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OFFICE OF THE
COUNTY COUNCIL

June 26, 2024

MEMO TO: BFED-21(25) File

F R O M: Yuki Lei K. Sugimura, Chair Yuki Lei Sugimura
Budget, Finance, and Economic Development Committee

SUBJECT: **TRANSMITTAL OF INFORMATIONAL DOCUMENT RELATING TO ANNUAL COMPREHENSIVE FINANCIAL REPORT, SINGLE AUDIT REPORT, AND DEPARTMENT OF WATER SUPPLY'S FINANCIAL AUDIT REPORTS** (BFED-21(25))

The attached informational document pertains to Item 21(25) on the Committee's agenda.

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Attachment

County Auditor
Lance T. Taguchi, CPA

CC 69-24

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OFFICE OF THE
COUNTY CLERK

OFFICE OF THE COUNTY AUDITOR

COUNTY OF MAUI
2145 WELLS STREET, SUITE 303
WAILUKU, MAUI, HAWAII 96793
http://www.mauicounty.gov/auditor

May 2, 2024

The Honorable Alice L. Lee, Chair
and Members of the Council
County of Maui
Wailuku, Hawaii 96793

Dear Chair Lee and Members:

SUBJECT: **DEPARTMENT OF WATER SUPPLY FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS FOR FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

My Office has received the Department of Water Supply Financial Statements and Supplementary Information with Independent Auditor's Reports for Fiscal Years Ended June 30, 2023 and 2022, submitted by N&K CPAs, Inc., the County's contractor.

Transmitted are 19 bound copies.

May I request that the report be referred to the appropriate standing committee for discussion and action.

Sincerely,

LANCE T. TAGUCHI, CPA
County Auditor

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Enclosure

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS

Fiscal Years Ended June 30, 2023 and 2022

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200 | HONOLULU, HAWAII 96813
T (808) 524-2255 F (808) 523-2090 | nkcpa.com

DEPARTMENT OF WATER SUPPLY
COUNTY OF MAUI

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PART I

FINANCIAL SECTION

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200
HONOLULU, HAWAII 96813
T (808) 524-2255 F (808) 523-2090

INDEPENDENT AUDITOR'S REPORT

To the Board of Water Supply
County of Maui

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Department of Water Supply of the County of Maui (the Department), a proprietary fund of the County of Maui, State of Hawaii, as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Department's financial statements as listed in the table contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department, as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the County of Maui, State of Hawaii, as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, amount other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis, the schedules of proportionate share of the net pension liability, pension contributions, changes in the net OPEB liability and related ratios and OPEB contributions information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's financial statements. The supplemental schedules of capital assets and of long-term debt - general obligation bonds 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 relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of capital assets and of long-term debt - general obligation bonds are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024 on our consideration of the Department'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 solely 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 the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawaii
January 31, 2024

Department of Water Supply
County of Maui
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	2023	2022
CURRENT ASSETS		
Equity in pooled cash and investments held in County Treasury	$ 75,057,204	$ 82,285,340
Customer receivables		
Billed	5,666,657	5,223,379
Less allowance for doubtful accounts	(136,735)	(134,145)
	5,529,922	5,089,234
Unbilled	3,318,301	3,384,238
Total customer receivables	8,848,223	8,473,472
Materials and supplies	1,551,120	1,907,779
Other current assets	6,348	4,813
Total current unrestricted assets	85,462,895	92,671,404
RESTRICTED ASSETS		
Equity in pooled cash and investments held in County Treasury	60,795,628	37,270,501
Total current assets	146,258,523	129,941,905
CAPITAL ASSETS		
Utility plant in service	696,707,708	683,393,486
Less accumulated depreciation	(386,251,653)	(369,390,890)
	310,456,055	314,002,596
Land	8,868,809	8,107,580
Construction work in progress	33,375,723	29,122,419
Lease asset	411,852	411,852
Less accumulated amortization	(137,284)	(68,642)
Total capital assets	352,975,155	351,575,805
TOTAL ASSETS	499,233,678	481,517,710
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	6,534,715	6,736,322
Deferred outflows of resources related to OPEB	3,499,010	3,932,847
Unamortized loss on advanced refunding	51,566	67,850
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,085,291	10,737,019
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 509,318,969	$ 492,254,729

See accompanying notes to financial statements.

Department of Water Supply
County of Maui
STATEMENTS OF NET POSITION (Continued)
June 30, 2023 and 2022

	2023	2022
CURRENT LIABILITIES		
Payable from unrestricted current assets		
Bonds payable, current portion	$ 1,370,991	$ 2,283,303
Notes payable, current portion	2,720,747	2,658,504
Accounts payable	3,187,848	3,404,981
Accrued vacation, current portion	851,040	907,510
Accrued compensatory time off	144,200	138,990
Construction contracts payable, including retainages	1,775,580	1,559,157
Claims and judgments	741,171	3,753,639
Accrued interest payable	355,974	318,415
Customer advances for utility construction	1,202,610	748,881
Lease liability, current portion	65,765	60,996
	12,415,926	15,834,376
Payable from restricted assets		
Construction contracts payable, including retainages	1,492,835	1,321,006
Customer deposits	6,658,298	618,694
Refundable advances	15,872,054	1,000,000
	24,023,187	2,939,700
Total current liabilities	36,439,113	18,774,076
NON-CURRENT LIABILITIES		
Bonds payable, non-current portion	15,544,422	12,891,498
Notes payable, non-current portion	37,053,447	39,003,814
Net pension liability	43,776,419	40,831,743
Net OPEB liability	10,666,568	14,589,145
Accrued vacation, non-current portion	1,054,491	1,195,690
Lease liability, non-current portion	228,612	294,377
Total non-current liabilities	108,323,959	108,806,267
TOTAL LIABILITIES	144,763,072	127,580,343
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	1,837,737	5,385,777
Deferred inflows of resources related to OPEB	7,158,825	6,334,114
TOTAL DEFERRED INFLOWS OF RESOURCES	8,996,562	11,719,891
NET POSITION		
Net investment in capital assets	299,004,725	296,836,712
Restricted	51,247,937	34,338,612
Unrestricted	5,306,673	21,779,171
TOTAL NET POSITION	355,559,335	352,954,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 509,318,969	$ 492,254,729

See accompanying notes to financial statements.

Department of Water Supply
County of Maui
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Water sales	$ 66,138,344	$ 68,847,153
Other revenues	1,059,805	830,245
Total operating revenues	67,198,149	69,677,398
OPERATING EXPENSES		
Depreciation and amortization	17,333,939	17,126,854
Administrative and general	17,190,835	20,895,667
Power and pumping	15,864,077	15,324,339
Transmission and distribution	9,184,959	8,291,195
Purification	8,764,538	7,280,319
Customers' accounting and collection	1,819,799	1,782,124
Source of supply	867,216	877,423
Total operating expenses	71,025,363	71,577,921
Operating loss	(3,827,214)	(1,900,523)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income (expense)	1,352,987	(2,767,333)
Interest expense, net of amortization of bond premiums of $325,302 in 2023 and $314,960 in 2022	(945,713)	(897,868)
Other income	268,968	521,160
Total nonoperating revenues (expenses)	676,242	(3,144,041)
Loss before capital contributions	(3,150,972)	(5,044,564)
Capital contributions	5,825,598	6,986,933
Transfers in (out)	(69,786)	3,582,789
Change in net position	2,604,840	5,525,158
NET POSITION		
Beginning of fiscal year	352,954,495	347,429,337
End of fiscal year	$ 355,559,335	$ 352,954,495

See accompanying notes to financial statements.

Department of Water Supply
County of Maui
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	$ 81,735,607	$ 69,575,753
Payments to suppliers for goods and services	(37,310,935)	(31,385,471)
Payments to employees for services	(22,165,114)	(20,794,315)
Utility construction advances (refunds)	6,493,333	(190,584)
Net cash provided by operating activities	28,752,891	17,205,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment income (losses) received from investments	1,352,987	(2,767,333)
Net cash provided by (used in) investing activities	1,352,987	(2,767,333)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from (to) other funds	(69,786)	3,582,789
Net cash provided by (used in) noncapital financing activities	(69,786)	3,582,789
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for acquisition of construction of capital assets	(16,251,940)	(15,172,622)
Principal paid on lease liability	(60,996)	(56,479)
Principal paid on bonds and notes payable	(5,208,034)	(4,780,471)
Proceeds from bonds and notes payable	5,385,824	496,072
Cash received from capital contributions and other	3,613,217	4,222,497
Interest paid on bonds and notes payable	(1,217,172)	(1,223,107)
Net cash used in capital and related financing activities	(13,739,101)	(16,514,110)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,296,991	1,506,729
CASH AND CASH EQUIVALENTS		
Beginning of fiscal year	119,555,841	118,049,112
End of fiscal year	$ 135,852,832	$ 119,555,841
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Unrestricted	$ 75,057,204	$ 82,285,340
Restricted	60,795,628	37,270,501
	$ 135,852,832	$ 119,555,841

See accompanying notes to financial statements.

Department of Water Supply
County of Maui
STATEMENTS OF CASH FLOWS (Continued)
Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (3,827,214)	$ (1,900,523)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	17,333,939	17,126,854
Provision for doubtful accounts	100,372	110,547
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer receivables	(475,123)	(236,874)
Materials and supplies	356,659	(83,512)
Other current assets	(1,535)	2,934
Deferred outflows of resources related to pensions	201,607	1,681,484
Deferred outflows of resources related to OPEB	433,837	1,074,717
Accounts and construction contracts payable	222,753	542,202
Advanced collections	14,872,054	--
Claims and judgments	(3,012,468)	3,360,863
Other liabilities and deposits	6,249,240	(176,576)
Net pension liability	2,944,676	(6,065,567)
Net OPEB liability	(3,922,577)	(7,402,779)
Deferred inflows of resources related to pensions	(3,548,040)	5,127,958
Deferred inflows of resources related to OPEB	824,711	4,043,655
Net cash provided by operating activities	$ 28,752,891	$ 17,205,383
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	$ 2,481,349	$ 3,285,596
Acquisition of capital assets financed with lease liabilities	$ --	$ 411,852
Amortization of deferred loss on refunding	$ 16,284	$ 16,284
Amortization of bond premium	$ 325,302	$ 314,960

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) ***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, as amended, provides the following:

- The Department is a regular County of Maui agency subject to the Mayor's executive management and Maui County Council's (Council) 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.

(2) ***Financial Statement Presentation*** - The Department is a proprietary fund of the County (the primary government). The accompanying financial statements present only the financial position and activities of the Department, and do not purport to, and do not, present the financial position of the County, the changes in its financial position, or its cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP).

(3) ***Measurement Focus and Basis of Accounting*** - The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(4) ***Use of Estimates*** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances of receivables, accrued workers' compensation, and pension and post-retirement benefits. Actual results could differ from those estimates.

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) ***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 negotiable time certificates of deposits and repurchase agreements are carried at cost, which approximates fair value. Investments in U.S. Treasury obligations, U.S. government agency obligations, municipal securities, and commercial paper are reported at fair value.

(7) ***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 customer 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.

(8) ***Materials and Supplies*** - Materials and supplies are stated at weighted average cost (which approximates the first-in, first-out method). The cost of materials and supplies are recorded as expenses when consumed rather than when purchased.

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

(10) ***Capital Assets*** - Utility plant in service is stated at cost and include contributions by governmental agencies, private developers, and customers at their cost or estimated cost. Capital assets include 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.

Depreciation 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:

Buildings and systems	10 - 50 years
Machinery and equipment	5 - 50 years
Infrastructure	5 - 50 years

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Department leases an office space located in the One Main Plaza Building at 250 South High Street, which has a rental area of approximately 2,808 square feet. The Department initially measured the lease liability and right-to-use lease asset using base rent, and excluded from its calculation variable payments such as those based on the Department's proportionate share of the underlying asset's operating expenses.

(11) ***Debt Premium and Discounts*** - Premium and discounts arising from the issuance of debt are amortized over the life of the bonds. Amortization of debt premiums is recorded as a reduction of interest expense.

(12) ***Deferred Amounts on Advance Refunding*** - 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 deferred inflow or outflow of resources.

(13) ***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. Employees earn compensatory time off at the rate of one and a half hours for each hour of overtime worked. Unused compensatory time off is converted to pay upon termination of employment.

(14) ***Deferred Outflows of Resources and Deferred Inflows of Resources*** - Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

(15) ***Net Position*** - Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The three components of net position are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and amortization, 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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *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. The Department's policy is generally to use restricted net position first, as appropriate opportunities arise.

- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

(16) ***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 30th.

- 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.

(17) ***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. The amounts received are recorded as capital contributions in the accompanying statements of revenues, expenses, and changes in net position.

(18) ***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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) ***Pensions*** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii (ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, employer and employee contributions are recognized in the period in which the contributions are legally due and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

(20) ***Postemployment Benefits Other Than Pensions (OPEB)*** - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and additions to/deductions from EUTF's fiduciary net position have been determined on the same basis as they are reported by EUTF. For this purpose, EUTF recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for investments in commingled and money market funds, which are reported at net asset value (NAV). The NAV is based on the fair value of the underlying assets held by the respective fund less its liabilities.

(21) ***New Accounting Pronouncements*** - In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Department adopted this Statement on July 1, 2022. Management has determined that the implementation of this statement did not have a material impact on the Department's financial statements.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the change. That preferability should be based on the qualitative characteristics of financial reporting - understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management has not yet determined the effect this Statement will have on the Department's financial statements.

The GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management has not yet determined the effect this Statement will have on the Department's financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management has not yet determined the effect this Statement will have on the Department's financial statements.

(22) ***Subsequent Events*** - On August 8, 2023, multiple wildfires erupted across the island of Maui. These wildfires burned over 2,170 acres and destroyed an estimated 2,200 structures. It also took the lives of at least 100 people making it the deadliest wildfire in the United States in the last century. On August 8, 2023, Mayor Bissen issued an emergency proclamation for the island and on August 9, 2023, Governor Green proclaimed a State of Emergency. President Biden declared the existence of a major disaster on August 10, 2023 and ordered federal aid to supplement the State and local recovery efforts.

Preliminary damages from the Hawaii wildfire incident is estimated between $4 - $6 billion and will take many years, perhaps a decade, for recovery efforts. The Department is still in the process of determining the extent of the damage the wildfires had on its capital assets.

NOTE 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, 2023 and 2022, 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 $135,852,832 and $119,555,841, respectively.

County's Investment Policy

The County's investment policy conforms with the State of Hawaii statutes (Chapter 46, Section 50), which authorize the County to invest in obligations of the U.S. Treasury and U.S. government agencies, municipal securities, auction rate securities collateralized by student loans, bank repurchase agreements, commercial paper, banker's acceptances, and money market funds.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Specific requirements under the County's investment policy are as follows:

- With the exception of U.S. Treasury securities and bank certificates of deposit fully insured by the Federal Deposit Insurance Corporation (FDIC) not to exceed $250,000 per banking institution, no more than 30% of the County's investment portfolio will be invested in a single type of security, a single issuer, or financial institution.

- Investment maturities are not to exceed five years.

Investment Risk - The investments are subject to certain types of risk, including interest rate risk, credit quality risk, concentration of credit risk, and custodial credit 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 follows State of Hawaii statutes, which limits investment maturities to five years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk - Credit quality 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 municipal securities, U.S. Treasury securities, negotiable time certificates of deposits, U.S. government agency obligations, repurchase agreements, commercial paper, bankers' acceptances, money market funds, and auction rate securities collateralized by student loans maintaining Triple-A rating.

The bond ratings for the County's investments in U.S. agency obligations (government sponsored enterprises) at June 30, 2023 and 2022 were as follows:

	2023	2022
AA+	$ 458,604,371	$ 371,992,199
A-1+	58,756,118	--
A-	--	350,000
A - 1	--	14,955,000
Not rated	30,739,189	33,286,209
	$ 548,099,678	$ 420,583,408

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 and with the exception of U.S. Treasury securities, no more than 30% of the investment portfolio can be invested in a single type of security or financial institution.

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2023 and 2022, substantially all of the County's negotiable time certificates of deposits and cash deposits were insured and collateralized.

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 annual comprehensive financial report.

The Department's share of the County's cash and investment pool, as summarized in the tables below was approximately 15.5% and 16.5% at June 30, 2023 and 2022, respectively.

As of June 30, 2023, the County and fiduciary fund's cash and investments were as follows:

		Maturity					
Type of Investment	% Yield	Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years	Premiums (Discounts)	Fair Value
Federal National Mortgage Association Coupon Notes	0.61 - 3.82	$ --	$ --	$ --	$ 38,300,000	$ (3,331,265)	$ 34,968,735
Federal Home Loan Bank Bank Notes	0.67 - 4.23	--	33,700,000	3,000,000	96,900,000	(7,465,929)	126,134,071
Federal Farm Credit Bank Notes	1.88 - 4.50	11,000,000	18,300,000	21,738,000	67,300,000	(3,011,670)	115,326,330
Federal Agricultural Mortgage Corporation Notes	0.88 - 2.40	--	7,500,000	4,000,000	21,200,000	(1,960,811)	30,739,189
Federal Home Loan Mortgage Corporation Notes	0.28 - 5.70	--	15,000,000	--	59,000,000	(2,206,770)	71,793,230
U.S. Treasury Notes	0.38 - 4.63	--	4,340,000	12,800,000	96,700,000	(7,780,265)	106,059,735
U.S. Treasury Bills	4.84 - 5.31	21,700,000	37,500,000	--	--	(443,882)	58,756,118
Municipal Securities	2.18 - 3.26	--	4,350,000	--	--	(27,730)	4,322,270
Negotiable certificates of deposit	1.65 - 3.55	--	500,000	250,000	990,000	(20,130)	1,719,870
Total investments		$ 32,700,000	$ 121,190,000	$ 41,788,000	$ 380,390,000	$ (26,248,452)	549,819,548
						Cash on hand and deposits	326,400,044
						Total equity in pooled cash and investments	$ 876,219,592

NOTE 2 - CASH AND INVESTMENTS (Continued)

As of June 30, 2022, the County and fiduciary fund's cash and investments were as follows:

Type of Investment	% Yield	Maturity: Under 30 Days	Maturity: 31 - 180 Days	Maturity: 181 - 365 Days	Maturity: 1 - 5 Years	Premiums (Discounts)	Fair Value
Federal National Mortgage Association Coupon Notes	0.64 - 1.75	$ --	$ --	$ --	$ 28,300,000	$ (1,591,519)	$ 26,708,481
Federal Home Loan Bank Bank Notes	0.67 - 3.09	--	5,000,000	4,000,000	103,700,000	(4,144,152)	108,555,848
Federal Farm Credit Bank Notes	1.88 - 3.21	--	2,000,000	10,000,000	49,238,000	(331,072)	60,906,928
Federal Agricultural Mortgage Corporation Notes	0.88 - 2.40	--	--	--	32,700,000	(1,353,602)	31,346,398
Federal Home Loan Mortgage Corporation Notes	0.28 - 3.25	--	--	6,000,000	44,000,000	(1,387,410)	48,612,590
U.S. Treasury Notes	0.14 - 3.05	7,000,000	9,000,000	28,000,000	83,840,000	(5,663,951)	122,176,049
Commercial Paper	1.35	--	15,000,000	--	--	(45,000)	14,955,000
Municipal Securities	2.18 - 3.26	510,000	2,490,000	--	4,350,000	(27,886)	7,322,114
Negotiable certificates of deposit	1.65 - 3.55	--	2,250,000	2,000,000	1,250,000	(24,338)	5,475,662
Total investments		$ 7,510,000	$ 35,740,000	$ 50,000,000	$ 347,378,000	$ (14,568,930)	426,059,070
						Cash on hand and deposits	300,152,761
						Total equity in pooled cash and investments	$ 726,211,831

Unrestricted equity in pooled cash and investments held in County Treasury at June 30, 2023 and 2022 include funds for the following purposes:

	2023	2022
Board-designated		
Capital improvements	$ 39,491,609	$ 24,807,133
Debt service	2,166,152	2,132,606
Total board-designated	41,657,761	26,939,739
Undesignated	33,399,443	55,345,601
Total	$ 75,057,204	$ 82,285,340

NOTE 2 - CASH AND INVESTMENTS (Continued)

At June 30, 2023 and 2022, construction contract payables, including retentions, to be paid with board-designated funds were approximately $1.3 million and $1.5 million, respectively. Construction contract commitments as of June 30, 2023 and 2022, to be paid with board-designated funds, aggregated approximately $12.1 million and $11.1 million, respectively.

Restricted equity in pooled cash and investments held in County Treasury consisted of the following at June 30, 2023 and 2022:

	2023	2022
Water system development fee	$ 22,528,722	$ 21,816,713
Federal funds	16,264,864	--
State funds	11,983,339	11,983,339
Customer deposits	6,658,296	618,694
Bond funds	2,961,987	2,385,548
Special assessment fund for storage	273,829	273,829
Source development fund assessments	124,591	192,378
Total	$ 60,795,628	$ 37,270,501

At June 30, 2023 and 2022, construction voucher and contract payables, including retentions, to be paid with restricted assets were approximately $600,000 and $1.4 million, respectively. Construction contract commitments as of June 30, 2023 and 2022, to be paid with restricted assets, aggregated approximately $20.3 million and $4.7 million, respectively.

NOTE 3 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Inputs other than quoted prices included within level 1 that are observable for an asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a level 2 input must be observable for most of the full term of the asset or liability. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in markets that are not active,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are unobservable for an asset or liability.

Following is a description of the valuation techniques used by the County to measure fair value:

U.S. Treasury obligations: Valued using quoted prices in active markets for identical assets.

U.S. government agency obligations, municipal securities, and commercial paper: Valued using quoted prices for identical or similar assets in markets that are not active.

Negotiable time certificates of deposit: Valued using quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	Assets at Fair Value at June 30, 2023			
	Total	Level 1	Level 2	Level 3
U. S. Treasury obligations	$ 164,815,853	$ 164,815,853	$ --	$ --
U. S. government agency obligations	378,961,555	--	378,961,555	--
Municipal securities	4,322,270	--	4,322,270	--
Negotiable time certificates of deposit	1,719,870	--	1,719,870	--
	$ 549,819,548	$ 164,815,853	$ 385,003,695	$ --

	Assets at Fair Value at June 30, 2022			
	Total	Level 1	Level 2	Level 3
U. S. Treasury obligations	$ 122,176,049	$ 122,176,049	$ --	$ --
U. S. government agency obligations	276,130,245	--	276,130,245	--
Municipal securities	7,322,114	--	7,322,114	--
Commerical paper	14,955,000	--	14,955,000	--
Negotiable time certificates of deposit	5,475,662	--	5,475,662	--
	$ 426,059,070	$ 122,176,049	$ 303,883,021	$ --

NOTE 4 - RESTRICTED NET POSITION

At June 30, 2023 and 2022, restricted net position consisted of the following:

	2023	2022
Water system development fee	$ 22,528,722	$ 21,816,713
Federal funds	16,264,864	--
Special assessment fund for storage	273,829	273,829
Source development fund assessments	124,591	192,378
Other restricted funds	12,055,931	12,055,692
Total	$ 51,247,937	$ 34,338,612

NOTE 5 - CAPITAL CONTRIBUTIONS

Capital contributions during the fiscal years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Dedication of infrastructure assets	$ 2,481,349	$ 3,285,596
Source development fund assessments	1,572,470	3,068,637
Other	1,771,779	632,700
Total	$ 5,825,598	$ 6,986,933

NOTE 6 - CAPITAL ASSETS

Capital assets activity during the fiscal year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reductions/ Retirements	Balance June 30, 2023
Capital assets				
Non-depreciable assets				
Land	$ 8,107,580	$ 761,229	$ --	$ 8,868,809
Construction work in progress	29,122,419	14,571,140	(10,317,836)	33,375,723
	37,229,999	15,332,369	(10,317,836)	42,244,532
Depreciable assets				
Buildings and systems	196,460,505	3,296,825	(7,262)	199,750,068
Machinery and equipment	474,328,098	10,421,931	(397,272)	484,352,757
Infrastructure	12,604,883	--	--	12,604,883
	683,393,486	13,718,756	(404,534)	696,707,708
Accumulated depreciation				
Buildings and systems	94,153,121	4,195,347	(7,262)	98,341,206
Machinery and equipment	269,486,083	12,823,920	(397,272)	281,912,731
Infrastructure	5,751,686	246,030	--	5,997,716
	369,390,890	17,265,297	(404,534)	386,251,653
Lease asset				
Office space	411,852	--	--	411,852
	411,852	--	--	411,852
Accumulated amortization				
Office space	68,642	68,642	--	137,284
	68,642	68,642	--	137,284
Total	$ 351,575,805	$ 11,717,186	$ (10,317,836)	$ 352,975,155

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity during the fiscal year ended June 30, 2022 was as follows:

	Balance July 1, 2021 (as Restated)	Additions	Reductions/ Retirements	Balance June 30, 2022
Non-depreciable assets				
Land	$ 8,007,145	$ 100,435	$ --	$ 8,107,580
Construction work in progress	22,393,522	13,197,045	(6,468,148)	29,122,419
	30,400,667	13,297,480	(6,468,148)	37,229,999
Depreciable assets				
Buildings and systems	193,933,513	2,554,175	(27,183)	196,460,505
Machinery and equipment	465,998,488	9,035,854	(706,244)	474,328,098
Infrastructure	12,563,760	41,123	--	12,604,883
	672,495,761	11,631,152	(733,427)	683,393,486
Accumulated depreciation				
Buildings and systems	89,821,470	4,356,568	(24,917)	94,153,121
Machinery and equipment	257,737,214	12,455,113	(706,244)	269,486,083
Infrastructure	5,505,155	246,531	--	5,751,686
	353,063,839	17,058,212	(731,161)	369,390,890
Lease asset				
Office space	411,852	--	--	411,852
	411,852	--	--	411,852
Accumulated amortization				
Office space	--	68,642	--	68,642
	--	68,642	--	68,642
Total Capital Assets	$ 350,244,441	$ 7,801,778	$ (6,470,414)	$ 351,575,805

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities of the Department for the fiscal year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Bonds payable	$ 15,174,801	$ 4,601,808	$ 2,861,196	$ 16,915,413	$ 1,370,991
Notes payable from direct borrowings	41,662,318	784,016	2,672,140	39,774,194	2,720,747
Accrued vacation payable	2,103,200	741,653	939,322	1,905,531	851,040
Accrued compensatory time off	138,990	155,528	150,318	144,200	144,200
Claims and judgments	3,753,639	993,091	4,005,559	741,171	741,171
Lease liability	355,373	--	60,996	294,377	65,765
Total	$ 63,188,321	$ 7,276,096	$ 10,689,531	$ 59,774,886	$ 5,893,914

NOTE 7 - LONG-TERM LIABILITIES (Continued)

A summary of changes in long-term liabilities of the Department for the fiscal year ended June 30, 2022 are as follows:

	Balance July 1, 2021 (as Restated)	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Bonds payable	$ 17,658,508	$ --	$ 2,483,707	$ 15,174,801	$ 2,283,303
Notes payable from direct borrowings	43,777,970	496,072	2,611,724	41,662,318	2,658,504
Accrued vacation payable	2,179,019	864,406	940,225	2,103,200	907,510
Accrued compensatory time off	153,743	125,399	140,152	138,990	138,990
Claims and judgments	392,776	3,661,069	300,206	3,753,639	3,753,639
Lease liability	411,852	--	56,479	355,373	60,996
Total	$ 64,573,868	$ 5,146,946	$ 6,532,493	$ 63,188,321	$ 9,802,942

NOTE 8 - BONDS PAYABLE

At June 30, 2023 and 2022, bonds payable consisted of the following:

	2023	2022
General Obligation Refunding Bonds, 2012 Series B, due in annual installments through 2032, interest payable semi-annually from 2.1% to 4.0%.	$ 2,268,070	$ 2,484,284
General Obligation Refunding Bonds, 2012 Series C, due in annual installments through 2023, interest payable semi-annually at 4.0%	--	1,090,000
General Obligation Refunding Bonds, 2014 Series C, due in annual installments through 2034, interest payable semi-annually from 3.0% to 5.0%.	4,380,000	4,700,000
General Obligation Refunding Bonds, 2015 Series D, due in annual installments through 2027, interest payable semi-annually from 3.0% to 5.0%.	1,630,728	1,991,256
General Obligation Refunding Bonds, 2018 Series C, due in annual installments through 2032, interest payable semi-annually at 5.0%.	3,040,000	3,305,000
Balance forward	$ 11,318,798	$ 13,570,540

NOTE 8 - BONDS PAYABLE (Continued)

	2023	2022
Balance carried forward	$ 11,318,798	$ 13,570,540
General Obligation Refunding Bonds, 2020 Series B, due in annual installments through 2030, interest payable semi-annually at 5.0%	291,635	323,196
General Obligation Refunding Bonds, 2022 Series B, due in annual installments through 2042, interest payable semi-annually at 5.0%	3,767,409	--
	15,377,842	13,893,736
Less current portion	(1,370,991)	(2,283,303)
	14,006,851	11,610,433
Unamortized premium	1,537,571	1,281,065
Noncurrent portion	$ 15,544,422	$ 12,891,498

At June 30, 2023, future bond principal and interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 1,370,991	$ 619,116	$ 1,990,107
2025	1,432,960	556,188	1,989,148
2026	1,493,221	495,273	1,988,494
2027	1,555,357	436,024	1,991,381
2028	1,164,889	381,779	1,546,668
2029-2033	5,679,882	1,201,572	6,881,454
2034-2038	1,575,412	463,355	2,038,767
2039-2042	1,105,130	141,501	1,246,631
Total	$ 15,377,842	$ 4,294,808	$ 19,672,650

The County issues general obligation bonds for the construction of major capital facilities. The County's general obligation bonds are direct obligations of the County for which its full faith and credit are pledged. A portion of the County's general obligation bonds are designated as reimbursable bonds to be repaid from the net revenues of the Department.

NOTE 9 - NOTES PAYABLE

At June 30, 2023 and 2022, notes payable from direct borrowings consisted of the following:

	2023	2022
Notes payable to State of Hawaii, Department of Health		
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2032.	$ 116,101	$ 128,376
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.50%, and loan fee rate of 1.00%, maturing in 2033.	1,125,450	1,240,850
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2033.	454,766	497,758
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.00%, and loan fee rate of 1.00%, maturing in 2033.	4,124,764	4,537,241
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.50%, and loan fee rate of 1.00%, maturing in 2034.	2,371,534	2,590,974
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2034.	1,182,273	1,283,461
Balance forward	$ 9,374,888	$ 10,278,660

NOTE 9 - NOTES PAYABLE (Continued)

	2023	2022
Notes payable to State of Hawaii, Department of Health (Continued)		
Balance carried forward	$ 9,374,888	$ 10,278,660
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2035.	437,216	471,344
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2035.	476,490	513,686
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2034.	88,294	96,229
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2038.	1,451,850	1,534,100
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.50%, and loan fee rate of 1.00%, maturing in 2037.	1,668,418	1,774,777
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2037.	908,984	964,749
Balance forward	$ 14,406,140	$ 15,633,545

NOTE 9 - NOTES PAYABLE (Continued)

	2023	2022
Notes payable to State of Hawaii, Department of Health (Continued)		
Balance carried forward	$ 14,406,140	$ 15,633,545
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.00%, and loan fee rate of 1.00%, maturing in 2037.	378,735	401,965
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.00%, and loan fee rate of 1.00%, maturing in 2039.	17,417,878	18,451,811
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.50%, and loan fee rate of 1.00%, maturing in 2038.	3,298,856	3,493,592
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.75%, and loan fee rate of 1.00%, maturing in 2040.	3,028,288	3,185,333
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 1.15%, and loan fee rate of 1.00%, maturing in 2041.	1,244,297	496,072
	39,774,194	41,662,318
Less current portion	(2,720,747)	(2,658,504)
	$ 37,053,447	$ 39,003,814

NOTE 9 - NOTES PAYABLE (Continued)

As of June 30, 2023, future principal and interest payments for notes payable from direct borrowings are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 2,720,747	$ 522,775	$ 3,243,522
2025	2,747,145	486,496	3,233,641
2026	2,773,977	449,741	3,223,718
2027	2,801,221	412,535	3,213,756
2028	2,828,787	374,965	3,203,752
2029-2033	14,497,207	1,296,079	15,793,286
2034-2038	10,280,476	435,537	10,716,013
2039-2041	1,124,634	15,230	1,139,864
Total	$ 39,774,194	$ 3,993,358	$ 43,767,552

The Department's notes payable from direct borrowings are direct obligations of the County for which its full faith and credit, including a pledge of the County's general taxing power, as security for the notes payable. Repayments of principal and interest shall be a first charge on the County's General Fund.

NOTE 10 - LEASE LIABILITY

At June 30, 2023, future lease liability principal and interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	$ 65,765	$ 10,657	$ 76,422
2025	70,799	7,915	78,714
2026	76,108	4,964	81,072
2027	81,705	1,795	83,500
Total	$ 294,377	$ 25,331	$ 319,708

NOTE 11 - RETIREMENT BENEFITS

Pension Plan

Pension Plan Description - Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS' website: https://ers.ehawaii.gov/.

Benefits Provided - The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2.00%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.). Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling (1.5% of the original retirement allowance the first year, 3.0% the second year, 4.5% the third year, etc.).

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

<u>*Noncontributory Class*</u>

Retirement Benefits - General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

NOTE 11 - RETIREMENT BENEFITS (Continued)

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least 10 years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Employees Hired Prior to July 1, 2012

Retirement Benefits - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Police and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

NOTE 11 - RETIREMENT BENEFITS (Continued)

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Employees Hired After June 30, 2012

Retirement Benefits - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 60.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with 10 years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

Disability and Death Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. 10 years of credited service is required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Employees Hired Prior to July 1, 2012

Retirement Benefits - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

NOTE 11 - RETIREMENT BENEFITS (Continued)

Death Benefits - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire within 25 years of credited service at age 55.

Disability and Death Benefits - Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, plus a percentage multiplied by 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions - Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. Contributions to the pension plan from the Department were $3,658,654 and $ $3,190,780 for the fiscal years ended June 30, 2023 and 2022, respectively. For fiscal years 2023 and 2022 the contribution rate was 41% for police officers and firefighters. For fiscal years 2023 and 2022 the contribution rate was 24% for all other employees.

NOTE 11 - RETIREMENT BENEFITS (Continued)

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012, are required to contribute 7.8% of their salary and police officers and firefighters are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012, are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023 and 2022, the Department reported a liability of $43,776,419 and $40,831,743, respectively, for its proportionate share of net pension liability of the County. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Department's proportion of the net pension liability was based on a proportion of the Department's contributions to the pension plan relative to the project contributions of the County. At June 30, 2022, the Department's proportion of the County's proportion was 7.6485% which was an increase of 0.1728% from its proportion measured as of June 30, 2021.

There were no other changes between the measurement dates, June 30, 2022 and 2021, and the reporting dates, June 30, 2023 and 2022 that are expected to have a significant effect on the proportionate share of the net pension liability.

For the fiscal years ended June 30, 2023 and 2022, the Department recognized pension expense of $3,256,897 and $3,934,655, respectively. At June 30, 2023 and 2022, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 701,619	$ 639,377
Net difference between projected and actual earnings on pension plan investments	--	588,877
Changes in proportion and difference between Department contributions and proportionate share of contributions	1,556,872	96,143
Changes of assumptions	617,570	513,340
Department contributions subsequent to the measurement date	3,658,654	--
	$ 6,534,715	$ 1,837,737

NOTE 11 - RETIREMENT BENEFITS (Continued)

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,024,300	$ 53,484
Net difference between projected and actual earnings on pension plan investments	--	5,210,290
Changes in proportion and difference between Department contributions and proportionate share of contributions	1,859,587	122,003
Changes of assumptions	661,655	--
Department contributions subsequent to the measurement date	3,190,780	--
	$ 6,736,322	$ 5,385,777

At June 30, 2023, the $3,658,654 reported as deferred outflows of resources related to pensions resulted from contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows (inflows) of resources related to pensions as of June 30, 2023 will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2024	$ 236,703
2025	338,740
2026	598,633
2027	(145,303)
2028	9,551
Total	$ 1,038,324

NOTE 11 - RETIREMENT BENEFITS (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2022 and 2021 actuarial valuations were based on the results on the most recent experience studies dated June 30, 2021 and June 30, 2018, respectively. For actuarial valuations as of June 30, 2022 and 2021, most actuarial assumptions based on the period from July 1, 2016, through June 30, 2021, and July 1, 2013 through June 30, 2018, respectively:

	2022	2021
Inflation	2.50%	2.50%
Investment rate of return, including inflation	7.00%	7.00%
Salary increases, including inflation		
Police and fire employees	5.00% to 6.00%	5.00% to 7.00%
General employees	3.75% to 6.75%	3.50% to 6.50%
Teachers	3.75% to 6.75%	3.75% to 5.75%

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Mortality rates used in the actuarial valuation as of June 30, 2022 and 2021 were based on the following:

Active members - 2022 and 2021: Multiples of the Pub-2010 mortality table for active employees based on the occupation of the member.

Healthy retirees - 2022: The Public Retirees of Hawaii mortality tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP from the year 2022 with multiplier and setbacks based on plan and group experience. 2021: The 2019 Public Retirees of Hawaii mortality table, generational projection using the BB projection table from the year 2019 and with multipliers based on plan and group experience.

Disabled retirees - 2022: Base table for healthy retirees' occupation, set forward three years, generational projection using the UMP projection table from the year 2022. Minimum mortality rate of 3.5% for males and 2.5% for females. 2021: Base table for healthy retirees' occupation, set forward five years, generational projection using the BB projection table from the year 2019. Minimum mortality rate of 3.5% for males and 2.5% for females.

NOTE 11 - RETIREMENT BENEFITS (Continued)

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Bespoke Client Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return (real returns and inflation) by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 and 2021 are summarized in the following tables:

Strategic Allocation	Target Allocation		Expected Long-Term Geometric Average Return*	
(Risk-Based Classes)	2022	2021	2022	2021
Broad growth	67.50%	63.00%	8.00%	8.00%
Diversifying strategies	32.50%	37.00%	5.10%	5.10%
	100.00%	100.00%		

*Uses an expected inflation of 2.10%

Discount Rate - The discount rate used to measure the net pension liability at June 30, 2023 and 2022 was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the County will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - RETIREMENT BENEFITS (Continued)

Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the net pension liability as of June 30, 2023 and 2022, calculated using the discount rate of 7.00%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	June 30, 2023		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net pension liability	$ 54,231,420	$ 43,776,419	$ 29,080,650

	June 30, 2022		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net pension liability	$ 45,425,275	$ 40,831,743	$ 23,310,704

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded in the accounting period in which they are earned and become measurable. 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. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS' complete financial statements are available at https://ers.ehawaii.gov.

The County of Maui's annual comprehensive financial report contains further disclosures related to the County's proportionate share of the net pension liability and the employer pension contributions.

Payables to the Pension Plan

At June 30, 2023 and 2022, the amounts payable to the ERS totaled $1,434,270 and $1,086,089, respectively.

NOTE 11 - RETIREMENT BENEFITS (Continued)

Postemployment Benefits Other Than Pensions (OPEB)

Plan description - The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues an annual financial report that is available to the public. The report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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 employees retiring 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 100% of the base monthly contribution. A retiree can elect a family plan to cover dependents.

For employees hired after on or after 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 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 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.

Employees Covered by Benefit Terms - At July 1, 2022 and 2021, the following number of plan members were covered by the benefit terms:

	2022	2021
Inactive employees or their beneficiaries currently receiving benefits	1,781	1,717
Inactive employees entitled to but not yet receiving benefits	266	253
Active members	2,464	2,482
Total	4,511	4,452

NOTE 11 - RETIREMENT BENEFITS (Continued)

Contributions - Measurement of the actuarial valuation and the annual required contributions (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. Contributions are governed by HRS Chapter 87A and may be amended through legislation.

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 fiscal years ended June 30, 2023 and 2022 were $3,115,387 and $3,425,665, respectively, which equaled the Department's allocated ARC for postemployment health care and life insurance benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2023 and 2022, the Department's share of the net OPEB liability was $10,666,568 and $14,589,145, respectively. The net OPEB liability was measured as of July 1, 2022 and 2021, and the total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

There were no changes between the measurement dates, July 1, 2022 and 2021, and the reporting dates, June 30, 2023 and 2022 that are expected to have a significant effect on the net OPEB liability.

For the fiscal years ended June 30, 2023 and 2022, the Department recognized OPEB expense of $451,359 and $1,141,258, respectively. At June 30, 2023 and 2022, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 132,547	$ 6,029,695
Net difference between projected and actual earnings on OPEB plan investments	21,879	--
Changes of assumptions	229,197	1,129,130
Department contributions subsequent to the measurement date	3,115,387	--
	$ 3,499,010	$ 7,158,825

NOTE 11 - RETIREMENT BENEFITS (Continued)

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 174,546	$ 3,076,309
Net difference between projected and actual earnings on OPEB plan investments	--	3,075,265
Changes of assumptions	332,636	182,540
Department contributions subsequent to the measurement date	3,425,665	--
	$ 3,932,847	$ 6,334,114

At June 30, 2023, the $3,115,387 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred inflows of resources related to OPEB as of June 30, 2023 will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2024	$ (1,398,872)
2025	(1,504,794)
2026	(1,726,396)
2027	(704,895)
2028	(927,912)
Thereafter	(512,333)
	$ (6,775,202)

Actuarial assumptions - The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, based on the 2022 actuarial experience study conducted for ERS as of June 30, 2021:

Actuarial cost method	Entry age normal
Investment rate of return	7.00%
Inflation	2.50%
Salary increases	3.75% to 6.75%, including inflation
Demographic assumptions	Based on the 2022 actuarial experience study conducted for the ERS as of June 30, 2021.
Mortality	System-specific mortality tables utilizing ultimate scale MP 2021 to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B

NOTE 11 - RETIREMENT BENEFITS (Continued)

Healthcare cost trend rates

PPO*	Initial rate of 6.40%, declining to a rate of 4.25% after 22 years
HMO**	Initial rate of 6.40%, declining to a rate of 4.25% after 22 years
Contribution	Initial rate of 5.00%, declining to a rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs
** Includes prescription drug assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, based on the experience study covering the five-year period ended June 30, 2018 as conducted for the ERS:

Actuarial cost method	Entry age normal
Investment rate of return	7.00%
Inflation	2.50%
Salary increases	3.50% to 7.00%, including inflation
Demographic assumptions	Based on the experience study covering the five-year period ended June 30, 2018, as conducted for the ERS
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the base monthly contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B

Healthcare cost trend rates

PPO*	Initial rate of 7.25%, declining to a rate of 4.70% after 12 years
HMO*	Initial rate of 7.25%; declining to a rate of 4.70% after 12 years
Contribution	Initial rate of 5.00%; declining to a rate of 4.70% after 9 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 11 - RETIREMENT BENEFITS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of July 1, 2022 and 2021 are summarized in the following table:

	2022		2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	27.50%	6.62%	--	--
Private equity	12.50%	11.72%	12.50%	10.19%
Real assets	10.00%	6.59%	10.00%	6.16%
Trend following	10.00%	4.53%	10.00%	2.01%
Private credit	8.00%	6.38%	8.00%	5.83%
Long treasuries	6.00%	2.32%	6.00%	1.06%
U.S. microcap	6.00%	8.28%	6.00%	7.62%
Alternative risk premia	5.00%	3.74%	5.00%	1.46%
Global options	5.00%	4.45%	5.00%	4.33%
Reinsurance	5.00%	4.81%	5.00%	4.44%
TIPS	5.00%	1.35%	5.00%	-0.07%
Non-U.S. equity	--	--	11.50%	7.12%
U.S. equity	--	--	16.00%	6.09%
	100.00%		100.00%	

Single Discount rate - The discount rate used to measure the total OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.69% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-year municipal GO AA Index). Beginning with the fiscal year 2019 contribution, the funding policy of the County of Maui is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend ACT 268 contributions for fiscal year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to the fiscal year ended June 30, 2022 and 2023 by Act 229, Session Laws of Hawaii 2021. The EUTF's fiduciary net position is still expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the EUTF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 11 - RETIREMENT BENEFITS (Continued)

OPEB Plan Fiduciary Net Position - The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer 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. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively by investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at https://eutf.hawaii.gov.

Changes in the Net OPEB Liability

The following schedule presents the changes in the net OPEB liability for the fiscal years ended June 30, 2023 and 2022. The ending balances are as of the measurement dates, July 1, 2022 and 2021.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022	$ 46,378,804	$ 31,789,659	$ 14,589,145
Changes for the fiscal year:			
Service cost	1,018,810	--	1,018,810
Interest on the total OPEB liability	3,347,271	--	3,347,271
Contributions - employer	--	3,510,304	(3,510,304)
Net investment income	--	(648,896)	648,896
Difference between expected and actual experience	(4,264,430)	--	(4,264,430)
Changes in assumptions	(1,162,643)	--	(1,162,643)
Benefit payments	(1,526,361)	(1,526,361)	--
Administrative expense	--	(2,887)	2,887
Other	--	3,064	(3,064)
Net changes	(2,587,353)	1,335,224	(3,922,577)
Balance at June 30, 2023	$ 43,791,451	$ 33,124,883	$ 10,666,568

NOTE 11 - RETIREMENT BENEFITS (Continued)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2021	$ 45,320,594	$ 23,328,670	$ 21,991,924
Changes for the fiscal year:			
Service cost	973,031	--	973,031
Interest on the total OPEB liability	3,178,213	--	3,178,213
Contributions - employer	--	3,228,570	(3,228,570)
Net investment income	--	6,658,417	(6,658,417)
Difference between expected and actual experience	(1,439,637)	--	(1,439,637)
Changes in assumptions	(222,810)	--	(222,810)
Benefit payments	(1,430,587)	(1,430,587)	--
Administrative expense	--	(3,425)	3,425
Other	--	8,014	(8,014)
Net changes	1,058,210	8,460,989	(7,402,779)
Balance at June 30, 2022	$ 46,378,804	$ 31,789,659	$ 14,589,145

Sensitivity of the Department's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the net OPEB liability calculated using the discount rate, as well as what the Department's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net OPEB liability	$ 18,452,855	$ 10,666,568	$ 5,697,411

	June 30, 2022		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net OPEB liability	$ 22,531,869	$ 14,589,145	$ 8,882,229

NOTE 11 - RETIREMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the Department, as well as what the Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	June 30, 2023		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Department's proportionate share of the net OPEB liability	$ 5,417,568	$ 10,666,568	$ 18,892,046

	June 30, 2022		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Department's proportionate share of the net OPEB liability	$ 8,580,357	$ 14,589,145	$ 23,071,166

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 by contributing to a fund managed by a plan administrator. 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. Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, deferred compensation plan assets are not reported in the accompanying basic financial statements.

NOTE 12 - SICK LEAVE

Accrued sick leave aggregated to approximately $4.4 million and $5.4 million as of June 30, 2023 and 2022, 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.

NOTE 13 - 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 $750,000. 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.

Claim liabilities are calculated and periodically re-evaluated taking into consideration the effect of inflation, recent claim settlement trends, including frequency and amount of compensation subject to settlements, and other economic and social factors.

Changes in the claims and judgments liability account for the fiscal year ended June 30, 2023 and 2022 were as follows:

Fiscal Year	Liability at Beginning of Year	Change to Estimate Additions/ (Reductions)	Claim Payments	Liability at End of Year
2023	$ 3,753,639	$ 993,091	$ 4,005,559	$ 741,171
2022	$ 392,776	$ 3,661,069	$ 300,206	$ 3,753,639

The estimated total liability has been determined through case-by-case analysis and from historical experience performed by the County's risk management division. Those historical results, combined with the evaluation of pending claims against the County by the County's Corporation Counsel, aids in this evaluation.

SUPPLEMENTARY INFORMATION

Department of Water Supply
County of Maui
SCHEDULE I - SCHEDULE OF CAPITAL ASSETS
Fiscal Year Ended June 30, 2023

Description	Balance July 1, 2022	Additions and Transfers	Reductions/ Retirements	Balance June 30, 2023	Accumulated Depreciation July 1, 2022	Additions	Reductions/ Retirements	Accumulated Depreciation June 30, 2023
Land	$ 8,107,580	$ 761,229	$ --	$ 8,868,809	$ --	$ --	$ --	$ --
Source of Supply Structures	13,652,447	--	--	13,652,447	1,933,920	272,289	--	2,206,209
Collecting and Impounding Reservoirs	4,251,683	--	--	4,251,683	3,849,975	27,497	--	3,877,472
Wells & Springs	23,669,280	--	--	23,669,280	7,270,821	468,664	--	7,739,485
Power & Pumping Structures	23,405,185	51,584	(7,262)	23,449,507	4,204,329	522,010	(7,262)	4,719,077
Purification Buildings	35,296,935	--	--	35,296,935	33,737,556	250,476	--	33,988,032
Distribution Reservoirs	92,571,566	--	--	92,571,566	40,244,869	2,495,403	--	42,740,272
Office Building	1,672,930	3,245,241	--	4,918,171	1,329,549	126,768	--	1,456,317
Field Operation Building	1,349,400	--	--	1,349,400	991,019	32,240	--	1,023,259
Utility Plant - Unclassified	591,079	--	--	591,079	591,083	--	--	591,083
Electric Pumping Equipment	44,696,477	3,956,121	(397,272)	48,255,326	33,034,707	2,376,996	(397,272)	35,014,431
Other Power Pumping Equipment	3,485,222	--	--	3,485,222	2,974,804	123,836	--	3,098,640
Purification System - Chlorinators	9,423,727	1,477,882	--	10,901,609	4,800,538	964,104	--	5,764,642
Purification System - Filter Plants	57,037,991	--	--	57,037,991	49,298,569	1,053,987	--	50,352,556
Transmission & Distribution Mains	331,974,897	4,426,029	--	336,400,926	159,189,383	7,165,834	--	166,355,217
Service Laterals	4,817,545	149,695	--	4,967,240	3,092,403	153,203	--	3,245,606
Meters	9,011,284	--	--	9,011,284	7,077,704	381,775	--	7,459,479
Office Furniture & Equipment	78,128	--	--	78,128	43,908	2,976	--	46,884
Stores Equipment	198,385	--	--	198,385	131,010	4,991	--	136,001
Shop Equipment	72,604	--	--	72,604	68,509	315	--	68,824
Laboratory Equipment	535,995	--	--	535,995	409,975	14,702	--	424,677
Work Equipment	5,003,144	13,577	--	5,016,721	2,314,608	223,037	--	2,537,645
Communication Equipment	1,748,016	28,984	--	1,777,000	1,513,695	69,004	--	1,582,699
Meter Boxes	286,895	--	--	286,895	286,895	--	--	286,895
Hydrants	11,980,240	--	--	11,980,240	5,290,940	235,190	--	5,526,130
Standpipes	236,286	--	--	236,286	217,319	2,558	--	219,877
	685,154,921	14,110,342	(404,534)	698,860,729	363,898,088	16,967,855	(404,534)	380,461,409
Office Machines	486,309	27,013	--	513,322	452,571	13,677	--	466,248
Transportation Equipment	5,859,836	342,630	--	6,202,466	5,040,231	283,765	--	5,323,996
Capital Assets	691,501,066	14,479,985	(404,534)	705,576,517	369,390,890	17,265,297	(404,534)	386,251,653
Lease Asset - Office Space	411,852	--	--	411,852	68,642	68,642	--	137,284
Total Capital Assets (1)	$ 691,912,918	$ 14,479,985	$ (404,534)	$ 705,988,369	$ 369,459,532	$ 17,333,939	$ (404,534)	$ 386,388,937

Bond Fund	$ 4,243,470
Construction in Aid	3,496,956
Capital Replacement Fund	5,170,467
Construction in Aid - Direct	1,078,769
Revenue Fund	436,887
Water System Development Fund	53,436
	$ 14,479,985

(1) Excludes construction in progress.

Department of Water Supply
County of Maui
SCHEDULE II - SCHEDULE OF LONG-TERM DEBT - GENERAL OBLIGATION BONDS
June 30, 2023

County of Maui General Obligation Bonds	Fiscal Year	Coupon Interest Rate	Bond Dated	Maturing Serially From	Call Dates	Authorized and Issued	Outstanding June 30, 2023	Payable Within One Year
G.O. Refunding Bonds, 2012 Series B (a)								
	2024	2.125	11/1/2012	6/1/2024	6/1/2023	224,921	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	258,779	258,779	--
	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	282,481	282,481	--
Total 2012 Series B Issue						2,268,070	2,268,070	224,921
G.O. Refunding Bonds, 2014 Series C (b)								
	2024	5.000	12/1/2014	6/1/2024	Noncallable	335,000	335,000	335,000
	2025	3.000	12/1/2014	6/1/2025	6/1/2024	350,000	350,000	--
	2026	3.000	12/1/2014	6/1/2026	6/1/2024	360,000	360,000	--
	2027	4.000	12/1/2014	6/1/2027	6/1/2024	370,000	370,000	--
	2028	3.000	12/1/2014	6/1/2028	6/1/2024	385,000	385,000	--
	2029	3.000	12/1/2014	6/1/2029	6/1/2024	400,000	400,000	--
	2030	3.000	12/1/2014	6/1/2030	6/1/2024	410,000	410,000	--
	2031	3.125	12/1/2014	6/1/2031	6/1/2024	420,000	420,000	--
	2032	3.250	12/1/2014	6/1/2032	6/1/2024	435,000	435,000	--
	2033	3.250	12/1/2014	6/1/2033	6/1/2024	450,000	450,000	--
	2034	3.250	12/1/2014	6/1/2034	6/1/2024	465,000	465,000	--
Total 2014 Series C Issue						4,380,000	4,380,000	335,000
G.O. Refunding Bonds, 2015 Series D (c)								
	2024	5.000	3/1/2016	9/1/2024	Noncallable	378,624	378,624	378,624
	2025	5.000	3/1/2016	9/1/2025	Noncallable	397,416	397,416	--
	2026	3.000	3/1/2016	9/1/2026	9/1/2025	416,904	416,904	--
	2027	3.000	3/1/2016	9/1/2027	9/1/2025	437,784	437,784	--
Total 2015 Series D Issue						1,630,728	1,630,728	378,624

Department of Water Supply
County of Maui
SCHEDULE II - SCHEDULE OF LONG-TERM DEBT - GENERAL OBLIGATION BONDS (Continued)
June 30, 2023

County of Maui General Obligation Bonds	Fiscal Year	Coupon Interest Rate	Bond Dated	Maturing Serially From	Call Dates	Authorized and Issued	Outstanding June 30, 2023	Payable Within One Year
G.O. Refunding Bonds, 2018 Series C (d)								
	2024	5.000	9/1/2018	9/1/2024	Noncallable	275,000	275,000	275,000
	2025	5.000	9/1/2018	9/1/2025	Noncallable	290,000	290,000	--
	2026	5.000	9/1/2018	9/1/2026	Noncallable	305,000	305,000	--
	2027	5.000	9/1/2018	9/1/2027	Noncallable	320,000	320,000	--
	2028	5.000	9/1/2018	9/1/2028	Noncallable	335,000	335,000	--
	2029	5.000	9/1/2018	9/1/2029	9/1/2028	350,000	350,000	--
	2030	5.000	9/1/2018	9/1/2030	9/1/2028	370,000	370,000	--
	2031	4.000	9/1/2018	9/1/2031	9/1/2028	390,000	390,000	--
	2032	3.000	9/1/2018	9/1/2032	9/1/2028	405,000	405,000	--
Total 2018 Series C Issue						3,040,000	3,040,000	275,000
G.O. Refunding Bonds, 2020 Series B (e)								
	2024	5.000	9/23/2020	3/1/2024	Noncallable	33,957	33,957	33,957
	2025	5.000	9/23/2020	3/1/2025	Noncallable	36,354	36,354	--
	2026	5.000	9/23/2020	3/1/2026	Noncallable	38,752	38,752	--
	2027	5.000	9/23/2020	3/1/2027	Noncallable	41,149	41,149	--
	2028	5.000	9/23/2020	3/1/2028	Noncallable	43,945	43,945	--
	2029	5.000	9/23/2020	3/1/2029	Noncallable	47,141	47,141	--
Total 2020 Series B Issue	2030	5.000	9/23/2020	3/1/2030	Noncallable	50,337	50,337	--
						291,635	291,635	33,957

Department of Water Supply
County of Maui
SCHEDULE II - SCHEDULE OF LONG-TERM DEBT - GENERAL OBLIGATION BONDS (Continued)
June 30, 2023

County of Maui General Obligation Bonds	Fiscal Year	Coupon Interest Rate	Bond Dated	Maturing Serially From	Call Dates	Authorized and Issued	Outstanding June 30, 2022	Payable Within One Year
G.O. Refunding Bonds, 2022 Series B (f)								
	2024	5.000	9/7/2022	3/1/2024	Noncallable	123,489	123,489	123,489
	2025	5.000	9/7/2022	3/1/2025	Noncallable	129,432	129,432	--
	2026	5.000	9/7/2022	3/1/2026	Noncallable	136,036	136,036	--
	2027	5.000	9/7/2022	3/1/2027	Noncallable	142,640	142,640	--
	2028	5.000	9/7/2022	3/1/2028	Noncallable	149,904	149,904	--
	2029	5.000	9/7/2022	3/1/2029	Noncallable	157,498	157,498	--
	2030	5.000	9/7/2022	3/1/2030	Noncallable	165,423	165,423	--
	2031	5.000	9/7/2022	3/1/2031	Noncallable	173,677	173,677	--
	2032	5.000	9/7/2022	3/1/2032	Noncallable	182,262	182,262	--
	2033	5.000	9/7/2022	3/1/2033	3/1/2032	191,507	191,507	--
	2034	5.000	9/7/2022	3/1/2034	3/1/2032	201,083	201,083	--
	2035	5.000	9/7/2022	3/1/2035	3/1/2032	210,988	210,988	--
	2036	5.000	9/7/2022	3/1/2036	3/1/2032	221,554	221,554	--
	2037	5.000	9/7/2022	3/1/2037	3/1/2032	232,450	232,450	--
	2038	5.000	9/7/2022	3/1/2038	3/1/2032	244,337	244,337	--
	2039	5.000	9/7/2022	3/1/2039	3/1/2032	256,554	256,554	--
	2040	5.000	9/7/2022	3/1/2040	3/1/2032	269,101	269,101	--
	2041	5.000	9/7/2022	3/1/2041	3/1/2032	282,638	282,638	--
Total 2022 Series B Issue	2042	5.000	9/7/2022	3/1/2042	3/1/2032	296,836	296,836	--
						3,767,409	3,767,409	123,489
Total General Obligation Bonds						$ 15,377,842	$ 15,377,842	$ 1,370,991

Department of Water Supply
County of Maui
SCHEDULE II - SCHEDULE OF LONG-TERM DEBT -
GENERAL OBLIGATION BONDS (Continued)
June 30, 2023

NOTES:

(a) 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 to June 1, 2032, 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.

(b) The General Obligation Refunding Bonds, 2014, Series C, maturing on or before June 1, 2024 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, 2025 to June 1, 2034, prior to their stated maturity, on or after June 1, 2024, 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, 2015, Series D, maturing on or before September 1, 2025 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 September 1, 2026 to September 1, 2027, prior to their stated maturity, on or after September 1, 2025, 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, 2018, Series C, maturing on or before September 1, 2028 are not subject to redemption prior to maturity. The bonds maturing on or after September 1, 2029 are subject to redemption at the option of the County on or after September 1, 2028, in whole or in part at any time, from any maturities selected by the County, at a redemption price equal to 100% of the principal amount of the Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

(e) The General Obligation Refunding Bonds, 2020 Series B, maturing on or before March 1, 2030 are issued without the right or option of the County of Maui to redeem the same prior to their maturity dates.

(f) The General Obligation Refunding Bonds 2022 Series B, maturing on or before March 1, 2032 are issued without the right or option of the County of Maui to redeem the same prior to their maturity dates.

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

N&K CPAs, Inc.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Water Supply
County of Maui

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Department of Water Supply of the County of Maui (the Department), a proprietary fund of the County of Maui, State of Hawaii, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated January 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N&K CPAs, Inc.

Honolulu, Hawaiʻi
January 31, 2024

PART III

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Department of Water Supply, County of Maui
STATUS REPORT
Fiscal Year Ended June 30, 2023

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the previous audit report for the fiscal year ended June 30, 2022, dated January 27, 2023.

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number	Recommendation	Status
2022-001	**Timeliness of Developing Financial Statement Estimates (Significant Deficiency)**	
	Department management should ensure that estimates related to estimated losses from claims are recorded on a timely basis. If management of the department relies on having the Finance Division assist with these estimates, we recommend that the Department better communicate with the Finance division to ensure that these estimates are recorded in accordance with U.S. GAAP.	Accomplished