

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
(A Proprietary Fund of the County of Maui)**

Financial Statements and Supplemental Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
(A Proprietary Fund of the County of Maui)**

Financial Statements and Supplemental Schedules

June 30, 2013 and 2012

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## **Independent Auditors' Report**

Honorable Gladys C. Baisa, Chair  
and Members of the Council  
County of Maui:

We have audited the accompanying financial statements of the Department of Water Supply of the County of Maui (the Department), a proprietary fund of the County of Maui, as of and for the years ended June 30, 2013 and 2012, and the related notes to financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department, as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the County of Maui that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the County of Maui as of June 30, 2013 and 2012, the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matter – Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of capital assets and of long-term debt – general obligation bonds as of June 30, 2013, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Kobayashi, Kanetaka, Aoi, Lind & Yano CPAs LLC*

Honolulu, Hawaii  
February 20, 2014

**DEPARTMENT OF WATER SUPPLY  
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Statements of Net Position

June 30, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Current assets:		
Unrestricted:		
Equity in pooled cash and investments held in County Treasury	\$ 35,509,906	\$ 29,752,992
Customer receivables		
Billed	3,614,200	4,479,388
Less: allowance for doubtful accounts	(136,266)	(186,035)
	3,477,934	4,293,353
Unbilled	2,698,263	3,457,386
Total customer receivables	6,176,197	7,750,739
Due from other funds	5,037,984	3,788,472
Materials and supplies	1,027,825	1,631,047
Other current assets, net	657,905	702,352
Total current unrestricted assets	48,409,817	43,625,602
Restricted:		
Equity in pooled cash and investments held in County Treasury	17,525,203	15,714,020
Total current assets	65,935,020	59,339,622
Capital assets:		
Utility plant in service	508,959,005	471,498,986
Less: accumulated depreciation	(228,236,922)	(214,030,814)
	280,722,083	257,468,172
Construction work in progress	32,618,993	51,105,997
Total capital assets	313,341,076	308,574,169
Deferred charges:		
Unamortized debt expense, net	166,986	72,961
Total assets	\$ 379,443,082	\$ 367,986,752

See accompanying notes to financial statements.

**DEPARTMENT OF WATER SUPPLY  
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Statements of Net Position - continued

June 30, 2013 and 2012

<b>Liabilities</b>	<b>2013</b>	<b>2012</b>
Current liabilities:		
Payable from unrestricted assets:		
Bonds payable - current portion	\$ 2,318,564	\$ 1,396,609
Notes payable - current portion	288,824	1,112,783
Accounts payable	2,240,829	2,319,765
Accrued vacation payable - current portion	733,316	818,169
Construction contracts payable (including retention)	480,965	872,419
Claims and judgments	472,868	523,446
Accrued interest payable	292,235	320,885
Customer advances for utility construction	180,637	267,859
Total payable from unrestricted assets	7,008,238	7,631,935
Payable from restricted assets:		
Construction contracts payable (including retention)	1,509,684	1,335,140
Customer deposits	1,661,183	1,788,828
Refundable advances	1,000,000	1,000,000
Total payable from restricted assets	4,170,867	4,123,968
Total current liabilities	11,179,105	11,755,903
Non-current liabilities:		
Bonds payable	25,642,826	13,046,835
Notes payable	4,973,501	13,495,999
Accrued vacation payable	1,273,039	1,213,958
Accrued postemployment benefits	5,037,984	3,788,472
Total liabilities	48,106,455	43,301,167
<b>Net Position</b>		
Net position:		
Net investment in capital assets	283,818,659	279,922,842
Restricted	12,283,636	13,646,400
Unrestricted	35,234,332	31,116,343
Total net position	331,336,627	324,685,585
Total liabilities and net position	\$ 379,443,082	\$ 367,986,752

See accompanying notes to financial statements.

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
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Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Operating revenues:		
Water sales	\$ 53,715,617	\$ 50,088,862
Other revenues	723,273	903,396
Total operating revenues	54,438,890	50,992,258
Operating expenses:		
Depreciation and amortization	14,586,660	15,452,610
Power and pumping	13,448,910	13,799,501
Administrative and general	8,854,280	9,178,758
Purification	7,079,279	7,144,998
Transmission and distribution	6,690,848	5,579,469
Customers' accounting and collecting	1,189,496	1,340,530
Source of supply	654,414	645,169
Total operating expenses	52,503,887	53,141,035
Operating income (loss)	1,935,003	(2,148,777)
Non-operating revenues (expenses):		
Interest expense - net of capitalized interest of \$159,925 in 2013 and \$248,420 in 2012	(1,120,703)	(871,868)
Interest and investment earnings	130,983	158,524
Other revenues (expenses), net	153,931	270,227
Total non-operating expenses, net	(835,789)	(443,117)
Income (loss) before capital contributions	1,099,214	(2,591,894)
Capital contributions	5,551,828	2,541,402
Changes in net position	6,651,042	(50,492)
Net position, beginning of year	324,685,585	324,736,077
Net position, end of year	\$ 331,336,627	\$ 324,685,585

See accompanying notes to financial statements.

**DEPARTMENT OF WATER SUPPLY  
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Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Cash received from customers and others	\$ 56,057,879	\$ 50,389,445
Cash paid to suppliers and employees	(37,907,871)	(36,253,057)
Refunds of utility construction advances	(175,672)	(134,553)
Advances received for utility construction	88,450	-
Net cash provided by operating activities	18,062,786	14,001,835
Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets, including capitalized interest	(15,707,992)	(11,679,377)
Principal paid on bonds and notes payable	(13,048,237)	(4,052,545)
Proceeds from bonds and notes payable	17,219,726	2,731,365
Cash received from capital contributions, net	1,906,253	2,012,902
Interest paid on bonds and notes payable	(1,149,353)	(908,101)
Other	153,931	270,227
Net cash used in capital and related financing activities	(10,625,672)	(11,625,529)
Cash flows provided by investing activities:		
Interest and investment earnings received from investments	130,983	158,524
Net increase in cash and cash equivalents	7,568,097	2,534,830
Cash and cash equivalents, beginning of year	45,467,012	42,932,182
Cash and cash equivalents, end of year	\$ 53,035,109	\$ 45,467,012

See accompanying notes to financial statements.

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Statements of Cash Flows - continued

Years Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,935,003	\$ (2,148,777)
Adjustments to operating income (loss):		
Depreciation and amortization	14,586,660	15,452,610
Net bad debt (recoveries) expense	(189,875)	118,999
Changes in assets and liabilities:		
Receivables	1,764,417	(421,440)
Materials and supplies	603,222	24,720
Other assets, net	(49,578)	(619,474)
Accounts payable	(78,936)	586,957
Claims and judgments	(50,578)	57,865
Other liabilities and deposits	(457,549)	950,375
Net cash provided by operating activities	\$ 18,062,786	\$ 14,001,835
 Noncash capital financing activities:		
Capital contributions	\$ 3,645,575	\$ 1,351,900

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2013 and 2012

**(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Department of Water Supply (the Department) operates as a proprietary fund in the County of Maui, State of Hawaii (the County), to develop adequate water sources, storage, and transmission for both urban and agricultural uses for the County. The County Charter amendment (effective January 2, 2003) provides the following:

- The Department is a regular County of Maui agency subject to the Mayor's executive management and Council's legislative oversight.
- The current Board of Directors of the Department is an advisory body (with power to recommend budget proposals and rate adjustments).
- The Mayor has the power to appoint the Director (with approval of Council).
- The Department has the responsibility to survey public and private water sources.
- The Department must prepare and annually update a long-range capital improvement plan (subject to Council approval) and implement such approved plans. The Council has the power to issue general obligation bonds and provide appropriations for capital improvements of the water system.

**Financial Statement Presentation**

The Department is a proprietary type fund of the County (the primary government). The accompanying financial statements present only the financial activities of the Department and do not include other organizations, departments, activities, and/or functions of the County. Accordingly, the accompanying financial statements are not intended to present the financial position and the results of operations and cash flows of the County in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Summary of Significant Accounting Policies**

This summary of significant accounting policies is presented to assist the reader in understanding the financial statements. These policies are considered essential and should be read in conjunction with the financial statements.

*Measurement Focus and Basis of Accounting* – The accounting policies of the Department conform to GAAP as applicable to enterprise activities of governmental units as promulgated by the Government Accounting Standards Board (GASB). The Department's operations are accounted for on the flow of economic resources measurement focus, and the accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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The Department applies all applicable GASB Statements and Interpretations.

The Department follows the provisions of GASB Statement No. 34 “*Basic Financial Statements – and Management’s Decision and Analysis – for State and Local Governments.*” Statement 34 established standards for external financial reporting for all state and local governmental entities, including proprietary type enterprise funds such as the Department, which require a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at fiscal year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

***Customer Receivables and Allowance for Doubtful Accounts*** - Customer receivables are net of an allowance for doubtful accounts. The Department considers accounts delinquent once they have reached 31 days past due. Management charges off uncollectible trade receivables to expense and turns over delinquent accounts for collection when it is determined the amounts will not be realized. The allowance for doubtful accounts is based on the Department's prior experience of collections.

Total accounts receivable past due 90 days or more amounted to approximately \$72,100 and \$233,900 as of June 30, 2013 and 2012, respectively.

***Restricted Assets*** – Funds received by the Department, which are refundable or restricted as to use, are recorded as restricted assets.

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**Utility Plant and Depreciation** – On July 1, 1949, by authority of Act 289, Session Laws of Hawaii 1949, the County transferred the then existing water transmission and distribution system to the Maui County Waterworks Board. An estimated fair value of approximately \$805,300 was determined by the Board and assigned to the assets acquired.

Additions to the utility plant are stated at cost and include contributions by governmental agencies, private developers, and customers at their cost or estimated cost. The Department defines capital assets as individual assets or group of similar assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Major replacements, renewals and betterments are capitalized. Maintenance, repairs, and replacements that do not improve or extend lives of the assets are charged to expense.

Gains or losses resulting from the sale, retirement, or disposal of utility plant are charged or credited to operations in the year realized.

Depreciation on the utility plant is computed over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives of the utility plant's capital assets are as follows:

Office equipment	5-20 years
Transportation and construction equipment	5-10 years
Improvements	10-50 years

**Cash and Investments** – The Department's cash and investments are maintained in an investment pool with the County's Treasury. The Department's share of the pooled cash and investments and income and losses arising from the investment activity of the pool are allocated to the Department based on the percentage of the Department's total cash and investment balance to the total cash and investments maintained by the County's Treasury.

Investments in time certificate of deposits and repurchase agreements are carried at cost, which approximates fair value. Investments in U.S. Treasury and U.S. agencies obligations are carried at amortized cost, which approximates fair value.

**Cash Equivalents** - For purposes of the statements of cash flows, the Department considers all equity in pooled cash and investments held in County Treasury (including restricted assets) to be cash equivalents.

**Materials and Supplies** – Materials and supplies are stated at cost on an average cost basis.

**Bond Issue Costs** – Costs relating to the issuance of bonds are amortized using the straight-line method over the term of the obligations.

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***Debt Premium and Expenses*** – Debt premium and expenses arising from the issuance of debt securities are amortized over the terms of the related issues on the bonds outstanding method. Amortization of debt premiums is recorded as a reduction of interest expense.

***Deferred Amounts on Advance Refundings*** – For advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the carrying amount of the old debt is deferred. This amount is amortized as a component of interest expense using the bonds outstanding method over the remaining life of the old debt or the life of the new, whichever is shorter. The amount deferred is reported as a deduction from or an addition to the new debt liability.

***Compensated Absences*** – Employees earn vacation benefits at one and three-quarters working days for each month of service. Each employee is allowed to accumulate a maximum of 90 days of vacation as of the end of the calendar year. Unused vacation benefits are converted to pay upon termination of employment.

***Operating Revenues and Expenses*** – Revenues and expenses are distinguished between operating and non-operating.

- ***Operating revenues*** – Operating revenues generally result from providing goods and services in connection with the Department’s principal ongoing operations. The principal operating revenues of the Department are fees for water service.
- The Department’s policy is to bill customers on a monthly basis for water usage. An estimated accrual for unbilled water revenues to the end of the fiscal period is made based on prorated actual usage from the first meter reading date subsequent to June 30<sup>th</sup>.
- ***Operating Expenses*** – Operating expenses include the costs associated with production, treatment, and transmission of water, including administrative expenses and depreciation on capital assets.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

***Capitalization of Interest*** – Interest costs are capitalized during the construction period of major capital projects.

***Water System Development Fee*** – A water system development fee is levied against all new developments requiring water from the Department’s systems, except those developments that have paid for and installed a complete water system, including source, transmission, and daily storage facilities. The amounts collected, net of costs incurred for water credits used to acquire additional water supply, are recorded as capital contributions.

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Notes to Financial Statements

June 30, 2013 and 2012

**Capital Contributions** – The Department receives Federal and State of Hawaii grants to pay for portions of construction costs related to various capital projects. The Department also receives development fees and dedications of infrastructure assets for various developments. The amounts received are recorded as capital contributions in the accompanying statements of revenues, expenses, and changes in net position.

**Use of Estimates** – The preparation of financial statements in conformity with 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 and expenses during the reporting period. Significant estimates include the valuation of investments and receivables, the estimated useful lives of capital assets, and reserves for postemployment benefits and claims and judgments. The Department regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

**Subsequent Events** – The Department evaluated subsequent events through February 20, 2014, the date the financial statements were available to be issued and determined that there are no other items to disclose.

**(2) CASH AND INVESTMENTS**

The Department's cash and investments are maintained with the County's Treasury in a cash and investment pool available for use by all of the County's funds. At June 30, 2013 and 2012, the amounts reported on the statements of net position as equity in pooled cash and investments held in County Treasury represents the Department's relative position in the County's cash and investment pool and amounted to \$53,035,109 and \$45,467,012, respectively.

**County's Investment Policy**

State statutes authorize the County to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State and the County, bank repurchase agreements, and commercial paper. It is the County's policy to invest in accordance with the State of Hawaii statutes.

Specific requirements under the State statutes are as follows:

- With the exception of U.S. Treasury securities, no more than 50% of the County's investment portfolio will be invested in a single type of security or financial institution.
- Investment maturities are not to exceed five years.
- Investments are required to be rated Aaa by Moody's and AAA by Standard and Poor's.

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Notes to Financial Statements

June 30, 2013 and 2012

For purpose of the disclosures required by GASB, all time certificates of deposits regardless of maturity are considered deposits and all repos and money market investments are considered investments.

***Investment Risk*** – The investments are subject to certain types of risk, including interest rate risk, credit quality risk, concentration of credit risk, custodial credit risk, and foreign currency risk.

***Interest Rate Risk*** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk*** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligation. The County's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposits, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds.

***Concentration of Credit Risk*** – Concentration of credit risk is the risk of loss attributable to the magnitude of the County's investments in a single issuer or investment. The County diversifies its investments to minimize such risk.

***Custodial Credit Risk*** – Custodial credit risk is the risk that in the event of failure of the counterparty to an investment, the County would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All of the County's investments are either insured or held by an agent in the name of the County, including the investment collateral underlying the repurchase agreements.

Custodial credit risk for bank depository accounts is the risk that in the event of a bank failure, the County's deposits may not be returned. It is the County's policy to place its bank deposits with State of Hawaii high credit quality financial institutions that are able to meet the collateral requirements for the County's deposits. As of June 30, 2013 and 2012, all of the County's time certificates of deposits and cash deposits were insured and collateralized.

***Foreign Currency Risk*** – The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2013 and 2012, the investments in the County's investment pool were not subject to foreign currency risk.

**Pooled Cash and Investments Held in County Treasury**

Information relating to individual bank balances, insurance, and collateral of cash deposits is determined on a county-wide basis and not for individual departments and funds. Information regarding the carrying amount and corresponding bank balances of the County's cash and investment pool and collateralization of those balances is included in the County's comprehensive annual financial report.

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Notes to Financial Statements

June 30, 2013 and 2012

The Department's share of the County's cash and investment pool, as summarized in the tables below was approximately 13% and 12% at June 30, 2013 and 2012, respectively.

As of June 30, 2013, the County's investments were as follows:

Type of Investment	% Yield	Maturity				Premiums (Discounts)	Carrying Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years		
Federal National Mortgage Association Coupon Notes	0.13 - 1.89	\$ -	\$ 23,000,000	\$ 7,000,000	\$ 26,010,000	\$ 261,880	\$ 56,271,880
Federal National Mortgage Association Discount Notes	0.11 - 0.18	-	13,000,000	-	-	(3,555)	12,996,445
Federal Home Loan Bank Bank Notes	0.16 - 1.79	-	14,000,000	10,000,000	38,000,000	369,544	62,369,544
Federal Home Loan Bank Discount Note	0.15	5,000,000	-	-	-	(187)	4,999,813
Federal Farm Credit Bank Notes	0.17 - 0.47	-	10,000,000	20,000,000	38,000,000	50,085	68,050,085
Federal Agricultural Mortgage Corporation Note	0.27 - 0.88	-	-	-	36,000,000	1,981	36,001,981
Federal Agricultural Mortgage Corporation Discount Note	0.19	-	10,000,000	-	-	(3,422)	9,996,578
Federal Home Loan Mortgage Corporation Notes	0.15 - 0.25	-	13,000,000	20,000,000	10,000,000	128,725	43,128,725
Federal Home Loan Mortgage Corporation Discount Notes	0.14	-	-	5,000,000	-	(6,456)	4,993,544
U.S. Treasury Bills	0.15	5,000,000	-	-	-	(500)	4,999,500
U.S. Treasury Notes	0.17 - 0.21	-	10,000,000	28,000,000	2,000,000	128,977	40,128,977
Total investments		<u>\$ 10,000,000</u>	<u>\$ 93,000,000</u>	<u>\$ 90,000,000</u>	<u>\$ 150,010,000</u>	<u>\$ 927,072</u>	343,937,072
<b>Type of Deposits</b>							
Various certificates of deposit	0.1 - 1.45	\$ -	\$ 981,647	\$ 10,258,045	\$ -		11,239,692
							Total investments and certificates of deposit
							355,176,764
							Cash on hand and deposits
							65,138,387
							Total equity in pooled cash and investments
							<u>\$ 420,315,151</u>

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Notes to Financial Statements

June 30, 2013 and 2012

As of June 30, 2012, the County's investments were as follows:

Type of Investment	% Yield	Maturity				Premiums (Discounts)	Carrying Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years		
Federal National Mortgage Association Coupon Notes	0.20-4.01	\$ -	\$ -	\$ 2,000,000	\$ 9,000,000	\$ (2,292)	\$ 10,997,708
Federal Home Loan Mortgage Corporation Coupon Notes	0.21-0.45	-	-	55,000,000	5,000,000	213,123	60,213,123
Federal Home Loan Bank Coupon Notes	0.17-1.80	-	74,000,000	62,500,000	5,000,000	324,483	141,824,483
Federal Farm Credit Bank Notes	0.22-0.46	-	1,000,000	5,000,000	5,000,000	11,676	11,011,676
U.S. Treasury Notes	0.63	9,000,000	-	-	-	-	9,000,000
<b>Total investments</b>		<b>\$ 9,000,000</b>	<b>\$ 75,000,000</b>	<b>\$ 124,500,000</b>	<b>\$ 24,000,000</b>	<b>\$ 546,990</b>	<b>233,046,990</b>
<b>Type of Deposits</b>							
Various certificates of deposit	0.15-1.45	\$ -	\$ -	\$ 45,000,000	\$ 729,914	\$ -	45,729,914
Total investments and certificates of deposit							278,776,904
Cash on hand and deposits							108,969,828
Total equity in pooled cash and investments							<b>\$ 387,746,732</b>

Unrestricted cash, cash equivalents, and investments at June 30, 2013 and 2012 include funds for the following purposes:

	<b>2013</b>	<b>2012</b>
Board-designated:		
Capital improvements	\$ 10,715,783	\$ 8,714,038
Debt service	1,214,225	1,105,654
Total board-designated	11,930,008	9,819,692
Undesignated	23,579,898	19,933,300
Total unrestricted cash, cash equivalents, and investments	<b>\$ 35,509,906</b>	<b>\$ 29,752,992</b>

At June 30, 2013 and 2012, construction voucher and contract payables, including retentions, to be paid with board-designated funds were approximately \$481,000 and \$872,000, respectively. Construction contract commitments as of June 30, 2013, to be paid with board-designated funds, aggregated approximately \$2.3 million. Included in the construction contract commitment amounts for 2013 is approximately \$34,000 for maintenance of compliance-order projects. At

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June 30, 2013, the Department's management estimates an additional \$14.5 million will be needed in anticipation of future regulations for compliance.

Restricted cash and investments consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Water system development fee	\$ 11,004,016	\$ 12,144,281
Customer deposits	1,540,267	1,666,721
Special assessment fund for storage	345,797	404,141
Source development fund assessments	207,048	207,048
Other	<u>4,428,075</u>	<u>1,291,829</u>
Total restricted cash and investments	<u>\$ 17,525,203</u>	<u>\$ 15,714,020</u>

At June 30, 2013 and 2012, construction voucher and contract payables, including retentions, to be paid with restricted assets were approximately \$1.5 million and \$1.3 million, respectively. Construction contract commitments as of June 30, 2013, to be paid with restricted assets, aggregated approximately \$22.1 million.

**(3) RESTRICTED NET POSITION**

At June 30, 2013 and 2012, restricted net position consisted of the following:

	<u>2013</u>	<u>2012</u>
Water system development fee	\$ 11,004,016	\$ 12,144,281
Special assessment fund for storage	345,797	404,141
Source development fund assessments	207,048	207,048
Other restricted funds	<u>726,775</u>	<u>890,930</u>
Total restricted net position	<u>\$ 12,283,636</u>	<u>\$ 13,646,400</u>

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**(4) CAPITAL CONTRIBUTIONS**

Capital contributions during the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Dedications of infrastructure assets	\$ 3,645,575	\$ 1,351,900
Source development fund assessments, net	1,125,625	36,142
Other contributions	<u>780,628</u>	<u>1,153,360</u>
Total capital contributions	<u>\$ 5,551,828</u>	<u>\$ 2,541,402</u>

**(5) CAPITAL ASSETS**

A summary of the capital asset activity of the Department during the fiscal years ended June 30, 2013 and 2012 was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions/ Retirements</u>	<u>Balance June 30, 2013</u>
Non-depreciable assets:				
Land	\$ 6,619,358	\$ 305,440	\$ -	\$ 6,924,798
Construction in progress	51,105,997	14,238,291	(32,725,295)	32,618,993
	<u>57,725,355</u>	<u>14,543,731</u>	<u>(32,725,295)</u>	<u>39,543,791</u>
Depreciable assets:				
Buildings and systems	113,743,942	14,840,157	(34,440)	128,549,659
Machinery and equipment	340,878,722	22,405,650	(344,368)	362,940,004
Other	10,256,964	301,282	(13,702)	10,544,544
	<u>464,879,628</u>	<u>37,547,089</u>	<u>(392,510)</u>	<u>502,034,207</u>
Accumulated depreciation:				
Buildings and systems	53,274,941	3,469,228	(23,104)	56,721,065
Machinery and equipment	157,193,749	10,949,660	(344,369)	167,799,040
Other	3,562,124	167,772	(13,079)	3,716,817
	<u>214,030,814</u>	<u>14,586,660</u>	<u>(380,552)</u>	<u>228,236,922</u>
Total capital assets	<u>\$ 308,574,169</u>	<u>\$ 37,504,160</u>	<u>\$ (32,737,253)</u>	<u>\$ 313,341,076</u>

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	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions/ Retirements</u>	<u>Balance June 30, 2012</u>
Non-depreciable assets:				
Land	\$ 6,619,358	\$ -	\$ -	\$ 6,619,358
Construction in progress	77,042,256	11,217,611	(37,153,870)	51,105,997
	<u>83,661,614</u>	<u>11,217,611</u>	<u>(37,153,870)</u>	<u>57,725,355</u>
Depreciable assets:				
Buildings and systems	103,634,158	10,109,784	-	113,743,942
Machinery and equipment	313,409,084	27,486,461	(16,823)	340,878,722
Other	9,685,673	571,291	-	10,256,964
	<u>426,728,915</u>	<u>38,167,536</u>	<u>(16,823)</u>	<u>464,879,628</u>
Accumulated depreciation:				
Buildings and systems	49,143,840	4,131,101	-	53,274,941
Machinery and equipment	146,112,859	11,097,713	(16,823)	157,193,749
Other	3,338,328	223,796	-	3,562,124
	<u>198,595,027</u>	<u>15,452,610</u>	<u>(16,823)</u>	<u>214,030,814</u>
Total capital assets	<u>\$ 311,795,502</u>	<u>\$ 33,932,537</u>	<u>\$ (37,153,870)</u>	<u>\$ 308,574,169</u>

**(6) LONG-TERM LIABILITIES**

A summary of long-term liabilities of the Department of Water Supply as of June 30, 2013 and 2012 follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Bonds payable	\$ 14,443,444	\$ 15,382,914	\$ 1,864,968	\$ 27,961,390	\$ 2,318,564
Notes payable	14,608,782	1,836,812	11,183,269	5,262,325	288,824
Accrued vacation payable	2,032,127	716,963	742,735	2,006,355	733,316
Claims and judgments	523,446	303,872	354,450	472,868	472,868
Accrued postemployment benefits	<u>3,788,472</u>	<u>1,249,512</u>	<u>-</u>	<u>5,037,984</u>	<u>-</u>
Total long-term liabilities	<u>\$ 35,396,271</u>	<u>\$ 19,490,073</u>	<u>\$ 14,145,422</u>	<u>\$ 40,740,922</u>	<u>\$ 3,813,572</u>

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	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Bonds payable	\$ 17,511,812	\$ -	\$ 3,068,368	\$ 14,443,444	\$ 1,396,609
Notes payable	12,861,594	2,731,365	984,177	14,608,782	1,112,783
Accrued vacation payable	1,975,244	852,150	795,267	2,032,127	818,169
Claims and judgments	465,581	459,656	401,791	523,446	523,446
Accrued postemployment benefits	2,528,964	1,259,508	-	3,788,472	-
Total long-term liabilities	<u>\$ 35,343,195</u>	<u>\$ 5,302,679</u>	<u>\$ 5,249,603</u>	<u>\$ 35,396,271</u>	<u>\$ 3,851,007</u>

**Bonds Payable**

The Department issues general obligation bonds for the construction of major capital facilities. At June 30, 2013 and 2012, bonds payable consisted of the following obligations:

	<u>2013</u>	<u>2012</u>
General Obligation Refunding Bonds, 2005 Series B, due in annual installments through 2018, interest payable semi-annually from 3.5% to 5.0%	\$ 4,840,000	\$ 5,690,000
General Obligation Refunding Bonds, 2008 Series A, due in annual installments through 2028, interest payable semi-annually from 3.5% to 5.0%	4,835,127	5,064,177
General Obligation Refunding Bonds, 2010 Series B, due in annual installments through 2021, interest payable semi-annually from 4.0% to 5.0%.	3,023,789	3,341,347

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	<b>2013</b>	<b>2012</b>
General Obligation Refunding Bonds, 2012 Series B, due in annual installments through 2032, interest payable semi-annually from 2.0% to 5.0%.	4,031,640	-
General Obligation Refunding Bonds, 2012 Series C, due in annual installments through 2023, interest payable semi-annually from 2.0% to 5.0%.	8,865,000	-
Total bonds payable	25,595,556	14,095,524
Less current portion	(2,318,564)	(1,396,609)
	23,276,992	12,698,915
Unamortized premium	2,591,461	632,738
Less unamortized deferred amounts of advance refunding of debt	(225,627)	(284,818)
Total non-current portion	\$ 25,642,826	\$ 13,046,835

The general obligation bonds are subject to redemption at the option of the County during specific years at 100% of their face value. The full faith and credit of the County is pledged to the payment of these bonds.

Future principal and interest payments on bonds payable at June 30, 2013 are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2014	\$ 2,318,564	\$ 1,112,680	\$ 3,431,244
2015	2,408,969	1,020,926	3,429,895
2016	2,512,890	916,385	3,429,275
2017	2,607,608	818,922	3,426,530
2018	2,734,873	695,221	3,430,094
2019-2023	8,759,012	1,935,772	10,694,784
2024-2028	3,171,602	512,901	3,684,503
2029-2033	1,082,038	82,335	1,164,373
Total	\$ 25,595,556	\$ 7,095,142	\$ 32,690,698

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**Notes Payable**

At June 30, 2013 and 2012, notes payable consisted of the following:

	<u>2013</u>	<u>2012</u>
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 0.37% and loan fee rate of 3.25%, maturing 2029.	\$ 1,308,376	\$ 1,023,660
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 0.00% and loan fee rate of 3.25%, maturing 2031.	622,531	657,116
Notes payable to State Revolving Loan Fund for capital improvements projects, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 0.35% and loan fee rate of 3.25%, maturing 2032.	2,537,581	1,663,679
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 0.00% and loan fee rate of 3.25%, maturing 2032.	488,439	310,778
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 1.00% and loan fee rate of 1.00%, maturing 2032.	233,553	-
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 0.50% and loan fee rate of 1.00%, maturing 2033.	71,845	-

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	<b>2013</b>	<b>2012</b>
Note payable to State Revolving Loan fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 1.55% and loan fee rate of 3.25%, paid off in November 2012 using proceeds from 2012 bond issuance.	-	3,327,983
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest, and loan fees at an interest rate of 0.15% and loan fee rate of 3.25%, paid off in November 2012 using proceeds from 2012 bond issuance.	-	7,625,566
	5,262,325	14,608,782
Less current portion	(288,824)	(1,112,783)
Total non-current portion	\$ 4,973,501	\$ 13,495,999

Annual maturities of the notes payable are as follows:

Year ending June 30:		
2014		\$ 288,824
2015		289,155
2016		290,044
2017		290,954
2018		291,851
2019-2023		1,472,677
2024-2028		1,496,095
2029-2033		842,725
Total		\$ 5,262,325

In November 2012, the County issued \$70.3 million of general obligation bonds of which \$15.4 million was allocated to the Department. The bonds bear interest rates ranging from 2% to 5% and mature through June 1, 2032. The proceeds allocated to the Department were used to finance capital improvement projects, as well as to refund approximately \$11.2 million in outstanding State Revolving Fund Loans.

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**(7) RETIREMENT BENEFITS**

**Defined Benefit Pension Plan**

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

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

The three plans provide a monthly retirement allowance equal to the benefit multiplier percentage (1.25% or 2.00%) multiplied by the average final compensation (AFC) multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. The AFC is the average salary earned during the five highest paid years of service, including the payment of salary in lieu of vacation, or three highest paid years of service, excluding the payment of salary in lieu of vacation, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service, excluding the payment of salary in lieu of vacation. For new members hired after June 30, 2012, the AFC is based on the five highest paid years of service excluding the payment of salary in lieu of vacation.

For postretirement increases, every retiree's original retirement allowance is increased by 2.5% on each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5% the second year, 7.5% the third year, etc.). For new members hired after June 30, 2012, the post-retirement annuity increase was decreased to 1.5% per year.

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

***Contributory Plan***

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

New employees in the contributory plan hired after June 30, 2012 are required to contribute 9.8% of their salary and are fully vested for benefits upon receiving 10 years of credited service. These members may retire with full benefits at age 60 and 10 years of credited service, or may retire at age 55 with 25 years of credited service with reduced benefits. The benefit multiplier is 1.75% for employees covered by Social Security.

***Noncontributory Plan***

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

***Hybrid Plan***

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

New employees in the hybrid plan hired after June 30, 2012 are required to contribute 8% of their salary and are fully vested for benefits upon receiving 10 years of credited service. Employees may retire with full benefits at age 65 and 10 years of credited service, or at age 60 with 30 years of credited service, or may retire at age 55 and 20 years service with reduced benefits. The benefit multiplier is 1.75% for employees covered by Social Security.

The ERS funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. The funding method used to

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calculate the total employer contribution required is the entry age normal actuarial cost method. Effective July 1, 2005, employer rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability. Employers contribute 15.75% for police officers and firefighters, and 13.75% for all other employees. These rates increased, as of July 1, 2008 to 19.70% for police officers and firefighters, and 15% for all other employees. The rates further increased, as of July 1, 2012 to 22.00% for police officers and firefighters, and 15.50% for all other employees. Each year thereafter the rates will gradually increase to 25.00% for police officers and firefighters, and to 17.00% for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every five years.

The pension contributions made by the Department for the years ended June 30, 2013, 2012, and 2011, were \$1,616,000, \$1,625,000, and \$1,573,000, respectively, which was equal to the annual required contributions. Measurement of assets and actuarial valuations are made for the ERS as a whole and are not separately computed for individual participating employers such as the Department.

The ERS issues a comprehensive annual financial report that is available to the public. That report may be obtained from the following address:

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

**Postemployment Healthcare and Life Insurance Benefits**

In addition to providing pension benefits, the County, pursuant to HRS Chapter 87A, is a participating employer in an agent multiple-employer defined benefit plan providing certain healthcare and life insurance benefits to all qualified employees and retirees. The Employer-Union Health Benefits Trust Fund (EUTF) was established on July 1, 2003 to design, provide, and administer medical, prescription, drug, dental, vision, chiropractic, dual-coverage medical and prescription, and group life benefits.

For employees hired before July 1, 1996, the County pays the entire base monthly contribution for employees retiring with 10 or more years 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 fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the base monthly contribution. For employees who retire with at least 15 years but fewer than 25 years of service, the County pays 75% of the base monthly contribution. For those retiring with at least 25 years of service, the County pays the entire base monthly contribution. A retiree can elect a family plan to cover dependents.

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For employees hired after June 30, 2001, and who retire with fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the 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 the entire base monthly contribution. Retirees can elect family coverage, but must pay the difference.

For active employees, the employee's contributions are based upon negotiated collective bargaining agreements. Employer contributions for employees not covered by collective bargaining agreements and for retirees are prescribed by the HRS.

Measurement of the actuarial valuation and the annual required contribution (ARC) are made for the County as a whole and are not separately computed for the individual County departments and agencies such as the Department. The County allocates the ARC to the various departments and agencies based upon a systematic methodology. The Department's contributions paid to the County for the years ended June 30, 2013 and 2012 were \$1,249,512 and \$1,259,508, respectively, which equaled the Department's allocated ARC for postemployment healthcare and life insurance benefits.

The Department's contributions of \$1,249,512, \$1,259,508, \$1,237,502, and \$1,291,462 for the years ended June 30, 2013, 2012, 2011, and 2010, respectively, were retained in the County's Postemployment Benefits Fund and not transferred to the EUTF. As a result, the Department recorded a due from other funds and an accrued postemployment benefits amounting to \$5,037,984 and \$3,788,472 at June 30, 2013 and 2012, respectively, in the accompanying statements of net position.

On July 3, 2013, the Governor signed into law Act 268, Session Laws of Hawaii 2013. Act 268 requires the EUTF to establish and administer separate trust accounts for each public employer for the purpose of receiving irrevocable employer contributions to prefund post-employment health and other benefit costs for retirees and their beneficiaries. It establishes the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability and requires all public employers to make annual required public employer contributions effective fiscal year 2014. Commencing fiscal year 2019, the annual public employer contribution shall be equal to the annual required contribution, as determined by an actuary retained by the EUTF board. In any fiscal year, should an employer's contribution be less than the annual required public employer contribution, the difference shall be transferred to the appropriate trust account from a portion of all general excise tax revenues, for the State, or transient accommodations tax revenues, for the counties.

The EUTF issues an annual financial report that is available to the public. That report may be obtained from the following address:

Hawaii Employer-Union Health Benefits Trust Fund  
P.O. Box 2121  
Honolulu, Hawaii 96805-2121

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**Deferred Compensation Plan**

The County participates in a deferred compensation plan established by the State of Hawaii in accordance with Internal Revenue Code Section 457. The plan is available to all the County employees, and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors and from diversion to any uses other than paying benefits to participants and beneficiaries. The County has no responsibility for loss due to the investment or failure of investment of funds and assets in the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

**(8) SICK LEAVE**

Unaccrued sick leave at June 30, 2013 and 2012 aggregated approximately \$5.2 million and \$5.3 million, respectively. Sick leave can accumulate at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a County employee who is vested in the retirement system and retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS.

**(9) RISK MANAGEMENT**

The Department participates in the County's insurance program, which is self-insured for worker's compensation, vehicle, and general liabilities. The County has excess insurance for vehicle and general liability losses over \$500,000. The liability for claims and judgments was estimated based on a combination of case-by-case review and the application of historical experience. Because of the inherent uncertainties in estimating future projected liabilities of claims and judgments, it is at least reasonably possible that the estimates used may change within the near term.

**SUPPLEMENTAL SCHEDULES**

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Supplemental Schedule of Capital Assets

June 30, 2013

Description	Balance			Balance June 30, 2013	Accumulated Depreciation June 30, 2012	Depreciation July 1, 2012 to June 30, 2013	Retirements	Accumulated Depreciation June 30, 2013
	June 30, 2012	Additions	Retirements					
Land	\$ 6,619,358	\$ 305,440	\$ -	\$ 6,924,798	\$ -	\$ -	\$ -	\$ -
Source of Supply Structures	864,765	-	-	864,765	291,633	18,282	-	309,915
Collecting and Impounding Reservoirs	4,251,684	-	-	4,251,684	3,299,343	80,057	-	3,379,400
Wells & Springs	7,780,096	4,677,529	-	12,457,625	2,351,379	293,175	-	2,644,554
Power & Pumping Structures	2,997,455	3,599,859	-	6,597,314	891,043	60,537	-	951,580
Purification Buildings	33,602,622	268,867	(34,440)	33,837,049	22,878,333	1,596,028	(23,104)	24,451,257
Distribution Reservoirs	60,915,438	6,289,082	-	67,204,520	21,251,178	1,358,524	-	22,609,702
Office Building	1,672,930	-	-	1,672,930	1,003,837	32,702	-	1,036,539
Field Operation Building	1,067,873	4,820	-	1,072,693	745,759	25,902	-	771,661
Utility Plant - Unclassified	591,079	-	-	591,079	562,436	4,021	-	566,457
Electric Pumping Equipment	22,346,007	4,984,892	-	27,330,899	17,947,018	507,384	-	18,454,402
Other Power Pumping Equipment	1,296,372	691,138	-	1,987,510	845,728	204,470	-	1,050,198
Purification System - Chlorinators	2,861,789	17,091	-	2,878,880	1,059,250	252,354	-	1,311,604
Purification System - Filter Plants	49,000,586	1,464,694	-	50,465,280	32,934,763	2,614,212	-	35,548,975
Transmission & Distribution Mains	244,669,026	14,454,695	-	259,123,721	92,984,847	6,358,456	-	99,343,303
Service Laterals	3,185,203	127,219	-	3,312,422	1,739,630	116,185	-	1,855,815
Meters	8,643,612	23,962	-	8,667,574	3,053,146	359,536	-	3,412,682
Office Furniture & Equipment	41,140	-	-	41,140	16,482	9,873	-	26,355
Stores Equipment	98,567	365,766	-	464,333	86,504	193,342	-	279,846
Shop Equipment	66,372	2,379	-	68,751	54,859	7,601	-	62,460
Laboratory Equipment	442,433	5,328	-	447,761	254,133	2,501	-	256,634
Work Equipment	2,069,366	-	-	2,069,366	1,004,284	4,928	-	1,009,212
Communication Equipment	1,026,638	-	-	1,026,638	838,398	2,754	-	841,152
Meter Boxes	291,058	106,068	(13,702)	383,424	260,961	18,118	(13,079)	266,000
Hydrants	9,734,522	163,958	-	9,898,480	3,122,807	92,443	-	3,215,250
Standpipes	231,384	31,256	-	262,640	178,356	57,211	-	235,567
	466,367,375	37,584,043	(48,142)	503,903,276	209,656,107	14,270,596	(36,183)	223,890,520
Office Machines	666,976	40,500	-	707,476	597,898	26,534	-	624,432
Transportation Equipment	4,464,635	227,986	(344,368)	4,348,253	3,776,809	289,530	(344,369)	3,721,970
<b>Total Capital Assets (1)</b>	<b>\$ 471,498,986</b>	<b>\$ 37,852,529</b>	<b>\$ (392,510)</b>	<b>\$ 508,959,005</b>	<b>\$ 214,030,814</b>	<b>\$ 14,586,660</b>	<b>\$ (380,552)</b>	<b>\$ 228,236,922</b>
Revenue		459,109						
Contributions in aid of construction		4,934,536						
Capital Reserve Fund		11,736,122						
Storage Assessment Fund		140,000						
Water system development fee		3,469,876						
State		9,977,778						
Federal		970,000						
Source		1,555,410						
1989 Bond fund		310,272						
1991 Bond fund		76,324						
2007 Bond fund		929,884						
2009 Bond fund		3,223,353						
Other work in progress #6141		69,865						
		<u>\$ 37,852,529</u>						

(1) Excludes construction in progress.

See accompanying independent auditors' report.

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
(A Proprietary Fund of the County of Maui)**

Supplemental Schedule of Long-Term Debt - General Obligation Bonds

June 30, 2013

<b>COUNTY OF MAUI GENERAL OBLIGATION BONDS</b>	<b>Fiscal Year</b>	<b>Coupon Interest Rate</b>	<b>Bonds Dated</b>	<b>Maturing Serially From</b>	<b>Call Dates</b>	<b>Authorized and Issued</b>	<b>Outstanding as of June 30, 2013</b>	<b>Payable Within One Year</b>
G.O. Refunding Bonds, 2005 Series B (a)	2014	5.000	01/06/05	03/01/14	Noncallable	\$ 880,000	\$ 880,000	\$ 880,000
	2015	5.000	01/06/05	03/01/15	Noncallable	925,000	925,000	
	2016	3.800	01/06/05	03/01/16		970,000	970,000	
	2017	5.000	01/06/05	03/01/17	3/1/2015	1,005,000	1,005,000	
	2018	5.000	01/06/05	03/01/18	3/1/2015	1,060,000	1,060,000	
Total 2005 Series B Issue						4,840,000	4,840,000	880,000
G.O. Refunding Bonds, 2008 Series A (b)	2014	3.500	07/01/08	07/01/13	Noncallable	236,709	236,709	236,709
	2015	3.500	07/01/08	07/01/14	Noncallable	245,063	245,063	
	2016	3.500	07/01/08	07/01/15	Noncallable	254,114	254,114	
	2017	3.500	07/01/08	07/01/16	Noncallable	263,165	263,165	
	2018	3.500	07/01/08	07/01/17	Noncallable	272,911	272,911	
	2019	3.500	07/01/08	07/01/18	7/1/2017	285,443	285,443	
	2020	5.000	07/01/08	07/01/19	7/1/2017	299,367	299,367	
	2021	5.000	07/01/08	07/01/20	7/1/2017	314,684	314,684	
	2022	5.000	07/01/08	07/01/21	7/1/2017	330,696	330,696	
	2023	5.000	07/01/08	07/01/22	7/1/2017	347,405	347,405	
	2024	4.125	07/01/08	07/01/23	7/1/2017	363,418	363,418	
	2025	4.200	07/01/08	07/01/24	7/1/2017	378,734	378,734	
	2026	4.200	07/01/08	07/01/25	7/1/2017	394,747	394,747	
	2027	5.000	07/01/08	07/01/26	7/1/2017	413,544	413,544	
	2028	5.000	07/01/08	07/01/27	7/1/2017	435,127	435,127	
Total 2008 Series A Issue						4,835,127	4,835,127	236,709

See accompanying independent auditors' report.

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
(A Proprietary Fund of the County of Maui)**

Supplemental Schedule of Long-Term Debt - General Obligation Bonds  
(continued)

June 30, 2013

<b>COUNTY OF MAUI GENERAL OBLIGATION BONDS</b>	<b>Fiscal Year</b>	<b>Coupon Interest Rate</b>	<b>Bonds Dated</b>	<b>Maturing Serially From</b>	<b>Call Dates</b>	<b>Authorized and Issued</b>	<b>Outstanding as of June 30, 2013</b>	<b>Payable Within One Year</b>
G.O. Refunding Bonds, 2010 Series B (c)	2014	4.000	12/1/2010	6/1/2014	Noncallable	\$ 326,745	\$ 326,745	\$ 326,745
	2015	4.000	12/1/2010	6/1/2015	Noncallable	339,926	339,926	
	2016	4.000	12/1/2010	6/1/2016	Noncallable	353,508	353,508	
	2017	4.000	12/1/2010	6/1/2017	Noncallable	367,888	367,888	
	2018	5.000	12/1/2010	6/1/2018	Noncallable	382,667	382,667	
	2019	4.000	12/1/2010	6/1/2019	Noncallable	401,441	401,441	
	2020	4.000	12/1/2010	6/1/2020	Noncallable	417,419	417,419	
	2021	4.000	12/1/2010	6/1/2021	6/1/2020	434,195	434,195	
Total 2010 Series B Issue						3,023,789	3,023,789	326,745
G.O. Refunding Bonds, 2012 Series B (d)	2014	2.000	11/1/2012	6/1/2014	Noncallable	145,110	145,110	145,110
	2015	3.000	11/1/2012	6/1/2015	Noncallable	148,980	148,980	
	2016	4.000	11/1/2012	6/1/2016	Noncallable	155,268	155,268	
	2017	4.000	11/1/2012	6/1/2017	Noncallable	161,556	161,556	
	2018	5.000	11/1/2012	6/1/2018	Noncallable	169,295	169,295	
	2019	5.000	11/1/2012	6/1/2019	Noncallable	178,002	178,002	
	2020	5.000	11/1/2012	6/1/2020	Noncallable	186,708	186,708	
	2021	5.000	11/1/2012	6/1/2021	Noncallable	196,382	196,382	
	2022	5.000	11/1/2012	6/1/2022	Noncallable	206,056	206,056	
	2023	4.000	11/1/2012	6/1/2023	Noncallable	216,214	216,214	
	2024	2.125	11/1/2012	6/1/2024	6/1/2023	224,921	224,921	
	2025	3.000	11/1/2012	6/1/2025	6/1/2023	229,758	229,758	
	2026	3.000	11/1/2012	6/1/2026	6/1/2023	236,529	236,529	
	2027	3.000	11/1/2012	6/1/2027	6/1/2023	243,785	243,785	
	2028	3.000	11/1/2012	6/1/2028	6/1/2023	251,040	251,040	
	2029	3.000	11/1/2012	6/1/2029	6/1/2023	258,780	258,780	
	2030	3.000	11/1/2012	6/1/2030	6/1/2023	266,519	266,519	
	2031	3.000	11/1/2012	6/1/2031	6/1/2023	274,258	274,258	
	2032	3.000	11/1/2012	6/1/2032	6/1/2023	282,479	282,479	
Total 2012 Series B Issue						4,031,640	4,031,640	145,110

See accompanying independent auditors' report.

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
(A Proprietary Fund of the County of Maui)**

Supplemental Schedule of Long-Term Debt - General Obligation Bonds  
(continued)  
June 30, 2013

<b>COUNTY OF MAUI GENERAL OBLIGATION BONDS</b>	<b>Fiscal Year</b>	<b>Coupon Interest Rate</b>	<b>Bonds Dated</b>	<b>Maturing Serially From</b>	<b>Call Dates</b>	<b>Authorized and Issued</b>	<b>Outstanding as of June 30, 2013</b>	<b>Payable Within One Year</b>
G.O. Refunding Bonds, 2012 Series C (e)	2014	2.000	11/1/2012	6/1/2014	Noncallable	\$ 730,000	\$ 730,000	\$ 730,000
	2015	3.000	11/1/2012	6/1/2015	Noncallable	750,000	750,000	
	2016	4.000	11/1/2012	6/1/2016	Noncallable	780,000	780,000	
	2017	4.000	11/1/2012	6/1/2017	Noncallable	810,000	810,000	
	2018	5.000	11/1/2012	6/1/2018	Noncallable	850,000	850,000	
	2019	5.000	11/1/2012	6/1/2019	Noncallable	895,000	895,000	
	2020	5.000	11/1/2012	6/1/2020	Noncallable	940,000	940,000	
	2021	5.000	11/1/2012	6/1/2021	Noncallable	985,000	985,000	
	2022	5.000	11/1/2012	6/1/2022	Noncallable	1,035,000	1,035,000	
	2023	4.000	11/1/2012	6/1/2023	Noncallable	1,090,000	1,090,000	
Total 2012 Series C Issue						<u>8,865,000</u>	<u>8,865,000</u>	<u>730,000</u>
Total General Obligation Bonds						<u>\$ 25,595,556</u>	<u>\$ 25,595,556</u>	<u>\$ 2,318,564</u>

See accompanying independent auditors' report.

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF MAUI  
(A Proprietary Fund of the County of Maui)**

Supplemental Schedule of Long-Term Debt – General Obligation Bonds - continued

June 30, 2013

**NOTES:**

- (a) The General Obligation Refunding Bonds, 2005, Series B, maturing on or before March 1, 2015 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on March 1, 2016, prior to their stated maturity, on or after March 1, 2015, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (b) The General Obligation Bonds, 2008, Series A, maturing on or before July 1, 2017 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on July 1, 2018, prior to their stated maturity, on and after July 1, 2017, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (c) The General Obligation Refunding Bonds, 2010, Series B, maturing on or before June 1, 2020 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on June 1, 2021 prior to their stated maturity, on or after June 1, 2020, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (d) The General Obligation Refunding Bonds, 2012, Series B, maturing on or before June 1, 2023 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on June 1, 2024 prior to their stated maturity, on or after June 1, 2023, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (e) The General Obligation Refunding Bonds, 2012, Series C, maturing before June 1, 2023 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates.