

ALAN M. ARAKAWA
Mayor



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OFFICE OF THE MAYOR

MARK R. WALKER
Director

JOHN C. KULP
DEPUTY DIRECTOR

COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

September 27, 2018

Honorable Alan Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable Mike White, Chair
and Members of the Maui County Council
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Mayor Date 9/28/18

Dear Chair White,

SUBJECT: SERIES 2018 GENERAL OBLIGATION BOND

Enclosed for your information and use is a bound copy of our Series 2018 General Obligation Bond Official Statement. I have also included a synopsis of the sales results of this issuance provided by our Municipal Advisor C.M. De Crinis & Co., Inc.

Should you have any questions, please feel free to contact me at extension no. 7474.

Sincerely,



MARK R. WALKER
Director of Finance

cc: John Kulp, Deputy Director of Finance
May-Anne Alibin, Treasurer

COUNTY COMMUNICATION NO. 18-362



C.M. de CRINIS & CO., INC.

MEMORANDUM - For Discussion

DATE: September 19, 2018

TO: Mark Walker –Director of Finance
Jack Kulp - Deputy Director of Finance
May- Anne Alibin – Treasurer

FROM: Curt de Crinis

RE: Sale Results –Series 2018 GO Bonds

Sale Date: September 18th 2018
Bids Received: 9
Winning Bid: Bank of America Merrill Lynch
Winning TIC: 3.139%
Final TIC: 3.149%
Final Par: \$106,315,000

Market Conditions

Since the end of August bond market interest rates have been rising. The 10 year treasury has risen from 2.85% to 3.05% between August 31st and September 18th. Ten year municipal AAA yields have risen from 2.44% and 2.58% during the same time. On September 18th MMD, the municipal market index of GO Bonds was unsettled. Nevertheless the County received 9 bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/>	<u>Bank of America Merrill Lynch</u>	3.139106
<input type="checkbox"/>	<u>Citigroup Global Markets Inc.</u>	3.157217
<input type="checkbox"/>	<u>J.P. Morgan Securities LLC</u>	3.166540
<input type="checkbox"/>	<u>Robert W. Baird & Co., Inc.</u>	3.167493
<input type="checkbox"/>	<u>Morgan Stanley & Co, LLC</u>	3.169630
<input type="checkbox"/>	<u>Raymond James & Associates, Inc.</u>	3.184272
<input type="checkbox"/>	<u>Wells Fargo Bank, National Association</u>	3.185112
<input type="checkbox"/>	<u>Mesirow Financial, Inc.</u>	3.190954
<input type="checkbox"/>	<u>TD Securities</u>	3.231653

As reference, Nationally on September 17th and 18th 41 unlimited GO Bonds were sold by competitive sale and 16 GO bonds were sold by negotiated sale. Maui's GO Bonds were well received and yields were comparable to other AA1/AA+ sold on the same day by competitive sale.

Maui's performance relative the City and County of Honolulu and the State of Hawaii cannot be directly compared given market conditions are different every day. However, it can be inferred based on the final pricing that the Maui Bonds were priced comparably to the Honolulu GO Bonds that sold on August 15th. When the Honolulu pricing and UW fees are used on the Maui Bonds the TIC is virtually the same. This however does not reflect that fact that municipal market interest rates have risen approximately 12 to 16 basis points since August 15th. When this is taken into account Maui outperformed the Honolulu GO Bonds by an approximate like amount. As a rough measure of value this equated to over \$1 million in debt service.

The bond ratings are the same (AA1/AA+), other than the fact Honolulu is not rated by S&P. Maui may have some added investor demand given that the supply of Maui bonds is more limited although Honolulu is larger and better known issuer with more investor liquidity. The Honolulu bonds were sold by negotiated sale. Maui also outperformed the State on a relative basis by a greater margin. The State last sold GO Bonds on 1/30/2018. Overall Maui relatively outperformed the State by about 20 basis points. The State GO Bonds were also sold by negotiated sale.

Again, it is not possible to do direct comparison and only general conclusions can be made.

NEW ISSUE – FULL BOOK-ENTRY

RATINGS:
Moody's: "Aa1"
Standard & Poor's: "AA+"
Fitch: "AA+"
(See "RATINGS" herein)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Bonds is exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes. See "TAX MATTERS" herein.



\$106,315,000 **COUNTY OF MAUI** **GENERAL OBLIGATION BONDS** **SERIES 2018**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The County of Maui General Obligation Bonds, Series 2018 (the "Bonds") are being issued by the County of Maui (the "County") only as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in the principal amount of \$5,000 or any integral multiple thereof within a single maturity through brokers or dealers who are, or who act through, participants of DTC ("Participants"). Purchasers of beneficial interests in the Bonds will not receive certificates representing their interest in the Bonds. See APPENDIX D – "BOOK-ENTRY SYSTEM" in this Official Statement.

Interest on the Bonds will be paid on March 1 and September 1 of each year, commencing March 1, 2019, until maturity, by The Bank of New York Mellon Trust Company, N.A., as registrar (the "Registrar") and paying agent (the "Paying Agent"), to DTC. DTC will disburse payments of interest on and principal of the Bonds to Participants for subsequent disbursement to Beneficial Owners of the Bonds. Disbursement of such payments to Beneficial Owners is the sole responsibility of Participants. See APPENDIX D – "BOOK-ENTRY SYSTEM" in this Official Statement.

The Bonds are subject to redemption prior to maturity as herein described. See "THE BONDS" in this Official Statement.

The Bonds are the absolute and unconditional general obligations of the County. The principal and interest payments on the Bonds, together with the principal of and interest payments on any other general obligation bonds of the County presently outstanding or issued after the date of issuance and delivery of the Bonds, are a first charge upon the General Fund of the County. The full faith and credit of the County are pledged to the punctual payment of the principal of and interest on the Bonds. For the payment of the principal and interest on the Bonds, the County under the Constitution and laws of the State of Hawaii has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation by the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Security for the Bonds" and "COUNTY FINANCIAL INFORMATION – General Fund" in this Official Statement.

The Bonds were sold by competitive bid on September 18, 2018, pursuant to the terms of an Official Notice of Sale Inviting Bids dated September 7, 2018. See "SALE OF BONDS" herein.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to making an informed decision.

The Bonds are offered when, as and if issued by the County and accepted by the initial purchaser, subject to the approval of legality by Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel, and certain other conditions. Hawkins Delafield & Wood LLP, San Francisco, California, also served as Disclosure Counsel to the County. Certain legal matters will be passed upon for the County by its Corporation Counsel. It is expected that the Bonds will be available for delivery to DTC on or about October 10, 2018.

Dated: September 18, 2018

\$106,315,000
COUNTY OF MAUI
GENERAL OBLIGATION BONDS
SERIES 2018

MATURITY SCHEDULE

Due September 1	Principal Amount	Interest Rate	Yield	Price	CUSIP⁽¹⁾ (Base: 577285)
2019	\$6,855,000	5.00%	1.76%	102.852	5U9
2020	6,705,000	5.00	1.86	105.808	5V7
2021	6,185,000	5.00	1.96	108.503	5W5
2022	4,425,000	5.00	2.06	110.938	5X3
2023	4,640,000	5.00	2.17	113.064	5Y1
2024	4,880,000	5.00	2.29	114.854	5Z8
2025	5,120,000	5.00	2.39	116.490	6A2
2026	4,160,000	5.00	2.49	117.880	6B0
2027	4,365,000	5.00	2.57	119.203	6C8
2028	4,585,000	5.00	2.65	120.328	6D6
2029	4,815,000	5.00	2.71 ^(c)	119.750	6E4
2030	5,060,000	5.00	2.77 ^(c)	119.176	6F1
2031	5,305,000	4.00	2.83 ^(c)	110.030	6G9
2032	5,095,000	3.00	3.27	97.002	6H7
2033	5,250,000	3.00	3.32	96.262	6J3
2034	5,410,000	3.25	3.42	97.926	6K0
2035	5,585,000	3.25	3.52	96.581	6L8
2036	5,765,000	3.25	3.57	95.793	6M6
2037	5,950,000	3.50	3.62	98.365	6N4
2038	6,160,000	3.50	3.65	97.889	6P9

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. The County does not take any responsibility for the accuracy of such numbers.

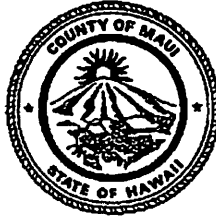
^(c) Yield calculated to the first optional redemption date of September 1, 2028 at par.

No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon. The information contained herein is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder at any time implies that the information contained herein is correct as of any time subsequent to its date. This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell the Bonds in any state to any person to whom it is unlawful to make such offer in such state.

The County maintains a website at www.co.maui.hi.us/. The information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

COUNTY OF MAUI
200 South High Street
Wailuku, Maui, Hawaii 96793
(808) 270-7844



Alan M. Arakawa
Mayor

COUNTY COUNCIL

Mike White
Chair

Robert Carroll
Vice Chair

Alika Atay
Don S. Guzman

Elle Cochran
G. Riki Hokama
Yuki Lei Sugimura

Stacy Crivello
Kelly T. King

OFFICERS

Keith Regan
Managing Director

Mark R. Walker
Director of Finance

Sananda K. Baz
Budget Director

Patrick Wong, Esq.
Corporation Counsel

John C. Kulp
Deputy Director of Finance

May-Anne A. Alibin
County Treasurer

Edward Kushi, Esq.
First Deputy Corporation
Counsel

Dennis A. Mateo
County Clerk

BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
San Francisco, California

FINANCIAL ADVISOR

C.M. de Crinis & Co. Inc.
Glendale, California

VERIFICATION AGENT

Causey, Demgen & Moore, Inc.
Denver, Colorado

REGISTRAR AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

STATE OF HAWAII



COUNTY OF MAUI

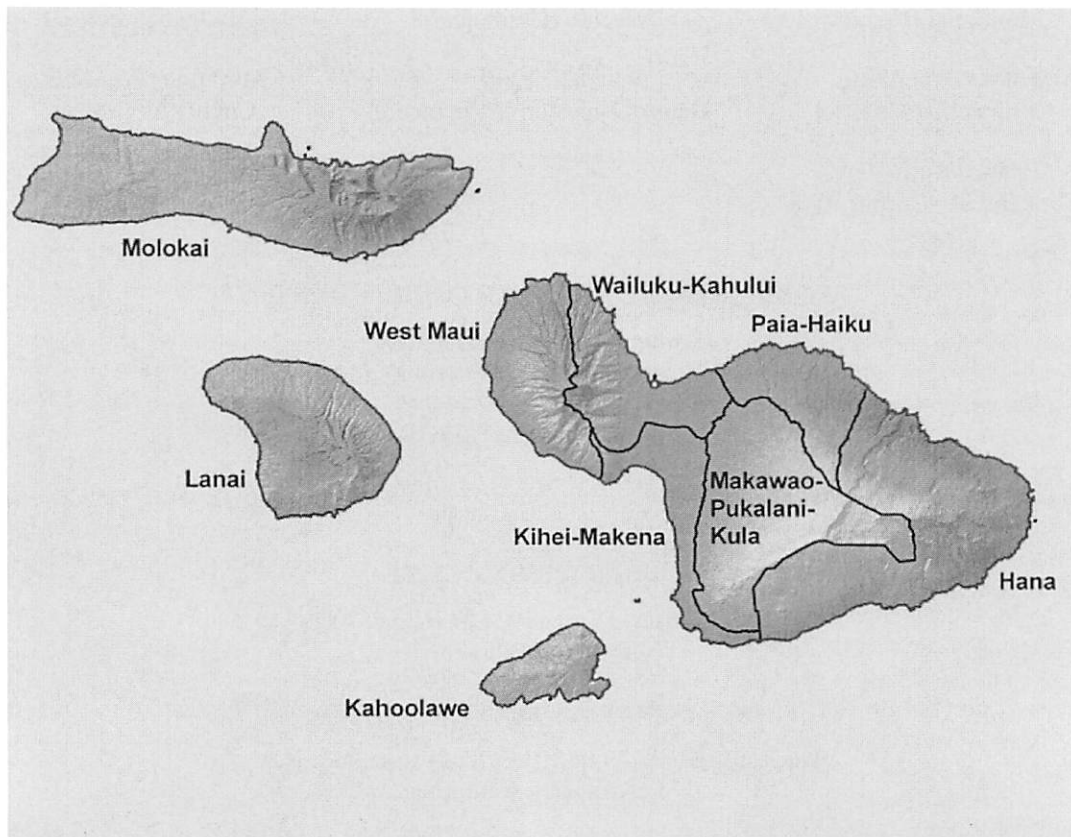


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OFFICIAL STATEMENT

Relating to

\$106,315,000

COUNTY OF MAUI GENERAL OBLIGATION BONDS SERIES 2018

INTRODUCTION

This Official Statement, including the cover hereof and appendices hereto (the “Official Statement”), was prepared to provide information relating to the sale by the County of Maui (the “County”) of its General Obligation Bonds, Series 2018 (the “Bonds”). The proceeds of the Bonds will be used to provide funds for certain capital improvement projects of the County, to refund certain outstanding general obligation bonds of the County (as further described herein, the “Refunded Bonds”), and to pay costs of issuance in connection with the issuance and sale of the Bonds and the defeasance and refunding of the 2006 Refunded Bonds, as described under “PLAN OF FINANCE” herein.

The Bonds will be absolute and unconditional general obligations of the County. The interest and principal payments on the Bonds, together with the principal and interest payments on any other general obligation bonds of the County currently outstanding or issued after the date of this Official Statement, are a first charge on the General Fund of the County. The full faith and credit of the County are irrevocably pledged to the payment of the principal of and interest on the Bonds. For the payment of the principal and interest on the Bonds, the County will levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation by the County. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Security for the Bonds” and “COUNTY FINANCIAL INFORMATION – General Fund” herein.

This introduction is not a summary of this Official Statement. It is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto.

All summaries of the provisions of the Constitution and other laws of the State of Hawaii (the “State”), ordinances of the County and other documents contained in this Official Statement are qualified in their entirety by reference to the complete provisions of such laws and documents and do not purport to be complete statements of such laws or documents, copies of which may be obtained from the County upon request. Certain financial information regarding the County, has been taken from the County’s Comprehensive Annual Financial Report, and other audits, budgets and financial reports, and their accompanying notes. Prospective purchasers of the Bonds should read this entire Official Statement, including the cover page and appendices hereto.

PLAN OF FINANCE

Capital Improvement Projects

A portion of the proceeds of the Bonds is expected to be used to pay or reimburse the costs of various capital improvements in accordance with appropriations in the Budget Ordinances for the County’s fiscal years ending June 30, 2014 through 2018.

Refunding Plan

Prepayment of State Revolving Fund Loans (“SRF Loans”). A portion of the proceeds of the Bonds will be used to prepay certain SRF Loans of the County in the aggregate principal amount of \$4,551,750 (the “Refunded SRF Loans”). SRF Loans are loans for the construction of necessary water treatment works and for wastewater reclamation projects in the County and are general obligations of the County. The Refunded SRF Loans will be prepaid on or about the date of delivery of the Bonds at a prepayment price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium.

Current Refunding of Series 2006B Bonds and 2006C Bonds. A portion of the proceeds of the Bonds will be used to current refund all of the outstanding (i) County of Maui General Obligation Bonds Series 2006B (the “2006B Refunded Bonds”), currently outstanding in the aggregate principal amount of \$1,635,000, and (ii) County of Maui General Obligation Bonds Series 2006C (the “2006C Refunded Bonds,” and together with the 2006B Refunded Bonds, the “2006 Refunded Bonds”), currently outstanding in the aggregate principal amount of \$5,870,000. The 2006 Refunded Bonds will be redeemed on or about October 19, 2018 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, without premium.

Upon the issuance of the Bonds, a portion of the proceeds thereof will be deposited into an escrow fund (the “2006 Escrow Fund”) to be established with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”), for the purpose of effecting the defeasance of the 2006 Refunded Bonds and the redemption thereof on or about October 19, 2018. The moneys held in the 2006 Escrow Fund are to be applied to the payment of principal of and interest on the 2006 Refunded Bonds, on the redemption date of such bonds. Amounts deposited in the 2006 Escrow Fund are pledged solely for the benefit of the holders of the 2006 Refunded Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

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SOURCES AND USES OF FUNDS

The following table presents the estimated sources and uses of moneys realized upon the sale of the Bonds:

Table 1
COUNTY OF MAUI
SOURCES AND USES OF FUNDS

SOURCES:

Principal Amount of Bonds	\$106,315,000
Net Original Issue Premium	7,615,597
Total Sources:	<u>\$113,930,597</u>

USES:

Capital Project Fund Deposit	\$100,929,003
Prepayment of Refunded SRF Loans	4,587,591
Deposit into the 2006 Escrow Fund ⁽¹⁾	7,604,270
Costs of Issuance ⁽²⁾	809,733
Total Uses:	<u>\$113,930,597</u>

⁽¹⁾ Amounts deposited into the 2006 Escrow Fund will be used to effect the defeasance and redemption on or about October 19, 2018 of the 2006 Refunded Bonds. See “PLAN OF FINANCE – Refunding Plan” above.

⁽²⁾ Includes the underwriting discount and rounding amounts. See “SALE OF THE BONDS” herein.

THE BONDS

General Terms

The Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement, will be dated and bear interest from the date of their delivery, will mature on the dates and in the principal amounts and will bear interest (computed on the basis of a 360-day year) payable on March 1 and September 1 of each year, commencing on March 1, 2019, at the respective rates set forth on the inside front cover of this Official Statement.

The Bonds will be issued in fully registered form in authorized denominations of \$5,000 or integral multiples thereof. The form and terms of the Bonds are as provided in the Bond Ordinances (as defined herein) and the Certificate of the Director of Finance of the County providing for the issuance of the Bonds and setting forth the details thereof.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), which will act as Securities Depository for the Bonds (in such capacity, the “Securities Depository”). So long as the Securities Depository or its nominee is the registered owner of the Bonds, individual purchases of the Bonds will be made in book-entry form only (the “Book-Entry System”), in authorized denominations. Purchasers will not receive certificates representing their interest in the Bonds. Principal of and interest on the Bonds will be paid to the Securities Depository by The Bank of New York Mellon Trust Company, N.A., as paying agent for the Bonds (the “Paying Agent”), and the Securities Depository will in turn remit such principal and interest to its Participants (as defined in Appendix D), for subsequent distribution to the Beneficial Owners (as defined in Appendix D) of the Bonds. See APPENDIX D – “BOOK-ENTRY SYSTEM.”

Authorization

The Bonds are issued under the provisions of the Constitution and laws of the State, including Chapter 47, Hawaii Revised Statutes, as amended, the Charter of the County (the “County Charter”) and proceedings of the Council of the County (the “County Council”). The Bonds have been approved by bond ordinances enacted by the County Council and approved by the Mayor of the County (collectively, the “Bond Ordinances”) as part of the approval of the annual budget for fiscal years ending June 30, 2014 through 2018, as amended, and the Certificate executed by the Director of Finance of the County (the “Certificate”) pursuant to the Bond Ordinances. The Bonds consist of several component Series that will be identified in the Certificate but which have been combined for purposes of sale. All component series are equally secured by the full faith and credit of the County.

Transfer and Exchange

DTC, through its nominee Cede & Co., will initially be the sole registered holder of the Bonds. The County and The Bank of New York Mellon Trust Company, N.A., as registrar (in such capacity, the “Registrar”) and Paying Agent, may deem and treat the person in whose name a Bond is registered upon the Bond registration books (the “Bond Register”), initially DTC through its nominee Cede & Co., as the absolute owner of such Bond for the purpose of receiving payment of the principal thereof, premium, if any, and interest thereon and for all other purposes, and shall not be affected by any notice to the contrary.

Each Bond will be transferable or exchangeable only upon the Bond Register. For so long as the Book-Entry System is in effect with respect to the Bonds, beneficial ownership interests in the Bonds may be transferred or exchanged as discussed in APPENDIX D – “BOOK-ENTRY SYSTEM.”

Redemption

The Bonds 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.

Selection for Redemption

If fewer than all of the Bonds of a series shall be called for redemption, the Registrar shall designate the maturities from which the Bonds of such series are to be redeemed. For so long as the Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected by lot; provided that, so long as the Bonds are held in book-entry form, the selection for redemption of the Bonds shall be made in accordance with the operational arrangements of DTC then in effect; and, provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See APPENDIX D – “BOOK-ENTRY SYSTEM.”

If the Bonds are not registered in book-entry form and if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Notice of redemption shall be given not less than thirty (30) days prior to the date fixed for redemption by first-class mail to each holder of a Bond in whose name the Bond is registered upon the Bond Register (initially DTC through its nominee Cede & Co.) as of the close of business on the forty-fifth (45th) day (whether or not a business day) next preceding the date fixed for the redemption of the Bond. Notice of redemption of any Bond to be redeemed shall state the designation, date, number and maturity of such Bond to be redeemed, the portion of the principal sum of such Bond to be redeemed, the date fixed for redemption thereof, the premium payable upon such redemption, and that from and after such redemption date interest on the principal amount of such Bond so redeemed shall cease to accrue and become payable. If less than the entire principal sum of such Bond is to be redeemed, the notice shall also state that such Bond must be surrendered in exchange for the principal amount thereof to be redeemed and the issuance of a new Bond equaling in principal amount that portion of the principal sum thereof not redeemed. The failure of the registered holder of the Bonds to receive such notice, or any defect in such notice, shall not affect the sufficiency of the proceedings for the redemption of the Bonds. See APPENDIX D – “BOOK-ENTRY SYSTEM,” for a discussion of the notice of redemption to be given to Beneficial Owners of the Bonds while the book-entry system for the Bonds is in effect.

If on or before the redemption date there shall be deposited with the Paying Agent funds sufficient for, and set aside solely for, the payment of the principal amount of the Bonds to be redeemed, the then applicable redemption premium and the interest accrued on the principal amount to be redeemed to the date of redemption, the Bonds so called for redemption shall become due and payable upon such redemption date and interest on the Bonds (or any portion thereof) so called for redemption shall cease to accrue from and after the date fixed for redemption.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the Paying Agent on the date fixed for redemption of moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed. If the notice contains such condition, and moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed shall not be received on or prior to the date fixed for redemption, such notice of redemption shall be null and void and of no force and effect, the County shall not redeem or be obligated to redeem any Bonds, and the Paying Agent at the County’s direction shall give notice, in the same manner as notice of redemption is given, that moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed were not received on or prior to the date fixed for redemption and such redemption did not occur. In the event of the failure to redeem, all Bonds surrendered for redemption shall be promptly returned to the holder or holders by the Paying Agent.

For so long as a book-entry system is in effect with respect to the Bonds, notice of redemption, or notice of rescission of any conditional notice of redemption, of Bonds to be redeemed is to be mailed by the Paying Agent to DTC or its nominee or its successor. Any failure of DTC or of its nominee or successor, or of a direct or indirect participant, to notify a beneficial owner of Bonds of any redemption will not affect the sufficiency or validity of the redemption of the Bonds to be redeemed. See APPENDIX D – “BOOK-ENTRY SYSTEM.” Neither the County nor the Paying Agent can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the Bonds, or that they will do so on a timely basis.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash – by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the County an amount of cash which is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any), at or before their maturity date; or

(b) Government Obligations – by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the County noncallable Government Obligations (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any such Bonds shall not have been surrendered for payment, all obligations of the County and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “prerefunded” municipal obligations rated by Moody’s Investors Service (“Moody’s”) or Standard & Poor’s Ratings Service (“S&P”) no lower than direct and general obligations of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated no lower than the rating then maintained by Moody’s and S&P on direct and general obligations of the United States of America.

Open Market Purchase

The County has reserved the right to purchase any of the Bonds in the open market at any time at any price. Bonds so purchased will be canceled.

OUTSTANDING GENERAL OBLIGATIONS OF THE COUNTY

The following table sets forth the amount of general obligations of the County, including the 2006 Refunded Bonds and the Refunded SRF Loans, reimbursable general obligation bonds and SRF Loans outstanding as of June 30, 2018.

**Table 2
COUNTY OF MAUI
OUTSTANDING INDEBTEDNESS**

	INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE AMOUNT	AMOUNT OUTSTANDING (as of June 30, 2018) (Unaudited)
<u>GENERAL OBLIGATION BONDS⁽¹⁾</u>				
Series 2006 ⁽²⁾	4.00-5.00%	07/01/21	\$25,190,000	\$10,065,000
Series 2010A Taxable	1.239-5.947%	06/01/30	23,375,000	15,700,000
Series 2010B	3.00-5.00%	06/01/21	50,320,000	15,685,000
Series 2012	3.00-5.00%	06/01/32	70,250,000	48,855,000
Series 2014	2.00-5.00%	06/01/34	68,670,000	53,600,000
Series 2015	3.00 -5.00%	09/01/35	60,155,000	51,340,000
Total – General Obligation Bonds			\$297,960,000	\$195,245,000
Portion Reimbursable from Department of Water Supply				\$19,672,027
<u>STATE REVOLVING FUND LOANS⁽³⁾</u>				
Total of 49 State Revolving Fund Loans	0.75-3.62%	2/15/2026 - 4/15/2039	\$166,383,219	\$108,244,906
Portion Reimbursable from Department of Water Supply				\$46,123,084
Total Bond and SRF Loans⁽⁴⁾				\$303,489,906
Total Reimbursable from Department of Water Supply				\$65,795,111

⁽¹⁾ A portion of certain of these general obligation bond issues are reimbursable general obligation bonds which are paid from net revenues from the County's Department of Water Supply. Further, other portions of certain of these general obligation bond issues are paid from Funds of the County other than the Department of Water Supply. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Security for the Bonds."

⁽²⁾ All of these general obligation bonds will be defeased and refunded using a portion of the proceeds of the Bonds.

⁽³⁾ Reflects total amount authorized to be drawn under these loans and includes approximately \$58,138,313 that has not been drawn down as of June 30, 2018. The full faith and credit of the County are pledged to the punctual payment of the principal of and interest on SRF Loans; historically, however, these amounts have been paid from net revenues from the County's Department of Water Supply and Sewer Fund. A portion of these SRF Loans in the aggregate principal amount of \$4,551,750 will be prepaid using a portion of the proceeds of the Bonds.

⁽⁴⁾ Totals may not add up due to independent rounding of individual components.

Source: County of Maui Department of Finance.

DEBT SERVICE SCHEDULE

The following table sets forth the principal and interest requirements for the Bonds and all other outstanding general obligation bonds of the County after issuance of the Bonds and the defeasance of the 2006 Refunded Bonds and the prepayment of the Refunded SRF Loans, in each case rounded to the nearest dollar.

**Table 3
COUNTY OF MAUI
AGGREGATE DEBT SERVICE**

Fiscal Year Ending June 30	Outstanding General Obligation Bond Debt Service⁽¹⁾	State Revolving Fund Debt Service⁽¹⁾	Series 2018 Bond Debt Service	Total Debt Service⁽²⁾
2019	\$28,534,872	\$6,836,190	\$10,939,591	\$46,310,653
2020	28,534,383	7,497,910	10,943,100	46,975,393
2021	23,319,601	8,055,593	10,087,850	41,463,044
2022	16,921,162	8,021,182	8,018,600	32,960,944
2023	16,933,241	7,986,654	8,012,350	32,932,245
2024	15,806,547	7,952,007	8,020,350	31,778,904
2025	15,815,566	7,917,241	8,016,350	31,749,157
2026	14,516,964	7,882,111	6,800,350	29,199,425
2027	12,298,965	7,667,379	6,797,350	26,763,694
2028	9,119,020	7,534,230	6,799,100	23,452,350
2029	9,177,158	6,365,271	6,799,850	22,342,279
2030	9,222,783	5,438,883	6,804,100	21,465,766
2031	6,772,468	5,320,124	6,796,100	18,888,692
2032	7,030,007	5,111,581	6,373,900	18,515,488
2033	4,053,288	4,837,919	6,376,050	15,267,257
2034	4,053,013	3,737,147	6,378,550	14,168,710
2035	1,058,281	2,869,745	6,377,725	10,305,751
2036	1,056,250	2,719,480	6,376,213	10,151,943
2037	—	2,350,749	6,373,850	8,724,599
2038	—	1,720,847	6,375,600	8,096,447
2039	—	1,438,168	—	1,438,168
Total⁽¹⁾	\$224,223,568	\$119,260,411	\$149,466,929	\$492,950,908

⁽¹⁾ Does not include debt service on the obligations to be refunded by the Bonds.

⁽²⁾ Totals may not add due to rounding.

Source: County of Maui Department of Finance.

DEBT INFORMATION

General

The issuance of bonds and incurrence of debt by the counties in the State is governed by the Constitution of the State, the applicable provisions of the Hawaii Revised Statutes and, in the case of the County, by the County Charter.

The Constitution establishes a sum equal to 15% of the total of the assessed values (*i.e.*, approximately \$6.9 billion as of June 30, 2018) for tax rate purposes of real property in any county, as determined by the last tax assessment rolls pursuant to law, as the limit of the funded debt of each county that is outstanding and unpaid at any time. The Constitution provides that all general obligation bonds shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal must mature not later than five years from the date of issue of such series, and the last installment must mature not later than twenty-five years from the date of such issue; except that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds, and on bonds constituting instruments of indebtedness under which a county incurs a contingent liability as a guarantor, must mature not later than thirty-five years from the date of issue of such bonds.

The Constitution provides that the payments of principal and interest on general obligation bonds of a county are a first charge on the General Fund of such county. In determining the funded debt of the State or any political subdivision, the Constitution provides for the following exclusions:

1. Bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.
2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and to apply the same to such payments in the amount necessary therefor.
3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.
4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.
5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the General Fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the General Fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year.
7. Reimbursable general obligation bonds issued by the State for a county, but only for as long as reimbursement by the county to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after November 7, 1978 (the date of ratification of Constitutional amendments), the consent of the governing body of the county has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such county.
8. Bonds constituting instruments of indebtedness under which the State or any county incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded by the Constitution; provided that the State or such county shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or such county as provided by law.
9. Bonds issued by or on behalf of the State or by any county to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year.

The Constitution provides that the legislature by general law shall authorize political subdivisions to issue general obligation bonds and shall prescribe the manner and procedure for such issuance. The Constitution defines general obligation bonds as bonds for the payment of the principal and interest of which the full faith and credit of a political subdivision are pledged. Chapter 47, Hawaii Revised Statutes, is the general law for the issuance of general obligation bonds of counties, and sets forth the provisions relating to the issuance and sale of general obligation bonds, inclusive of details such as method of authorization, unlimited tax levy, maximum maturities, maximum interest rates, denominations, method of sale, form and execution of such bonds, prior redemptions, refunding, and other matters.

The Constitution provides that a political subdivision shall annually determine and certify the amount of exclusions from its funded debt. The State Legislature has provided for the annual determination and certification as of each July 1. Table 4 below presents the County's funded debt as of June 30, 2018 (unaudited) and the exclusions therefrom as of that date.

Whenever the County proposes to issue bonds, Section 47C-3, Hawaii Revised Statutes, as amended, requires that the Director of Finance of the County must prepare a supplemental summary of the indebtedness of the County as of a date within 30 days of the delivery of such bonds. The County will prepare a supplemental summary of the funded debt in connection with the issuance of the Bonds.

Table 4
COUNTY OF MAUI
STATEMENT OF FUNDED DEBT
As of June 30, 2018
(Unaudited)

**Principal Amount of County of
Maui Bonds and Loans Outstanding:**

General Obligation Bonds	\$175,572,973
General Obligation Bonds for which reimbursement is required from Department of Water Supply	\$19,672,027
Loans Payable: State Revolving Fund	62,121,822
Loans Payable for which reimbursement is required	46,123,084
Total	\$303,489,906

Less Exclusions:

General Obligation Bonds and SRF Loans for which reimbursement is required from Department of Water Supply	(65,795,111)
Net Principal Amount of Bonds and Loans Outstanding	\$237,694,795

Debt Margin:

15% of total assessed values for tax rate purposes as of January 1, 2018 ⁽¹⁾	\$6,894,628,650
Less: Net funded debt of the County	(\$237,694,795)
Net Legal Debt Margin	\$6,656,933,855

⁽¹⁾ Total assessed value as of January 1, 2018 was approximately \$46 billion. See "COUNTY FINANCIAL INFORMATION – Real Property Taxation and Assessed Valued" herein.

Source: County of Maui Department of Finance.

Outstanding Obligations

The following table sets forth the County's outstanding obligations for the fiscal years ended June 30, 2009 through 2018.

Table 5
COUNTY OF MAUI
OUTSTANDING OBLIGATIONS

Date	General Obligation Bonds Outstanding	State Revolving Fund Loans Outstanding	Total	Population	Debt per Capita
6/30/09	\$226,953,500	\$65,162,960	\$292,116,460	153,393	\$2,011
6/30/10	205,591,500	70,815,378	276,406,878	154,924	1,785
6/30/11	228,941,000	69,169,245	298,110,245	156,891	1,903
6/30/12	208,122,499	67,277,961	275,400,460	158,599	1,740
6/30/13	245,635,499	47,089,956	292,725,455	161,036	1,827
6/30/14	222,319,500	70,953,366	293,272,865	163,487	1,799
6/30/15	242,549,000	75,653,331	318,202,331	164,726	1,932
6/30/16	242,995,000	69,060,824	312,055,824	165,386	1,895
6/30/17	218,119,999	83,305,063	301,425,062	166,260 ⁽¹⁾	1,813
6/30/18	195,245,000	108,244,906	303,489,906	166,260 ⁽¹⁾⁽²⁾	1,825

⁽¹⁾ Estimates based on U.S. Census Population as of July 1, 2017.

⁽²⁾ More recent population data is not available; 2017 estimate is utilized.

Source: County of Maui Department of Finance.

Special Assessment Indebtedness

The Hawaii Revised Statutes provide that whenever in the opinion of the County Council it is desirable to make a special improvement in the County the cost thereof shall be assessed against the land specifically benefited. Each assessment constitutes a lien against each lot or parcel of land assessed until paid. Such lien has priority over all other liens, except that it is on a parity with the lien of property taxes and liens for other public purposes. There are no such special assessments in the County at this time. The Hawaii Revised Statutes also authorize counties to enact ordinances providing for the creation of community facilities districts and tax increment districts to finance special improvements in the counties. The County has not enacted such enabling legislation but may do so in the future.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Security for the Bonds

The Bonds are the absolute and unconditional general obligations of the County. The principal and interest payments on the Bonds, together with the principal of and interest payments on any other general obligation bonds of the County presently outstanding or issued after the date of issuance and delivery of the Bonds, are a first charge upon the General Fund of the County. The full faith and credit of the County are pledged to the punctual payment of the principal of and interest on the Bonds. For the payment of the principal and interest on the Bonds, the County under the Constitution and laws of the State of Hawaii has the power and is obligated to levy ad valorem taxes without limitation as to rate or

amount on all real property subject to taxation by the County. The rights and remedies of anyone seeking enforcement of the Bonds are subject to applicable bankruptcy laws and other laws affecting creditors' rights, to principles of equity if equitable remedies are sought, to judicial discretion, and to limitations on legal remedies against counties in the State of Hawaii.

Pursuant to the Constitution, the General Fund may be reimbursed for debt service paid on bonds specifically designated as reimbursable general obligation bonds. As of June 30, 2018, the County had \$19.7 million in aggregate principal amount outstanding of reimbursable general obligation bonds. These outstanding reimbursable general obligation bonds are repaid from net revenues from the County's Department of Water Supply. The amounts of the County's outstanding general obligation bonds described in the table below have been designated as reimbursable general obligation bonds. In addition, the County has SRF Loans currently outstanding in the aggregate principal amount of approximately \$108.2 million, of which approximately \$46.1 million will be repaid from net revenues from the Department of Water Supply.

Series	Original Amount Designated as Reimbursable GOs	Outstanding Amount Designated as Reimbursable GOs
Series 2010	\$ 4,020,000	\$ 1,253,055
Series 2012	10,936,302	8,196,432
Series 2014	6,795,000	5,830,000
Series 2015	<u>5,428,236</u>	<u>4,392,540</u>
	\$27,179,538	\$19,672,027

The Department of Water Supply and several other Funds of the County (other than the General Fund) currently budget and contribute towards County general obligation bond and state revolving fund debt service in connection with projects related to such Funds. The County is obligated to continue this practice with respect to the Department of Water Supply reimbursed debt and expects to continue this current budgetary practice with respect to the other Funds; however, the County may change this practice with respect to the other Funds at any time. The County has budgeted to contribute the amounts from the various Funds set forth below for fiscal years 2017-18 and 2018-19:

Source of Payment	Budgeted Contribution to FY 2017-18 Debt Service (in millions)	% of FY 2017-18 Debt Service	Budgeted Contribution to FY 2018-19 Debt Service (in millions)	% of FY 2018-19 Debt Service⁽²⁾
DWS/Water Fund	\$6.0	14.7%	\$5.9	16.0%
Sewer Fund	10.5	25.7	9.2	22.0
Highway Fund	5.3	12.9	6.0	15.0
Solid Waste Fund ⁽¹⁾	—	—	4.5	11.0
Total	\$21.8	53.3%	\$25.6	64.0%

⁽¹⁾ The Solid Waste Fund became a self-sustaining fund in fiscal year 2018-19 and its contributions to general obligation bond and state revolving fund debt service is shown beginning fiscal year 2018-19.

⁽²⁾ Debt service for fiscal year 2018-19 includes interest payment due on the Bonds. Future percentages may vary.

Source: County of Maui Department of Finance.

THE COUNTY OF MAUI

General Information

The County consists of the inhabited Islands of Maui, Moloka'i and Lana'i and the uninhabited Island of Kahoolawe. The County is the second largest of the four Counties in the State in area. Its land area (including the uninhabited Island of Kahoolawe) is 1,162 square miles (approximately the size of Rhode Island), or 18% of the land area of the State. Based on U.S. Census data, the County's resident population grew from 101,588 in 1990 to 128,241 in 2000, representing the highest growth rate (26.2%) in the State over this period. Based on U.S. Census data, by 2010, the County's resident population grew to 154,834. The U.S. Census Bureau estimates the County's population as of July 1, 2017 to be 166,260. The County's official website address is www.co.maui.hi.us/. The information presented on such website is *not* incorporated by reference as part of this Official Statement.

Government

The County provides a broad range of municipal services. These services include public safety (police, fire and public prosecutor), construction and maintenance of highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, water supply and general administrative service. Because there are no separate city or township governments or school districts in the County, there are no general overlapping taxes at the County level. Government in the State is highly centralized, with the State assuming responsibility for many functions which in many other parts of the United States are performed by local governments. Chief among these are health, education and welfare. For example, the public schools and medical facilities in the County are administered and funded by the State.

The County is governed by the provisions of the County Charter. The County Charter was originally adopted by the electorate in September 1967 and revised in 1976. On January 1, 1983, a new charter became effective after being adopted by the electorate on November 2, 1982. The County Charter was amended in 1984, 1986, 1988, 1990, 1994, 1996, 1998, 2002, 2006, 2010, 2012, 2014 and 2016.

Elected Officials

Mayor. Under the provisions of the County Charter the executive power of the County is vested in and exercised by the executive branch, which is headed by the Mayor. The Mayor directly supervises all departments and administrative activities except police, liquor control, personnel services and fire and public safety. The Mayor serves a four-year term and is limited to two consecutive full terms. The Mayor has authority to appoint certain County officials, including department heads.

The current Mayor is Alan M. Arakawa, who was elected on November 2, 2010. Mayor Arakawa was born in Wailuku, Hawaii in 1951, graduated from Maui High School and attended the University of Hawai'i at Manoa as a business major. He entered civil service in 1984 as a wastewater plant worker for Maui County and became a supervisor in the wastewater division of the Department of Public Works. He was both a United Public Workers Chief Steward and a Hawai'i Government Employees Association Union Representative.

In 1994, Mayor Arakawa decided to make his first run for public office and succeeded in being elected to the Maui County Council. He was re-elected in 1996 and 2000. During his time on the Council he served as Chair of the Planning, Parks and Land Use committees. He also spearheaded the movement to create nonpartisan elections for Maui County government seats. In November 2002, he decided to run for Mayor of Maui County and was elected in a nonpartisan race to become Maui County Mayor. Mayor

Arakawa also served as mayor of the County from 2002 to 2006. Mr. Arakawa's term as Mayor will end on December 1, 2018.

County Council. The County Council is the legislative body of the County. The Council consists of nine members, all of whom are elected at large and serve concurrent two-year terms. Council members are not permitted to serve more than five consecutive full terms of office. In order to be eligible for election or appointment to the Council, a person must be a U.S. citizen and a voter registered in the County. A nominee must also be a resident of the area of the County from which the person seeks to be elected for one year preceding the filing of nomination papers. The nine-member council is required to be comprised of one resident from each of nine different regions of the County. These regions are: Makawao-Haiku-Paia; East Maui; South Maui; West Maui; Moloka'i; Lana'i; Kahului; Wailuku-Waihee-Waikapu; and "Upcountry" (Pukalani-Kula-Ulupalakua).

The Council is the policy-making body of the County. Its major functions include approval of the County budget; establishment of all fees, rates, assessments and taxes; appropriation of funds; establishment of development controls including adoption of general plan, community plans and zoning; confirming appointment by Mayor of department heads; and other related functions.

Other County Officials

Keith Regan, Managing Director, was appointed Managing Director for the County of Maui for the second time on January 2, 2011. Mr. Regan held the same position during the first administration (2004-2006) of Mayor Alan Arakawa. In 2003, he served as Director of Finance. As the Managing Director for the County, Mr. Regan oversees the administrative functions of various departments, agencies, and boards and commissions. In temporary absences of the Mayor, he serves as Acting Mayor for the County.

Immediately prior to his appointment as Managing Director of the County, he was the President and Chief Executive Officer of Credit Associates, a position he held for four years. As owner and Chief Executive Officer of Hawaii Cartage, Inc., Mr. Regan was accorded the honor of being the Pacific Business News 2001 Young Business Person of the year and was also an Under Forty Awards recipient.

Mr. Regan has completed the Senior Executive in State & Local Government certificate program from the Harvard Kennedy School of Government at Harvard University. He has a Bachelor of Science degree from the DeVry University, a Master of Business Administration degree from University of Phoenix, and master's degree in Public Administration from the University of Southern California.

Mr. Regan is also very active in the community. He was a member of the State Board of Public Accountancy in the State of Hawaii. He serves in many community organizations as well, including the American Heart Association, Kiwanis Club, Knights of Columbus, Maui Chamber of Commerce, and Maui Medical Center.

Mark R. Walker, Director of Finance, has served as the Director of Finance since October 1, 2017. Prior to becoming the Director, Mr. Walker served as the Deputy Director of Finance beginning in January 2013. In temporary absences of the Mayor and the Managing Director, the Director of Finance serves as the Acting Mayor for the County.

Prior to his appointment with the County, Mr. Walker worked in the private sector where he had extensive management and finance experience. Of note, he has 17 years of commercial banking experience which included positions as a Vice President and Wealth Manager, Commercial Loan Officer,

and Branch Manager. Additionally, he was also Vice President – Finance & New Project Development for a Maui based real estate development firm for 10 years.

Mr. Walker has a Bachelor of Science degree in Small Business Management with a Minor in Journalism from the University of Northern Colorado. He is a member of the Government Finance Officers Association and has previously held a Series 7 securities license.

Mr. Walker has served his community over the years and his involvement has included: Chairman and Treasurer – Maui Food Bank, Treasurer – Maui Historical Society, Treasurer – Maui Cattlemen's Association, Treasurer – Makawao Cemetery Association, founding member – Rotary Club of Metropolitan Honolulu and member – Kihei Kiwanis Club.

Sananda K. Baz, Budget Director, was appointed as the Budget Director by Mayor Arakawa in January 2011. Before being appointed as the Budget Director, he held several positions at Maui Economic Opportunity (MEO), Inc. He was the Deputy Director for four years and then became its Chief Executive Officer in 2006 and served for five years. Prior to working for MEO, he was employed at the County of Maui's MIS division of the Department of Management.

Mr. Baz has a Bachelor of Science in Business Management and a Masters in Business Administration from Western Governors University. He is a 2008 Hawaii Community Foundation PONO Fellow, a 2007 Pacific Century Fellow and winner of the Pacific Business News "Forty under 40" Award.

He has two decades of extensive community involvement and currently serves as secretary for the Board of the Maui Native Hawaiian Chamber of Commerce Foundation. He is the Chair of the Hawaii Tug and Barge/Young Brothers Maui Community Advisory Board and is also the Past-President of the Rotary Club of Kahului.

John C. Kulp, Deputy Director of Finance, joined the County of Maui Treasury Program in March 2012. Mr. Kulp has extensive private and public sector experience in economics, accounting, and finance, including a prior position as County Managing Director. Mr. Kulp's international experience includes serving as Head of the Asia-Pacific Coal Project in the Resource Systems Institute of the East-West Center in Honolulu. He also worked as a special consultant to the United Nations for energy project development in Colombia, South America. While at the East-West Center, Mr. Kulp developed an economic model designed to simulate and analyze the behavior of the international thermal-coal market. The model's resolution could be adjusted from evaluating the global market in aggregate to analyzing the financial viability of individual mines or power plants.

In the private sector, Mr. Kulp developed an accounting and product tracking system for a leading metal recycling company. In addition, for a period of 10 years Mr. Kulp was responsible for the management, accounting and financing needs of an electrical contracting firm. Mr. Kulp is the Vice-Chair of the Hale Makua Foundation, a non-profit healthcare provider.

Mr. Kulp earned a B.S. and an M.S. in Mineral Economics – Energy Specialization from the Pennsylvania State University and an M.B.A. and Graduate Certificate in Accounting from the University of Hawaii.

May-Anne A. Alibin, Treasurer, assumed office as the Treasurer of the County in October 2016. She has been working for the County of Maui for more than 10 years. Prior to her role as the County Treasurer, Ms. Alibin assumed the role as the Assistant Accounting System Administrator, from January 2014 through September 2016. Ms. Alibin also served as the Senior Budget Specialist for the current administration, from January 2011 through January 2014 and from April 2004 to August 2006.

She has over 14 years of budgeting, accounting, and finance experience in both government and private sectors.

She graduated in 2003 from the University of Nevada Las Vegas with a Bachelor of Science degree in Business Administration, with a major in Accounting. She also completed her Master of Business Administration from University of Phoenix.

COUNTY FINANCIAL INFORMATION

The taxes and other revenues discussed below comprise the more significant sources of revenue for the County. The County's general obligation indebtedness, including the Bonds, are secured by the full faith and credit of the County and are payable from the General Fund. The General Fund may be reimbursed for debt service for water improvements by the Department of Water Supply. Further, several other Funds of the County, such as the Sewer Fund, the Highway Fund and the Solid Waste Fund, contribute towards County general obligation bond and State revolving fund debt service in connection with projects related to such Funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Accounting

Pursuant to Section 9-13 of the County Charter, the County Council is required once every year to obtain an independent audit of all of the various funds and accounts of the County for the immediately preceding fiscal year. The audit is to be made by a certified public accountant or a firm of certified public accountants designated by the County Council. The audit of the financial statements for the year ended June 30, 2017, was performed by N&K CPAs, Inc. Such audit includes an examination of the Department of Water Supply.

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the County's financial statements, into the following three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Most of the County's basic services are reported in one of twelve governmental funds. The major governmental funds are as follows: General, Highway, Sewer, Grant, Debt Service, and Capital Improvement Projects. There are six non-major governmental funds (*i.e.*, the Liquor Fund, County Fund, Bikeway Fund, Solid Waste Fund, Environmental Protection and Sustainability Fund and Other Assessment Fund) that are combined into a single, aggregate presentation in the County's financial statements. The County classifies certain governmental funds as "Special Revenue Funds," to account for revenues derived from specific sources or used for specific activities. See "Special Revenue Funds" below.

Proprietary Funds. Services for which the County operates similar to a business-type activity are generally reported in proprietary funds. The County's proprietary funds consist of the following three funds: the Department of Water Supply, the Housing, Interim Financing and Buy-Back Revolving Fund, and the Golf Course Special Fund, all of which are considered to be major monetary funds of the County.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements

of the County because the resources of these funds are not available to support the County's own programs.

The Department of Water Supply, the Highway Fund, Sewer Fund and, beginning fiscal year 2018-19, the Solid Waste Fund, are self-sustaining funds, such that revenues from rates and charges generated by each Fund are sufficient to cover the costs of such Funds, including allocated debt service and overhead expenses.

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded the County a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. The County has received this award for 35 consecutive years.

General Fund

The General Fund is utilized to account for all financial resources except those required to be accounted for in another fund. The primary sources of revenues of the General Fund are taxes on real property and an allocation of the State transient accommodations tax as described below. As of June 30, 2017, General Fund revenues came from the following sources:

Table 6
COUNTY OF MAUI
GENERAL FUND REVENUE SOURCES
(Fiscal Year 2016-17)

	<u>Amount</u>	<u>Percentage</u>
Taxes	\$280,298,619	87.3%
Licenses & Permits	8,066,839	2.5
Intergovernmental Revenues	23,575,427	7.3
Charges for Current Services	2,482,765	0.8
Fines & Forfeitures	2,149,069	0.7
Interest and Investment Earnings	3,075,434	1.0
Other	1,336,390	0.4
Total	<u>\$320,984,543</u>	<u>100.0⁽¹⁾</u>

⁽¹⁾ Total does not add up due to rounding of individual components.

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

Real Property Taxation and Assessed Values

Real property taxes represented approximately 84.9% of the County's General Fund revenues in fiscal year 2016-17. Real property assessed values increased by approximately \$4.5 billion between fiscal year 2014-15 and 2015-16, from approximately \$36.2 billion to approximately \$40.7 billion. During fiscal year 2016-17, real property tax revenue increased by approximately 9.0% from fiscal year 2015-16 results (from \$250.1 million to \$273.0 million). The increase in real property tax collection in fiscal year 2016-17 as compared to the fiscal year 2015-2016 was primarily due to increased property tax valuations as the result of rebounding real estate market, new construction, and a slight increase in parcel count. The County's adopted budget for fiscal years 2017-18 and 2018-19 projects revenues from real property taxes to be \$303.2 million and \$321.5 million, respectively.

Table 7 below summarizes certified values, levies, average tax rates and tax collections for fiscal years 2013-14 through 2018-19.

Table 7
COUNTY OF MAUI
REAL PROPERTY CERTIFIED VALUES FOR TAX RATE PURPOSES,
TAX RATE, LEVY AND COLLECTIONS

Fiscal Year Ended June 30	Real Property Certified Values for Tax Rate Purposes⁽¹⁾ (in thousands)	Property Tax Rate⁽²⁾ Per \$1,000	Real Property Tax Levy⁽³⁾ (in thousands)	Tax Collections⁽⁴⁾ (in thousands)
2014	\$33,411,557	\$6.65	\$223,318	\$223,076
2015	36,249,112	6.51	237,718	235,260
2016	40,711,720	6.24	255,584	255,692
2017	44,363,537	6.12	273,489	271,201
2018	45,964,192	6.53	303,176	299,759
2019	48,848,592	6.53	321,486	N/A

⁽¹⁾ Certified value for tax rate purposes is equal to the County's net taxable value less 50% of the difference between the County's net taxable value and the value claimed by taxpayers who have filed an appeal.

⁽²⁾ Weighted average of the various tax rates applicable to the various classifications of property involved.

⁽³⁾ Amounts reflect numbers from the related adopted budget ordinance, and are net of "circuit breaker" credits. Amounts adjusted include appeals. Includes minimum tax.

⁽⁴⁾ Reflects collections within the fiscal year of the levy. Collections shown include amounts levied but not paid in prior fiscal years. Delinquencies in the current fiscal years of the levies shown equaled approximately \$7.6 million (3.41%) in fiscal year 2013-14, \$7.8 million (3.32%) in fiscal year 2014-15, \$7.7 million (3.01%) in fiscal year 2015-16, \$7.5 million (2.74%) in fiscal year 2016-17 and \$8.2 million (2.73%) in fiscal year 2017-18 (unaudited).

Source: County of Maui Real Property Assessment Division.

Under the Constitution of the State, all functions, powers and duties relating to taxation of real property are vested in the counties. As part of the County's annual budget process, the rate and classification of real property taxes are reviewed. Proposals to amend the County's real property tax laws are submitted to the County Council for consideration, including tax relief proposals purporting to limit the County's power to establish the taxable value of property and set tax rates. No assurance can be given as to whether or in what form any such proposals may be enacted, or as to the potential effects of such proposals, if enacted, on the County's real property tax revenues. Property tax rates can be amended by a vote of the County Council as part of the annual approval of the County Budget.

In the case of the County, Chapter 3.48 of the Maui County Code governs administration, setting of tax rates, assessments and collection of real property tax, including exemption therefrom, dedication of land, and appeals. All real property in the County, except as exempted or otherwise taxed, is subject each year to a tax upon the fair market value thereof. Land and buildings are classified and taxed as: (1) residential, (2) apartment, (3) hotel and resort, (4) time share, (5) commercial, (6) industrial, (7) agricultural, (8) conservation, (9) homeowner, (10) commercialized residential, and (11) short-term rental (new tax rate effective January 1, 2018).

For all property classifications, in determining the value of land, other than land classified and used as agricultural, consideration is given to its highest and best use, selling prices, productivity, actual and potential use, advantage or disadvantage of factors such as view, location, accessibility, transportation

facilities, availability of water and its cost, easements, zoning, dedication as to usage, and other influences which fairly and reasonably bear upon the question of values. The value of buildings is the cost of replacement less depreciation, with consideration given to size of improvements, quality of construction, age, condition, utility or obsolescence. Real property owned by the respective governments of the United States, the State of Hawaii and the several counties of the State is exempt from taxation.

The real property tax base for the County is 100% of fair market value. The amount of net taxable real property is the amount of assessed real property value less the amount of the real property exempted and excluded from taxation. For budget purposes, an additional deduction of 50% of the assessed value of real property under appeal is made.

Real property owned as operating property by hospitals, schools, churches and nonprofit corporations are fully exempt and pay minimum tax. Real property owned as operating property by public utilities are excluded from real property taxation. In the case of public utilities, however, counties are authorized to impose, in lieu of county real property taxes, a tax on "public service companies." See "Other Revenues" below.

In addition, real property for which the owner has applied for and been granted a homeowner exemption, and which is occupied only as the principal residence of the owner, is exempt from taxation up to the amount of \$200,000 starting July 1, 2012.

County homeowners are afforded tax relief under the County's "Circuit Breaker" Program (the "Circuit Breaker Program"), which limits a homeowner's real property taxes to 2% of the household federal adjusted gross income. The Circuit Breaker Program is available for any homeowner with a homeowner's exemption. For the fiscal year ended June 30, 2018, 433 homeowners qualified for the Circuit Breaker Program at a cost to the County of \$339,511 (in the form of reduced real property tax revenues). For the fiscal year ended June 30, 2017, 478 homeowners qualified for the Circuit Breaker Program at a cost to the County of \$373,138. For the fiscal year ended June 30, 2016, 412 homeowners qualified for the Circuit Breaker Program at a cost to the County of \$360,846.

Additionally, to encourage agriculture, the value of land classified and used for agriculture, whether or not dedicated for such use as next referred to, is the value of such land for such use without regard to its value for its highest and best use. An owner of land, regardless of whether such land is situated in an agricultural district, a rural district, a conservation district or urban district, may elect to dedicate his land for a specific ranching or other agricultural use, provided such land is used for such purpose at the time of dedication, among other requirements. If the dedication is approved, such will be taxed as agricultural land. In addition, land situated in any agricultural district may be declared to be for a specific ranching or other agricultural use for a period of 10 or 20 years, and if approved, shall be taxed at its assessed value in the agricultural use.

Under current provisions of the County Charter, a minimum of 2% of the County's certified real property tax revenues in the fiscal years ending June 30, 2008 through 2021 are required to be appropriated for the purposes of providing affordable housing and suitable living environments for persons of very low to moderate income.

In April 2018, the State Legislature approved Senate Bill 2922 ("S.B. 2922") calling for an amendment to the Constitution of the State to authorize the State Legislature to establish a surcharge on investment real property to support public education. Under the current Constitution of the State, all functions, powers and duties relating to taxation of real property are vested in the counties. Voters will vote whether to approve this Constitutional amendment in the November 2018 election. If the proposed amendment is approved by voters, the State Legislature would be required to pass legislation to determine

the terms of the tax surcharge, including the amount and the definition of “investment real property.” The County is unable to predict whether the proposed amendment will be approved by voters, and if approved, what State law the State Legislature would adopt to implement the tax surcharge, and ultimately what impact these new taxes would have on the County’s finances. S.B. 2922, if approved by the voters and implemented by the State Legislature, could increase the tax burden on County taxpayers and thereby may reduce flexibility with respect to the County’s setting of tax rates in the future. In August 2018, the County joined a lawsuit filed by the City and County of Honolulu against the Governor and the Lieutenant Governor of the State and other elections officials of the State seeking to enjoin the placement of the ballot question for the proposed amendment in the November 2018 ballot. See “INSURANCE AND PENDING LITIGATION” herein.

The County’s average real property tax rates approved in fiscal years 2016-17 and 2017-18 are \$6.12 and \$6.53 per \$1,000 of assessed valuation, respectively. The average real property tax rates for the County and other counties in the State for fiscal years 2016-17 and 2017-18 are shown in the following table:

Table 8
AVERAGE REAL PROPERTY TAX RATE
IN COMPARISON TO OTHER HAWAII COUNTIES

<u>County</u>	Average Real Property Tax Rate (per \$1,000 of Assessed Valuation)	
	<u>FY 2016-17</u>	<u>FY 2017-18</u>
Hawaii	\$9.20	\$9.73
Maui	6.12	6.53
Kauai	6.58	6.60
Honolulu	5.42	5.51

Source: County of Maui

Table 9 presents the certified values for tax rate purposes for each class of property within the County and the tax rates applicable thereto for the five fiscal years through the fiscal year ending June 30, 2019. Table 10 presents the County’s ten largest taxpayers based on tax levy for the fiscal year ended June 30, 2018 and the fiscal year ending June 30, 2019. Table 11 presents the County’s ten largest taxpayers based on assessed value for the fiscal year ended June 30, 2018 and the fiscal year ending June 30, 2019.

In addition, property owners may file assessment appeals each year. For fiscal year ended June 30, 2016, there were 1,304 appeals filed requesting an aggregate assessed value reduction of approximately \$1.4 billion, equating to an aggregate tax reduction of approximately \$10.4 million, and the County granted an aggregate tax reduction of \$2.0 million for 437 appeals. For fiscal year ended June 30, 2017, there were 770 appeals filed requesting an aggregate assessed value reduction of approximately \$1.5 billion, equating to an aggregate tax reduction of approximately \$9.7 million, and the County granted an aggregate tax reduction of \$4.8 million for 516 appeals. For fiscal year ended June 30, 2018, there were 762 appeals filed requesting an aggregate assessed value reduction of approximately \$1.1 billion, equating to an aggregate tax reduction of approximately \$8.3 million, and the County granted an aggregate tax reduction of \$2.3 million for 398 appeals. There are 16 appeals pending equating to an aggregate tax reduction of approximately \$1.6 million.

Table 9
COUNTY OF MAUI
CERTIFIED VALUES FOR TAX RATE PURPOSES AND TAX RATE BY CLASSES OF PROPERTY
(values in thousands)

	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>	
	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>	<u>Value</u>	<u>Rate</u>
Net Taxable Land										
Time Share	\$ 191,214	\$15.07	\$194,776	\$14.55	\$202,330	\$14.31	\$200,594	\$15.43	\$238,508	\$15.41
Improved Residential	3,465,363	5.57	3,814,883	5.40	4,002,858	5.30	4,239,596	5.54	4,466,263	5.52
Apartment	1,672,354	6.20	1,776,806	6.00	1,836,483	6.00	1,927,142	6.32	1,893,000	6.31
Hotel/Resort	1,779,378	9.11	1,803,499	8.85	1,830,786	8.71	1,735,180	9.37	616,041	9.37
Commercial	1,142,804	6.83	1,827,146	6.60	2,044,181	6.60	1,962,987	7.28	1,729,712	7.25
Industrial	877,111	7.07	1,035,353	6.85	1,327,427	6.69	1,223,481	7.49	1,284,457	7.45
Agricultural	2,030,003	5.86	2,142,116	5.75	2,156,675	5.66	2,188,117	6.01	2,454,624	6.00
Conservation	277,084	6.06	282,704	5.90	292,381	5.80	290,048	6.37	303,201	6.35
Homeowners	5,053,071	2.78	5,840,934	2.75	6,311,759	2.70	6,566,111	2.86	6,966,920	2.85
Commercialized Residential	57,361	4.46	58,697	4.35	77,084	4.35	81,064	4.56	89,711	4.55
Short-Term Rental	-	-	-	-	-	-	-	-	1,504,831	9.28
Total All Classes ⁽¹⁾	<u>\$16,545,743</u>		<u>\$18,718,218</u>		<u>\$20,081,964</u>		<u>\$20,414,321</u>		<u>\$21,547,268</u>	
Net Taxable Building										
Time Share	\$ 1,400,139	\$15.07	\$1,498,784	\$14.55	\$1,694,339	\$14.31	\$1,742,967	\$15.43	\$2,004,176	\$15.41
Improved Residential	2,104,813	5.57	2,411,814	5.40	2,756,504	5.30	2,914,085	5.54	3,255,417	5.52
Apartment	3,445,659	6.20	4,016,306	6.00	4,297,573	6.00	4,516,390	6.32	4,651,442	6.31
Hotel/Resort	7,085,806	9.11	7,492,646	8.85	7,914,362	8.71	8,274,756	9.37	1,693,274	9.37
Commercial	855,851	6.83	997,086	6.60	1,180,373	6.60	1,270,126	7.28	1,181,737	7.25
Industrial	669,627	7.07	715,420	6.85	725,797	6.69	803,303	7.49	848,406	7.45
Agricultural	1,288,063	5.86	1,394,356	5.75	1,615,442	5.66	1,736,849	6.01	1,875,704	6.00
Conservation	114,051	6.06	124,120	5.90	132,090	5.80	137,150	6.37	135,627	6.35
Homeowners	2,687,367	2.78	3,222,804	2.75	3,878,736	2.70	4,062,834	2.86	4,487,943	2.85
Commercialized Residential	51,992	4.46	61,468	4.35	86,357	4.35	91,412	4.56	107,321	4.55
Short-Term Rental	-	-	-	-	-	-	-	-	7,060,277	9.28
Total All Classes ⁽¹⁾	<u>\$19,703,368</u>		<u>\$21,934,804</u>		<u>\$24,281,573</u>		<u>\$25,549,871</u>		<u>\$27,301,324</u>	
Net Taxable Real Property										
Time Share	\$ 1,591,353	\$15.07	\$1,693,560		\$1,896,669	\$14.31	\$1,943,561	\$15.43	\$ 2,242,684	\$15.41
Improved Residential	5,570,175	5.57	6,226,696		6,759,362	5.30	7,153,681	5.54	7,721,680	5.52
Apartment	5,118,013	6.20	5,793,112		6,134,056	6.00	6,443,531	6.32	6,544,442	6.31
Hotel/Resort	8,865,184	9.11	9,296,145		9,745,148	8.71	10,009,936	9.37	2,309,315	9.37
Commercial	1,998,655	6.83	2,824,233		3,224,554	6.60	3,233,112	7.28	2,911,448	7.25
Industrial	1,546,738	7.07	1,750,773		2,053,224	6.69	2,026,784	7.49	2,132,863	7.45
Agricultural	3,318,065	5.86	3,536,472		3,772,117	5.66	3,924,967	6.01	4,330,328	6.00
Conservation	391,135	6.06	406,824		424,471	5.80	427,198	6.37	438,828	6.35
Homeowners	7,740,439	2.78	9,063,738		10,190,495	2.70	10,628,945	2.86	11,454,863	2.85
Commercialized Residential	109,353	4.46	120,166		163,441	4.35	172,476	4.56	197,032	4.55
Short-Term Rental	-	-	-		-	-	-	-	8,565,108	9.28
Total All Classes ^{(1), (2)}	<u>\$36,249,112</u>	\$6.99	<u>\$40,711,720</u>	\$6.24	<u>\$44,363,537</u>	\$6.12	<u>\$45,964,192</u>	\$6.53	<u>\$48,848,591</u>	\$6.53

⁽¹⁾ Totals may not agree due to rounding.

⁽²⁾ Tax rates represent weighted average of the various individual tax rates and are per \$1,000 of net taxable value.

Source: County of Maui Real Property Assessment Division.

Table 10
COUNTY OF MAUI
PRINCIPAL REAL PROPERTY TAXPAYERS
BY AMOUNT OF TAX LEVIED
Fiscal Years 2017-18 and 2018-19

Fiscal Year 2017-18				Fiscal Year 2018-19			
Taxpayer	Type of Business	Real Property Taxes	% of Levy	Taxpayer	Type of Business	Real Property Taxes	% of Levy
Westin Maui Corporation	Hotel/Time Share	\$9,427,185	3.08%	Westin Maui Corp (Leasehold), VSE Pacific, Inc, Ocean Resort Villas Vacation Owners Ass'n.	Hotel/Time Share	\$13,163,426	4.05%
Marriott Ownership Resorts	Time Share	6,921,516	2.26	Marriott Ownership Resorts	Time Share	7,257,924	2.23%
HMC Maui LP, HMC Kea Lani LLC	Hotel	4,177,138	1.37	HMC Maui LP, HMC Kea Lani LP	Hotel	4,237,614	1.30%
Island Acquisitions Kapalua LLC	Hotel/Time Share	3,682,086	1.12	Alexander & Baldwin, A&B, East Maui Irrigation	Development, Property Management	3,498,786	1.39%
Alexander & Baldwin, A&B, East Maui Irrigation ⁽¹⁾	Development, Property Management	3,114,263	1.39	Bre Iconic GWR Owner LLC	Hotel	3,166,843	0.98%
GWR Wailea Property LLC	Hotel	3,096,566	1.01	Island Acquisitions Kapalua LLC	Time Share, Hotel	3,160,772	1.12%
HV Global Management Corp., Maui Timeshare Venture LLC	Time Share	2,736,815	0.90	HV Global Management Corp., Maui Timeshare Venture LLC	Time Share	2,869,833	0.88%
West Maui Resort Partners LP	Hotel/Time Share	2,703,855	0.96	West Maui Resort Partners LP	Time Share/Hotel	2,835,001	0.96%
Lanai Resorts LLC	Hotel, Golf Course	2,492,156	0.82	Lanai Resorts LLC, Lanai Developers LLC	Hotel, Golf Course, Development	2,780,353	0.86%
Hart Wailea LLC	Shopping Center	2,341,322	0.77	Hart Wailea LLC	Shopping Center	2,345,840	0.72%
Total		\$40,692,900	13.67%			\$45,316,393	14.50%

⁽¹⁾ At the end of 2016, this company ceased operating as an agricultural operation. See "ECONOMIC AND DEMOGRAPHIC INFORMATION – Agriculture".
Source: County of Maui Department of Finance.

Table 11
COUNTY OF MAUI
PRINCIPAL REAL PROPERTY TAXPAYERS
BY ASSESSED VALUE

Fiscal Year 2017-18 ⁽¹⁾			Fiscal Year 2018-19 ⁽²⁾		
Taxpayer	Type of Business	Assessed Value	Taxpayer	Type of Business	Assessed Value
Westin Maui Corporation	Hotel/Time Share	\$610,784,600	Westin Maui Corp (Leasehold), VSE Pacific, Inc, Ocean Resort Villas Vacation Owners Ass'n.	Hotel/Time Share	\$ 854,033,100
HMC Maui LP, HMC Kea Lani LLC	Hotel	450,893,600	Alexander & Baldwin, A&B, East Maui Irrigation	Development, Property Management	474,969,600
Marriott Ownership Resorts	Time Share	448,189,300	Marriott Ownership Resorts	Time Share	470,601,600
Alexander & Baldwin, A&B, East Maui Irrigation	Development, Property Management	413,105,700	HMC Maui LP, HMC Kea Lani LP	Hotel	457,419,800
Island Acquisitions Kapalua LLC	Hotel/Time Share	376,676,200	Lanai Resorts LLC, Lanai Developers LLC	Hotel, Golf Course, Development	395,240,700
Lanai Resorts LLC	Hotel, Golf Course	348,287,300	Bre Iconic GWR Owner LLC	Hotel	339,867,500
GWR Wailea Property LLC	Hotel	332,256,200	Island Acquisitions Kapalua LLC	Time Share, Hotel	305,470,900
Hart Wailea LLC	Shopping Center	303,064,700	Hart Wailea LLC	Shopping Center	304,674,700
HV Global Management Corp., Maui Timeshare Venture LLC	Time Share	177,241,100	HV Global Management Corp., Maui Timeshare Venture LLC	Time Share	186,103,100
West Maui Resort Partners LP	Hotel/Time Share	174,667,700	West Maui Resort Partners LP	Time Share/Hotel	183,404,900
		<u>\$3,635,166,400</u>			<u>\$3,971,785,900</u>

⁽¹⁾ Fiscal year 2017-18 taxes were calculated from the January 1, 2017 assessment. The taxes levied are for fiscal year 2017-18.

⁽²⁾ Fiscal year 2018-19 taxes were calculated from the January 1, 2018 assessment. The taxes levied are for fiscal year 2018-19.

Source: County of Maui Department of Finance.

Allocation of State Transient Accommodations Tax

Pursuant to Section 237D, Hawaii Revised Statutes, the State levies a transient accommodations tax on the furnishing of a room, apartment, suite, single family dwelling, or the like to a transient for less than 180 consecutive days for each letting by a hotel, apartment hotel, motel, condominium or unit, cooperative apartment, dwelling unit or rooming house that provides living quarters, sleeping or housekeeping accommodations, or other place in which lodgings are regularly furnished to transients, including the fair market rental value of time share vacation units. Each county receives a portion of the transient accommodations tax revenues collected by the State under a distribution formula prescribed by statute. The transient accommodations tax, commonly referred to as a “hotel room tax,” is the County’s second largest source of General Fund revenues, representing approximately 7.3% of General Fund revenues for fiscal year 2016-17 and budgeted to be approximately 5.5% of General Fund revenues for fiscal year 2017-18.

Act 121, SLH 2015, allocated \$103 million of the State’s transient accommodations tax revenues to the counties for fiscal years 2014-15 and 2015-16. Act 233, SLH 2016, extended the allocation of \$103 million to the counties to fiscal year 2016-17, and Act 1 (Senate Bill 4), 1st Special Session SLH 2017 (“Act 1”) extended the allocation of \$103 million to the counties to fiscal year 2017-18 and for each fiscal year thereafter. Act 1 also increased the transient accommodations tax rate from 9.25% to 10.25%, from January 1, 2018 to December 31, 2030.

The following table presents the County’s receipts from the transient accommodations tax by fiscal year.

Table 12
COUNTY OF MAUI
TRANSIENT ACCOMMODATIONS TAX

<u>Fiscal Year</u>	<u>Receipts⁽¹⁾</u>
2013-14	\$21,204,000
2014-15	23,484,000
2015-16	23,446,380
2016-17	23,484,000
2017-18	23,484,000

(1) In 2011, the State Legislature capped the County’s annual transient accommodations tax allocation at \$23,484,000.

Source: County of Maui Department of Finance.

Other Revenues

During the past five fiscal years, the County’s real property tax and its allocation of the State transient accommodations tax, discussed above, have been the primary sources of revenue for the General Fund. The remaining revenues for the General Fund consist of moneys derived from fees and permits, Federal and State grants, charges for current services and other miscellaneous revenues.

As previously described, real property owned by public utilities (referred to as “public service companies”) is exempt from real property taxation by the County. Under Chapter 239, Hawaii Revised Statutes, if a county exempts real property owned or leased (if the lessee is required to pay any real property taxes) by a public service company from real property taxes, the county is entitled to collect a public service company tax on the gross income of the company allocable to operations within that

county. The public service company tax is generally imposed at a rate of 1.885% of each company's gross income. The County's collections of this public service company tax totaled approximately \$9.3 million for fiscal year 2015-16, \$7.7 million for fiscal year 2016-17 and \$7.0 million for fiscal year 2017-18.

General Fund Performance

Historical Financial Information. Tables 13 and 14 present certain historical financial information regarding the operation of the County's General Fund for the past five fiscal years.

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Table 13
COUNTY OF MAUI
GENERAL FUND BALANCE SHEET
(Fiscal Year Ended June 30)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS					
Cash and Investments	\$174,600,530	\$55,748,602 ⁽³⁾	\$80,421,523	\$81,492,475	\$79,273,414
Receivables:					
Property taxes	8,017,961	7,576,249	7,840,092	7,659,299	7,455,689
Due from other funds	14,878,258	51,282,799 ⁽⁴⁾	19,582,678	15,553,049	19,397,795
Total Assets	<u>\$197,496,749</u>	<u>\$114,607,650</u>	<u>\$107,856,548</u>	<u>\$104,704,823</u>	<u>\$106,126,898</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Vouchers and accounts payable	\$7,179,636	\$6,483,328	\$7,563,485	\$8,762,166	\$13,064,179
Contract retention payable	27,080	35,862	35,224	31,910	29,717
Deposits and deferred revenue	5,980,358	—	—	—	—
Advance collections	1,011,658	—	—	—	—
Other/accrued wages payable	3,339,126	3,877,323	4,459,349	4,791,233	5,107,861
Total Liabilities	<u>\$17,537,858</u>	<u>\$10,396,513</u>	<u>\$12,058,058</u>	<u>\$13,585,309</u>	<u>\$18,201,757</u>
Deferred Inflows of Resources⁽¹⁾:	<u>—</u>	<u>\$6,590,956</u>	<u>\$6,920,365</u>	<u>\$6,104,591</u>	<u>\$6,227,166</u>
Fund Balances:					
Restricted	\$15,316,810	\$5,818,917	\$8,196,098	\$10,751,941	\$3,986,833
Committed ⁽²⁾	100,726,872	30,009,039 ⁽³⁾	28,307,381	31,696,349	34,401,194
Assigned	16,429,725	19,388,054	20,718,232	19,859,006	18,247,545
Unassigned	47,485,484	42,404,171	31,656,414	22,707,627	25,062,403
Total Fund Balances	<u>\$179,958,891</u>	<u>\$97,620,181</u>	<u>\$88,878,125</u>	<u>\$85,014,923</u>	<u>\$81,697,975</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$197,496,749</u>	<u>\$114,607,650</u>	<u>\$107,856,548</u>	<u>\$104,704,823</u>	<u>\$106,126,898</u>

⁽¹⁾ This line item reflects the implementation of GASB 65 in fiscal year 2013-14, resulting in the reclassification of certain assets and liabilities as deferred outflows or inflows of resources.

⁽²⁾ Amounts in the Emergency Fund are accounted for in the Committed Fund balance.

⁽³⁾ The County transferred a portion of the Committed Fund balance in the amount of approximately \$97.2 million to the State in June 2014 to fund certain post-employment benefit obligations of the County. See "THE COUNTY OF MAUI – Other Post Employment Benefits (OPEB)."

⁽⁴⁾ Reflects transfers to the General Fund for advances made by the General Fund for bond-funded projects.

Source: County of Maui Comprehensive Annual Financial Reports (2013-2017).

Table 14
COUNTY OF MAUI
GENERAL FUND CONSECUTIVE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(Fiscal Year Ended June 30)

	2013	2014	2015	2016	2017
REVENUES					
Taxes	\$224,983,261	\$234,001,677	\$246,496,600	\$259,340,518	\$280,298,619
Licenses and permits	7,049,131	7,369,773	9,843,017	7,744,762	8,066,839
Intergovernmental revenues	21,498,138	21,267,628	23,557,686	23,528,433	23,575,427
Charges for current services	1,708,661	1,896,542	1,616,055	1,757,418	2,482,765
Fines and forfeitures	2,836,819	2,037,418	1,930,384	2,340,153	2,149,069
Money and property	973,827	—	—	—	—
Interest and investment earnings	—	1,693,758	1,325,512	2,536,761	3,075,434
Other	2,156,663	1,449,560	1,357,437	1,729,135	1,336,390
Total Revenues	\$261,206,500	\$269,716,356	\$286,126,691	\$298,977,180	\$320,984,543
EXPENDITURES					
Current:					
General government	\$84,321,962	\$185,659,412 ⁽¹⁾	\$99,735,672	\$109,053,790	\$116,666,673
Public safety	73,605,798	73,857,116	85,759,921	87,747,431	93,860,645
Highways & Streets	7,004,562	7,042,498	7,538,742	7,280,078	9,106,868
Sanitation	552,395	600,970	615,784	559,054	583,309
Social welfare	15,638,965	16,675,041	18,921,037	20,957,168	18,338,411
Culture and recreation	25,228,460	38,683,500	28,902,060	28,345,461	37,960,729
Legislative	5,532,802	5,987,270	6,559,236	6,493,145	6,522,630
Total Expenditures	\$211,884,944	\$328,505,807	\$248,032,452	\$260,436,127	\$283,039,265
Excess (Deficiency) of Revenues Over Expenditures	\$49,321,556	\$(58,789,451)	\$38,094,239	\$38,541,053	\$37,945,278
OTHER FINANCING SOURCES (USES)					
Transfers In:					
Special Revenue Funds	\$17,373,989	\$17,560,613	\$16,167,938	\$15,830,760	15,968,098
Capital Projects Fund	1,151,499	1,225,932	806,588	1,148,036	3,817,018
Other Governmental Funds	5,141,874	5,291,813	5,304,109	4,854,592	5,381,931
Proprietary Funds	378,558	351,815	314,923	239,930	382,308
Transfers Out:					
Special Revenue Funds	(170,025)	(123,866)	(129,220)	(75,000)	(127,906)
Debt Service Fund	(33,392,200)	(34,016,171)	(37,386,391)	(30,078,044)	(35,324,850)
Capital Projects Fund	(4,968,552)	(6,724,000)	(9,555,000)	(12,697,804)	(11,293,647)
Other Governmental Funds	(9,301,393)	(10,482,153)	(19,814,598)	(18,577,098)	(17,297,847)
Proprietary Fund	(1,326,234)	(1,126,650)	(2,544,644)	(3,049,627)	(2,767,331)
Total Other Financing Sources and Uses	\$(25,112,484)	\$(28,042,667)	\$(46,836,295)	\$(42,404,255)	\$(41,262,226)
Net Change in Fund Balances	24,209,072	(86,832,118)	(8,742,056)	(3,863,202)	(3,316,948)
Fund Balances, Beg. of Period	155,749,819	179,958,891	97,620,181	88,878,125	85,014,923
Prior Period Adjustment	—	4,493,408	—	—	—
Fund Balances, End of Period	\$179,958,891	\$97,620,181	\$88,878,125	\$85,014,923	\$81,697,975

⁽¹⁾ The increase in general government expenditures reflects the County's \$97.2 million contribution to the State's OPEB Trust fund from the County's internally-held Post-Employment Obligations Fund. This expenditure eliminated related liabilities from prior years. See "THE COUNTY OF MAUI – Other Post-Employment Benefits (OPEB)."

Source: County of Maui Comprehensive Annual Financial Reports (2013-2017).

Interim Financial Results

Pursuant to the County Charter and the Maui County Code, the Director of Finance prepares quarterly reports summarizing the financial results of the County. The Director of Finance has prepared a report on the County's interim financial results for the twelve months ended June 30, 2018 (the "2018 Fourth Quarter Report"). The 2018 Fourth Quarter Report shows total County revenues (excluding other financing sources) collected for the twelve months ended June 30, 2018 to be \$616.8 million (the General Fund portion of which is approximately \$347.7 million), which is approximately 104.1% of the fiscal year 2017-18 budgeted total revenue of \$592.3 million. The 2018 Fourth Quarter Report also shows total County expenditures (not including capital expenditures) of \$522.3 million (the General Fund portion of which is approximately \$284.6 million), which is approximately 92.2% of the fiscal year 2017-18 budgeted total County expenditures of \$566.3 million. The 2018 Fourth Quarter Report and other quarterly reports of the Director of Finance are available on the County's website: <https://www.mauicounty.gov/1852/Finance-Directors-Quarterly-Report>. The information on such website is not incorporated herein by reference. These numbers are unaudited and may be subject to accounting adjustments.

Special Revenue Funds

The County classifies certain governmental funds as "Special Revenue Funds." The Special Revenue Funds are utilized to account for the revenues derived from a specific source (other than special assessments) or which are applied to finance specified activities as required by law or administrative regulation. The Special Revenue Funds are used to pay for the cost of providing certain County services, including highway improvements and operations, sewer, solid waste management, law enforcement programs and certain social services programs.

The following is a brief summary of the County's Special Revenue Funds:

Highway Fund – The Highway Fund was established to deposit fuel taxes, public utility franchise taxes, public transit fares, and motor vehicle weight taxes. These revenues are used to account for acquisition, design, construction, improvement, repair and maintenance of County highways, streets, street lights, public transit, and storm drains and bridges. Revenues are also used for purposes and functions connected with mass transit, including paying debt service related to such improvements. See "Highway Fund" below.

Sewer Fund – The Sewer Fund was established to receive all revenue derived from the monthly sewer charges, assessments and service charges for pumping of cesspools and septic tanks, and for certain other services. Revenues in the Sewer Fund are expended for the repair, operation, and maintenance of the wastewater facilities/sewer systems within the County, including debt service for such sewer improvements.

Grant Revenue Fund – The Grant Revenue Fund is legally restricted to expenditures for specific purposes and provides a cost sharing alternative for programs and projects. The major programs for this fund include Community Development Block Grant funds, Section 8 Rental Subsidy Program, other public housing funds, human services funds and various other smaller grant allocations.

Liquor Control Fund – The Liquor Control Fund receives revenue from all liquor license fees. Fund revenues are expended for the operation and administration of the Liquor Control Commission, Liquor Control Adjudication Board, and the Department of Liquor Control.

Bikeway Fund – The Bikeway Fund was established to collect revenue from bicycle licenses. The revenue is expended for bikeway construction and maintenance.

Solid Waste Fund – The Solid Waste Fund was established to receive all refuse collection fees and landfill disposal charges. The fund is used for the operation and maintenance of the County's collections and disposal program as well as for diversion programs such as resource recovery and recycling programs. In March 2018, Chapter 3.54 of the Maui County Code was amended concurrently with enactment of Chapter 3.55 of the Maui County Code relating to the establishment of the new Environmental Protection and Sustainability Fund (as described below, the "EP&S Fund"). Effective July 1, 2018, the Solid Waste Fund will be used for the operation and maintenance of the solid waste collection and disposal and landfill operations and will not include refuse disposal and diversion programs.

Environmental Protection and Sustainability (EP&S) Fund – On March 27, 2018, Ordinance No. 4820 (Bill No. 16 (2018)) was enacted establishing a new Chapter 3.55 of the Maui County Code relating to the Environmental Protection and Sustainability Fund. The EP&S Fund was established for the purpose of funding efforts of the Department of Environmental Management, EP&S Program to optimize opportunities for environmental and natural resource protection, sustainability, conservation, and restoration. The EP&S Fund is used for the operation and maintenance of the County's diversion program, recycling, and sewage sludge disposal.

Highway Fund

The Highway Fund is a self-sustaining fund and is budgeted to contribute approximately \$5.3 million and \$6.0 million for County general obligation debt service in fiscal years 2017-18 and 2018-19, respectively. The primary sources of revenue for the Highway Fund are described below. See "Special Revenue Funds – Highway Fund" above.

Motor Vehicle Weight Tax. Hawaii Revised Statutes, Chapter 249, authorizes the counties to impose an annual tax on the net weight of all vehicles used on the public highways. The proceeds from the vehicle weight tax are restricted by Section 249-18, Hawaii Revised Statutes, to highway and related expenditures, and are available only for payment of debt service on general obligation bonds issued to finance highway construction. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Security for the Bonds."

In fiscal year 2015-16, the motor vehicle weight taxes were increased by one-quarter of one cent, from \$0.0275 to \$0.03 per pound (a 9.1% increase). The County's fiscal year 2016-17 revenues from motor vehicle weight taxes is \$21.4 million, representing an increase of \$0.9 million or 4.5% from fiscal year 2015-16 revenues of \$20.5 million. Fiscal year 2016-17 motor vehicle weight tax revenues contributed approximately 45.2% of the fiscal year 2016-17 Highway Fund revenues.

The County's fiscal year 2018-19 adopted budget projects revenues of \$23.0 million from motor vehicle weight taxes, representing a slight increase of \$98,048 or 0.4% from the budgeted revenues in the County's adopted fiscal year 2017-18 budget. At this level, the weight tax is projected to contribute approximately 37.9% of the projected fiscal year 2018-19 Highway Fund revenue and 3.0% of the County's total revenue.

County Fuel Taxes. In addition to the taxes on liquid fuel imposed by the State, each county is authorized by Section 243-5, Hawaii Revised Statutes, to impose a tax on liquid fuels sold or used within its jurisdiction, excluding aviation fuel. The county fuel taxes are imposed on gasoline, alcohol fuels,

diesel oil and liquefied petroleum gas for highway use. The amount of tax on each fuel in each county is determined by the respective county's governing body.

The proceeds from the county fuel tax are restricted by Section 243-6, Hawaii Revised Statutes, to highway and related expenditures, and are available for payment of debt service on general obligation bonds issued only to finance highway construction. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Security for the Bonds."

The fuel tax is based on the number of gallons of fuel purchased. Rates increased in the County fuel tax for fiscal year 2016-17. Fuel tax collection in fiscal year 2016-17 is approximately \$15.7 million, representing approximately 33.1% of all Highway Fund revenues in fiscal year 2016-17. Fuel tax revenue collected in fiscal year 2016-17 was an increase of \$3.1 million or 25.0% from the fiscal year 2015-16 collection of approximately \$12.5 million.

The County's fiscal year 2018-19 adopted budget projects \$16.3 million in revenues from fuel taxes, representing 26.9% of all Highway Fund Revenues. The \$2.3 million increase from the fiscal year 2017-18 budget estimate reflects a rate increase of \$0.230 per gallon for biodiesel offset by a slight decrease in fuel consumption due to continued efforts in energy efficiency and the increased popularity of electric vehicles. The fuel tax revenue represents 2.2% of the estimated revenues from County sources.

Public Utility Franchise Tax. Electric power and gas companies (but not telephone companies) operating as public utilities are required by Section 240-1, Hawaii Revised Statutes, to pay each county in which their businesses are conducted a tax equal to 2.5% of the companies' gross receipts for sales in such county, unless such county in its charters with such utilities has agreed to a lower rate of tax. The County has not agreed to a lower rate of tax for any such utility. This tax on electric power and gas companies is in addition to the tax on public service companies described under "GENERAL FUND – Other Revenues."

Collected revenues from franchise taxes for fiscal year 2016-17 of \$7.7 million was lower than fiscal year 2015-16 revenues of \$9.0 million. Franchise tax revenue represents 16.4% of the total Highway Fund revenues for fiscal year 2016-17. The County's adopted budgets for fiscal years 2017-18 and 2018-19 estimate revenue from franchise taxes of \$7.0 million and \$8.0 million, respectively, representing 14.5% and 13.2%, respectively, of total Highway Fund revenues and 1.0% and 1.1%, respectively, of the County's total revenues. Alternative energy projects such as wind turbines and solar panels may lower public utility income in future years. See "ECONOMIC AND DEMOGRAPHIC INFORMATION – Renewable Energy."

Sewer Fund

The Sewer Fund is a self-sustaining fund and is budgeted to contribute approximately \$10.5 million and \$9.2 million for County general obligation debt service in fiscal years 2017-18 and 2018-19, respectively.

The Sewer Fund's main revenue source is from sewer and cesspool fees, which is directly tied to Water Supply billing. The County's collected fiscal year 2016-17 revenues from the sewer and cesspool fees were \$52.0 million, while fiscal year 2015-16 revenues were \$49.5 million. The County's adopted budgets for fiscal years 2017-18 and 2018-19 project revenues from the sewer and cesspool fees of \$54.0 million and \$55.1 million, respectively. This fund represents 7.7% and 7.3% of the County's total estimated revenues for fiscal years 2017-18 and 2018-19, respectively.

The sewer and cesspool fees are collected as charges for current services and used to fund the operations and capital improvement projects of the Department of Environmental Management, Wastewater Division. Residential users are charged a monthly base charge and a water usage charge per dwelling unit, in accordance with amounts set in the annual budget. Non-residential wastewater system service charges are also charged a monthly base charge plus a variable charge based on the total amount of water used each billing period.

A 5.0% rate increase was adopted for sewer user fees in fiscal year 2016-17. Collected revenues from sewer user fees increased year-over-year at an average rate of 2.6% in the last 5 years. Sewer fees collected in fiscal year 2016-17 is approximately \$52.0 million, an increase of approximately \$2.4 million or 4.9% from fiscal year 2015-16 collections of \$49.5 million.

The County's adopted budget for fiscal year 2017-18 projects revenues of \$54.0 million from sewer user fees, representing an increase of \$2.1 million or 4.0% from the fiscal year 2016-17 collected revenues. The County's adopted budget for fiscal year 2018-19 projects revenues of \$55.1 million from sewer user fees, representing an increase of \$1.0 million or 2.0% from the fiscal year 2017-18 adopted budget. Continued rising costs and infrastructure repair and improvements require an increase in the fee charges by 3.0% to users of the County's sewer system. At this level, the sewer user fees will contribute to approximately 62.2% and 79.3% of the projected Sewer Fund revenues for fiscal years 2017-18 and 2018-19, respectively, and 7.7% and 7.3% of the County's projected total revenues for fiscal years 2017-18 and 2018-19, respectively.

Tables 15 and 16 set forth summarized financial information regarding the operations of the Highway Fund and the Sewer Fund for the fiscal year ended June 30, 2017. A description of the other governmental funds is provided in the Management's Discussion and Analysis section of APPENDIX A – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017 attached hereto.

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Table 15
COUNTY OF MAUI
HIGHWAY FUND AND SEWER FUND
BALANCE SHEET
(Fiscal Year Ended June 30, 2017)

	<u>Highway Fund</u>	<u>Sewer Fund</u>
ASSETS		
Cash and Investments	\$10,902,213	\$10,488,211
Receivables:	—	—
Trade accounts	—	2,504,444
Federal Government	—	—
State of Hawaii	1,344,898	—
Others	—	—
Total Assets	<u>\$12,247,111</u>	<u>\$12,992,655</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Vouchers payable	\$358,604	\$619,651
Accounts payable	1,025,426	55,075
Contract retention payable	—	520
Due to Other Funds	—	—
Deposits Payable	—	—
Accrued Wages Payable	218,767	246,069
Deposits and unearned revenue	—	—
Advance collections	—	—
Total Liabilities	<u>\$1,602,797</u>	<u>\$921,315</u>
Deferred inflows		
Deferred inflows – unavailable revenues	—	—
Deferred inflows – nonexchange	—	\$74,921
Total Deferred Inflows of Resources	<u>—</u>	<u>\$74,921</u>
Fund Balances:		
Restricted	\$10,644,314	—
Committed	—	\$11,996,419
Total Fund Balances	<u>\$10,644,314</u>	<u>\$11,996,419</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$12,247,111</u>	<u>\$12,992,655</u>

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

Table 16
COUNTY OF MAUI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
HIGHWAY FUND AND SEWER FUND
(Fiscal Year Ended June 30, 2017)

	<u>Highway Fund</u>	<u>Sewer Fund</u>
REVENUES		
Taxes	\$23,402,369	—
Licenses and permits	21,388,832	\$41,065
Intergovernmental revenues	—	—
Charges for current services	2,540,166	51,990,829
Fines and forfeitures	—	—
Interest and investment earnings	—	—
Other revenues	460	35,239
Assessments	—	—
Total Revenues	<u>\$47,331,827</u>	<u>\$52,067,133</u>
EXPENDITURES		
Current:		
General government	—	—
Public safety	—	—
Highways and streets	\$29,692,386	—
Sanitation	—	\$27,265,325
Social welfare	—	—
Culture and recreation	—	—
Total Expenditures	<u>\$29,692,386</u>	<u>\$27,265,325</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$17,639,441</u>	<u>\$24,801,808</u>
OTHER FINANCING SOURCES (USES)		
Transfers In:		
General Fund	\$75,000	—
Special Revenue Funds	—	—
Capital Improvement Projects Fund	2,315,457	\$711,794
Other Governmental Funds	340,000	—
Transfers Out:		
General Fund	(6,530,459)	(9,437,639)
Special Revenue Funds	—	—
Capital Improvement Projects Fund	(12,507,267)	(9,410,000)
Other Governmental Funds	(387,913)	(5,076,705)
Total Other Financing Sources (Uses)	<u>\$(16,695,182)</u>	<u>\$(23,212,550)</u>
Net Change in Fund Balances	<u>\$944,259</u>	<u>\$1,589,258</u>
Fund Balances, Beginning of Year	<u>\$9,700,055</u>	<u>\$10,407,161</u>
Fund Balances, End of Year	<u>\$10,644,314</u>	<u>\$11,996,419</u>

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

Solid Waste Fund

Beginning in fiscal year 2018-19, the Solid Waste Fund became a self-sustaining fund, and is budgeted to contribute approximately \$4.5 million for County general obligation debt service in fiscal year 2018-19.

The major sources of revenue for the Solid Waste Fund are fees associated with landfill disposal and refuse collection. The County's revenues in fiscal year 2016-17 for the Solid Waste Fund is \$19.9 million, which represents approximately 4.0% of the County's total revenues. The County's adopted budgets for fiscal years 2017-18 and 2018-19 project total revenues for this fund to be \$43.7 million and \$28.4 million, respectively, representing 6.2% and 3.8% of the County's total revenues for fiscal years 2017-18 and 2018-19, respectively. The decrease in the fund's projected revenues is due to the creation of a separate EP&S Fund to manage and fund certain environmental protection and sustainability efforts of the County, which were previously managed by the Solid Waste Division. The adopted budget for fiscal year 2018-19 reflects the transfer of all EP&S expenditures from the Solid Waste Fund to the new EP&S Fund.

The landfill disposal fees (landfill tipping and permit fees) are collected as charges for current services. The County's collected fiscal year 2016-17 revenue from landfill disposal fees is \$12.2 million, compared to \$9.7 million in fiscal year 2015-16. The landfill disposal fees in fiscal year 2016-17 represented 57.9% of the total Solid Waste Fund revenues. The County's adopted budget for fiscal year 2017-18 estimates revenues of \$13.2 million from landfill disposal fees, representing an increase of \$1.1 million or 8.8% from the fiscal year 2016-17 recorded revenues. The County's adopted budget for fiscal year 2018-19 estimates revenues of \$15.0 million from landfill disposal fees, representing an increase of \$1.7 million or 12.7% from the fiscal year 2017-18 adopted budget.

Refuse collection fees are collected as charges for current services. The rate for fiscal year 2018-19 for this service is \$32 per refuse collection unit per month on the islands of Maui and Moloka'i, where once or twice-a-week service is provided. On the island of Lana'i, the rate is \$16 per refuse collection unit per month. The rate for fiscal year 2018-19 for refuse collection increased from \$27 per refuse collection unit per month on the islands of Maui and Moloka'i and \$14 per refuse collection unit per month on the island of Lana'i, when compared to the fiscal year 2017-18 adopted rates. This service delivered \$8.7 million in annual revenue for fiscal year 2017-18 and \$7.7 million for fiscal year 2016-17. This service is projected to generate \$10.4 million in annual revenue in fiscal year 2018-19, an increase of \$1.7 million or 20.2% from the adopted budget for fiscal year 2017-18.

Department of Water Supply

The Water Supply Fund was established to receive revenues collected by the Department of Water Supply. The department was created to develop adequate water sources, storage and transmission for both urban and agricultural uses for the County. Revenues are expended for the operation, maintenance and capital improvement projects of the Department of Water Supply. The Department of Water Supply is a self-sustaining fund.

Historical Financial Information. Tables 17 and 18 present certain summary financial information regarding the operation of the Department of Water Supply for fiscal year ended June 30, 2015, 2016 and 2017. For more information, see APPENDIX A – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017 attached hereto.

Table 17
COUNTY OF MAUI
DEPARTMENT OF WATER SUPPLY BALANCE SHEET
(Fiscal Years Ended June 30, 2015, 2016 and 2017)

	2015 ⁽¹⁾	2016 ⁽¹⁾	2017
ASSETS			
Unrestricted Current Assets	\$57,810,001	\$51,824,336	\$62,372,099
Restricted Current Assets	16,371,668	18,013,522	19,993,443
Total Current Assets	\$74,181,669	\$69,837,858	82,365,542
Capital Assets:			
Land	\$6,931,003	\$7,347,248	\$7,905,059
Building & Systems	3,336,702	13,269,642	3,336,702
Machinery & Equipment	30,103,735	45,856,104	31,328,567
Infrastructure	497,834,001	498,147,820	550,653,610
Construction in Progress	45,327,370	40,902,841	34,854,382
Accumulated Depreciation	(257,901,850)	(273,532,918)	(287,921,052)
Net Capital Assets	\$325,630,961	\$331,990,737	\$340,157,268
DEFERRED OUTFLOW OF RESOURCES			
Total Deferred Outflows of Resources	3,037,764	3,719,634	13,128,625
Total Assets and Deferred Outflows of Resources	\$402,850,394	\$405,548,229	\$435,651,435
LIABILITIES AND NET ASSETS			
Liabilities:			
Current Liabilities	\$16,297,595	\$13,085,957	\$14,035,294
Noncurrent Liabilities:			
Bonds Payable	27,202,780	24,932,975	22,083,619
Notes Payable	19,330,358	20,957,731	27,849,760
Accrued Vacation	1,051,319	1,226,308	1,292,463
Net Pension Liability	24,207,754	26,679,011	39,134,359
Total Liabilities	\$88,089,806	\$86,881,982	\$104,395,495
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	\$3,267,855	\$2,457,298	\$1,470,142
Net Position:			
Invested in capital assets, net of related debt	\$275,703,978	\$284,873,905	\$288,741,142
Restricted – Water	11,612,015	14,825,370	16,923,769
Unrestricted	24,176,740	16,509,674	24,120,887
Total Net Position	\$311,492,733	\$316,208,949	\$329,785,798

⁽¹⁾ As restated.

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2015, 2016 and 2017.

Table 18
COUNTY OF MAUI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEPARTMENT OF WATER SUPPLY
(Fiscal Year Ended June 30, 2015, 2016 and 2017)

	2015 ⁽¹⁾	2016 ⁽¹⁾	2017
OPERATING REVENUES:			
Charges for Services	\$59,286,522	\$60,543,612	\$63,633,235
Total Operating Revenues	\$59,286,522	\$60,543,612	\$63,633,235
EXPENSES			
Operating Expenses:			
Salaries and personnel services	10,657,943	10,633,649	11,012,602
Other operating expenses	38,678,438	34,272,983	36,399,712
Depreciation and amortization	14,431,573	16,254,652	14,406,243
Total Operating Expenses	\$63,767,954	\$61,161,284	\$61,818,557
Operating Income (Loss)	\$(3,852,648)	\$(617,672)	\$1,814,678
Non-operating Revenues (Expenses):			
Interest and investment earnings, net	322,326	610,572	785,552
Interest expense, net of capitalized interest	(1,375,269)	(919,220)	(389,602)
Total Non-operating Expenses	\$(1,052,943)	\$(308,648)	\$395,950
Income (Loss) Before Contributions and Transfers	(5,534,375)	(1,120,141)	2,210,628
Capital Contributions	5,642,587	6,465,141	11,366,221
Change in Net Position	108,212	5,345,000	13,576,849
Net Position, Beginning of Year (as previously reported)	335,102,390	311,492,733	316,208,949
Change in Accounting Principle⁽²⁾	(24,346,653)	—	—
Prior Period Adjustment	—	(628,784)	—
Net Position, Beginning of Year (as restated)	\$310,755,737	\$310,863,949	\$316,208,949
Net Position, End of Year	\$310,863,949	\$316,208,949	\$329,785,798

⁽¹⁾ As restated.

⁽²⁾ During the fiscal year ended June 30, 2015, the County adopted GASB 68 and GASB 71, establishing the accounting and reporting for pensions provided to the employees of the State and local governments through pension plans administered through trusts or equivalent arrangements.

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2015, 2016 and 2017.

Budgeted Financial Information. The County's adopted budget for fiscal year 2017-18 projects revenue for the Water Supply Fund from all sources for fiscal year 2017-18 of \$90.4 million, which will fund operations and capital improvement projects. This represents 8.8% of the total County estimated revenues. The County's adopted budget for fiscal year 2018-19 projects revenue for the Water Supply Fund from all sources for fiscal year 2018-19 of \$95.2 million, representing 8.4% of the County's total estimated revenues.

Water service fees are the primary source of revenue for the Department of Water Supply. This fee is charged to customers on a monthly basis for water usage, and an accrual for unbilled water revenue is made based on the estimated usage from the meter reading date nearest June 30th to the end of the fiscal period. The budgeted fiscal year 2017-18 and fiscal year 2018-19 revenue from water service fees is \$62.0 million and \$64.0 million, respectively. The fiscal year 2018-19 revenue from water service fees is anticipated to increase by \$1.8 million (or 2.8%) from prior fiscal year. The water service fees are estimated to generate 68.3% and 66.7% of the total Water Supply Fund's revenue for fiscal years 2017-18 and 2018-19, and represents 8.8% and 8.4% of the total estimated revenues from County sources, respectively.

Deposits and Investments

The County maintains a cash and investment pool that is used by all funds except the Employee Retirement System and the employee deferred compensation fund which are organized and administered separately by the State.

The County maintains an investment policy which among other things limits investment maturities to no more than five years. State statutes authorize the County to invest in obligations of the U.S. Treasury and U.S. government agencies, obligations of the State and the County, bank certificates of deposit, commercial paper, bankers acceptance and bank repurchase agreements, provided that bank certificates of deposit or other bank obligations are fully collateralized as required by State laws. With the exception of U.S. Treasury securities, no more than 30% of the County's investment portfolio is invested in a single type of security or financial institution. The County has retained The Bank of New York Mellon Trust Company, N.A. as bank custodian for the safekeeping of its securities. The County's unaudited investment balances as of June 30, 2018 are presented in Table 19 below.

Table 19
COUNTY OF MAUI
INVESTMENT BALANCES
(As of June 30, 2018)
(Unaudited)

<u>Type of Security</u>	<u>Book Value</u>	<u>% of Portfolio</u>
Certificates of Deposit	\$98,176,295	31.53%
U.S. Treasury Securities	8,779,166	2.82%
U.S. Agency Securities	<u>204,452,462</u>	<u>65.65%</u>
Total:	<u>\$311,407,923</u>	<u>100.00%</u>

Source: County of Maui, Office of the Treasurer.

Reserve and Other Funds

The County maintains reserves in its General Fund and Emergency Fund. In general, any unappropriated surplus and any unencumbered balances of any appropriations in any fund at the end of any fiscal year will be available for appropriation for the succeeding fiscal years. All or a portion of the surplus may be transferred to any emergency fund or to a capital improvement reserve fund. No amounts transferred into emergency reserve or capital improvement reserve funds are deducted from amounts to be raised by taxes for ensuing years. The County's unassigned General Fund and Emergency Fund balances for the last five fiscal years are summarized below. See "COUNTY FINANCIAL INFORMATION – General Fund Performance – Budgeted and Actual Financial Information" herein.

Table 20
COUNTY OF MAUI
UNASSIGNED GENERAL FUND AND EMERGENCY FUND BALANCES
(As of June 30, 2013-2017)
(in Millions)

As of June 30	Unassigned General Fund Balance	Emergency Fund Balance	Total
2013	\$47.5	\$20.8	\$68.3
2014	42.4	23.8	66.2
2015	31.7	27.2	58.9
2016	22.7	31.2	53.9
2017	25.1	34.0	59.1

Source: County of Maui, Department of Finance

Emergency Fund. In 2004, the County established an Emergency Fund for the purpose of funding costs associated with a public emergency threatening life, health, property, or the economic viability of the County. The fund is maintained outside the General Fund and is available for appropriation only in the event of an emergency. Balances remaining in the fund at the end of a fiscal year do not lapse but accumulate from year to year. In 2012, the Mayor set a policy to increase the Emergency Fund to 20% of General Fund revenue, based on the Government Finance Officer's best practice recommendation to have at least two months' worth of funds available in reserves. Such policy has not been approved by the County Council and could be changed.

The County has appropriated amounts from the Emergency Fund in connection with mitigation efforts relating generally to rain and flooding events. As of June 30, 2018, the balance in the Emergency Fund was approximately \$33.47 million (unaudited), which amount includes appropriated but unspent amounts of approximately \$4.5 million. In the fiscal year 2018-19 budget ordinance, the County has budgeted to appropriate a deposit of \$6.5 million into the Emergency Fund.

Budgeted Financial Information

Table 21 below sets forth the County's adopted budgets for the General Fund for fiscal years 2015-16 through 2018-19. In general, adopted budgets differ significantly from financial statements prepared in accordance with GAAP because they are prepared on a cash basis and may include other items not included in audited financial statements.

Table 21
COUNTY OF MAUI
GENERAL FUND
ADOPTED BUDGETS FOR THE FOR FISCAL YEARS 2015-16 THROUGH 2018-19
(in thousands)

	Adopted 2015-16	Adopted 2016-17	Adopted 2017-18	Adopted 2018-19
	<u>County Budget</u>	<u>County Budget</u>	<u>County Budget</u>	<u>County Budget</u>
<u>REVENUES SOURCE:</u>				
Taxes, Fees and Assessments				
Charges for current services	\$1,129.0	\$1,271.0	\$1,200.0	\$1,517.7
Licenses, permits & others	10,043.0	12,572.7	12,543.0	13,622.0
Other intergovernmental	65.0	75.0	75.0	75.0
Public service co. tax	9,061.8	9,100.0	8,500.00	7,500.0
Real property taxes	255,584.2	273,489.2	303,175.7	321,485.7
Special assessments	480.0	1,400.0	2,123.0	2,802.0
Transient accommodation tax	23,280.0	23,484.0	21,204.0	23,484.0
From Other Sources				
Bond/lapsed bond	5,815.0	16,162.0	32,805.0	61,242.0
Carryover savings	22,570.3	17,578.4	6,273.9	19,654.4
Interfund transfers	26,303.7	28,701.5	28,277.5	27,179.2
Total Revenues⁽¹⁾	<u>\$354,331.9</u>	<u>\$383,833.8</u>	<u>\$416,177.1</u>	<u>\$478,562.0</u>
<u>EXPENDITURES:</u>				
Operating Expenditures				
Culture and recreation	\$30,743.7	\$29,874.5	\$28,777.0	\$32,107.3
General government	179,607.9	192,059.1	208,778.4	219,910.9
Highways, streets, transportation	8,386.3	8,348.3	8,047.0	8,395.2
Legislative	8,268.4	8,545.4	9,336.4	9,738.4
Public safety	89,507.9	97,617.3	97,435.0	106,461.4
Social welfare	18,824.9	19,483.6	19,054.2	22,340.9
Capital Expenditures	18,992.8	27,905.6	44,749.0	79,608.0
Total Expenditures⁽¹⁾	<u>\$354,331.9</u>	<u>\$383,833.8</u>	<u>\$416,177.1</u>	<u>\$478,562.0</u>

⁽¹⁾ Totals may not add up due to independent rounding.

Source: County of Maui Budget Office.

Capital Improvement Program

The County updates its six-year capital improvement program annually, developing the projects from plans and studies that guide the overall growth of the County. The fiscal year 2018-19 capital improvement program identifies \$172.2 million in capital projects. These projects are expected to be funded by bond proceeds, County funds, SRF loans and grants. Tables 22 and 23 show major improvements by project types and community plan district expenditures as adopted for the fiscal year ending June 30, 2019 and the ensuing five fiscal years.

Table 22
COUNTY OF MAUI
SIX-YEAR CAPITAL IMPROVEMENTS BY PROJECT TYPE
(in thousands)

Project Type	Fiscal Year 2019	Fiscal Years 2020-24	Total Cost
Drainage	\$10,300.00	\$23,850.00	\$34,150.00
Government Facilities	44,195.00	—	44,195.00
Other Projects	2,576.00	76,407.00	78,983.00
Parks and Recreation	6,070.00	12,300.00	18,370.00
Road Improvements	16,640.00	141,090.00	157,730.00
Sanitation	34,071.00	110,613.00	144,684.00
Wastewater	3,400.00	24,130.00	27,530.00
Water Supply	22,945.00	186,620.00	209,565.00
Total	\$32,000.00	\$111,160.00	\$143,160.00

Source: County of Maui Budget Office.

Table 23
COUNTY OF MAUI
SIX-YEAR CAPITAL IMPROVEMENTS BY DISTRICT
(in thousands)

Community Plan District	Fiscal Year 2019	Fiscal Years 2020-24	Total Cost
Countywide	\$45,862.00	\$154,995.00	\$200,857.00
Hana	3,370.00	55,175.00	58,545.00
Kihei-Makena	15,287.00	103,120.00	118,407.00
Lana`i	2,830.00	2,172.00	5,002.00
Makawao-Pukalani-Kula	16,250.00	55,578.00	71,828.00
Moloka`i	3,185.00	52,015.00	55,200.00
Paia-Haiku	3,350.00	28,130.00	31,480.00
Wailuku-Kahului	63,590.00	142,830.00	206,420.00
West Maui	18,473.00	92,155.00	110,628.00
Total	\$45,862.00	\$154,995.00	\$200,857.00

Source: County of Maui Budget Office.

Budget Process

The County Charter requires the Mayor on or before March 25 of each year to submit to the County Council an operating budget for the ensuing fiscal year, a capital program and an accompanying message. The operating budget and the capital program are prepared by the Mayor with the assistance of the Department of Finance. The operating budget presents a complete financial plan for the current operations of the County and its departments. The capital program contains capital improvements pending or proposed to be undertaken within the ensuing fiscal year and ensuing five fiscal years, together with the estimated cost of each improvement and pending or proposed method of financing. Chapter 46, Hawaii Revised Statutes was amended in 1993 to permit counties to prepare budgets on a one or two year period. The County Charter provides for one-year budgets.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget ordinance approved by the County Council. Activities of the General Fund, special revenue funds (except for special revenue – County funds), debt service fund, and capital projects fund are included in the annual budget ordinance.

Public hearings are held by the County Council between April 1 and April 30 in the year of submission. After public hearing, the operating budget and capital program are subject to review and amendment by the County Council. If, however, the County Council fails to pass an operating budget on or before June 10 of a given year, the County Charter provides that the operating budget submitted by the Mayor will be deemed enacted as the operating budget for the ensuing fiscal year. The County Charter further states that the Mayor may disapprove the budget bill passed by the County Council within 10 days from the Mayor's receipt of such bill. Thereafter, the County Council may, within 10 days after the bill is returned by the Mayor, override the Mayor's veto by a two-thirds vote of the County Council's entire membership. The County Charter further states that the estimated revenues, proposed expenditures and total appropriations for the ensuing fiscal year shall be equal in amount.

Every appropriation, except an appropriation for a capital improvement, lapses at the close of the fiscal year to the extent the same has not been expended or encumbered by a written contract. An appropriation for a capital improvement remains in force until the purpose for which it was made has been accomplished or abandoned. Under the current County Charter, an appropriation for a capital improvement will be deemed abandoned six months after the close of the fiscal year to the extent that it has not been expended or encumbered by a written contract.

The County Charter provides that no payment may be authorized or made and no obligation incurred against the County except in accordance with appropriations duly made.

Debt Management and Related Policy and Practices

In addition to the practices required by State law, the County currently has policies that limit the ratio of annual debt service to total governmental expenditures to not more than 10%, the ratio of net bonded debt to assessed property value to not more than 15%, and the net bonded debt per capita to not more than \$2,500. These policies may be amended at any time.

The County has adopted financial procedures which provide that in the event there are monies in any County fund that, in the judgment of the Director of Finance, are in excess of the amounts necessary for the immediate requirements of the respective funds, and where in the judgment of the Director of Finance, such action will not impede the necessary or desirable financial operation of the County, the Director of Finance may make temporary transfers or loans therefrom without interest to the Bond Fund. Monies transferred or loaned to the Bond Fund shall be expended only for appropriations which are

specified to be financed from the future sale of general obligation bonds. The amount of such temporary transfers or loans will not exceed the amount of general obligation bonds or notes authorized but not issued. At any time the aggregate amount of such transfers and loans that shall be unreimbursed shall not exceed \$55 million. The County intends from time to time to issue general obligation bonds to reimburse such advances.

The County also has policies which provide that unreserved fund balance will be maintained at a minimum of 5% of annual General Fund expenditures (when combined with the Emergency Fund policy, the minimum unreserved fund balance would be 25%), and that the debt service coverage from net water system revenues of the Department of Water Supply to be no less than 1.15%. See "COUNTY FINANCIAL INFORMATION – Reserve and Other Funds – Emergency Fund." These policies may be amended at any time.

Employee Relations

The State Constitution grants public employees the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, Hawaii Revised Statutes, provides for 14 recognized bargaining units for all public employees throughout the State, including County employees. Eight of these bargaining units represent County employees, each of which designates an employee organization as the exclusive representative of all employees of such unit in negotiations with the public employer. In the case of six of these bargaining units, which represent both State and county employees (including employees of the County), the State and the counties are required to bargain jointly with the bargaining units. Decisions by the employer representatives are determined by a majority of the votes cast. Under statutes, the governor holds a number of votes sufficient to ensure that the governor cannot be outvoted. Thus, by way of example, where the employer representatives consist of the governor and the mayors of the State's four counties, the governor holds four votes, and each of the four mayors holds one vote.

In the event of an impasse, the only union permitted by law to conduct an employee strike against the County is bargaining unit 1, which represents the County's non-supervisory employees in blue collar positions. In the case of all other bargaining units (as identified on Table 24 below), an impasse is required to be resolved through mediation, fact finding, and compulsory "final and binding arbitration." Although HRS Chapter 89 characterizes arbitration as "final and binding," it also provides that all cost items are subject to approval by the respective legislative bodies of the State and each county.

As of June 30, 2018, 2,277 County employees are represented by eight public employee bargaining units, as set forth in Table 24 below. These do not include elected and appointed officials, exempt attorneys, Play and Learn Sessions (PALS) program's seasonal employees, school crossing guards, and contractual hires as well as other excluded personnel.

Table 24
COUNTY OF MAUI
BARGAINING UNITS
as of June 30, 2018

<u>Bargaining Unit</u>	<u>Number of Employees Covered</u>	<u>Contract Expiration Date</u>
Unit 1-blue collar (nonsupervisory)	584	6/30/2021
Unit 2-blue collar (supervisory)	44	6/30/2019
Unit 3-white collar (nonsupervisory)	583	6/30/2019
Unit 4-white collar (supervisory)	32	6/30/2019
Unit 11-firefighters	290	6/30/2019
Unit 12-police	337	6/30/2021
Unit 13-professional and scientific	347	6/30/2019
Unit 14-ocean safety officers	60	6/30/2019
Total	<u>2,277</u>	

Source: County of Maui, Department of Finance

State Employees' Retirement System

The following section contains information obtained from the actuarial valuation reports dated January 8, 2018 of the State's actuary, Gabriel Roeder Smith & Company ("GRS&C") and the Employees' Retirement System of the State of Hawaii (the "System" or "ERS"). GRS&C has performed an actuarial analysis of ERS as of June 30, 2017 and June 30, 2016. The County has reviewed the information provided below and has no reason to believe that such information is not accurate; however actuarial valuations include significant assumptions as to future events and actual results are likely to vary from those assumptions. Reference is made to Note 10 to the County's audited financial statements attached as Appendix A for additional information regarding the County's pension obligations and this Section should be read in conjunction with such information.

All regular employees of the County are covered under the ERS, a cost-sharing, multiple-employer defined benefit pension plan that provides retirement, disability and death benefits funded by employee contributions and by employer contributions determined on an actuarial reserve basis. Employees are covered under a contributory plan, a noncontributory plan or a hybrid contributory plan. Actuarial valuations are prepared annually by the consulting actuary to the ERS's Board of Trustees to determine the employer contribution requirement. In a cost-sharing, multiple employer arrangement, the plan's assets can be used to pay the benefits for the retirees of any participating employer.

The System uses a variety of assumptions to calculate the total pension liability, net pension liability, annual pension expense and other actuarial calculations and valuations of the System and, in turn, to attribute a share of its liabilities and costs to participating employers, including the County. No assurance can be given that any of the assumptions underlying such calculations and valuations will reflect the actual results experienced by the System. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System's total pension liability, net pension liability or funded ratio and, in turn, the County's share of the System's costs and liabilities. Actuarial assessments will change with the future experience of the pension plans.

General Information on the System. The ERS provides retirement, disability, and death benefits that are covered by the provisions of the noncontributory, contributory, and hybrid retirement plans. As of June 30, 2017 the ERS had 65,911 active members in the various plans, of which 13,743 active employees are in the noncontributory plan, 5,859 active employees are in the contributory plan (of which 5,009 are police officers and firefighters), and 46,309 active members are in the hybrid plan. The hybrid plan membership is expected to continue to increase in the future as most new employees hired from July 1, 2006 are required to join this plan.

The three plans provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation (“AFC”) multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. For members hired before January 1, 1971, AFC is the higher of the average salary earned during five highest paid years of service, including the payment of salary in lieu of vacation, or the three highest paid years of service excluding the payment of salary in lieu of vacation. For members hired on or after January 1, 1971 and before July 1, 2012, AFC is based on the three highest paid years of service, excluding the payment of salary in lieu of vacation. For members hired after June 30, 2012, AFC is based on the five highest paid years of service, excluding the payment of salary in lieu of vacation.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.). For members hired after June 30, 2012, the post-retirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees. Further details of the benefits provisions of the pension plans may be found in the County’s Comprehensive Annual Financial Report and in the financial and actuarial reports of the System. The System is funded from contributions by employers and, for the contributory and hybrid plans, by employees as well.

Funding Policy. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action. Employer contributions are determined in accordance with Sections 88-122 and 88-123, Hawaii Revised Statutes, as amended. Employer contributions are determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the ERS. Effective July 1, 2005, Section 88-122 was amended to establish fixed employer contribution rates as a percentage of compensation. The contribution rates are subject to adjustment: (1) if the actual period required to amortize the unfunded accrued liability exceeds thirty years; (2) if there is no unfunded accrued liability; or (3) otherwise as determined on the basis of an actuarial investigation conducted in accordance with Section 88-105, Hawaii Revised Statutes.

In fiscal year 2015-16, changes in actuarial assumptions, individual salary increases exceeding the original assumptions, and System investment losses (the System had to defer \$929 million in investment losses as of the June 30, 2016 actuarial valuation date compared to \$42 million in deferred gains from the prior year) caused the funding period to increase to 66 years from the June 30, 2016 valuation date. Because the funding period exceeded 30 years as required by HRS Section 88-122, the employer contribution rates were adjusted in May 2017, when the Governor of the State signed into law Act 17 SLH 2017. Pursuant to Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for police officers and firefighters will increase to 28.00% on July 1, 2017; 31.00% on July 1, 2018; 36.00% on July 1, 2019; and 41.00% on July 1, 2020 and the rate for all other employees

will increase to 18.00% on July 1, 2017; 19.00% on July 1, 2018; 22.00% on July 1, 2019; and 24.00% on July 1, 2020. Based on these revised contribution rates, the fiscal year 2016-17 actuarial valuation shows that the ERS is expected to be fully funded in 2043.

The following schedule obtained from the State shows the total actuarially determined employer contribution rate for all employees, the respective funding periods (*i.e.*, the number of years within which the unfunded liability of the System is expected to be eliminated), and the employer contributions made during each fiscal year, based on the last five annual actuarial valuations.

Table 25
STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM
EMPLOYER CONTRIBUTION RATES

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for All Employees (% of total payroll)	Funding Period (Years)	Employer Contributions During Fiscal Year (in 000s)
2013	16.76%	28.0	\$581,447
2014	17.28	26.0	653,128
2015	17.89	26.0	717,793
2016	17.91	66.0 ⁽¹⁾	756,558
2017	19.16	26.0	781,244

⁽¹⁾ In fiscal year 2015-16, changes in actuarial assumptions, individual salary increases exceeding the original assumptions, and System investment losses caused the funding period to increase to 66 years from the June 30, 2016 valuation date. As discussed above, the employer contribution rates were adjusted in May 2017. The ERS is expected to be fully funded in 2043 based on these new contribution rates.

Source: Employees' Retirement System of the State of Hawaii.

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Funding Progress. The following table summarizes the funding progress of the ERS for the last five years. The actuarial value of assets is based on a four-year smoothed valuation that recognizes the excess or shortfall of investment income over or under the current 7.00% actuarial investment assumption.

Table 26
STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

Valuation Date (June 30) (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (3)	Unfunded Actuarial Accrued Liability (3)-(2) (3)-(2)	Funded Ratio (2)/(3) (2)/(3)	Annual Covered Payroll (4)	UAAL as a % of Payroll [(3)-(2)]/(4) [(3)-(2)]/(4)
2013	\$14,748.8	\$21,243.7	\$8,494.9	60.0%	\$3,906.7	217.4%
2014	13,641.8	22,220.1	8,578.3	61.4	3,991.6	214.9
2015*	14,463.7	23,238.4	8,774.7	62.2	4,171.4	210.4
2016*	14,998.7	27,439.2	12,440.5	54.7	4,258.9	292.1
2017	15,720.6	28,648.6	12,928.0	54.9	4,265.0	303.1

* New assumption effective on valuation date.

Source: *Gabriel, Roeder, Smith & Company, Report to the Board of Trustees of the Employees' Retirement System of the State of Hawaii as of June 30, 2017.*

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The following table sets forth the System's projected funding progress through the fiscal year ending June 30, 2046. The projection assumes no actuarial gains or losses in the actuarial liabilities or the actuarial value of assets. In addition, the projection reflects the changes made to the benefits and member contribution rates of employees hired after June 30, 2012. The projection assumes that all assumptions are met, including a 7.00% annual return on the current actuarial value of assets.

Table 27
STATE OF HAWAII
PROJECTED FUNDING PROGRESS
(Dollar amounts in millions)

Valuation Date (June 30)	Employer Contribution Rate for FY following Valuation Date	Employer Contributions	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio
2017	19.16%	\$817	\$28,649	\$15,721	\$12,928	54.9%
2018	20.39	892	29,710	16,370	13,341	55.1
2019	23.61	1,062	30,864	17,161	13,703	55.6
2020	25.95	1,200	32,022	18,108	13,914	56.5
2021	25.95	1,235	33,181	19,185	13,996	57.8
2022	25.94	1,270	34,342	20,293	14,049	59.1
2023	25.93	1,308	35,504	21,435	14,069	60.4
2024	25.92	1,346	36,666	22,614	14,052	61.7
2025	25.91	1,386	37,826	23,831	13,995	63.0
2026	25.90	1,429	38,985	25,092	13,893	64.4
2027	25.89	1,473	40,141	26,400	13,741	65.8
2028	25.88	1,519	41,297	27,763	13,534	67.2
2029	25.88	1,567	42,455	29,188	13,267	68.8
2030	25.87	1,617	43,615	30,683	12,932	70.3
2031	25.86	1,670	44,780	32,255	12,525	72.0
2032	25.85	1,724	45,951	33,913	12,038	73.8
2033	25.85	1,781	47,128	35,666	11,462	75.7
2034	25.84	1,840	48,314	37,523	10,791	77.7
2035	25.84	1,902	49,513	39,498	10,015	79.8
2036	25.84	1,966	50,726	41,601	9,125	82.0
2037	25.84	2,033	51,958	43,847	8,110	84.4
2038	25.84	2,103	53,212	46,252	6,960	86.9
2039	25.84	2,176	54,496	48,833	5,663	89.6
2040	25.85	2,252	55,813	51,608	4,205	92.5
2041	25.85	2,332	57,171	54,597	2,574	95.5
2042	25.86	2,414	58,577	57,823	754	98.7
2043	4.30	415	60,037	61,307	(1,270)	102.1
2044	4.25	425	61,558	62,916	(1,357)	102.2
2045	4.21	436	63,148	64,599	(1,451)	102.3
2046	4.18	448	64,811	66,362	(1,551)	102.4

Source: Gabriel, Roeder, Smith & Company, Report to the Board of Trustees of the Employees' Retirement System of the State of Hawaii as of June 30, 2017.

In 2012, the Government Accounting Standards Board (“GASB”) voted to approve Statement No. 67 (“GASB 67”) and Statement No. 68 (“GASB 68”) relating to the accounting and financial reporting for public employee pension plans by state and local governments. GASB 67 requires enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans. GASB 68 requires governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate will be required in valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans will be required to report their proportionate shares of the collective net pension liability and expense for such plans. GASB 67 and GASB 68 are effective for reporting periods beginning after June 15, 2013 and June 15, 2014, respectively.

The following table summarizes the employers’ net pension liability of the ERS for the last five years.

Table 28
STATE OF HAWAII
SCHEDULE OF EMPLOYERS’ NET PENSION LIABILITY
(Dollar amounts in millions)

Valuation Date (June 30) (1)	Total Pension Liability (2)	Plan Net Position (3)	Net Pension Liability (2)-(3)	Plan Net Position as a % of Total Pension Liability (3)/(2)	Covered Payroll (4)	Net Pension Liability as a % of Covered Payroll [(2)-(3)]/(4)
2013	\$21,243.7	\$12,311.8	\$8,931.9	57.96%	\$3,720.8	240.05%
2014	22,220.1	14,203.0	8,017.1	63.92	3,829.0	209.38
2015	23,238.4	14,505.5	8,732.9	62.42	3,995.4	218.57
2016	27,439.2	14,070.0	13,369.2	51.28	4,112.2	325.11
2017	28,648.6	15,698.3	12,950.3	54.80	4,243.5	305.18

Source: Gabriel, Roeder, Smith & Company, GASB Statement No. 67 and 68 Accounting and Financial Reporting for Pensions, June 30, 2017.

County Pension Obligations. Each employer’s (i.e., the State’s or a county’s) annual contribution to the ERS is determined by multiplying (1) the total employer contribution requirement derived from the annual actuarial valuation as of the next preceding June 30, by (2) the ratio of that employer’s (i.e., the State’s and each of the respective county’s) payroll over the total covered payroll included in the actuarial valuation. For example, the County’s contribution requirement for the 2016-17 fiscal year is based on the June 30, 2014 actuarial valuation and the payroll used in that valuation.

Gabriel, Roeder, Smith & Company prepared reports to the ERS dated September 11, 2017 (the “2016 GASB 67/68 Report”) and March 16, 2018 (the “2017 GASB 67/68 Report”) in connection with GASB 67 and GASB 68. The GASB 68 information shown in the 2016 GASB 67/68 Report and the 2017 GASB 67/68 Report was determined as of June 30, 2016 and June 30, 2017, respectively, but employers such as the County have used or will use this information in its audited financial statements for the fiscal year ended June 30, 2017 or the fiscal year ending June 30, 2018, respectively. A summary of

the County's proportionate share of the net pension liability (based on a 7.0% investment rate) and net pension expense as of June 30, 2016 and June 30, 2017 is provided below:

Table 29
COUNTY OF MAUI
PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND NET PENSION EXPENSE

June 30	% Proportionate Share	Proportionate Share of Net Pension Liability	Proportionate Share of Pension Expense
2016	4.43%	\$592,379,379	\$71,744,629
2017	4.62	598,462,510	87,966,688

Source: 2016 GASB 67/68 Report and 2017 GASB 67/68 Report.

The following table presents the County's contribution to the ERS costs for the last five fiscal years:

Table 30
COUNTY OF MAUI
ANNUAL PENSION COSTS

June 30	Contribution to State Retirement System Cost (in Millions)
2014	\$26.8
2015	30.2
2016	30.9
2017	71.8 ⁽¹⁾
2018	87.9 ⁽²⁾

⁽¹⁾ Increase of \$40.9 million is due to the legislation enacted on May 18, 2017 (Act 17/2017, S.B. 936), which increased employer contributions by the State and counties in a phased-in-contribution increase over the next four years beginning with fiscal year 2017-18.

⁽²⁾ Unaudited.

Source: County of Maui, Department of Finance.

In 2016, GASB voted to approve Statement No. 82 ("GASB 82"), addressing issues regarding (1) the presentation of payroll-related measures in required supplementary information included in the County's audited financial statements, and (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The requirements of GASB 82 were effective for the County's reporting periods beginning after June 15, 2016. The County has adopted certain requirements of GASB 82, resulting in the reclassification of payments made by the County to satisfy employee contribution requirements that were previously deferred in the period for which the contributions were assessed and recorded as expenses in the subsequent fiscal year. The effect for the fiscal year ended June 30, 2016 was a decrease to the change in total net position of approximately \$1.06 million and a decrease in total deferred outflows of resources related to pensions and ending net position by approximately \$13.1 million.

Recent Developments. On June 4, 2018, the Governor of the State signed into law Act 19 Session Laws of Hawaii, 2018 (“Act 19”), which allows the State and the counties to pay employer contributions to the ERS in advance of the fiscal year in which the contributions are required and to receive credit against future required payments. Act 19 does not require separate accounts to be established or maintained for each contributing entity that would restrict the use of such funds to only the particular employees of the contributing entity. At this time, the County cannot predict what impact, if any, the adoption of Act 19 will have on the ERS or the County’s funding obligations in connection therewith.

The ERS issues a Comprehensive Annual Financial Report that may be obtained by writing to the Employees’ Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Health Care Benefits

All regular employees of the County are eligible for coverage under health plans provided through the State of Hawaii Public Employer-Union Health Benefit Trust Fund (the “Trust Fund”), which was established in 2003 to design, provide and administer health and other benefit plans for State and county employees, retirees and their dependents. The Trust Fund is administered by a ten-member Board of Trustees appointed by the Governor (the “Board”) comprised of five union representatives and five management representatives. The Board is responsible for determining the nature and scope of health plans offered by the Trust Fund, negotiating and entering into contracts with insurance carriers, ruling on eligibility and establishing management policies for the Trust Fund and overseeing Trust Fund activities. The Trust Fund currently provides medical, prescription drug, dental, vision, chiropractic and group life benefits. Benefits with respect to regular employees are funded by a combination of employer contributions set by collective bargaining agreement or by executive order (with respect to non-union employees) and employee contributions through payroll deductions. Benefits for retirees are funded by a statutory formula.

In recent years, public and private health plan providers nationwide and in Hawaii, including the Trust Fund, have experienced substantial increases in health care costs. In the case of the Trust Fund, the current fiscal situation faced by the State and county employers has made it extremely difficult for the employers to offer more employer contributions for medical benefits to maintain the historical employer-employee contribution ratio. As a result, in certain recent years plan rates have been increased with employees bearing a larger share. Consequently, the County cannot predict how such actions taken by the Board in the future may affect its employee relations or its financial obligations with respect to employee health benefits.

Other Post-Employment Benefits (OPEB)

The following section contains information obtained from the report dated January 16, 2018, of the County’s actuarial advisor, GRS&C. GRS&C has performed an actuarial analysis of the County’s OPEB as of July 1, 2017. The County has reviewed the information provided below and has no reason to believe that such information is not accurate; however actuarial valuations include significant assumptions as to future events and actual results are likely to vary from those assumptions. Reference is made to Note 10 to the County’s audited financial statements attached as Appendix A for additional information regarding other postemployment benefits due to County employees, and this Section should be read in conjunction with such information.

The State and its subdivisions (including the County) provide healthcare benefits to public employees, retirees, and their dependents through the Hawaii Employer-Union Health Benefits Trust

Fund (the "EUTF"). As an agency of the State, the EUTF contracts with providers of medical, dental, vision, and life insurance plans.

The provisions for coverage and eligibility of benefits are set forth in Hawaii Revised Statutes (HRS) Chapter 87A. Generally, retirees and their dependents may receive health care coverage if they are eligible for their employer's public pension system. Employers make contributions to the EUTF based on an employee's hire date and years of service. Retirees pay the portion of the premium not paid by the employer. These retiree healthcare benefits constitute other postemployment benefits ("OPEB"). For active employees, the employee's contributions are based upon negotiated collective bargaining agreements. Employer contributions for employees not covered by collective bargaining agreements and for retirees are prescribed by the HRS.

The plan is an agent multiple-employer plan, which means that the assets of the County deposited with the EUTF can only be used to pay benefits for the County's retirees. Additionally, the County's unfunded actuarial accrued liability and annual required contribution for retiree medical benefits are determined based solely on the County's membership and assets.

The Government Accounting Standards Board issued Statements No. 43 ("GASB 43") and No. 45 ("GASB 45") which govern financial reporting of OPEB. GASB 43 was implemented by the Trust Fund for fiscal year ending June 30, 2007 and GASB 45 was implemented by the County for fiscal year ending June 30, 2008.

The objective of GASB 45 is to more accurately reflect the financial effects of OPEB transactions, including the amounts paid or contributed by the government. The County, along with most other governments, previously followed a "pay as you go" accounting approach in which the cost of benefits was not reported until after employees retire. GASB now requires the development of an Annual Required Contribution ("ARC") each year based on a plan's assets and liabilities. The ARC is the basis for determining the Annual OPEB Cost ("AOC"), which is the amount employers recognize as annual expense. Although GASB does not actually require pre-funding, the portion of the ARC that is not funded each year accumulates as a liability on an employer's financial statements. The ARC represents the level of funding which, if paid on an ongoing basis, is projected to cover current costs annually (or the normal cost) and to amortize the unfunded Actuarial Accrued Liabilities ("AAL") over a period not to exceed 30 years.

The County contributed 100% of the ARC to the Trust Fund for fiscal years 2007-08 and 2008-09 (the ARC for fiscal year 2008-09 was paid in fiscal year 2009-10), including the current costs for such years and the additional amount to provide for the amortization of the unfunded AAL. In April 2010, certain information became available from the State's actuary concluding that the Trust Fund was not in compliance with GASB 43. In light of the implications, the County did not contribute its net OPEB obligation funds to the Trust Fund from fiscal year 2009-10 through fiscal year 2012-13, opting to allow the Trust Fund to resolve the actuary's concerns. Instead, for fiscal years 2009-10 through 2012-13, the County deposited amounts into its internally-held Post Employment Obligations Fund, where the funds accrued interest until such funds were transferred to the Trust Fund.

In July 2013, the Governor signed Act 268 into law. Act 268 created a separate trust fund (the "OPEB Trust") as of June 30, 2013, specifically for prefunding a participating employer's OPEB benefits. Previous prefunding contributions and related net investment earnings were transferred to each employer's respective OPEB Trust account. Employer contributions to the OPEB Trust are irrevocable, and all assets of the fund will be dedicated exclusively to providing health and other benefits to retirees and their beneficiaries. The assets of the OPEB Trust will not be subject to appropriation for any other

purpose and will not be subject to claims by creditors of the employers or the trustees of the fund or the plan administrator.

In June 2014, the County transferred approximately \$97.2 million to the OPEB Trust from the County's internally-held Post Employment Obligations Fund. The contribution increased the assets of the plan by over 300%. As of the July 1, 2017 valuation date, the County's assets in the Trust Fund were valued at \$205.2 million.

Act 268 establishes an ARC equal to (a) the normal cost, plus (b) an amortization payment to fund the AAL over a period of 30 years (the ARC prefunding portion). Moreover, Act 268 requires employers to contribute 100% of the ARC prefunding portion starting in fiscal year 2018-19. Full funding of the ARC prefunding portion is phased-in according to the schedule set forth below. As further described below, the County has contributed more than the minimum amounts required under Act 268.

Fiscal Year	Minimum ARC Prefunding Phase-in Required under Act 268
2014-15	20%
2015-16	40
2016-17	60
2017-18	80
2018-19	100

GRS&C prepared the actuarial calculations to determine the County's ARC for fiscal years 2017-18 and 2018-19 to satisfy the requirements of Act 268 and to comply with GASB 43 and 45. The ARC for the fiscal year ended June 30, 2017 was \$31.8 million, and the actuarial report calculated ARC for the fiscal years ending June 30, 2018 and June 30, 2019 to be \$32.9 million and \$35.0 million, respectively. Based on the ARC prefunding phase-in schedule established by Act 268, the County's minimum prefunding contribution for fiscal year 2017-18 is \$12.5 million (computed as 80% of the ARC prefunding portion (\$15.6 million) required to fully-fund the ARC). The County has budgeted \$18.1 million to fully fund its ARC in fiscal year 2018-19.

The valuation report also quantifies the AAL of the County based on a 7.0% discount rate. The discount rate can have a considerable impact on the magnitude of the liabilities, with lower discount rates resulting in higher liabilities. As guidance in selecting an appropriate discount rate, GASB states that the discount rate should be based on the long-term yield of investments used to finance the benefits. There can be no assurance that the long-term yield of Maui's OPEB investment assets will achieve this 7.0% rate of return.

GRS&C's report also provides a summary of the County's employer contributions and funding progress based solely on amounts previously deposited by the County with the Trust Fund and prior to the enactment of Act 268. Table 31 below sets forth a summary of the County's annual OPEB costs and net OPEB obligations for the fiscal years 2014-15, 2015-16 and 2016-17.

Table 31
COUNTY OF MAUI
ANNUAL OPEB COSTS
FISCAL YEARS 2014-15 THROUGH 2016-17
(Dollar Amounts in Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Act 268 Minimum Prefunding Percentage	Net OPEB Obligation/(Asset)
2014-15	\$28,217	99.5%	20.0%	\$(3,308)
2015-16	29,212	99.9	40.0	(3,273)
2016-17	31,763	100.4	60.0	(3,398)

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

The table below sets forth the schedule of funding progress relating to the County's OPEB obligations:

Table 32
COUNTY OF MAUI
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS⁽¹⁾
(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (c)	Funded Ratio (a)/(b)	Covered Payroll (d)	UAAL as a % of Covered Payroll (c)/(d)
7/1/07	—	\$232,885	\$232,885	0.0%	\$125,513	185.5%
7/1/09	\$25,089	382,835	357,746	6.6	135,591	263.8
7/1/11	25,138	369,774	344,636	6.8	132,400	260.3
7/1/13	26,838	386,100	359,262	7.0	143,438	250.5
7/1/15	148,983 ⁽¹⁾	445,986	297,003	33.4	165,229	179.8
7/1/17	205,190	522,749	317,559	39.3	173,155	183.4

⁽¹⁾ In June 2014, the County transferred approximately \$97.2 million to the OPEB Trust from the County's internally-held Post Employment Obligations Fund. The contribution increased the assets of the plan by over 300%.

Source: Gabriel, Roeder, Smith & Company, County of Maui Retiree Health Care Plan Actuarial Valuation Report as of July 1, 2017.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Demographic Information

The Island of Maui is the second largest island in the Hawaiian archipelago, with a land area of 729 square miles, and the largest of the four islands making up the County. The island is also the seat of County government and the center of trade, commerce and industrial activity within the County. Traditionally, pineapple and sugar have been the major industries of the County; however, tourism,

construction and scientific research facilities are the major components of the County's current economy. Major resort facilities are located on the Island of Maui, primarily along the south (Kihei-Wailea) and west (Lahaina-Kaanapali-Kapalua) shores.

The 261 square mile Island of Moloka'i is the second largest of the inhabited islands of the County. Based on the U.S. Census, it had a population of 7,345 in 2010. Moloka'i is known as the "Friendly Isle" and has a reputation as a reservoir of the aloha of "Old Hawaii" which has contributed to making the island a tourist attraction. Moloka'i is the least developed of the major Hawaiian Islands.

The Island of Lana'i, which in 2010 had a population of 3,135, was formerly known as the "Pineapple Isle" because historically most of its 140 square miles were devoted to production of that fruit. In June 2012, Larry Ellison, founder of Oracle Corporation, bought approximately 98% of the island and has announced plans to develop the island as a "sustainable leadership retreat," and to host various international festivals and establish a wellness center.

There is only one governmental unit in the County, that being the County itself. For statistical purposes, however, various areas of the County are considered as communities or districts. Wailuku (2010 population, 15,313), the county seat of the County, and Kahului (2010 population, 26,337), the principal seaport of the Island of Maui, are "twin cities" being virtually adjacent and connected by a short arterial highway. Approximately 26.9% of the population of the County lives in the Wailuku-Kahului area. The other principal population centers on the Island of Maui are Lahaina with a 2010 population of 11,704, and Kihei with a 2010 population of 20,881.

The County's population is composed of varied ethnic backgrounds including Japanese, Caucasian, Filipino and Hawaiian, among others.

As the following table indicates, the resident population of the County increased from 100,504 in 1990 to 128,241 in 2000, and to 154,834 in 2010. The U.S. Census Bureau estimates the County's 2017 population to be 166,260.

Table 33
COUNTY OF MAUI
COMPARATIVE POPULATION STATISTICS

	<u>2000</u> <u>Census</u>	<u>2010</u> <u>Census</u>	<u>Increase</u> <u>since</u> <u>2000</u>	<u>%</u> <u>Increase</u> <u>since 2000</u>	<u>2017</u> <u>Estimate**</u>	<u>Increase</u> <u>since</u> <u>2010</u>	<u>%</u> <u>Increase</u> <u>since 2010</u>
County of Maui	128,241	154,834	26,593	20.7%	166,260	11,426	7.3%
City & County of Honolulu	876,156	953,207	77,051	8.8	988,650	35,443	3.7
County of Hawaii	148,677	185,079	36,402	24.5	200,381	15,302	8.2
County of Kauai	58,463	64,529	6,066	10.4	72,159	7,630	11.8
State of Hawaii	1,211,537	1,295,178	83,641	6.9	1,427,538	132,360	10.2

** As of July 1, 2017.

Source: U.S. Census Bureau.

General Economic Information

As illustrated by Table 34 below, Maui County's economy is diversified, and driven by several different sectors of employment. The primary economic sectors are visitor-related; however, government employment also serves as a key economic driver. Over the past decade, Maui County's unemployment rate has continued to remain lower than the U.S. unemployment rate. According to the State's Department of Labor and Industrial Relations, in July 2018, Maui County's unemployment rate was 2.1%, which is the same as the State unemployment rate, and is lower than the U.S. unemployment rate of 3.9% (all percentages are seasonally adjusted).

Table 34
COUNTY OF MAUI
EMPLOYMENT BREAKDOWN
CLASSIFIED BY INDUSTRY
(2013-2017)⁽¹⁾

	2013	2014	2015	2016	2017
Labor force, Civilian	79,900	82,450	83,950	85,850	86,550
Employed, Civilian	75,750	78,700	80,800	83,200	84,350
Unemployed, Civilian	4,150	3,750	3,100	2,650	2,200
Unemployment rate, Civilian (%)	5.2	4.5	3.7	3.1	2.5
<u>Total wage and salary jobs</u>					
Total non-agriculture wage & salary jobs	69,900	71,450	73,300	74,950	76,400
Natural resources, mining & construction jobs	3,100	3,350	3,750	3,950	4,000
Manufacturing jobs	1,100	1,200	1,200	1,200	1,000
Wholesale trade jobs	1,400	1,450	1,500	1,500	1,550
Retail trade jobs	9,150	9,350	9,750	9,800	9,700
Transportation, warehousing & utilities jobs	3,700	3,700	3,950	4,150	4,300
Air transportation Jobs	600	600	600	600	650
Information jobs	600	600	600	550	600
Financial activities jobs	2,650	2,750	2,950	3,050	2,950
Professional & business services jobs	6,700	6,850	6,950	7,100	7,400
Educational services jobs	1,150	1,100	1,100	1,150	1,150
Health care & social assistance jobs	5,200	5,200	5,450	5,650	6,700
Arts, entertainment & recreation jobs	2,050	2,100	2,000	2,250	2,450
Accommodation jobs	11,650	11,900	11,850	11,950	12,200
Food services & drinking places jobs	8,950	9,200	9,550	9,800	10,150
Other services jobs	2,750	2,900	2,950	3,100	3,200
Government jobs	9,700	9,850	9,800	9,800	9,100
Federal government jobs	850	800	800	800	900
State government jobs	6,200	6,350	6,300	6,300	5,550
Local government jobs	2,650	2,650	2,700	2,700	2,700

⁽¹⁾ Numbers are rounded.

Source: Hawaii Department of Business, Economic Development and Tourism

According to the Realtors Association of Maui, Inc., the year-to-date median price for a single-family home on Maui County as of June 2018 is \$690,000 (compared to \$705,000 as of June 2017), and the year-to-date median price for condominiums as of June 2018 is \$495,000 (compared to \$475,000 as of June 2017.)

Visitor Industry

The County attracts upscale visitors and tourists and has established a high-end brand and image. For two decades, Conde Nast Traveler magazine ranked Maui as the Best Island in the World. Tourism is the primary driver of the local economy.

The following table presents selected annual information regarding the County's visitor industry:

Table 35
COUNTY OF MAUI
TOURISM INFORMATION
(Years Ended December 31)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Visitors (in thousands)	2,402	2,457	2,540	2,634	2,712
Domestic Visitors	1,959	2,012	2,084	2,172	2,239
International Visitors	443	445	456	462	473
Occupancy Rate	71.8%	72.4%	74.4%	75.9%	77.1%
Average Daily Room Rate	\$288.33	\$294.93	\$316.16	\$329.24	\$352.20

Source: Hawaii Department of Business, Economic Development and Tourism

Visitor arrivals to Maui County slowed in 2008 and 2009, largely due to the effects of the global recession. However, since the 2010 calendar year, visitor air arrivals to Maui have generally improved. In 2017, Maui County had 2.78 million visitors. In 2018, Maui County expects 2.9 million visitors. As of June 2018, the County had 1,236,220 domestic visitors (year-to-date) and 254,164 international visitors (year-to-date). Below is a summary of the month to month change in visitor arrivals for 2016 versus 2017:

Table 36
COUNTY OF MAUI
MONTH TO MONTH CHANGE IN MAUI VISITOR ARRIVALS
(2016 vs. 2017)⁽¹⁾

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
January	217,684	221,591	1.8%
February	208,253	203,371	-2.3
March	239,401	243,694	1.8
April	215,291	229,708	6.7
May	216,536	225,434	4.1
June	241,991	254,659	5.2
July	258,504	265,230	2.6
August	231,448	236,554	2.2
September	197,719	203,061	2.7
October	209,872	215,611	2.7
November	200,238	218,560	9.2
December	244,029	263,024	7.8
Total	2,680,966	2,780,497	3.7%

⁽¹⁾ Numbers are preliminary.

Source: Hawaii Department of Business, Economic Development and Tourism.

Construction

Construction remains one of the strongest sectors of the County's economy, due in part to historically low interest rates and strong local and offshore demand. Building permit valuations in fiscal year 2017-18 was over \$541 million, compared to \$483 million in fiscal year 2016-17.

Significant construction projects currently in progress (in varying phases of development) include the following:

Private Sector Projects

Makena Golf & Beach Club
Safeway – Hookele Shopping Center
Westin Maui Resort
Safeway – Lahaina Cannery
Black Sand Beach Properties LLC
Servco Pacific Inc.
Sheraton Maui
Hololani Resort
Wailea Village Shops
Four Seasons Resort Koele – Lanai Resorts LLC
Kalama Kai
Luana Villas at Honua Kai

Public Sector Projects

South Maui Community Park – Welakahao
Guardrail
Kihei Charter School
Maui High School
Kahului Elementary School

Sporting Events, Cultural Events and Entertainment

The County hosts a number of major national and international sporting events, including the opening event of PGA golf season with the SBS Tournament of Champions at Kapalua, Maui; the Maui Jim Invitational collegiate basketball tournament that annually hosts many of the best men's basketball teams in the nation; the world's premier off-road triathlon, XTERRA World Championship, Maui Marathon and Maui Half Marathon, the largest rodeo in the State, the Makawao Rodeo, the Molokai Hoe Outrigger Canoe race from Molokai to Oahu, Maui Women's Pro surfing contest at Honolua Bay, and the World Surf League Pe'ahi Challenge at Jaw's.

Annual cultural events include the Lahaina Halloween Party, the Maui Film Festival, the Kapalua Wine & Food Festival, and major events at the Maui Arts and Cultural Center.

The County also serves as a popular location for the television and film industries. Over the last two decades, numerous productions have filmed in Maui County, providing direct benefits to a wide range of local businesses.

Agriculture

Agriculture remains a vital component of the County's economy and represents approximately 8.86% of the County's real property assessed values. State land use designation classifies land in the counties as conservation, agriculture or urban districts. The counties are allowed to designate permitted uses in each district as provided in the State Constitution. The Island of Maui has approximately 245,000

acres in agriculture, over 42,000 acres of which is in sugarcane and pineapple. Much of production is on highly fertile lands. Molokaʻi and Lanaʻi have 110,000 and 90,000 acres, respectively, in agriculture. Most of these lands were for pineapple cultivation in the past but have since been laid fallow or abandoned by the closing of the plantation due to foreign competition. As in Maui, agricultural land occupies more than 50% of the land area. The next largest designation of land use is conservation land, followed by densely populated urban areas.

In recognition of the importance of agriculture to the local economy, the County continues to work with the agricultural community in developing a long-range plan for the revitalization of the County's agricultural sector. In this regard, the County of Maui plans to purchase 262 acres from Alexander & Baldwin for use as an additional "agricultural park" offering smaller sized lots for long term agricultural leases. The purchase price of the property is \$5.9 million, with \$5.0 million being provided by the State of Hawaii. This purchase requires Maui County Council approval and would need to close before June 30, 2019 to avoid a lapsing of State funds. Through its agricultural specialist, the County works closely with the Maui County Farm Bureau, the local Cattlemen's Association, the Molokaʻi Slaughterhouse, and the University of Hawaii's College of Tropical Agriculture and Human Resources, Cooperative Extension Services, and assists the farming community with marketing and development efforts and support in agritourism.

Other agricultural products include cut flowers such as protea and tropical for export to the mainland, hydroponic lettuce, salad greens, cabbage, Chinese cabbage, herbs, strawberries, sweet potatoes, watermelon, tomatoes, papaya, persimmons, corn, ogo (an edible seaweed), honey and tiger shrimp raised on Molokaʻi. Organic farming is also becoming an important niche and there is a growing tropical fish industry on both Maui and Molokaʻi. The County's aquaculture industry has continued to grow through offshore development, new crop development and a planned aquaculture park. Maui is also home to a number of businesses engaged in agribiotech work, including development of biodiesel, nemicide development, and development of plant hormones.

Alexander & Baldwin, the parent company of Hawaiian Commercial and Sugar Company ("HCS"), closed its 36,000-acre sugar operations at the end of 2016. The bulk of 675 workers displaced by the closure were able to relocate to other jobs within the County fairly quickly; however, the closure still sent a ripple through the Maui economy as many Maui businesses that engaged in commerce with the plantation felt the economic ill effects of the shut-down. While the County has been informed that HC&S currently has plans to transition to a new diversified agricultural model by dividing the Maui plantation into smaller farms with a variety of uses including energy crops, food crops, support for the local cattle industry and developing an agriculture park, the County cannot predict whether HC&S will implement the plan and how long any such implementation would take.

High-Technology

In recent years, high technology has emerged as a growing sector of the County's economy. The centerpiece of Maui's high technology sector is the Maui Research and Technology Park in Kihei, a private 415-acre, campus-style complex which hosts approximately 20 high-technology companies. Among the companies at the facility is the Maui Research and Technology Center, a State project which acts as an "incubator" for start-up companies. Other high-technology projects include the Maui High Performance Computing Center, which contains the world's largest and fastest Netfinity Linux Supercluster supercomputer, and the Maui Space Surveillance Complex, a state-of-the-art electro-optical facility combining operational satellite tracking facilities with research and development capacity. Maui is also home to the Daniel K. Inouye Solar Telescope, a \$300 million project currently under construction at the summit of Haleakala Crater, and is a collaboration of 22 institutions including the National Science

Foundation, the University of Hawaii Institute for Astronomy, and Stanford University's W.W. Hansen Experimental Physics Laboratory.

Renewable Energy

The County has ample renewable energy resources that exceed the projected energy demand, in wind, solar, and other natural resources necessary to transition it to 100% renewable energy in both the electrical and ground transportation sectors. All three islands that comprise Maui County are on schedule to meet the State's 100% Renewable Portfolio Standard (RPS) law, which aims to stabilize energy prices and reduce the islands' financial dependence and associated commodity risks of imported fossil fuels, by 2045 (with the Island of Molokai on track to reach 100% RPS by 2020). Existing and proposed renewable energy facilities in the County include the following:

- The Kaheawa Wind Power project is one of the largest wind farms in Hawaii with 34 turbines producing 51-megawatts (MW) of electricity or enough capacity to power 18,700 Maui homes. Auwahi Wind is another Maui wind project that generates 21 MW of power from 8 turbines. The battery storage component of this project includes state-of-the-art monitoring and safety controls.
- La Ola, the largest solar photovoltaic farm in the state, is now producing at its full capacity of 1.5 megawatts (MW) of clean solar energy on the Island of Lanai. The renewable energy generated by La Ola will help to stabilize electric rates on Lanai and reduce Lanai's importation and burning of foreign oil. La Ola is the world's first utility-grade photovoltaic (PV) project to incorporate battery storage.
- The Maui County Integrated Waste Conversion and Energy Project with Anaergia Services at the County's Central Maui Landfill will convert Maui waste streams including municipal solid waste, food waste, sewage sludge, oils, and grease into renewable methane gas and refuse derived fuel (RDF). The two renewable fuels may be used for onsite energy generation or locally in Hawaii as a replacement to imported fossil fuels. This project is currently in the permitting stage.
- From February to May 2010, a one-third model of a floating wave energy generator was deployed off the coast of Maui and operated successfully as one of the world's first grid-connected generators of electricity from ocean waves.

Other Data

The following tables present other relevant statistical information on the economy of the County:

Table 37
COUNTY OF MAUI
PERSONAL INCOME

<u>Calendar Year</u>	<u>Total Personal Income (in millions)</u>	<u>Per Capita Personal Income</u>
2012	\$6,220	\$39,218
2013	6,228	38,688
2014	6,613	40,488
2015	7,034	42,798
2016 ⁽¹⁾	7,360	44,478

⁽¹⁾ Most recent annual data available.

Source: Hawaii Department of Business, Economic Development and Tourism.

Table 38
COUNTY OF MAUI
EMPLOYMENT STATISTICS⁽¹⁾

<u>Calendar Year</u>	<u>Civilian Labor Force</u>	<u>Civilian Employment</u>	<u>Calendar Year</u>	<u>Percentage Unemployment</u>
2012	79,150	74,100	5,100	6.4%
2013	79,650	75,550	4,100	5.1
2014	82,350	78,600	3,750	4.5
2015	83,850	80,750	3,100	3.7
2016	85,450	82,750	2,700	3.2

⁽¹⁾ Not seasonally adjusted. Totals may not add up due to independent rounding.

Source: Hawaii Department of Business, Economic Development and Tourism.

OTHER INVESTOR CONSIDERATIONS

Cybersecurity

The County, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the County could be subject to cybersecurity incidents that could result in adverse consequences to the County's Systems Technology.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the County invests in multiple forms of cybersecurity and operational safeguards and threat detection systems. In addition,

the County created a Cyber Security Operations Center in 2017, that provides continuous monitoring of the County's Systems Technology.

While County cybersecurity and operational safeguards are periodically tested, no assurances can be given by the County that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the County's Systems Technology and cause material disruption to the County's operations and the provision of County services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the County to material litigation and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings.

Volcanic Eruption and Other Natural Events

On May 3, 2018, Kilauea volcano in the southernmost district of the island of Hawaii (or the Big Island) started erupting. The eruption sent lava, ash and toxic gases throughout the Big Island. Among its other effects, the eruption has destroyed hundreds of homes, and volcanic smog (or "vog") continues to envelop certain parts of the island. At higher concentrations, vog can cause headaches and irritation to the lungs and eyes.

Maui is formed by two volcanoes: Haleakala, or the East Maui Volcano, forms more than 75% of the island. The remaining 25% of the island is formed by another volcano, Mauna Kahalawai, or the West Maui Mountains. The United States Geological Survey ("USGS") considers Haleakala to be an active volcano. The USGS estimates that Haleakala last erupted between A.D. 1480 and 1600, and as of June 1, 2018, the USGS assigned a volcano alert level for Haleakala of "normal." A normal status is used to designate typical volcanic activity in a non-eruptive phase. According to the USGS, although another 500 years or more may pass before Haleakala becomes restless, it is possible that new eruptions will begin within a century.

Climate change issues are of concern to the County for a number of reasons. Numerous scientific studies on global climate change show that sea levels will rise given the increasing temperature of the oceans and growing ocean volume, as land ice melts and runs off into the ocean. Such scientific studies also project accelerating sea level rise due to climate change over the coming century. As a result, coastal areas like the County are at risk of beach and shoreline erosion and substantial flood damage over time, which may adversely affect private development as well as public infrastructure, including roads, utilities, emergency services, schools and parks. Maui is also susceptible to other natural occurrences such as earthquakes, tsunamis, hurricanes and fires.

The County is unable to predict the impact on its operations or finances of any of these natural occurrences.

Market Risk

The market value of municipal securities, including the Bonds, can be affected by such factors as general economic conditions in the world and the United States and in the State of Hawaii and the County, adverse events affecting the County, inflation rate levels or trends, County finances, future State legislative actions or local initiatives and other changes in law, and the ratings on the Bonds. Consequently, there can be no assurance of continued marketability of the Bonds at their originally offered price level.

No Acceleration

Neither a Bond owner nor any Bond owner's representative has the right to accelerate the payment of debt service on the Bonds upon any default in the payment of the Bonds or otherwise.

INSURANCE AND PENDING LITIGATION

The County is self-insured for workers' compensation based on a \$500,000 self-insured retention. Thereafter, an excess workers' compensation policy takes effect. In addition, the County also has insurance for errors and omissions and employer's practice liability, with a \$500,000 deductible per occurrence up to \$25 million in the aggregate. Further, the County is afforded bodily injury and property damage coverage for third party claims in excess of the aforementioned retention on a per occurrence basis. Property policies are layered providing \$100 million in total for building and any form of structures.

As of June 30, 2017, the County's estimated total liability with respect to claims and judgments is \$20.8 million, including claims incurred but not reported by the claimant and settled claims for which funds have not yet been appropriated. Changes in the claims and judgments liability account as of June 30, 2017 were as follows:

Table 39
COUNTY OF MAUI
CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES

	<u>Balance</u> <u>July 1, 2016</u>	<u>Change to</u> <u>Estimate</u> <u>Additions/</u> <u>(Reductions)</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Workers' compensation	\$6,384,255	2,966,018	4,037,415	5,312,858
Automobile, general liability and other civil litigation	<u>13,023,846</u>	<u>2,203,036</u>	<u>1,420,160</u>	<u>13,806,722</u>
Total	<u>19,408,101</u>	<u>5,169,054</u>	<u>5,457,575</u>	<u>19,119,580</u>
Business-Type Activities:				
Workers' compensation	\$841,578	938,448	503,351	1,276,675
Automobile, general liability and other civil litigation	<u>397,635</u>	<u>13,422</u>	<u>11,014</u>	<u>400,043</u>
Total	<u>\$1,239,213</u>	<u>951,870</u>	<u>514,365</u>	<u>\$1,676,718</u>

Source: County of Maui Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

The estimated total liability has been determined through case-by-case analysis and from historical experience performed by the County's risk management division. Estimated expenditures for such claims are appropriated annually in the General Fund with the exception of workers' compensation, which is appropriated annually from the fund that employed the injured worker.

Claims and lawsuits are filed against the County in the normal course of its operations. Although the precise outcome of these claims and lawsuits is not currently determinable, in the opinion of the County's attorneys, the resolution of such matters will not have a material adverse effect on the financial condition of the County.

On August 22, 2018, the City and County of Honolulu filed an action in the Circuit Court of the First Circuit, State of Hawai'i against the Governor and the Lieutenant Governor of the State and other elections officials of the State for declaratory and injunctive relief in connection with S.B. 2922. The County and two other counties in the State subsequently joined the lawsuit as plaintiffs. The lawsuit seeks to enjoin the placement of the ballot question for the proposed amendments to Articles VIII and X of the State Constitution pursuant to S.B. 2922. S.B. 2922, if approved by the voters, will authorize the

Legislature to establish a surcharge on investment real property in the State to fund public education in the State.

The complaint, as amended, alleges that the wording of the ballot title for the proposed amendments of S.B. 2922 is misleading and deceptive and the proposed amendments are improper. The lawsuit also alleges the proposed tax surcharge "... may adversely affect the Counties' ability to raise their own real property tax revenue and may affect the Counties' issuance of general obligation bonds necessary to finance capital improvement projects."

The complaint alleges that: (1) the title and description of the proposed amendments of S.B. 2922 to be included on the ballot are misleading and deceptive, (2) the proposed amendments of S.B. 2922 do not define investment real property and are therefore vague and overbroad, (3) the procedure to adopt the proposed amendments was improper, and (4) the proposed amendments of S.B. 2922 interfere with the "home rule" of the counties by undermining the exclusive authority granted to the counties to tax real property. On September 7, 2018, the Circuit Court denied the plaintiffs' request for a preliminary injunction on this matter. The plaintiffs may appeal the Circuit Court's decision denying the preliminary injunction.

At this time, the County cannot predict whether the proposed amendments of S.B. 2922 will be approved or rejected by the electorate, or whether the proposed amendments of S.B. 2922, if approved, would have a material adverse impact on the revenues of the County. See "COUNTY FINANCIAL INFORMATION – Real Property Taxation and Assessed Values."

The County's Corporation Counsel reports that there is no controversy of any nature now pending or threatened against the County seeking to restrain or enjoin the issuance, sale or execution of the Bonds or any proceedings of the County taken with respect to the issuance or sale of the Bonds.

FINANCIAL STATEMENTS

The County's Comprehensive Annual Financial Report, including the financial statements of the County as of and for the fiscal year ended June 30, 2017, are set forth in Appendix A to this Official Statement. These financial statements have been audited by N&K CPAs, Inc. The County has neither requested nor obtained the consent of such firm to include its report on the County's financial statements in this Official Statement, and such firm has not reviewed this Official Statement or performed any procedures subsequent to rendering their report.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with

applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Bonds is exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes.

Bond Counsel expresses no opinion as to any other federal, State or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, San Francisco, California, Bond Counsel to the County. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Bonds. The form of the opinion Bond Counsel proposes to render is set forth in Appendix B hereto. Hawkins Delafield & Wood LLP, San Francisco, California, also served as Disclosure Counsel to the County. Certain legal matters will be passed on for the County by its Corporation Counsel.

Hawkins Delafield & Wood LLP has served as disclosure counsel to the County and in such capacity has advised the County with respect to applicable securities laws and participated with County officials and staff in conferences and meetings where information contained in this Official Statement was discussed and reviewed for accuracy and completeness. Disclosure Counsel has not undertaken to independently verify any of such statements or information. Rather, the County is responsible for the accuracy and completeness of the statements and information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Projections,

forecasts, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR OR DO NOT OCCUR.

RATINGS

Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "Aa1," "AA+" and "AA+," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 7 World Trade Center, New York, New York 10007; Standard & Poor's, 55 Water Street, New York, New York 10041; and Fitch, One State Street Plaza, New York, New York 10004. Generally a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

In connection with the issuance of the Bonds and the refunding of the 2006 Refunded Bonds and the prepayment of the Refunded SRF Loans, Causey, Demgen & Moore, Inc., independent certified public accountants, will verify the mathematical accuracy of certain computations demonstrating the sufficiency of the 2006 Escrow Fund and other available proceeds of the Bonds to pay the principal or redemption price of and interest on the 2006 Refunded Bonds and the Refunded SRF Loans when due. Such verification will be based in part on schedules and information provided by the Purchaser with respect to the foregoing computations.

SALE OF THE BONDS

The Bonds were sold at competitive bid on September 18, 2018, as provided in the Official Notice of Sale, dated September 7, 2018 (the "Official Notice of Sale"). The Bonds were awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated, at a purchase price of \$113,455,872.78 (representing the par amount of the Bonds, plus net original issue premium of \$7,615,596.90, and less an underwriting discount of \$474,724.12). The Official Notice of Sale provided that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel and certain other conditions. The Purchaser has represented to the County that the Bonds have been reoffered to the public at the price or yield stated on the inside cover page hereof.

CONTINUING DISCLOSURE

The County will execute a Continuing Disclosure Certificate (the “Disclosure Certificate”) for the benefit of the holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the County (the “Annual Report”) to the Municipal Securities Rulemaking Board (“MSRB”) annually and to provide notice to the MSRB of the occurrence of certain enumerated events pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the “Rule”). The County has appointed Digital Assurance Certification, L.L.C. (“DAC” or the “Dissemination Agent”) as the initial dissemination agent under the Disclosure Certificate. See APPENDIX C – “Form of Continuing Disclosure Certificate.” Based upon a consultant’s report and to its best knowledge, the County has been in compliance in all material respects with its continuing disclosure obligations over the last five years.

The County has engaged DAC for the purpose of reviewing its continuing disclosure filings and assisting with ongoing compliance with its continuing disclosure filing requirements. Additional information regarding DAC may be obtained by contacting DAC at 315 E. Robinson Street, Suite 300, Orlando, Florida 32801, or on-line at www.dacbond.com. The information on DAC’s website is not incorporated herein by reference.

MISCELLANEOUS

Additional information may be obtained, upon request, from the Director of Finance of the County.

All quotations from, and summaries and explanations of, the Constitution and laws of the State and the County Charter referred to herein do not purport to be complete, and reference is made to the Constitution and laws of the State and the County Charter for full and complete statements of their provisions. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the Owners of any of the Bonds.

The County has authorized the execution and distribution of this Official Statement.

COUNTY OF MAUI

/s/ Mark R. Walker
Director of Finance

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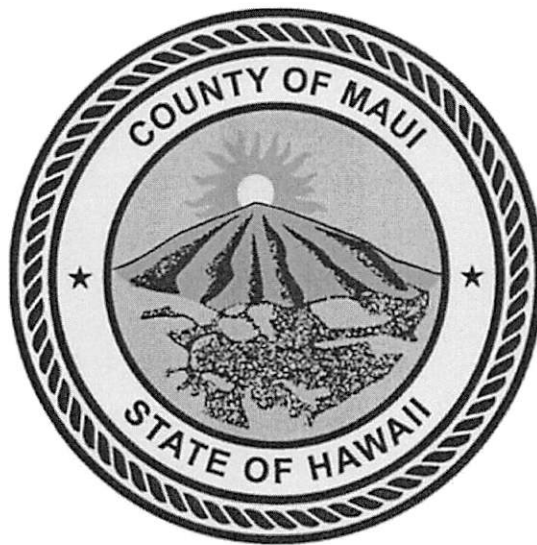
APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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COUNTY OF MAUI

STATE OF HAWAII



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**Prepared by:
DEPARTMENT OF FINANCE
Mark R. Walker, Director of Finance**

**COUNTY OF MAUI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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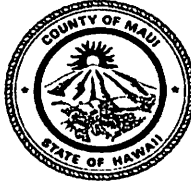
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COUNTY OF MAUI
INTRODUCTORY SECTION

ALAN M. ARAKAWA
Mayor



MARK R. WALKER
Director of Finance

COUNTY OF MAUI

DEPARTMENT OF FINANCE

200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

December 13, 2017

Honorable Mayor Alan M. Arakawa
Honorable Mike White, Chair
and Members of Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Mayor and Chair White and Members:

Pursuant to the requirements of the Charter of the County of Maui, Section 9-13. Audit of Accounts, which states:

"Within six (6) months after the beginning of each fiscal year, the county auditor shall conduct or cause to be conducted an independent financial audit of the funds, accounts, and other evidences of financial transactions of the county and of all operations for which the county is responsible for the audited fiscal year. The audit shall be conducted by a certified public accountant or firm of certified public accountants who have no personal interest, direct or indirect, in the fiscal affairs of the county or any of its operations. The audit shall include both financial accountability and adequacy of the financial and accounting system. If the State makes such an audit, the county auditor may accept it as satisfying the requirements of this section. The scope of the audit shall be in accordance with the terms of a written contract recommended by the county auditor and signed by the council chair as the contracting officer for the legislative branch, which contract shall encourage recommendations for better financial controls and procedures and shall provide for the completion of the audit within a reasonable time after the close of the previous fiscal year. A copy of the audit reports shall be filed with the county clerk and shall be a public record, unless otherwise provided by law.

In the case of the death, resignation, or removal of the director of finance, the council shall cause an independent audit to be made of the finance director's accounts. (Amended 2012, 1988)",

The Department of Finance has prepared and hereby issues the Comprehensive Annual Financial Report (CAFR) of the County of Maui for the fiscal year (FY) ended June 30, 2017. This report consists of management's representations concerning the finances of the County of Maui. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the County of Maui has established a comprehensive internal control

framework that is designed both to protect the County's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurances that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

As required by the Charter, the County of Maui's financial statements have been audited by a firm of licensed certified public accountants, N&K CPAs, Inc.. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Maui for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County of Maui financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Since fiscal year 2002, the County of Maui has prepared the CAFR using the financial reporting requirements as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

The County of Maui is required to comply with the GASB Statement No. 68, "Accounting and Financial Reporting For Pensions - An amendment of GASB Statement No. 27". The primary objective of this Statement was to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. I encourage you to review these required schedules and footnotes within this CAFR document.

THE REPORTING ENTITY AND ITS SERVICES

The County consists of the inhabited islands of Maui, Molokai and Lanai, and the uninhabited island of Kahoolawe. The County is the second largest of the four counties in the State of Hawaii, with land area of 1,162 square miles, approximately the size of Rhode Island. The population of the County is estimated at 164,637 in 2015 and has almost quadrupled since 1960 according to the U.S. Census Bureau. The County comprises an estimated 11.4% of the total population and 18.1% of the total land area of the State of Hawaii.

The County of Maui provides a range of services, including public safety (police, fire and public prosecutor), sanitation, social services, culture and recreation, transportation, planning and zoning, and the construction and maintenance of streets and highways. This CAFR includes all funds of the County of Maui.

The County of Maui has operated under the Mayor - County Council form of government since 1969, which is the same form of government as the counties of Kauai, Hawaii, and Honolulu. The executive branch of the County is headed by the Mayor who is elected on a non-partisan basis for a four-year term. The Mayor is the chief executive officer of the County and is responsible for overseeing the day-to-day operations, and for appointing the heads of the various departments. The legislative branch is the County Council, which is composed of nine members who are elected at-large, to serve two-year terms. The County Council appoints the County Clerk. Each of the nine council members has residency requirements, one each from the islands of Lanai and Molokai, and seven from the various districts on the island of Maui. The Council legislates taxes, rates, fees, assessments, borrowing and appropriations for County purposes (County Budget) by ordinance.

In Maui County, as well as in the three other counties within the State, there are no subordinate or separate municipal entities. The State government administers the school system, airport, harbors, hospitals, judicial system, and the State highway system. Most non-Federal taxes are administered and collected by the State under Hawaii's highly centralized tax system. The major sources of State revenue are the general excise tax, and the corporate and personal income taxes. There are no State personal or property taxes, local levies for school districts, or special assessments.

The annual budget serves as the foundation for the County of Maui's financial planning and control. The County Charter requires the Mayor on or before March 25 of each year to submit to the County Council an operating budget for the ensuing fiscal year, a capital program and an accompanying message. The operating budget and the capital program are prepared by the Mayor with the assistance of the Department of Finance. The operating budget presents a complete financial plan for the current operations of the County and its departments. The capital program contains capital improvements pending or proposed to be undertaken within the ensuing fiscal year and ensuing five fiscal years, together with the estimated cost of each improvement and pending or proposed method of financing. Chapter 46, Hawaii Revised Statutes was amended in 1993 to permit counties to prepare budgets on a one or two year period. The County Charter provides for one-year budgets.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget ordinance approved by the County Council. Activities of the General Fund, special revenue funds, grant revenue, debt service fund, and capital projects fund are included in the annual budget ordinance.

The Mayor holds community meetings to receive input from citizens in the eight community plan areas throughout the County prior to preparing the Mayor's Proposed Budget for the ensuing fiscal year. Upon submission of the proposed budget in March additional public hearings are held with the community by the County Council between March and April in the year of submission. After public hearing, the operating budget and capital program are subject to review and amendment by the County Council. If, however, the County Council fails to adopt an operating budget on or before June 10 of a given year, the County Charter provides that the operating budget submitted by the Mayor will be deemed enacted as the operating budget for the ensuing fiscal year. The County Charter further states that the estimated revenues, proposed expenditures and total appropriations for the ensuing fiscal year shall be equal in amount.

The appropriated budget is prepared by fund, function, department, and program and/or activity. Every appropriation, except an appropriation for a capital improvement, lapses at the close of the fiscal year to the extent the same has not been expended or encumbered by a written contract. An appropriation for a capital improvement remains in force until the purpose for which it was made

has been accomplished or abandoned. Under the current County Charter, an appropriation for a capital improvement will be deemed abandoned six months after the close of the fiscal year to the extent that it has not been expended or encumbered by a written contract. The County Charter provides that no payment may be authorized or made and no obligation incurred against the County except in accordance with appropriations duly made.

Departments may make transfers of appropriations between indexes and sub-objects within a budgeted program. Upon written request of the Mayor part or all of any unencumbered appropriation balance may be transferred within a department by resolution or from one department to another by ordinance, subject to Council approval. Budget-to-actual comparisons are provided in this report for each required governmental fund for which an appropriated annual budget has been adopted. These comparisons are presented in the Required Supplementary Information and Other Supplemental Information sections of the report. In addition, detailed revenue and appropriation schedules for major and non-major funds are presented in the Other Supplementary Information section of the report.

ECONOMIC CONDITION AND OUTLOOK

Like the State of Hawaii the growth of Maui County's economy, now in its seventh year of expansion, is beginning to slow despite record tourist arrivals and very low unemployment numbers. This is the consequence of a flattening construction path and the natural effects of the tightening labor markets. Despite the aforementioned, the near term outlook for Maui County's economy remains positive based largely on the continued strength of the tourism sector.

Tourism

The tourism sector continued to exceed expectations as visitor arrivals reached a record 2.76 million in 2016, which was a 3.8% increase over 2015 results, buoyed by increased air seats (+3.2%) attributable to a large increase in visitors from the east and west coasts of the United States. The visitor industry, the largest component of the County's economy, will continue to grow but at a more tepid rate than that experienced in 2016. The restrained growth expectation was confirmed by the first half of 2017 growth in visitor count of 3.15% versus 3.80% in 2016.

The Hawaii Tourism Authority estimates that visitor spending on Maui in 2016 totaled \$4.5 billion or \$12.3 million per day (+9.4%) second only to Oahu at \$7.3 billion or \$20.0 million per day. Visitor make up continued to be comprised primarily (82%) of travelers from the continental U.S., with over 50% of the arrivals coming from visitors that live in the western United States. The Island of Maui's average hotel room rate continued as the highest in the state in 2016 topping \$331 per night followed by Kauai at \$254 per night. At year end 2016, visitor days had increased 4.1 percent in Maui, the highest in the state.

Construction

After a significant run-up in activity in 2015, private (commercial & residential) building authorizations on Maui were \$382 million, a decrease of some \$349 million or 47.7 percent in 2016 largely due to a decrease in commercial building activity. Conversely, 315 permits were issued for 477 residential units in 2016, indicating continued brisk activity in this sector. Prospects for continued growth in residential construction remain favorable for 2017, however, it appears the growth impetus from construction has ended, even though the level of activity will remain high for some time. New residential projects include;

- In late 2016 ground was broken on the \$90 million Kahoma Village project, a residential development in Lahaina that includes 101 three- and four-bedroom single-family homes and 102 two- and three-bedroom townhouses for a total of 203 homes.
- Construction commenced in April 2016 on Waialele Ridge, a 158 unit, 10 acre residential condominium project overlooking Napili Bay on Maui's West Side. The 25 building complex will consist of one, two, and three bedroom units.
- The 32 unit Paradise Ridge condominium project in Kihei has recently released its first 16 units for sale.
- Kualono is a 49-lot gated community in Pukalani which is scheduled to be completed in early 2018.

In the public infrastructure arena the State's new Kahului Airport consolidated rental car facility consisting of a 1.3-million-square-foot building covering roughly 19 acres is scheduled to be completed in late 2018 and to open in mid-2019. The two-story building with a basement and rooftop parking will house all airport car rental companies, providing parking for cars, as well as fueling and washing stations. A tram running between the car rental offices and the airport terminal will eliminate the need for shuttle vans and the more than 70 van drop-offs and pick-ups per hour at the airport. The \$340 million project is being paid for by airport car rental fees. Additionally, the County of Maui has completed its \$14 million 56-unit Kulamalu Hale affordable townhouse project in Pukalani. The one and two bedroom units were 60+% occupied as of September 2017.

Construction activity on Maui is now at or near its cyclical peak, yet the kind of sharp falloff that has been experienced in past cycles is not expected. Residential construction is falling well short of the 2000s bubble period and will be needed to meet projected household formation. As a result, concerns continue to persist about housing shortages and affordability. As the pace of local income growth slows and interest rates rise, activity in this major economic sector will ease back slowly and both jobs and real income in this important economic sector will hover near their current levels through the end of the decade.

Jobs

The labor market in Maui County improved during the period driven by the positive economic activity created by the surprisingly robust visitor industry. The labor market is now operating near levels that are typical for periods of strong expansion. The civilian employed labor force in the County of Maui at year end 2016 stood at approximately 86,000 with the unemployment rate for the County at 3.2%, second only to the City and County of Honolulu (2.4%). Jobs gained the most in Food Services & Drinking Places (500 jobs), followed by Arts, Entertainment & Recreation (300 jobs), Health Care and Social Assistance (300 jobs), Transportation, Warehousing, and Utilities (300 jobs), and Natural Resources, Mining, and Construction (200 jobs).

The adverse effects of the recession on personal income have been slow to ease in Maui County, however, there have been widespread gains over the past several years. Strengthened by lower unemployment and restrained inflation, real personal income on Maui is forecast to grow 3.2% in 2016 and 2% in 2017. Nonetheless, household purchasing power will rise more slowly now that the economy is decelerating and inflation is beginning to accelerate.

Real Estate

At mid-2017 Maui's residential real estate market continued its climb higher as the total dollar volume of sales topped \$565 million for the first six months, an increase of 18% year to date. The median home price expanded to \$705,000 up 12% over the prior year's results. Condo unit sales volume jumped 10% to 713 units, while the median sales price rose \$60,000 to \$475,000, a gain of

12%. Mortgage rates, though rising, remain historically low. Well priced homes are receiving multiple offers and selling quickly. Foreclosures and short sales are dwindling and experienced buyers are using cash offers to improve their negotiating position. Rapid home appreciation combined with tepid wage growth will continue to erode home affordability and continue to keep Maui County in the top 10 least affordable counties in the country.

At year end 2016 commercial real estate investment activity on Maui had a total sales volume of \$475 million which was a drop of 34.6% from 2015. Prime resort and retail properties constituted the majority of investment (80%) with the sale of the Ritz Carlton Kapalua (\$210 million) being the most expensive acquisition. Industry experts continue to believe that Maui's prime hotels and retail centers will continue to be an attractive target for offshore and international investors.

The commercial retail market posted a negative 55,985 square feet of absorption at year end 2016 as vacancy rates rose to 11.87% its highest level since 2000. Much of this lost occupancy occurred in the Central Maui market which experienced a record high vacancy rate of 14.4%. Most of the vacancies occurred at Queen Kaahumanu Center, Maui Marketplace, Maui Mall and Kahului Shopping Center. The recent closures of Kmart and Lowe's Home Improvement Center from Maui Marketplace will add nearly 150,000 square feet of additional available space and boost Central Maui's retail vacancy to 15.5% by year-end 2017.

The commercial office market on Maui posted its seventh consecutive year of lost occupancy as the island wide vacancy rate topped 20%, its highest level in fifteen years. Despite absorption gains in Kahului, continued soft market conditions in the Wailuku and Kihei areas continued to be a drag on this sector.

Industrial warehouse space continues to be at a premium as the vacancy rate fell to 1.41% for this market segment. Healthy demand for warehouse space is projected to continue through 2017 and beyond.

MAJOR INITIATIVES AND ACHIEVEMENTS

For The Year. During Fiscal Year 2017, the County of Maui saw a 1.7 percent decrease in the net position of governmental activities, due to a decrease of \$11.7 million and \$28.0 million of restricted and unrestricted assets, respectively. The County's total revenue increased by 8.2% while expenditures increased by 14.6%. Revenue increases were due primarily to increased real property taxes associated with higher property valuations. Expenditure increases were principally in the areas of General Government and Public Safety.

Aligned with the Administration's strategic goal of, "*Suitable Public Infrastructure*", in the past year the County continued its investment in infrastructure, capital improvements and equipment/equipment upgrades. A sampling of these far ranging initiatives is highlighted below:

- Completed repairs to the Iao Stream Flood Control Project following the September 2016 storm within four months. Approximately 53% of the \$2.6M spent by the department is anticipated to receive reimbursement from FEMA for the federally declared disaster. (*Public Works*)
- Purchased a replacement fire pumper truck assigned to the Hoolehua fire station on Molokai at a cost of \$1,037,933. The tanker truck holds 750 gallons of water. (*Fire*)
- Hamakuapoko tank and booster pumps - \$1,887,000. (*Water*)

- Constructed nine (9) Maui Bus stop shelters in the South Maui, Upcountry, Wailuku and Ma'alaea areas, at a cost of \$752,100. (*Transportation*)
- The Highways Division resurfaced, slurry sealed, or seal coated over 43 lane miles of County roads using in-house labor and equipment. This will prolong the life of County owned roads significantly, lowering future repair costs. (*Public Works*)
- Completed designs of six (6) Maui Bus stop shelters in West Maui, Wailuku and Kahului at a cost of \$270,700. (*Transportation*)
- During FY 2017 the department completed or is under contract for \$43.3 million in capital improvement projects countywide totaling 53 separate contracts. (*Public Works*)
- Completed Ulupalakua tank replacement - \$1,329,000. (*Water*)

In keeping with the strategic vision of “*A Strong, Diversified Economy*”, the following innovative economic efforts are cited:

- The 3rd annual “Made In Maui County Festival”, which showcase’s locally made products, garnered \$525,000 in merchandise sales during the 2 day event, with local companies securing over 250 new wholesale accounts. There were over 11,000 attendees at the event, including 360 wholesalers. The economic impact of this festival has been so exceptional, that the 2016 Made In Maui Festival won an international economic development Gold Excellence award from the International Economic Development Council (IEDC) at its annual conference in Toronto, Canada in September of 2017. (*Office of Economic Development*)
- Assisted in 81 productions, including the local award-winning feature film “Kuleana”, 4 episodes of Food Network’s “Diners, Drive-In’s & Dives”, repeated visits from National Geographic, Discovery and Travel Channel. Production expenditures by these entities was close to \$7 million. FY 2017 also saw a steady stream of national and international commercials, providing over 60% of the total production days, and \$5 million in production expenditures. (*Office of Economic Development*)

“*A Prepared, Safe and Livable County*” is a commitment and priority of the Administration. This responsibility touches many areas and departments of the County government. The following are examples of the continued leadership in this area:

- Was awarded \$225,000 in grant funds to purchase 150 cameras for the Body-Worn Camera Implementation Project. The goal of this initiative is to introduce the use of new technology in order to improve community trust and provide more efficient and effective police services. (*Police*)
- Completed the \$14 million Kulamalu Hale workforce housing rental project, which will provide 56 new units to individuals earning less than 120% of the Island of Maui’s adjusted median income. This four year project was delivered on time and on budget. (*Housing & Human Concerns/Management*)
- Initiated its first Teen Academy in FY 2017 which is designed to broaden the students understanding of a career with law enforcement and is open to students 14-18 years of age. Applicants will participate in various classroom activities, as well as physical training. This is a 40-hour program that will include Drills and Ceremony, Physical Training, Police Arrest & Defense Tactics, Vice demonstrations, introduction to firearms and firearms safety, a Department of the Prosecutors presentation, a UH-MC Criminal Justice Program, and more. (*Police*)

In pursuit of its strategic goal of providing, “*An Efficient, Effective and Responsive Government*”, many departments of the County of Maui continued to review their processes and procedures in an effort to improve or expand service delivery. Some of these FY 2017 initiatives and service expansion efforts are highlighted below:

- Maui County was awarded the prestigious Certificate of Achievement by the International City/County Management Association (ICMA), one of only 19 jurisdictions awarded, for its efforts on personnel performance measures to ensure optimal effectiveness, efficiency, and transparency. (*Management*)
- Installed the Q-matic on-line appointment system for the DMVL which allows customers to book appointments on-line thus reducing customer wait times. (*Finance*)
- All of the meeting materials for eight boards and commissions is now available online as soon as the agendas are posted. (*Planning*)
- Was awarded \$527,046 in an Assistance to Firefighters Grant funded by the Federal Emergency Management Agency to start the process of replacing all 130 of its aging Self-Contained Breathing Apparatuses. (*Fire*)
- Provided Maui Youth and Family Services, Inc. a \$20,000 grant for their Underage Drinking Prevention Coalition program to encourage and support the education of Maui County's youth. (*Liquor*)
- Amended the flood hazard ordinance in accordance with federal requirements and allows Maui County to continue participating in the National Flood Insurance Program. (*Planning*)
- Identified measures to save taxpayer dollars by forming a “Cost Reduction Unit” which analyzed and accomplished the following; (1) pCards - reviewed and revised the County’s pCard policies and procedures, (2) Overtime - updated the County’s overtime policy by requiring pre-approval for all overtime and review of any overtime of eight or more hours in any week; and, (3) Travel - formed a “Travel Review Committee” that carefully scrutinizes all travel requests to ensure that publically-funded travel is approved only when the County will derive a clear and specific benefit. (*Management*)
- Completed the multi-year refunding of GO bonds thereby saving County taxpayers an estimated \$10.9 million (PV) in future debt payments. (*Finance*)
- Integrated 61 Ocean Safety Officers and 1 clerical staff into its ranks from the Department of Parks and Recreation after Maui County residents voted in favor of the change. (*Fire*)

For The Future. Historically the County of Maui has been financially judicious in its fiscal policies as it moves towards its goals of long term financial stability and sustainability while maintaining the necessary levels of service for the community. This conservative and responsible approach has paid dividends for the County of Maui as its financial strength has led to bond ratings that are the highest of any governmental agency in the State of Hawaii. In this regard, the County was able to use approximately \$6 million from its Emergency Fund in Fiscal 2017 to cover expenditures related to the Iao Valley flood that severely damaged the popular Kepaniwai Park, area roadways and infrastructure. The County expects to recoup the majority, if not all of its costs, as a reimbursement from FEMA. This will however, take several years to accomplish. It is the policy goal of the Administration to diligently fund its Emergency Fund to a level equal to 20% of annual

General Fund expenditures through the prudent management of its fiscal resources. Additionally, the County continued with its responsible reserve strategy by appropriating and funding \$6.1 million to the Affordable Housing Fund and \$17.0 million to the State of Hawaii Employer-Union Health Benefits Trust Fund (EUTF) in FY 2017.

In consideration of the County's current and future needs, strategic and long-range plans are being developed and continue to be reviewed and modified as required. Many factors are evaluated in the development of these plans, including revenue forecasting, rate of growth, inflationary factors, debt levels and costs, aging infrastructure replacement and expanding community needs.

Starting with the preparation of the FY 2013 budget, the County initiated a transition toward a budget process that focuses on results and adopted a results-based budgeting (RBB) method to more fully integrate budget to programs. RBB uses a practical and common sense approach that communicates why County government departments exist, what work is performed and how well, and the amount of resources that are devoted to services. While the alignment of the County's budget process to a more priority and RBB approach is still in its developmental stages, its goals of making budgetary decisions and the allocation of resources based on key departmental missions, goals and measures that are strategically aligned and forward looking is moving forward.

Allocating resources based on what was done in the past no longer stands as adequate justification for budgetary decisions. The alignment of the County's budget to a more priority and RBB approach led the budget staff and the various departments to prioritize and evaluate programs and operational requirements to assure effective and efficient operations. Budgetary decisions were made with a forward-looking, strategic emphasis in keeping with this administration's focused priority of an "*Efficient, Effective and Responsive Government*", as outlined in the strategic vision.

OTHER FINANCIAL INFORMATION

Debt Management. The County of Maui's debt management policy is a written guideline for the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. An effective debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to taxpayers, rating agencies and the capital markets that a government is well managed and should meet its financial obligations in a timely manner. Maui County's fiscal and debt policies have allowed the County to receive the next-to-highest ratings (AA+ and Aa1) from the three qualified bond-rating agencies. The County's debt policy (revised May 2013) is in compliance with the Hawaii Revised Statutes (Chapter 47) and the County Charter. The general intent of the County's debt policy is that debt is only to be incurred when necessary. The County will confine long-term borrowing to capital assets or equipment that cannot be financed from current financial resources. The County shall borrow only when necessary and utilize pay-as-you-go financing to the extent possible in order to conserve debt capacity. Furthermore, the County does not use debt for operational needs. To ensure accuracy and improve efficiency, beginning in FY 2013, the County of Maui engaged the Bank of New York Mellon to act as its paying agent for debt service payments.

Investment Management. The County of Maui maintains an investment policy (revised July 2012) which governs all financial assets of the County. These funds are accounted for in the County's basic financial statements and include the General Fund, Special Revenue Funds, Capital Improvement Projects Funds, Enterprise Funds, Agency Funds, Debt Service Fund and any new funds unless specifically exempted. The County's Investment Policy key objectives include: 1) Safety - investments shall be undertaken in a manner that seeks to ensure the preservation of capital

in the overall portfolio; the objective will be to mitigate credit risk and interest rate risk; 2) Liquidity - the investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated; and 3) Yield - the investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risks constraints and liquidity needs. The County's investment policy is in conformance with the Hawaii Revised Statutes, Chapter 46-50.

Cash Management. The primary objectives of the County's cash management and investment program are the safety and preservation of principal, liquidity, and yield. **The County employs multiple portfolio accounts that include the General Investment Account Portfolio (GIAP) and various temporary general obligation bond account portfolios that terminate when the funds are fully expended.** To ensure the most competitive rates in the GIAP, the cash resources of the individual funds are combined to form a pool of cash and investments, which are then invested over a maturity horizon not to exceed five (5) years using a comprehensive cash flow modeling tool developed by the Treasury Division to maximize investment returns. The investment portfolio is composed of obligations of the U.S. government and its agencies, certificates of deposit, and repurchase agreements fully collateralized by obligations of the U.S. government or its agencies, and short-term notes. Interest and investment earnings on a Countywide basis during FY 2017 was just over \$3.95 million or roughly \$900 thousand more than what was earned in FY 2016. The increase can be attributed to the effective cash flow analysis modeling tool which allowed the County to maximize the term of its investments and thus increase its yields without sacrificing needed cash for shorter term obligations. Despite the continuing low interest rate environment, the County's average annual portfolio yield increased from 1.07% in Fiscal Year 2016 to 1.29% in Fiscal Year 2017. The portfolio yield in the last month of Fiscal Year 2017 was 1.41%.

Real Property Tax. Real property assessed values (\$44.4B) increased 9% during Fiscal 2017, while real property tax collections (\$273.0M) increased 9.3%, reflecting a slight marginal tax rate increase adopted by the County Council. Maui County's assessed real property values in Fiscal 2017 surpassed the previous peak valuation level experienced during Fiscal 2010, further confirmation that the local economy has fully rebounded from the effects of the economic downturn in 2009.

AWARDS AND ACKNOWLEDGMENTS

Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Maui for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This is the thirty-fourth consecutive year that the County of Maui has received this prestigious award.

To receive the Certificate of Achievement, the government entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We have ensured that the GFOA standards have been adhered to and believe that the current report, which will be submitted to the GFOA, continues to conform to the Certificate of Achievement Program requirements.

Acknowledgements. The preparation of this report could not have been accomplished without the commitment and dedicated service of the entire staff of the Department of Finance, and the cooperation of the other County agencies and departments. I wish to express my appreciation to all members of the Finance Department and to the auditors, N&K CPAs, Inc. who assisted and contributed to its efficient preparation and extensive compilation. We also thank the Honorable Mayor Arakawa and the Maui County Council for their interest, trust and support in the progressive strategic planning and conduct of the financial operations of the County of Maui.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Mark R. Walker', with a stylized, flowing script.

MARK R. WALKER
Director of Finance



Government Finance Officers Association

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

Presented to

**County of Maui
Hawaii**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

COUNTY OF MAUI

ELECTED OFFICIALS AND DEPARTMENT HEADS June 30, 2017

ELECTED OFFICIALS

ADMINISTRATIVE

Mayor
Alan M. Arakawa

LEGISLATIVE

Councilpersons

Council Chair
Mike White

Council Vice-Chair
Robert Carroll

Stacy Crivello
Presiding Officer Pro Tempore

Alika Atay
Elle Cochran
Don Guzman

Riki Hokama
Kelly King
Yuki Lei Sugimura

APPOINTED DEPARTMENT HEADS

Director of Council Service

County Clerk

Managing Director

Corporation Counsel

Prosecuting Attorney

Director of Finance

Director of Environmental Management

Director of Public Works

Director of Parks & Recreation

Fire Chief

Planning Director

Director of Personnel Services

Director of Housing & Human Concerns

Director of Transportation

Director of Water Supply

Chief of Police

Director of Liquor Control

County Auditor

Sandy Baz

Danny Mateo

Keith A. Regan

Patrick K. Wong

John D. Kim

Danilo F. Agsalog

Stewart Stant

David C. Goode

Kaala Buenconsejo

Jeffrey A. Murray

William R. Spence

David Underwood

Carol Reimann

Don Medeiros

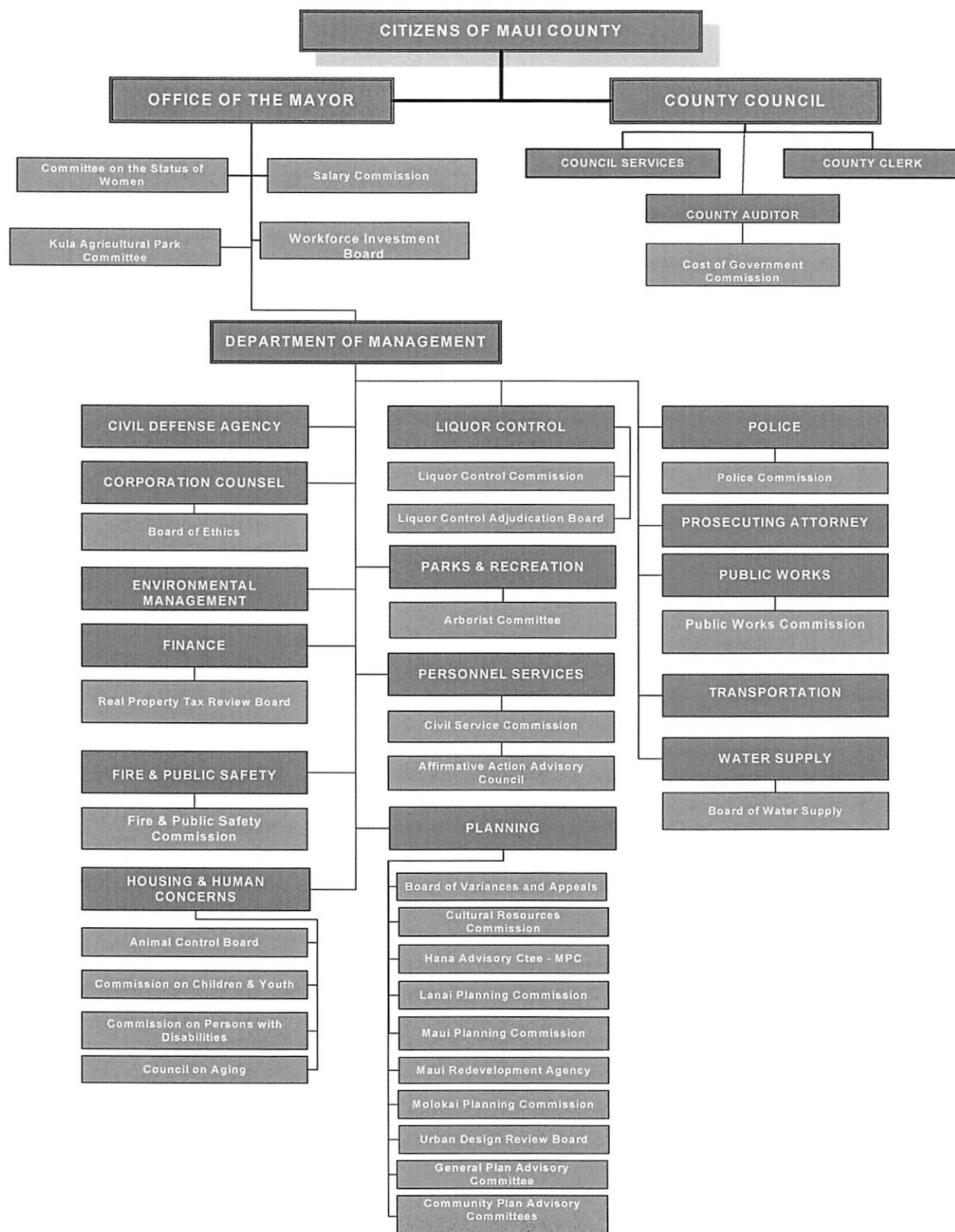
David S. Taylor

Tivoli Faaumu

Glen Mukai

Lance Taguchi

ORGANIZATION CHART



DIRECTORY OF COUNTY OFFICIALS



KEITH REGAN
Managing Director



ALAN ARAKAWA
Mayor



HERMAN ANDAYA
Chief of Staff



Department of CORPORATION COUNSEL



PATRICK WONG
Corporation Counsel



ED KUSHI
First Deputy

Department of ENVIRONMENTAL MANAGEMENT



STEWART STANT
Director



MICHAEL MIYAMOTO
First Deputy

Department of FINANCE



DANNY AGSALOG
Director



MARK WALKER
Deputy Director

Department of FIRE & PUBLIC SAFETY



JEFF MURRAY
Chief



ROBERT SHIMADA
Deputy Chief

Department of HOUSING & HUMAN CONCERNS



CAROL REIMANN
Director



JAN SHISHIDO
Deputy Director

Department of LIQUOR CONTROL



GLENN MUKAI
Director



MARK HONDA
Deputy Director

Department of PARKS & RECREATION



KA'ALA BREENKONGSO
Director



BRIANNE SAYAGE
Deputy Director

Department of PERSONNEL SERVICES



DAVID UNDERWOOD
Director



CYNTHIA RAZO-PORTER
Deputy Director

Department of PLANNING



WILL SPENCE
Director



MICHELE MCLEAN
Deputy Director

Department of POLICE



TIVOLI FAAUMU
Chief



DEAN RICKARD
Deputy Chief

Department of PROSECUTING ATTORNEY



JD KIM
Prosecuting Attorney



ROBERT RIVERA
First Deputy

Department of PUBLIC WORKS



DAVID GOODE
Director



ROWENA DAGDAG-ANDAYA
Deputy Director

Department of TRANSPORTATION



DON MEDEIROS
Director



MARC TAKAMORI
Deputy Director

Department of WATER SUPPLY



DAVID TAYLOR
Director



GLADYS BASA
Deputy Director



JOCK YAMAGUCHI
Deputy Managing
Director



LYNN ARAKI-REGAN
Budget Director



ROD ANTONE
Communications
Director



TEENA RASMUSSEN
Director, Office of
Economic Development



JOE PONTANILLA
CDBG Coordinator



ROB PARSONS
Environmental
Coordinator



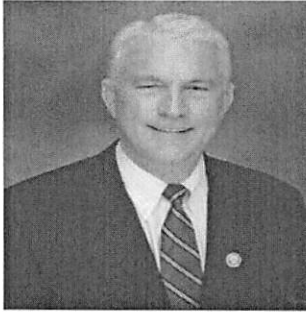
RYAN PIROS
Assistant
Communications Director



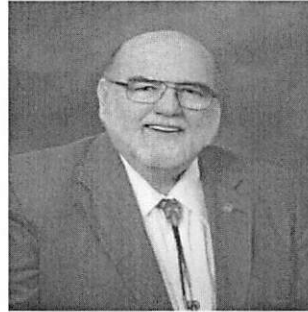
LOIS WHITNEY
Assistant
Communications Director



ANNA FOUST
Emergency Management
Officer



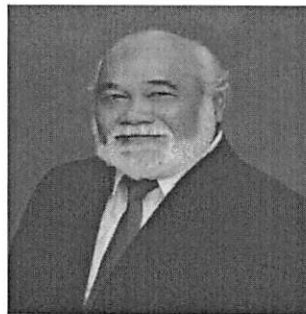
MIKE WHITE
Council Chair



ROBERT CARROLL
Vice-Council Chair



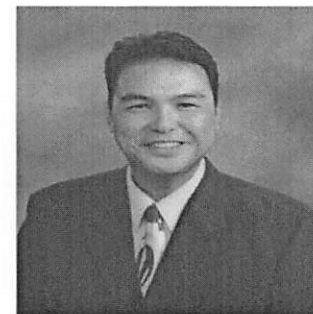
STACY CRIVELLO
Presiding Officer Pro Tempore



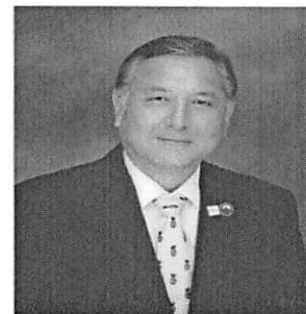
ALIKA ATAY
Councilmember



ELLE COCHRAN
Councilmember



DON GUZMAN
Councilmember



RIKI HOKAMA
Councilmember



KELLY KING
Councilmember



YUKI LEI SUGIMURA
Councilmember

OFFICE OF COUNCIL SERVICES

Sandy Baz
Director

COUNTY AUDITOR

Lance Taguchi
County Auditor

COUNTY CLERK

Danny Mateo
County Clerk

Josiah Nishita
Deputy County Clerk

COUNTY OF MAUI
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mike White, Chair
and the Members of the Council
County of Maui
Wailuku, Hawai'i

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Maui, State of Hawai'i (County), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the County of Maui, State of Hawaii, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Principle

As discussed in Note 15 to the financial statements, the County adopted new accounting guidance that clarifies standards for accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 20 through 35), the budgetary comparison schedules for the general fund, highway fund and sewer fund (pages 88 through 92), the schedule of funding progress for the Hawaii Employer Union Health Benefit Trust Fund (page 93), the County's proportionate share of the net pension liability (page 94), and the schedule of employer pension contributions on (page 95), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the other supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawai'i
December 13, 2017

**COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

This discussion and analysis of the County of Maui's (the County) basic financial statements provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements, and the accompanying notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$605.7 million (*net position*).
- The County's total net position increased by \$8.7 million during the current fiscal year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$191.1 million, which is a decrease of \$1.2 million or 0.6% from prior year.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$25.1 million, or 8.9% of total General Fund expenditures.
- The County's total amount of General Obligation (GO) bonds, State Revolving Fund (SRF) loans and other long-term debt outstanding decreased by \$10.5 million during the current fiscal year. The decrease is reflective of \$24.9 million decrease in GO bonds, offset by an increase of \$14.2 million in SRF loans, net of principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

Basic Financial Statements

Government-Wide Financial Statements. The two government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. They provide a financial overview of the County from the economic resources measurement focus using the accrual basis of accounting.

The ***Statement of Net Position*** presents information on all of the County's assets (including capital assets) and deferred outflows of resources and liabilities (including long-term obligations) and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, social welfare, culture and recreation, and legislative. The County's business-type activities include the Department of Water Supply, the Housing, Interim Financing, and Buy-Back Revolving Fund, and the Golf Course Special Fund.

These government-wide financial statements can be found in the first section of the basic financial statements.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

The County has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes five new fund balance classifications based upon the extent to which a governmental entity is bound to honor constraints on the specific purposes for which amounts in that fund can be spent. The fund balance categories are nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance includes amounts that are subject to constraint imposed or legally enforceable by external parties. Funds with restrictions imposed by the Hawaii Revised Statutes and the Maui County Charter are examples of such funds of the County. Committed fund balance includes amounts that are subject to constraint created by the County and can only be changed by the County's highest level of formal action. Assigned fund balance includes amounts constrained by the County's intent to be used for specific purposes but are neither restricted nor committed. Lastly, unassigned fund balance includes amounts that have no constraints whatsoever and are available for spending at the County's discretion.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Most of the County's basic services are reported in the governmental funds. The County maintains eleven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Highway, Sewer, Grant, Debt Service, and Capital Improvement Projects, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data from each of these non-major governmental funds is provided in the form of combining statements in the other supplementary information section.

The governmental funds financial statements are located immediately after the government-wide financial statements in the basic financial statements section. The two fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances of the governmental funds.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

Proprietary funds. Services for which the County operates similar to a business-type activity are generally reported in proprietary funds. These proprietary funds provide the same type of financial information (long and short-term) as the government-wide financial statements, only in more detail. The County's *enterprise funds* (one type of proprietary fund) are the same as its *business-type activities* reported in the government-wide financial statements.

The financial statements of the three proprietary funds include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These proprietary funds financial statements provide separate information for the Department of Water Supply (DWS), the Housing, Interim Financing, and Buy-Back Revolving Fund, and the Golf Course Special Fund, all of which are considered to be major funds of the County.

The proprietary funds financial statements are the second set of fund financial statements and follow governmental funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The statement of fiduciary net position of the agency funds is the last of the fund financial statements and is found after the proprietary fund financial statements.

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

Required Supplementary Information (RSI)

The County adopts an annual appropriated budget for the General Fund, the Highway Fund, and the Sewer Fund. Budgetary comparison schedules have been provided for all these funds to demonstrate compliance with this budget.

The County is a participating employer in an agent, multiple-employer defined benefit plan providing health care and insurance benefits to all qualified employees and retirees. As described in Note 10, legislation has been enacted to set up an irrevocable trust for the Employer-Union Health Benefits Trust Fund. A schedule of funding progress is provided for this postemployment obligation.

The County is a participating employer in a cost-sharing multi-employer pension plan providing pension benefits to all qualified employees administered by the Employee Retirement System. A schedule of the County's proportionate share of the net pension liability and a schedule of employer pension contributions is provided for this pension obligation.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

These schedules are presented as required supplementary information (RSI), which follows the basic financial statements section.

Other Supplementary Information (OSI)

This section follows the RSI and displays the individual fund data of the five other non-major governmental funds in combining statements for the balance sheet and statement of revenues, expenditures, and changes in fund balances. These non-major governmental funds are the Liquor Control, County, Bikeway, Solid Waste, and Other Assessment Funds. The total of these five non-major funds is included in the *Other Governmental Funds* column in both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the governmental funds, which are the first two fund financial statements of the basic financial statements section.

Included in the OSI section is the combining statement of changes in assets and liabilities for the Agency Funds. In addition, the OSI section includes the budgetary comparison schedule for the Debt Service Fund, as well as the detail fund schedules of revenues - budget and actual and schedules of appropriations, expenditures, and encumbrances for the General, Highway, Sewer, Grant, Solid Waste, Liquor Control, and Capital Improvement Projects Funds.

The last part of the OSI section includes three schedules relating to capital assets used in the operation of the governmental funds. The first schedule is by type of capital assets and the next two schedules provide details of capital assets followed by function and department.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION
June 30, 2017 and 2016
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY2017	FY2016 (restated)	FY2017	FY2016 (restated)	FY2017	FY2016 (restated)
Assets and Deferred Outflows of Resources:						
Current and other assets	\$ 245,164	\$ 239,540	\$ 85,246	\$ 73,052	\$ 330,410	\$ 312,592
Capital assets	783,721	766,695	346,588	338,169	1,130,309	1,104,864
Total Assets	1,028,885	1,006,235	431,834	411,221	1,460,719	1,417,456
Deferred outflows of resources	209,636	59,879	14,052	3,971	223,688	63,850
Total Assets and Deferred Outflows of Resources	1,238,521	1,066,114	445,886	415,192	1,684,407	1,481,306
Liabilities and Deferred Inflow of Resources:						
Long-term liabilities	357,509	372,768	57,804	53,071	415,313	425,839
Other liabilities	44,964	38,531	7,864	7,442	52,828	45,973
Net pension liability	550,327	352,685	42,052	28,695	592,379	381,380
Total Liabilities	952,800	763,984	107,720	89,208	1,060,520	853,192
Deferred inflow of resources	16,595	28,451	1,564	2,618	18,159	31,069
Total Liabilities and Deferred Inflows of Resources	969,395	792,435	109,284	91,826	1,078,679	884,261
Net Position:						
Net investment in capital assets	533,985	498,764	295,171	291,052	829,156	789,816
Restricted	51,730	63,422	16,924	14,825	68,654	78,247
Unrestricted	(316,589)	(288,507)	24,507	17,489	(292,082)	(271,018)
Total Net Position	\$ 269,126	\$ 273,679	\$ 336,602	\$ 323,366	\$ 605,728	\$ 597,045

At the end of the current fiscal year, the County reported positive balances in two of the three categories of net position both for the government as a whole, as well as for its governmental type activities. Business-type activities reported positive balances in all three categories of net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, net position was \$605.7 million at the close of the current fiscal year. This compares with the net position of \$597.0 million from the prior year. Total net position increased by \$8.7 million during the current fiscal year, including prior period adjustments of \$13.1 million. The governmental activities reflected a decrease in net position of \$4.6 million, including prior period adjustments of \$12.2 million. The business-type activities increased net position by \$13.2 million, including prior period adjustments of \$0.9 million.

By far, the largest portion of the County's net position is its net investment in capital assets, which is comprised of the County's capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources as the capital assets themselves cannot be used to liquidate these liabilities.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

An additional portion of the County's net position (11.3%) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position amounted to \$-292.1 million at the end of the current fiscal year, with \$-316.6 million derived from governmental activities and the balance of \$24.5 million from business-type activities. The County's unrestricted net position decreased by \$21.1 million as compared to last year.

The County's net capital assets increased by \$25.4 million due to capital improvement projects completed by the County during the current fiscal year. Further discussion on the County's capital assets is provided in the *Capital Assets* within this section.

The County's total amount of GO bonds, SRF loans, and other long-term debt outstanding decreased by \$10.5 million during the current fiscal year. The decrease is reflective of a \$24.9 million decrease in GO bonds, offset by an increase of \$14.2 million in SRF loans, net of principal payments.

Other long-term obligations increased by \$3.1 million, from \$90.6 million in fiscal year 2016 to \$93.8 million in fiscal year 2017 for governmental activities, and increased by \$0.6 million from \$3.5 million in prior fiscal year to \$4.1 million in fiscal year 2017 for business-type activities. The increase in governmental activities are due to a \$2.8 million increase in accrued landfill closure and post closure care costs and \$1.4 million increase in accrued vacation, offset by a decrease of \$0.8 million in accrued pollution remediation and a \$0.3 million decrease in Claims and Judgments.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY2017	FY2016 (Restated)	FY2017	FY2016 (Restated)	FY2017	FY2016 (Restated)
Revenues:						
Program Revenues:						
Charges for services	\$ 115,181	\$ 106,731	\$ 64,967	\$ 61,887	\$ 180,148	\$ 168,618
Operating grants and contributions	41,470	34,426	--	--	41,470	34,426
Capital grants and contributions	9,607	14,092	11,366	6,466	20,973	20,558
General Revenues:						
Real property taxes	272,989	249,658	--	--	272,989	249,658
Other taxes	54,549	54,194	--	--	54,549	54,194
Interest and investment earnings, net	2,940	2,402	803	625	3,743	3,027
Other revenues	313	108	--	--	313	108
Total Revenues	497,049	461,611	77,136	68,978	574,185	530,589
Expenses:						
Governmental Activities:						
General government	133,763	116,872	--	--	133,763	116,872
Public safety	125,407	97,558	--	--	125,407	97,558
Highway and streets	53,976	49,842	--	--	53,976	49,842
Sanitation	74,741	69,022	--	--	74,741	69,022
Social welfare	59,429	46,333	--	--	59,429	46,333
Culture and recreation	37,626	34,896	--	--	37,626	34,896
Legislative	7,408	6,416	--	--	7,408	6,416
Interest on long-term debt	6,867	7,563	--	--	6,867	7,563
Business-Type Activities:						
Water Supply	--	--	62,208	62,275	62,208	62,275
Housing	--	--	193	208	193	208
Golf Course	--	--	3,883	3,500	3,883	3,500
Total Expenses	499,217	428,502	66,284	65,983	565,501	494,485
Increase (Decrease) in Net Position Before Transfers	(2,168)	33,109	10,852	2,995	8,684	36,104
Transfers	(2,385)	(2,810)	2,385	2,810	--	--
Change in Net Position	(4,553)	30,299	13,237	5,805	8,684	36,104
Net Position - Beginning of Year, as previously stated	285,921	254,755	324,231	318,234	610,152	572,989
Restatement adjustment	(12,242)	(11,375)	(866)	(673)	(13,108)	(12,048)
Net Position - Beginning of Year, as restated	273,679	243,380	323,365	317,561	597,044	560,941
Net Position - End of Year	\$ 269,126	\$ 273,679	\$ 336,602	\$ 323,366	\$ 605,728	\$ 597,045

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

Governmental Activities. Governmental activities decreased the County's net position by \$4.6 million. This is in contrast to last year when net position increased by \$31.2 million. The decrease of \$35.8 million of change in net position over last year is primarily attributable to an increase in governmental activities expenses of \$70.7 million and decrease in Capital grants and contributions of \$4.5 million, offset by an increase in Charges for services of \$8.5 million, Operating grants and contributions of \$7.0 million and Real Property Taxes of \$23.3 million.

The increase in revenues from real property taxes was primarily due to higher certified values. The real property tax rates in fiscal year 2017 were decreased in most classifications.

Business-Type Activities. The three business-type activities increased the County's net position by \$13.2 million, compared with last year's increase of net position by \$6.0 million. The increase of \$7.2 million in change in net position over last year is primarily attributable to an increase in DWS' revenues collected for services by \$3.1 million and capital contributions by \$4.9 million, offset by an increase in operating expenses by \$0.3 million.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$191.1 million, representing a decrease of \$1.2 million or 0.6% as compared to the prior year. The decrease in the governmental funds balance can be attributed to the decrease in the General Fund by \$3.3 million and Capital Project Fund by \$1.2 million; offset by an increase in the Sewer Fund by \$1.6 million, Highway Fund by \$0.9 million, Grant Fund by \$0.6 million, and Other Governmental Funds by \$0.2 million.

Approximately \$25.1 million or 13.1% of the total fund balances of the governmental funds is comprised of unassigned funds. Unassigned funds have no constraints whatsoever and are available for spending at the County's discretion. The remainder of total governmental fund balances of \$166.1 million is comprised of \$47.6 million in restricted funds, \$61.3 million in committed funds, and \$57.2 million in assigned funds. There was a total of \$126.9 million in encumbered governmental funds comprised of \$119.6 million in the major funds and \$7.3 million in the non-major funds.

General Fund. The General Fund is the chief operating fund for the County. At the end of the current fiscal year, the fund balance of the General Fund was \$81.7 million, which included \$4 million in restricted funds, \$34.4 million in committed, \$18.2 million in assigned, and \$25.1 million in unassigned funds. The unassigned fund balance represents 8.9% of total General Fund expenditures, while the total fund balance of the General Fund represents 28.9% of the expenditures. There was a total of \$18.2 million in encumbrances in the General Fund at the end of fiscal year 2017.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

The fund balance for the General Fund decreased by \$3.3 million during the current fiscal year. This compares with a decrease of \$3.9 million from the prior year. Key factors for the decrease of \$3.3 million in the General Fund balance this year compared to the prior year are as follows:

- Total revenues increased by \$22.0 million or 7.4% from prior year, largely reflective of increased revenues from taxes of \$21.0 million, charges for services of \$0.7 million, interest and investment earnings of \$0.5 million, and licenses of \$0.3 million; offset by decreased revenues from fines and forfeitures of \$0.2 million and other revenues of \$0.4 million, when compared to prior year.
- Total expenditures increased by \$22.6 million or 8.7% from prior year. The increase is due to expenditures of \$9.6 million in Culture and Recreation, \$7.6 million in General Government, \$6.1 million in Public Safety, and \$1.8 million in Highways and Streets; offset by a decrease of expenditures of \$2.6 million in Social Welfare.
- Other Financing Uses, net increased \$1.1 million from prior year, due primarily to an increase in transfers out to the Debt Service Fund of \$5.2 million, offset by a decrease in the transfers out to the Capital Improvements Projects Fund of \$1.4 million, and an increase in the transfers in from the Lapse from Capital Improvement Projects of \$2.7 million. The \$1.1 million increase in Other Financing Uses, offset by a decrease of \$0.6 million in revenues over expenditures resulted in an increase of \$0.5 million in the net change in fund balance from the prior year.

Revenues from taxes increased by \$21.0 million, from \$259.3 million in fiscal year 2016 to \$280.3 million in fiscal year 2017.

Real property tax is the most significant revenue source for the County. This fiscal year's collection of \$273.0 million represents 55.0% of all the revenues for the County governmental funds. This year's levy collection increased by \$22.9 million or 9.2% from last year's levy collection of \$250.1 million. The increase in real property tax collection in fiscal year 2017 was largely due to increased property tax valuations. The County's tax rate decreased for most property classifications at an average rate of 2.0% from prior year, while Apartment, Commercial, and Commercial Residential tax rates remain the same as prior year.

The property tax valuations for tax rate purposes (tax base) increased from \$40.7 billion in fiscal year 2016 to \$44.4 billion in fiscal year 2017, representing an increase of 9%. The tax rates in 2017 decreased for the following classifications: Residential from \$5.40 to \$5.30, Industrial from \$6.85 to \$6.69, Agricultural from \$5.75 to \$5.66, Conservation from \$5.90 to \$5.80, Hotel and Resort from \$8.85 to \$8.71, Time share from \$14.55 to \$14.31, and Homeowner from \$2.75 to \$2.70.

The Maui County Code allows for twenty different tax rates; one for land and one for improvements for each of the ten different classifications of property. The County however, has been utilizing one rate for both land and improvements. Within the ten classifications of property, ten different tax rates are used.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

Included in the Taxes category for the General Fund is the public service company tax. This tax, which is levied against public utilities, provides for a tax of 1.885% of the gross income in lieu of real property tax. Collections for the Public Service Company tax were \$7.7 million, representing a decrease of \$1.6 million over the prior fiscal year.

Highway Fund. At the end of the current fiscal year, the fund balance of the Highway Fund was \$10.6 million, of which the entire amount was restricted. A total of \$1.8 million in the Highway Fund was encumbered at the end of fiscal year 2017.

The revenues in the Highway Fund primarily derived from the fuel tax (\$15.7 million), franchise tax (\$7.7 million), and motor vehicle weight tax (\$21.4 million), classified as licenses and permits, and public transit bus fare (\$2.5 million) collectively made up 9.5% (\$47.3 million) of the revenues in the governmental funds. The fiscal year 2017 revenue collection was \$2.8 million more than the previous year due to increased revenues from fuel tax of \$3.1 million, and motor vehicle license and permit fees of \$0.9 million; offset by a decrease of revenue from franchise tax of \$1.2 million.

The expenditures of \$29.7 million for the Highway Fund was a decrease of \$1.3 million or 4.2% from the prior fiscal year.

The total other financing sources (uses) for the Highway Fund increased from (\$15.2) million in fiscal year 2016 to (\$16.7) million in fiscal year 2017. With a beginning fund balance of \$9.7 million, the Highway Fund ended with a fund balance of \$10.6 million, an increase in fund balance of \$0.9 million.

Sewer Fund. At the end of the current fiscal year, the fund balance of the Sewer Fund was \$12 million which represented committed funds. A total of \$2.7 million in the Sewer Fund was encumbered at the end of fiscal year 2017.

The Sewer Fund revenues of sewer and cesspool fees of \$52.0 million reflect an increase of \$2.5 million or 4.9% from last year's revenue collection of \$49.5 million.

The Sewer Fund expenditures of \$27.3 million increased \$0.7 million or 2.8% from the prior fiscal year, primarily due to a decrease in operating expenditures as it relates to waste water reclamation. With a beginning fund balance of \$10.4 million, the Sewer Fund ended with a fund balance of \$12.0 million, an increase in fund balance of \$1.6 million from fiscal year 2016 to fiscal year 2017.

Grant Fund. Total revenue for the Grant Fund was \$40.0 million, representing an increase of \$5.7 million or 16.6% over last year.

The Grant Fund expenditures in the current fiscal year increased by \$7.2 million or 22.4% compared to the prior year.

Capital Improvement Projects Fund. At the end of the current fiscal year, the fund balance of the Capital Improvement Projects (CIP) Fund was \$40.4 million, which included \$1.5 million in restricted funds and \$38.9 million in assigned funds. A total of \$92.5 million in the Capital Improvement Projects Fund was encumbered at the end of the current fiscal year.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

Expenditures for capital improvement projects for fiscal year 2017 were \$48.1 million (excluding bond issuance costs). This amount, compared with last year's expenditures of \$65.5 million, represents a decrease of \$17.4 million or 26.5%.

The largest expenditures were reflected in the Roads category of \$17.6 million, which comprised 36.6% of the total CIP expenditures. Capital projects under this category consisted primarily of the Old Haleakala Highway Reconstruction in the amount of \$5.6 million, Baldwin Avenue Pavement Rehabilitation Phase II in the amount of \$1.6 million, and Papa Avenue Pavement Reconstruction in the amount of \$0.9 million.

The Sewer Systems category had expenditures of \$12.2 million or 25.4% of total expenditures of the Capital Improvements Projects Fund. The Lahaina Wastewater Reclamation Facility Odor Control in the amount of \$1.9 million, Lahaina Wastewater Reclamation Facility Modifications Stage IA in the amount of \$1.8 million, Hawaiian Homes Wastewater Pump Station Force Main Replacement in the amount of \$1.3 million, and Wailuku-Kahului Wastewater Reclamation Facility Force Main Replacement in the amount of \$1.1 million were the major projects under this category.

Expenses in the Other Projects category had expenditures of \$5.0 million or 10.4% of the total expenditures in the Capital Improvements Projects Fund. The major projects in this category were a purchase of a Diesel Power Waste Handler Crawler Tractor in the amount of \$0.9 million, a Diesel Powered Landfill Compact in the amount of \$0.8 million, and a 500 GPM Pumper in the amount of \$0.7 million.

Expenditures in the Solid Waste Facilities category of \$3.7 million comprised 7.7% of the total expenditures in the Capital Improvement Projects Fund. The projects in this category were the Central Maui Landfill Phase V Gas Collection System Expansion in the amount of \$1.7 million and Hana Landfill Makai Berm Waste in the amount of \$1.0 million.

Expenditures in the Parks category of \$3.6 million comprised 7.5% of the total expenditures in the Capital Improvement Projects Fund. The Paia-Haiku Parks System in the amount of \$0.4 million, Hana-Keanae-Kailua Parks in the amount of \$0.4 million, and Waiale Park Playground Replacement in the amount of \$0.3 million were the major projects in this category.

Expenditures in the Governmental Facilities category of \$3.4 million comprised 7.0% of the total expenditures in the Capital Improvement Projects Fund. The major projects in this category were Wailuku Redevelopment Municipal Parking Lot Expansion in the amount of \$0.9 million, and County Service Center in the amount of \$0.5 million.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

BUDGETARY HIGHLIGHTS

The General Fund budget amendments for fiscal year 2017 primarily consisted of \$3.3 million for the Countywide Costs under the Department of Finance and \$1.3 million for the Department of Fire and Public Safety.

The major negative budget variance for revenues (final amended budget and actual amounts) in the General Fund was from public service company tax. It reflected a negative variance, with actual revenues of \$7.7 million below the budget by \$1.4 million.

The major positive budget variance for expenditures in the General Fund was in General Government of \$13.6 million, followed by Public Safety of \$4.2 million, and Legislative of \$1.9 million. Savings from the Countywide Costs Program in the General Government category, Investigative Service Program and Technical and Support Services Program in the Public Safety category, and Council Services Program in the Legislative category primarily contribute to the positive variance in the expenditures for the General Fund.

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

CAPITAL ASSETS
(Dollars in Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>
Non-Depreciable Assets:						
Land	\$ 180,956	\$ 171,461	\$ 10,708	\$ 10,150	\$ 191,664	\$ 181,611
Construction in progress	<u>60,374</u>	<u>59,729</u>	<u>34,854</u>	<u>40,903</u>	<u>95,228</u>	<u>100,632</u>
	<u>241,330</u>	<u>231,190</u>	<u>45,562</u>	<u>51,053</u>	<u>286,892</u>	<u>282,243</u>
Depreciable Assets:						
Buildings and systems	164,636	163,723	8,920	8,823	173,556	172,546
Improvements other than buildings	146,556	143,038	2,972	2,972	149,528	146,010
Machinery and equipment	153,137	140,892	33,450	32,642	186,587	173,534
Infrastructure	<u>1,163,565</u>	<u>1,132,959</u>	<u>550,654</u>	<u>522,915</u>	<u>1,714,219</u>	<u>1,655,874</u>
	<u>1,627,894</u>	<u>1,580,612</u>	<u>595,996</u>	<u>567,352</u>	<u>2,223,890</u>	<u>2,147,964</u>
Accumulated Depreciation	<u>(1,085,504)</u>	<u>(1,045,107)</u>	<u>(294,970)</u>	<u>(280,236)</u>	<u>(1,380,474)</u>	<u>(1,325,343)</u>
Total Capital Assets, Net	<u>\$ 783,720</u>	<u>\$ 766,695</u>	<u>\$ 346,588</u>	<u>\$ 338,169</u>	<u>\$ 1,130,308</u>	<u>\$ 1,104,864</u>

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$1.1 billion (net of accumulated depreciation of \$1.3 billion). This investment of capital assets includes land, buildings and systems, improvements other than buildings, machinery and equipment, infrastructure (roadway systems, bridges, landfills and sewer systems) and construction in progress.

During fiscal year 2017, capital assets relating to governmental activities reflected additions of \$108.8 million, depreciation expense of \$44.9 million, and transfers/retirements of \$47.0 million (net), resulting in capital assets, net of \$783.7 million. Capital assets relating to business-type activities reflected additions of \$46.7 million, depreciation expense of \$14.9 million, and transfers/retirements of \$23.4 million (net) resulting in capital assets, net of \$346.6 million.

Capital asset additions relating to governmental activities were primarily attributable to road, bikeway and bridge improvements, sewer infrastructure, and government facilities. Capital assets additions related to business-type activities were primarily attributable to DWS infrastructure projects (waterlines, reservoirs, and replacement of pumping equipment).

Contractual commitments for capital assets at June 30, 2017 for the governmental and business-type activities amounted to \$126.9 million and \$37.0 million, respectively.

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

COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017

	LONG-TERM DEBT (Dollars in Thousands)					
	Governmental		Business-Type		Total	
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>
General Obligation Bonds (excluding unamortized premiums and deferrals)	\$ 196,001	\$ 218,524	\$ 22,119	\$ 24,471	\$ 218,120	\$ 242,995
State Revolving Fund and USDA Loans	<u>54,137</u>	<u>46,801</u>	<u>29,168</u>	<u>22,260</u>	<u>83,305</u>	<u>69,061</u>
Total Long-Term Debt	<u>\$ 250,138</u>	<u>\$ 265,325</u>	<u>\$ 51,287</u>	<u>\$ 46,731</u>	<u>\$ 301,425</u>	<u>\$ 312,056</u>

Long-Term Debt. At the end of the current fiscal year, the County had total long-term debt outstanding of \$301.4 million (\$250.1 million related to governmental activities and \$51.3 million related to business-type activities). Of this amount, \$218.1 million is comprised of debt backed by the full faith and credit of the government GO bonds, while \$83.3 million represents SRF loans. The SRF loans are used for construction of wastewater facilities and projects relating to compliance with drinking water standards, and protection of public health and environment.

The County's total GO bonds and loans decreased by \$10.6 million during the current fiscal year. The decrease is reflective of a \$24.9 million decrease in GO bonds, offset by an increase of \$14.2 million in SRF loans.

The State Constitution limits the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the County of Maui is \$6.7 billion, which is significantly in excess of the County's outstanding general obligation debt. As of June 30, 2017, the County's current outstanding debt applicable to the limit of \$279.3 million represents only 4.20% of the County's debt limitation.

Additional information on the County's long-term debt can be found in Note 7 in the notes to the basic financial statements.

**COUNTY OF MAUI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Like the State of Hawaii, the growth of Maui County's economy, now in its seventh year of expansion, is beginning to slow despite record tourist arrivals and very low unemployment numbers. This is the consequence of a flattening construction path and the natural effects of the tightening labor markets. Despite the aforementioned, the near term outlook for Maui County's economy remains positive based largely on the continued strength of the tourism sector.

The real property tax base for fiscal year 2018 of \$46.0 billion is an increase of \$1.6 billion or 3.6% from the fiscal year 2017.

The real property tax rates (per \$1,000 assessed valuation) for fiscal year 2018 increased for all of the ten classifications of property. The following were the increases in each category: Residential from \$5.30 to \$5.54, Apartment from \$6.00 to \$6.32, Commercial from \$6.60 to \$7.28, Industrial from \$6.69 to \$7.49, Agricultural from \$5.66 to \$6.01, Conservation from \$5.80 to \$6.37, Hotel and Resort from \$8.71 to \$9.37, Homeowner from \$2.70 to \$2.86, Time share from \$14.31 to \$15.43 and Commercial Residential from \$4.35 to \$4.56. The budgeted real property tax levy of \$303.2 million for fiscal year 2018 is an increase of \$29.6 million or 10.9% from fiscal year 2017, largely as a result of the higher tax rates.

The fiscal year 2018 budget appropriated \$17.0 million to satisfy the annual required contribution towards its health benefits for its unfunded actuarial liability.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Director of Finance, 200 South High Street, Wailuku, Hawaii 96793.

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**COUNTY OF MAUI
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS:			
Equity in pooled cash and investments held in County Treasury (Notes 2 and 14)	\$ 218,403,156	\$ 75,249,800	\$ 293,652,956
Receivables (Note 4):			
Property taxes	7,455,689	--	7,455,689
State of Hawaii	10,653,015	--	10,653,015
Trade accounts, net	4,741,494	6,765,889	11,507,383
Federal government	511,581	--	511,581
Other	520	--	520
Inventory	--	1,534,476	1,534,476
Other assets (Note 10)	3,397,664	1,696,644	5,094,308
Capital Assets (Note 6):			
Land	180,955,971	10,708,065	191,664,036
Buildings and systems	164,636,022	8,919,814	173,555,836
Improvements other than buildings	146,556,281	2,971,632	149,527,913
Machinery and equipment	153,136,837	33,450,015	186,586,852
Infrastructure	1,163,565,068	550,653,610	1,714,218,678
Construction in progress	60,374,408	34,854,382	95,228,790
Accumulated depreciation	(1,085,503,723)	(294,969,802)	(1,380,473,525)
Total Capital Assets, net	783,720,864	346,587,716	1,130,308,580
Total Assets	1,028,883,983	431,834,525	1,460,718,508
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions (Note 10)	204,999,313	13,894,001	218,893,314
Unamortized loss on advanced refunding	4,636,879	158,295	4,795,174
Total Deferred Outflows of Resources	209,636,192	14,052,296	223,688,488
Total Assets and Deferred Outflows of Resources	1,238,520,175	445,886,821	1,684,406,996
LIABILITIES:			
Accounts payable and accrued liabilities	33,814,711	5,677,702	39,492,413
Deposits	2,536	764,306	766,842
Unearned revenue	5,914,195	1,013,306	6,927,501
Advanced collections	3,388,168	106,973	3,495,141
Interest payable	1,844,509	302,353	2,146,862
Long-term obligations (Note 7):			
Due within one year	62,319,612	6,418,631	68,738,243
Due in more than one year	295,189,527	51,385,132	346,574,659
Net pension liability (Note 10)	550,326,963	42,052,418	592,379,381
Total Liabilities	952,800,221	107,720,821	1,060,521,042
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions (Note 10)	16,017,283	1,383,487	17,400,770
Unamortized gain of advanced refunding	--	180,272	180,272
Deferred inflows - nonexchange transactions (Note 4)	577,365	--	577,365
Total Deferred Inflows of Resources	16,594,648	1,563,759	18,158,407
Total Liabilities and Deferred Inflows of Resources	969,394,869	109,284,580	1,078,679,449
NET POSITION:			
Net investment in capital assets	533,984,765	295,171,590	829,156,355
Restricted for:			
Highways and streets	10,644,314	--	10,644,314
Capital projects	8,368,146	--	8,368,146
Open space and resources	3,986,833	--	3,986,833
Affordable housing	13,496,504	--	13,496,504
Water and other assessments (Note 14)	15,234,163	16,923,769	32,157,932
Unrestricted	(316,589,419)	24,506,882	(292,082,537)
Total Net Position	\$ 269,125,306	\$ 336,602,241	\$ 605,727,547

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

**COUNTY OF MAUI
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 133,763,469	\$ 14,061,903	\$ 8,393,116	\$ --	\$ (111,308,450)	\$ --	\$ (111,308,450)
Public safety	125,406,697	453,519	5,439,432	--	(119,513,746)	--	(119,513,746)
Highways and streets	53,976,368	24,488,305	829,477	7,865,013	(20,793,573)	--	(20,793,573)
Sanitation	74,740,772	73,004,272	177,241	743,587	(815,672)	--	(815,672)
Social welfare	59,428,745	2,557,916	26,266,839	--	(30,603,990)	--	(30,603,990)
Culture and recreation	37,625,747	611,054	363,812	998,595	(35,652,286)	--	(35,652,286)
Legislative	7,407,639	3,870	--	--	(7,403,769)	--	(7,403,769)
Interest on long-term debt	6,867,907	--	--	--	(6,867,907)	--	(6,867,907)
Total Governmental Activities	<u>499,217,344</u>	<u>115,180,839</u>	<u>41,469,917</u>	<u>9,607,195</u>	<u>(332,959,393)</u>	<u>--</u>	<u>(332,959,393)</u>
Business-type Activities:							
Department of Water Supply	62,208,159	63,633,235	--	11,366,221	--	12,791,297	12,791,297
Housing, Interim Financing and Buy-Back Revolving Fund	192,922	225,567	--	--	--	32,645	32,645
Golf Course Special Fund	<u>3,883,730</u>	<u>1,107,625</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,776,105)</u>	<u>(2,776,105)</u>
Total Business-type Activities	<u>66,284,811</u>	<u>64,966,427</u>	<u>--</u>	<u>11,366,221</u>	<u>--</u>	<u>10,047,837</u>	<u>10,047,837</u>
	<u>\$ 565,502,155</u>	<u>\$ 180,147,266</u>	<u>\$ 41,469,917</u>	<u>\$ 20,973,416</u>	<u>\$ (332,959,393)</u>	<u>\$ 10,047,837</u>	<u>\$ (322,911,556)</u>
General Revenues:							
Taxes:							
Property taxes					272,988,698	--	272,988,698
Transient accommodation tax					23,484,000	--	23,484,000
Public service company tax					7,662,143	--	7,662,143
Franchise tax					7,747,153	--	7,747,153
Fuel taxes					15,655,215	--	15,655,215
Interest and investment earnings, net (Note 2)					2,940,478	803,561	3,744,039
Other					313,024	--	313,024
Transfers (Note 5)					(2,385,023)	2,385,023	--
Total General Revenues and Transfers					<u>328,405,688</u>	<u>3,188,584</u>	<u>331,594,272</u>
				Change in Net Position	(4,553,705)	13,236,421	8,682,716
Net Position - Beginning of Fiscal Year, as previously stated					285,921,309	324,231,323	610,152,632
Restatement adjustment (Note 15)					(12,242,298)	(865,503)	(13,107,801)
Net Position - Beginning of Fiscal Year, as restated					<u>273,679,011</u>	<u>323,365,820</u>	<u>597,044,831</u>
Net Position - End of Fiscal Year	\$				<u>269,125,306</u>	<u>\$ 336,602,241</u>	<u>\$ 605,727,547</u>

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

**COUNTY OF MAUI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Sewer Fund</u>	<u>Grant Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:								
Equity in pooled cash and investments held in County Treasury (Note 2)	\$ 79,273,414	\$ 10,902,213	\$ 10,488,211	\$ --	\$ --	\$ 66,852,982	\$ 49,143,303	\$ 216,660,123
Cash with fiscal agent	--	--	--	--	--	1,743,033	--	1,743,033
Receivables (Note 4):								
Property taxes	7,455,689	--	--	--	--	--	--	7,455,689
Trade accounts, net	--	--	2,504,444	--	--	--	2,237,050	4,741,494
State of Hawaii	--	1,344,898	--	7,412,016	--	1,896,101	--	10,653,015
Federal government	--	--	--	511,581	--	--	--	511,581
Other receivables	--	--	--	520	--	--	--	520
Due from other funds (Note 5)	19,397,795	--	--	--	--	--	--	19,397,795
Total Assets	<u>\$ 106,126,898</u>	<u>\$ 12,247,111</u>	<u>\$ 12,992,655</u>	<u>\$ 7,924,117</u>	<u>\$ --</u>	<u>\$ 70,492,116</u>	<u>\$ 51,380,353</u>	<u>\$ 261,163,250</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:								
Liabilities:								
Vouchers payable	\$ 3,691,517	\$ 358,604	\$ 619,651	\$ 729,349	\$ --	\$ 2,528,190	\$ 1,969,540	\$ 9,896,851
Accounts payable	9,372,662	1,025,426	55,075	626,558	--	5,104,471	795,696	16,979,888
Contracts retentions payable	29,717	--	520	5,007	--	1,023,821	2,748	1,061,813
Due to other funds (Note 5)	--	--	--	1,086,379	--	18,311,416	--	19,397,795
Deposits payable	--	--	--	--	--	2,036	500	2,536
Accrued wages payable	5,107,861	218,767	246,069	--	--	10,773	292,689	5,876,159
Deposits and unearned revenues	--	--	--	2,787,207	--	3,126,988	--	5,914,195
Advanced collections	--	--	--	--	--	--	3,388,168	3,388,168
Total Liabilities	<u>18,201,757</u>	<u>1,602,797</u>	<u>921,315</u>	<u>5,234,500</u>	<u>--</u>	<u>30,107,695</u>	<u>6,449,341</u>	<u>62,517,405</u>
Deferred Inflows of Resources:								
Deferred inflows - nonexchange	312,505	--	--	--	--	--	264,860	577,365
Deferred inflows - unavailable revenues	5,914,661	--	74,921	--	--	--	934,682	6,924,264
Total Deferred Inflows of Resources	<u>6,227,166</u>	<u>--</u>	<u>74,921</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,199,542</u>	<u>7,501,629</u>
Fund Balances (Note 13):								
Nonspendable	--	--	--	--	--	--	--	--
Restricted	3,986,833	10,644,314	--	2,689,617	--	1,466,471	28,789,676	47,576,911
Committed	34,401,194	--	11,996,419	--	--	--	14,941,794	61,339,407
Assigned	18,247,545	--	--	--	--	38,917,950	--	57,165,495
Unassigned	25,062,403	--	--	--	--	--	--	25,062,403
Total Fund Balances	<u>81,697,975</u>	<u>10,644,314</u>	<u>11,996,419</u>	<u>2,689,617</u>	<u>--</u>	<u>40,384,421</u>	<u>43,731,470</u>	<u>191,144,216</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 106,126,898</u>	<u>\$ 12,247,111</u>	<u>\$ 12,992,655</u>	<u>\$ 7,924,117</u>	<u>\$ --</u>	<u>\$ 70,492,116</u>	<u>\$ 51,380,353</u>	<u>\$ 261,163,250</u>

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

COUNTY OF MAUI
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
JUNE 30, 2017

Fund Balances - Governmental Funds	\$ 191,144,216
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	783,720,864
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Revenue is deferred for governmental fund purposes but recorded as revenue in the statement of activities.	6,924,264
--	-----------

Interest payable is not reported in the governmental funds.	(1,844,509)
---	-------------

Prepaid postemployment benefits are not reported in the governmental funds.	3,397,664
---	-----------

Deferred amounts on refunding are reported as deferred outflows of resources in the government-wide financial statements but are not reported in the governmental fund statements.	4,636,879
--	-----------

Deferred amounts related to pensions reported as deferred outflows and inflows of resources in the government-wide financial statements but are not reported in the governmental fund statements.	188,982,030
---	-------------

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

General obligation bonds	(209,577,878)
SRF loans from the State of Hawaii	(54,136,638)
Compensated absences	(33,130,779)
Claims and judgments	(19,119,580)
Net pension liability	(550,326,963)
Accrued pollution remediation	(4,667,190)
Landfill closure/post-closure costs	<u>(36,877,074)</u>

Total Long-term Liabilities	(907,836,102)
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Net Position of Governmental Activities	\$ <u>269,125,306</u>
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The notes to the financial statements are an integral part of this statement.

**COUNTY OF MAUI
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Highway Fund	Sewer Fund	Grant Fund	Debt Service Fund	Capital Improvement Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Taxes	\$ 280,298,619	\$ 23,402,369	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 303,700,988
Licenses and permits	8,066,839	21,388,832	41,065	--	--	--	--	32,031,697
Intergovernmental revenues	23,575,427	--	--	39,555,736	--	7,865,013	2,534,961	70,996,176
Charges for current services	2,482,765	2,540,166	51,990,829	--	--	--	19,887,813	76,901,573
Fines and forfeitures	2,149,069	--	--	--	--	--	77,427	2,226,496
Interest and investment earnings, net (Note 2)	3,075,434	--	--	15,784	--	28,869	--	3,120,087
Other revenues	1,336,390	460	35,239	458,280	--	--	4,212,082	6,042,451
Assessments	--	--	--	--	--	--	1,742,182	1,742,182
Total Revenues	320,984,543	47,331,827	52,067,133	40,029,800	--	7,893,882	28,454,465	496,761,650
EXPENDITURES:								
Current:								
General government	116,666,673	--	--	8,485,143	--	--	1,359,754	126,511,570
Public safety	93,860,645	--	--	5,478,965	--	--	361,356	99,700,966
Highways and streets	9,108,668	29,692,386	--	829,478	--	--	403,279	40,032,011
Sanitation	583,309	--	27,265,325	177,242	--	--	26,816,250	54,842,126
Social welfare	18,338,411	--	--	24,144,387	--	--	14,642,753	57,125,551
Culture and recreation	37,960,729	--	--	363,813	--	--	--	38,324,542
Legislative	6,522,630	--	--	--	--	--	--	6,522,630
Capital outlay	--	--	--	--	--	48,111,924	--	48,111,924
Debt Service:								
Principal	--	--	--	--	26,150,359	--	--	26,150,359
Interest and other issuance cost	--	--	--	--	9,174,491	--	--	9,174,491
Total Expenditures	283,039,265	29,692,386	27,265,325	39,479,028	35,324,850	48,111,924	43,583,392	506,496,170
Excess (Deficiency) of Revenues Over Expenditures	37,945,278	17,639,441	24,801,808	550,772	(35,324,850)	(40,218,042)	(15,128,927)	(9,734,520)
OTHER FINANCING SOURCES (USES):								
Issuance of Debt (Note 7):								
SRF and USDA loans	--	--	--	--	--	10,962,589	--	10,962,589
Transfers In (Note 5)								
General Fund	5,910,327	75,000	--	52,906	35,324,850	11,293,647	17,297,847	69,954,577
Special Revenue Funds	15,968,098	--	--	--	--	21,917,267	5,464,618	43,349,983
Capital Improvement Projects Fund	3,817,018	2,315,457	711,794	--	--	--	22,016	6,866,285
Other Governmental Funds	5,381,931	340,000	--	--	--	1,715,000	--	7,436,931
Proprietary Funds	382,308	--	--	--	--	--	--	382,308
Transfers Out (Note 5)								
General Fund	(5,910,327)	(6,530,459)	(9,437,639)	--	--	(3,817,018)	(5,381,930)	(31,077,373)
Special Revenue Funds	(127,906)	--	--	--	--	(3,027,252)	(340,000)	(3,495,158)
Debt Service Fund	(35,324,850)	--	--	--	--	--	--	(35,324,850)
Capital Improvement Projects Fund	(11,293,647)	(12,507,267)	(9,410,000)	--	--	--	(1,715,000)	(34,925,914)
Other Governmental Funds	(17,297,847)	(387,913)	(5,076,705)	--	--	(22,016)	--	(22,784,481)
Proprietary Funds	(2,767,331)	--	--	--	--	--	--	(2,767,331)
Total Other Financing Sources (Uses)	(41,262,226)	(16,695,182)	(23,212,550)	52,906	35,324,850	39,022,217	15,347,551	8,577,566
Net Change in Fund Balances	(3,316,948)	944,259	1,589,258	603,678	--	(1,195,825)	218,624	(1,156,954)
Fund Balances, Beginning of Year	85,014,923	9,700,055	10,407,161	2,085,939	--	41,580,246	43,512,846	192,301,170
Fund Balances, End of Year	\$ 81,697,975	\$ 10,644,314	\$ 11,996,419	\$ 2,689,617	\$ --	\$ 40,384,421	\$ 43,731,470	\$ 191,144,216

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

COUNTY OF MAUI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENTAL ACTIVITIES IN
THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (1,156,954)

Amounts reported for governmental activities in the statement of activities are different due to:

Governmental funds report capital outlays as expenditures and do not report depreciation expense. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays reported in the Capital Improvement Project Fund and other funds, net of retirements	61,885,498
Depreciation expense	(44,859,703)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources:

This is the amount by which bond principal payments exceed bond proceeds.	22,523,143
This is the amount by which loans proceeds exceed loan principal payments.	(7,335,373)

Certain expenses related to the accrual of vacation, landfill closure, postemployment benefits, and claims and judgments are not current financial resources and, therefore, are not reported as expenditures in the governmental funds:

This is the amount by which vacation accrual exceeded the payments.	(1,424,040)
This is the amount by which landfill closure accrual exceeded the payments.	(2,828,633)
This is the amount by which postemployment benefit payments exceeded the accrual.	125,102
This is the amount by which claims and judgments payments exceeded the accrual.	288,521
This is the amount by which pollution remediation payments exceeded the accrual.	818,622

Accrued interest reported is an expense in the statement of activities but not reported as an expenditure in the governmental funds.	135,004
--	---------

Unavailable revenues are recognized in the statement of activities which differs from the current financial resource measurement of the governmental funds.	287,013
---	---------

Bond premiums are deferred and amortized in the government-wide financial statement but recorded as bond proceeds when received in the governmental funds. This is the current year deferrals, net of current year amortization of bond premiums.	3,217,163
---	-----------

Losses on early retirement of bonds outstanding are capitalized and amortized in the statement of activities over the life of the debt. This is the current year additions, net of current year amortization of losses on early retirement of bonds.	(1,045,586)
--	-------------

The County's proportionate share of pension expense requiring immediate recognition, but not reported as expenditures in the governmental funds. This is the net difference between fiscal year 2017 employer paid contributions, recorded as deferred outflows in the current year and fiscal year 2016 employer paid contributions being expensed in the statement of activities.	(35,183,482)
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Change in Net Position of Governmental Activities	\$ <u>(4,553,705)</u>
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The notes to the financial statements are an integral part of this statement.

**COUNTY OF MAUI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Department of Water Supply	Housing, Interim Financing, and Buy-Back Revolving Fund	Golf Course Special Fund	Total
ASSETS:				
Current Assets:				
Unrestricted:				
Equity in pooled cash and investments held in County Treasury (Notes 2 and 14)	\$ 52,515,728	\$ 1,723,993	\$ 1,016,636	\$ 55,256,357
Trade accounts, net (Note 4)	6,765,889	--	--	6,765,889
Inventory	1,534,476	--	--	1,534,476
Other assets	1,556,006	140,638	--	1,696,644
Total Current Unrestricted Assets	62,372,099	1,864,631	1,016,636	65,253,366
Restricted:				
Equity in pooled cash and investments held in County Treasury (Notes 2 and 14)	19,993,443	--	--	19,993,443
Total Current Assets	82,365,542	1,864,631	1,016,636	85,246,809
Capital assets (Note 6):				
Land	7,905,059	2,427,000	376,006	10,708,065
Buildings and systems	3,336,702	2,017,532	3,565,580	8,919,814
Improvements other than buildings	--	--	2,971,632	2,971,632
Machinery and equipment	31,328,567	4,884	2,116,564	33,450,015
Infrastructure	550,653,610	--	--	550,653,610
Construction in progress	34,854,382	--	--	34,854,382
Accumulated depreciation	(287,921,052)	(1,170,333)	(5,878,417)	(294,969,802)
Total Capital Assets, net	340,157,268	3,279,083	3,151,365	346,587,716
Total Assets	422,522,810	5,143,714	4,168,001	431,834,525
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	12,970,330	--	923,671	13,894,001
Unamortized loss on advanced refunding	158,295	--	--	158,295
Total Deferred Outflows of Resources	13,128,625	--	923,671	14,052,296
Total Assets and Deferred Outflows of Resources	435,651,435	5,143,714	5,091,672	445,886,821
LIABILITIES:				
Current Liabilities:				
Accounts payable	5,530,479	978	146,245	5,677,702
Deposits	764,306	--	--	764,306
Unearned revenue	1,000,000	13,306	--	1,013,306
Advanced collections	106,973	--	--	106,973
Interest payable	302,353	--	--	302,353
Bonds payable - current portion (Note 7)	2,447,357	--	--	2,447,357
Notes payable - current portion (Note 7)	1,318,665	--	--	1,318,665
Claims and judgments - current portion (Note 7 and 11)	1,676,718	--	--	1,676,718
Accrued vacation - current portion (Note 7)	888,443	--	87,448	975,891
Total Current Liabilities	14,035,294	14,284	233,693	14,283,271
Noncurrent Liabilities:				
Bonds payable - less current portion (Note 7)	22,083,619	--	--	22,083,619
Notes payable - less current portion (Note 7)	27,849,760	--	--	27,849,760
Accrued vacation - less current portion (Note 7)	1,292,463	--	159,290	1,451,753
Net pension liability (Note 10)	39,134,359	--	2,918,059	42,052,418
Total Noncurrent Liabilities	90,360,201	--	3,077,349	93,437,550
Total Liabilities	104,395,495	14,284	3,311,042	107,720,821
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 10)	1,289,870	--	93,617	1,383,487
Unamortized gain on advanced refunding	180,272	--	--	180,272
Total Deferred Inflows of Resources	1,470,142	--	93,617	1,563,759
Total Liabilities and Deferred Inflows of Resources	105,865,637	14,284	3,404,659	109,284,580
NET POSITION:				
Net investment in capital assets	288,741,142	3,279,083	3,151,365	295,171,590
Restricted - water (Note 14)	16,923,769	--	--	16,923,769
Unrestricted	24,120,887	1,850,347	(1,464,352)	24,506,882
Total Net Position	\$ 329,785,798	\$ 5,129,430	\$ 1,687,013	\$ 336,602,241

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

COUNTY OF MAUI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Department of Water Supply	Housing, Interim Financing, and Buy-Back Revolving Fund	Golf Course Special Fund	Total
Operating Revenues:				
Charges for services	\$ 63,633,235	\$ 225,567	\$ 1,107,625	\$ 64,966,427
Total Operating Revenues	<u>63,633,235</u>	<u>225,567</u>	<u>1,107,625</u>	<u>64,966,427</u>
Operating Expenses:				
Salaries and personnel services	11,012,602	—	1,010,891	12,023,493
Other operating expenses	36,399,712	137,502	2,484,442	39,021,656
Depreciation and amortization (Note 6)	14,408,243	55,420	388,397	14,850,060
Total Operating Expenses	<u>61,818,557</u>	<u>192,922</u>	<u>3,883,730</u>	<u>65,895,209</u>
Operating Income (Loss)	<u>1,814,678</u>	<u>32,645</u>	<u>(2,776,105)</u>	<u>(928,782)</u>
Nonoperating Revenues (Expenses):				
Interest and investment earnings, net	785,552	18,009	—	803,561
Interest expense, net of capitalized interest	(389,602)	—	—	(389,602)
Total Non-Operating Revenues (Expenses), Net	<u>395,950</u>	<u>18,009</u>	<u>—</u>	<u>413,959</u>
Income (Loss) Before Capital Contributions and Transfers	2,210,628	50,654	(2,776,105)	(514,823)
Capital Contributions	11,366,221	—	—	11,366,221
Transfers In (Note 5)	—	—	2,767,331	2,767,331
Transfers Out (Note 5)	<u>—</u>	<u>—</u>	<u>(382,308)</u>	<u>(382,308)</u>
Change in Net Position	13,576,849	50,654	(391,082)	13,236,421
Net Position, Beginning of Year, as previously stated	317,031,554	5,078,776	2,120,993	324,231,323
Restatement adjustment (Note 15)	(822,605)	—	(42,898)	(865,503)
Net Position, Beginning of Year, as restated	<u>316,208,949</u>	<u>5,078,776</u>	<u>2,078,095</u>	<u>323,365,820</u>
Net Position, End of Year	<u>\$ 329,785,798</u>	<u>\$ 5,129,430</u>	<u>\$ 1,687,013</u>	<u>\$ 336,602,241</u>

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

**COUNTY OF MAUI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Department of Water Supply	Housing, Interim Financing, and Buy-Back Revolving Fund	Golf Course Special Fund	Total
Cash Flows from Operating Activities:				
Receipts from customers	\$ 62,859,449	\$ 240,512	\$ 1,107,625	\$ 64,207,586
Payments to suppliers	(37,307,583)	(19,238)	(2,457,654)	(39,784,475)
Payments to employees	(8,592,919)	—	(777,392)	(9,370,311)
Receipts of utility construction advances	221,270	—	—	221,270
Net cash provided by (used in) operating activities	<u>17,180,217</u>	<u>221,274</u>	<u>(2,127,421)</u>	<u>15,274,070</u>
Cash Flows from Capital and Related Financing Activities:				
Cash paid for the acquisition and construction of capital assets	(18,152,428)	(97,388)	(598,886)	(18,848,702)
Principal paid on bonds and notes payable	(3,661,394)	—	—	(3,661,394)
Proceeds from bonds and notes payable	8,218,402	—	—	8,218,402
Cash received from capital contributions	7,455,486	—	—	7,455,486
Interest paid on bonds and notes payable	(1,492,584)	—	—	(1,492,584)
Net cash used in capital and related financing activities	<u>(7,632,518)</u>	<u>(97,388)</u>	<u>(598,886)</u>	<u>(8,328,792)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers in	—	—	2,767,331	2,767,331
Transfers out	—	—	(382,308)	(382,308)
Net cash provided by noncapital financing activities	<u>—</u>	<u>—</u>	<u>2,385,023</u>	<u>2,385,023</u>
Cash Flows from Investing Activities:				
Interest and investment earnings	785,552	18,009	—	803,561
Net cash provided by investing activities	<u>785,552</u>	<u>18,009</u>	<u>—</u>	<u>803,561</u>
Change in Cash and Cash Equivalents	<u>10,333,251</u>	<u>141,895</u>	<u>(341,284)</u>	<u>10,133,862</u>
Cash and Cash Equivalents, Beginning of Year	<u>62,175,920</u>	<u>1,582,098</u>	<u>1,357,920</u>	<u>65,115,938</u>
Cash and Cash Equivalents, End of Year	<u>\$ 72,509,171</u>	<u>\$ 1,723,993</u>	<u>\$ 1,016,636</u>	<u>\$ 75,249,800</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Unrestricted	\$ 52,515,728	\$ 1,723,993	\$ 1,016,636	\$ 55,256,357
Restricted	<u>19,993,443</u>	<u>—</u>	<u>—</u>	<u>19,993,443</u>
	<u>\$ 72,509,171</u>	<u>\$ 1,723,993</u>	<u>\$ 1,016,636</u>	<u>\$ 75,249,800</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 1,814,678	\$ 32,645	\$ (2,776,105)	\$ (928,782)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	14,406,243	55,420	388,397	14,850,060
Bad debt	(23,843)	—	—	(23,843)
Pension expense	4,532,361	—	328,352	4,860,713
Net (increase) decrease in receivables, inventory, other current assets, and deferred outflows	(4,443,777)	132,461	(164,634)	(4,475,950)
Net increase (decrease) in accounts payable, accrued vacation, other current liabilities, and deferred inflows	<u>894,555</u>	<u>748</u>	<u>96,569</u>	<u>991,872</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 17,180,217</u>	<u>\$ 221,274</u>	<u>\$ (2,127,421)</u>	<u>\$ 15,274,070</u>
Noncash Capital Financing Activities				
Capital contributions	\$ 3,910,735	\$ —	\$ —	\$ 3,910,735
Amortization of deferred loss on refunding	\$ 70,435	\$ —	\$ —	\$ 70,435
Amortization of deferred gain on refunding	\$ 270,408	\$ —	\$ —	\$ 270,408
Amortization of bond premium	\$ 402,625	\$ —	\$ —	\$ 402,625

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

**COUNTY OF MAUI
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS:	
Equity in pooled cash and investments held in County Treasury (Note 2)	\$ 50,939,224
Other current assets	500,000
Other non-current assets	<u>95,655</u>
Total Assets	\$ <u>51,534,879</u>
LIABILITIES:	
Deposits	\$ 51,439,224
Due to State of Hawaii	<u>95,655</u>
Total Liabilities	\$ <u>51,534,879</u>

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

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Maui, State of Hawaii (the County) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the financial reporting entity, financial statement presentation and the more significant accounting policies.

The Financial Reporting Entity -

County of Maui - The County is a municipal corporation governed by an elected mayor and a nine-member County Council. The County operates under the Charter of the County of Maui that was last amended in 2016.

The accompanying basic financial statements present all operations of the County as the primary government. The County's governmental activities are organized by the following general functions: general government, public safety, highways and streets, sanitation, social welfare, culture and recreation, and legislative. The County's business-type activities include the Department of Water Supply, the Housing, Interim Financing, and Buy-Back Revolving Fund, and the Golf Course Special Fund.

State of Hawaii agencies assume full responsibility for the administration of several major functions usually performed by local governments such as education, welfare, health, and judicial functions. These agencies are not dependent on the County, and therefore, are not included in these basic financial statements. There are no separate city, county, or township governments nor any school district, special districts, authorities, public corporations, or component units for which the County is financially accountable.

Financial Statement Presentation -

Accounting Standards Applied - The financial statements of the County have been prepared in conformity with GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County follows all applicable GASB pronouncements.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, net position, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. For example, the direct expenses charged based on actual use are not eliminated, whereas indirect expense allocations made in the funds are eliminated. These statements distinguish between the *governmental* and *business-type* activities of the County. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities, which is included in the government-wide financial statements, presents a comparison between the direct expenses and program revenues for each business-type activity of the County and each function of the County's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or function. Program revenues include 1) fees, fines, and charges paid by the recipients of goods and services offered by the programs, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are instead presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category, such as governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements are on the major governmental and enterprise funds of the County and are reported separately in the accompanying financial statements. All remaining governmental funds are aggregated and reported as non-major funds in the accompanying fund financial statements.

Governmental Fund Financial Statements - Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balances.

The following is a brief summary of the County's major governmental funds -

General Fund - This is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Highway Fund - This fund accounts for operations and maintenance of the County's highways and streets. Funding is provided by the County's fuel tax, public utility franchise tax, and the motor vehicle weight tax. These taxes must be used for highway-related purposes.

Sewer Fund - This fund accounts for the operations and maintenance of the County's sewer system. Funding is provided by sewer assessment fees.

Grant Fund - This fund accounts for the administration of various Federal and State of Hawaii grants.

Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of general long-term principal and interest and related costs.

Capital Improvement Projects Fund - This fund accounts for the financial resources to be used for the acquisition or construction of various major capital facilities.

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. Governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Fund balance is considered a measure of expendable available financial resources. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) as a net increase or decrease in the respective fund balance.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Financial Statements - Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The following is a brief summary of the County's major proprietary funds:

Department of Water Supply - The Department was created to develop adequate water sources, storage, and transmission for both urban and agricultural uses for the County.

Housing, Interim Financing, and Buy-Back Revolving Fund - This fund was established to account for the developing and selling of housing units on land acquired by the County to moderate and low-income residents, and to account for financing and operation of low-income rental projects developed by the County.

Golf Course Special Fund - This fund was established to account for the financing and operation of the County's golf course, pro-shop, and food and liquor concession.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

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

Fiduciary Fund Financial Statements - Fiduciary fund financial statements include a statement of fiduciary net position. These funds account for money received, held and disbursed in a trustee capacity or as an agent for individuals, other governmental units, and other funds. The County's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for under the accrual basis of accounting as are the proprietary funds explained above.

Fiduciary funds of the County include the following agency funds:

Refundable Deposits Fund - This fund is used to account for the bid bond, performance and payment bond, and subdivision bond monies held by the County until the purpose for which the bond was posted is completed.

Agency Trust Funds - These funds are used to account for other monies collected in an agency capacity and include motor vehicle registration fees collected on behalf of the State of Hawaii and taxes withheld from employee pay.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies -

Measurement Focus and Basis of Accounting - The basis of accounting determines when transactions are reported on the financial statements. The government-wide, proprietary, and fiduciary funds (excluding agency funds) financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes recognized in the fiscal year for which the taxes are levied. Revenues from sales and use, transient occupancy, and utility user tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. All governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are real property taxes, fuel and franchise taxes, assessments, rents and concessions, sewer charges, landfill usage charges, certain state and federal grants, and interest from investments. Licenses and permits, forfeitures, penalties, and other miscellaneous revenues are not susceptible to accrual, because they are not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred except for debt service expenditures, as well as expenditures related to vacation, landfill closure and post-closure costs, postemployment benefits, and claims and judgments, which are recorded only when payment is due.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the County's policy to first apply restricted cost-reimbursement grant resources to such programs, followed by restricted categorical block grants, and then by unrestricted general revenues.

Cash and Investments - Cash balances of the County's funds are pooled and invested by the County Treasury unless otherwise dictated by legal or contractual requirements. Income and losses arising from the investment activity of pooled cash are allocated to participating funds on a periodic basis, based on their proportionate shares of the average cash balances.

Cash includes amounts in demand and time deposits primarily with various financial institutions in Hawaii, with fiscal agents, and in imprest and change funds. Cash on deposit with financial institutions are collateralized in accordance with State statutes (see Note 2).

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows, the enterprise funds consider all equity in pooled cash and investments held in County Treasury (including restricted cash) to be cash equivalents.

Investments in time certificates of deposits and repurchase agreements are carried at cost, which approximates fair value. Investments in U.S. Treasury, U.S. agencies obligations, State and County Obligations, and commercial paper are carried at fair value.

Real Property Taxes - Real property taxes are assessed and billed annually. The County's real property taxes, which are levied on July 1st and billed by July 20th of each year based on assessed valuations as of January 1st, are due in two equal installments on the following August 20th and February 20th. Accordingly, real property tax receivables at June 30, 2017 are delinquent and amounts, if not collected within sixty days after year-end, are reported as deferred inflows in the General Fund. A lien for real property tax is attached as of July 1st of each year.

Real Property Tax Abatement Programs - The County provides for various tax abatement programs under Maui County Code, Chapter 3.48, Real Property Tax. However, the Dedicated Lands tax abatement program, under section 3.48.350, accounts for approximately 99% of tax abatements in both number and dollars.

Dedicated Lands - Section 3.48.350 of the Maui County Code provides an abatement to encourage the dedication of land for a specific ranching or other agricultural use. Taxpayers must file a petition providing for a dedication request with the Director of Finance and the Director must approve such petition to receive the abatement. The abatement for dedicated lands for a specific ranching or other agricultural use provides for land taxed at its assessed value in this use or fifty percent of its assessed value for ten or twenty years, respectively. The amount of the abatement is shown as a reduction of the assessed value of the property and the property tax is calculated based on the net taxable value of the property. Dedication of land is for a minimum of either ten or twenty years. The petition is automatically renewable indefinitely, subject to varying cancellations under the ten and twenty year dedications. Changes in dedication of land use must also be approved by the Director of Finance.

The gross amount by which the County tax revenues were reduced during the year as a result of the Dedicated Lands tax abatement program was approximately \$5.5 million.

Inventory - Inventory consists entirely of construction and maintenance materials and supplies held by the Department of Water Supply, a proprietary fund, and is stated at cost on an average cost basis.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, sewer systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and an estimated useful life in excess of one year. For capital improvement projects, capital assets are defined as capital improvements with initial, individual costs of more than \$250,000, while cost for improvements to existing capital improvement projects greater than \$100,000 are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in service concession arrangements are reported at acquisition value.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized but charged to operations as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and enterprise funds, if any, is included as part of the capitalized value of the assets constructed.

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

Equipment	5 - 10 years
Landfill infrastructure	5 years
Transportation and construction equipment	5 - 10 years
Building and land improvements	20 - 45 years
Sewer systems	20 - 50 years
Roadway systems	15 - 20 years
Drainage systems	50 years
Bridges	50 - 75 years

Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statement of activities and proprietary funds' statement of revenues, expenses, and changes in net position.

Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until that time. The County has two items that qualify for reporting in this category. The County reports the deferred loss on advanced refunding and deferred items related to pensions as deferred outflows of resources in its statement of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes, fees and other non-exchange transactions received in the current fiscal year for the ensuing fiscal year are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources for items related to pensions, primarily the County's proportion of the difference between projected and actual earnings on pension plan investments, changes in proportion and difference between the County's contributions and proportionate share of contributions, and changes in assumptions related to pensions.

Internal Balances - Significant transfers of financial resources between departments and activities included within the same fund, which are recorded as revenues by the transferee and expenditures or expenses by the transferor, have been eliminated. Transfers of revenues from funds authorized to receive them to funds authorized to expend them have been recorded as transfers in the fund financial statements.

All inter-fund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net position, except for those amounts due between governmental and business-type activities, which are presented as internal balances.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type financial statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

For advanced refunding resulting in the defeasance of debt, the difference between the reacquisition price and the carrying amount of the old debt is deferred. The amount deferred is reported as a deferred inflow of resources or outflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter.

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

Compensated Absences - In the governmental fund financial statements, vacation pay is recorded as expenditures when liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds and in the government-wide financial statements is recorded as an expense and liability of those funds and activities as the benefits accrue to employees. Vacation benefits accrue at one and three-quarters working days for each month. Each employee is allowed to accumulate a maximum of 90 days of vacation as of the end of the calendar year.

Sick leave accumulates at the rate of one and three-quarters working days for each month, without limit. Sick leave is taken only in the event of illness and is not convertible to pay; accordingly, sick leave is not accrued on either the government-wide or fund financial statements. Employees who retire or leave government service in good standing with sixty or more unused sick leave days are entitled to an additional service credit in the retirement system. At June 30, 2017, accumulated sick leave amounted to approximately \$87.1 million.

Claims and Judgments - Liabilities for claims and judgments are estimated by a combination of case-by-case review of all claims and the application of historical experience to the outstanding claims. The County's policy is to record claims and judgments as expenditures in its governmental fund financial statements when they are due and payable.

Liabilities for claims and judgments are accrued and expensed in the government-wide and proprietary fund financial statements based on the County's exposure to loss.

Net Position - The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - This is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding debt related to these assets.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position - Restricted net position has third party (statutory, bond covenant or granting agency) limitations on its use or has restrictions imposed by law through enabling legislation, and includes unspent proceeds of bonds issued to acquire or construct assets. The County's policy is generally to use restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position - Unrestricted net position represents all other net position not accounted for in the two categories noted above.

Fund Balance Policies - Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. As of June 30, 2017, fund balances for government funds are comprised of the following:

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

Restricted Fund Balance - includes amounts that are subject to constraints imposed or legally enforceable by external parties. Funds with restrictions imposed by the Hawaii Revised Statutes and the Maui County Charter are examples of such funds of the County.

Committed Fund Balance - includes amounts that are subject to constraints created by the County and can only be changed by the County's highest level of formal action. The County Council and the Mayor of the County of Maui act in concert as the County's highest decision-making authorities. Bills passed by the County Council and approved by the Mayor are designated as ordinances and become part of the Maui County Code.

Assigned Fund Balance - includes fund balances that have been encumbered for purchasing commitments by the Chief Procurement Officer or delegate in accordance with the Finance and Budget policies and are considered neither restricted nor committed.

Unassigned Fund Balance - includes amounts that have no constraints whatsoever and are available for spending at the County's discretion.

The County has established a policy relative to the order of the allocation of expenditures. The County's policy is to use resources in all funds in the following order: (1) Restricted, (2) Committed, (3) Assigned and (4) Unassigned.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Retirement and Healthcare Benefits - The County's contributions to the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing, multiple-employer defined benefit pension plan, and to the Hawaii Employer - Union Health Benefits Trust Fund (the EUTF), an agent, multiple-employer defined benefit plan, are based upon actuarial computations and includes current service costs and amortization of prior service costs.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 ERS and additions to/deductions from the ERS' fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, 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.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures or expenses, and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements - The County has implemented or is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

The Governmental Accounting Standards Board (the "GASB") issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Statement will require the liability of employers for defined benefit OPEB to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB plan's fiduciary net position. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the effect this Statement will have on the County's financial statements, but anticipate that it will materially impact the County's financial statements.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Management has adopted the applicable requirements of the new standard as presented in the County's financial statements.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of Statement No. 68 to exclude certain pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management has determined that this Statement does not have a material effect on the County's financial statements.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management has determined that this Statement does not have a material effect on the County's financial statements.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Management has not yet determined the effect this Statement will have on the County's financial statements.

The GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has adopted the applicable requirements of the new standard as presented in the County's financial statements.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect this Statement will have on the County's financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities of all state and local government. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect this Statement will have on the County's financial statements.

The GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the effect this Statement will have on the County's financial statements.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - REPORTING ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the effect this Statement will have on the County's financial statements.

The GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect this Statement will have on the County's financial statements.

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Pooled Cash and Investments Held in County Treasury -

Total County and Fiduciary Funds cash, deposits, and investments as of June 30, 2017, at fair value, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Fair Value</u>
Equity in pooled cash and investments	\$ 218,403,156	\$ 55,256,357	\$ 50,939,224	\$ 324,598,737
Restricted investments - equity in pooled cash and investments	<u>—</u>	<u>19,993,443</u>	<u>—</u>	<u>19,993,443</u>
Total equity in pooled cash and investments	<u>\$ 218,403,156</u>	<u>\$ 75,249,800</u>	<u>\$ 50,939,224</u>	<u>\$ 344,592,180</u>
		Cash on hand and deposits	\$ 50,928,106	
		Certificates of deposit	86,006,241	
		Investments	<u>207,657,833</u>	
		Total equity in pooled cash and investments	<u>\$ 344,592,180</u>	

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the accompanying balance sheets and statement of net position as "Equity in pooled cash and investments held in County Treasury".

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. agencies, obligations of the State and the County, auction rate securities collateralized by student loans, bank repurchase agreements, commercial paper, banker's acceptances, and money market funds.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - CASH, DEPOSITS, 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, a single issuer, or financial institution.
- Investment maturities are not to exceed five years.

For purpose of the disclosures required by GASB Statement No. 40, all time certificates of deposit regardless of maturity are considered deposits, and all repurchase agreements and money market investments are considered investments.

Investment Risk - The investments are subject to certain types of risk, including interest rate risk, credit quality risk, concentration of credit risk, 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 risk is the risk that an issuer or counterparty to an investment will not fulfill its obligation. The County's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. agency obligations, repurchase agreements, commercial paper, banker's acceptances, money market funds, and auction rate securities collateralized by student loans maintaining a Triple-A rating. The bond ratings for the County's investments in U.S. agency obligations (government sponsored enterprises) at June 30, 2017 were "Aa1", "AA+" and "AA+" by Moody's, Standard & Poor's, and Fitch, respectively.

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.

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, 2017, substantially all of the County's cash balance of approximately \$50.9 million and certificates of deposit of approximately \$86.0 million were insured or collateralized.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (Continued)

Investments -

As of June 30, 2017, the County and Fiduciary Fund's investments were as follows:

Type of Investment	% Yield	Maturity				Premiums (Discounts)	Fair Value
		Under 30 Days	31-180 Days	181-365 Days	1 - 5 Years		
Federal National Mortgage Association Coupon Notes	1.207 - 2.000	\$ -	\$ -	\$ -	\$ 47,955,000	\$ 20,632	\$ 47,975,632
Federal Home Loan Bank Notes	0.860 - 2.214	-	-	12,000,000	47,500,000	17,764	59,517,764
Federal Farm Credit Bank Notes	0.938	-	4,000,000	-	-	621	4,000,621
Federal Agricultural Mortgage Corporation Notes	0.640 - 0.875	5,000,000	-	14,000,000	-	30	19,000,030
Federal Home Loan Mortgage Corporation Notes	0.901 - 2.404	-	-	-	35,630,000	(17,832)	35,612,168
U.S. Treasury Strips	1.380 - 1.940	-	-	-	5,000,000	(224,237)	4,775,763
U.S. Treasury Note	0.967 - 1.784	-	2,800,000	-	2,000,000	(10,141)	4,789,859
State and County Obligations	0.762 - 2.229	-	-	-	25,855,000	138,256	25,993,256
Commercial Paper	1.322	-	6,000,000	-	-	(7,260)	5,992,740
Total investments		\$ 5,000,000	\$ 12,800,000	\$ 26,000,000	\$ 163,940,000	\$ (82,167)	207,657,833
Type of Deposits							
Various certificates of deposit	0.10 - 2.30	\$ 2,500,000	\$ 3,997,000	\$ 6,350,000	\$ 73,159,241		86,006,241
Total investments and certificates of deposit							293,664,074
Cash on hand and deposits							50,928,106
Total equity in pooled cash and investments							\$ 344,592,180

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.

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.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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, State and County obligations, and commercial paper: Valued using quoted prices for identical or similar assets in markets that are not active.

Assets at Fair Value at June 30, 2017				
	Total	Level 1	Level 2	Level 3
U. S. Treasury obligations	\$ 9,565,622	\$ 9,565,622	\$ --	\$ --
U. S. Government agencies	166,106,215	--	166,106,215	--
State and County obligations	25,993,256	--	25,993,256	--
Commercial Paper	5,992,740	--	5,992,740	--
	<u>\$ 207,657,833</u>	<u>\$ 9,565,622</u>	<u>\$ 198,092,211</u>	<u>\$ --</u>

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2017, for the County's governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Highway Fund	Sewer Fund	Grant Fund	Capital Improvement Projects Fund	Other Governmental Funds	Total Governmental Activities
Receivables, net							
Property taxes	\$ 7,455,689	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,455,689
Trade accounts	--	--	2,744,766	--	--	2,933,742	5,678,508
State of Hawaii	--	1,344,898	--	7,412,016	1,896,101	--	10,653,015
Federal government	--	--	--	511,581	--	--	511,581
Other	--	--	--	520	--	--	520
Less: allowance for uncollectible accounts	--	--	(240,322)	--	--	(696,692)	(937,014)
Total Receivables, net	<u>\$ 7,455,689</u>	<u>\$ 1,344,898</u>	<u>\$ 2,504,444</u>	<u>\$ 7,924,117</u>	<u>\$ 1,896,101</u>	<u>\$ 2,237,050</u>	<u>\$ 23,362,299</u>

Receivables included in the County's proprietary funds as of June 30, 2017 were as follows:

	Department of Water Supply	Total Business-Type Activities
Receivables, net		
Charges for services	\$ 6,842,556	\$ 6,842,556
Less: allowance for uncollectible charges	(76,667)	(76,667)
Total Receivables, net	<u>\$ 6,765,889</u>	<u>\$ 6,765,889</u>

Governmental funds report unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds report unearned revenue in connection with resources that have been received, but not yet earned.

For real property tax collections, payments are due August and February. Therefore, property taxes that remain uncollected sixty days after the June fiscal year-end are reported as unavailable.

**COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - RECEIVABLES (Continued)

At June 30, 2017, the various components of deferred inflows of resources were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent real property tax receivables not collected within 60 days of year-end (General Fund)	\$ 5,914,661	\$ --
Real property tax collections received in advance (General Fund)	--	312,505
Sewer and landfill fees not collected within 60 days of year-end (Sewer and Non-Major Fund)	1,009,603	--
Fees collected in advance for liquor licenses (Non-Major Fund)	<u>--</u>	<u>264,860</u>
	\$ <u>6,924,264</u>	\$ <u>577,365</u>

NOTE 5 - INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS BALANCES

Amounts due from and due to other funds as of June 30, 2017 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 19,397,795	\$ --
Grant Fund	--	1,086,379
Capital Improvement Project Fund	<u>--</u>	<u>18,311,416</u>
	\$ <u>19,397,795</u>	\$ <u>19,397,795</u>

Pursuant to Budget Ordinance, the General Fund advances funds for bond-funded projects for which proceeds have not yet been received. These amounts are intended to be repaid in one year.

A summary of the inter-fund transfers as of June 30, 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 31,459,682	\$ 72,721,908
Highway Fund	2,730,457	19,425,639
Sewer Fund	711,794	23,924,344
Grant Fund	52,906	--
Debt Service Fund	35,324,850	--
Capital Improvement Project Fund	34,925,914	6,866,286
Non-Major Governmental Funds	22,784,481	7,436,930
Major Proprietary Fund - Golf Course Special Fund	<u>2,767,331</u>	<u>382,308</u>
	\$ <u>130,757,415</u>	\$ <u>130,757,415</u>

The majority of the transfers into the General Fund relate to allocations of debt service for bond-funded projects and employee benefits from special revenues. Transfers out of the General Fund are predominantly for debt service, transfers for postemployment benefits, affordable housing, supplemental transfers to the Solid Waste and Golf Funds, and funding of capital projects.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - CAPITAL ASSETS

A summary of capital asset activity of the primary government during the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions/ Retirements	Balance June 30, 2017
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 171,460,971	\$ 9,495,000	\$ --	\$ 180,955,971
Construction in progress	59,728,979	47,650,419	(47,004,990)	60,374,408
	<u>231,189,950</u>	<u>57,145,419</u>	<u>(47,004,990)</u>	<u>241,330,379</u>
Depreciable assets:				
Buildings and systems	163,722,690	913,332	--	164,636,022
Improvements other than buildings	143,037,911	3,518,370	--	146,556,281
Machinery and equipment	140,892,546	16,657,743	(4,413,452)	153,136,837
Infrastructure	1,132,958,660	30,606,408	--	1,163,565,068
	<u>1,580,611,807</u>	<u>51,695,853</u>	<u>(4,413,452)</u>	<u>1,627,894,208</u>
Accumulated depreciation				
Buildings and improvements	90,914,153	5,446,462	--	96,360,615
Improvements other than buildings	86,567,095	5,573,691	--	92,140,786
Machinery and equipment	114,334,178	10,972,106	(4,462,668)	120,843,616
Infrastructure	753,291,262	22,867,444	--	776,158,706
	<u>1,045,106,688</u>	<u>44,859,703</u>	<u>(4,462,668)</u>	<u>1,085,503,723</u>
Total Governmental Activities - Capital Assets, Net	\$ <u>766,695,069</u>	\$ <u>63,981,569</u>	\$ <u>(46,955,774)</u>	\$ <u>783,720,864</u>
	Balance July 1, 2016	Additions	Reductions/ Retirements	Balance June 30, 2017
Business-type Activities:				
Non-depreciable assets:				
Land	\$ 10,150,254	\$ 557,811	\$ --	\$ 10,708,065
Construction in progress	40,902,841	17,376,012	(23,424,471)	34,854,382
	<u>51,053,095</u>	<u>17,933,823</u>	<u>(23,424,471)</u>	<u>45,562,447</u>
Depreciable assets:				
Buildings and systems	8,822,426	97,388	--	8,919,814
Improvements other than buildings	2,971,632	--	--	2,971,632
Machinery and equipment	32,642,402	923,984	(116,371)	33,450,015
Infrastructure	522,915,288	27,738,322	--	550,653,610
	<u>567,351,748</u>	<u>28,759,694</u>	<u>(116,371)</u>	<u>595,995,071</u>
Accumulated depreciation:				
Buildings and systems	5,173,594	273,553	--	5,447,147
Improvements other than buildings	2,848,661	41,995	--	2,890,656
Machinery and equipment	18,034,918	1,393,679	(116,371)	19,312,226
Infrastructure	254,178,940	13,140,833	--	267,319,773
	<u>280,236,113</u>	<u>14,850,060</u>	<u>(116,371)</u>	<u>294,969,802</u>
Business-type Activities - Capital Assets, net	\$ <u>338,168,730</u>	\$ <u>31,843,457</u>	\$ <u>(23,424,471)</u>	\$ <u>346,587,716</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 1,103,807
Public safety	8,118,323
Highways and streets	13,726,161
Sanitation	14,927,570
Social and welfare	665,645
Culture and recreation	6,285,306
Legislative	<u>32,891</u>

Total Depreciation Expense - Governmental Activities \$ 44,859,703

Business-type Activities:

Department of Water Supply	\$ 14,406,243
Golf Course Special Fund	388,397
Housing, Interim Financing, and Buy-Back Revolving Fund	<u>55,420</u>

Total Depreciation Expense - Business-type Activities \$ 14,850,060

Construction in progress is comprised of the following as of June 30, 2017:

	Project Authorized (Appropriated)	Expended to June 30, 2017	Committed (Encumbered)
Governmental Activities:			
Government facilities	\$ 56,347,311	\$ 10,458,879	\$ 6,806,231
Roadway systems	95,129,167	13,717,882	21,287,953
Sewer systems	77,390,120	14,042,510	38,819,343
Sanitation	11,765,000	2,982,000	1,479,940
Parks and recreation	65,193,222	4,076,983	4,604,493
Drainage	23,929,170	7,193,293	6,570,265
Other	<u>24,672,822</u>	<u>7,902,861</u>	<u>3,315,308</u>
Total	\$ <u><u>354,426,812</u></u>	\$ <u><u>60,374,408</u></u>	\$ <u><u>82,883,533</u></u>

	Project Authorized (Appropriated)	Expended to June 30, 2017	Committed (Encumbered)
Business-Type Activities:			
Department of Water Supply	\$ <u><u>107,685,313</u></u>	\$ <u><u>34,854,382</u></u>	\$ <u><u>32,603,491</u></u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 235,318,184	\$ —	\$ 25,740,306	\$ 209,577,878	\$ 20,427,643
State Revolving Fund	46,801,265	10,962,589	3,627,216	54,136,638	3,965,923
Total	<u>\$ 282,119,449</u>	<u>\$ 10,962,589</u>	<u>\$ 29,367,522</u>	<u>\$ 263,714,516</u>	<u>\$ 24,393,566</u>
Business-Type Activities:					
General obligation bonds	\$ 27,285,458	\$ —	\$ 2,754,482	\$ 24,530,976	\$ 2,447,357
Notes payable	22,259,559	8,218,402	1,309,536	29,168,425	1,318,665
Total	<u>\$ 49,545,017</u>	<u>\$ 8,218,402</u>	<u>\$ 4,064,018</u>	<u>\$ 53,699,401</u>	<u>\$ 3,766,022</u>

Governmental Activities - General Obligation Bonds

The County issues general obligation bonds for the construction of major capital facilities. General obligation bonds are direct obligations of the County for which its full faith and credit are pledged. Debt service is paid from the debt service fund.

General obligation bonds payable reported in the governmental activities column of the statement of net position at June 30, 2017 are comprised of the following individual issues:

Year	Description	Interest Rates	Original Issue Amount	Final Maturity	Outstanding Balance June 30, 2017
2006	Series B,C GO and Refunding	4.00%-5.00%	\$ 25,190,000	2022	\$ 12,515,000
2008	Series A GO	3.50%-5.00%	34,000,000	2028	1,686,542
2010	Series A GO	0.53%-5.95%	23,375,000	2030	16,675,000
2010	Series B GO	3.00%-5.00%	46,300,000	2021	18,839,278
2012	Series A,B, and D GO and Refunding	2.00%-5.00%	56,885,000	2032	44,264,273
2014	Series A,B,D and E GO and Refunding	2.00%-5.00%	61,875,000	2034	51,205,000
2015	Series A,B,C and D GO and Refunding	3.00%-5.00%	60,155,000	2036	50,815,522
	Total general obligation bonds		<u>\$ 307,780,000</u>		196,000,615
	Unamortized premium				<u>13,577,263</u>
	Net general obligation bonds outstanding				<u>\$ 209,577,878</u>

In the government-wide financial statements, bond discounts and premiums, and the difference between the reacquisition price and the carrying amount of old debt in advance of refunding resulting in a defeasance of debt, are deferred and amortized.

Governmental Activities - State Revolving Fund

State Revolving Fund Loans

The State Revolving Fund (SRF) Loans are for the construction of necessary water treatment works, and for wastewater reclamation projects. The notes' original issue amounted to approximately \$78.6 million and outstanding principal amounted to approximately \$54.1 million at June 30, 2017, and bear interest at 0.25% to 2.60%. The loans require semi-annual principal and interest payments, and loan fees through fiscal year 2037. The County has 25 projects funded with these SRF loans.

**COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS (Continued)

The schedule below shows the State Revolving Fund Loans outstanding as of June 30, 2017:

Year	Description	Loan Number	Original Issue Amount	Final Maturity	Outstanding Balance June 30, 2017
State Revolving Fund Loans:					
1998	Kihei Reuse Core Distribution System	C150077-09	\$ 3,231,080	2018	\$ 105,202
2004	Lahaina Pump Station Nos. 5 & 6	C150054-12	3,300,000	2026	1,580,927
2004	Kahului Pump Station Modification	C150052-30	2,623,957	2026	1,270,505
2006	Lahaina Pump Station No. 4	C150054-09	1,700,000	2027	913,136
2008	Wailuku-Kahului Wastewater Pump Station	C150052-19	9,931,786	2028	5,757,570
2009	Wailuku-Kahului Wastewater Reclamation	C150052-32	2,000,000	2029	1,201,450
2009	Lahaina Wastewater Pump Station No. 1	C150054-06	7,050,000	2029	4,293,302
2009	Central Maui Landfill Gas Collection	NPS0052-39	3,502,173	2029	2,109,985
2009	Islandwide EPA Consent Decree	C150052-31	8,438,770	2029	5,116,131
2009	Molokai Integrated Solid Waste Facility	NPS0041-07	3,241,038	2029	2,065,655
2010	Front Street Sewer Line Rehabilitation	C150054-11	447,454	2029	294,596
2010	Hyatt/Kaanapali Force Main Replacements	C150054-25	1,737,541	2030	1,175,542
2010	Countywide Pump Station Renovations	C150052-28	928,608	2029	636,877
2011	Kihei No. 2 Force Main Replacement	C150077-20	1,022,919	2032	738,608
2013	Alamaha Force Main Replacement	C150052-40	1,128,000	2033	904,742
2013	West Maui Recycled Water	C150054-23	1,205,090	2033	1,029,687
2012	Wailuku-Kahului Force Main Replacement	C150052-35	3,621,040	2034	3,109,721
2012	Countywide Pump Station Renovations	C150054-34	4,023,751	2034	3,664,884
2010	Central Operations and Maintenance Facility	C150052-33	500,000	2034	424,836
2013	Lahaina No. 3 Force Main Replacement	C150054-28	4,719,007	2034	4,040,426
2013	Lahaina Wastewater Pump Station No.2	C150054-10	3,758,886	2034	3,537,485
2013	South Maui Recycled Water Distribution System	C150077-17	2,543,970	2035	2,295,788
2015	Paia Force Main Replacement	C150052-48	1,734,738	2036	1,693,318
2014	Kihei Force Main Replacement	C150077-22	1,620,000	2036	1,582,085
2016	Kahului-Wailuku Wastewater Reclamation Facility Filter Modification	C150052-61	4,594,179	2037	4,594,180
			<u>\$ 78,603,987</u>		<u>\$ 54,136,638</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS (Continued)

Annual debt service requirements to maturity for the general obligation bonds and the State Revolving Fund Loans at June 30, 2017, were as follows:

<u>Year Ending June 30,</u>	Governmental Activities - General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,427,643	\$ 8,117,457	\$ 28,545,100
2019	21,486,101	7,125,002	28,611,103
2020	22,479,292	6,115,950	28,595,242
2021	18,817,303	5,142,116	23,959,419
2022	12,860,816	4,287,523	17,148,339
2023-2027	56,927,538	13,479,599	70,407,137
2028-2032	34,226,922	4,611,614	38,838,536
2033-2036	8,775,000	485,981	9,260,981
Total	\$ <u>196,000,615</u>	\$ <u>49,365,242</u>	\$ <u>245,365,857</u>

<u>Year Ending June 30,</u>	Governmental Activities - SRF Loans		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,965,923	\$ 449,732	\$ 4,415,655
2019	3,880,382	416,741	4,297,123
2020	3,899,049	384,950	4,283,999
2021	3,918,205	352,622	4,270,827
2022	3,937,100	320,505	4,257,605
2023-2027	19,648,810	1,114,104	20,762,914
2028-2032	11,111,686	414,324	11,526,010
2033-2037	3,775,483	65,602	3,841,085
Total	\$ <u>54,136,638</u>	\$ <u>3,518,580</u>	\$ <u>57,655,218</u>

Some of the general obligation bonds may be subject to early redemption at the option of the County during specific years at 100% of their face value.

Business-Type Activities - General Obligation Bonds

The Department of Water Supply (DWS) issues general obligation bonds for the construction of major capital facilities. These general obligation bonds are considered reimbursable bonds to be repaid from the net revenues of the DWS, and accordingly, are excluded from funded debt pursuant to the State Constitution.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS (Continued)

General obligation bonds payable reported in the Business-Type Activities column of the statement of net position at June 30, 2017 are comprised of the following individual issues:

<u>Year</u>	<u>Description</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding Balance June 30, 2017</u>
2008	Series A GO Refunding Bonds	3.50%	7/1/2017	\$ 273,458
2010	Series B GO Refunding Bonds	4.00%-5.00%	6/1/2021	1,635,722
2012	Series B and C GO and Refunding	2.10%-5.00%	6/1/2032	9,215,727
2014	Series C GO Bonds	3.00%-5.00%	6/1/2034	6,080,000
2015	Series B and D GO Refunding Bonds	3.00%-5.00%	9/1/2026	4,914,477
	Total general obligation bonds			22,119,384
	Unamortized premium			2,411,592
	Net general obligation bonds outstanding			<u>\$ 24,530,976</u>

In the government-wide and proprietary fund financial statements, bond discounts and premiums, and the difference between the reacquisition price and the carrying amount of old debt in advance refunding resulting in a defeasance of debt, are deferred and amortized.

Annual debt service requirements to maturity for these general obligation bonds at June 30, 2017, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Business-Type Activities – General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,447,357	\$ 929,787	\$ 3,377,144
2019	2,578,898	807,512	3,386,410
2020	2,705,708	681,528	3,387,236
2021	2,232,697	564,404	2,797,101
2022	1,889,184	456,711	2,345,895
2023 - 2027	5,967,462	1,228,995	7,196,457
2028 - 2032	3,383,078	466,653	3,849,731
2033 - 2034	<u>915,000</u>	<u>44,850</u>	<u>959,850</u>
Total	<u>\$ 22,119,384</u>	<u>\$ 5,180,440</u>	<u>\$ 27,299,824</u>

Some of the general obligation bonds may be subject to early redemption at the option of the County during specific years at 100% of their face value.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS (Continued)

Business-Type Activities - Notes Payable - State Revolving Fund Loans -

At June 30, 2017, notes payable reported in the Business-Type Activities column of the statement of net position consisted of the following:

	<u>Amount</u>
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.37%, and loan fee rate of 3.25%, maturing in 2029.	\$ 1,119,576
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 3.25%, maturing in 2031.	484,191
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.35%, and loan fee rate of 3.25%, maturing in 2032.	2,597,282
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 3.25%, maturing in 2032.	847,145
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.	187,944
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.	1,745,402
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.	706,401
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.	6,599,623
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.	3,671,885
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.	1,909,272
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.	<u>1,331,160</u>
Balance forward	\$ <u>21,199,881</u>

**COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS (Continued)

	<u>Amount</u>
Balance carried forward	\$ 21,199,881
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.	1,743,097
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.	2,081,786
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.	<u>4,143,661</u>
	29,168,425
Less current maturities	<u>(1,318,665)</u>
	\$ <u>27,849,760</u>

Annual debt service requirements of these notes payable at June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Business-Type Activities Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,318,665	\$ 500,184	\$ 1,818,849
2019	1,408,727	482,157	1,890,884
2020	1,597,058	453,835	2,050,893
2021	1,702,522	422,942	2,125,464
2022	1,711,829	391,640	2,103,469
2023-2027	8,703,298	1,481,466	10,184,764
2028-2032	8,509,212	683,882	9,193,094
2033-2037	3,530,404	148,967	3,679,371
Thereafter	<u>686,710</u>	<u>8,723</u>	<u>695,433</u>
Totals	\$ <u>29,168,425</u>	\$ <u>4,573,796</u>	\$ <u>33,742,221</u>

Line of Credit

The County has a line of credit agreement with a bank with a total authorized balance of \$1 million. There were no outstanding balances as of June 30, 2017. The line of credit agreement requires interest-only payments at the bank's base rate plus 0.90% (3.94% at June 30, 2017), with all unpaid principal due at the maturity date. The line of credit was originally due on July 30, 2017 and has been renewed to July 30, 2018.

Legal Debt Limit and Margin

The County's legal debt limit and margin (as defined in Chapter 47, Hawaii Revised Statutes) as of June 30, 2017, are approximately \$6.6 billion and \$6.4 billion, respectively.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT AND OTHER GENERAL OBLIGATIONS (Continued)

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebate liabilities are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations to determine the rebate liabilities for the tax-exempt bond issues listed above. Based on these calculations, no rebate liability existed as of June 30, 2017.

Refunded Bonds

The County issued refunding bonds, namely the Series 2015 general obligation bonds, in which proceeds were placed in an escrow fund, to repay all future debt service payments on the Series 2008 general obligation bonds. As of June 30, 2017, the outstanding balance of the unpaid defeased debt was \$25.6 million. Accordingly, the assets of the irrevocable trust and the liability for the defeased bonds are not included in the County's basic financial statements.

Other Obligations

Other long-term general obligations consist of accrued vacation, accrued landfill closure, accrued environmental liability or pollution remediation obligation, post-closure care costs, accrued postemployment benefits, and claims and judgments. The accrued vacation liability is typically liquidated by the General, Highway, Sewer, Grant, and Other Governmental Funds. The accrued landfill closure and post-closure care costs liability is typically liquidated by the Capital Improvement Projects and Other Governmental Funds. The accrued environmental liability is typically liquidated by other governmental funds. The accrued postemployment benefits liability is typically liquidated by the General, Highway, Sewer, and Other Governmental Funds. Claims and judgments liability is typically liquidated by the General Fund.

A summary of long-term debt and other long-term general obligations for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Prepaid Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Prepaid Balance June 30, 2017	Due Within One Year
Governmental Activities:							
Accrued vacation	\$ 31,706,739	\$ —	\$ 16,261,502	\$ 14,837,462	\$ 33,130,779	\$ —	\$ 14,837,462
Accrued landfill closure and postclosure costs (Note 9)	34,048,441	—	3,048,751	220,118	36,877,074	—	301,814
Accrued pollution remediation	5,485,812	—	215,082	1,033,704	4,667,190	—	3,667,190
Accrued postemployment benefits (Note 10)	—	(3,272,562)	31,763,000	31,888,102	—	(3,397,664)	—
Claims and judgments (Note 11)	19,408,101	—	5,169,054	5,457,575	19,119,580	—	19,119,580
Total Other General Obligations	90,649,093	(3,272,562)	56,457,389	53,436,961	93,794,623	(3,397,664)	37,926,046
Long-Term Debt	282,119,449	—	10,962,589	29,367,522	263,714,516	—	24,393,566
Total Long-Term Obligations	\$ 372,768,542	\$ (3,272,562)	\$ 67,419,978	\$ 82,804,483	\$ 357,509,139	\$ (3,397,664)	\$ 62,319,612
	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year		
Business-Type Activities:							
Accrued vacation	\$ 2,287,297	\$ 1,061,504	\$ 921,157	\$ 2,427,644	\$ 975,891		
Claims and judgments (Note 11)	1,239,213	951,870	514,365	1,676,718	1,676,718		
Total Other General Obligations	3,526,510	2,013,374	1,435,522	4,104,362	2,652,609		
Long-Term Debt	49,545,017	8,218,402	4,064,018	53,699,401	3,766,022		
Total Long-Term Obligations	\$ 53,071,527	\$ 10,231,776	\$ 5,499,540	\$ 57,803,763	\$ 6,418,631		

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - OPERATING LEASES

The County is party to various operating lease agreements, predominantly for the purposes of office space and facility use. Lease terms range from month-to-month to 5 years and annual rents range from \$1,200 to approximately \$462,000. Total annual rent expenditures for the fiscal year 2017 were approximately \$3.8 million.

As of June 30, 2017, the estimated future minimum noncancelable operating lease payments are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2018	\$ 1,367,000
2019	1,025,000
2020	747,000
2021	541,000
2022	<u>25,000</u>
	\$ <u>3,705,000</u>

NOTE 9 - SOLID WASTE LANDFILL CLOSURE, POST-CLOSURE CARE COSTS AND POLLUTION REMEDIATION OBLIGATION

The County recognizes closure and post-closure care costs over the life of the landfill. The County owns and operates four active landfills. State and federal laws require the County to monitor and maintain each site for thirty years after the facility is closed. Although the closure and post-closure care costs will be paid only near and after the date that the landfill stops accepting waste, the County recognizes a portion of the closure and post-closure care costs in each operating period. The liability for these costs is included in the governmental activities column of the government-wide financial statements. The amount recognized each year is based on the landfill capacity used as of the statement of net position date.

Approximately \$36.9 million in accrued landfill closure and post-closure care costs at June 30, 2017 represents the cumulative amount reported to date based on the estimated capacity used at each landfill. The County will recognize the remaining estimated cost of closure and post-closure care cost of approximately \$13.9 million as the remaining estimated capacity of each landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2017. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

The capacity used to date and the estimated remaining life of each landfill is as follows:

<u>Landfill</u>	<u>Capacity Used</u>	<u>Remaining Life (Years)</u>
Central Maui Phase I and II	100%	0
Central Maui Phase IV	80%	3
Central Maui Phase V	72%	3
Hana	35%	59
Molokai	90%	3
Lanai	79%	13

The County incurred closure costs of approximately \$220,000 in fiscal year 2017, with an additional \$301,800 estimated to be incurred in fiscal year 2018. Post-closure care costs of approximately \$22.7 million are estimated over the next 30 years.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - SOLID WASTE LANDFILL CLOSURE, POST-CLOSURE CARE COSTS AND POLLUTION REMEDIATION OBLIGATION (Continued)

Federal regulations require owners and operators of landfills to demonstrate financial assurance for the costs of closure and post-closure care. Under the proposed federal rules for financial assurance mechanism available to local governments, the County's current investment grade bond ratings of "Aa1", "AA+", and "AA+" by Moody's, Standard & Poor's and Fitch, respectively, exceed the required rating.

In July 2013, a landfill compliance inspection was completed by the State of Hawaii, Department of Health (DOH) at the Hana Municipal Solid Waste Landfill. The County of Maui was notified of a potential violation due to "Constructing and operating a waste disposal unit outside the "existing" limits of waste, without complying with the design criteria for municipal solid waste landfills, and without a solid waste management permit." As a result of the inspection, the County engaged a third-party consulting firm to provide different alternatives to remediate the potential violation. The two options presented were as follows: 1) Capping and covering with soil in conformance with DOH standards for unlined landfills; and 2) Clean closure by the removal of all waste. In 2014, the County elected Option 1 and included the estimated cost of closure and post-closure care costs in its financials. After further review and analysis, the County has now elected to implement Option 2. It is estimated that the clean closure option will cost a total of approximately \$6.0 million with approximately \$1.3 million already being spent in fiscal years 2014 through fiscal year 2017.

NOTE 10 - RETIREMENT BENEFITS

Pensions

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: <http://www.ers.hawaii.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%) 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. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

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.

Noncontributory Class

Retirement Benefits - General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten 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.

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. Ten 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 ten 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 5 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. Ten 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.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - 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 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 ten 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 ten years of credited service are eligible to retire at age 60. Judges and elected officers' retirement benefits are determined as 3.0% of average final compensation multiplied by the years of credited service up to a maximum of 75%. Judges and elected officers with ten years of credited service are eligible to retire at age 60.

Police 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 ten 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. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 3.0% of average final compensation for each year of service for judges and elected officers and 1.75% of average final compensation for each year of service for police officers and firefighters 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.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - 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 plus refund of their contributions and accrued interest. Ten 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.

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 ten 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 ten 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 with 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 ten 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 ten 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.

At June 30, 2016, ERS membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	45,506
Inactive employees entitled but not yet receiving benefits	22,295
Active employees	<u>67,377</u>
Total	<u>135,178</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

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. The contribution rates for fiscal year 2017 were 25.00% for police officers and firefighters and 17.00% for all other employees. Contributions to the pension plan from the County were \$71,774,629, for the fiscal year ended June 30, 2017.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for police officers and firefighters increases to 28.00% on July 1, 2017; 31.00% on July 1, 2018; 36.00% on July 1, 2019; and 41.00% on July 1, 2020 and the rate for all other employees increases to 18.00% on July 1, 2017; 19.00% on July 1, 2018; 22.00% on July 1, 2019; and 24.00% on July 1, 2020.

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, 2017, the County reported a liability of approximately \$592.4 million, for the County's proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2016, the County's proportion was 4.4309% which was an increase of 0.0638% from its proportion measured as of June 30, 2015.

There were significant changes in actuarial assumptions effective June 30, 2016 based on Five-Year Experience Study report dated July 5, 2016 that resulted in significant increase in the measurement of the total pension liability. Primary drivers for the increase include a decrease in the investment return assumption and discount rate from 7.65% as of June 30, 2015 to 7.00% as of June 30, 2016; and a decrease in the mortality assumptions for longer life expectancy and explicit assumption for continued future mortality improvement (generational approach).

There were no other changes between the measurement date, June 30, 2016, and the reporting date, June 30, 2017, that are expected to have a significant effect on the proportionate share of the net pension liability.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2017, the County recognized pension expense of \$84,341,554. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,572,233	\$ (6,766,833)
Net difference between projected and actual earnings on pension plan investments	39,451,901	--
Changes in proportion and difference between County contributions and proportionate share of contributions	5,488,317	(10,633,937)
Changes in assumptions	119,658,359	--
County contributions subsequent to the measurement date	<u>33,722,504</u>	<u>--</u>
	<u>\$ 218,893,314</u>	<u>\$ (17,400,770)</u>

Approximately \$33.7 million 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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 32,848,294
2019	32,848,294
2020	44,376,649
2021	38,443,860
2022	<u>19,252,943</u>
Total	<u>\$ 167,770,040</u>

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Payroll growth	3.50%
Salary increases, including inflation at 2.50%	
Police and fire employees	5.00% to 7.00%
General employees	3.50% to 6.50%
Teachers	3.75% to 5.75%
Investment rate of return, including inflation at 2.50%	7.00%
Cost of living adjustments (COLAs)	2.50%/1.50%
COLAs are not compounded; and are based on original pension amounts	

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality tables based on the occupation of the member.

The actuarial assumptions used in the June 30, 2016 valuation were based on the most recent experience study dated July 5, 2016. Between experience studies, the Board of Trustees of the Employees' Retirement System of the State of Hawaii elected to lower the investment return assumption effective with the June 30, 2016 valuation.

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) 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 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 are summarized in the following table:

<u>Strategic Allocation (risk-based classes)</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Rate of Return</u>
Broad growth	63.00%	8.35%
Principal protection	7.00%	2.20%
Real return	10.00%*	6.10%
Crisis risk offset	<u>20.00%</u>	5.50%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the net pension liability 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. There has been no change in the discount rate since the prior measurement date.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County'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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability	\$ <u>764,885,350</u>	\$ <u>592,379,381</u>	\$ <u>449,636,363</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

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 when the liability is incurred, and revenues 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's complete financial statements are available at <http://www.ers.ehawaii.gov>.

Payables to the Pension Plan

As of June 30, 2017, the County had \$4,344,484 payable to the pension plan.

Postemployment Benefits -

In addition to providing pension benefits, the County, pursuant to HRS Chapter 87A, is a participating employer in an agent, multiple-employer defined benefit plan providing certain healthcare and life insurance benefits to all qualified employees and retirees. The Hawaii Employer-Union Health Benefits Trust Fund (the EUTF) was established on July 1, 2003 to provide a single delivery system of health benefits for state and county workers, retirees and their dependents.

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

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 June 30, 2001, and who retire with fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the County pays 75% of the base monthly contribution. For those retiring with at least 25 years of service, the County pays 100% of the base monthly contribution. Retirees can elect family coverage, but must pay the difference.

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

Based on the actuarial valuation study as of July 1, 2015 (the most recent valuation study), the County has 1,343 retirees (including surviving spouses), 215 of deferred vested, and 2,511 of actives, which were used to arrive at the actuarial valuation amount.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

The County's annual other postemployment benefit (OPEB) cost is calculated based on its annual required contribution (ARC), which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The current ARC rate is 18.6% of annual covered payroll used in the actuarial valuation study as of July 1, 2015.

The following tables present the annual OPEB cost, the amount contributed to the plan, and the net OPEB asset as of and for the fiscal year ended June 30, 2017:

Annual required contribution	\$ 31,778,000
Interest on net OPEB asset	(229,000)
Adjustment to annual required contribution	<u>214,000</u>
Annual OPEB cost	31,763,000
Contributions made	<u>(31,888,102)</u>
Increase in net OPEB obligation	(125,102)
Net OPEB asset at beginning of year	<u>(3,272,562)</u>
Net OPEB asset at end of year	\$ <u>(3,397,664)</u>

The actuarial accrued liability as of July 1, 2015 based upon the most recent valuation study and the funded status was as follows:

Actuarial accrued liability	\$ 445,986,000
Actuarial value of plan assets	<u>148,983,000</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>297,003,000</u>
Funded Ratio	33.4%
Covered Payroll	\$ 165,229,000
UAAL as a percentage of covered payroll	179.8%

The following table provides the amortization of the UAAL based on the July 1, 2015 valuation report:

Established	Projected UAAL Balance at 7/1/2015	Projected UAAL Balance at 7/1/2016	Period Remaining July 1, 2016	Amortization Payment Fiscal Year 2017
July 1, 2007	\$ 251,210,000	\$ 251,853,000	21	\$ 16,951,000
July 1, 2009	133,471,000	134,541,000	24	8,278,000
July 1, 2011	(32,004,000)	(32,260,000)	24	(1,985,000)
July 1, 2013	(86,064,000)	(86,754,000)	24	(5,338,000)
July 1, 2015	<u>30,390,000</u>	<u>32,517,000</u>	<u>30</u>	<u>1,743,000</u>
	\$ <u>297,003,000</u>	\$ <u>299,897,000</u>	21.8	\$ <u>19,649,000</u>

The initial unfunded liability is amortized over a period of 30 years, ending June 30, 2037. Closed bases are established at each valuation for new unfunded liabilities. If experience produces a loss during a valuation cycle, the new base will be amortized over a period of 30 years. If experience produces a gain during a valuation cycle, the new base will be netted against prior loss bases by setting the amortization period to that of the loss base. For example, the 2011 and 2013 gains are being amortized over the same 24 year period as the 2009 loss. This process substantially reduces volatility as bases are fully amortized. For fiscal year ending June 30, 2017, the Equivalent Single Amortization Period equals 21.8.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2017, 2016, and 2015 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation / (Asset)</u>
June 30, 2015	\$ 28,217,000	99.5%	\$ (3,307,619)
June 30, 2016	\$ 29,212,000	99.9%	\$ (3,272,562)
June 30, 2017	\$ 31,763,000	100.4%	\$ (3,397,664)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.0% discount rate, which is based on the County's anticipated funding level and an annual healthcare costs trend rate of 9.0% for PPO, including prescription drugs, initially, declining to 5.0% over eight years, 7.0% for HMO, including prescription drugs, declining to a rate of 5.0% after eight years, and Part B at an initial rate of 3.0% for the first two years and 5.0% afterwards. The assumptions also included a 3.5% increase in payroll and a 3.0% inflation rate. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015 for the UAAL balance varies depending on the date each portion was established but is set to not exceed 30 years.

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

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

The EUTF issues an annual financial report that is available to the public. That report is available online at their website www.eutf.hawaii.gov or by contacting them at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RETIREMENT BENEFITS (Continued)

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 11 - CLAIMS AND JUDGMENTS

The County is self-insured for workers' compensation based on a \$500,000 self-insured retention. Thereafter, an excess workers' compensation policy takes effect. In addition, the County also has insurance for errors and omissions and employer's practice liability, with a \$500,000 deductible per occurrence up to \$25 million in the aggregate. Further, the County is afforded bodily injury and property damage coverage for third party claims in excess of the aforementioned retention on a per occurrence basis. Property policies are layered providing \$100 million in total for building and any form of structures.

Settled claims have not exceeded these coverages in any of the past three fiscal years. The estimated total liability of the County of approximately \$20.8 million, with respect to claims and judgments, including claims incurred but not reported and related loss adjustment expenses by the claimant and settled claims is presented on the statement of net position on the government-wide financial statements.

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, 2017 were as follows:

2017 - Claims and Judgments					
	Balance July 1, 2016	Change to Estimate Additions/ (Reductions)	Claim Payments	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Workers' compensation	\$ 6,384,255	\$ 2,966,018	\$ 4,037,415	\$ 5,312,858	\$ 5,312,858
Automobile, general liability and other civil litigation	<u>13,023,846</u>	<u>2,203,036</u>	<u>1,420,160</u>	<u>13,806,722</u>	<u>13,806,722</u>
	<u>\$ 19,408,101</u>	<u>\$ 5,169,054</u>	<u>\$ 5,457,575</u>	<u>\$ 19,119,580</u>	<u>\$ 19,119,580</u>
Business-Type Activities:					
Workers' compensation	\$ 841,578	\$ 938,448	\$ 503,351	\$ 1,276,675	\$ 1,276,675
Automobile, general liability and other civil litigation	<u>397,635</u>	<u>13,422</u>	<u>11,014</u>	<u>400,043</u>	<u>400,043</u>
	<u>\$ 1,239,213</u>	<u>\$ 951,870</u>	<u>\$ 514,365</u>	<u>\$ 1,676,718</u>	<u>\$ 1,676,718</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - CLAIMS AND JUDGMENTS (Continued)

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. Estimated expenditures for such claims are appropriated annually in the General Fund with the exception of workers' compensation for injured workers within the Department of Water Supply.

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.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Contractual Commitments -

Contractual commitments for capital projects, expenditures, and supplies for the governmental funds amounted to approximately \$126.9 million at June 30, 2017. Contractual commitments for the proprietary funds amounted to approximately \$37.0 million at June 30, 2017.

Claims -

Numerous claims and lawsuits have been filed against the County in the normal course of its operations. A liability for probable losses is included on the government-wide statement of net position (see Note 11). Although the outcome of the various claims and lawsuits is not presently determinable, in the opinion of the County's Corporation Counsel, the resolution of such matters will not have a material adverse effect on the financial condition of the County.

Federal Financial Assistance Programs -

The County participates in a number of federally assisted grant programs, primarily with the Department of Housing and Urban Development, the Department of Transportation, the Department of Interior, the Department of Labor, and the Department of Justice. These programs are subject to program compliance audits by the grantors or their representatives.

Although the County's grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the fiscal year ended June 30, 2017, these programs are still subject to financial and compliance audits by federal auditors. In the opinion of management of the County, disallowed costs, if any, would not be material.

State Grants -

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

**COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 - FUND BALANCES

Fund balances for all the major and other governmental funds as of June 30, 2017, are distributed as follows:

	General Fund	Highway Fund	Sewer Fund	Grant Fund	Capital Improvements Project Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Capital improvement projects	-	-	-	-	1,466,471	-	1,466,471
Housing and human concerns	-	-	-	2,689,617	-	13,741,252	16,430,869
Liquor control	-	-	-	-	-	1,925,533	1,925,533
Other expenditures	-	-	-	-	-	42,850	42,850
Parks and recreation	-	-	-	-	-	7,163,108	7,163,108
Highway and transportation services	-	10,644,314	-	-	-	-	10,644,314
Wastewater services	-	-	-	-	-	5,857,924	5,857,924
Open space preservation	3,986,833	-	-	-	-	-	3,986,833
Bikeway service	-	-	-	-	-	59,009	59,009
Subtotal	<u>3,986,833</u>	<u>10,644,314</u>	<u>-</u>	<u>2,689,617</u>	<u>1,466,471</u>	<u>28,789,676</u>	<u>47,576,911</u>
Committed to:							
Emergency reserve	33,974,176	-	-	-	-	-	33,974,176
Countywide costs	237,018	-	-	-	-	-	237,018
Economic development	190,000	-	-	-	-	-	190,000
Fire control	-	-	-	-	-	362,106	362,106
Housing and human concerns	-	-	-	-	-	617,480	617,480
Parks and recreation	-	-	-	-	-	816,706	816,706
Police services	-	-	-	-	-	73,312	73,312
Highway and transportation services	-	-	-	-	-	4,089,214	4,089,214
Solid waste services	-	-	-	-	-	4,432,025	4,432,025
Wastewater services	-	-	11,996,419	-	-	4,550,951	16,547,370
Subtotal	<u>34,401,194</u>	<u>-</u>	<u>11,996,419</u>	<u>-</u>	<u>-</u>	<u>14,941,794</u>	<u>61,339,407</u>
Assigned to:							
Administrative	4,676,252	-	-	-	-	-	4,676,252
Capital improvement projects	-	-	-	-	38,917,950	-	38,917,950
Civil defense	60,079	-	-	-	-	-	60,079
Countywide costs	978,016	-	-	-	-	-	978,016
Economic development	3,838,422	-	-	-	-	-	3,838,422
Environmental services	3,000	-	-	-	-	-	3,000
Fire control	1,439,245	-	-	-	-	-	1,439,245
Highway and transportation services	201,949	-	-	-	-	-	201,949
Housing and human concerns	1,164,126	-	-	-	-	-	1,164,126
Legislative	726,719	-	-	-	-	-	726,719
Parks and recreation	2,199,596	-	-	-	-	-	2,199,596
Personnel	41,467	-	-	-	-	-	41,467
Planning	240,207	-	-	-	-	-	240,207
Police Services	1,766,770	-	-	-	-	-	1,766,770
Public works	911,697	-	-	-	-	-	911,697
Subtotal	<u>18,247,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,917,950</u>	<u>-</u>	<u>57,165,495</u>
Unassigned	<u>25,062,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,062,403</u>
Total	<u>\$ 81,697,975</u>	<u>\$ 10,644,314</u>	<u>\$ 11,996,419</u>	<u>\$ 2,689,617</u>	<u>\$ 40,384,421</u>	<u>\$ 43,731,470</u>	<u>\$ 191,144,216</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - FUND BALANCES (Continued)

The County's General Fund classifications of fund balance are listed below with the June 30, 2017 balances:

Restricted:		
Open space, natural resources, cultural resources and scenic views preservation fund	\$	3,986,833
Committed:		
Other postemployment obligations fund		237,018
Emergency fund		33,974,176
Economic development fund		190,000
Assigned:		
Encumbrances		18,247,545
Unassigned:		<u>25,062,403</u>
Total	\$	<u>81,697,975</u>

Open space, natural resources, cultural resources, and scenic views preservation fund - This classification is to fund acquiring lands or property entitlements for land conservation. In adopting each fiscal year's budget and capital program, the Council appropriates a minimum of one percent of the certified real property tax revenues to the open space, natural resources, cultural resources, and scenic views preservation fund. Any balance remaining in this fund at the end of the fiscal year does not lapse, but shall remain in the fund, and accumulates from year to year.

Other postemployment obligations fund - This classification is to fund the County's financial liabilities for postemployment benefits accrued under the Employees' Retirement System (ERS) of the State of Hawaii, and the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). Appropriations to this fund are in excess of those appropriated for annual contributions to either the ERS or the EUTF for the County's annual obligations, respectively.

Emergency fund - This classification is to fund a public emergency threatening life, health, property, or economic viability of the County. Additions to this fund are appropriated by the County Council. Any balance remaining in this fund at the end of the fiscal year does not lapse, but shall remain in the fund.

Economic development fund - This classification provides funds for economic development programs.

Encumbrances -

Encumbrance accounting is employed in the governmental funds. Under this method, purchase orders, contracts, and other commitments outstanding at year-end do not constitute expenditures or liabilities. Encumbrances of balances within the General Fund are classified as assigned. Encumbrances of the other governmental funds are classified as restricted, committed, or assigned.

These encumbrances at June 30, 2017 are not separately classified in the financial statements, and are summarized as follows:

General Fund	\$	18,247,545
Highway Fund		1,781,277
Sewer Fund		2,732,188
Grant Fund		4,368,202
Capital Improvement Projects Fund		92,465,241
Non-Major Governmental Funds		<u>7,265,391</u>
Total	\$	<u>126,859,844</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - BUSINESS-TYPE ACTIVITY - DEPARTMENT OF WATER SUPPLY

The Charter of the County of Maui provides that the Department is a regular County of Maui agency subject to the Mayor's executive management and Council's legislative oversight.

Unrestricted Cash and Investments

Unrestricted cash, cash equivalents, and investments at June 30, 2017 include funds for the following purposes:

Board-designated	
Capital improvements	\$ 8,409,188
Debt service	<u>1,690,267</u>
Total board-designated	10,099,455
Undesignated	<u>42,416,273</u>
Total	\$ <u>52,515,728</u>

At June 30, 2017, construction voucher and contract payables, including retentions, to be paid with board-designated funds were approximately \$600,000. Construction contract commitments as of June 30, 2017, to be paid with board-designated funds aggregated approximately \$4.6 million. There are no amounts included in the construction contract commitment amounts for 2017 for maintenance of compliance-order projects to get the water system up to Environmental Protection Agency standards. There are no amounts included in the construction contract commitment amounts for 2017 for maintenance of compliance-order projects and no amounts included for management's estimates needed in anticipation of future regulations for compliance.

Restricted Cash and Investments

Restricted cash and investments consisted of the following at June 30, 2017:

Water system development fee	\$ 10,016,697
State funds	6,440,718
Bond funds	2,305,252
Customer deposits	764,422
Special assessment fund for storage	273,829
Source development fund assessments	<u>192,525</u>
Total	\$ <u>19,993,443</u>

At June 30, 2017, construction voucher and contract payables, including retentions, to be paid with restricted assets were approximately \$2.6 million. The construction contract commitments as of June 30, 2017, to be paid with restricted assets, aggregated approximately \$28.0 million.

Restricted Net Position

At June 30, 2017, restricted net position consisted of the following:

Water system development fee	\$ 10,016,697
Special assessment fund for storage	273,829
Source development fund assessments	192,525
Other restricted funds	<u>6,440,718</u>
Total	\$ <u>16,923,769</u>

COUNTY OF MAUI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - RESTATEMENT OF NET POSITION

The County has adopted certain requirements of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASBS 82), which are effective for reporting periods beginning after June 15, 2016. The adoption of GASBS 82 resulted in the reclassification of payments made by the County to satisfy employee (plan member) contribution requirements that were previously deferred in the period for which the contributions were assessed and recorded as expenses in the subsequent fiscal year. These changes have been applied retroactively by restating the beginning net position as of June 30, 2016.

The effect for the fiscal year ended June 30, 2016 was a decrease to the change in net position of \$867,698 for governmental activities and \$192,612 for business-type activities and a decrease in deferred outflows of resources related to pensions and ending net position by approximately \$12.2 million for governmental activities and approximately \$0.9 million for business-type activities. The impact on beginning net position is summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at beginning of fiscal year, as previously reported	\$ 285,921,309	\$ 324,231,323
Prior period restatement:		
Employer paid employee contributions made subsequent to the measurement date	<u>(12,242,298)</u>	<u>(865,503)</u>
Net position at beginning of fiscal year, as restated	\$ <u>273,679,011</u>	\$ <u>323,365,820</u>

COUNTY OF MAUI

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual

- General Fund
- Highway Fund
- Sewer Fund

Schedule of Funding Progress for the Hawaii Employer-Union Health Benefits Trust Fund (EUTF)

Schedule of the County's Proportionate Share of the Net Pension Liability

Schedule of Employer Pension Contributions

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 282,589,153	\$ 282,589,153	\$ 280,298,619	\$ (2,290,534)
Licenses and permits	7,488,095	7,488,095	8,066,839	578,744
Intergovernmental revenues	23,559,000	23,559,000	23,575,427	16,427
Charges for services	1,271,000	1,271,000	2,482,765	1,211,765
Fines and forfeitures	1,900,000	1,900,000	2,149,069	249,069
Interest and investment earnings, net	2,150,000	2,150,000	3,072,846	922,846
Other revenues	1,034,625	1,034,625	1,336,390	301,765
Total Revenues	<u>319,991,873</u>	<u>319,991,873</u>	<u>320,981,955</u>	<u>990,082</u>
EXPENDITURES:				
Current:				
General government	124,345,148	127,617,191	114,012,616	13,604,575
Public safety	97,617,329	98,937,060	94,690,399	4,246,661
Highways and streets	8,348,331	8,372,820	8,351,526	21,294
Sanitation	616,375	616,375	579,213	37,162
Social welfare	19,629,391	19,602,495	18,738,135	864,360
Culture and recreation	28,974,464	29,158,632	27,588,947	1,569,685
Legislative	8,545,379	8,545,379	6,669,226	1,876,153
Total Expenditures	<u>288,076,417</u>	<u>292,849,952</u>	<u>270,630,062</u>	<u>22,219,890</u>
Excess Revenues over Expenditures	<u>31,915,456</u>	<u>27,141,921</u>	<u>50,351,893</u>	<u>23,209,972</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Special Revenue Funds	16,975,465	16,056,101	15,968,098	(88,003)
Capital Improvement Projects Fund	—	—	3,817,018	3,817,018
Other Governmental Funds	5,381,931	5,381,931	5,381,931	—
Proprietary Funds	1,280,299	1,280,299	382,308	(897,991)
Transfers out:				
Special Revenue Funds	(75,000)	(127,906)	(127,906)	—
Debt Service Fund	(35,324,850)	(35,324,850)	(35,324,850)	—
Capital Improvement Projects Fund	(11,243,647)	(11,293,647)	(11,293,647)	—
Other Governmental Funds	(16,897,847)	(17,297,847)	(17,297,847)	—
Proprietary Funds	(2,767,331)	(2,767,331)	(2,767,331)	—
Total Other Financing Sources (Uses)	<u>(42,670,980)</u>	<u>(44,093,250)</u>	<u>(41,262,226)</u>	<u>2,831,024</u>
Net Change in Fund Balance	(10,755,524)	(16,951,329)	9,089,667	26,040,996
Fund Balance - Beginning	22,707,627	22,707,627	22,707,627	—
Fund Balance - Ending	<u>\$ 11,952,103</u>	<u>\$ 5,756,298</u>	<u>\$ 31,797,294</u>	<u>\$ 26,040,996</u>

See accompanying notes to budgetary comparison schedule.

**COUNTY OF MAUI
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 23,606,500	\$ 23,606,500	\$ 23,402,369	\$ (204,131)
Licenses and permits	19,700,000	19,700,000	21,388,832	1,688,832
Charges for services	2,500,000	2,500,000	2,540,166	40,166
Other revenues	—	—	460	460
Total Revenues	<u>45,806,500</u>	<u>45,806,500</u>	<u>47,331,827</u>	<u>1,525,327</u>
EXPENDITURES:				
Current:				
Highways and streets	<u>31,682,140</u>	<u>31,682,140</u>	<u>30,288,265</u>	<u>1,393,875</u>
Excess Revenues over Expenditures	<u>14,124,360</u>	<u>14,124,360</u>	<u>17,043,562</u>	<u>2,919,202</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	75,000	75,000	75,000	—
Capital Improvement Projects Fund	—	—	2,315,457	2,315,457
Other Governmental Funds	340,000	340,000	340,000	—
Transfers out:				
General Fund	(6,530,459)	(6,530,459)	(6,530,459)	—
Capital Improvement Projects Fund	(12,507,267)	(12,507,267)	(12,507,267)	—
Other Governmental Funds	<u>(387,913)</u>	<u>(387,913)</u>	<u>(387,913)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>(19,010,639)</u>	<u>(19,010,639)</u>	<u>(16,695,182)</u>	<u>2,315,457</u>
Net Change in Fund Balance	<u>(4,886,279)</u>	<u>(4,886,279)</u>	<u>348,380</u>	<u>5,234,659</u>
Fund Balance - Beginning	<u>8,514,659</u>	<u>8,514,659</u>	<u>8,514,659</u>	<u>—</u>
Fund Balance - Ending	<u>\$ 3,628,380</u>	<u>\$ 3,628,380</u>	<u>\$ 8,863,039</u>	<u>\$ 5,234,659</u>

See accompanying notes to budgetary comparison schedule.

**COUNTY OF MAUI
SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ —	\$ —	\$ 41,065	\$ 41,065
Charges for services	50,218,455	50,218,455	51,990,829	1,772,374
Other revenues	40,000	40,000	35,239	(4,761)
Total Revenues	<u>50,258,455</u>	<u>50,258,455</u>	<u>52,067,133</u>	<u>1,808,678</u>
EXPENDITURES:				
Current:				
Sanitation	<u>30,499,129</u>	<u>30,323,340</u>	<u>28,551,042</u>	<u>1,772,298</u>
Excess Revenues over Expenditures	<u>19,759,326</u>	<u>19,935,115</u>	<u>23,516,091</u>	<u>3,580,976</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Capital Improvement Projects Fund	—	—	711,794	711,794
Transfers out:				
General Fund	(9,437,639)	(9,437,639)	(9,437,639)	—
Special Revenue Funds	(4,822,632)	—	—	—
Capital Improvement Projects Fund	(9,300,000)	(9,410,000)	(9,410,000)	—
Other Governmental Funds	—	(5,199,728)	(5,076,705)	123,023
Total Other Financing Sources (Uses)	<u>(23,560,271)</u>	<u>(24,047,367)</u>	<u>(23,212,550)</u>	<u>834,817</u>
Net Change in Fund Balance	(3,800,945)	(4,112,252)	303,541	4,415,793
Fund Balance - Beginning	8,960,690	8,960,690	8,960,690	—
Fund Balance - Ending	<u>\$ 5,159,745</u>	<u>\$ 4,848,438</u>	<u>\$ 9,264,231</u>	<u>\$ 4,415,793</u>

See accompanying notes to budgetary comparison schedule.

COUNTY OF MAUI
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting - On or before March 25th, the Mayor submits to the County Council a proposed operating budget and capital program for the fiscal year commencing the following July 1st. Upon submission, the budget and capital program are available as public record in the Office of the County Clerk for open inspection. A public hearing is held by the County Council between April 1st and 30th in the year of submission. After the public hearing, the County Council shall pass the budget by ordinance with or without amendment on or before June 10th. If the Council fails to do so, the budget, as submitted by the Mayor, is deemed legally enacted as the budget for the ensuing fiscal year.

The classification detail upon which the budget is prepared is by fund, department, activity, and sub-object. Certain departments have specific line-item appropriations within a program. The department heads may make transfers between sub-objects and indexes within an activity (line item).

The detail at which expenditures may not legally exceed appropriations without amendment is at the program level or the specific line-item appropriations as shown in the schedules by fund. Any transfers or increase of an appropriation require the approval of the County Council. Transfers with a department are approved by resolution, and transfers between departments and increases or decreases in appropriations are approved by ordinance. Legally adopted budgets include the General Fund, Highway Fund, Sewer Fund, Debt Service Fund, Capital Improvement Projects Fund, Liquor Control Fund, Solid Waste Fund, Department of Water Supply, and the Golf Course Special Fund. For budgetary purposes, the Grant Fund does not have a legally adopted annual budget; however, there is a provision in the annual budget ordinance that relates to revenues from grants. Grant revenues are appropriated to the programs and uses identified in the annual budget ordinance, which also authorizes the fund to receive and expend the funds for the grants and programs identified.

Appropriations - By Charter provision, every appropriation, except an appropriation for capital improvement, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered by a written contract. Appropriations for capital improvements shall lapse six months after the close of the fiscal year to the extent that they have not been expended or encumbered by a written contract.

Formal budgetary integration is employed as a management control device during the year. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP basis); except that encumbrances are treated as budgetary expenditures in the year commitments were made. Accordingly, the actual expenditures on a non-GAAP budgetary basis presented in the Required Supplementary Information represent the current year's expenditures as recorded on the modified accrued basis, plus encumbrances at year-end, less expenditures related to amounts encumbered in the prior year. The Required Supplementary Information reflects the budgeted and actual amounts (non-GAAP budgetary basis) for the General Fund and major Special Revenue Funds that have legally adopted annual operating budgets.

COUNTY OF MAUI
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of the adjustments necessary to convert major funds from the GAAP basis to the non-GAAP budgetary basis for the fiscal year ended June 30, 2017.

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Sewer Fund</u>
GAAP Basis - Net change in fund balances	\$ (3,316,948)	\$ 944,259	\$ 1,589,258
Less adjustments for revenues (\$2,588), expenditures (\$10,797,742) related to certain funds included in General Fund GAAP basis financial statements, but included in special revenue funds for budgetary purposes (fund perspective difference)	10,795,154	--	--
Less encumbrances of budgeted funds June 30, 2017	(18,247,545)	(1,781,277)	(2,732,188)
Add encumbrances of budgeted funds July 1, 2016	<u>19,859,006</u>	<u>1,185,398</u>	<u>1,446,471</u>
Non-GAAP Budgetary Basis - Net change in fund balances	\$ <u>9,089,667</u>	\$ <u>348,380</u>	\$ <u>303,541</u>

COUNTY OF MAUI
SCHEDULE OF FUNDING PROGRESS FOR THE HAWAII
EMPLOYER-UNION HEALTH BENEFIT TRUST FUND (EUTF)
(DOLLARS IN THOUSANDS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2011	\$ 25,138	\$ 369,774	\$ 344,636	6.8%	\$ 132,400	260.3%
July 1, 2013	\$ 26,838	\$ 386,100	\$ 359,262	7.0%	\$ 143,438	250.5%
July 1, 2015	\$ 148,983	\$ 445,986	\$ 297,003	33.4%	\$ 165,229	179.8%

**COUNTY OF MAUI
SCHEDULE OF COUNTY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

Measurement Period Ended	County's Proportionate Share of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability	County's Covered Payroll	Proportionate Share of the Net Pension Liability as a %age of Covered Payroll	Plan Fiduciary Net Position as a %age of the Total Pension Liability
June 30, 2016	4.431%	\$ 592,379,381	\$ 164,147,000	360.883%	51.28%
June 30, 2015	4.367%	\$ 381,379,245	\$ 159,017,000	239.836%	62.42%
June 30, 2014	4.213%	\$ 337,749,364	\$ 144,037,000	234.488%	63.92%
June 30, 2013	4.336%	\$ 387,246,181	\$ 143,438,000	269.975%	57.96%

* The data is presented for the years for which information is available.

COUNTY OF MAUI
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily Required Contribution	\$ 33,722,504	\$ 32,454,694	\$ 30,239,157	\$ 27,791,395	\$ 24,674,903	\$ 23,398,487	\$ 22,634,092	\$ 23,702,474
Actual County Contributions Recognized by the Plan	\$ 33,722,504	\$ 32,454,694	\$ 30,239,157	\$ 27,791,395	\$ 24,674,903	\$ 23,398,487	\$ 22,634,092	\$ 23,702,474
Contribution Deficiency (Excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
County's Covered Payroll	\$ 173,094,000	\$ 164,147,000	\$ 159,017,000	\$ 144,037,000	\$ 143,438,000	\$ 141,353,000	\$ 120,385,000	\$ 134,838,000
Contributions as a Percentage of Covered Payroll	19.482 %	19.772 %	19.016 %	19.295 %	17.202 %	16.553 %	18.801 %	17.578 %

* The data is presented for the years for which information is available.

COUNTY OF MAUI
OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information

Liquor Control Fund - The liquor control fund receives revenues from all liquor license fees. Fund revenues are expended for the operation and administration of the Liquor Control Commission, Liquor Control Adjudication Board, and the Department of Liquor Control.

County Funds - These funds were established to account for various County purposes, including affordable housing, animal management, public emergency, and land conservation.

Bikeway Fund - The bikeway fund was established to collect revenue from bicycle licenses. The revenue is expended for bikeway construction and maintenance.

Solid Waste Fund - The solid waste fund was established to receive all refuse collection fees and landfill disposal charges. The fund is used for the operation and maintenance of the County's collections and disposal program as well as for diversion programs such as resource recovery and recycling programs.

Other Assessment Funds - These funds were established to account for special assessments to developers and others for which the funds are to be used for sewer and park improvements in a designated community or district, as well as to account for road assessments.

**COUNTY OF MAUI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Liquor Control Fund	County Funds	Bikeway Fund	Solid Waste Fund	Other Assessment Funds	Total Non-Major Governmental Funds
Assets:						
Equity in pooled cash and investments held in County Treasury	\$ 2,036,510	\$ 26,394,285	\$ 59,009	\$ 7,589,617	\$ 13,063,882	\$ 49,143,303
Trade accounts, net	--	--	--	2,237,050	--	2,237,050
Total Assets	\$ 2,036,510	\$ 26,394,285	\$ 59,009	\$ 9,826,667	\$ 13,063,882	\$ 51,380,353
Liabilities:						
Vouchers payable	\$ 18,500	\$ 1,344,738	\$ --	\$ 606,302	\$ --	\$ 1,969,540
Accounts payable	846	187,444	--	607,406	--	795,696
Contracts retention payable	--	2,748	--	--	--	2,748
Deposits	--	500	--	--	--	500
Accrued wages payable	57,194	34,218	--	201,277	--	292,689
Advanced collections	--	--	--	3,388,168	--	3,388,168
Total Liabilities	76,540	1,569,648	--	4,803,153	--	6,449,341
Deferred Inflows of Resources:						
Deferred inflows - nonexchange	264,860	--	--	--	--	264,860
Deferred inflows - unavailable revenues	--	--	--	934,682	--	934,682
Total Deferred Inflows of Resources	264,860	--	--	934,682	--	1,199,542
Fund Balances:						
Restricted	1,695,110	13,971,675	59,009	--	13,063,882	28,789,676
Committed	--	10,852,962	--	4,088,832	--	14,941,794
Total Fund Balances	1,695,110	24,824,637	59,009	4,088,832	13,063,882	43,731,470
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,036,510	\$ 26,394,285	\$ 59,009	\$ 9,826,667	\$ 13,063,882	\$ 51,380,353

COUNTY OF MAUI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Liquor Control Fund	County Funds	Bikeway Fund	Solid Waste Fund	Other Assessment Funds	Total Non-major Governmental Funds
REVENUES:						
Licenses and permits	\$ 2,400,182	\$ 72,956	\$ 61,823	\$ --	\$ --	\$ 2,534,961
Charges for current services	--	--	--	19,887,813	--	19,887,813
Fines and forfeitures	--	77,427	--	--	--	77,427
Other revenues	--	4,182,647	--	29,435	--	4,212,082
Assessments	--	--	--	--	1,742,182	1,742,182
Total Revenues	<u>2,400,182</u>	<u>4,333,030</u>	<u>61,823</u>	<u>19,917,248</u>	<u>1,742,182</u>	<u>28,454,465</u>
EXPENDITURES:						
General government	--	1,359,754	--	--	--	1,359,754
Public safety	--	361,356	--	--	--	361,356
Highways and streets	--	403,279	--	--	--	403,279
Sanitation	--	1,060,502	--	25,755,748	--	26,816,250
Social welfare	2,236,168	12,406,585	--	--	--	14,642,753
Total Expenditures	<u>2,236,168</u>	<u>15,591,476</u>	<u>--</u>	<u>25,755,748</u>	<u>--</u>	<u>43,583,392</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>164,014</u>	<u>(11,258,446)</u>	<u>61,823</u>	<u>(5,838,500)</u>	<u>1,742,182</u>	<u>(15,128,927)</u>
OTHER FINANCING SOURCES (USES):						
Transfers In:						
General Fund	--	5,469,783	--	11,828,064	--	17,297,847
Special Revenue Funds	--	2,978,431	87,913	2,398,274	--	5,464,618
Capital Improvement Projects Fund	--	--	--	19,020	2,996	22,016
Transfers Out:						
General Fund	--	--	--	(5,381,930)	--	(5,381,930)
Special Revenue Funds	--	--	--	(340,000)	--	(340,000)
Capital Improvement Projects Fund	--	--	(450,000)	(765,000)	(500,000)	(1,715,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>8,448,214</u>	<u>(362,087)</u>	<u>7,758,428</u>	<u>(497,004)</u>	<u>15,347,551</u>
Net Change in Fund Balances	164,014	(2,810,232)	(300,264)	1,919,928	1,245,178	218,624
Fund Balance - Beginning of Year	<u>1,531,096</u>	<u>27,634,869</u>	<u>359,273</u>	<u>2,168,904</u>	<u>11,818,704</u>	<u>43,512,846</u>
Fund Balance - End of Year	<u>\$ 1,695,110</u>	<u>\$ 24,824,637</u>	<u>\$ 59,009</u>	<u>\$ 4,088,832</u>	<u>\$ 13,063,882</u>	<u>\$ 43,731,470</u>

COUNTY OF MAUI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Refundable Deposits Fund:				
Assets:				
Equity in pooled cash and investments held in County Treasury	\$ 22,472,285	\$ 1,623,596	\$ 1,500,878	\$ 22,595,003
Other current assets	476,990	—	476,990	—
Other non-current assets	95,655	—	—	95,655
Total Assets	<u>\$ 23,044,930</u>	<u>\$ 1,623,596</u>	<u>\$ 1,977,868</u>	<u>\$ 22,690,658</u>
Liabilities:				
Accounts payable	\$ 87,652	\$ 1,325,440	\$ 1,209,271	\$ 203,821
Deposits	22,861,623	1,505,452	1,975,893	22,391,182
Due to State of Hawaii	95,655	—	—	95,655
Total Liabilities	<u>\$ 23,044,930</u>	<u>\$ 2,830,892</u>	<u>\$ 3,185,164</u>	<u>\$ 22,690,658</u>
Liquor Control Fund:				
Assets:				
Equity in pooled cash and investments held in County Treasury	\$ 1,664	\$ 271,653	\$ 272,852	\$ 465
Total Assets	<u>\$ 1,664</u>	<u>\$ 271,653</u>	<u>\$ 272,852</u>	<u>\$ 465</u>
Liabilities:				
Accounts payable	\$ —	\$ 8,457	\$ 7,992	\$ 465
Deposits	1,664	271,653	273,317	—
Total Liabilities	<u>\$ 1,664</u>	<u>\$ 280,110</u>	<u>\$ 281,309</u>	<u>\$ 465</u>
State Highway Fund:				
Assets:				
Equity in pooled cash and investments held in County Treasury	\$ 1,439,734	\$ 20,644,871	\$ 20,759,695	\$ 1,324,910
Total Assets	<u>\$ 1,439,734</u>	<u>\$ 20,644,871</u>	<u>\$ 20,759,695</u>	<u>\$ 1,324,910</u>
Liabilities:				
Accounts payable	\$ (56,359)	\$ 19,337,571	\$ 19,454,623	\$ (173,411)
Deposits	1,496,093	20,644,871	20,642,643	1,498,321
Total Liabilities	<u>\$ 1,439,734</u>	<u>\$ 39,982,442</u>	<u>\$ 40,097,266</u>	<u>\$ 1,324,910</u>
Other Funds:				
Assets:				
Equity in pooled cash and investments held in County Treasury	\$ 25,820,335	\$ 85,197,652	\$ 83,999,141	\$ 27,018,846
Other current assets	500,000	—	—	500,000
Total Assets	<u>\$ 26,320,335</u>	<u>\$ 85,197,652</u>	<u>\$ 83,999,141</u>	<u>\$ 27,518,846</u>
Liabilities:				
Accounts payable	\$ (31,293)	\$ 32,528,447	\$ 32,528,029	\$ (30,875)
Deposits	26,351,628	85,229,316	84,031,223	27,549,721
Total Liabilities	<u>\$ 26,320,335</u>	<u>\$ 117,757,763</u>	<u>\$ 116,559,252</u>	<u>\$ 27,518,846</u>
Total - All Agency Funds				
Assets:				
Equity in pooled cash and investments held in County Treasury	\$ 49,734,018	\$ 107,737,772	\$ 106,532,566	\$ 50,939,224
Other current assets	976,990	—	476,990	500,000
Other non-current assets	95,655	—	—	95,655
Total Assets	<u>\$ 50,806,663</u>	<u>\$ 107,737,772</u>	<u>\$ 107,009,556</u>	<u>\$ 51,534,879</u>
Liabilities:				
Accounts payable	\$ —	\$ 53,199,915	\$ 53,199,915	\$ —
Deposits	50,711,008	107,651,292	106,923,076	51,439,224
Due to State of Hawaii	95,655	—	—	95,655
Total Liabilities	<u>\$ 50,806,663</u>	<u>\$ 160,851,207</u>	<u>\$ 160,122,991</u>	<u>\$ 51,534,879</u>

**COUNTY OF MAUI
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
EXPENDITURES:				
Debt Service:				
Principal payments	\$ 26,150,359	\$ 26,150,359	\$ 26,150,359	\$ --
Interest and other issuance cost	9,174,491	9,174,491	9,174,491	--
Total Expenditures	35,324,850	35,324,850	35,324,850	--
Deficiency of Revenues over Expenditures	(35,324,850)	(35,324,850)	(35,324,850)	--
OTHER FINANCING SOURCES:				
Transfers in:				
General Fund	35,324,850	35,324,850	35,324,850	--
Total Other Financing Sources	35,324,850	35,324,850	35,324,850	--
Net Change in Fund Balance	--	--	--	--
Fund Balance - Beginning	--	--	--	--
Fund Balance - Ending	\$ --	\$ --	\$ --	\$ --

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Taxes:					
General revenues:					
Real property taxes	\$ 273,489,153	\$ --	\$ 273,489,153	\$ 272,636,476	\$ (852,677)
Public service company tax	9,100,000	--	9,100,000	7,662,143	(1,437,857)
Total - General revenue	<u>282,589,153</u>	<u>--</u>	<u>282,589,153</u>	<u>280,298,619</u>	<u>(2,290,534)</u>
Total - Taxes	<u>282,589,153</u>	<u>--</u>	<u>282,589,153</u>	<u>280,298,619</u>	<u>(2,290,534)</u>
Licenses and permits:					
General government:					
Business licenses and permits	22,000	--	22,000	30,225	8,225
Other licenses and permits	3,845,095	--	3,845,095	3,728,309	(116,786)
Motor vehicle licenses and fees	<u>3,621,000</u>	<u>--</u>	<u>3,621,000</u>	<u>4,308,305</u>	<u>687,305</u>
Total - General government	<u>7,488,095</u>	<u>--</u>	<u>7,488,095</u>	<u>8,066,839</u>	<u>578,744</u>
Total - Licenses and permits	<u>7,488,095</u>	<u>--</u>	<u>7,488,095</u>	<u>8,066,839</u>	<u>578,744</u>
Intergovernmental revenues:					
General revenue:					
Federal payment in lieu of taxes	7,188	--	7,188	26,620	19,432
Transient accommodation taxes	23,484,000	--	23,484,000	23,484,000	--
State payment in lieu of taxes	<u>6,875</u>	<u>--</u>	<u>6,875</u>	<u>--</u>	<u>(6,875)</u>
Total - General revenue	<u>23,498,063</u>	<u>--</u>	<u>23,498,063</u>	<u>23,510,620</u>	<u>12,557</u>
Public safety:					
Federal grants passed through the state	50,000	--	50,000	--	(50,000)
Social welfare:					
Federal grants	<u>10,937</u>	<u>--</u>	<u>10,937</u>	<u>64,807</u>	<u>53,870</u>
Total - Intergovernmental revenues	<u>23,559,000</u>	<u>--</u>	<u>23,559,000</u>	<u>23,575,427</u>	<u>16,427</u>
Charges for current services:					
General government:					
General government	223,170	--	223,170	957,882	734,712
Safety	<u>542,279</u>	<u>--</u>	<u>542,279</u>	<u>1,008,413</u>	<u>466,134</u>
Total - General government	<u>765,449</u>	<u>--</u>	<u>765,449</u>	<u>1,966,295</u>	<u>1,200,846</u>

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Public Safety:					
General government	\$ 76,830	\$ --	\$ 76,830	\$ 8,160	\$ (68,670)
Safety	28,721	--	28,721	36,405	7,684
Total - Public safety	105,551	--	105,551	44,565	(60,986)
Social welfare:					
Safety	--	--	--	50	50
Culture and recreation:					
General government	--	--	--	30	30
Recreation	400,000	--	400,000	468,437	68,437
Total - Culture and recreation	400,000	--	400,000	468,467	68,467
Legislative:					
General government	--	--	--	3,388	3,388
Total - Charges for current services	1,271,000	--	1,271,000	2,482,765	1,211,765
Fines and forfeitures:					
General government:					
Penalties and interest	1,900,000	--	1,900,000	2,143,820	243,820
Public safety:					
Unclaimed monies	--	--	--	5,249	5,249
Total - Fines and forfeitures	1,900,000	--	1,900,000	2,149,069	249,069
Interest and investment earnings:					
General revenue:					
Interest on investments	2,000,000	--	2,000,000	2,893,238	893,238
General government:					
Rental income	72,000	--	72,000	115,478	43,478
Culture and recreation:					
Rental income	78,000	--	78,000	64,130	(13,870)
Total - Interest and investment earnings	2,150,000	--	2,150,000	3,072,846	922,846

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Other revenues:					
General revenue:					
Miscellaneous general receipts	\$ 40,000	\$ --	\$ 40,000	\$ 80,981	\$ 40,981
General government:					
Miscellaneous income revolving	--	--	--	6,967	6,967
Miscellaneous general receipts	234,625	--	234,625	229,102	(5,523)
Miscellaneous program receipts	760,000	--	760,000	820,762	60,762
Total - General government	<u>994,625</u>	<u>--</u>	<u>994,625</u>	<u>1,056,831</u>	<u>62,206</u>
Public safety:					
Miscellaneous general receipts	--	--	--	2,940	2,940
Miscellaneous program receipts	--	--	--	45,151	45,151
Total - Public safety	<u>--</u>	<u>--</u>	<u>--</u>	<u>48,091</u>	<u>48,091</u>
Highways and streets:					
Miscellaneous income revolving	--	--	--	1	1
Miscellaneous program receipts	--	--	--	9,433	9,433
Total - General government	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,434</u>	<u>9,434</u>
Sanitation:					
Miscellaneous program receipts	--	--	--	82,615	82,615
Social welfare:					
Miscellaneous program receipts	--	--	--	56,999	56,999
Culture and recreation:					
Miscellaneous program receipts	--	--	--	957	957
Legislative:					
Miscellaneous program receipts	--	--	--	482	482
Total - Other revenues	<u>1,034,625</u>	<u>--</u>	<u>1,034,625</u>	<u>1,336,390</u>	<u>301,765</u>
Total General Fund Revenues	\$ <u>319,991,873</u>	\$ <u>--</u>	\$ <u>319,991,873</u>	\$ <u>320,981,955</u>	\$ <u>990,082</u>

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
General government:							
Office of the Mayor:							
Office of Mayor Administration	\$ 4,692	\$ 1,500,595	\$ -	\$ 1,505,287	\$ 1,466,612	\$ 21,273	\$ 17,402
Economic Development	6,588	1,252,997	-	1,259,585	1,202,603	8,253	48,729
Molokai Economic Development & Cultural	104,761	140,000	-	244,761	133,615	95,667	15,479
Agriculture Promotion	84,807	215,000	-	299,807	173,186	109,953	16,668
Aquaculture & Marine Resources	35,311	-	-	35,311	30,508	4,803	-
Film Industry Promotions	1,214	125,000	-	126,214	119,622	-	6,592
Maui County Farm Bureau	148,478	305,000	-	453,478	232,307	221,171	-
Maui Economic Development Board	234,838	830,000	-	1,064,838	752,137	312,701	-
Maui Visitors Bureau	181	4,200,000	-	4,200,181	4,199,987	13	181
Small Business & High Tech Promo	11,261	100,000	-	111,261	109,913	1,243	105
Maui Arts & Cultural Center	31,827	318,270	-	350,097	350,097	-	-
Business Research Library	33,256	72,100	-	105,356	65,490	39,866	-
Hui O Waa Kaulua	-	120,000	-	120,000	62,552	57,448	-
Environmental Protection	1,202,854	1,400,000	-	2,602,854	1,559,024	985,730	78,100
East Maui Econ Development & Cultural	56,773	100,000	-	156,773	106,362	40,766	9,645
UH Tropical Agricultural & Human Resources	90,830	75,000	-	165,830	86,736	78,788	306
MEO Bus Development CP Microenterprise	105,438	275,000	-	380,438	261,096	119,342	-
Maui Nui Botanical Gardens	39,050	150,000	-	189,050	108,277	80,773	-
Maui Arts & Cultural Capital	870,000	450,000	-	1,320,000	357,848	962,152	-
Grant - Maui Comm Theater - Iao Improvement	45,518	53,045	-	98,563	45,405	53,045	113
Maui Soil & Water Conservation	-	139,000	-	139,000	139,000	-	-
Soil & Water Conservation - Molokai	-	22,000	-	22,000	19,800	2,200	-
Culture & Arts Program	21,195	70,000	-	91,195	73,208	16,130	1,857
Molokai Livestock Cooperative	10,300	10,000	-	20,300	4,378	15,922	-
Academy of Hospitality & Tourism	16,200	10,000	-	26,200	-	13,500	12,700
Ke Ao I Ka Makani Ho'ehe'i'i	6,766	-	-	6,766	6,766	-	-
Ka 'ohana O Kalaupapa	23,584	-	-	23,584	23,584	-	-
Ka Ipu Kukui Fellows Leadership	2,555	25,750	-	28,305	28,305	-	-
Renewable Energy Programs	-	75,000	-	75,000	55,689	10,000	9,311
Grants Friends of Maui High School	12,876	65,000	-	77,876	41,014	36,862	-
4-H UPCOUNTRY FAIR	1,367	35,000	-	36,367	36,366	1	-
HANAARTS	20,000	20,000	-	40,000	20,000	20,000	-
Maui Economic Development Board - Maui HS Program	50,780	45,000	-	95,780	45,238	29,386	21,156
COQUI FROG ERADICATION PROJECT	1,104,997	300,000	-	1,404,997	1,139,002	265,995	-

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Hai-Mak-Pai Economic Development & Cultural Programs	\$ 28,873	\$ 175,000	\$ --	\$ 203,873	\$ 159,287	\$ 39,386	\$ 5,000
Ma Ka Hana Ka Ike - OED	--	90,000	--	90,000	--	90,000	--
Festivals of Aloha	--	50,000	--	50,000	49,944	56	--
Lanai Economic Development & Cultural Programs	87,963	200,000	--	287,963	83,264	89,604	115,095
Sister City Program	22,500	15,000	--	37,500	20,414	17,086	--
Maui Film Festival	25,000	25,000	--	50,000	25,000	25,000	--
Lahaina Boat Day	2,880	25,750	--	28,630	22,995	5,635	--
Made in Maui County Festival	--	100,000	--	100,000	100,000	--	--
Economic Development Initiatives Program	43,987	150,000	--	193,987	169,441	9,947	14,579
Budget	21,572	487,941	--	509,513	478,721	13,132	17,660
Arts Education/Innovative Program	--	424,360	--	424,360	424,360	--	--
Total Office of the Mayor	4,810,852	14,241,808	--	18,852,660	14,589,153	3,872,829	390,678
Management:							
Management	173,503	1,319,336	--	1,492,839	1,149,208	177,561	166,070
County Facilities Security Program	--	216,000	--	216,000	210,150	--	5,850
Management Information Systems	3,610,494	9,268,379	--	12,878,873	9,596,546	2,961,756	320,571
Geographic Information Systems	5,235	410,947	--	416,182	254,580	5,235	156,367
West Maui Veterans Club	--	4,000	--	4,000	4,000	--	--
Total Management	3,789,232	11,218,662	--	15,007,894	11,214,484	3,144,552	648,858
Corporation Counsel:							
Legal Services	49,109	3,426,617	--	3,475,726	3,132,304	63,727	279,695
Finance:							
Finance Administration	2,990	738,356	--	741,346	724,898	1,500	14,948
Treasury	64,970	1,113,033	--	1,178,003	1,004,351	116,401	57,251
Accounts	45,023	1,645,450	--	1,690,473	1,416,299	181,090	93,084
Purchasing	10,332	460,949	--	471,281	428,508	10,332	32,441
Financial Services	1,203,469	6,789,156	--	7,992,625	6,150,053	1,095,837	746,735
CW Service Center - Annual Lease Costs	187,586	508,800	--	696,386	631,503	--	62,883
Countywide Fringe Benefits	261,743	57,986,774	(522,762)	57,705,755	57,010,547	252,454	442,754
Bond Issuance & Debt Services	--	577,031	4,674,805	5,251,836	39,233	22,718	5,189,885
Insurance & Self Insurance	725,917	12,700,000	(880,000)	12,545,917	7,177,106	701,400	4,667,411
Countywide General Costs	23,044	936,126	--	959,170	914,716	1,444	43,010
Overhead Reimbursement	--	(22,043,724)	--	(22,043,724)	(20,639,468)	--	(1,404,256)
Post-Employment Obligations Fund	--	16,172,000	--	16,172,000	16,172,000	--	--
Total Finance	2,525,074	77,561,951	3,272,043	83,359,068	71,029,746	2,383,176	9,946,146

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Personnel Services:							
Personnel Services	\$ 16,333	\$ 1,579,802	\$ —	\$ 1,596,135	\$ 1,455,320	\$ 41,467	\$ 99,348
Planning:							
Planning	108,775	5,108,655	—	5,217,430	4,641,618	124,040	451,772
Development Fee Impact Study	3,095	—	—	3,095	—	—	3,095
General Plan Update	56,213	—	—	56,213	—	56,213	—
Maui Redevelopment Agency	125,820	183,500	—	309,320	250,763	25,265	33,292
UH-Maui Sea Grant	—	88,975	—	88,975	83,851	65	5,059
Development Mitigation Fee Study	15,280	—	—	15,280	—	15,280	—
Small Town Planning	15,178	—	—	15,178	—	15,178	—
Cultural Resource Management	—	25,000	—	25,000	—	—	25,000
Puunene Airport Master Plan Update	9,123	—	—	9,123	—	—	9,123
Environmental Assessments - Planning	4,164	—	—	4,164	—	4,164	—
Wailuku First Friday Events	—	25,000	—	25,000	25,000	—	—
Total Planning	337,648	5,431,130	—	5,768,778	5,001,232	240,205	527,341
Public Works:							
Public Works Administration	14,015	564,571	—	578,586	525,464	5,175	47,947
Engineering	597,740	4,129,566	—	4,727,306	3,359,085	577,122	791,099
Special Maintenance	62,578	3,583,768	—	3,646,346	2,688,106	303,717	654,523
Development Services Administration	11,382	2,401,773	—	2,413,155	2,168,985	25,680	218,490
Total Public Works	685,715	10,679,678	—	11,365,393	8,741,640	911,694	1,712,059
Environmental Management:							
Community Work Day	—	205,500	—	205,500	205,050	—	450
Total General Government	12,013,963	124,345,148	3,272,043	139,631,154	115,368,929	10,657,650	13,604,575
Public safety:							
Prosecuting Attorney:							
Prosecutors Administration	4,193	836,656	29,731	870,580	828,574	20,072	21,934
General Prosecution	841	5,385,168	—	5,386,009	5,032,019	8,337	345,653
Total Prosecuting Attorney	5,034	6,221,824	29,731	6,256,589	5,860,593	28,409	367,587
Police:							
Police Administration	83,109	5,022,012	48,230	5,153,351	4,777,471	81,267	294,613
Investigative Service	46,267	10,900,351	—	10,946,618	9,496,125	69,603	1,380,890
Uniformed Patrol Services	761,279	29,255,144	—	30,016,423	28,846,563	689,665	480,195
Technical and Support Services	814,849	9,136,129	(48,230)	9,902,748	7,836,374	926,234	1,140,140
Total Police	1,705,504	54,313,636	—	56,019,140	50,956,533	1,766,769	3,295,838

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Fire and Public Safety:							
Fire Control Administration and Maintenance	\$ 180,856	\$ 2,619,455	\$ (110,304)	\$ 2,690,007	\$ 2,642,317	29,956	\$ 17,734
Fire Control Training	81,078	1,193,916	(241,857)	1,033,137	874,878	122,866	35,393
Fire Rescue Operations	483,389	28,237,581	1,695,456	30,416,426	28,967,838	1,241,370	207,218
Fire Prevention	8,305	922,853	(200,295)	730,863	687,822	7,367	35,674
Ocean Safety Admin/Ocean Safety	—	3,432,557	147,000	3,579,557	3,413,299	37,688	128,570
Total Fire and Public Safety	753,628	36,406,362	1,290,000	38,449,990	36,586,154	1,439,247	424,589
Civil Defense:							
Civil Defense	584	650,507	—	651,091	432,365	60,079	158,647
Grant American Red Cross	—	25,000	—	25,000	25,000	—	—
Total Civil Defense	584	675,507	—	676,091	457,365	60,079	158,647
Total Public Safety	2,464,750	97,617,329	1,319,731	101,401,810	93,860,645	3,294,504	4,246,661
Highways and Streets:							
Transportation:							
Transportation Administration	207,292	1,496,103	24,489	1,727,884	1,555,768	150,822	21,294
Human Service Transportation	750,000	6,180,013	—	6,930,013	6,878,885	51,128	—
Air Ambulance Program	—	672,215	—	672,215	672,215	—	—
Total Transportation	957,292	8,348,331	24,489	9,330,112	9,106,868	201,950	21,294
Total Highways and Streets	957,292	8,348,331	24,489	9,330,112	9,106,868	201,950	21,294
Sanitation:							
Environmental Management:							
Environmental Management Administration	7,096	616,375	—	623,471	583,309	3,000	37,162
Total Sanitation	7,096	616,375	—	623,471	583,309	3,000	37,162
Social Welfare:							
Housing and Human Concerns:							
Housing and Human Concerns Administration	9,642	560,144	26,010	595,796	570,159	9,665	15,972
Housing	17,465	632,412	—	649,877	493,542	5,839	150,496
Affordable Rental Housing Program	—	1,000,000	—	1,000,000	996,847	—	3,153
Hale Mahaolu - Homeownership/Housing	—	80,000	—	80,000	80,000	—	—
Human Concerns - General	89,408	5,316,872	—	5,406,080	4,963,958	59,828	382,294
Hana Youth Center, Inc.	1,363	147,041	—	148,404	147,041	—	1,363
Women Helping Women	—	220,850	—	220,850	220,850	—	—
Early Childhood	—	108,090	—	108,090	108,090	—	—
Substance Abuse	55,849	533,650	—	589,499	521,926	36,195	31,378

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
E Malama I Na Keiki Preschool	\$ 3,459	\$ 86,335	\$ -	\$ 89,794	\$ 86,335	\$ -	\$ 3,459
Homelessness Programs	-	1,000,000	-	1,000,000	865,880	134,120	-
Maui Adult Day Care Center	-	358,440	-	358,440	358,440	-	-
MCC Cooperative Education	998	25,750	-	26,748	23,175	2,575	996
MEO Headstart After School	-	245,040	-	245,040	245,040	-	-
MEO Headstart Summer	17,500	180,250	-	197,750	179,725	18,025	-
Community Partnership Grants	32,089	-	-	32,089	2,195	19,799	10,095
Lanai Youth Center	-	172,086	-	172,086	169,839	2,247	-
Kihel Youth Center	1,957	245,285	-	247,242	245,285	-	1,957
Youth	11,548	110,321	-	121,869	81,163	30,481	10,225
Maui Family Support Services	-	65,564	-	65,564	65,564	-	-
J. Water Cameron Center Expansion	-	90,000	-	90,000	68,750	23,250	-
Big Brothers and Big Sisters	-	105,892	-	105,892	105,892	-	-
Mental Health Association	-	65,207	-	65,207	65,207	-	-
Self Sufficiency	2,634	98,526	-	101,160	83,006	5,194	12,960
Hana Community Association	8,239	84,863	-	93,102	68,889	15,632	8,581
MEO Infant Toddler Care	-	97,850	-	97,850	97,850	-	-
Maui Community Food Bank	-	355,350	-	355,350	355,350	-	-
Maui Arts & Performing Academy	-	15,450	-	15,450	15,450	-	-
Hui Malama Learning Center	-	282,843	-	282,843	282,843	-	-
Family Spt - Teen Voices	1	42,630	-	42,631	38,368	4,262	1
Boy Scouts of America	44,428	-	-	44,428	44,428	-	-
Salvation Army	-	142,000	-	142,000	142,000	-	-
Grant for Molokai Youth Center	-	257,500	-	257,500	257,500	-	-
Imua Family Services	-	36,050	-	36,050	36,050	-	-
Pala Youth Council, Inc.	-	230,978	-	230,978	230,978	-	-
Boys and Girls Club of Maui, Inc.	-	1,026,910	-	1,026,910	1,026,910	-	-
Maui Farm	-	242,573	-	242,573	239,556	3,017	-
Youth Alcohol Education Awareness	30,000	100,000	-	130,000	89,370	25,000	15,630
Coalition for Drug Free Lanai	-	43,272	-	43,272	43,272	-	-
MEO Enlace Hispano Program	-	98,417	-	98,417	98,417	-	-
Lahaina Tutoring Project	-	11,000	-	11,000	11,000	-	-
Volunteer Center Project Graduation	-	47,741	-	47,741	47,741	-	-
Ohana Makamae	22,677	90,707	-	113,384	96,149	8,164	9,071
National Kidney Foundation	-	25,000	-	25,000	25,000	-	-
Lanai Women's Center	-	82,610	-	82,610	82,610	-	-
Grants/Disability Services - Frail/Elderly	203,312	861,739	(52,906)	1,012,145	666,109	346,025	11
Kansha Preschool	10,000	-	-	10,000	10,000	-	-

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
MEO Underage Drinking	\$ -	\$ 51,500	\$ -	\$ 51,500	\$ 51,500	\$ -	\$ -
MEO Planning & Coordinating	-	85,490	-	85,490	85,490	-	-
Molokai Community Health Center	8	-	-	8	-	-	8
Grants - Best Buddies Program	-	85,000	-	85,000	85,000	-	-
MEO B.E.S.T Reintegration	-	108,090	-	108,090	108,090	-	-
Hale Makua	-	200,000	-	200,000	200,000	-	-
Lanai Youth Center Facility	75,000	150,000	-	225,000	125,000	100,000	-
Hawaiian Kamalii Inc.	-	18,672	-	18,672	18,672	-	-
MEO Youth Services	5,432	200,850	-	206,282	200,850	-	5,432
Maui Youth and Family Service, Inc.	-	100,000	-	100,000	25,000	75,000	-
Feed My Sleep	-	75,000	-	75,000	75,000	-	-
Hale Mahaolu Personal Care Program	51,500	106,090	-	157,590	(103,000)	103,000	157,590
Special Olympics Hawaii Grants	-	38,247	-	38,247	38,247	-	-
Arts Education/Innovative Program	6,206	-	-	6,206	-	-	6,206
Mental Health Kokua	-	100,000	-	100,000	50,000	50,000	-
Roman Catholic Church	3,000	-	-	3,000	-	3,000	-
Kupuna Care Service	42,357	-	-	42,357	42,357	-	-
Food, Shelter, and Safety Grants	-	860,630	-	860,630	801,400	54,050	5,180
Animal Management	-	100,000	-	100,000	100,000	-	-
Animal Sheltering Program	12,156	863,255	-	875,411	863,254	10,301	1,856
Animal Enforcement Program	6,176	569,057	-	575,233	569,057	6,176	-
Grant - Molokai Humane Society	-	137,634	-	137,634	124,353	13,281	-
Grant - Lanai Animal Rescue	-	15,000	-	15,000	15,000	-	-
Total Housing and Human Concerns	764,402	19,483,553	(26,896)	20,221,059	18,223,019	1,164,126	833,914
Public Works:							
Special Maintenance	-	145,838.00	-	145,838	115,392	-	30,446
Total Social Welfare	764,402	19,629,391	(26,896)	20,366,897	18,338,411	1,164,126	864,360
Culture and Recreation:							
Parks and Recreation:							
Parks and Recreation Administration	36,385	1,744,867	26,168	1,807,420	1,737,650	46,130	23,640
MCCC Workline	-	117,000	-	117,000	111,672	5,328	-
Lahaina Restoration Foundation	-	178,828	-	178,828	178,828	-	-
Lahaina Restoration Capital	688,071	-	-	688,071	632,754	55,317	-
Haiku Community Assoc Kalakupua	26,196	-	-	26,196	5,376	-	20,820
Tom Morrow Equestrian Arena	-	30,000	-	30,000	13,986	15,999	15

**COUNTY OF MAUI
GENERAL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Park Maintenance	\$ 862,851	\$ -	\$ -	\$ 862,851	\$ 562,497	\$ 242,170	\$ 58,184
Parks Program	-	6,052,346	68,000	6,120,346	4,896,247	1,110,382	113,717
Planning and Development	203,539	-	-	203,539	139,212	51,287	13,040
Recreation and Support Services	855,730	20,851,423	90,000	21,797,153	20,117,815	635,659	1,043,679
PALS	124,798	-	-	124,798	(175,923)	13,775	286,946
Aquatics	273,809	-	-	273,809	240,614	23,551	9,644
Total Parks and Recreation	3,071,379	28,974,464	184,168	32,230,011	28,460,728	2,199,598	1,569,685
Total Culture and Recreation	3,071,379	28,974,464	184,168	32,230,011	28,460,728	2,199,598	1,569,685
Legislative:							
County Council:							
Council Services	215,478	5,620,409	-	5,835,887	4,586,871	313,765	935,251
County Auditor Program	261,363	1,180,524	-	1,441,887	675,621	255,083	511,183
Total County Council	476,841	6,800,933	-	7,277,774	5,262,492	568,848	1,446,434
County Clerk:							
County Clerk	103,283	1,744,443	-	1,847,726	1,260,138	157,869	429,719
Total Legislative	580,124	8,545,376	-	9,125,500	6,522,630	726,717	1,876,153
Totals for the General Fund	\$ 19,859,006	\$ 288,076,414	\$ 4,773,535	\$ 312,708,955	\$ 272,241,520	\$ 18,247,545	\$ 22,219,890

**COUNTY OF MAUI
HIGHWAY FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Taxes:					
General revenues:					
Franchise tax	\$ 8,700,000	\$ --	\$ 8,700,000	\$ 7,747,154	\$ (952,846)
Fuel tax	14,906,500	--	14,906,500	15,655,215	748,715
Total - General revenue	23,606,500	--	23,606,500	23,402,369	(204,131)
Total - Taxes	23,606,500	--	23,606,500	23,402,369	(204,131)
Licenses and permits:					
Highways and streets:					
Motor vehicle licenses and fees	19,700,000	--	19,700,000	21,388,832	1,688,832
Total - Licenses and permits	19,700,000	--	19,700,000	21,388,832	1,688,832
Charges for current services:					
Highways and streets:					
Public transit bus fare	2,500,000	--	2,500,000	2,539,866	39,866
Recreation	--	--	--	300	300
Total - Charges for current services	2,500,000	--	2,500,000	2,540,166	40,166
Other revenues:					
Highways and streets:					
Miscellaneous program receipts	--	--	--	460	460
Total - Other revenues	--	--	--	460	460
Total Highway Fund Revenues	\$ 45,806,500	\$ --	\$ 45,806,500	\$ 47,331,827	\$ 1,525,327

**COUNTY OF MAUI
HIGHWAY FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Highways and streets:							
Public Works:							
Highway Administration	\$ 858	\$ 567,392	\$ 30,600	\$ 598,850	\$ 494,123	\$ --	\$ 104,727
Highway ERS & FICA	--	1,734,105	--	1,734,105	1,633,389	--	100,716
Highway Health Fund	--	1,214,929	--	1,214,929	1,183,605	--	31,324
Highway Admin Overhead	--	4,500,585	--	4,500,585	4,303,946	--	196,639
Highway Contribution to OPEB	--	678,868	--	678,868	678,868	--	--
Road/Bridge/Drain Maintenance	476,196	9,449,709	103,000	10,028,905	8,633,062	655,094	740,749
Traffic Signs & Marking	42,230	1,507,077	(133,600)	1,415,707	1,186,775	94,679	134,253
Garage Services	41,368	1,263,960	--	1,305,328	1,211,472	22,525	71,331
Total Public Works	560,652	20,916,625	--	21,477,277	19,325,240	772,298	1,379,739
Transportation:							
Transportation Admin	--	400,000	--	400,000	112,973	286,970	57
Transportation Shelter Cleaning	7,095	--	--	7,095	--	7,095	--
Public Transit-Highway Funds	617,651	10,365,515	--	10,983,166	10,254,173	714,914	14,079
Total Transportation	624,746	10,765,515	--	11,390,261	10,367,146	1,008,979	14,136
Total Highways and streets	1,185,398	31,682,140	--	32,867,538	29,692,386	1,781,277	1,393,875
Totals for the Highway Fund	\$ 1,185,398	\$ 31,682,140	\$ --	\$ 32,867,538	\$ 29,692,386	\$ 1,781,277	\$ 1,393,875

**COUNTY OF MAUI
SEWER FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Source of Revenues</u>	<u>Original Estimate</u>	<u>Amendments and Transfers</u>	<u>Final Estimate</u>	<u>Actual Revenues</u>	<u>Revenues Over or (Under) Estimate</u>
Licenses and permits:					
Sanitation:					
Other licenses and permits	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 41,065</u>	\$ <u> 41,065</u>
Total - Licenses and permits	<u> --</u>	<u> --</u>	<u> --</u>	<u> 41,065</u>	<u> 41,065</u>
Charges for current services:					
Sanitation:					
Waste management	<u> 50,218,455</u>	<u> --</u>	<u> 50,218,455</u>	<u> 51,990,829</u>	<u> 1,772,374</u>
Total - Charges for current services	<u> 50,218,455</u>	<u> --</u>	<u> 50,218,455</u>	<u> 51,990,829</u>	<u> 1,772,374</u>
Other revenues:					
Sanitation:					
Miscellaneous program receipts	<u> 40,000</u>	<u> --</u>	<u> 40,000</u>	<u> 35,239</u>	<u> (4,761)</u>
Total - Other revenues	<u> 40,000</u>	<u> --</u>	<u> 40,000</u>	<u> 35,239</u>	<u> (4,761)</u>
Total Sewer Fund Revenues	\$ <u> 50,258,455</u>	\$ <u> --</u>	\$ <u> 50,258,455</u>	\$ <u> 52,067,133</u>	\$ <u> 1,808,678</u>

**COUNTY OF MAUI
SEWER FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Sanitation:							
Environmental Management:							
Wastewater Administration	\$ 73,032	\$ 2,967,951	\$ --	\$ 3,040,983	\$ 2,587,646	\$ 126,000	\$ 327,337
Wastewater ERS & FICA	--	1,838,476	--	1,838,476	1,654,160	--	184,316
Wastewater Health Fund	--	1,288,052	--	1,288,052	1,203,851	--	84,201
Wastewater Admin Overhead	--	4,151,453	--	4,151,453	3,800,263	--	351,190
Wastewater contribution to OPEB	--	719,727	--	719,727	719,727	--	--
Wastewater Reclamation	1,373,439	19,533,470	(175,789)	20,731,120	17,299,678	2,606,188	825,254
Total Environmental Management	1,446,471	30,499,129	(175,789)	31,769,811	27,265,325	2,732,188	1,772,298
Total Sanitation	1,446,471	30,499,129	(175,789)	31,769,811	27,265,325	2,732,188	1,772,298
Totals for the Sewer Fund	\$ 1,446,471	\$ 30,499,129	\$ (175,789)	\$ 31,769,811	\$ 27,265,325	\$ 2,732,188	\$ 1,772,298

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Intergovernmental revenues:					
General government					
Federal grants	\$ --	\$ 1,859,417	\$ 1,859,417	\$ 1,947,493	\$ 88,076
State grants	--	1,535,380	1,535,380	1,831,018	295,638
Federal grants passed through the state	--	5,424,091	5,424,091	4,589,301	(834,790)
Total - General government	--	8,818,888	8,818,888	8,367,812	(451,076)
Public Safety:					
Federal grants	--	831,699	831,699	264,128	(567,571)
State grants	--	3,914,159	3,914,159	2,622,414	(1,291,745)
Federal grants passed through the state	--	3,170,056	3,170,056	2,548,054	(622,002)
Total - Public safety	--	7,915,914	7,915,914	5,434,596	(2,481,318)
Highways and streets:					
Federal grants passed through the state	--	1,823,679	1,823,679	829,478	(994,201)
Sanitation:					
State grants	--	106,052	106,052	177,242	71,190
Social welfare:					
Federal grants	--	19,727,196	19,727,196	19,992,934	265,738
State grants	--	1,378,442	1,378,442	1,234,942	(143,500)
Federal grants passed through the state	--	929,887	929,887	3,154,919	2,225,032
Total - Social welfare	--	22,035,525	22,035,525	24,382,795	2,347,270
Cultural and recreation:					
State grants	--	--	--	288,597	288,597
Federal grants passed through the state	--	100,000	100,000	75,216	(24,784)
Total - Cultural and recreation	--	100,000	100,000	363,813	263,813
Total - Intergovernmental revenues	--	40,800,058	40,800,058	39,555,736	(1,244,322)

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Interest and investment earnings:					
Social welfare:					
Interest on investments	\$ --	\$ 592,490	\$ 592,490	\$ 15,784	\$ (576,706)
Total - Interest and investment earnings	--	592,490	592,490	15,784	(576,706)
Other revenues:					
General government:					
Operating contributions	--	--	--	25,305	25,305
Miscellaneous program receipts	--	132,381	132,381	92,026	(40,355)
Total - Interest and investment earnings	--	132,381	132,381	117,331	(15,050)
Public safety:					
Operating contributions	--	4,500	4,500	4,836	336
Miscellaneous program receipts	--	--	--	39,533	39,533
Total - Public safety	--	4,500	4,500	44,369	39,869
Social welfare:					
Operating contributions	--	363,447	363,447	296,480	(66,967)
Miscellaneous program receipts	--	--	--	100	100
Total - Social welfare	--	363,447	363,447	296,580	(66,867)
Total - Other revenues	--	500,328	500,328	458,280	(42,048)
Total Grant Fund Revenues	\$ --	\$ 41,892,876	\$ 41,892,876	\$ 40,029,800	\$ (1,863,076)

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
General Government:						
Office of the Mayor:						
The Maui Farm Rehabilitation	\$ 5,222	\$ (5,222)	\$ --	\$ --	\$ --	\$ --
lao House Rehabilitation	--	5,222	5,222	5,222	--	--
Food and Energy Security Project	71,811	--	71,811	--	--	71,811
The Maui Farm Rehabilitation	1,707	(1,707)	--	--	--	--
lao House Rehabilitation	--	1,707	1,707	1,707	--	--
Workforce Investment Act DWP	14,497	--	14,497	--	11,087	3,410
Workforce Investment Act Adult	14,376	(13,076)	1,300	1,300	--	--
WHW Emergency Shelter Rehab	--	128,226	128,226	128,226	--	--
Hana Landfill Water Truck	1,432	(1,432)	--	--	--	--
Women Helping Women Dom Violence	72,431	--	72,431	72,431	--	--
Na Pu'uwai Adult Day Care Exp	110,000	(110,000)	--	--	--	--
CDBG Program Admin FY2014	5	--	5	5	--	--
KHAKE renewal prj ph-1	108,899	--	108,899	88,402	20,497	--
Workforce Investment Act DWP	9,857	(16,612)	(6,755)	(6,755)	--	--
Workforce Investment Act Adult	11,565	(11,557)	8	8	--	--
HTA Product Enrichment CY14	52,156	(25,131)	27,025	27,025	--	--
Lanai ER Incident Resp Vehicle	21,800	(21,800)	--	--	--	--
lao House Rehabilitation	17,500	--	17,500	17,500	--	--
lao House Rehabilitation	--	21,800	21,800	21,800	--	--
CDBG Program Admin FY15	91	--	91	--	--	91
Coqui Frog Education Act51 SLH04	80,000	(99,996)	(19,996)	(19,996)	--	--
Workforce Innovation Opportunity	183,757	--	183,757	159,025	--	24,732
Ho'olehua Pumper	900,000	--	900,000	898,448	--	1,552
lao House Rehabilitation	--	47,959	47,959	47,959	--	--
LCHC New Facility	499,226	(137,953)	361,273	--	--	361,273
WHW Emergency Shelter Rehab	--	89,994	89,994	85,470	--	4,524
CDBG Program Admin FY16	18,589	--	18,589	17,390	528	671
HTA Product Enrichment CY16	256,572	--	256,572	256,072	500	--
WIOA Adult & Dislocated Worker	348,512	--	348,512	311,141	--	37,371
WIOA Admin PY2015	8,431	--	8,431	4,446	--	3,985
Housing Rehab Loan Project Inc	13,093	(1,126)	11,967	--	--	11,967
lao Theatre Project Income	--	(2,183)	(2,183)	(2,183)	--	--
MEO Molokai Shuttle Svc Bus B	--	141,100	141,100	130,936	10,164	--
MEO Molokai Shuttle Svc Bus A	--	118,579	118,579	118,579	--	--
Lahaina Surf Preservation	--	203,893	203,893	--	203,893	--

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
WIOA Youth Activities	\$ --	\$ 191,553	\$ 191,553	\$ --	\$ --	\$ 191,553
The Maui Farm Rehabilitation	--	287,576	287,576	--	287,576	--
KHAKE Staircase Safety	--	386,775	386,775	--	386,775	--
Cameron Ctr Rehab & Improvement	--	247,030	247,030	--	247,030	--
CDBG Program Admin FY17	--	346,238	346,238	326,697	447	19,094
HTA County Product Enrichment	--	70,000	70,000	43,219	--	26,781
WIOA Adult Program	--	182,339	182,339	--	--	182,339
WIOA Admin PY2016	--	58,409	58,409	43,059	--	15,350
WIOA Dislocated Worker	--	151,808	151,808	--	--	151,808
2016 Hawaii Severe Storms	--	4,432,745	4,432,745	3,689,268	--	743,477
Project Impact BDRF FEMA	--	(13,279)	(13,279)	(13,279)	--	--
Total Office of the Mayor	<u>2,821,529</u>	<u>6,651,879</u>	<u>9,473,408</u>	<u>6,453,122</u>	<u>1,168,497</u>	<u>1,851,789</u>
Management:						
Dell Online Self-Dispatch Program	12,000	--	12,000	--	--	12,000
HI Intergrated Justice IS Program	160	--	160	--	--	160
Total Management	<u>12,160</u>	<u>--</u>	<u>12,160</u>	<u>--</u>	<u>--</u>	<u>12,160</u>
Finance:						
State Disability & Comm	11,504	(11,504)	--	--	--	--
State Identification Program	577	--	577	445	--	132
State Disability & Comm	--	11,504	11,504	--	--	11,504
Comm'l Driver's License FY17	--	508,040	508,040	505,179	861	--
Periodic Motor Vehicle Inspection FY17	--	444,982	444,982	444,982	--	--
State Identification Program	--	192,786	192,786	192,786	--	--
State Motor Vehicle Registration	--	310,068	310,068	310,068	--	--
Total Finance	<u>12,081</u>	<u>1,453,876</u>	<u>1,465,957</u>	<u>1,453,460</u>	<u>861</u>	<u>11,836</u>
Planning:						
EDA Economic Adjustment Assistance	1,200,000	--	1,200,000	--	--	1,200,000
Coastal Zone Management Program	25,436	--	25,436	--	--	25,436
Certified Local Government Program	22,500	--	22,500	8,677	--	13,823
Coastal Zone Management FY16	153,849	(9,517)	144,332	144,332	--	--
Coastal Zone Management FY17	--	373,276	373,276	218,498	--	154,778
Total Planning	<u>1,401,785</u>	<u>363,759</u>	<u>1,765,544</u>	<u>371,507</u>	<u>--</u>	<u>1,394,037</u>
Public Works:						
FHWA Projects State Reviews	44,958	33,958	78,916	69,908	--	9,008

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
FHWA Various Projects County	\$ 4,770	\$ 132,380	\$ 137,150	\$ 137,146	\$ —	\$ 4
Total Public Works	49,728	166,338	216,066	207,054	—	9,012
Total General Government	4,297,283	8,635,852	12,933,135	8,485,143	1,169,358	3,278,634
Public safety:						
Prosecuting Attorney:						
E Byrne Memorial Jag FY15	57,488	--	57,488	--	--	57,488
Highway Safety Grant	1,052	(478)	574	574	--	--
Justice Reinvestment Initiative	12,905	--	12,905	--	--	12,905
Special Needs Advocacy Program	80,642	(77,435)	3,207	3,207	--	--
Asset Forfeitures Program	39,055	--	39,055	38,844	--	211
Victim/Witness Assistance Program	13,355	(6,487)	6,868	6,868	--	--
Defendant/Witness Trial Program	79,368	--	79,368	41,202	938	37,228
Prosecutors Training Program	50,000	--	50,000	--	--	50,000
Highway Safety/Impaired Driving	7,012	2,000	9,012	6,197	--	2,815
Highway Safety/Traffic Records	3,817	6,625	10,442	5,938	--	4,504
SOH Grant-In-Aid	101,148	--	101,148	70,146	--	31,002
Special Needs Advocacy Program	--	312,000	312,000	303,583	--	8,417
Special Needs Advocacy Supplemental	--	692,175	692,175	78,768	180,387	433,020
Victim/Witness Assistance Program	--	61,621	61,621	59,529	--	2,092
Career Criminal Program	--	137,499	137,499	137,499	--	--
DPA 2017 Traffic Records	--	7,005	7,005	227	--	6,778
Domestic Violence Investigation	--	53,382	53,382	53,382	--	--
Maui Prosecutors Office	--	21,469	21,469	6,923	--	14,546
Total Prosecuting Attorney	445,842	1,209,376	1,655,218	812,887	181,325	661,006
Police:						
Prohibiting Alcohol Sales to Minors	4,315	(4,414)	(99)	(99)	--	--
Federal Equity/Sharing Forfeiture Policy	864	--	864	--	--	864
Marijuana Eradication DEA 2002	1,035	--	1,035	1,035	--	--
Training Grants - SOH Various	252,387	--	252,387	--	--	252,387
State e911 Wireless Commission	118,069	--	118,069	(1,180)	--	119,249
Federal Equity/Sharing Forfeiture Policy	135	--	135	--	--	135
Public Housing Drug Elimination RSS0301	6,364	--	6,364	--	--	6,364
Training Grants FY2013	72,776	--	72,776	--	--	72,776
HI Intragency Mobile Police 02	2,507	--	2,507	--	--	2,507
Training Grants FY2014	72,125	--	72,125	--	--	72,125

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
Violence Against Women Act	\$ 10,997	\$ --	\$ 10,997	\$ 8,884	\$ --	\$ 2,113
Marijuana Eradication DEA 2003-51	5,932	--	5,932	5,932	--	--
Domestic Cannabis DEA 2004-53	12,939	(12,939)	--	--	--	--
Training Grants FY2015	92,000	--	92,000	--	--	92,000
State e911 Wireless Commission	174,383	--	174,383	--	--	174,383
Prohibit Tobacco Sales to Minors	5,324	(5,324)	--	--	--	--
HI Interagency Mobile Police 03	4,279	--	4,279	--	--	4,279
Police Against Street Sales 06	423	--	423	--	--	423
HC&S Community Initiative	--	3,000	3,000	--	--	3,000
State e911 Wireless Communication	376,892	--	376,892	36,558	--	340,334
Training Grants FY2016	75,989	--	75,989	(4,006)	1,295	78,700
911 EMS Dispatch Communication	22,352	(7,177)	15,175	15,175	--	--
Domestic Violence: Strangulation	32,393	--	32,393	29,508	2,885	--
Kalo Program	438	--	438	438	--	--
MPD Traffic Services	5,922	--	5,922	--	--	5,922
MPD Traffic Data Records	17,358	--	17,358	7,607	--	9,751
MPD Speed Enforcement	43,773	--	43,773	35,005	--	8,768
MPD Roadblock Program	195,646	--	195,646	147,776	--	47,870
Distracted Driving Enforcement	6,198	--	6,198	2,740	--	3,458
MPD Seat Belt Program	93,715	--	93,715	11,457	--	82,258
High Intensity Drug Trafficking	11,369	19,499	30,868	30,868	--	--
MPD Child Restraint Project	58,752	--	58,752	10,324	--	48,428
E Byrne Memorial Jag	78,309	--	78,309	78,309	--	--
Hawaii Narcotics Task Force	25,147	--	25,147	24,984	--	163
SW Marijuana Eradication	35,463	--	35,463	34,378	--	1,085
Body Worn Camera Impl Project	109,191	37,500	146,691	101,982	--	44,709
Sex Assault	52,878	--	52,878	30,484	--	22,394
Drug Enforcement Agency	62,945	--	62,945	62,945	--	--
Positive Outreach Intervention	74,615	--	74,615	74,615	--	--
PC Forensic Sciences Improvement Act	7,410	--	7,410	7,410	--	--
911 EMS Dispatch Communication	--	376,866	376,866	358,621	--	18,245
Kalo Program	--	89,000	89,000	81,473	--	7,527
MPD Traffic Services	--	90,012	90,012	34,269	--	55,743
MPD Data Records	--	86,215	86,215	18,353	--	67,862
MPD Speed Enforcement	--	147,690	147,690	92,626	15,375	39,689
MPD Roadblock Program	--	355,021	355,021	169,038	--	185,983
Distracted Driving Enforcement	--	57,601	57,601	21,601	--	36,000
Hawaii Narcotics Task Force	--	23,897	23,897	8,939	--	14,958

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
MPD Seat Belt Program	\$ --	\$ 112,170	\$ 112,170	\$ 31,914	\$ --	\$ 80,256
High Intensity Drug Trafficking	--	124,175	124,175	112,520	--	11,655
MPD Child Restraint Program	--	72,100	72,100	15,584	--	56,516
State e911 Wireless Commission	--	2,600,000	2,600,000	1,228,692	1,054,239	317,069
SW Marijuana Eradication	--	35,501	35,501	1,080	--	34,421
Prohibit Tobacco Sales to Minors	--	8,000	8,000	5,654	--	2,346
FY16 Jag Program	--	115,978	115,978	--	--	115,978
Drug Enforcement Agency	--	45,000	45,000	--	--	45,000
Positive Outreach Intervention	--	85,263	85,263	1,218	923	83,122
Fed. Justice Police Forfeitures	19,047	282,237	301,284	238,867	53,864	8,553
Total Police	2,242,656	4,736,871	6,979,527	3,173,578	1,128,581	2,877,368
Fire and Public Safety:						
Volunteer Fire Assistance DLNR10	180	--	180	180	--	--
EMS (Fire) Training (PVT) IAAI	1,276	12	1,288	1,288	--	--
Fire/LEPC (DOH) HMEP	9,315	45,104	54,419	7,797	--	46,622
Volunteer Fire Assistance DLNR11	1,432	--	1,432	1,432	--	--
MFD Equipment Purchase EMOL-04	163	--	163	163	--	--
Private Donations - Fire Dept	20,200	--	20,200	--	--	20,200
Hazardous Materials (HMEP) Grant11	147,618	(150,450)	(2,832)	(2,832)	--	--
FEMA-1987-Dr-Hi-Tsunami MFD	16,631	(16,631)	--	--	--	--
MFD Equipment Purchase/CPS Program	--	--	--	(77)	--	77
Wellness/Fitness Fire Act Grant	1,000	(4,000)	(3,000)	(3,000)	--	--
NHTSA MFD Pneumatic Struts	153	--	153	--	--	153
Fire Safety HSE-EMW2003FP01732	3,452	--	3,452	3,452	--	--
Fire Inoperability Grant FE15141	96	--	96	96	--	--
Vol Fire Assistance Grant FY16	10,000	--	10,000	--	--	10,000
Oluwalu Fire Break Comp Wui	3,288	--	3,288	1,973	--	1,315
FY15 Assistance to Firefighter Grants	--	527,046	527,046	--	469,497	57,549
Makena Lifeguard Services	--	606,469	606,469	588,359	18,049	61
USDA Rural 1st Responder Lanai	9,083	--	9,083	--	--	9,083
USDA Rural 1st Responder Molokai	3,548	--	3,548	--	--	3,548
Fire Training Grant (Chevron)	--	3,548	3,548	3,548	--	--
Firefighters Charitable Foundation	550	--	550	--	--	550
FEMA Fire Training Funds	10,084	--	10,084	3,746	--	6,338
Total Fire and Public Safety	238,069	1,011,098	1,249,167	606,125	487,546	155,496

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
Emergency Management Agency:						
FFY11 Statewide Outreach/CCP	\$ 9,788	\$ (9,788)	\$ --	\$ --	\$ --	\$ --
FFY11 State Homeland Security Program	11,280	--	11,280	--	--	11,280
Disaster Preparedness Train	19,957	--	19,957	--	--	19,957
Interoperable ER Communications	19,000	--	19,000	--	--	19,000
Emergency Mgt Performance Grant	85,000	--	85,000	--	--	85,000
State Homeland Security	274,250	394	274,644	274,644	--	--
Citizens Corps Program	1,440	(1,440)	--	--	--	--
State Homeland Security	609,185	--	609,185	492,442	18,616	98,127
Emergency Mgt Performance Grant	--	100,000	100,000	99,981	--	19
State Homeland Security	--	589,800	589,800	19,308	12,607	557,885
Total Emergency Management Agency	1,029,900	678,966	1,708,866	886,375	31,223	791,268
Total Public Safety	3,956,467	7,636,311	11,592,778	5,478,965	1,828,675	4,285,138
Highways and Streets:						
Transportation:						
FTA Rural Trnst Assistance FFY12	13,645	(14,513)	(868)	(868)	--	--
FTA#5309 Formula Funds Program	1,835,687	--	1,835,687	1	--	1,835,686
FTA5309 Livability Program FY13	20,286	--	20,286	--	--	20,286
FTA Sec 5311 Non-Urbanized Area	95,718	--	95,718	95,718	--	--
FTA Rural Trnst Asst - RTAP	1,104	--	1,104	--	--	1,104
FTA Planning Program 5305(e)	2,274	--	2,274	(1,543)	--	3,817
FTA Sec5305 Metropolitan Trans	200,000	96,628	296,628	143,541	4,785	148,302
FTA Sec5339 Bus/Bus Facility Form	--	998,734	998,734	70,528	733,526	194,680
FTA Sec5311 Non-Urbanized	--	540,000	540,000	522,101	--	17,899
FHWA Maui Metro Planning Org	--	188,317	188,317	--	--	188,317
Total Transportation	2,168,714	1,809,166	3,977,880	829,478	738,311	2,410,091
Total Highways and Streets	2,168,714	1,809,166	3,977,880	829,478	738,311	2,410,091
Sanitation:						
Environmental Management:						
Glass Recovery DOH ASO#11-005	3,250	--	3,250	--	--	3,250
W Maui Recycled Water System Exp	671,000	--	671,000	--	--	671,000
Electronic Device Recycling	--	(1)	(1)	(1)	--	--
Hyatt/W Maui Recycled Water	501,237	--	501,237	--	--	501,237
Starwood/W Maui Recycled Water	1,863,840	--	1,863,840	--	--	1,863,840
Dep Beverage Container DOH-MOL	11,824	(11,824)	--	--	--	--
Used Motor Oil Collection FY 15	2,208	6,952	9,160	9,160	--	--

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
Glass Recovery Program	\$ 49,360	\$ (7,462)	\$ 41,898	\$ 41,898	\$ --	\$ --
Advance glass disposal fee	27,667	--	27,667	27,667	--	--
Electronic Device Recycling	--	(582)	(582)	(582)	--	--
Used Oil Recovery07 aso06145#2	339	(339)	--	--	--	--
Glass Recovery Program	--	99,100	99,100	99,100	--	--
Total Environmental Management	3,130,725	85,844	3,216,569	177,242	--	3,039,327
Total Sanitation	3,130,725	85,844	3,216,569	177,242	--	3,039,327
Social Welfare:						
Office of the Mayor:						
Hawaii St Comm/Status Women	649	--	649	51	--	598
Hawaii St Comm/Status Women	231	--	231	231	--	--
Hawaii St Comm/Status Women	2,739	--	2,739	2,014	--	725
Innovate Hawaii	10,000	--	10,000	10,000	--	--
Hawaii State Energy	--	10,000	10,000	10,000	--	--
Made in Maui County Festival	--	8,500	8,500	8,500	--	--
Total Office of the Mayor	13,619	18,500	32,119	30,796	--	1,323
Housing and Human Concerns:						
HI Mental Health Transform Sig	24,000	(24,000)	--	--	--	--
Aging/Disability Rsrc Ctr 2010N	4,876	(4,246)	630	630	--	--
ARRA09 Healthy Aging Partnership	511	--	511	511	--	--
Aging Title III DHHS FY11 MA201103	190	--	190	--	190	--
Elder Abuse Related Services - FY11	3,664	--	3,664	3,664	--	--
EOA/DOH MA.KC.FB10-11.a FY11	3,339	--	3,339	3,339	--	--
Home FFY10 Administration	436	(436)	--	--	--	--
I&A Outreach Aging 00/01	597	--	597	597	--	--
Aging/Disability Rsrc Ctr 2010N	8,684	(8,684)	--	--	--	--
RSVP 2002 DVSA 61523 p74-4101	--	(1,730)	(1,730)	(1,730)	--	--
ARRA09 Healthy Aging Partnership	2,260	--	2,260	2,260	--	--
Aging Title III DHHS FY12	486	--	486	486	--	--
Mental Health Transformation Grant	16	--	16	--	--	16
Home FFY11 Administration	1,396	(1,396)	--	--	--	--
MSC Leisure FY2012	30,488	133	30,621	6,806	14,428	9,387
Aging Title III Programs	659	--	659	659	--	--
Kupuna Care Program	203	--	203	203	--	--
Leisure Activities FY13	3,534	--	3,534	3,534	--	--

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
Childcare Development	\$ --	\$ --	\$ --	\$ (48,273)	\$ --	\$ 48,273
Sec 8 Housing Admin Prg FY2013	45	--	45	--	45	--
Elder Abuse Prevention SF14	1	--	1	--	--	1
Leisure Activities FY14	51,203	--	51,203	--	--	51,203
Care Transition Program	183,162	(177,324)	5,838	5,838	--	--
Sec 8 Housing Admin FY2014	198,283	--	198,283	--	148	198,135
Elder Abuse Prevention SF15	12,805	--	12,805	12,805	--	--
Leisure Activities FY15	67,421	--	67,421	19,063	--	48,358
Aging Title III Programs	30,213	(516)	29,697	10,388	12,458	6,851
Aging & Disability Resource	368,901	306,861	675,762	325,498	22,705	327,559
Private Donation/Matson	1,000	--	1,000	--	--	1,000
Voluntary Contributions	20,000	--	20,000	--	--	20,000
Healthy Aging Partnership	152,987	--	152,987	141,121	--	11,866
Healthy Aging Voluntary Contribution	4,874	17,773	22,647	6,796	--	15,851
Home FFY14 Kulamalu Reprg	21,161	--	21,161	21,161	--	--
Home FFY14 Administration	105,533	12,788	118,321	45,451	698	72,172
Home FFY14 Kulamalu Ah Prj	1,944,612	--	1,944,612	1,920,093	24,519	--
Sec 8 Housing Admin FY2015	1,417	--	1,417	--	1,262	155
Home FFY04 Administration	53	(53)	--	--	--	--
Kupuna Care Program	257,061	(54,925)	202,136	133,297	--	68,839
A&b Kokua Giving Contrib	9,611	--	9,611	9,611	--	--
Congregate Meals NSIP FY16	42,822	--	42,822	42,822	--	--
Home Delivered Meals NSIP FY16	45,525	292	45,817	45,817	--	--
Leisure Activities FY 16	102,215	(10,793)	91,422	6,199	--	85,223
Matson Foundation Contrib	2,000	--	2,000	--	--	2,000
Aging Title III Prgs	306,164	(72,777)	233,387	221,272	--	12,115
Kupuna Care Vol Contrib	200	--	200	--	--	200
RSVP Retired & Sr Vol Prg	53,995	3,500	57,495	57,495	--	--
Nutrition Svcs Incentive	88,347	(88,347)	--	--	--	--
Elder Abuse Prevention SY16	26,492	--	26,492	24,501	--	1,991
Strategic Prevention Framewrk	110,000	110,000	220,000	48,827	115,963	55,210
Sec 8 Housing Voucher FY16	429,365	(250,622)	178,743	176,703	--	2,040
Sec 8 Housing Admin FY16	145,930	(142,250)	3,680	158	3,522	--
Fss Coordinator Grant	40,043	--	40,043	15,664	--	24,379
MSC Leisure Activity FY07	2,557	--	2,557	2,557	--	--
Kupuna Care Program	--	917,264	917,264	393,667	116,938	406,659
Elderly Lunch-A&B Kokua	--	20,000	20,000	17,187	--	2,813

**COUNTY OF MAUI
GRANT FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations & Amendments	Total	Expenditures	Reserves and Encumbrances	Unexpended Appropriations
Assisted Transport Private Contribution	\$ --	\$ 16,106	\$ 16,106	\$ 16,106	\$ --	\$ --
Congregate Meals NSIP FY17	--	30,538	30,538	12,485	--	18,053
Congregate Meals Private Donation	--	89,700	89,700	89,700	--	--
Home Delivered Meals NSIP FY17	--	30,538	30,538	30,538	--	--
Home Delivered Meals Private Donation	--	98,244	98,244	98,244	--	--
Leisure Activities FY 17	--	121,489	121,489	19,127	--	102,362
Assisted Transport-Kupuna	--	117,971	117,971	117,971	--	--
Congregate Meals Title III	--	115,357	115,357	115,357	--	--
Home Delivered Meals Kupuna	--	92,334	92,334	92,334	--	--
Home Delivered Meals Title III	--	100,458	100,458	100,458	--	--
Aging Title III Prgs	--	610,061	610,061	253,860	36,730	319,471
RSVP Retired & Sr Vol Prg	--	65,850	65,850	14,974	1,449	49,427
Nutrition Services Incentive	--	61,076	61,076	--	--	61,076
Elder Abuse Prevention SY17	--	26,492	26,492	2,805	--	23,687
Sec 8 Housing Voucher FY17	--	18,094,383	18,094,383	18,094,383	--	--
Sec 8 Housing Admin FY17	--	1,368,005	1,368,005	1,366,150	1,855	--
Sec 8 Family Self-Sufficient	84,158	31,888	116,046	5,752	--	110,294
Assisted Transportation SH POS08	33,772	--	33,772	--	28,948	4,824
Home FFY08 Administration	1,614	(1,614)	--	--	--	--
Sec8 Hsg Asst Pymts (HAP)-NRA	354,605	754,811	1,109,416	6,670	--	1,102,746
Sec8 Hsg Asst Pymts (Adm)-NRA	1,075,584	395,409	1,470,993	--	--	1,470,993
Total Housing and Human Concerns	6,461,070	22,769,608	29,230,678	24,113,591	381,858	4,735,229
Total Social Welfare	6,474,689	22,788,108	29,262,797	24,144,387	381,858	4,736,552
Culture and Recreation:						
Parks and Recreation:						
ST/Hi WM STDM PA SYS SLH2010	145,000	(145,000)	--	--	--	--
ST/Hi Nahiku Community Center	250,000	--	250,000	--	250,000	--
War Memorial Stadium	829,855	--	829,855	--	--	829,855
Makena Lifeguard Services	87	--	87	87	--	--
Play & Learn Sessions (PALS)	26,004	--	26,004	--	--	26,004
Makena Lifeguard Services	288,511	--	288,511	288,511	--	--
Play & Learn Sessions (PALS)	--	100,000	100,000	75,215	--	24,785
Total Parks and Recreation	1,539,457	(45,000)	1,494,457	363,813	250,000	880,644
Total Culture and Recreation	1,539,457	(45,000)	1,494,457	363,813	250,000	880,644
Totals for the Intergovernmental Grants Fund	\$ 21,567,335	\$ 40,910,281	\$ 62,477,616	\$ 39,479,028	\$ 4,368,202	\$ 18,630,386

**COUNTY OF MAUI
SOLID WASTE FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Source of Revenues	Original Estimate	Amendments and Transfers	Final Estimate	Actual Revenues	Revenues Over or (Under) Estimate
Charges for current services:					
Sanitation:					
Refuse	\$ 8,048,540	\$ --	\$ 8,048,540	\$ 7,718,539	\$ (330,001)
Landfill disposal fee	11,379,760	148,585	11,528,345	12,169,274	640,929
Total - Sanitation	19,428,300	148,585	19,576,885	19,887,813	310,928
Total - Charges for current services	19,428,300	148,585	19,576,885	19,887,813	310,928
Other revenues:					
Sanitation:					
Miscellaneous program receipts	--	--	--	29,435	29,435
Total - Sanitation	--	--	--	29,435	29,435
Total - Other revenues	--	--	--	29,435	29,435
Total Solid Waste Fund Revenues	\$ 19,428,300	\$ 148,585	\$ 19,576,885	\$ 19,917,248	\$ 340,363

**COUNTY OF MAUI
SOLID WASTE FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Department and Appropriation	Balances Forwarded	Appropriations	Transfers and Additions	Total	Expenditures	Reserves and Encumbrances	Lapsed Appropriations
Sanitation:							
Environmental Management:							
EP&S Solid Waste Alternative	\$ 262,190	\$ 4,509,370	\$ 1,355,418	\$ 6,126,978	\$ 5,310,868	\$ 525,547	\$ 290,563
Solid Waste Administration	4,609	1,319,136	—	1,323,745	1,110,145	9,910	203,690
Solid Waste ERS & FICA	—	1,558,937	—	1,558,937	1,363,976	—	194,961
Solid Waste Health Fund	—	1,092,205	—	1,092,205	984,751	—	107,454
Solid Waste Admin Overhead	—	5,226,264	—	5,226,264	4,587,500	—	638,764
Solid Waste Contribution to OPEB	—	610,293	—	610,293	610,293	—	—
Solid Waste Operations	661,379	12,219,515	—	12,880,894	11,788,215	955,998	136,681
Total Environmental Management	928,178	26,535,720	1,355,418	28,819,316	25,755,748	1,491,455	1,572,113
Total Sanitation	928,178	26,535,720	1,355,418	28,819,316	25,755,748	1,491,455	1,572,113
Totals for the Solid Waste Fund	\$ 928,178	\$ 26,535,720	\$ 1,355,418	\$ 28,819,316	\$ 25,755,748	\$ 1,491,455	\$ 1,572,113

**COUNTY OF MAUI
LIQUOR CONTROL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Source of Revenues</u>	<u>Original Estimate</u>	<u>Amendments and Transfers</u>	<u>Final Estimate</u>	<u>Actual Revenues</u>	<u>Revenues Over or (Under) Estimate</u>
Licenses and permits:					
Social Welfare:					
Business licenses and permits	\$ <u>2,382,022</u>	\$ <u> --</u>	\$ <u>2,382,022</u>	\$ <u>2,400,182</u>	\$ <u>18,160</u>
Total - Licenses and permits	<u>2,382,022</u>	<u> --</u>	<u>2,382,022</u>	<u>2,400,182</u>	<u>18,160</u>
 Total Liquor Control Fund Revenues	\$ <u><u>2,382,022</u></u>	\$ <u><u> --</u></u>	\$ <u><u>2,382,022</u></u>	\$ <u><u>2,400,182</u></u>	\$ <u><u>18,160</u></u>

**COUNTY OF MAUI
LIQUOR CONTROL FUND
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Department and Appropriation</u>	<u>Balances Forwarded</u>	<u>Appropriations</u>	<u>Transfers and Additions</u>	<u>Total</u>	<u>Expenditures</u>	<u>Reserves and Encumbrances</u>	<u>Lapsed Appropriations</u>
Social Welfare:							
Liquor Control:							
Liquor Control General	\$ 11,114	\$ 2,048,808	\$ --	\$ 2,059,922	\$ 1,467,882	\$ 27,849	\$ 564,191
Liquor Admin Overhead Charges	<u>--</u>	<u>1,131,097</u>	<u>--</u>	<u>1,131,097</u>	<u>768,286</u>	<u>--</u>	<u>362,811</u>
Total Liquor Control	<u>11,114</u>	<u>3,179,905</u>	<u>--</u>	<u>3,191,019</u>	<u>2,236,168</u>	<u>27,849</u>	<u>927,002</u>
Total Social Welfare	<u>11,114</u>	<u>3,179,905</u>	<u>--</u>	<u>3,191,019</u>	<u>2,236,168</u>	<u>27,849</u>	<u>927,002</u>
Totals for the Liquor Control Fund	\$ <u>11,114</u>	\$ <u>3,179,905</u>	\$ <u>--</u>	\$ <u>3,191,019</u>	\$ <u>2,236,168</u>	\$ <u>27,849</u>	\$ <u>927,002</u>

**COUNTY OF MAUI
CAPITAL IMPROVEMENT PROJECTS FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Source of Revenues</u>	<u>Original Estimate</u>	<u>Amendments and Transfers</u>	<u>Final Estimate</u>	<u>Actual Revenues</u>	<u>Revenues Over or (Under) Estimate</u>
Intergovernmental revenue:					
Capital improvement projects:					
Federal grants	\$ --	\$ --	\$ --	\$ (8,156)	\$ (8,156)
State grants	2,150,000	(57,044)	2,092,956	23,429	(2,069,527)
Federal grants passed through the state	3,184,328	4,354,580	7,538,908	7,849,740	310,832
Total - Intergovernmental revenues	<u>5,334,328</u>	<u>4,297,536</u>	<u>9,631,864</u>	<u>7,865,013</u>	<u>(1,766,851)</u>
Interest and investment earnings:					
General revenue:					
Interest on investments	--	--	--	22,336	22,336
Capital improvement projects:					
Interest on investments	--	--	--	6,533	6,533
Total - Interest and investment earnings	<u>--</u>	<u>--</u>	<u>--</u>	<u>28,869</u>	<u>28,869</u>
 Total Capital Improvement Projects Fund Revenues	 \$ <u><u>5,334,328</u></u>	 \$ <u><u>4,297,536</u></u>	 \$ <u><u>9,631,864</u></u>	 \$ <u><u>7,893,882</u></u>	 \$ <u><u>(1,737,982)</u></u>

**COUNTY OF MAUI
CAPITAL IMPROVEMENT PROJECTS FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Years Actual</u>	<u>Current Year Actual</u>	<u>Total Actual to Date</u>	<u>Project Authorization</u>
EXPENDITURES:				
Capital outlay:				
Drainage	\$ 5,495,328	\$ 2,530,270	\$ 8,025,598	\$ 16,734,753
Other projects	825,318	5,027,227	5,852,545	11,880,301
Government facilities	10,854,470	3,356,960	14,211,430	28,396,241
Parks and recreation	2,507,510	3,617,184	6,124,694	34,171,349
Roads	44,389,479	17,610,634	62,000,113	111,878,881
Solid waste facilities	(741,654)	3,725,999	2,984,345	8,939,747
Wastewater facilities	<u>19,635,122</u>	<u>12,243,650</u>	<u>31,878,772</u>	<u>63,343,625</u>
Total Expenditures	\$ <u>82,965,573</u>	\$ <u>48,111,924</u>	\$ <u>131,077,497</u>	\$ <u>275,344,897</u>

COUNTY OF MAUI
CAPITAL ASSETS USED IN OPERATIONS OF GOVERNMENTAL ACTIVITIES
COMPARATIVE SCHEDULE BY TYPE
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Governmental activities capital assets:		
Land	\$ 180,955,971	\$ 171,460,971
Buildings and systems	164,636,022	163,722,690
Improvements other than buildings	146,556,281	143,037,911
Machinery and equipment	153,136,837	140,892,546
Infrastructure	1,163,565,068	1,132,958,660
Construction in progress	60,374,408	59,728,979
Accumulated depreciation	<u>(1,085,503,723)</u>	<u>(1,045,106,688)</u>
Total governmental activities capital assets	<u>\$ 783,720,864</u>	<u>\$ 766,695,069</u>

COUNTY OF MAUI
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND DEPARTMENT
JUNE 30, 2017

Function and Department	Land	Buildings and Systems	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Accumulated Depreciation	Total
General government:								
Office of the Mayor	\$ 13,013,208	\$ -	\$ 1,800,722	\$ 135,977	\$ -	\$ -	\$ (775,461)	\$ 14,174,446
Management	10,875,881	1,075,286	-	4,109,862	-	3,835,569	(3,550,918)	16,345,680
Corporation Counsel	-	-	-	91,719	-	-	(91,719)	-
Finance	-	845,180	-	784,043	-	-	(1,384,329)	244,894
Planning	-	-	-	547,108	-	1,932,122	(547,108)	1,932,122
Parks and Recreation	2,893,700	306,300	-	-	-	-	(146,789)	3,053,231
Public Works	12,987,221	14,508,070	11,546,613	1,124,950	-	1,699,122	(21,874,120)	19,991,856
Total for General government	39,770,010	16,734,836	13,347,335	6,793,659	-	7,466,813	(28,370,424)	55,742,229
Public safety:								
Management	-	-	-	-	16,746,499	6,880,598	(1,976,042)	21,651,055
Prosecuting Attorney	-	-	-	174,763	-	-	(168,242)	6,511
Police	1,318,642	54,448,511	4,763,175	31,239,696	-	382,279	(48,032,428)	43,119,875
Fire and Public Safety	1,186,759	39,585,926	1,030,587	26,187,760	-	873,537	(43,822,655)	25,041,914
Emergency Management Agency	-	-	-	432,874	-	-	(340,955)	91,919
Total for Public safety	2,505,401	94,034,437	5,793,762	58,035,083	16,746,499	8,136,414	(95,340,322)	89,911,274
Highways and streets:								
Public Works	61,177,405	-	643,821	24,674,038	621,367,538	21,246,745	(482,386,317)	246,723,230
Transportation	-	2,028,351	-	14,731,040	-	600,452	(12,197,360)	5,162,483
Total for Highways and streets	61,177,405	2,028,351	643,821	39,405,078	621,367,538	21,847,197	(494,583,677)	251,885,713
Sanitation:								
Environmental Management	4,231,745	1,927,524	-	36,352,254	525,451,031	17,857,248	(336,646,323)	249,173,479
Total for Sanitation	4,231,745	1,927,524	-	36,352,254	525,451,031	17,857,248	(336,646,323)	249,173,479
Social welfare:								
Liquor Control	-	-	-	502,531	-	-	(453,150)	49,381
Housing and Human Concerns	3,855,202	14,455,693	983,124	1,350,508	-	791,513	(12,274,011)	9,162,029
Total for Social welfare	3,855,202	14,455,693	983,124	1,853,039	-	791,513	(12,727,161)	9,211,410
Culture and recreation:								
Parks and Recreation	69,416,208	35,455,181	125,788,239	10,503,901	-	4,275,223	(117,663,578)	127,775,174
Total for Culture and recreation	69,416,208	35,455,181	125,788,239	10,503,901	-	4,275,223	(117,663,578)	127,775,174
Legislative:								
County Council	-	-	-	94,778	-	-	(94,346)	432
County Clerk	-	-	-	99,045	-	-	(77,892)	21,153
Total for Legislative	-	-	-	193,823	-	-	(172,238)	21,585
Cost of capital assets used by governmental funds	\$ 180,955,971	\$ 164,636,022	\$ 146,556,281	\$ 153,136,837	\$ 1,163,565,068	\$ 60,374,408	\$ (1,085,503,723)	\$ 783,720,864

COUNTY OF MAUI
CAPITAL ASSETS USED IN OPERATIONS OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2017

Function and Department	Governmental Capital Assets July 1, 2016	Additions	Deductions	Governmental Capital Assets June 30, 2017
General government:				
Office of the Mayor	\$ 14,919,924	\$ 76,689	\$ (46,706)	\$ 14,949,907
Management	18,904,697	991,901	—	19,896,598
Corporation Counsel	91,719	—	—	91,719
Finance	1,688,063	95,728	(154,568)	1,629,223
Planning	1,641,873	837,357	—	2,479,230
Parks and Recreation	3,200,000	—	—	3,200,000
Public Works	41,228,776	1,109,508	(472,308)	41,865,976
Total for General government	<u>81,675,052</u>	<u>3,111,183</u>	<u>(673,582)</u>	<u>84,112,653</u>
Public safety:				
Management	22,943,274	752,845	(69,022)	23,627,097
Prosecuting Attorney	223,082	7,660	(55,989)	174,753
Police	91,207,775	2,140,103	(1,195,575)	92,152,303
Fire and Public Safety	65,390,299	5,584,677	(2,110,407)	68,864,569
Emergency Management Agency	1,070,444	25,282	(662,852)	432,874
Parks and Recreation	—	2,857,839	(2,857,839)	—
Total for Public safety	<u>180,834,874</u>	<u>11,368,406</u>	<u>(6,951,684)</u>	<u>185,251,596</u>
Highways and streets:				
Public Works	707,593,687	25,571,051	(4,055,191)	729,109,547
Transportation	16,660,683	1,612,492	(913,332)	17,359,843
Total for Highways and streets	<u>724,254,370</u>	<u>27,183,543</u>	<u>(4,968,523)</u>	<u>746,469,390</u>
Sanitation:				
Environmental Management	570,516,624	50,235,229	(34,932,051)	585,819,802
Total for Sanitation	<u>570,516,624</u>	<u>50,235,229</u>	<u>(34,932,051)</u>	<u>585,819,802</u>
Social welfare:				
Liquor Control	476,453	26,078	—	502,531
Housing and Human Concerns	21,410,542	144,889	(119,391)	21,436,040
Total for Social welfare	<u>21,886,995</u>	<u>170,967</u>	<u>(119,391)</u>	<u>21,938,571</u>
Culture and recreation:				
Parks and Recreation	232,484,198	16,727,765	(3,773,211)	245,438,752
Total for Culture and recreation	<u>232,484,198</u>	<u>16,727,765</u>	<u>(3,773,211)</u>	<u>245,438,752</u>
Legislative:				
County Council	94,777	1	—	94,778
County Clerk	54,867	44,178	—	99,045
Total for Legislative	<u>149,644</u>	<u>44,179</u>	<u>—</u>	<u>193,823</u>
Cost of capital assets used by governmental funds	1,811,801,757	108,841,272	(51,418,442)	1,869,224,587
Less accumulated depreciation	<u>(1,045,106,688)</u>	<u>(44,859,703)</u>	<u>4,462,668</u>	<u>(1,085,503,723)</u>
Capital assets net of accumulated depreciation	\$ <u>766,695,069</u>	\$ <u>63,981,569</u>	\$ <u>(46,955,774)</u>	\$ <u>783,720,864</u>

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COUNTY OF MAUI
Statistical Section (Unaudited)

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for use in evaluating the information contained in the basic financial statements, notes to the basic financial statements, and required supplementary information with the goal of providing the user a better understanding of the County's economic condition.

Contents	Tables
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1 - 5
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	6 - 8
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	9 - 11
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	12 - 14
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial statements relates to the services the County provides and the activities it performs.	15 - 16

TABLE 1
COUNTY OF MAUI
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING, DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 287,157	\$ 343,638	\$ 371,411	\$ 361,022	\$ 395,526	\$ 396,519	\$ 457,961	\$ 478,521	\$ 498,764	\$ 533,985
Restricted	91,444	76,825	83,950	91,162	71,585	68,375	47,433	61,863	63,422	51,730
Unrestricted ¹	<u>119,560</u>	<u>98,814</u>	<u>85,356</u>	<u>85,850</u>	<u>55,090</u>	<u>72,103</u>	<u>42,753</u>	<u>(285,629)</u>	<u>(288,507)</u>	<u>(316,589)</u>
Total governmental activities net position	<u>\$ 498,161</u>	<u>\$ 519,277</u>	<u>\$ 540,717</u>	<u>\$ 538,034</u>	<u>\$ 522,201</u>	<u>\$ 536,997</u>	<u>\$ 548,147</u>	<u>\$ 254,755</u>	<u>\$ 273,679</u>	<u>\$ 269,126</u>
Business-type activities										
Net investment in capital assets	\$ 267,744	\$ 271,646	\$ 285,042	\$ 290,830	\$ 286,968	\$ 290,752	\$ 284,637	\$ 282,110	\$ 291,052	\$ 295,171
Restricted	15,999	14,816	14,973	14,609	13,646	12,284	13,082	11,612	14,825	16,924
Unrestricted ¹	<u>20,563</u>	<u>19,023</u>	<u>18,970</u>	<u>26,167</u>	<u>32,605</u>	<u>36,456</u>	<u>46,042</u>	<u>24,512</u>	<u>17,489</u>	<u>24,507</u>
Total business-type activities net position	<u>\$ 304,306</u>	<u>\$ 305,485</u>	<u>\$ 318,985</u>	<u>\$ 331,606</u>	<u>\$ 333,219</u>	<u>\$ 339,492</u>	<u>\$ 343,761</u>	<u>\$ 318,234</u>	<u>\$ 323,366</u>	<u>\$ 336,602</u>
Primary Government										
Net investment in capital assets	\$ 554,901	\$ 615,284	\$ 656,453	\$ 651,852	\$ 682,494	\$ 687,271	\$ 742,598	\$ 760,631	\$ 789,816	\$ 829,156
Restricted	107,443	91,641	98,923	105,771	85,231	80,659	60,515	73,475	78,247	68,654
Unrestricted ¹	<u>140,123</u>	<u>117,837</u>	<u>104,326</u>	<u>112,017</u>	<u>87,695</u>	<u>108,559</u>	<u>88,795</u>	<u>(261,117)</u>	<u>(271,018)</u>	<u>(292,082)</u>
Total Primary Government Net Position	<u>\$ 802,467</u>	<u>\$ 824,762</u>	<u>\$ 859,702</u>	<u>\$ 869,640</u>	<u>\$ 855,420</u>	<u>\$ 876,489</u>	<u>\$ 891,908</u>	<u>\$ 572,989</u>	<u>\$ 597,045</u>	<u>\$ 605,728</u>

¹ Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

TABLE 2
COUNTY OF MAUI
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING, DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

Expenses ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 101,570	\$ 96,688	\$ 100,571	\$ 126,334	\$ 134,646	\$ 107,565	\$ 118,866	\$ 109,324	\$ 116,872	\$ 133,763
Public safety	71,018	83,079	80,480	85,000	84,585	85,261	84,280	92,377	97,558	125,407
Highways and streets	36,785	47,619	48,876	51,132	46,329	45,106	51,607	49,174	49,842	53,976
Sanitation	39,017	55,094	69,920	58,654	62,793	65,402	69,856	68,234	69,022	74,741
Social welfare	38,537	43,522	44,303	40,782	42,989	46,866	46,072	43,078	46,333	59,429
Culture and recreation	29,478	30,698	36,310	36,239	34,396	33,018	34,418	34,837	34,896	37,626
Legislative	4,779	5,318	5,200	5,248	5,251	5,539	5,998	6,447	6,416	7,408
Interest on long term debt	13,547	10,628	10,131	9,438	8,926	8,960	7,982	8,559	7,563	6,867
Total governmental activities expenses	\$ 334,711	\$ 372,646	\$ 395,791	\$ 412,827	\$ 419,915	\$ 397,717	\$ 419,079	\$ 412,030	\$ 428,502	\$ 499,217
Business-Type activities:										
Department of Water Supply	\$ 44,390	\$ 46,959	\$ 46,827	\$ 46,687	\$ 54,013	\$ 53,612	\$ 55,539	\$ 64,514	\$ 62,275	\$ 62,208
Housing, Interim Financing and Buy-Back Revolving Fund	181	175	610	206	268	207	514	206	208	193
Municipal Golf Course	1,949	2,138	2,389	2,088	2,096	2,235	2,348	3,400	3,500	3,884
Total business-type activities expenses	46,520	49,272	49,826	48,981	56,377	56,054	58,401	68,120	65,983	68,285
Total primary government expenses	\$ 381,231	\$ 421,918	\$ 445,617	\$ 461,808	\$ 476,292	\$ 453,771	\$ 477,480	\$ 480,150	\$ 494,485	\$ 565,502
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 11,765	\$ 12,663	\$ 10,950	\$ 12,433	\$ 12,602	\$ 13,265	\$ 13,104	\$ 14,455	\$ 14,287	\$ 14,066
Public safety	384	1,465	337	436	452	458	550	417	839	454
Highways and streets	10,006	10,166	12,097	17,821	20,006	21,272	21,859	22,229	23,914	24,488
Sanitation	47,075	48,682	54,093	59,082	60,568	61,559	59,583	62,359	64,857	73,004
Social welfare	2,537	2,518	2,563	2,360	2,534	2,403	3,202	2,488	2,161	2,558
Culture and recreation	439	542	584	511	574	617	670	479	673	611
Operating grants and contributions	32,907	40,534	39,353	35,216	34,017	34,447	38,917	29,570	34,426	41,470
Capital grants and contributions	4,361	8,446	7,413	6,191	12,530	11,332	15,142	21,953	14,092	9,607
Total governmental activities program revenues	\$ 109,474	\$ 125,016	\$ 127,390	\$ 134,050	\$ 143,283	\$ 145,353	\$ 153,027	\$ 153,950	\$ 155,249	\$ 166,258
Business-Type activities:										
Charges for services:										
Department of Water Supply	\$ 40,722	\$ 42,641	\$ 46,453	\$ 47,214	\$ 50,992	\$ 54,439	\$ 55,245	\$ 59,286	\$ 60,544	\$ 63,633
Housing, Interim Financing and Buy-Back Revolving Fund	149	157	154	147	527	163	167	167	180	226
Municipal Golf Course	1,403	1,229	1,138	1,158	1,106	1,116	1,087	1,136	1,163	1,108
Capital grants and contributions	11,317	5,865	9,893	11,901	2,541	5,552	4,369	5,643	6,465	11,366
Total business-type program revenues	53,591	49,892	57,728	60,420	55,166	61,270	60,868	66,232	68,352	76,333
Total primary government program revenues	\$ 163,065	\$ 174,908	\$ 185,118	\$ 194,470	\$ 198,449	\$ 206,623	\$ 213,895	\$ 220,182	\$ 223,601	\$ 242,591
Net (expense)/revenue ¹										
Governmental activities	\$ (225,237)	\$ (247,630)	\$ (268,401)	\$ (278,777)	\$ (276,632)	\$ (252,364)	\$ (266,052)	\$ (258,080)	\$ (273,253)	\$ (332,959)
Business-Type activities	7,071	620	7,902	11,439	(1,211)	5,216	2,467	(1,888)	2,369	10,048
Total primary government net expense	\$ (218,166)	\$ (247,010)	\$ (260,499)	\$ (267,338)	\$ (277,843)	\$ (247,148)	\$ (263,585)	\$ (259,968)	\$ (270,884)	\$ (322,911)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 216,306	\$ 215,005	\$ 235,861	\$ 220,477	\$ 208,645	\$ 214,244	\$ 224,055	\$ 236,947	\$ 249,658	\$ 272,989
Transient accommodation tax	23,412	21,315	20,972	23,479	22,906	21,204	21,204	23,484	23,446	23,484
Public service corporation tax	7,983	9,335	10,265	6,094	9,622	9,767	9,834	9,771	9,284	7,662
Franchise tax	8,743	11,288	7,550	8,468	10,429	10,714	10,762	10,782	8,962	7,747
Fuel tax	11,383	10,498	9,679	11,085	10,438	10,618	10,676	10,900	12,522	15,655
Interest and investment earnings	13,935	1,538	9,858	6,489	1,283	908	1,579	1,218	2,402	2,940
Other	546	209	56	399	(4)	857	(132)	795	108	313
Transfers	(136)	(359)	(4,308)	(267)	(2,388)	(948)	(775)	(2,230)	(2,810)	(2,385)
Total governmental activities	\$ 282,172	\$ 268,839	\$ 289,933	\$ 276,224	\$ 260,931	\$ 267,364	\$ 277,203	\$ 291,667	\$ 303,552	\$ 328,405
Business-Type activities:										
Interest and investment earnings	\$ 1,924	\$ 193	\$ 1,174	\$ 916	\$ 165	\$ 135	\$ 293	\$ 330	\$ 625	\$ 804
Others	243	7	115	-	270	154	735	-	-	-
Transfers	136	359	4,308	267	2,388	948	775	2,230	2,810	2,385
Total business-type activities	2,303	559	5,597	1,183	2,823	1,237	1,803	2,560	3,435	3,189
Total primary government	\$ 284,475	\$ 269,398	\$ 295,530	\$ 277,407	\$ 263,754	\$ 268,601	\$ 279,006	\$ 294,227	\$ 306,987	\$ 331,594
Change in Net Position ¹										
Governmental activities	\$ 56,935	\$ 21,209	\$ 21,532	\$ (2,553)	\$ (15,701)	\$ 15,000	\$ 11,151	\$ 33,587	\$ 30,299	\$ (4,554)
Business-Type activities	9,374	1,179	13,499	12,622	1,612	6,453	4,270	672	5,804	13,237
Total primary government	\$ 66,309	\$ 22,388	\$ 35,031	\$ 10,069	\$ (14,089)	\$ 21,453	\$ 15,421	\$ 34,259	\$ 36,103	\$ 8,683

¹ Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 68, *Pension Transition for contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

TABLE 3
COUNTY OF MAUI
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING, DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

Fiscal Year	Property Tax	Transient Accommodation Tax	Public Service Corporation Tax	Franchise Tax	Fuel Tax	Total
2008	\$ 216,306	\$ 23,412	\$ 7,983	\$ 8,743	\$ 11,383	\$ 267,827
2009	215,005	21,315	9,335	11,298	10,498	267,451
2010	235,861	20,972	10,265	7,550	9,679	284,327
2011	220,477	23,479	6,094	8,468	11,085	269,603
2012	208,645	22,906	9,622	10,429	10,438	262,040
2013	214,244	21,204	9,767	10,714	10,618	266,547
2014	224,055	21,204	9,834	10,762	10,676	276,531
2015	236,947	23,484	9,771	10,782	10,900	291,884
2016	249,658	23,446	9,264	8,962	12,522	303,852
2017	272,989	23,484	7,662	7,747	15,655	327,537

TABLE 4
COUNTY OF MAUI
FUND BALANCES OF GOVERNMENTAL FUNDS ¹
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING, DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 31,022	\$ 25,717	\$ 17,549							
Unreserved ³	56,376	49,748 ²	68,306 ²							
Restricted				\$ 12,113	\$ 13,189	\$ 15,317	\$ 5,819	\$ 8,196	\$ 10,752	\$ 3,987
Committed				49,042	75,114	100,727	30,009	28,307	31,696	34,401
Assigned				22,153	16,681	16,430	19,388	20,718	19,859	18,247
Unassigned ³				87,319 ²	51,008 ²	51,979 ²	42,404	31,657	22,708	25,062
Total general fund	<u>\$ 87,398</u>	<u>\$ 75,465</u>	<u>\$ 85,855</u>	<u>\$ 170,627</u>	<u>\$ 155,990</u>	<u>\$ 184,453</u>	<u>\$ 97,620</u>	<u>\$ 88,878</u>	<u>\$ 85,015</u>	<u>\$ 81,697</u>
All other governmental funds										
Reserved	\$ 100,207	\$ 86,117	\$ 81,585							
Unreserved, reported in: ³										
Special revenue funds	62,160	78,114	102,777							
Capital projects fund	9,956	(10,142)	(23,132)							
Restricted				\$ 78,768	\$ 56,745	\$ 60,479	\$ 40,722	\$ 54,824	\$ 59,937	\$ 43,590
Committed				43,626	44,561	48,599	38,535	13,811	20,839	26,938
Assigned				4,253	19,155	12,543	11,715	31,097	26,510	38,919
Total all other governmental funds	<u>\$ 172,323</u>	<u>\$ 154,089</u>	<u>\$ 161,230</u>	<u>\$ 126,647</u>	<u>\$ 120,461</u>	<u>\$ 121,621</u>	<u>\$ 90,972</u>	<u>\$ 99,732</u>	<u>\$ 107,286</u>	<u>\$ 109,447</u>

¹ Effective fiscal year 2011, fund balances are presented in accordance with GASB Statement No. 54.

² Includes restatement made to property taxes and planning fee deposits

³ Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

TABLE 5
COUNTY OF MAUI
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING, DOLLARS EXPRESSED IN THOUSANDS -
UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Taxes	\$ 243,510	245,267	261,332	244,852	238,829	246,315	255,440	268,178	280,825	\$ 303,701
Licenses and permits	17,719	16,278	17,946	22,362	26,650	27,231	28,185	30,946	30,460	32,032
Intergovernmental revenues	57,001	66,185	62,707	63,792	68,001	64,074	69,449	72,049	69,037	70,996
Charges for current services	49,196	51,525	57,633	62,234	64,364	66,036	64,251	64,839	70,575	76,902
Fines and forfeitures	2,049	2,294	2,712	2,767	2,131	3,018	2,250	2,075	2,537	2,226
Interest and investment earnings	14,164	1,706	9,973	6,594	1,416	1,018	1,747	1,358	2,592	3,120
Assessments	3,149	1,213	231	670	1,219	791	1,086	1,322	2,345	1,742
Other revenues	3,809	9,128	7,507	5,387	3,842	6,076	6,882	4,604	5,140	6,042
Total revenues	<u>390,597</u>	<u>393,596</u>	<u>420,041</u>	<u>408,658</u>	<u>406,452</u>	<u>414,559</u>	<u>429,290</u>	<u>445,371</u>	<u>463,511</u>	<u>496,761</u>
EXPENDITURES ¹										
Current:										
General government	98,268	94,429	90,136	90,652	105,552	89,510	190,718	105,479	115,623	126,512
Public safety	72,293	78,163	80,376	78,703	79,427	80,781	78,981	90,349	92,811	99,701
Highways and streets	30,786	33,711	35,039	32,484	33,798	35,926	44,878	40,260	39,827	40,032
Sanitation	39,363	43,875	40,832	39,835	41,891	45,366	46,344	54,551	52,454	54,842
Social welfare	38,105	42,893	43,509	43,999	42,459	46,315	45,298	42,579	45,920	57,125
Culture and recreation	26,418	27,592	27,034	23,652	27,257	26,346	39,739	29,530	28,912	38,325
Legislative	4,767	5,336	5,199	5,238	5,251	5,533	5,987	6,559	6,493	6,523
Capital outlay	46,964	88,612	54,804	57,278	57,976	68,648	77,097	81,371	65,147	48,112
Debt service:										
Principal	18,373	18,879	20,485	26,894	22,469	23,770	24,593	26,926	20,825	26,150
Interest and other issuance costs	9,954	10,689	10,219	10,332	9,604	10,051	9,423	10,905	9,607	9,174
Total expenditures	<u>385,291</u>	<u>444,179</u>	<u>407,633</u>	<u>409,067</u>	<u>425,684</u>	<u>432,246</u>	<u>563,058</u>	<u>488,509</u>	<u>477,619</u>	<u>506,496</u>
Excess (deficiency) of revenues over expenditures	5,306	(50,583)	12,408	(409)	(19,232)	(17,687)	(133,768)	(43,138)	(14,108)	(9,735)
OTHER FINANCING SOURCES (USES)										
Issuance of debt:										
General obligation bond proceeds	35,094	—	—	46,300	—	38,375	17,061	40,015	15,185	—
General obligation refunding bonds	—	—	—	23,375	—	18,510	—	21,860	39,542	—
Net premiums received	—	—	—	4,606	—	6,806	—	6,283	7,489	—
State revolving fund loan proceeds	5,721	21,048	9,906	2,856	1,095	2,053	—	6,631	3,750	10,962
Capital lease obligations	118	230	—	—	—	—	—	—	—	—
Use of debt:										
Payment to escrow for bond refunding	—	—	—	(25,939)	—	(21,321)	—	(24,827)	(45,356)	—
Transfers in:										
General Fund	99,600	87,987	80,932	46,097	57,950	47,832	51,346	66,885	61,428	69,955
Special Revenue Funds	56,345	34,174	30,306	34,428	39,126	47,880	46,065	40,717	38,848	43,350
Capital Projects Fund	16,500	9,978	6,675	8,903	3,748	6,889	7,814	4,411	5,841	6,866
Other Governmental Funds	3,230	10,642	11,454	7,520	6,692	7,317	7,015	9,094	7,878	7,437
Proprietary Funds	—	313	415	402	407	378	352	315	240	382
Transfers out:										
General Fund	(27,866)	(22,185)	(22,932)	(26,089)	(20,695)	(23,667)	(24,078)	(22,279)	(21,833)	(31,077)
Special Revenue Funds	(60,497)	(28,674)	(9,196)	(6,447)	(4,644)	(6,277)	(7,879)	(3,427)	(4,677)	(3,495)
Debt Service Fund	(28,326)	(29,567)	(30,704)	(36,860)	(32,073)	(33,392)	(34,016)	(37,386)	(30,078)	(35,325)
Capital Projects Fund	(58,985)	(36,571)	(31,127)	(16,885)	(35,034)	(34,693)	(32,514)	(35,547)	(34,039)	(34,926)
Other Governmental Funds	—	(25,785)	(4,723)	(10,668)	(15,070)	(11,888)	(13,752)	(22,469)	(23,368)	(22,784)
Proprietary Funds	(136)	(672)	(35,409)	(669)	(2,795)	(1,326)	(1,127)	(2,545)	(3,050)	(2,767)
Total financing sources, net	<u>40,798</u>	<u>20,918</u>	<u>5,597</u>	<u>50,930</u>	<u>(1,293)</u>	<u>43,476</u>	<u>16,287</u>	<u>47,731</u>	<u>17,800</u>	<u>8,578</u>
Net Change in Fund Balances	\$ <u>46,104</u>	\$ <u>(29,665)</u>	\$ <u>18,005</u>	\$ <u>50,521</u>	\$ <u>(20,525)</u>	\$ <u>25,789</u>	\$ <u>(117,481)</u>	\$ <u>4,593</u>	\$ <u>3,692</u>	\$ <u>(1,157)</u>
Capital outlays reported in the CIP fund and other funds, net of retirements										
	58,288	90,670	59,804	38,566	54,259	66,231	93,404	86,719	70,579	61,885
Debt service as a percentage of noncapital expenditures										
	8.66%	8.36%	8.83%	10.05%	8.64%	9.24%	7.24%	9.42%	7.48%	7.94%

¹ Balances prior to FY 2015 have not been adjusted for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

TABLE 6
COUNTY OF MAUI
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

Fiscal Year Ended June 30	Classification											
	Improved Residential		Apartment		Commercial		Industrial		Agricultural		Commercial Residential	
	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹
2008	\$ 7,070,528	4.85	\$ 5,302,077	4.55	\$ 1,905,614	6.25	\$ 1,409,941	6.50	\$ 3,930,246	4.50		
2009	7,287,327	4.85	5,595,854	4.55	2,047,183	6.25	1,548,914	6.50	4,065,811	4.50		
2010	6,906,546	4.85	5,983,881	4.55	2,134,769	6.25	1,609,950	6.50	3,934,471	4.50		
2011	5,795,214	5.00	5,659,454	5.00	2,121,834	6.25	1,614,057	6.50	3,452,417	5.00	\$ 73,191 ²	4.00
2012	5,645,593	5.55	5,016,127	5.50	2,126,142	6.25	1,466,957	7.00	2,978,918	5.80	70,301	4.20
2013	5,241,369	5.75	4,623,504	6.20	1,910,261	6.90	1,522,372	7.10	2,975,466	6.00	75,166	4.50
2014	5,461,103	5.75	4,782,464	6.40	1,952,055	7.05	1,676,982	7.30	3,194,538	6.05	94,183	4.60
2015	5,570,175	5.57	5,118,013	6.20	1,998,655	6.83	1,546,738	7.07	3,318,065	5.86	109,353	4.46
2016	6,226,697	5.40	5,793,112	6.00	2,824,233	6.60	1,750,774	6.85	3,536,472	5.75	120,166	4.35
2017	6,759,362	5.30	6,134,056	6.00	3,224,554	6.60	2,053,224	6.69	3,772,117	5.66	163,441	4.35

Fiscal Year Ended June 30	Classification											
	Conservation		Hotel & Resort		Time Share		Unimproved Residential		Homeowner		Total	
	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Tax Rate ¹	Taxable Assessed Value	Direct Tax Rate ¹
2008	\$ 349,991	4.75	\$ 9,792,338	8.20	\$ 1,011,247	14.00	\$ 560,716	5.35	\$ 9,835,022	2.00	\$ 41,167,720	5.25
2009	417,141	4.75	9,616,912	8.20	1,104,768	14.00	513,894	5.35	10,381,295	2.00	42,579,099	5.21
2010	385,496	4.75	9,940,281	8.20	1,743,996	14.00	521,227	5.35	9,907,664	2.00	43,068,281	5.42
2011	445,265	5.00	8,183,430	8.30	1,776,953	14.00	331,079	6.25	7,803,966	2.50	37,256,860	5.78
2012	362,724	5.60	7,471,672	9.00	1,607,462	15.00	—	—	6,174,696	2.50	32,920,592	6.34
2013	359,573	6.20	7,304,445	9.15	1,508,875	15.50	—	—	6,952,272	2.75	32,473,303	6.55
2014	409,933	6.25	7,303,708	9.40	1,483,432	15.55	—	—	7,053,159	2.87	33,411,557	6.65
2015	391,136	6.06	8,865,184	9.11	1,591,353	15.07	—	—	7,740,439	2.78	36,249,111	6.51
2016	406,824	5.90	9,296,145	8.85	1,693,560	14.55	—	—	9,063,738	2.75	40,711,721	6.24
2017	424,471	5.80	9,745,148	8.71	1,896,669	14.31	—	—	10,190,495	2.70	44,363,537	6.12

¹ Tax rates per \$1,000 of net taxable assessed valuation for each class of property. Assessed valuation base is 100% of appraised fair market value.

² First year of tax.

**TABLE 7
COUNTY OF MAUI
PRINCIPAL TAXPAYERS
FISCAL YEARS 2017 AND NINE YEARS AGO
(DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)**

Taxpayer	Type of Business	2017 ¹			2008 ²		
		Percentage of Total tax			Percentage of Total tax		
		Taxes	Levy	Rank	Taxes	Levy	Rank
Westin Maui Corp (Leasehold), SVO Pacific, Inc, Ocean Resort Villas Vacation	Hotel (Westin) / Time Share	10,464	3.77%	1			
Marriott Ownership Resorts	Time Share	6,418	2.31%	2			
Alexander & Baldwin, A & B, East Maui Irrigation	Sugar, Development, Property Management	3,849	1.39%	3			
HMC Maui LP, HMC Kea Lani LP	Hotel (Kea Lani & Hyatt)	3,832	1.38%	4			
Island Acquisitions Kapalua LLC	Time Share, Hotel (Montage)	3,102	1.12%	5			
GWR Wailea Property LLC	Hotel (Grand Wailea)	2,841	1.02%	6			
West Maui Resort Partners LP	Time Share/Hotel (Kaanapali Beach Club)	2,502	0.96%	7			
Lanai Resorts LLC	Hotel, Golf Course	2,290	0.83%	8			
Hart Wailea LLC	Shopping Center (Shops at Wailea)	2,251	0.81%	9			
Maui Timeshare Venture LLC	Time Share (Hyatt Regency)	1,487	0.54%	10			
Consolidated Maui Inc.	Time Shares				4,849	2.21%	1
Westin Maui Corp (Leasehold), SVO Pacific Corp, Ocean Resort Villas	Hotel (Westin) / Time Share				3,776	1.72%	2
HMC Maui LLC	Hotel (Kea Lani & Hyatt)				3,638	1.66%	3
Grand Wailea Investments, CNL Grand Wailea Resort LP	Hotel (Grand Wailea)				2,930	1.34%	4
Alexander & Baldwin Inc., East Maui Irrigation Co., A & B Properties Inc., A & B Hawaii Inc.	Sugar/Development/Property Management				2,463	1.12%	5
West Maui Resort Partners	Time Share/Hotel (Embassy Suites)				2,361	1.08%	6
Castle & Cooke, Inc. Resorts LLC, Lanai Properties, Dole, Lanai Co., Lanai Developers	Development/Property Management/Hotel/Golf Course				2,102	0.96%	7
Marriott Ownership Resorts	Time Share (Marriott)				1,547	0.71%	8
3900 WA Associates LLC	Hotel (Four Seasons Resort)				1,345	0.61%	9
Seibu: Makena Golf Corp, Makena Aina Corp, Maui Prince Hotel LLC, Ainamua Corp	Hotel/Golf Course/Development				1,084	0.50%	10
TOTALS		39,036	14.13%		26,095	11.91%	

¹ Fiscal Year 2017 taxes were calculated from the January 1, 2016 assessment. The taxes levied are for the year July 1, 2016 through June 30, 2017.

² Fiscal Year 2008 taxes were calculated from the January 1, 2007 assessment. The taxes levied are for the fiscal year July 1, 2007 through June 30, 2008.

TABLE 8
COUNTY OF MAUI
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year		Adjustment ²	Adjusted Taxes Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date						
					Amount	Percentage of Levy		Amount	Percentage of Levy					
2008	\$	214,785 ¹	\$	(2,270)	\$	212,515	\$	213,193	100.3%	\$	(831)	\$	212,362	99.9%
2009		224,420		(2,542)		221,878		219,056	98.7%		2,689		221,745	99.9%
2010		241,116		(6,587)		234,529		236,084	100.7%		(1,812)		234,272	99.9%
2011		225,034		(6,199)		218,835		217,843	99.5%		1,318		219,161	100.1%
2012		211,712		(2,792)		208,920		205,489	98.4%		2,071		207,560	99.3%
2013		215,417		(598)		214,819		211,855	98.6%		–		211,855	98.6%
2014		225,766		(78)		225,688		223,076	98.8%		–		223,076	98.8%
2015		238,934		(1,069)		237,865		235,260	98.9%		(8)		235,252	98.9%
2016		260,047		(1,764)		258,283		255,692	99.0%		(11)		255,681	99.0%
2017		277,570		(3,824)		273,746		271,201	99.1%		823		272,024	99.4%

¹ Prior to Fiscal 2009, levy was estimated because billing were based on appraisal estimates and not the actual levy.

² Adjustments include appeals.

TABLE 9
COUNTY OF MAUI
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

Fiscal Year	Government Activities			Business-Type Activities			Total Primary Government		
	General Obligation Bonds	Notes Payable ⁴	General Obligation Bonds	Notes Payable ⁴	Total Outstanding Debt	Percentage of Personal Income ³	Total Outstanding Debt	Percentage of Personal Income ³	Per Capita ³
2008	\$ 221,085	\$ 34,272	\$ 26,173	\$ 12,990	\$ 294,520	5.43%	294,520	5.43%	2,050
2009	204,934	52,660	21,114	12,918	291,626	5.49%	291,626	5.49%	2,008
2010	188,613	57,993	16,104	13,264	275,974	5.18%	275,974	5.18%	1,782
2011	214,402	56,308	17,512	13,331	301,553	5.66%	301,553	5.66%	1,925
2012	196,017	52,720	14,443	14,609	277,789	5.21%	277,789	5.21%	1,756
2013	226,631	41,828	27,961	5,262	301,682	4.84% ⁵	301,682	4.84% ⁵	1,873 ⁶
2014	208,298	53,293	25,602	17,672	304,865	4.63% ⁵	304,865	4.63% ⁵	1,865 ⁶
2015	227,835	55,184	29,946	20,469	333,434	4.77% ⁵	333,434	4.77% ⁵	2,024 ⁶
2016	235,318	46,801	27,285	22,260	331,664	4.75% ¹	331,664	4.75% ¹	2,005 ²
2017	209,578	54,137	24,531	29,168	317,414	4.54% ¹	317,414	4.54% ¹	1,919 ²

¹ 2016 and 2017 Personal Income is not available, 2015 data is utilized.

² 2017 Total Resident Population data is not available, 2016 data is utilized.

³ Total Personal Income and Total Resident Population data can be found in the Schedule of Demographic and Economic Statistics on Table 12.

⁴ Notes payable include capital lease obligations.

⁵ Revised based on actual Personal Income.

⁶ Revised based on actual Population.

TABLE 10
COUNTY OF MAUI
RATIOS OF GENERAL OBLIGATIONS BOND DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT PER CAPITA AMOUNT - UNAUDITED)

Fiscal Year	General Obligation Bonds ⁴	Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
2008	\$ 247,258	0.601%	1,633
2009	226,048	0.531%	1,474
2010	204,717	0.475%	1,321
2011	231,914	0.622%	1,478
2012	210,460	0.639%	1,327
2013	254,592	0.784%	1,581
2014	233,900	0.700%	1,431
2015	257,781	0.711%	1,565
2016	262,603	0.645%	1,588
2017	234,109	0.528%	1,416 ³

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table 6.

² Population data can be found in the Schedule of Demographic and Economic Statistics on Table 12.

³ 2017 Population data not available; 2016 Maui population from the inter-U.S. Census Bureau.

⁴ Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

TABLE 11
COUNTY OF MAUI
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS EXPRESSED IN THOUSANDS - UNAUDITED)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit ¹	\$ 6,175,158	\$ 6,386,865	\$ 6,460,242	\$ 5,588,529	\$ 4,938,089	\$ 4,870,995	\$ 5,011,734	\$ 5,409,678	\$ 6,106,758	\$ 6,654,531
Debt applicable to limit	<u>268,865</u>	<u>270,961</u>	<u>260,287</u>	<u>280,983</u>	<u>261,356</u>	<u>267,130</u>	<u>270,007</u>	<u>290,789</u>	<u>287,585</u>	<u>279,306</u>
Legal debt margin ²	\$ <u>5,906,293</u>	\$ <u>6,115,904</u>	\$ <u>6,199,955</u>	\$ <u>5,307,546</u>	\$ <u>4,676,733</u>	\$ <u>4,603,865</u>	\$ <u>4,741,727</u>	\$ <u>5,118,889</u>	\$ <u>5,819,173</u>	\$ <u>6,375,225</u>
Debt applicable to the limit as a percentage of debt limit	4.35%	4.24%	4.03%	5.03%	5.29%	5.48%	5.39%	5.38%	4.71%	4.20%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessor's net taxable income	\$ 44,997,984
Less: 50% of valuation on appeal	<u>634,447</u>
Valuation for tax rate purpose	\$ <u>44,363,537</u>
Debt limit (15% of total assessed value)	\$ 6,654,531
Debt applicable to limit	\$ <u>279,306</u>
Legal debt margin	\$ <u><u>6,375,225</u></u>

Notes:

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

² The legal debt margin is the County's available borrowing authority under the state finance statutes and is calculated by subtracting the net debt applicable to the legal debt limit from the legal debt limit.

**TABLE 12
COUNTY OF MAUI
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING - UNAUDITED)**

Fiscal Year	Population ¹	Personal Income (x\$1,000)¹	Per Capita Personal Income ¹	Median Age ²	School Enrollment ¹	Unemployment Rate ¹
2008	151,424	\$ 5,641	\$ 37,255	38.0	25,121	4.90%
2009	153,393	5,348	34,864	37.9	21,151	9.10%
2010	154,924	5,501	35,476	39.6	21,316	8.50%
2011	156,891	5,754	36,675	39.5	20,779	7.90%
2012	158,599	6,220	39,216	39.5	21,119	6.40%
2013	161,036	6,228	38,674	39.8	21,330	5.10%
2014	163,487 ^a	6,589	40,306	40.0	20,950	4.50%
2015	164,726 ^a	6,989	42,430	40.0	20,937	3.70% ^a
2016	165,386 ²	N/A	N/A	N/A	21,010 ^a	3.20% ^a
2017	N/A	N/A	N/A	N/A	N/A	N/A

¹ Source: Maui County Data Book; Population, Personal Income, Per Capita, School Enrollment and Unemployment Rate

² U.S. Census Bureau; Median Age for 2010-2014

^a Revised from Maui County Data Book, 2016

N/A = Not Available

**TABLE 13
COUNTY OF MAUI
PRINCIPAL EMPLOYERS
FISCAL YEARS 2017 AND NINE YEARS AGO - (UNAUDITED)**

EMPLOYER	2017			2008		
	Employees ¹	Rank	Percentage of Total County Employment	Employees ¹	Rank	Percentage of Total County Employment
State of Hawaii	4,600	1	5.56%	5,816	1	7.60%
County Government	2,800	2	3.38%	2,497 ²	2	3.26%
Grand Wailea-Waldorf Astoria	1,400	3	1.69%			
Ritz-Carlton-Kapalua	1,000	4	1.21%			
Federal Government ²	800	5	0.97%	808	6	1.06%
Four Seasons Resort, Wailea	800	5	0.97%	807	7	1.05%
Maui Memorial Medical Center	800	5	0.97%			
Four Seasons Resort-Lanai	700	6	0.85%			
Westin-Maui Resort & Spa on Kaanapali Beach	700	6	0.85%			
Kea Lani Maui Restaurant	600	7	0.73%			
Makena Beach & Golf Resort	518	8	0.63%			
Kaanapali Beach Club	500	9	0.60%			
Royal Lahaina Resort	500	9	0.60%			
Walmart	500	9	0.60%			
Wailea Beach Resort Marriott	420	10	0.51%			
TS Restaurant of Hawaii & California				1,800	3	2.35%
Maui Land & Pineapple Co., Inc.				1,195	4	1.56%
Hyatt Regency Maui Resort & Spa LLC				900	5	1.18%
Hale Makua				472	8	0.62%
Dorvin D. Leis Co., Inc.				459	9	0.60%
West Maui Resort Partners LP				418	10	0.55%
Maui Medical Group Inc. ³						
Town Realty of Hawaii ³						
Total	16,638		20.12%	15,172		19.83%

¹ Hawaii Business Research Library

² 2008 County of Maui actual employee count.

³ Not available

TABLE 14
COUNTY OF MAUI
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
(LAST TEN FISCAL YEARS - UNAUDITED)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	401	410	435	481	495	517	508	529	527	525
Public safety										
Police										
Officers	436	476	494	332	331	343	341	359	371	370
Civilians	104	104	117	149	134	143	103	111	111	108
Fire and Public Safety										
Firefighters and officers	300	288	282	286	282	290	298	302	293	288
Civilians	10	10	23	12	11	12	33	13	14	76
Highways and Streets										
Engineering	33	32	33	33	35	35	35	32	30	30
Maintenance	224	225	235	220	217	217	216	211	214	220
Sanitation	94	93	109	147	99	106	153	97	97	99
Social Welfare	173	185	184	131	154	164	106	101	108	111
Culture and Recreation	424	466	455	449	366	371	329	332	348	282
Sewer	101	120	120	104	95	107	110	112	110	116
Department of Water Supply	193	202	200	205	192	194	205	200	196	205
Total	<u>2,493</u>	<u>2,611</u>	<u>2,687</u>	<u>2,549</u>	<u>2,411</u>	<u>2,499</u>	<u>2,437</u>	<u>2,399</u>	<u>2,419</u>	<u>2,430</u>

Source: Annual Gov't Survey submitted by Payroll.

TABLE 15
COUNTY OF MAUI
OPERATING INDICATORS BY FUNCTION
(LAST TEN FISCAL YEARS - UNAUDITED)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	4,451	4,400	4,700	4,200	5,000	9,541	9,830	9,912	9,672	9,631
Parking violations	12,151	12,000	10,300	12,000	11,200	8,883	8,934	9,235	2,743	12,331
Fire										
Number of calls answered	6,908	6,600	7,480	8,043	8,816	9,834	10,930	10,714	10,931	11,275
Inspections	995	1,160	646	1,368	1,461	1,152	849	901	557	610
Highways and streets										
Street resurfacing (miles)	21	18	18	21	49	26	23	23	25	19
Sanitation										
Refuse collected (tons/day)	403	463	474	469	436	436	459	479	507	570
Recyclables collected (tons/day)	354	342	328	324	440	209	168	162	283	314
Culture and recreation										
Athletic field permits issued	1,107	3,417	1,012	902	924	895	848	771	719	424
Camping center permits issued	2,501	1,347	2,368	2,429	2,671	2,650	2,400	2,203	1,978	994
Community center permits issued	2,806	4,101	2,461	2,401	2,237	2,286	2,220	2,448	2,094	2,412
Water										
New connections	762	96	71	87	55	25	174	64	107	154
Water mains breaks	64	577	806	483	371	252	253	174	147	40
Average daily consumption (thousands of gallons)	35,061	33,079	30,640	29,660	30,150	34,250	32,471	33,771	32,289	31,962
Wastewater										
Average daily sewage treatment (thousands of gallons)	14,743	12,622	12,152	13,000	12,100	12,451	12,710	13,067	13,309	14,047

Sources: Various county departments

¹ Revised per Solid Waste

² Beginning 2013, this figure does not include tons diverted by commercial non-county funded programs, such as the HI5 redemption program or business-to-business recycling arrangements.

TABLE 16
COUNTY OF MAUI
CAPITAL ASSET STATISTICS BY FUNCTION
(LAST TEN FISCAL YEARS - UNAUDITED)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police:										
Stations	6	6	6	6	6	6	6	6	6	6
Patrol units	6	6	6	6	6	6	6	6	6	6
Fire stations	14	14	14	14	14	15	14	14	14	14
Sanitation										
Collection trucks	32	25	29	31	33	32	32	33	34	34
Highways and streets										
Streets (miles)	563	563	565	565.64	565.64	566	568	568	569	570
Street lights	4,147	4,228	4,228	4,228	4,228	4,228	4,719	4,720	4,954	4,894
Traffic signals	35	35	35	30	31	31	32	35	35	35
Culture and recreation										
Parks acreage (includes	41,581	41,581	NA	NA	1,721	1,807	2,117	2,154	2,212	2,506
Parks	NA	NA	1,395	1,620	136	138	143	144	148	150
Swimming pools	9	9	9	9	9	9	9	9	9	9
Tennis courts	39	49	55	55	55	55	53	53	53	53
Community centers	21	22	22	22	22	22	22	22	22	22
Other Enterprise										
Golf Course	1	1	1	1	1	1	1	1	1	1
Water										
Fire hydrants/stand pipes	6,846	6,879	6,936	6,981	7,016	7,016	7,091	7,122	7,366	7,443
Maximum daily capacity										
(thousands of gallons)	50,000	57,000	57,000	42,000	57,000	41,310	68,595	52,800	59,890	60,100
Sewer										
Sanitary sewers (miles)	215	277	242	223.6	223.2	248.6	248.7	249.8	259.5	261.1
Maximum daily treatment										
(thousands of gallons)	25,700	25,700	25,700	25,700	25,700	25,700	25,700	25,700	25,700	25,700

Sources: Various county departments

¹ Parks acreage has been revised based on R.M. Towill's March 2007 report and inclusion of underdeveloped parks acreage. The department is currently working with MIS to set up an inventory system to provide more accurate calculations.

² The parks acreage and number of parks has been revised based on the department's latest review of inventory and correction was made on the discrepancies found in the 2007 R.M. Towill Report. Eliminated multiple park #s for the same park with multiple TMKs.

³ Using 24 hours pumping for wells, accounting for restrictions set by CWRM and rated capacity for treatment plants.

APPENDIX B

FORM OF LEGAL OPINION

[Closing Date]

County of Maui
Wailuku, Maui, Hawaii

\$106,315,000
County of Maui General Obligation Bonds
Series 2018

Ladies and Gentlemen:

We have acted as bond counsel to the County of Maui (the "County") in connection with the issuance by the County of \$106,315,000 aggregate principal amount of County of Maui General Obligation Bonds, Series 2018, consisting of \$87,935,000 2018 Series A, \$7,075,000 2018 Series B, \$4,040,000 2018 Series C, \$1,600,000 2018 Series D and \$5,665,000 2018 Series E (collectively, the "Bonds"), pursuant to the provisions of Article VII, Sections 12 and 13 of the Constitution of the State of Hawaii and Chapter 47, Hawaii Revised Statutes (the "Bond Law"), the Certificate of the Director of Finance of the County of Maui, Providing for the Issuance and Sale and Fixing the Form and Details of \$106,315,000 Principal Amount of General Obligation Bonds, Consisting of \$87,935,000 2018 Series A, \$7,075,000 2018 Series B, \$4,040,000 2018 Series C, \$1,600,000 2018 Series D, and \$5,665,000 2018 Series E of Said County; Confirming the Sale Thereof; Providing for the Refunding of Certain General Obligation Bonds and State Revolving Fund Loans of Said County; and Other Related Matters (the "Certificate"), and bond authorizing ordinances adopted by the Council of the County and identified in the Certificate (the "Bond Ordinances").

In such connection, we have reviewed the Bond Ordinances, the Certificate, the Tax Certificate of the County dated the date hereof (the "Tax Certificate"), an opinion of the Corporation Counsel of the County, certificates of the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Bond Ordinances, the Certificate, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, refunding of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter

occur, or for any other reason. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Ordinances, the Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Ordinances, the Certificate and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of Hawaii. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the County.
2. The Certificate has been duly executed and delivered by the Director of Finance; and the Certificate constitutes the valid and binding obligation of the County.
3. Under the Bond Law, the County is obligated to levy ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds and the interest thereon, upon all the real property within the County subject to taxation by the County.
4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the County will execute the Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the County covenants that it will comply with the provisions and procedures set forth

therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the County with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

5. Under existing statutes, interest the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof except inheritance, transfer and estate taxes.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Respectfully yours,

[INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), is executed and delivered by the County of Maui (the “County”) in connection with the issuance of its \$106,315,000* County of Maui General Obligation Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a Certificate of the Director of Finance of the County, dated October 10, 2018 (the “Issuance Certificate”), and the Bond Ordinances identified therein. The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 1 5c2- 1 2(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Issuance Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Section 3(a), by which the Annual Report is to be filed with the Repository.

“Annual Report” means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Business Day” means any day other than a Saturday, Sunday or other day on which County offices generally are not open for business.

“Disclosure Representative” means the Director of Finance of the County, or his or her designee, or such other person as the County shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing information to the Dissemination Agent.

“Dissemination Agent” means Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

“Failure to File Event” means the County’s failure to file an Annual Report on or before the Annual Filing Date.

“Holder” or “Bondholder” means any registered owner of Bonds as shown on the books of registration kept by the Registrar.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until

otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement of the County dated September 18, 2018, relating to the Bonds.

“Participating Underwriter” means any “participating underwriter” of the Bonds within the meaning of the Rule required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Hawaii.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of each fiscal year of the County (presently June 30), commencing with the report for the fiscal year ending June 30, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 4 of this Disclosure Certificate. For so long as MSRB is the Repository, each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) In a timely manner prior to the date specified in subsection (a) above, the County shall provide the Annual Report to the Dissemination Agent. If on the fifteenth (15th) day prior to the filing date described in subsection (a) above the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by electronic mail) to remind the County of its undertaking to provide the Annual Report pursuant to subsection (a) above. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report no later than one (1) business day prior to the Annual Filing Date, or (ii) instruct the Dissemination Agent in writing that the County will not be able to file the Annual Report within the time required under this Disclosure Certificate, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent has not received an Annual Report by 8:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the County irrevocably directs the Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report.

(d) The Dissemination Agent shall file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Information of the type included in the Official Statement under the captions "DEBT SERVICE SCHEDULE," Tables 4 and 5 under "DEBT INFORMATION," Tables 7, 9, 10, 11 and 12 under "COUNTY FINANCIAL INFORMATION," the County's share of the State Retirement System costs under Table 30 and the County's Other Post Employment Benefits Schedule of Funding Progress under Table 32, in each case to the extent such information is historical and not projections.

The County has not undertaken in this Disclosure Certificate to provide all information an investor may want to have in making decisions to buy, hold or sell the Bonds, but only to provide the information specified above. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. nonpayment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 570 1-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of bondholders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the obligated person;
13. consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee.

(b) Upon occurrence of a Listed Event with respect to the Bonds, the County shall, or shall cause the Dissemination Agent to, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository. If provided to the Dissemination Agent for filing, such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall identify the Listed Event that has occurred (which shall be any of the categories set forth in Section 5(a) of this Disclosure Certificate), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Dissemination Agent to disseminate such information, and identify the date the County desires for the Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Listed Event).

(c) The Dissemination Agent is under no obligation to notify the County or the Disclosure Representative of an event that may constitute a Listed Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Listed Event, if the County determines that a Listed Event has occurred), instruct the Dissemination Agent that (i) a Listed Event has not occurred and no filing is to be made or (ii) a Listed Event has occurred and the Dissemination Agent is to report the occurrence pursuant to subsection (d) of this Section 5. Such written instructions shall identify the Listed Event that has occurred (which shall be any of the categories set forth in Section 5(a) of this Disclosure Certificate), include the text of the disclosure that the County desires to make, contain the written authorization of the County for the Dissemination Agent to disseminate such information, and identify the date the County desires for the Dissemination

Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Listed Event).

(d) If the Dissemination Agent has been instructed by the County as prescribed in subsection (b) or (c)(ii) of this Section 5 to report the occurrence of a Listed Event, the Dissemination Agent shall promptly file a notice of such occurrence with the Repository in accordance with subsections (b) or (c)(ii) hereof, as applicable.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(b) or (c)(ii).

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C. ("DAC").

The County may, upon thirty days written notice to the Dissemination Agent, replace or appoint a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the County. Upon termination of DAC's services as Dissemination Agent, whether by notice of the County or DAC, the County agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Certification for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the County shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent.

The services provided by DAC under this Disclosure Certificate solely relate to the execution of instructions received from the County through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the County or anyone on the County's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Certificate shall be interpreted to the contrary.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of a majority in aggregate principal amount of the Bonds, or (ii) does not, in the opinion of the County, materially impair the interests of the Holders or Beneficial Owners of the Bonds;

provided that the Dissemination Agent shall not be obligated to agree to any amendment modifying its duties or obligations without its prior written consent.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b) or (c)(ii), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the County to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Issuance Certificate or the Bond Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the County has provided such information to the Dissemination Agent as required by this Disclosure Certificate. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the County's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the County has complied with this Disclosure Certificate. The Dissemination Agent may conclusively rely upon disclosures or notice of the County at all times.

The County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements and notices of Listed Events, the County shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of Hawaii (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: October 10, 2018

COUNTY OF MAUI

By: _____
Director of Finance

Acknowledged and agreed to by:

DIGITAL ASSURANCE CERTIFICATION, L.L.C,
As Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Maui

Name of Bond Issue: County of Maui, General Obligation Bonds
Series 2018

Date of Issuance: October 10, 2018

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate, dated October 10, 2018, providing for the issuance of such Bonds. [The County anticipates that the Annual Report will be filed by _____.]

Dated: _____

COUNTY OF MAUI

By: _____
[Name/Title]

APPENDIX D

BOOK-ENTRY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix D, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the County and the Paying Agent take no responsibility for the completeness or accuracy thereof. The County and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC") will act as securities depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.