,000	--	8,000,000	2,110,000
Veterans Cemetery Upgrade	R10013	18,412	--	18,412	82,862	451,274	350,000
Hanapepe Cliffside Basketball Court	R10014	--	213,738	213,738	3,704	250,000	32,558
Lydgate Campsite ADA Improvements	R10015	117,495	10,973	128,468	--	150,000	21,532
Park ADA Bleachers Replacement	R10016	--	18,920	18,920	57,010	800,000	724,070
Kapa'a Stadium Track & Field Improvements	R12036	--	380	380	--	400,000	399,620
Vidinha Stadium Track & Field Improvements	R12037	--	1,569	1,569	--	100,000	98,431
Isenberg Park Bathroom Improvement	R12281	--	25,185	25,185	--	109,135	83,950
Sheltered Bus Stops	T12100	--	--	--	--	300,000	300,000
Lihue Civic Ctr Renovations	W00020	1,465,450	--	1,465,450	--	1,465,450	--
Puhi Metal Recycling	W00021	88,101	--	88,101	--	88,101	--
County Building Facility ADA	W00023	500,000	--	500,000	--	500,000	--

**COUNTY OF KAUAI, HAWAII**  
**BOND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
ADA Title II Curb Cut	W01008	\$ 1,294,974	\$ --	\$ 1,294,974	\$ --	\$ 1,294,974	\$ --
Landfill Site Acquisition	W01009	376,908	10,494	387,402	--	387,402	--
ADA Project-Bld Fac	W01025	1,386,167	--	1,386,167	--	1,386,167	--
Historic County Building	W01026	407,474	358	407,832	624	408,456	--
Lihue Civic Ctr Phase 3 Expansion	W01027	600,000	--	600,000	--	600,000	--
Wailua-Kapa'a Sewer	W01053	338,130	--	338,130	--	338,130	--
Sewer Waimea Exp/Design	W01395	423,429	--	423,429	--	423,429	--
Fishbowl Renovation	W05029	141,222	--	141,222	1,950	143,172	--
Kekaha Landfill Lateral Expansion	W06011	9,228,508	405,990	9,634,498	9,943	9,647,201	2,760
Historic County Bldg and Lihue Civic Ctr Improv	W06029	--	98,927	98,927	90,899	500,000	310,174
Historic County Bldg and Lihue Civic Ctr Improv	W06030	6,549,111	1,196,511	7,745,622	32,462	7,780,000	1,916
Kapa'a Fire Station	W06031	4,908,537	73,524	4,982,061	4,044	4,986,105	--
Neighborhood Centers Improvements	W06032	992,087	--	992,087	--	992,087	--
Rubberized Track	W06040	1,184,353	--	1,184,353	--	1,184,353	--
Regional Parks Improvements	W06041	1,010,727	--	1,010,727	--	1,250,000	239,273
Lihue Stadium Baseball Field Improvements	W06043	16,781	6,903	23,684	26,261	2,000,000	1,950,055
Kekaha Gardens Park	W06044	43,000	--	43,000	112,500	800,000	644,500
Wailua Golf Course Maintenance Bldg	W06045	929,595	--	929,595	--	999,510	69,915
Waste Reduction Consultant Services	W08001	90,246	--	90,246	23,945	114,191	--
ADA Projects Bldg Fac	W08007	663,759	15,630	679,389	154	785,912	106,369
Pono Kai Revetment Wall	W08025	123,313	2,507	125,820	43,628	1,763,478	1,594,030
Lihue WWTP Centrifuge Replacement	W08026	477,000	--	477,000	--	477,000	--
Wailua WWTP Process & Disinfection Upgrade	W08027	316,315	83,685	400,000	--	400,000	--
Lighting Retrofits-Parks	W08039	29,931	--	29,931	--	270,000	240,069
Kapa'a Baseyard Structural Renovation	W09001	218,612	990,754	1,209,366	4,500	1,305,821	91,955
Honsador Building Structural Renovation	W09002	301,696	5,658	307,354	--	307,354	--
Police Evidence Room-Humidity Control	W09003	444,106	--	444,106	--	444,106	--
Island Wide SCADA	W09004	307,589	23,417	331,006	18,994	350,000	--
Kanaele Rd Stabilization	W09005	--	--	--	--	500,000	500,000
Koloa Circulation Plan Short Term Improvements	W09006	119,516	2,992	122,508	149,929	300,000	27,563

**COUNTY OF KAUAI, HAWAII**  
**BOND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Hanapēpē Bridge Walkway	W09007	\$ 6,663	\$ 4,931	\$ 11,594	\$ --	\$ 101,566	\$ 89,972
Kapa'a Baseyard 09	W09024	--	432,918	432,918	1,892,156	2,600,000	274,926
Opaekaa Bridge-Design	W10002	2,452	63,529	65,981	31,117	100,000	2,902
Piikoi Building Renovation	W10011	300	2,085,296	2,085,596	279,692	2,429,000	63,712
Waima Police Sub-Station	W10012	--	--	--	--	250,000	250,000
Līhū'e WWTP Chemical Lab Renovation	W10013	--	250,595	250,595	145,961	450,000	53,444
Wailua WWTP Improvements/Renovation	W10014	--	15,185	15,185	1,166,907	1,200,000	17,908
Island Wide SCADA System Construction	W10015	--	6,403	6,403	82,164	4,800,000	4,711,433
Ele'ele WWTP Improvements/Renovation	W10016	--	724,026	724,026	70,622	800,000	5,352
Civic Center ADA Improvements	W10018	--	--	--	--	960,000	960,000
Hanama'ulu/Hanapēpē ADA Improvements	W10019	--	--	--	--	400,000	400,000
ADA Access Barrier Removal	W10020	43,417	41,420	84,837	--	361,881	277,044
ADA Access Barrier Removal	W10022	--	--	--	--	1,000,000	1,000,000
Aliamanu Road Erosion	W10026	--	--	--	--	3,000,000	3,000,000
Koke'e Road (matching funds)	W10027	2,095	7,821	9,916	845,352	965,179	109,911
Wailua Emergency Bypass Improvements	W10028	--	--	--	--	1,000,000	1,000,000
County Wide Storage Facility	W10031	--	--	--	--	2,000,000	2,000,000
Rice Street Crossing Improvements	W10032	7,534	--	7,534	--	300,000	292,466
New Landfill Site Acquisition	W10037	--	381,271	381,271	1,471,906	4,234,677	2,381,500
Kekaha Landfill Lateral Expansion	W10038	10,918	--	10,918	--	10,918	--
Kekaha Landfill Phase II Closure	W10039	--	--	--	--	800,000	800,000
Kapa'a Refuse Transfer Station Renovation	W10040	--	--	--	--	500,000	500,000
Safe Route Kawaihau	W10045	--	--	--	--	100,000	100,000
Twin Reserve EQ	W10046	4,503	--	4,503	--	100,000	95,497
Kekaha Landfill Expansion II	W10047	--	505,731	505,731	422,100	927,831	--
Kekaha Landfill Expansion II	W10056	--	47,044	47,044	3,581	512,000	461,375
Līhū'e Development Plan	W12008	--	--	--	--	905,000	905,000
Kekaha Landfill Lateral Expansion	W12038	--	--	--	--	654,865	654,865
Piikoi Interior II	W12053	--	3,654	3,654	--	2,000,000	1,996,346

**COUNTY OF KAUAI, HAWAII**  
**BOND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Project No.	Prior Year's Expenditures	Current Year	Project-To-Date Expenditures	Encumbrances	Project Authorization	Balance
Kekaha Landfill Lateral Expansion II	W12054	\$ --	\$ 229,340	\$ 229,340	\$ 94,561	\$ 1,514,000	\$ 1,190,099
Moana Kai Seawall Construction	W12055	--	--	--	--	1,500,000	1,500,000
Kahuna Road Realignment	W12056	--	--	--	--	1,800,000	1,800,000
Coco Palms STP	W12057	--	--	--	107,535	350,000	242,465
Lae Road Safety Improvements	W12058	--	--	--	--	100,000	100,000
Comprehensive Road Maintenance Plan	W12059	--	--	--	--	53,886	53,886
Aliomanu Road Repairs	W12060	--	--	--	--	119,152	119,152
Two Clarifier Mechanical Drive Systems	W12061	--	--	--	380,000	400,000	20,000
Rpt Computer Sys	X00001	1,896,300	--	1,896,300	--	1,896,300	--
Payroll/Personnel System	X10001	--	--	--	--	395,000	395,000
IT Infrastructure Improvements	X10006	145,483	85,785	231,268	34,258	778,000	512,474
Public Access and Open Space Acquisition	Z06002	--	--	--	--	1,000,000	1,000,000
Koloa Development Plan	Z12004	--	--	--	--	525,000	525,000
General Plan Technical Studies	Z12005	--	--	--	--	424,999	424,999
Total Expenditures		\$ 40,962,948	\$ 14,868,355	\$ 55,831,303	\$ 8,319,952	\$ 109,837,143	\$ 45,685,888
Excess (Deficiency) of Revenues Over (Under) Expenditures			(13,490,438)				
Fund Balance - Beginning of Year, July 1, 2011			70,996,073				
Fund Balance - End of Year, June 30, 2012			\$ 57,505,635				

**COUNTY OF KAUAI, HAWAII**  
**PUBLIC HOUSING ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Encumbrances	Non-GAAP	
	(Note A)		Amounts (Note B)			
Revenues:						
Rents and Concessions:						
Pa'anau housing project	\$ 498,960	\$ 498,960	\$ 574,226	\$ --	\$ 574,226	\$ 75,266
Kalepa housing project	979,290	979,290	995,614	--	995,614	16,324
Other revenues	763,100	763,100	271,430	--	271,430	(491,670)
Total Revenues	<u>2,241,350</u>	<u>2,241,350</u>	<u>1,841,270</u>	<u>--</u>	<u>1,841,270</u>	<u>(400,080)</u>
Expenditures - Public Welfare:						
Revolving buy back account	1,525,000	1,525,000	45,742	--	45,742	1,479,258
Housing projects	--	--	--	--	--	--
Kalepa housing operating cost	1,085,907	1,097,452	882,169	--	882,169	215,283
Pa'anau housing operating cost	698,672	714,630	398,495	--	398,495	316,135
Revenue bond payments	219,863	219,863	219,863	--	219,863	--
Total Expenditures	<u>3,529,442</u>	<u>3,556,945</u>	<u>1,546,269</u>	<u>--</u>	<u>1,546,269</u>	<u>2,010,676</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)						
Expenditures (Note C)	\$ <u>(1,288,092)</u>	\$ <u>(1,315,595)</u>	295,001	\$ <u>--</u>	\$ <u>295,001</u>	\$ <u>1,610,596</u>
Fund Balance - Beginning of Year July 1, 2011			<u>6,432,390</u>			
Fund Balance - End of Year June 30, 2012			\$ 6,727,391			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Excess of expenditures over revenues is balanced with available fund balance.

Note D: Public Enterprise Housing Fund is comprised of three (3) funds: Housing Revolving Fund, Kalepa Housing Fund, and Paanau Housing Fund.

**COUNTY OF KAUAI, HAWAII**  
**SEWER ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
Interest	\$ 50,000	\$ 82,000	\$ 30,914	\$ --	\$ 30,914	\$ (51,086)
Charges for Services:						
Sewer Charges:						
Residential	2,660,000	2,640,000	2,691,233	--	2,691,233	51,233
Commercial	4,137,000	4,125,000	4,120,047	--	4,120,047	(4,953)
Connection charge	--	--	2,337	--	2,337	2,337
Sludge disposal	120,000	120,000	192,111	--	192,111	72,111
Capacity assessment	185,000	185,000	41,730	--	41,730	(143,270)
Total Revenues	<u>7,152,000</u>	<u>7,152,000</u>	<u>7,078,372</u>	<u>--</u>	<u>7,078,372</u>	<u>(73,628)</u>
<b>Other Financing Sources:</b>						
Transfers in	3,305,140	3,305,140	3,305,140	--	3,305,140	--
Transfers out	(278,611)	(278,611)	(278,611)	--	(278,611)	--
Total Other Financing Sources	<u>3,026,529</u>	<u>3,026,529</u>	<u>3,026,529</u>	<u>--</u>	<u>3,026,529</u>	<u>--</u>
<b>Total Revenues and Other Financing Sources</b>	<u>10,178,529</u>	<u>10,178,529</u>	<u>10,104,901</u>	<u>--</u>	<u>10,104,901</u>	<u>(73,628)</u>
<b>Expenditures - Sanitation:</b>						
Sanitation and Waste Removal:						
Salaries, including overtime	1,954,819	1,881,819	1,780,336	--	1,780,336	101,483
Vacation credit payout	72,581	12,581	10,679	--	10,679	1,902
Operational and administrative	2,211,082	2,472,082	2,259,415	96,817	2,356,232	115,850
Central services cost	450,000	450,000	450,000	--	450,000	--
Capital costs	146,545	146,545	60,745	47,296	108,041	38,504
SRF loan payments	2,431,054	2,431,054	1,805,729	--	1,805,729	625,325
FICA taxes	144,407	144,407	128,894	--	128,894	15,513
Public employees' health fund	154,035	154,035	137,899	--	137,899	16,136
Workers' compensation	30,001	50,001	43,862	--	43,862	6,139
Unemployment compensation	10,000	10,000	5,046	--	5,046	4,954
Pension contributions	294,590	294,590	269,532	--	269,532	25,058
Other employee benefits	--	--	--	--	--	--
Public employees' other post-employment benefit	562,673	498,673	496,503	--	496,503	2,170
Repair and maintenance reserve	2,750,324	2,666,324	1,330,975	1,264,543	2,595,518	70,806
Total Sanitation	<u>11,212,111</u>	<u>11,212,111</u>	<u>8,779,615</u>	<u>1,408,656</u>	<u>10,188,271</u>	<u>1,023,840</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures (Note C)</b>	<u>\$ (1,033,582)</u>	<u>\$ (1,033,582)</u>	<u>1,325,286</u>	<u>\$ (1,408,656)</u>	<u>\$ (83,370)</u>	<u>\$ 950,212</u>
<b>Fund Balance - Beginning of Year July 1, 2011</b>			<u>1,202,046</u>			
<b>Fund Balance - End of Year June 30, 2012</b>			<u>\$ 2,527,332</u>			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.  
Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.  
Note C: Excess of expenditures over revenues is balanced with available fund balance.



**COUNTY OF KAUAI, HAWAII**  
**GOLF ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budgetary Basis			Variance with Final Budget- Positive (Negative)
	Original (Note A)	Final	Actual Amounts (Note B)	Encumbrances	Non-GAAP	
<b>Revenues:</b>						
Rents and Concessions:						
Food and beverage	\$ 61,800	\$ 61,800	\$ 600	\$ --	\$ 600	\$ (61,200)
Pro shop	15,324	15,324	15,554	--	15,554	230
Range balls	50,400	50,400	74,804	--	74,804	24,404
Golf carts	135,500	135,500	117,100	--	117,100	(18,400)
Other	--	--	3,465	--	3,465	3,465
Charges for Services:						
Green fees and locker fees	969,303	969,303	991,696	--	991,696	22,393
Total Revenues	<u>1,232,327</u>	<u>1,232,327</u>	<u>1,203,219</u>	<u>--</u>	<u>1,203,219</u>	<u>(29,108)</u>
Other Financing Sources:						
Operating transfers from General Fund	1,035,613	1,035,613	1,035,613	--	1,035,613	--
Total Revenues and Other Financing Sources	<u>2,267,940</u>	<u>2,267,940</u>	<u>2,238,832</u>	<u>--</u>	<u>2,238,832</u>	<u>(29,108)</u>
<b>Expenditures - Culture and Recreation:</b>						
Operational and administrative	537,487	552,487	502,055	40,924	542,979	9,508
Salaries and overtime	812,236	798,909	791,718	--	791,718	7,191
Central services cost	150,000	150,000	150,000	--	150,000	--
Equipment	5,500	7,600	7,579	--	7,579	21
Debt service payments	198,944	198,944	193,425	--	193,425	5,519
FICA taxes	62,150	62,150	54,440	--	54,440	7,710
Public employees' health fund	109,790	112,117	112,117	--	112,117	--
Workers' compensation	36,001	50,001	42,459	--	42,459	7,542
Unemployment compensation	1,967	1,967	--	--	--	1,967
Public employees' other post-employment benefit	251,800	231,700	222,971	--	222,971	8,729
Pension contributions	125,000	125,000	117,839	--	117,839	7,161
Total Expenditures - Culture and Recreation	<u>2,290,875</u>	<u>2,290,875</u>	<u>2,194,603</u>	<u>40,924</u>	<u>2,235,527</u>	<u>55,348</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures (Note C)	\$ <u>(22,935)</u>	\$ <u>(22,935)</u>	44,229	\$ <u>(40,924)</u>	\$ <u>3,305</u>	\$ <u>26,240</u>
Fund Balance - Beginning of Year July 1, 2011			<u>668,500</u>			
Fund Balance - End of Year June 30, 2012			\$ <u>712,729</u>			

Note A: Original budgeted expenditure amounts include reappropriated and committed prior-period encumbrances.

Note B: Actual expenditures and revenues are reported on the modified accrual basis of accounting.

Note C: Excess of expenditures over revenues is balanced with available fund balance.

**STATISTICAL SECTION  
(UNAUDITED)**

**COUNTY OF KAUAI, HAWAII**  
**STATISTICAL SECTION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This part of the County of Kauai's comprehensive annual financial report represents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

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<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed.	123
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	130
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	137
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	140
<b>Operating Information</b>	
These schedules contain service, and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	142

**COUNTY OF KAUAI, HAWAII  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS (UNAUDITED)  
(ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 1**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>										
Invested in capital assets, net of related debt	\$ 382,979,092	\$ 398,697,946	\$ 402,603,394	\$ 431,328,406	\$ 440,721,403	\$ 445,809,943	\$ 454,412,948	\$ 452,246,448	\$ 453,192,782	\$ 457,053,621
Restricted	16,861,171	2,539,516	2,027,763	3,315,965	13,420,619	22,905,523	26,399,509	22,181,184	18,346,037	7,823,254
Unrestricted	12,067,813	17,063,015	26,122,251	37,746,609	48,548,173	51,559,178	50,751,859	67,639,803	65,401,348	51,887,401
<b>Total Governmental Activities Net Assets</b>	<b>411,928,076</b>	<b>418,300,477</b>	<b>430,753,408</b>	<b>472,390,580</b>	<b>502,790,195</b>	<b>520,174,642</b>	<b>531,554,316</b>	<b>542,067,435</b>	<b>536,940,167</b>	<b>516,764,276</b>
<b>Business-type Activities:</b>										
Invested in capital assets, net of related debt	32,750,662	35,171,566	35,028,543	37,828,270	39,686,557	40,730,017	45,383,170	48,910,243	57,522,867	60,798,097
Restricted	222,950	222,950	222,950	222,950	206,728	209,537	212,528	215,791	347,335	354,625
Unrestricted	6,821,705	5,380,830	6,252,923	4,669,005	5,565,818	5,547,964	3,569,272	5,013,888	8,124,987	9,611,655
<b>Total Business-type Activities Net Assets</b>	<b>39,795,317</b>	<b>40,775,346</b>	<b>41,504,416</b>	<b>42,720,225</b>	<b>45,459,104</b>	<b>46,487,518</b>	<b>49,164,970</b>	<b>54,139,922</b>	<b>65,995,189</b>	<b>70,764,377</b>
<b>Primary Government:</b>										
Invested in capital assets, net of related debt	415,729,754	433,869,512	437,631,937	469,156,676	480,407,960	486,539,960	499,796,118	501,156,691	510,715,649	517,851,718
Restricted	17,104,121	2,762,466	2,250,713	3,538,515	13,627,347	23,015,060	26,602,037	22,396,975	18,693,372	8,177,979
Unrestricted	18,889,518	22,443,845	32,375,174	42,415,614	54,213,992	57,107,140	54,321,131	72,653,691	73,526,335	61,499,056
<b>Total Primary Government Activities Net Assets</b>	<b>\$ 451,723,393</b>	<b>\$ 459,075,823</b>	<b>\$ 472,257,824</b>	<b>\$ 515,110,805</b>	<b>\$ 548,249,299</b>	<b>\$ 566,662,160</b>	<b>\$ 580,719,286</b>	<b>\$ 596,207,357</b>	<b>\$ 602,935,356</b>	<b>\$ 587,528,653</b>

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII  
CHANGES IN NET ASSETS (CONTINUED)  
LAST TEN FISCAL YEARS (UNAUDITED)  
(ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 1A**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General government	\$ 16,115,071	\$ 25,369,569	\$ 27,641,447	\$ 33,358,710	\$ 35,190,826	\$ 39,970,949	\$ 38,335,085	\$ 24,423,397	\$ 28,619,780	\$ 32,774,735
Public safety	22,638,833	25,569,986	24,861,061	25,560,662	29,335,789	35,333,479	38,182,320	46,193,511	50,618,291	50,624,242
Public works	6,146,232	5,672,746	6,782,506	9,526,915	8,117,334	10,500,645	10,336,337	12,986,481	18,258,953	12,334,893
Highways and streets	12,771,243	14,974,250	13,284,519	17,183,881	18,594,377	17,545,423	21,524,749	18,394,453	18,949,545	17,913,595
Sanitation	6,973,823	7,232,767	8,193,673	9,864,324	11,188,711	10,938,661	11,123,472	13,537,765	5,342,990	22,204,359
Culture and recreation	4,357,378	3,293,842	4,757,195	3,906,040	4,884,967	9,227,909	9,028,393	9,747,006	9,924,470	10,428,386
Public welfare	14,148,697	14,157,273	12,045,325	14,217,863	16,928,865	15,983,791	22,793,755	19,690,034	17,918,208	20,393,081
Unallocated interest	2,631,923	2,647,924	2,451,890	3,208,906	3,891,634	3,793,059	3,533,452	4,235,047	6,183,785	5,029,937
<b>Total Governmental Activities Expenses</b>	<b>87,983,200</b>	<b>98,918,357</b>	<b>100,037,616</b>	<b>116,817,301</b>	<b>128,132,323</b>	<b>143,293,916</b>	<b>154,859,563</b>	<b>147,207,694</b>	<b>155,816,010</b>	<b>171,703,228</b>
<b>Business-type Activities:</b>										
Housing	1,462,199	1,786,839	1,754,312	1,899,835	1,426,840	2,358,951	1,805,738	2,360,921	2,371,254	2,178,940
Sewer	5,633,058	5,261,157	5,645,490	6,899,667	9,904,507	10,450,804	11,680,555	8,113,817	7,929,242	8,250,110
Golf	1,638,409	1,696,769	1,802,396	1,777,657	1,900,225	2,243,034	2,547,080	2,175,551	2,078,846	2,221,620
<b>Total Business-type Activities Expenses</b>	<b>8,733,667</b>	<b>8,744,765</b>	<b>9,202,198</b>	<b>10,577,359</b>	<b>13,231,572</b>	<b>15,052,789</b>	<b>16,233,371</b>	<b>12,650,289</b>	<b>12,379,342</b>	<b>12,650,670</b>
<b>Total Primary Government Expenses</b>	<b>96,716,867</b>	<b>107,663,122</b>	<b>109,239,814</b>	<b>127,394,660</b>	<b>141,363,895</b>	<b>158,346,705</b>	<b>171,092,934</b>	<b>159,857,983</b>	<b>168,195,352</b>	<b>184,353,898</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
General government	6,434,961	4,399,307	5,812,948	7,589,798	8,725,766	5,174,828	5,406,548	4,396,663	5,169,899	6,160,794
Public safety	2,546,310	2,959,480	2,686,117	3,241,293	6,850,833	3,883,248	3,927,807	5,819,599	4,661,853	6,466,634
Public works	106,250	1,307,048	-	355,358	7,133,329	3,012,546	3,244,590	3,993,723	5,732,393	2,121,047
Highways and streets	11,370,426	5,587,945	5,646,153	6,987,757	7,392,896	7,914,299	11,459,809	5,499,531	5,090,624	7,516,535
Sanitation	3,015,890	4,127,117	2,988,154	3,812,881	4,527,187	4,023,210	3,815,690	3,783,514	4,257,869	12,024,883
Culture and recreation	899,658	1,128,295	570,191	7,188,714	6,542,743	3,992,220	2,340,707	3,503,720	3,940,743	750,837
Public welfare	12,637,037	10,830,730	10,516,123	11,497,815	13,665,669	14,271,174	15,792,673	15,583,065	15,825,484	13,924,545
<b>Total Governmental Activities Program Revenues</b>	<b>37,010,532</b>	<b>30,339,922</b>	<b>29,219,686</b>	<b>40,653,616</b>	<b>54,838,423</b>	<b>42,271,525</b>	<b>45,967,824</b>	<b>42,579,915</b>	<b>44,678,865</b>	<b>48,985,075</b>
<b>Business-type Activities:</b>										
Housing	1,228,540	1,408,937	1,743,240	1,739,947	2,422,195	2,045,264	9,828,965	1,856,832	2,811,540	1,791,502
Sewer	5,636,334	6,155,099	6,231,373	6,985,265	8,757,559	11,548,889	6,518,569	6,286,837	6,696,218	13,527,724
Golf	1,316,091	1,380,975	1,382,604	1,349,750	1,466,149	1,576,915	1,447,028	2,540,338	1,288,238	1,203,219
<b>Total Business-type Activities Program Revenues</b>	<b>8,180,965</b>	<b>8,945,011</b>	<b>9,357,217</b>	<b>10,074,962</b>	<b>12,645,903</b>	<b>15,171,068</b>	<b>17,794,562</b>	<b>10,684,007</b>	<b>10,795,998</b>	<b>16,522,445</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 45,193,497</b>	<b>\$ 39,284,933</b>	<b>\$ 38,576,903</b>	<b>\$ 50,728,578</b>	<b>\$ 67,484,326</b>	<b>\$ 57,442,593</b>	<b>\$ 63,782,386</b>	<b>\$ 53,263,922</b>	<b>\$ 55,474,861</b>	<b>\$ 65,507,520</b>

**COUNTY OF KAUAI, HAWAII  
CHANGES IN NET ASSETS (CONTINUED)  
LAST TEN FISCAL YEARS (UNAUDITED)  
(ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 1A**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net Revenue (Expense):</b>										
Governmental activities	\$ (50,972,668)	\$ (68,578,435)	\$ (70,817,930)	\$ (76,163,885)	\$ (73,293,900)	\$ (101,022,391)	\$ (108,871,739)	\$ (104,827,779)	\$ (111,137,145)	\$ (122,718,153)
Business-type activities	(550,702)	200,248	155,019	(502,397)	(585,669)	118,279	1,561,191	(1,966,282)	(1,583,348)	3,871,775
<b>Total Primary Government Net Revenue (Expense)</b>	<b>(51,523,370)</b>	<b>(68,378,189)</b>	<b>(70,662,911)</b>	<b>(76,666,082)</b>	<b>(73,879,569)</b>	<b>(100,904,112)</b>	<b>(107,310,548)</b>	<b>(106,594,061)</b>	<b>(112,720,493)</b>	<b>(118,846,378)</b>
<b>General Revenues and Other Changes in Net Assets:</b>										
<b>Governmental Activities:</b>										
<b>General Revenues:</b>										
Property taxes	42,985,183	48,142,419	56,574,834	68,908,818	78,156,850	86,725,636	91,880,683	92,466,396	87,579,128	80,871,078
Public service company tax	2,328,625	2,277,949	2,681,922	2,806,947	3,889,486	3,214,499	4,379,129	4,097,986	3,020,565	4,228,609
Franchise tax	2,320,446	2,501,482	2,934,028	3,334,197	3,656,782	4,072,274	4,900,021	3,258,208	3,901,854	4,594,943
Fuel tax	3,824,428	4,178,817	4,102,379	3,808,757	5,972,756	4,217,665	3,940,446	3,595,214	4,163,471	3,948,687
Unrestricted grants and contributions	19,892,249	11,831,011	13,100,352	14,307,884	14,624,733	15,080,972	13,690,485	13,152,231	16,425,594	15,407,463
Investments earnings	789,024	632,893	1,112,531	3,435,815	6,589,283	5,836,149	2,493,940	4,476,847	2,326,500	1,168,610
Transfers	(189,138)	657,800	(461,378)	(540,816)	(575,000)	(740,357)	(1,033,291)	(5,908,954)	(11,407,235)	(4,062,142)
<b>Total Governmental Activities General Revenues and Transfers</b>	<b>71,950,817</b>	<b>70,222,371</b>	<b>80,044,668</b>	<b>96,061,602</b>	<b>111,314,890</b>	<b>118,406,838</b>	<b>120,261,413</b>	<b>115,140,898</b>	<b>106,009,877</b>	<b>106,155,246</b>
<b>Business-type Activities:</b>										
<b>General Revenues:</b>										
Unrestricted grants and contributions	-	1,418,303	-	-	-	-	-	1,005,279	2,000,000	-
Investment earnings	11,386	19,280	42,528	84,591	130,030	169,778	82,970	29,001	31,378	55,468
Extraordinary items	-	-	70,146	384,081	-	-	-	-	-	-
Transfers	189,138	(657,800)	461,378	540,816	575,000	740,357	1,033,291	5,908,954	11,407,235	4,062,142
<b>Total Business-type Activities General Revenues and Transfers</b>	<b>200,524</b>	<b>779,783</b>	<b>574,051</b>	<b>989,488</b>	<b>705,030</b>	<b>910,135</b>	<b>1,116,261</b>	<b>6,941,234</b>	<b>13,438,613</b>	<b>4,117,610</b>
<b>Total Primary Government Program Revenues</b>	<b>72,151,341</b>	<b>71,002,154</b>	<b>80,618,719</b>	<b>97,051,090</b>	<b>112,019,920</b>	<b>119,316,973</b>	<b>121,367,674</b>	<b>122,082,132</b>	<b>119,448,490</b>	<b>110,272,856</b>
<b>Changes in Net Assets:</b>										
Governmental activities	20,978,149	1,643,938	9,226,738	19,897,917	38,020,990	17,384,447	11,379,674	10,513,119	(5,127,268)	(16,562,907)
Business-type activities	(350,178)	980,029	729,070	487,091	119,361	1,028,414	2,677,452	4,974,952	11,855,267	7,989,385
<b>Total Primary Government Changes in Net Assets</b>	<b>\$ 20,627,971</b>	<b>\$ 2,623,965</b>	<b>\$ 9,955,808</b>	<b>\$ 20,385,008</b>	<b>\$ 38,140,351</b>	<b>\$ 18,412,861</b>	<b>\$ 14,057,126</b>	<b>\$ 15,488,071</b>	<b>\$ 6,727,999</b>	<b>\$ (8,573,522)</b>

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII  
GOVERNMENT - WIDE NET ASSETS  
LAST TEN FISCAL YEARS (UNAUDITED)  
(ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 1B**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Assets:</b>										
Governmental activities	\$ 518,928,218	\$ 523,982,021	\$ 532,279,990	\$ 620,787,798	\$ 650,531,583	\$ 584,752,946	\$ 692,955,754	\$ 753,265,199	\$ 753,176,265	\$ 737,054,972
Business-type activities	54,622,579	54,621,171	54,317,198	55,150,896	59,400,214	59,636,214	67,357,779	74,859,589	86,138,149	91,897,068
<b>Total Assets - Primary Government</b>	<b>573,548,797</b>	<b>578,603,192</b>	<b>586,597,188</b>	<b>675,938,694</b>	<b>709,931,797</b>	<b>744,389,160</b>	<b>760,313,533</b>	<b>828,124,798</b>	<b>839,314,414</b>	<b>828,952,040</b>
<b>Liabilities:</b>										
Governmental activities	108,998,142	105,581,544	101,526,582	148,377,218	147,741,368	164,578,304	161,401,438	211,197,764	216,236,098	220,290,698
Business-type activities	14,827,262	13,745,825	12,812,782	12,430,671	13,941,110	13,148,696	18,192,809	20,719,677	20,142,960	21,132,691
<b>Total Liabilities - Primary Government</b>	<b>121,825,404</b>	<b>119,327,369</b>	<b>114,339,364</b>	<b>160,807,889</b>	<b>161,682,498</b>	<b>177,727,000</b>	<b>179,594,247</b>	<b>231,917,441</b>	<b>236,379,058</b>	<b>241,423,387</b>
<b>Net Assets:</b>										
Invested in capital assets, net of related debt:										
Governmental activities	382,979,092	398,697,948	402,603,394	431,328,406	440,721,403	445,609,943	454,412,848	452,246,448	453,192,782	457,053,621
Business-type activities	32,750,662	35,171,566	35,028,543	37,828,270	39,686,557	40,730,017	45,383,170	48,910,243	57,522,887	60,798,097
Restricted net assets by enabling legislation:										
Governmental activities	-	-	-	-	-	-	-	-	-	-
Business-type activities	222,950	222,950	222,950	222,950	206,728	209,537	212,528	215,791	347,335	354,825
Restricted net assets, other:										
Governmental activities	18,881,171	2,539,516	2,027,763	3,315,565	13,420,619	22,805,523	26,389,509	22,181,184	18,346,037	7,823,264
Business-type activities	-	-	-	-	-	-	-	-	-	-
Unrestricted net assets:										
Governmental activities	12,067,813	17,063,015	26,122,251	37,746,609	48,648,173	51,559,176	50,751,859	67,639,803	65,401,348	51,887,401
Business-type activities	6,821,705	5,380,830	6,252,923	4,669,005	5,565,819	5,547,964	3,569,272	5,013,888	8,124,987	9,611,656
<b>Total Net Assets - Primary Government</b>	<b>\$ 451,723,393</b>	<b>\$ 459,075,823</b>	<b>\$ 472,257,824</b>	<b>\$ 515,110,805</b>	<b>\$ 548,249,299</b>	<b>\$ 566,662,160</b>	<b>\$ 580,719,286</b>	<b>\$ 596,207,357</b>	<b>\$ 602,935,356</b>	<b>\$ 587,528,653</b>

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII**  
**FUND BALANCES, GOVERNMENT FUNDS**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1 - 4**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 2**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund:</b>										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	490,000	490,000
Committed	2,489,476	4,381,948	4,336,782	6,822,011	7,660,813	6,820,122	9,781,486	6,634,688	5,411,603	8,602,156
Assigned	8,116,868	9,414,500	10,877,098	11,718,098	13,932,311	14,069,602	11,535,434	19,066,623	47,749,807 (3)	20,234,694
Unassigned	3,791,557	3,261,947	3,544,841	11,579,162	20,790,848	24,335,040	32,844,060	43,098,792	-	15,368,459
<b>Total General Fund</b>	<b>14,397,901</b>	<b>17,058,395</b>	<b>18,758,721</b>	<b>30,119,271</b>	<b>42,383,972</b>	<b>45,224,764</b>	<b>54,140,980</b>	<b>68,800,103</b>	<b>53,651,410</b>	<b>44,695,309</b>
<b>All Other Governmental Funds:</b>										
Non-spendable	9,219,514	8,367,826	7,460,841	6,931,371	4,391,698	4,187,914	3,544,167	3,600,866 (2)	3,363,311 (4)	2,769,119
Restricted	6,512,011	7,017,825	7,338,751	7,953,501	7,616,138	9,341,702	10,000,961	13,273,466 (2)	11,417,538 (4)	8,135,743
Committed	6,764,955	5,145,757	9,069,054	11,655,259	10,109,023	16,981,674	16,179,876	15,661,985 (2)	18,793,384	19,664,847
Assigned	20,243,780	20,378,457	22,081,792	61,246,137	69,493,785	75,608,191	68,439,470	106,014,099	100,757,185	81,570,384
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>42,740,260</b>	<b>40,909,865</b>	<b>45,950,438</b>	<b>87,786,268</b>	<b>91,610,644</b>	<b>106,099,481</b>	<b>98,164,494</b>	<b>138,550,416</b>	<b>134,331,418</b>	<b>112,140,093</b>
<b>Total Fund Balances (Note 1)</b>	<b>\$ 57,138,161</b>	<b>\$ 57,968,260</b>	<b>\$ 64,709,159</b>	<b>\$ 117,905,539</b>	<b>\$ 133,994,616</b>	<b>\$ 151,324,245</b>	<b>\$ 152,305,474</b>	<b>\$ 207,350,519</b>	<b>\$ 187,982,828</b>	<b>\$ 156,835,402</b>

Note (1): The Total Fund Balances for the fiscal years 2003 through 2008 have been restated as a result of a fund balance reclassification made in fiscal year 2009.

Note (2): The June 30, 2010 CAFR reported incorrect amounts between these three categories.

Note (3): The June 30, 2011 CAFR General Fund balance was restated. See note 20.

Note (4): The June 30, 2011 CAFR reported incorrect amounts between these two categories.

Source: Department of Finance



**COUNTY OF KAUAI, HAWAII**  
**CHANGES IN GOVERNMENTAL FUND BALANCES**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTE 1-2**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

**TABLE 2A**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Taxes	\$ 50,739	\$ 57,060	\$ 65,097	\$ 78,675	\$ 90,913	\$ 98,572	\$ 105,140	\$ 102,425	\$ 94,343 (1)	\$ 93,470
Licenses and permits	5,561	5,715	6,677	6,780	6,948	7,975	8,253	7,400	6,847	6,778
Rents and concessions	631	678	688	737	713	727	956	907	916	639
Interest	1,410	633	1,113	3,354	5,012	5,836	3,009	4,886	2,708	1,379
Intergovernmental revenue	37,612	31,358	29,975	41,359	49,506	41,291	44,764	37,214	43,760	44,779
Charges for current services	3,297	3,627	3,398	4,110	4,202	4,911	4,424	4,366	5,593	8,591
Bond subsidy	--	--	--	--	--	--	--	--	971 (2)	1,138
Miscellaneous	406	792	1,582	1,975	2,934	2,434	766	3,117	1,642	720
<b>Total Revenues</b>	<b>99,656</b>	<b>99,863</b>	<b>108,530</b>	<b>136,990</b>	<b>160,228</b>	<b>161,746</b>	<b>167,312</b>	<b>160,325</b>	<b>156,790</b>	<b>157,494</b>
<b>Expenditures:</b>										
General government	21,740	22,823	27,680	30,938	35,358	33,461	37,371	26,682	28,285	29,850
Public safety	21,760	23,502	23,547	24,979	27,122	32,894	35,613	43,607	47,547	48,153
Public works	4,475	4,789	5,636	6,990	6,881	9,468	8,727	11,232	16,395	10,454
Highways and streets	7,265	9,491	7,798	12,115	12,298	11,273	15,312	10,089	13,146	11,965
Sanitation	6,688	6,625	8,653	9,458	10,315	9,773	9,834	12,313	11,385	17,928
Culture and recreation	4,234	3,041	4,458	3,471	4,288	7,839	8,223	9,715	9,252	9,852
Public welfare	13,927	14,028	11,798	14,889	16,491	15,637	22,375	19,957	20,192	19,758
Capital outlay	16,620	9,322	6,109	13,625	20,299	17,523	21,342	24,597	18,109	27,733
<b>Debt Service:</b>										
Principal	3,490	3,665	3,850	3,435	4,130	3,230	4,766	4,713	5,824	4,808
Interest	2,906	2,726	2,535	2,538	4,389	3,797	3,597	3,971	5,888	5,575
<b>Total Expenditures</b>	<b>103,105</b>	<b>100,012</b>	<b>102,064</b>	<b>122,438</b>	<b>141,571</b>	<b>144,895</b>	<b>167,160</b>	<b>166,876</b>	<b>176,023</b>	<b>186,076</b>
<b>Excess of Revenues</b>										
Over (Under) Expenditures	\$ (3,449)	\$ (149)	\$ 6,466	\$ 14,552	\$ 18,657	\$ 16,851	\$ 152	\$ (6,551)	\$ (19,233)	\$ (28,582)
<b>Other Financing Sources (Uses)</b>										
Transfers in	\$ 12,774	\$ 15,284	\$ 16,466	\$ 18,927	\$ 24,834	\$ 30,210	\$ 21,085	\$ 29,852	\$ 28,081	\$ 18,570
Transfers out	(12,963)	(14,626)	(16,927)	(19,468)	(25,409)	(30,951)	(22,118)	(30,675)	(32,327)	(22,631)
Refunding bonds issued	--	--	--	--	--	--	--	--	--	--
Bonds issued	--	--	--	42,180	--	--	--	60,000	-- (2)	--
Premium on bonds issued	--	--	--	1,327	--	--	--	--	--	--
Payments to refunded bond escrow agency	--	--	--	(4,120)	--	--	--	--	--	--
Capital leases	1,181	--	--	--	1,346	485	1,862	1,886	3,699	732
Insurance proceeds	--	--	--	--	--	--	--	733	413	--
Claims proceeds	--	--	--	--	--	--	--	--	--	764
Sale of capital assets	--	--	--	--	--	--	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>992</b>	<b>658</b>	<b>(461)</b>	<b>38,846</b>	<b>771</b>	<b>(256)</b>	<b>829</b>	<b>61,596</b>	<b>(134)</b>	<b>(2,565)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,457)</b>	<b>\$ 509</b>	<b>\$ 6,005</b>	<b>\$ 53,398</b>	<b>\$ 19,428</b>	<b>\$ 16,595</b>	<b>\$ 981</b>	<b>\$ 55,045</b>	<b>\$ (19,367)</b>	<b>\$ (31,147)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>7.40%</b>	<b>7.05%</b>	<b>6.65%</b>	<b>5.49%</b>	<b>7.02%</b>	<b>5.52%</b>	<b>5.74%</b>	<b>6.10%</b>	<b>7.42%</b>	<b>6.43%</b>

Note (1): Revenues for 2011 were restated. See note 20.

Note (2): A new line item labeled revenues from bond subsidy has been added. Revenues previously reported in the June 30, 2011 CAFR were reclassified from other financing sources, bonds issued to revenues from bond subsidy.

**COUNTY OF KAUAI, HAWAII**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTE 1**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 2B**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Culture and Recreation</u>	<u>Public Welfare</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
2003	\$ 21,740,154	\$ 21,759,541	\$ 4,475,086	\$ 7,265,140	\$ 6,687,899	\$ 4,234,260	\$ 13,926,744	\$ 16,620,294	\$ 6,396,146	\$ 103,105,264
2004	22,822,990	23,501,535	4,789,243	9,491,320	6,625,259	3,041,644	14,027,512	9,322,449	6,390,550	100,012,502
2005	27,676,903	23,547,233	5,636,246	7,797,896	8,652,469	4,458,174	11,797,770	6,108,687	6,384,760	102,060,138
2006	30,938,083	24,978,616	6,989,820	12,942,120	9,586,216	3,471,439	14,888,594	14,319,976	5,973,225	124,088,089
2007	35,358,095	27,122,412	6,880,628	12,298,214	10,314,722	4,288,112	16,491,419	20,298,857	8,518,611	141,571,070
2008	33,461,254	32,894,024	9,467,945	11,273,415	9,772,708	7,839,158	15,637,506	17,522,714	7,026,605	144,895,329
2009	37,370,973	35,613,140	8,726,473	15,312,333	9,834,250	8,223,353	22,374,453	21,342,674	8,362,697	167,160,346
2010	26,681,875	43,607,071	11,231,776	10,089,042	12,313,226	9,714,650	19,957,368	24,597,117	8,684,119	166,876,244
2011	28,284,779	47,547,543	16,394,758	13,145,902	11,384,978	9,252,478	20,191,922	18,108,631	11,712,358	176,023,349
2012	29,850,216	48,152,876	10,453,780	11,964,857	17,928,104	9,851,517	19,758,515	27,732,637	10,383,400	186,075,902

Note (1): Includes general, special revenue, capital projects and debt service funds.

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS (UNAUDITED) NOTE 1**

**TABLE 3**

Fiscal Year	Total Tax Levy	Tax Levy Adjustments in Subsequent Years	Total Tax Levy After Adjustments	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Tax Collections (1)	Percent of Levy		Tax Collections (1)	Percent of Levy
2003	\$ 41,591,414	\$ 155,987	\$ 41,747,401	\$ 40,973,111	98.5 %	\$ 773,276	\$ 41,746,387	99.998 %
2004	47,393,938	100,937	47,494,875	46,814,999	98.8	678,631	47,493,630	99.997
2005	55,268,583	(61,726)	55,206,857	54,709,028	99.0	496,494	55,205,522	99.998
2006	68,197,925	418,677	68,616,602	67,374,208	98.8	1,239,554	68,613,762	99.996
2007	76,971,763	13,635	76,985,398	75,336,422	97.9	1,544,884	76,881,306	99.865
2008	86,373,611	20,577	86,394,188	84,617,913	98.0	1,606,475	86,224,388	99.803
2009	91,063,419	906,554	91,969,973	88,762,923	97.5	2,919,251	91,682,174	99.687
2010	91,292,733	760,927	92,053,660	89,160,050	97.7	2,438,093	91,598,143	99.505
2011	83,621,720	(195,890)	83,425,830	81,866,842	97.9	790,359	82,657,201	99.079
2012	80,337,961	-	80,337,961	78,588,196	97.8	-	78,588,196	97.822

Note (1): Current and delinquent tax collections do not include penalties and interest.

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS (VALUED IN THOUSANDS - UNAUDITED) NOTE 1**

**TABLE 4**

Fiscal Year	Gross Assessed Value (1)			Exemptions	Net Taxable Value	Total Direct Tax Rate	Ratio (%) of Net Taxable to Estimated Actual Value
	Land	Buildings	Total				
2003	\$ 3,318,945	\$ 3,447,559	\$ 6,766,504	\$ 896,115	\$ 5,870,389	\$ 6.61	86.8
2004	3,921,582	3,538,013	7,459,595	939,555	6,520,040	6.57	87.4
2005	4,477,591	4,013,219	8,490,810	1,109,793	7,381,017	6.47	86.9
2006	5,592,330	4,826,028	10,418,358	1,217,165	9,201,193	6.09	88.3
2007	9,131,641	6,247,984	15,379,625	1,625,247	13,754,378	5.47	89.4
2008	10,982,938	7,426,225	18,409,163	1,571,487	16,837,676	5.36	91.5
2009	12,604,914	8,412,021	21,016,935	1,725,331	19,291,604	5.37	91.8
2010	12,277,191	8,330,593	20,607,784	1,672,707	18,935,077	5.38	91.9
2011	10,559,729	7,880,358	18,440,087	1,681,649	16,758,438	5.37	90.9
2012	9,864,222	7,783,351	17,647,573	1,800,878	15,846,695	5.42	89.8

Note (1): Personal property is not taxed in the County of Kauai.  
Taxable properties are assessed at 100% of estimated fair market value.  
Values presented exclude government exemptions.  
The total direct tax rate represents the weighted average of all the individual direct rates applied by the County of Kauai.  
Valuations have been changed since the June 30, 2009 CAFR was issued.

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII**  
**REAL PROPERTY NET VALUATION BY CLASSIFICATION AND TAX RATES**  
**LAST TEN FISCAL YEARS (VALUED IN THOUSANDS - UNAUDITED) NOTE 1**

**TABLE 5**

Fiscal Year	Class of Property	Value of Net Taxable Land (1)	Land Tax Rates Per \$1,000	Value of Net Taxable Building (1)	Building Tax Rates Per \$1,000	Net Valuation for Tax Rate
2003	Single Family Residential	\$ 975,098	\$5.64	\$ 600,032	\$4.65	\$ 1,575,130
	Homestead	647,879	4.65	489,620	3.79	1,137,499
	Agriculture	517,418	8.10	201,151	4.65	718,569
	Conservation	87,034	8.60	14,414	4.65	101,448
	Hotel/resort	288,887	8.70	784,192	8.30	1,073,079
	Apartment	223,264	8.70	340,694	8.30	563,958
	Commercial	221,859	8.70	224,411	8.30	446,270
	Industrial	79,813	8.70	174,623	8.30	254,436
	Total	<u>\$ 3,041,252</u>		<u>\$ 2,829,137</u>		<u>\$ 5,870,389</u>
2004	Single Family Residential	\$ 1,184,485	\$5.74	\$ 605,262	\$4.50	\$ 1,789,747
	Homestead	770,997	4.85	561,654	3.64	1,332,651
	Agriculture	693,850	8.20	208,696	4.50	902,546
	Conservation	124,669	8.70	16,314	4.50	140,983
	Hotel/resort	307,164	8.80	809,517	8.15	1,116,681
	Apartment	232,494	8.80	389,546	8.15	622,040
	Commercial	229,218	8.80	212,928	8.15	442,146
	Industrial	82,273	8.80	90,973	8.15	173,246
	Total	<u>\$ 3,625,150</u>		<u>\$ 2,894,890</u>		<u>\$ 6,520,040</u>
2005	Single Family Residential	\$ 1,346,379	\$5.49	\$ 637,056	\$4.50	\$ 1,983,435
	Homestead	835,217	4.35	550,080	3.64	1,385,297
	Agriculture	875,590	7.95	247,291	4.50	1,122,881
	Conservation	135,980	8.45	16,440	4.50	152,400
	Hotel/resort	315,128	8.55	931,085	8.15	1,246,213
	Apartment	239,416	8.55	549,952	8.15	789,368
	Commercial	250,621	8.55	220,781	8.15	471,402
	Industrial	91,064	8.55	98,994	8.15	190,058
	Total	<u>\$ 4,089,375</u>		<u>\$ 3,251,679</u>		<u>\$ 7,341,054</u>

**COUNTY OF KAUAI, HAWAII**  
**REAL PROPERTY NET VALUATION BY CLASSIFICATION AND TAX RATES (CONTINUED)**  
**LAST TEN FISCAL YEARS (VALUED IN THOUSANDS - UNAUDITED) NOTE 1**

**TABLE 5**

Fiscal Year	Class of Property	Value of Net Taxable Land (1)	Land Tax Rates Per \$1,000	Value of Net Taxable Building (1)	Building Tax Rates Per \$1,000	Net Valuation for Tax Rate
2006	Single Family Residential	\$ 1,768,692	\$5.14	\$ 734,466	\$4.30	\$ 2,503,158
	Homestead	1,236,636	4.00	742,734	3.44	1,979,370
	Agriculture	1,076,592	7.60	283,130	4.30	1,359,722
	Conservation	145,799	8.10	18,804	4.30	164,603
	Hotel/resort	317,818	8.20	1,015,875	7.95	1,333,693
	Apartment	268,610	8.20	808,944	7.95	1,077,554
	Commercial	311,273	8.20	265,885	7.95	577,158
	Industrial	95,494	8.20	110,441	7.95	205,935
	<b>Total</b>	<b>\$ 5,220,914</b>		<b>\$ 3,980,279</b>		<b>\$ 9,201,193</b>
2007	Single Family Residential	\$ 2,867,202	\$4.00	\$ 944,233	\$4.30	\$ 3,811,435
	Homestead	2,431,743	4.00	1,135,329	3.44	3,567,072
	Agriculture	1,489,497	6.95	362,744	4.30	1,852,241
	Conservation	201,369	6.95	23,816	4.30	225,185
	Hotel/resort	399,382	6.95	1,189,674	7.95	1,589,056
	Apartment	417,594	6.95	1,112,398	7.95	1,529,992
	Commercial	529,327	6.95	358,499	7.95	887,826
	Industrial	165,194	6.95	126,377	7.95	291,571
	<b>Total</b>	<b>\$ 8,501,308</b>		<b>\$ 5,253,070</b>		<b>\$ 13,754,378</b>
2008	Single Family Residential	\$ 4,158,997	\$4.00	\$ 1,248,938	\$4.30	\$ 5,407,935
	Homestead	3,790,456	4.00	1,548,740	3.44	5,339,196
	Agriculture	2,038,783	6.95	495,648	4.30	2,534,431
	Conservation	245,695	6.95	25,743	4.30	271,438
	Hotel/resort	457,181	6.95	1,540,091	7.95	1,997,272
	Apartment	498,494	6.95	1,539,314	7.95	2,037,808
	Commercial	580,964	6.95	401,520	7.95	982,484
	Industrial	189,235	6.95	139,117	7.95	328,352
	<b>Total</b>	<b>\$ 11,959,805</b>		<b>\$ 6,939,111</b>		<b>\$ 18,898,916</b>

**COUNTY OF KAUAI, HAWAII**  
**REAL PROPERTY NET VALUATION BY CLASSIFICATION AND TAX RATES (CONTINUED)**  
**LAST TEN FISCAL YEARS (VALUED IN THOUSANDS - UNAUDITED) NOTE 1**

**TABLE 5**

Fiscal Year	Class of Property	Value of Net Taxable Land (1)	Land Tax Rates Per \$1,000	Value of Net Taxable Building (1)	Building Tax Rates Per \$1,000	Net Valuation for Tax Rate
2009*	Single Family Residential	\$ 4,250,036	\$3.95	\$ 1,312,835	\$4.25	\$ 5,562,871
	Homestead	3,553,716	4.00	1,639,610	3.44	5,193,326
	Agriculture	2,030,151	6.90	508,407	4.25	2,538,558
	Conservation	321,264	6.90	25,799	4.25	347,063
	Hotel/resort	526,907	6.90	1,716,803	7.90	2,243,710
	Apartment	512,669	6.90	1,523,212	7.90	2,035,881
	Commercial	620,012	6.90	430,013	7.90	1,050,025
	Industrial	179,825	6.90	140,345	7.90	320,170
	<b>Total</b>	<b>\$ 11,994,580</b>		<b>\$ 7,297,024</b>		<b>\$ 19,291,604</b>
2010	Single Family Residential	\$ 3,983,986	\$3.95	\$ 1,440,943	\$4.25	\$ 5,424,929
	Homestead	3,142,703	4.00	1,665,718	3.44	4,808,421
	Agriculture	1,789,664	6.90	606,715	4.25	2,396,379
	Conservation	282,104	6.90	28,847	4.25	310,951
	Hotel/resort	853,348	6.90	1,548,564	7.90	2,401,912
	Apartment	905,714	6.90	1,264,879	7.90	2,170,593
	Commercial	609,334	6.90	475,418	7.90	1,084,752
	Industrial	185,209	6.90	151,931	7.90	337,140
	<b>Total</b>	<b>\$ 11,752,062</b>		<b>\$ 7,183,015</b>		<b>\$ 18,935,077</b>
2011	Single Family Residential	\$ 3,399,041	\$3.95	\$ 1,517,505	\$4.25	\$ 4,916,546
	Homestead	2,594,045	4.00	1,504,084	3.44	4,098,129
	Agriculture	1,497,499	6.90	646,375	4.25	2,143,874
	Conservation	240,567	6.90	38,785	4.25	279,352
	Hotel/resort	784,254	6.90	1,322,080	7.90	2,106,334
	Apartment	762,925	6.90	1,026,807	7.90	1,789,732
	Commercial	600,359	6.90	467,576	7.90	1,067,935
	Industrial	206,957	6.90	149,579	7.90	356,536
	<b>Total</b>	<b>\$ 10,085,647</b>		<b>\$ 6,672,791</b>		<b>\$ 16,758,438</b>

**COUNTY OF KAUAI, HAWAII**  
**REAL PROPERTY NET VALUATION BY CLASSIFICATION AND TAX RATES (CONTINUED)**  
**LAST TEN FISCAL YEARS (VALUED IN THOUSANDS - UNAUDITED) NOTE 1**

**TABLE 5**

Fiscal Year	Class of Property	Value of Net Taxable Land (1)	Land Tax Rates Per \$1,000	Value of Net Taxable Building (1)	Building Tax Rates Per \$1,000	Net Valuation for Tax Rate
2012	Single Family Residential	\$ 3,012,544	\$3.95	\$ 1,551,602	\$4.25	\$ 4,564,146
	Homestead	2,263,350	4.00	1,443,463	3.44	3,706,813
	Agriculture	1,512,526	6.90	650,188	4.25	2,162,714
	Conservation	236,149	6.90	33,964	4.25	270,113
	Hotel/resort	773,580	6.90	1,275,984	7.90	2,049,544
	Apartment	770,859	6.90	995,317	7.90	1,766,176
	Commercial	563,209	6.90	424,745	7.90	987,954
	Industrial	184,851	6.90	154,384	7.90	339,235
	Total	<u>\$ 9,317,048</u>		<u>\$ 6,529,647</u>		<u>\$ 15,846,695</u>

Note (1): Amounts presented net of real property tax exemption and 50% appeals.

\* Valuations have been changed since the June 30, 2009 CAFR was issued.

Source: Department of Finance, Real Property Tax Division



**COUNTY OF KAUAI, HAWAII  
COMPARISON OF PRINCIPAL TAXPAYERS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2003 (UNAUDITED)**

**TABLE 6**

FISCAL YEAR 2012					
Rank	Taxpayer	Type of Business	Taxable Assessed Valuation	Amount of Taxes	Percent of County's Total Taxable Assessed Valuation
1	Marriott Kauai Ownership	Resort Development	\$ 471,118,700	\$ 3,594,089	3.0 %
2	Kukui'ula Development / A&B / McBryde	Real Estate Holdings	347,821,200	1,924,010	2.2
3	SVO Pacific Inc. / Kauai Blues	Resort Development	302,047,500	2,287,415	1.9
4	Kawailoa Development	Resort Development	184,092,800	1,404,427	1.2
5	Kauai Lagoons LLC / Mori Golf	Resort Development	199,792,600	1,370,345	1.3
6	Princeville Hotel / Development LLC	Resort / Real Estate Holdings	186,381,100	1,278,016	1.2
7	Grove Farm Inc. / Visionary LLC	Real Estate Holdings	146,108,000	949,008	0.9
8	Poipu Beach Villas LLC	Real Estate Holdings	104,097,000	774,168	0.7
9	Pahio Resorts / Bali Hai / Kauai Beach / Shearwater	Resort Development	178,828,400	771,635	1.1
10	Kukui Grove Center Investment	Commercial Development	82,308,800	618,750	0.5
			<u>\$ 2,202,596,100</u>	<u>\$ 14,971,863</u>	<u>14.0 %</u>
FISCAL YEAR 2003					
Rank	Taxpayer	Type of Business	Assessed Valuation	Amount of Taxes	Percent of County's Total Taxable Assessed Valuation
1	Kawailoa Development	Resort Development	\$ 140,713,400	\$ 2,308,148	2.2 %
2	Princeville Corporation	Resort Development	146,313,700	2,127,782	2.2
3	Marriott Kauai Ownership	Real Estate Development	217,766,000	1,788,354	3.3
4	Grove Farm Company Incorporated	Real Estate Development	148,493,600	1,466,048	2.3
5	Knudsen, Eric A Trust	Resort Development	131,281,700	1,189,026	2.0
6	Kauai Lagoons Resort Company Ltd.	Resort Development	55,532,200	907,988	0.9
7	Falko Partners LLC	Resort Development	25,857,300	867,026	0.4
8	Niu Pia Farms Ltd.	Resort Development	74,460,600	602,252	1.1
9	B.P. Bishop Trust Estate	Real Estate Holdings	31,119,100	470,168	0.5
10	Visionary LLC	Real Estate Holdings	24,783,600	446,484	0.4
			<u>\$ 996,321,200</u>	<u>\$ 12,173,276</u>	<u>15.3 %</u>

Source: Department of Finance, Real Property Tax Division

**COUNTY OF KAUAI, HAWAII**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1-2**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 7**

Fiscal Year	Governmental Activities (1)		Business-type Activities (1)			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Sewer Loans			
2003	\$ 51,580,000	\$ 1,788,990	\$ 2,065,000	\$ 1,420,000	\$ 10,424,597	\$ 67,278,587	4.37 %	\$ 1,122
2004	47,915,000	1,092,089	1,965,000	1,300,000	9,596,800	61,868,889	3.67	1,015
2005	44,065,000	575,504	1,865,000	1,175,000	8,746,370	56,426,874	3.10	916
2006	79,963,061	505,462	1,772,630	1,040,000	8,307,381	91,588,534	4.70	1,478
2007	76,289,985	1,345,045	1,664,353	895,000	10,222,582	90,416,965	4.32	1,441
2008	73,491,909	1,355,155	1,565,000	740,000	9,142,867	86,294,931	3.74	1,351
2009	69,503,833	2,396,136	1,435,000	575,000	14,071,350	87,981,319	3.83	1,363
2010	125,775,757	3,054,047	1,300,000	395,000	17,492,700	148,017,504	6.23	2,202
2011	121,877,681	4,783,617	1,160,000	205,000	17,283,260	145,309,558	n/a	n/a
2012	119,026,446	3,697,053	1,015,000	—	18,238,387	141,976,886	n/a	n/a

Note (1): Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Note (2): See the Schedule of Demographic Statistics for personal income and population data.

(n/a): Indicates information currently not available.

**COUNTY OF KAUAI, HAWAII**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1-4**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 7A**

Fiscal Year	Governmental Activities General Obligation Bonds (1)	Business-type Activities General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2003	\$ 51,580,000	\$ 2,065,000	\$ 3,665,000	\$ 49,980,000	0.85 %	\$ 834
2004	47,915,000	1,965,000	3,850,000	46,030,000	0.71	755
2005	44,065,000	1,865,000	3,435,000	42,495,000	0.58	690
2006	79,963,061	1,772,630	3,630,000	78,105,691	0.85	1,261
2007	76,289,985	1,664,353	2,588,839	75,365,499	0.55	1,201
2008	73,491,909	1,551,076 (4)	3,580,002	71,462,983	0.42	1,119
2009	69,503,833	1,422,799 (4)	3,685,000	67,241,632	0.35	1,042
2010	125,775,757	1,289,523 (4)	6,650,089	120,415,191	0.64	1,791
2011	121,877,681	1,151,245 (4)	4,105,154	118,923,772	0.71	n/a
2012	119,026,446	1,007,967	483,340	119,551,073	0.75	n/a

Note (1): Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Note (2): See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

Note (3): See the Schedule of Demographic Statistics for personal income and population data.

Note (4): Correction to statistics reported prior to the CAFR for the year ended June 30, 2012.

(n/a): Indicates information currently not available.

**COUNTY OF KAUAI, HAWAII**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1 - 2**

**TABLE 8**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit (1)	\$ 978,006,000	\$1,101,158,100	\$1,380,178,950	\$2,063,156,700	\$2,525,651,400	\$2,906,898,900	\$2,893,740,600	\$2,840,261,550	\$ 2,513,765,700	\$ 2,377,004,250
Debt applicable to limit	<u>47,915,000</u>	<u>44,065,000</u>	<u>40,630,000</u>	<u>75,310,000</u>	<u>75,296,160</u>	<u>69,911,906</u>	<u>65,818,833</u>	<u>119,125,668</u>	<u>117,772,527</u>	<u>118,543,106</u>
Legal debt margin (2)	<u>\$ 930,091,000</u>	<u>\$1,057,093,100</u>	<u>\$1,339,548,950</u>	<u>\$1,987,846,700</u>	<u>\$2,450,355,240</u>	<u>\$2,836,986,994</u>	<u>\$2,827,921,767</u>	<u>\$2,721,135,882</u>	<u>\$ 2,395,993,173</u>	<u>\$ 2,258,461,144</u>
Debt applicable to the limit as a percentage of debt limit	4.90%	4.00%	2.94%	3.65%	2.98%	2.41%	2.27%	4.19%	4.69%	4.98%

Note (1): State finance statutes limit the County's outstanding general debt to no more than 15 percent of the net assessed value of property.

Note (2): 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.

Source: Department of Finance

Legal Debt Margin Calculation for Fiscal Year 2012

Net assessed value	<u>\$15,846,695,000</u>
Debt limit (15% of net assessed value)	<u>2,377,004,250</u>
Debt applicable to limit	<u>118,543,106</u>
Legal debt margin	<u>\$ 2,258,461,144</u>

**COUNTY OF KAUAI, HAWAII  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1-5**

**TABLE 9**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Personal Income (3) (millions of dollars)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2003	59,963	25,657	1,538	10,564	4.0
2004	60,937	27,650	1,684	9,876	3.3
2005	61,589	29,566	1,820	9,545	2.7
2006	61,950	31,481	1,950	9,524	2.3
2007	62,761	33,356	2,093	9,392	2.5
2008	63,875	36,093	2,305	9,399	4.5
2009	64,529	35,560	2,295	9,260	9.3
2010	67,217	35,304	2,373	9,362	8.7
2011	n/a	n/a	n/a	9,496	8.8
2012	n/a	n/a	n/a	n/a	n/a

Note (1): U.S. Department of Commerce, Bureau of Economic Analysis, County Summary CA1-3.

Note (2): U.S. Department of Commerce, Bureau of Economic Analysis, County Summary CA1-3.

Note (3): U.S. Department of Commerce, Bureau of Economic Analysis, County Summary CA1-3.

Note (4): State of Hawaii Department of Education.

Note (5): U.S. Department of Labor Bureau of Labor Statistics.

Population includes Armed Forces and their dependents.

n/a: Indicates information currently not available.

**COUNTY OF KAUAI, HAWAII  
JOBS BY INDUSTRY  
LAST TEN FISCAL YEARS (UNAUDITED)**

**TABLE 10**

Fiscal Year	Construction	Transportation Communication Utilities	Wholesale & Retail Trade	Services	Lodging	Medical	Finance Insurance Real Estate	Agriculture	Government
2003	1,350	1,700	4,250	6,700	3,892	2,050	1,250	700	4,200
2004	1,387	1,550	4,650	10,050	4,050	2,150	1,550	700	4,200
2005	1,450	1,850	4,550	9,400	4,100	2,200	1,200	750	4,200
2006	1,750	1,700	4,550	11,150	4,150	2,150	1,250	700	4,250
2007	1,850	1,700	4,750	11,450	4,400	2,200	1,200	650	4,300
2008	2,050	1,550	4,650	11,400	4,150	2,250	1,200	600	4,400
2009	1,550	1,400	4,250	10,400	3,650	2,250	1,200	600	4,450
2010	1,600	1,400	4,300	10,500	3,800	2,300	1,100	550	4,400
2011	1,300	1,400	4,300	10,600	4,200	2,300	1,200	600	4,400
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(n/a): Indicates information currently not available.

Source: State of Hawaii Data Book.

**COUNTY OF KAUAI, HAWAII  
REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1-3  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**TABLE 11**

Fiscal Year	Gross Receipts (2)	Operating Expenses (3)	Net Receipts Available for Debt Service	Debt Service Requirement (1)			Coverage
				Principal	Interest	Total	
2003	\$ 1,020,086	\$ 579,753	\$ 440,333	\$ 110,000	\$ 111,000	\$ 221,000	\$ 219,333
2004	1,408,937	1,143,715	265,222	120,000	102,950	222,950	42,272
2005	1,743,240	1,119,978	623,262	125,000	94,250	219,250	404,012
2006	1,739,947	1,270,961	468,986	135,000	85,188	220,188	248,798
2007	1,373,695	809,496	564,199	145,000	75,400	220,400	343,799
2008	2,045,264	1,743,636	301,628	155,000	64,887	219,887	81,741
2009	1,287,720	1,046,270	241,450	165,000	53,650	218,650	22,800
2010	1,856,833	1,318,393	538,440	180,000	41,687	221,687	316,753
2011	2,374,888	1,562,449	812,439	190,000	28,637	218,637	593,802
2012	1,791,502	1,384,305	407,197	205,000	14,862	219,862	187,335

Note (1): Includes principal and interest of revenue bonds only. It does not include the general obligation or public improvement bonds.

Note (2): Receipts include contribution from HOME Investment Partnership Program Grant fund and residual bond proceeds used for the redemption of outstanding bond principal.

Note (3): Operating expenses do not include depreciation expense.

Source: Department of Finance

**COUNTY OF KAUAI, HAWAII**  
**MISCELLANEOUS STATISTICS**  
**FISCAL YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

**TABLE 12**

Date of incorporation:	January 4, 1905
Date first charter adopted:	January 2, 1969
Form of government:	Mayor/Council
Number of employees (excluding fire and police):	1,024
Permanent	731
Temporary	44
Exempt	183
Contract	66
Area in square miles:	627
County facilities and services:	
Miles of streets	308
Number of streetlights	2,902
Number of County facilities:	
Community centers	9
Camping parks	7
Recreational parks	67
Gymnasiums	3
Swimming pools	2
Golf courses	1
Tennis courts	24
Baseball and softball fields	17
Basketball courts	22
Volleyball courts	2
Soccer fields	18
Auditoriums	1
Stadiums	3
Fire protection:	
Number of stations	8
Number of fire personnel and officers	193
Number of calls answered	5,363
Number of inspections conducted	2,175
Police protection:	
Number of stations	5
Number of police personnel	187
Number of patrol units	82
Number of police officers	132
Number of law violations:	
Physical arrest	3,579
Traffic violations	17,672
Parking violations	2,992



**COUNTY OF KAUAI, HAWAII**  
**MISCELLANEOUS STATISTICS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

**TABLE 12**

<b>Sewage system:</b>	
Number of treatment plants	4
Number of service connections:	
Residential	4,730
Commercial	555
Daily average treatment in gallons	2,450,000
Maximum daily capacity of treatment plant in gallons	4,600,000
<b>Water system:</b>	
Miles of water mains	443.41
Number of service connections	21,271
Number of fire hydrants	2,654
Annual water consumption in gallons	4.085 billion
Maximum daily capacity of plant in gallons	26.2 million
<b>Facilities and services not included in the reporting entity:</b>	
<b>Education:</b>	
Number of elementary schools	9
Number of elementary school instructors	303
Number of middle schools	3
Number of middle school instructors	136
Number of secondary schools	3
Number of secondary school instructors	223
Number of community colleges	1
<b>Hospitals:</b>	
Number of hospitals	3
Number of patient beds	133
<b>Elections - 2012 general election:</b>	
Number of registered voters	40,738
Number of votes cast	25,614
Percentage of registered voters voting	62.9%

**COUNTY OF KAUAI, HAWAII**  
**MISCELLANEOUS STATISTICS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

**TABLE 12**

**Building Permits:**

<u>Fiscal Year</u>	<u>Number of Permits Issued</u>	<u>Value of Permits</u>
2003	1,284	202,562,271
2004	1,528	252,493,285
2005	1,648	344,554,201
2006	1,415	313,378,413
2007	1,310	342,564,486
2008	1,547	473,380,482
2009	1,402	428,638,994
2010	1,272	193,934,914
2011	1,174	148,556,347
2012	1,386	187,620,246

Source: Building Division, County of Kauai

**COUNTY OF KAUAI, HAWAII**  
**MISCELLANEOUS STATISTICS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2012 (UNAUDITED)**

**TABLE 12**

**Tourism Sector:**

<u>Fiscal Year</u>	<u>Total Visitors (000)</u>	<u>Avg. Length of Stay (days)</u>	<u>Total Room Stock (000)</u>	<u>Avg. Daily Census (000)</u>
2003	975.9	6.7	8.00	18.0
2004	1,020.9	6.9	8.10	19.2
2005	1,090.1	6.6	8.10	19.7
2006	1,181.8	6.4	8.20	20.7
2007	1,299.0	6.2	8.60	22.2
2008	1,030.6	7.0	9.2	19.8
2009	928.1	7.4	9.5	18.7
2010	964.7	7.5	9.3	19.7
2011	1,011.5	7.5	9.8	20.8
2012	n/a	n/a	n/a	n/a

(n/a): Indicates information currently not available.

Sources: State Department of Business, Economic Development and Tourism, Hawaii  
 Tourism Authority, Visitor Research Annual Reports

**COUNTY OF KAUAI, HAWAII  
PRINCIPAL NON-GOVERNMENT EMPLOYERS  
LAST SEVEN FISCAL YEARS (UNAUDITED) NOTE 1**

**TABLE 13**

Principal Non-Government Employers as of 2011			TOTAL EMPLOYEES	PERCENTAGE OF TOTAL COUNTY EMPLOYMENT
RANK	BUSINESS NAME	TYPE OF BUSINESS		
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	830	3.44%
2	MANU KAI	CONTRACTOR, OPERATES PACIFIC MISSILE RANGE	607	2.52%
3	THE ST. REGIS PRINCEVILLE RESORT	251-ROOM HOTEL	504	2.09%
4	WILCOX MEMORIAL HOSPITAL	71 BED HOSPITAL	488	2.02%
5	KAUAI MARRIOTT RESORT	356-ROOM HOTEL	436	1.81%
6	WAL-MART	DISCOUNT RETAILER	365	1.51%
7	'OHANA PACIFIC MANAGEMENT CO.	SKILLED NURSING, INTERMEDIATE CARE & DAY CARE	350	1.45%
8	SHERATON KAUAI RESORT	394-ROOM HOTEL	250	1.04%
9	KAUAI BEACH RESORT	350-ROOM HOTEL	217	0.90%
10	KAUAI MEDICAL CLINIC	MULTI-SPECIALTY CLINIC WITH FOUR LOCATIONS	213	0.88%

Source: Pacific Business News, August 26, 2011 Publication  
State of Hawaii Data Book 2011

Principal Non-Government Employers as of 2010			TOTAL EMPLOYEES	PERCENTAGE OF TOTAL COUNTY EMPLOYMENT
RANK	BUSINESS NAME	TYPE OF BUSINESS		
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	900	3.79%
2	MANU KAI	CONTRACTOR, OPERATES PACIFIC MISSILE RANGE	598	2.52%
3	WILCOX MEMORIAL HOSPITAL	71 BED HOSPITAL	488	2.05%
4	THE ST. REGIS PRINCEVILLE RESORT	252-ROOM HOTEL	426	1.79%
5	WAL-MART	DISCOUNT RETAILER	345	1.45%
6	'OHANA PACIFIC MANAGEMENT CO.	SKILLED NURSING, INTERMEDIATE CARE & DAY CARE	300	1.26%
7	SHERATON KAUAI RESORT	394-ROOM HOTEL	284	1.20%
8	ALEXANDER & BALDWIN INC.	AGRICULTURE, REAL ESTATE, OCEAN TRANSPORTATION	271	1.14%
9	KAUAI BEACH RESORT	350-ROOM HOTEL	230	0.97%
10	KAUAI MEDICAL CLINIC	MULTI-SPECIALTY CLINIC WITH FOUR LOCATIONS	213	0.90%

Source: Pacific Business News, August 27, 2010 Publication  
State of Hawaii Data Book 2011

**COUNTY OF KAUAI, HAWAII**  
**PRINCIPAL NON-GOVERNMENT EMPLOYERS (CONTINUED)**  
**LAST SEVEN FISCAL YEARS (UNAUDITED) NOTE 1**

**TABLE 13**

**Principal Non-Government Employers as of 2009**

<u>RANK</u>	<u>BUSINESS NAME</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL COUNTY EMPLOYMENT</u>
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	997	4.23%
2	KAUAI MARRIOTT RESORT & BEACH CLUB	356-ROOM HOTEL	564	2.39%
3	MANU KAI	CONTRACTOR, OPERATES PACIFIC MISSILE RANGE	529	2.25%
4	WILCOX MEMORIAL HOSPITAL	PRIVATE, NONPROFIT COMMUNITY HOSPITAL	486	2.06%
5	WAL-MART	DISCOUNT RETAILER	417	1.77%
6	BIG SAVE, INC.	RETAIL GROCER	410	1.74%
7	THE ST. REGIS PRINCEVILLE RESORT	252-ROOM HOTEL	336	1.43%
8	SHERATON KAUAI RESORT	394-ROOM HOTEL	309	1.31%
9	HILTON KAUAI BEACH RESORT	350-ROOM HOTEL	250	1.06%
10	NURSEFINDERS OF KAUAI	HOME CARE AND BEHAVIORAL HEALTH SERVICES	238	1.01%

Source: Pacific Business News, July 31, 2009 Publication  
State of Hawaii Data Book 2009

**Principal Non-Government Employers as of 2008**

<u>RANK</u>	<u>BUSINESS NAME</u>	<u>TYPE OF BUSINESS</u>	<u>TOTAL EMPLOYEES</u>	<u>PERCENTAGE OF TOTAL COUNTY EMPLOYMENT</u>
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	997	3.82%
2	KAUAI MARRIOTT RESORT & BEACH CLUB	356-ROOM HOTEL	564	2.16%
3	ITT CORP. SYSTEMS DIVISION	CONTRACTOR, OPERATES PACIFIC MISSILE RANGE	538	2.06%
4	WILCOX MEMORIAL HOSPITAL	PRIVATE, NONPROFIT COMMUNITY HOSPITAL	497	1.90%
5	WAL-MART	DISCOUNT RETAILER	417	1.60%
6	BIG SAVE, INC.	RETAIL GROCER	412	1.58%
7	PRINCEVILLE RESORT	252-ROOM HOTEL	400	1.53%
8	SHERATON KAUAI RESORT	394-ROOM HOTEL	327	1.25%
9	HILTON KAUAI BEACH RESORT	350-ROOM HOTEL	297	1.14%
10	OHANA PACIFIC MANAGEMENT CO.	SKILLED NURSING AND INTERMEDIATE CARE	256	0.98%

Source: Pacific Business News, August 1, 2008 Publication  
State of Hawaii Data Book 2008

**COUNTY OF KAUAI, HAWAII**  
**PRINCIPAL NON-GOVERNMENT EMPLOYERS (CONTINUED)**  
**LAST SEVEN FISCAL YEARS (UNAUDITED) NOTE 1**

**TABLE 13**

**Principal Non-Government Employers as of 2007**

<b>RANK</b>	<b>BUSINESS NAME</b>	<b>TYPE OF BUSINESS</b>	<b>TOTAL EMPLOYEES</b>	<b>PERCENTAGE OF TOTAL COUNTY EMPLOYMENT</b>
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	949	3.55%
2	KAUAI MARRIOTT RESORT & BEACH CLUB	356-ROOM HOTEL	558	2.09%
3	WILCOX MEMORIAL HOSPITAL	PRIVATE, NONPROFIT COMMUNITY HOSPITAL	502	1.88%
4	WAL-MART	DISCOUNT RETAILER	409	1.53%
5	PRINCEVILLE RESORT	252-ROOM HOTEL	394	1.48%
6	SHERATON KAUAI RESORT	394-ROOM HOTEL	322	1.21%
7	HILTON KAUAI BEACH RESORT	350-ROOM HOTEL	244	0.91%
8	GAY & ROBINSON INC.	GROWS SUGAR CANE AND CATTLE RANCHING	235	0.88%
9	WEST KAUAI MEDICAL CENTER	HOSPITAL	208	0.78%
10	KAUAI MEDICAL CLINIC	PRIVATE, NONPROFIT COMMUNITY MEDICAL GROUP	201	0.75%

Source: Pacific Business News, July 27, 2007 Publication  
State of Hawaii Data Book 2007

**Principal Non-Government Employers as of 2006**

<b>RANK</b>	<b>BUSINESS NAME</b>	<b>TYPE OF BUSINESS</b>	<b>TOTAL EMPLOYEES</b>	<b>PERCENTAGE OF TOTAL COUNTY EMPLOYMENT</b>
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	950	3.68%
2	KAUAI MARRIOTT RESORT & BEACH CLUB	356-ROOM HOTEL	558	2.16%
3	WILCOX MEMORIAL HOSPITAL	PRIVATE, NONPROFIT COMMUNITY HOSPITAL	505	1.95%
4	WAL-MART KAUAI	DISCOUNT RETAILER	404	1.56%
5	PRINCEVILLE RESORT	252-ROOM HOTEL	400	1.55%
6	SHERATON KAUAI RESORT	394-ROOM HOTEL	289	1.12%
7	KAUAI MEDICAL CLINIC	PRIVATE, NONPROFIT COMMUNITY MEDICAL GROUP	245	0.95%
8	GAY & ROBINSON INC.	GROWS SUGAR CANE AND CATTLE RANCHING	239	0.92%
9	KAUAI VETERANS MEMORIAL HOSPITAL	ACUTE HOSPITAL WITH EMERGENCY ROOM	195	0.75%
10	WEST KAUAI MEDICAL CENTER	GENERAL HOSPITAL AND OUTPATIENT CLINICS	171	0.66%

Source: Pacific Business News, July 28, 2006 Publication  
State of Hawaii Data Book 2006

**COUNTY OF KAUAI, HAWAII**  
**PRINCIPAL NON-GOVERNMENT EMPLOYERS (CONTINUED)**  
**LAST SEVEN FISCAL YEARS (UNAUDITED) NOTE 1**

**TABLE 13**

Principal Non-Government Employers as of 2005				
RANK	BUSINESS NAME	TYPE OF BUSINESS	TOTAL EMPLOYEES	PERCENTAGE OF TOTAL COUNTY EMPLOYMENT
1	GRAND HYATT KAUAI RESORT & SPA	602-ROOM HOTEL	900	3.54%
2	WILCOX MEMORIAL HOSPITAL	PRIVATE, NONPROFIT COMMUNITY HOSPITAL	369	1.45%
3	WAL-MART KAUAI	DISCOUNT RETAILER	351	1.38%
4	GAY & ROBINSON INC.	GROWS SUGAR CANE AND CATTLE RANCHING	270	1.06%
5	COURTYARD BY MARRIOTT KAUAI	RESORT HOTEL	160	0.63%
6	KAUAI ISLAND UTILITY COOPERATIVE	ELECTRIC SERVICE	153	0.60%
7	ALOHA BEACH RESORT	RESORT HOTEL	152	0.60%
8	KAUAI VETERANS MEMORIAL HOSPITAL	CRITICAL CARE HOSPITAL	140	0.55%
9	SAMUEL MAHELONA MEMORIAL HOSPITAL	LONG-TERM CARE HOSPITAL	114	0.45%
10	GARDEN ISLE HEALTHCARE	SKILLED NURSING FACILITY	100	0.39%

Source: Pacific Business News, December 2, 2005 Publication  
 State of Hawaii Data Book 2005

Note (1): Statistical information not available for 2012 and prior to 2005.

**COUNTY OF KAUAI, HAWAII**  
**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1 - 2**

**TABLE 14**

	Full-time Equivalent Employees as of June 30									
Function:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
General government	253	268	289	272	281	271	278	291	305	318
Public Safety:										
Police	173	182	180	181	172	180	193	184	188	195
Fire	150	150	153	154	163	168	190	183	201	197
Civil Defense	4	4	4	4	4	4	4	4	5	5
Public works	187	186	174	171	187	88	107	98	96	105.5
Highways and streets	75	76	76	77	76	79	79	79	80	79
Sanitation	65	65	68	69	68	73	75	75	75	73.5
Culture and recreation	25	25	25	24	25	107	107	103	103.5	109.5
Public welfare	73	78	76	88	85	85	98	94	102	110
Total Governmental Activities Employees	1,005	1,034	1,045	1,040	1,061	1,055	1,131	1,111	1,155.5	1,192.5
Business-type Activities:										
Housing	27	26	26	24	25	26	29	27	28	29
Sewer	32	32	32	35	34	36	35	36	36	36
Golf	20	20	20	20	22	22	22	22	21.5	21.5
Total Business-type Employees	79	78	78	79	81	84	86	85	85.5	86.5
Total Primary Government Employees	1,084	1,112	1,123	1,119	1,142	1,139	1,217	1,196	1,241	1,279

Note (1): As of fiscal year 2008, a new Department of Parks and Recreation was established. Therefore, positions previously reported under the Department of Public Works were transferred to the Department of Parks and Recreation.

Note (2): Prior to fiscal year 2008, Culture and Recreation reflected the Agency on Recreation employees. Parks employees were reported under Public Works. Starting fiscal year 2008, all of the employees of the Department of Parks and Recreation are reported under Culture and Recreation, with the exception of Golf activities. Full-time equivalents include permanent, temporary, exempt and contract positions.

Sources: County of Kauai Department of Personnel Services  
County of Kauai Department of Public Works  
County of Kauai Department of Finance



**COUNTY OF KAUAI, HAWAII  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1 - 4**

**TABLE 15**

Function:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Police:</b>										
Physical arrests	2,935	5,453	5,109	5,109	2,820	2,907	3,315	3,070	4,368	3,579
Parking violations	1,926	1,698	1,997	1,997	1,636	1,799	1,740	1,673	2,031	2,992
Traffic violations	9,039	10,331	9,231	9,231	12,670	12,747	14,112	17,020	20,345	17,672
<b>Fire:</b>										
Number of calls answered	3,949	4,564	4,564	4,630	4,840	5,013	4,669	4,584	4,970	5,363
Inspections	1,150	2,121	2,121	2,517	3,340	3,359	2,696	2,763	2,437	2,175
<b>Highways and Streets:</b>										
Street resurfacing (miles)	14.05	12.45	13.57	11.05	11.00	13.60	17.00	17.50	10.20	0
<b>Sanitation:</b>										
Refuse collected (tons/day)	69.7	73.8	81.2	88.6	95.3	99.4	77.8	63.0 (4)	63.0	63.0
<b>Culture and Recreation:</b>										
Athletic field permits issued	122	5,599 (1)	6,344 (1)	8,480 (1)	5,882 (2)	5,146 (2)	7,309 (2)	7,797 (2)	7,193 (2)	7,374 (2)
Community center admissions	10,799	10,358	12,108	12,377	7,605 (3)	7,436 (3)	8,098 (3)	9,463 (3)	10,109 (3)	23,395 (3)
<b>Water:</b>										
Number of service connections	18,597	19,366	20,378	19,564	19,825	19,957	20,102	20,490	21,148	21,271
Annual water consumption in gallons	4,300,000	4,300,000	4,030,000	4,466,000	4,490,000	4,663,000	4,407,000	4,249,000	4,263,000	4,085,000
<b>Wastewater:</b>										
Average daily sewage treatment in gallons	2,392,000	2,710,000	2,451,000	2,720,222	2,720,000	2,550,000	2,550,000	2,550,000	2,550,000	2,450,000

Note (1): From 2004 through 2006, the number of athletic field permits issued is calculated by adding every day of use on each permit issued.

Note (2): Since the establishment of the parks department in 2007, these numbers reflect the number of athletic field permits issued. It is noted that a permit may entitle the user to multiple days of usage.

Note (3): Since the establishment of the parks department in 2007, the number of community center admissions reflect the total reservations by users at the neighborhood centers that includes all rooms, centers and gyms at all sites.

Note (4): Prior year correction noted by the Department of Public Works, Solid Waste Division. Indicators are not available for the general government function.

Source: County of Kauai

**COUNTY OF KAUAI, HAWAII  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS (UNAUDITED) NOTES 1 - 4**

**TABLE 16**

Function:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police:										
Stations	5	5	5	5	5	5	5	5	5	5
Patrol units	116	116	116	116	88	88	88	88	90	82
Fire stations	7	7	7	7	7	7	7	7	8	8
Sanitation:										
Collection trucks	6	6	6	7 (1)	9 (1)	9 (1)	8	6	7	7
Highways and Streets:										
Streets (miles)	306	306	306	307	307	307	307	308	308	308
Streetlights	2,438	2,697	2,697	2,767	2,790	2,797	2,797	2,877	2,902	2,902
Traffic signals	2	2	2	2	2	3	3	3	3	3
Culture and Recreation:										
Parks acreage	487.04	487.04	487.04	487.04	487.04	487.04	487.04	487.04	487.04	487.04
Parks	67	67	67	74	74	74	74	74	74	74
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	24 (2)	24 (2)	24 (2)	24 (2)	24 (2)	24 (2)	24 (2)	24 (2)	24 (2)	24 (2)
Community centers	11 (3)	11 (3)	11 (3)	11 (3)	11 (3)	11 (3)	14 (4)	14 (4)	14 (4)	14 (4)
Water:										
Water mains (miles)	407	408	413	416	420	422	422	439	443	443
Fire hydrants	2,327	2,334	2,343	2,406	2,465	2,492	2,517	2,586	2,632	2,654
Maximum daily capacity (thousands of gallons)	15,799,000	15,799,000	22,147,000	22,147,000	20,590,000	26,140,000	27,040,000	27,436,000	27,436,000	26,200,000
Sewer:										
Sanitary sewers (miles)	50	50	50	50	50	50	50	50	50	50
Maximum daily treatment capacity (thousands of gallons)	5,100,000	5,200,000	5,200,000	4,500,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000

Note (1): From 2006 through 2008, one old truck was retained as a spare.

Note (2): 10 tennis court locations, 24 playing courts.

Note (3): Includes 9 neighborhood centers, Anahola clubhouse and Smokey Valley clubhouse.

Note (4): Includes 9 neighborhood centers, Anahola clubhouse, Smokey Valley clubhouse, Hanapepe multi-purpose room, former Kōloa court house and former Hanalei court house. Indicators are not available for the general government function.

Source: County of Kauai