

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT**

Fiscal Year Ended June 30, 2015



**DEPARTMENT OF WATER SUPPLY
COUNTY OF MAUI**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mike White, Chair,
and Members of the Council
County of Maui
Wailuku, Maui, Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Water Supply of the County of Maui (the Department), a proprietary fund of the County of Maui, as of and for the fiscal year ended June 30, 2015, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the County of Maui that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the County of Maui as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12, the Department adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* that establishes standards for the accounting and financial reporting for pensions that are provided to employees of state and local governments. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Department's basic financial statements. The accompanying supplemental schedules of capital assets and of long-term debt general obligation bonds as of June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawaii

January 5, 2016

**Department of Water Supply
County of Maui
STATEMENT OF NET POSITION
June 30, 2015**

CURRENT ASSETS

Unrestricted:

Equity in pooled cash and investments held in County Treasury	\$ 49,776,359
Customer receivables	
Billed	3,173,899
Less: allowance for doubtful accounts	<u>(136,412)</u>
	3,037,487
Unbilled	<u>2,799,110</u>
Total customer receivables	<u>5,836,597</u>
Water system development fee receivable	135,484
Materials and supplies	1,224,186
Other current assets	<u>837,375</u>
Total current unrestricted assets	<u>57,810,001</u>

RESTRICTED ASSETS

Equity in pooled cash and investments held in County Treasury	<u>16,371,668</u>
Total current assets	<u>74,181,669</u>

CAPITAL ASSETS

Utility plant in service	538,205,441
Less accumulated depreciation	<u>(257,901,850)</u>
	280,303,591
Construction work in progress	<u>45,327,370</u>
Total capital assets	<u>325,630,961</u>
TOTAL ASSETS	<u>399,812,630</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	2,291,654
Unamortized loss on advanced refunding	<u>117,326</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,408,980</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>402,221,610</u>
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See accompanying notes to financial statements.

**Department of Water Supply
County of Maui
STATEMENT OF NET POSITION (Continued)
June 30, 2015**

CURRENT LIABILITIES

Payable from unrestricted current assets	
Bonds payable, current portion	\$ 2,742,890
Notes payable, current portion	1,138,542
Accounts payable	3,655,706
Accrued vacation, current portion	957,741
Construction contracts payable, including retainages	1,541,430
Claims and judgments	1,444,995
Accrued interest payable	344,106
Customer advances for utility construction	<u>80,823</u>
	<u>11,906,233</u>
Payable from restricted assets	
Construction contracts payable, including retainages	2,693,053
Customer deposits	698,309
Refundable advances	<u>1,000,000</u>
	<u>4,391,362</u>
Total current liabilities	<u>16,297,595</u>

NON-CURRENT LIABILITIES

Bonds payable, non-current portion	27,202,780
Notes payable, non-current portion	19,330,358
Net pension liability	24,207,754
Accrued vacation, non-current portion	<u>1,051,319</u>
Total non-current liabilities	<u>71,792,211</u>
TOTAL LIABILITIES	<u>88,089,806</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	<u>3,267,855</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,267,855</u>

NET POSITION

Net investment in capital assets	275,703,978
Restricted	11,612,015
Unrestricted	<u>23,547,956</u>
TOTAL NET POSITION	<u>310,863,949</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ <u>402,221,610</u>
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See accompanying notes to financial statements.

**Department of Water Supply
County of Maui
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2015**

OPERATING REVENUES	
Water sales	\$ 59,015,627
Other revenues	<u>270,895</u>
Total operating revenues	<u>59,286,522</u>
OPERATING EXPENSES	
Depreciation and amortization	14,431,573
Power and pumping	13,303,978
Administrative and general	19,633,666
Purification	7,018,633
Transmission and distribution	7,095,858
Customers' accounting and collection	1,560,634
Source of supply	<u>723,612</u>
Total operating expenses	<u>63,767,954</u>
Operating loss	<u>(4,481,432)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense, net of interest capitalized of \$108,342	(1,375,269)
Interest and investment earnings	<u>322,326</u>
Total nonoperating expenses, net	<u>(1,052,943)</u>
Loss before capital contributions	(5,534,375)
Capital contributions	<u>5,642,587</u>
INCREASE IN NET POSITION	<u>108,212</u>
NET POSITION AT BEGINNING OF FISCAL YEAR - as previously stated	335,102,390
Prior period adjustment	(24,346,653)
NET ASSETS AT BEGINNING OF YEAR - as restated	<u>310,755,737</u>
NET POSITION AT END OF FISCAL YEAR	<u>\$ 310,863,949</u>

See accompanying notes to financial statements.

**Department of Water Supply
County of Maui
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and others	\$ 59,020,554
Payments to suppliers for goods and services	(35,591,967)
Payments to employees for services	(10,603,511)
Refunds of utility construction advances	<u>(28,778)</u>
Net cash provided by operating activities	<u>12,796,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment earnings received from investments	<u>322,326</u>
Net cash provided by investing activities	<u>322,326</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for acquisition of construction of capital assets, including capitalized interest	(18,334,966)
Principal paid on bonds and notes	(3,687,745)
Proceeds from bonds and notes payable	10,630,571
Cash received from capital contributions	3,549,069
Interest paid on bonds and notes payable	<u>(1,067,045)</u>
Net cash used in capital and related financing activities	<u>(8,910,116)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,208,508
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	<u>61,939,519</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 66,148,027</u>

See accompanying notes to financial statements.

**Department of Water Supply
County of Maui
STATEMENT OF CASH FLOWS (Continued)
Fiscal Year Ended June 30, 2015**

RECONCILIATION OF OPERATING LOSS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (4,481,432)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	14,431,573
Bad debt expense	47,148
Pension expense	2,821,120
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Customer receivables	(317,509)
Materials and supplies	(232,322)
Other current assets	(519,401)
Deferred outflows of resources related to pensions	(1,983,818)
Accounts and construction contracts payable	2,217,329
Claims and judgments	783,563
Other liabilities and deposits	<u>30,047</u>
Net cash provided by operating activities	<u>\$ 12,796,298</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	\$ 2,093,518
Amortization of deferred loss on refunding	\$ 54,150
Amortization of bond premium	\$ 285,354

See accompanying notes to financial statements.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) **Organization** - The Department of Water Supply (the Department) operates as a proprietary fund in the County of Maui, State of Hawaii (the County), to develop adequate water sources, storage, and transmission for both urban and agricultural uses for the County. The County Charter amendment (effective January 2, 2003) provides the following:
- The Department is a regular County of Maui agency subject to the Mayor's executive management and Council's legislative oversight.
 - The current Board of Directors of the Department is an advisory body (with power to recommend budget proposals and rate adjustments).
 - The Mayor has the power to appoint the Director (with approval of Council).
 - The Department has the responsibility to survey public and private water sources.
 - The Department must prepare and annually update a long-range capital improvement plan (subject to Council approval) and implement such approved plans. The Council has the power to issue general obligation bonds and provide appropriations for capital improvements of the water system.
- (2) **Financial Statement Presentation** - The Department is a proprietary type fund of the County (the primary government). The accompanying financial statements present only the financial activities of the Department and do not include other organizations, departments, activities, and/or functions of the County. Accordingly, the accompanying financial statements are not intended to present the financial position and the changes in financial position and cash flows of the County in conformity with accounting principles generally accepted in the United States of America (GAAP).
- (3) **Measurement Focus and Basis of Accounting** - The accounting policies of the Department conform to GAAP as applicable to enterprise activities of governmental units as promulgated by the Governmental Accounting Standards Board (GASB). The Department's operations are accounted for on the flow of economic resources measurement focus, and the accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Department applies all applicable GASB Statements and Interpretations.

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

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

These classifications are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at fiscal year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds.
 - *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Department's policy is generally to use restricted net position first, as appropriate opportunities arise.
 - *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."
- (4) **Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (5) **Customer Receivables and Allowance for Doubtful Accounts** - Customer receivables are net of an allowance for doubtful accounts. The Department considers accounts delinquent once they have reached 31 days past due. Management charges off uncollectible trade receivables to expense and turns over delinquent accounts for collection when it is determined the amounts will not be realized. The allowance for doubtful accounts is based on the Department's prior experience of collections.

Total accounts receivable past due for over 90 days amounted to approximately \$220,320 as of June 30, 2015.

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

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

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

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

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

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

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

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

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

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

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

Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

- (10) **Materials and Supplies** - Materials and supplies are stated at cost on an average cost basis.
- (11) **Debt Premium and Discounts** - Debt premium and discounts arising from the issuance of debt securities are amortized over the terms of the related issues on the bonds outstanding method. Amortization of debt premiums is recorded as a reduction of interest expense.
- (12) **Deferred Amounts on Advance Refundings** - For advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the carrying amount of the old debt is deferred. This amount is amortized as a component of interest expense using the bonds outstanding method over the remaining life of the old debt or the life of the new, whichever is shorter. The amount deferred is reported as a deferred inflow or outflow of resources.
- (13) **Compensated Absences** - Employees earn vacation benefits at one and three-quarters working days for each month of service. Each employee is allowed to accumulate a maximum of 90 days of vacation as of the end of the calendar year. Unused vacation benefits are converted to pay upon termination of employment.
- (14) **Deferred Outflows of Resources and Deferred Inflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.
- (15) **Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii (ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, 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.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

(16) ***Operating Revenues and Expenses*** - Revenues and expenses are distinguished between operating and non-operating.

- Operating Revenues - Operating revenues generally result from providing goods and services in connection with the Department's principal ongoing operations. The principal operating revenues of the Department are fees for water service.

The Department's policy is to bill customers on a monthly basis for water usage. An estimated accrual for unbilled water revenues to the end of the fiscal period is made based on prorated actual usage from the first meter reading date subsequent to June 30th.

- Operating Expenses - Operating expenses include the costs associated with production, treatment, and transmission of water, including administrative expenses and depreciation on capital assets.

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

(17) ***Capitalization of Interest*** - Interest costs are capitalized during the construction period of major capital projects.

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

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

(20) ***Subsequent Events*** - The Department evaluated subsequent events through January 5, 2016, the date the financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the financial statements.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - CASH AND INVESTMENTS

The Department's cash and investments are maintained with the County's Treasury in a cash and investment pool available for use by all of the County's funds. At June 30, 2015, the amounts reported on the statements of net position as equity in pooled cash and investments held in County Treasury represents the Department's relative position in the County's cash and investment pool and amounted to \$66,148,027.

County's Investment Policy

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

Specific requirements under the State statutes are as follows:

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

For purpose of the disclosures required by GASB, all time certificates of deposits 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, custodial credit risk, and foreign currency risk.

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

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

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

Custodial credit risk for bank depository accounts is the risk that in the event of a bank failure, the County's deposits may not be returned. It is the County's policy to place its bank deposits with State of Hawaii high credit quality financial institutions that are able to meet the collateral requirements for the County's deposits. As of June 30, 2015, all of the County's time certificates of deposits and cash deposits were insured and collateralized.

Foreign Currency Risk - The risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2015, the investments in the County's investment pool were not subject to foreign currency risk.

Pooled Cash and Investments Held in County Treasury

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

The Department's share of the County's cash and investment pool, as summarized in the tables below was approximately 21.5% at June 30, 2015.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - CASH AND INVESTMENTS (Continued)

As of June 30, 2015, the County's cash and investments were as follows:

Type of Investment	% Yield	Maturity				Premiums (Discounts)	Carrying Value
		Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years		
Federal National Mortgage Association Coupon Notes	0.37 - 1.89	\$ 5,000,000	\$ 10,010,000	\$ --	\$ 38,500,000	\$ 535,861	\$ 54,045,861
Federal Home Loan Bank Bank Notes	0.18 - 2.00	--	4,000,000	--	16,000,000	47,603	20,047,603
Federal Farm Credit Bank Notes	0.28 - 0.94	--	2,270,000	21,250,000	8,750,000	5,077	32,275,077
Federal Agricultural Mortgage Corporation Notes	0.25 - 0.88	1,000,000	3,750,000	4,500,000	19,100,000	3,030	28,353,030
Federal Home Loan Mortgage Corporation Notes	0.24 - 1.67	--	7,000,000	--	32,625,000	(13,271)	39,611,729
U.S. Treasury Strips	1.38	--	--	--	3,000,000	(125,125)	2,874,875
U.S. Treasury Notes	0.22 - 1.19	--	<u>3,500,000</u>	<u>11,000,000</u>	<u>3,625,000</u>	<u>(33,001)</u>	<u>18,091,999</u>
Total investments		\$ <u>6,000,000</u>	\$ <u>30,530,000</u>	\$ <u>36,750,000</u>	\$ <u>121,600,000</u>	\$ <u>420,174</u>	195,300,174
Type of Deposits							
Various certificates of deposit	0.10 - 2.20	\$ --	\$ --	\$ --	\$ <u>33,709,409</u>		<u>33,709,409</u>
					Total investments and certificates of deposit		229,009,583
					Cash on hand and deposits		<u>78,502,038</u>
					Total equity in pooled cash and investments	\$	<u>307,511,621</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Unrestricted cash, cash equivalents, and investments at June 30, 2015 include funds for the following purposes:

	<u>Amount</u>
Board-designated	
Capital improvements	\$ 17,623,379
Debt service	<u>1,521,406</u>
Total board-designated	19,144,785
 Undesignated	 <u>30,631,574</u>
Total	\$ <u>49,776,359</u>

At June 30, 2015, construction contract payables, including retentions, to be paid with board-designated funds were approximately \$1.5 million. Construction contract commitments as of June 30, 2015, to be paid with board-designated funds, aggregated approximately \$8.7 million. There are no amounts included in the construction contract commitment amounts for 2015 for maintenance of compliance-order projects. At June 30, 2015, the Department's management estimates \$16.8 million will be needed in anticipation of future regulations for compliance.

Restricted cash and investments consisted of the following at June 30, 2015:

	<u>Amount</u>
Water system development fee	\$ 9,689,655
Bond funds	4,133,804
Federal funds	1,068,040
Customer deposits	698,309
State funds	346,463
Special assessment fund for storage	252,219
Source development fund assessments	<u>183,178</u>
Total	\$ <u>16,371,668</u>

At June 30, 2015, construction voucher and contract payables, including retentions, to be paid with restricted assets were approximately \$2.7 million. Construction contract commitments as of June 30, 2015, to be paid with restricted assets, aggregated approximately \$14.6 million.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 3 - RESTRICTED NET POSITION

At June 30, 2015, restricted net position consisted of the following:

	<u>Amount</u>
Water system development fee	\$ 9,689,655
Special assessment fund for storage	252,219
Source development fund assessments	183,178
Other restricted funds	<u>1,486,963</u>
Total	\$ <u>11,612,015</u>

NOTE 4 - CAPITAL CONTRIBUTIONS

Capital contributions during the fiscal year ended June 30, 2015, were as follows:

	<u>Amount</u>
Dedication of infrastructure assets	\$ 2,093,518
Source development fund assessments	1,948,382
Other	<u>1,600,687</u>
Total	\$ <u>5,642,587</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity during the fiscal year ended June 30, 2015, was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions/ Retirements</u>	<u>Balance June 30, 2015</u>
Non-depreciable assets				
Land	\$ 6,931,003	\$ --	\$ --	\$ 6,931,003
Construction in progress	<u>49,734,238</u>	<u>17,943,378</u>	<u>(22,350,246)</u>	<u>45,327,370</u>
	<u>56,665,241</u>	<u>17,943,378</u>	<u>(22,350,246)</u>	<u>52,258,373</u>
Depreciable assets				
Buildings and systems	129,147,752	4,537,987	--	133,685,739
Machinery and equipment	366,545,105	20,136,611	(22,107)	386,659,609
Other	<u>10,768,336</u>	<u>160,754</u>	<u>--</u>	<u>10,929,090</u>
	<u>506,461,193</u>	<u>24,835,352</u>	<u>(22,107)</u>	<u>531,274,438</u>
Accumulated depreciation				
Buildings and systems	60,545,773	3,583,781	--	64,129,554
Machinery and equipment	178,931,854	10,631,828	(22,107)	189,541,575
Other	<u>4,014,757</u>	<u>215,964</u>	<u>--</u>	<u>4,230,721</u>
	<u>243,492,384</u>	<u>14,431,573</u>	<u>(22,107)</u>	<u>257,901,850</u>
Total Capital Assets	\$ <u>319,634,050</u>	\$ <u>28,347,157</u>	\$ <u>(22,350,246)</u>	\$ <u>325,630,961</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 6 - LONG-TERM LIABILITIES

A summary of long-term liabilities of the Department of Water Supply as of June 30, 2015, are as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Bonds payable	\$ 25,601,815	\$ 7,288,177	\$ 2,944,322	\$ 29,945,670	\$ 2,742,890
Notes payable	17,671,673	3,826,002	1,028,775	20,468,900	1,138,542
Accrued vacation payable	2,071,555	925,038	987,533	2,009,060	957,741
Claims and judgments	<u>661,432</u>	<u>1,195,807</u>	<u>412,244</u>	<u>1,444,995</u>	<u>1,444,995</u>
Total	\$ <u>46,006,475</u>	\$ <u>13,235,024</u>	\$ <u>5,372,874</u>	\$ <u>53,868,625</u>	\$ <u>6,284,168</u>

NOTE 7 - BONDS PAYABLE

At June 30, 2015, bonds payable consisted of the following:

	<u>Amount</u>
General Obligation Refunding Bonds, 2005 Series B, due in annual installments through 2018, interest payable semi-annually from 3.8% to 5.0%	\$ 3,035,000
General Obligation Refunding Bonds, 2008 Series A, due in annual installments through 2028, interest payable semi-annually from 3.5% to 5.0%	4,353,354
General Obligation Refunding Bonds, 2010 Series B, due in annual installments through 2021, interest payable semi-annually from 4.0% to 5.0%	2,357,118
General Obligation Refunding Bonds, 2012 Series B, due in annual installments through 2032, interest payable semi-annually from 2.1% to 5.0%	3,737,551
General Obligation Refunding Bonds, 2012 Series C, due in annual installments through 2023, interest payable semi-annually from 4.0% to 5.0%	7,385,000
General Obligation Refunding Bonds, 2014 Series C, due in annual installments through 2034, interest payable semi-annually from 3.0% to 5.0%	<u>6,545,000</u>
Balance forward	\$ <u>27,413,023</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 7 - BONDS PAYABLE (Continued)

	<u>Amount</u>
Balance carried forward	\$ 27,413,023
Less current portion	<u>(2,742,890)</u>
	24,670,133
Unamortized premium	<u>2,532,647</u>
Noncurrent portion	\$ <u>27,202,780</u>

Future bond principal and interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,742,890	\$ 1,168,035	\$ 3,910,925
2017	2,842,608	1,061,371	3,903,979
2018	2,984,873	925,921	3,910,794
2019	2,019,886	778,156	2,798,042
2020	2,118,494	681,349	2,799,843
2021 - 2025	7,952,462	1,981,771	9,934,233
2026 - 2030	4,425,071	762,256	5,187,327
2031 - 2034	<u>2,326,739</u>	<u>170,902</u>	<u>2,497,641</u>
Total	\$ <u>27,413,023</u>	\$ <u>7,529,761</u>	\$ <u>34,942,784</u>

NOTE 8 - NOTES PAYABLE

At June 30, 2015, notes payable consisted of the following:

	<u>Amount</u>
Notes payable to State of Hawaii, Department of Health	
Note payable to State Revolving Loan Fund for a capital improvement project, payable in semi-annual installments of principal, interest at a rate of 0.37%, and loan fee rate of 3.25%, maturing in 2029.	\$ 1,301,387
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.	<u>553,361</u>
Balance forward	\$ <u>1,854,748</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 8 - NOTES PAYABLE (Continued)

	<u>Amount</u>
Balance carried forward	\$ 1,854,748
Notes payable to Department of Health (Continued)	
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.	2,945,305
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.	837,883
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.	210,952
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.	807,034
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.	786,987
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.	<u>7,145,373</u>
Balance forward	<u>\$ 14,588,282</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 8 - NOTES PAYABLE (Continued)

	<u>Amount</u>
Balance carried forward	\$ 14,588,282
Notes payable to Department of Health (Continued)	
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.	3,985,317
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.	1,829,921
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>65,380</u>
	20,468,900
Less current maturities	<u>(1,138,542)</u>
	<u>\$ 19,330,358</u>

Annual maturities of the notes payables are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 1,138,542
2017	1,143,358
2018	1,146,921
2019	1,150,596
2020	1,154,222
2021 - 2025	5,827,885
2026 - 2030	5,828,527
2031 - 2035	<u>3,078,849</u>
Total	<u>\$ 20,468,900</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS

Pensions

Pension Plan Description - All eligible employees of the State of Hawaii and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the Employee Retirement System (ERS). Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS's website: <http://ers.ehawaii.gov/>.

Benefits Provided - The ERS provides retirement, disability, and death benefits that are covered by the provisions of the noncontributory, contributory, and hybrid retirement plans. The three plans 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. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any 3 years of credited service, excluding any salary paid in lieu of vacation for employees 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 employees hired prior to January 1, 1971.

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.

Noncontributory Plan

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

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.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

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.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, 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.

Contributory Plan 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 as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police and firefighters with 5 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 66-2/3% 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 30% of average final compensation.

Death Benefits - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving 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 1 year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

Contributory Plan for Employees Hired After June 30, 2012

Retirement Benefits - 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 10 years of credited service are eligible to retire at age 60.

Police and firefighters' retirement benefits are determined as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police and firefighters with 10 years of credited service are eligible to retire at age 60.

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 services for police and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Plan 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 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. 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 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.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

Ordinary death benefits are available to employees who were active at time of death with at least 5 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Plan for Employees Hired After June 30, 2012

Retirement Benefits - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and EMTs 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 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions - Contributions are established 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 2015 were 22.00% for police and firefighters and 15.50% for all other employees. Contributions to the pension plan from the Department were \$1,983,818 for the fiscal year ended June 30, 2015.

The employer is required to make all contributions for members in the noncontributory plan. For contributory plan employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary and police and firefighters are required to contribute 12.2% of their salary. For contributory plan employees hired after June 30, 2012, judges and elected officials are required to contribute 9.8% of their salary and police and firefighters are required to contribute 14.2% of their salary. Hybrid plan members hired prior July 1, 2012 are required to contribute 6.0% of their salary. Hybrid plan members hired after June 30, 2012 are required to contribute 8.0% of their salary.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Department reported a liability of \$24,207,754 for its proportionate share of net pension liability of the County. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a proportion of the Department's contributions to the pension plan relative to projected contributions of the County. At June 30, 2014, the Department's proportion of the County's proportion was 7.1674% which was an increase of 0.1531% from its proportion measured as of June 30, 2013.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2015, the Department recognized pension expense of \$2,821,120. At June 30, 2015, the Department 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	\$ 307,836	\$ --
Net difference between projected and actual earnings on pension plan investments	--	(2,809,442)
Changes in proportion and difference between Department contributions and proportionate share of contributions	--	(458,413)
Department contributions subsequent to the measurement date	<u>1,983,818</u>	<u>--</u>
	\$ <u>2,291,654</u>	\$ <u>(3,267,855)</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

The \$1,983,818 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. 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>
2016	\$ (733,954)
2017	(733,954)
2018	(733,954)
2019	(733,954)
2020	<u>(24,203)</u>
Total	\$ <u>2,960,019</u>

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth	3.50%
Salary increases, including inflation at 3.00%	
Police and fire employees	5.00 to 19.00%
General employees	4.00% to 8.00%
Teachers	4.50 to 8.50%
Investment rate of return, including inflation at 3.00%	7.75%
Cost of living adjustments (COLAs)	2.50%/1.50%
COLAs are not compounded; and are based on original pension amounts	

Post-retirement mortality rates are based on Client Specific Tables and the 1994 US Group Annuity Mortality Statistic Tables for police and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates its experience studies every five years.

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

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.00%	8.50%
International equity	26.00%	9.00%
Total fixed income	20.00%	3.10%
Real estate	7.00%	8.46%
Private equity	7.00%	11.75%
Real return	5.00%	6.10%
Covered calls	<u>5.00%</u>	7.65%
	<u>100%</u>	

*The real estate, private equity, and real return targets will be the percentage actually invested up to 7%, 7%, and 5%, respectively of the total fund. Changes in the real estate, private equity, and real return targets will be offset by an equal percentage change in the large cap domestic equity target.

Discount Rate - The discount rate used to measure the net pension liability was 7.75%. 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 period 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 Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Department's proportionate share of the net pension liability	\$ <u>30,682,856</u>	\$ <u>24,207,754</u>	\$ <u>17,732,653</u>

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (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>.

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

Post-Retirement Health Care and Life Insurance Benefits

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

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

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the base monthly contribution. For employees who retire with at least 15 years but fewer than 25 years of service, the County pays 75% of the base monthly contribution. For those retiring with at least 25 years of service, the County pays the entire base monthly contribution. A retiree can elect a family plan to cover dependents.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

For employees hired after June 30, 2001, and who retire with fewer than 10 years of service, the County makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the County pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the County pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the County pays the entire base monthly contribution. Retirees can elect family coverage, but must pay the difference.

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

Measurement of the actuarial valuation and the annual required contribution (ARC) are made for the County as a whole and are not separately computed for the individual County departments and agencies such as the Department. The County allocates the ARC to the various departments and agencies based upon a systematic methodology. The Department's contributions paid to the County for the fiscal year ended June 30, 2015 was \$1,693,060, which equaled the Department's allocated ARC for postemployment healthcare and life insurance benefits.

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

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

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

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 9 - EMPLOYEE BENEFIT PLANS (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. 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.

NOTE 10 - SICK LEAVE

Accrued sick leave at June 30, 2015, aggregated approximately \$5.3 million. Sick leave can accumulate at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a County employee who is vested in the retirement system and retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS.

NOTE 11 - RISK MANAGEMENT

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

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended June 30, 2015, the Department has adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The standard established the accounting and reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts or equivalent arrangements.

**Department of Water Supply
County of Maui
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The effect of adopting the provision of GASB No. 68, as amended, resulted in a decrease in beginning net position at July 1, 2014. The effect of the fiscal year ended June 30, 2015 was a decrease to the change in net position of \$837,302. The impact on beginning net position is summarized as follows:

	<u>Amount</u>
Net position at June 30, 2014, as previously stated	\$ 335,102,390
Cumulative effect of applying GASB 68, as amended:	
Net pension liability at June 30, 2013	(27,162,320)
Deferred outflows of resources – employer and employee contributions made subsequent to the measurement date of the beginning net pension liability but prior to June 30, 2014	<u>2,815,667</u>
Net position at June 30, 2014, as restated	\$ <u>310,755,737</u>

Management of the Department concluded that it was not practical to determine the beginning amounts of all pension-related deferred inflows of resources and deferred outflows of resources. Accordingly, as permitted under the provisions of GASB No. 68, as amended, the Department has only reported the beginning deferred outflow of resources resulting from employer and employee pension contributions made subsequent to the measurement date of the beginning net pension liability but prior to June 30, 2014.

SUPPLEMENTARY INFORMATION

**Department of Water Supply
County of Maui
SCHEDULE I - SUPPLEMENTAL SCHEDULE OF CAPITAL ASSETS
June 30, 2015**

Description	Balance			Accumulated Depreciation				
	June 30, 2014	Additions and Transfers	Retirements	June 30, 2015	June 30, 2014	Additions	Retirements	June 30, 2015
Land	\$ 6,931,003	\$ --	\$ --	\$ 6,931,003	\$ --	\$ --	\$ --	\$ --
Source of Supply Structures	864,765	978,597	--	1,843,362	328,198	18,282	--	346,480
Collecting and Impounding Reservoirs	4,251,684	--	--	4,251,684	3,446,407	53,776	--	3,500,183
Wells & Springs	12,457,625	2,255,154	--	14,712,779	2,894,881	249,802	--	3,144,683
Power & Pumping Structures	6,627,631	--	--	6,627,631	1,139,378	188,293	--	1,327,671
Purification Buildings	34,404,825	--	--	34,404,825	26,314,822	1,636,455	--	27,951,277
Distribution Reservoirs	67,204,520	1,304,236	--	68,508,756	23,990,795	1,380,666	--	25,371,461
Office Building	1,672,930	--	--	1,672,930	1,069,241	32,702	--	1,101,943
Field Operation Building	1,072,693	--	--	1,072,693	791,573	19,783	--	811,356
Utility Plant - Unclassified	591,079	--	--	591,079	570,478	4,021	--	574,499
Electric Pumping Equipment	27,845,739	1,000	--	27,846,739	19,945,521	1,067,502	--	21,013,023
Other Power Pumping Equipment	2,080,574	59,544	--	2,140,118	1,273,829	236,586	--	1,510,415
Purification System - Chlorinators	2,961,469	--	--	2,961,469	1,564,311	258,900	--	1,823,211
Purification System - Filter Plants	49,784,363	4,975	--	49,789,338	37,365,143	2,092,321	--	39,457,464
Transmission & Distribution Mains	262,288,673	18,749,093	--	281,037,766	105,795,244	6,017,869	--	111,813,113
Service Laterals	3,510,338	199,192	--	3,709,530	1,978,361	120,573	--	2,098,934
Meters	8,702,096	29,644	--	8,731,740	3,907,396	390,123	--	4,297,519
Office Furniture & Equipment	54,155	--	--	54,155	21,669	2,974	--	24,643
Stores Equipment	98,567	39,240	--	137,807	96,361	285	--	96,646
Shop Equipment	66,373	6,301	--	72,674	59,043	1,431	--	60,474
Laboratory Equipment	480,355	7,452	--	487,807	247,533	20,563	--	268,096
Work Equipment	2,273,749	117,352	--	2,391,101	1,197,932	98,082	--	1,296,014
Communication Equipment	1,097,039	566,731	--	1,663,770	934,184	38,152	--	972,336
Meter Boxes	291,058	--	--	291,058	280,512	8,963	--	289,475
Hydrants	10,308,663	112,347	--	10,421,010	3,542,437	205,051	--	3,747,488
Standpipes	240,578	2,866	--	243,444	192,440	6,224	--	198,664
	508,162,544	24,433,724	--	532,596,268	238,947,689	14,149,379	--	253,097,068
Office Machines	716,294	6,230	--	722,524	626,762	22,607	--	649,369
Transportation Equipment	4,513,358	395,398	(22,107)	4,886,649	3,917,933	259,587	(22,107)	4,155,413
Total Capital Assets (1)	\$ 513,392,196	\$ 24,835,352	\$ (22,107)	\$ 538,205,441	\$ 243,492,384	\$ 14,431,573	\$ (22,107)	\$ 257,901,850
Revenue		\$ 659,790						
Contribution in aid of construction		3,435,798						
Capital Reserve Fund		787,543						
Water System Development Fee		4,529,705						
State		8,961,963						
Mutual Assistance		347,279						
Source		631,319						
1989 Bond Fund		41,322						
2012 Bond Fund		1,520,673						
2014 Bond Fund		3,604,634						
Other		315,326						
		\$ 24,835,352						

(1) Excludes construction in progress.

**Department of Water Supply
County of Maui
SCHEDULE II - SUPPLEMENTAL SCHEDULE OF LONG-TERM DEBT -
GENERAL OBLIGATION BONDS
June 30, 2015**

<u>County of Maui General Obligation Bonds</u>	<u>Fiscal Year</u>	<u>Coupon Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2015</u>	<u>Payable Within One Year</u>
G.O. Refunding Bonds, 2005 Series B (a)								
	2016	3.800	1/6/2005	3/1/2016	3/1/2015	\$ 970,000	\$ 970,000	\$ 970,000
	2017	5.000	1/6/2005	3/1/2017	3/1/2015	1,005,000	1,005,000	--
	2018	5.000	1/6/2005	3/1/2018	3/1/2015	<u>1,060,000</u>	<u>1,060,000</u>	--
Total 2005 Series B Issue						<u>3,035,000</u>	<u>3,035,000</u>	<u>970,000</u>
G.O. Bonds, 2008 Series A (b)								
	2016	3.500	7/1/2008	7/1/2015	Noncallable	254,114	254,114	254,114
	2017	3.500	7/1/2008	7/1/2016	Noncallable	263,165	263,165	--
	2018	3.500	7/1/2008	7/1/2017	Noncallable	272,911	272,911	--
	2019	3.500	7/1/2008	7/1/2018	7/1/2017	285,443	285,443	--
	2020	5.000	7/1/2008	7/1/2019	7/1/2017	299,367	299,367	--
	2021	5.000	7/1/2008	7/1/2020	7/1/2017	314,684	314,684	--
	2022	5.000	7/1/2008	7/1/2021	7/1/2017	330,696	330,696	--
	2023	5.000	7/1/2008	7/1/2022	7/1/2017	347,405	347,405	--
	2024	4.125	7/1/2008	7/1/2023	7/1/2017	363,418	363,418	--
	2025	4.200	7/1/2008	7/1/2024	7/1/2017	378,734	378,734	--
	2026	4.200	7/1/2008	7/1/2025	7/1/2017	394,747	394,747	--
	2027	5.000	7/1/2008	7/1/2026	7/1/2017	413,544	413,544	--
	2028	5.000	7/1/2008	7/1/2027	7/1/2017	<u>435,127</u>	<u>435,127</u>	--
Total 2008 Series A Issue						<u>4,353,355</u>	<u>4,353,355</u>	<u>254,114</u>
G.O. Refunding Bonds, 2010 Series B (c)								
	2016	4.000	12/1/2010	6/1/2016	Noncallable	\$ 353,508	\$ 353,508	\$ 353,508
	2017	4.000	12/1/2010	6/1/2017	Noncallable	367,888	367,888	--
	2018	5.000	12/1/2010	6/1/2018	Noncallable	382,667	382,667	--
	2019	4.000	12/1/2010	6/1/2019	Noncallable	401,441	401,441	--
	2020	4.000	12/1/2010	6/1/2020	Noncallable	417,419	417,419	--
	2021	4.000	12/1/2010	6/1/2021	6/1/2020	<u>434,195</u>	<u>434,195</u>	--
Total 2010 Series B Issue						<u>2,357,118</u>	<u>2,357,118</u>	<u>353,508</u>

**Department of Water Supply
County of Maui
SCHEDULE II - SUPPLEMENTAL SCHEDULE OF LONG-TERM DEBT -
GENERAL OBLIGATION BONDS (Continued)
June 30, 2015**

<u>County of Maui General Obligation Bonds</u>	<u>Fiscal Year</u>	<u>Coupon Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2015</u>	<u>Payable Within One Year</u>
G.O. Refunding Bonds, 2012 Series B (d)								
	2016	4.000	11/1/2012	6/1/2016	Noncallable	155,268	155,268	155,268
	2017	4.000	11/1/2012	6/1/2017	Noncallable	161,556	161,556	--
	2018	5.000	11/1/2012	6/1/2018	Noncallable	169,295	169,295	--
	2019	5.000	11/1/2012	6/1/2019	Noncallable	178,002	178,002	--
	2020	5.000	11/1/2012	6/1/2020	Noncallable	186,708	186,708	--
	2021	5.000	11/1/2012	6/1/2021	Noncallable	196,382	196,382	--
	2022	5.000	11/1/2012	6/1/2022	Noncallable	206,056	206,056	--
	2023	4.000	11/1/2012	6/1/2023	Noncallable	216,214	216,214	--
	2024	2.125	11/1/2012	6/1/2024	6/1/2023	224,921	224,921	--
	2025	3.000	11/1/2012	6/1/2025	6/1/2023	229,758	229,758	--
	2026	3.000	11/1/2012	6/1/2026	6/1/2023	236,529	236,529	--
	2027	3.000	11/1/2012	6/1/2027	6/1/2023	243,785	243,785	--
	2028	3.000	11/1/2012	6/1/2028	6/1/2023	251,040	251,040	--
	2029	3.000	11/1/2012	6/1/2029	6/1/2023	258,779	258,779	--
	2030	3.000	11/1/2012	6/1/2030	6/1/2023	266,519	266,519	--
	2031	3.000	11/1/2012	6/1/2031	6/1/2023	274,258	274,258	--
	2032	3.000	11/1/2012	6/1/2032	6/1/2023	282,480	282,480	--
Total 2012 Series B Issue						<u>3,737,550</u>	<u>3,737,550</u>	<u>155,268</u>
G.O. Refunding Bonds, 2012 Series C (e)								
	2016	4.000	11/1/2012	6/1/2016	Noncallable	\$ 780,000	\$ 780,000	\$ 780,000
	2017	4.000	11/1/2012	6/1/2017	Noncallable	810,000	810,000	--
	2018	5.000	11/1/2012	6/1/2018	Noncallable	850,000	850,000	--
	2019	5.000	11/1/2012	6/1/2019	Noncallable	895,000	895,000	--
	2020	5.000	11/1/2012	6/1/2020	Noncallable	940,000	940,000	--
	2021	5.000	11/1/2012	6/1/2021	Noncallable	985,000	985,000	--
	2022	5.000	11/1/2012	6/1/2022	Noncallable	1,035,000	1,035,000	--
	2023	4.000	11/1/2012	6/1/2023	Noncallable	1,090,000	1,090,000	--
Total 2012 Series C Issue						<u>7,385,000</u>	<u>7,385,000</u>	<u>780,000</u>

**Department of Water Supply
County of Maui
SCHEDULE II - SUPPLEMENTAL SCHEDULE OF LONG-TERM DEBT -
GENERAL OBLIGATION BONDS (Continued)
June 30, 2015**

<u>County of Maui General Obligation Bonds</u>	<u>Fiscal Year</u>	<u>Coupon Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2015</u>	<u>Payable Within One Year</u>
G.O. Refunding Bonds, 2014 Series C (f)								
	2016	4.000	12/1/2014	6/1/2016	Noncallable	230,000	230,000	230,000
	2017	5.000	12/1/2014	6/1/2017	Noncallable	235,000	235,000	--
	2018	5.000	12/1/2014	6/1/2018	Noncallable	250,000	250,000	--
	2019	5.000	12/1/2014	6/1/2019	Noncallable	260,000	260,000	--
	2020	5.000	12/1/2014	6/1/2020	Noncallable	275,000	275,000	--
	2021	5.000	12/1/2014	6/1/2021	Noncallable	290,000	290,000	--
	2022	5.000	12/1/2014	6/1/2022	Noncallable	305,000	305,000	--
	2023	5.000	12/1/2014	6/1/2023	Noncallable	320,000	320,000	--
	2024	5.000	12/1/2014	6/1/2024	Noncallable	335,000	335,000	--
	2025	3.000	12/1/2014	6/1/2025	6/1/2024	350,000	350,000	--
	2026	3.000	12/1/2014	6/1/2026	6/1/2024	360,000	360,000	--
	2027	4.000	12/1/2014	6/1/2027	6/1/2024	370,000	370,000	--
	2028	3.000	12/1/2014	6/1/2028	6/1/2024	385,000	385,000	--
	2029	3.000	12/1/2014	6/1/2029	6/1/2024	400,000	400,000	--
	2030	3.000	12/1/2014	6/1/2030	6/1/2024	410,000	410,000	--
	2031	3.125	12/1/2014	6/1/2031	6/1/2024	420,000	420,000	--
	2032	3.250	12/1/2014	6/1/2032	6/1/2024	435,000	435,000	--
	2033	3.250	12/1/2014	6/1/2033	6/1/2024	450,000	450,000	--
	2034	3.250	12/1/2014	6/1/2034	6/1/2024	465,000	465,000	--
Total 2014 Series C Issue						<u>6,545,000</u>	<u>6,545,000</u>	<u>230,000</u>
Total General Obligation Bonds						\$ <u>27,413,023</u>	\$ <u>27,413,023</u>	\$ <u>2,742,890</u>

Department of Water Supply
County of Maui
SCHEDULE II - SUPPLEMENTAL SCHEDULE OF LONG-TERM DEBT -
GENERAL OBLIGATION BONDS (Continued)
June 30, 2015

NOTES:

- (a) The General Obligation Refunding Bonds, 2005, Series B, maturing on or before March 1, 2015 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on March 1, 2016, prior to their stated maturity, on or after March 1, 2015, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (b) The General Obligation Bonds, 2008, Series A, maturing on or before July 1, 2017 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on July 1, 2018, prior to their stated maturity, on or after July 1, 2017, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (c) The General Obligation Refunding Bonds, 2010, Series B, maturing on or before June 1, 2020 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on June 1, 2021, prior to their stated maturity, on or after June 1, 2020, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (d) The General Obligation Refunding Bonds, 2012, Series B, maturing on or before June 1, 2023 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on June 1, 2024, prior to their stated maturity, on or after June 1, 2023, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.
- (e) The General Obligation Refunding Bonds, 2012, Series C, maturing before June 1, 2023 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates.
- (f) The General Obligation Refunding Bonds, 2014, Series C, maturing on or before June 1, 2024 are issued without the right or option of the County of Maui to redeem the same prior to their respective maturity dates. The County of Maui reserves the right and option to redeem the Bonds maturing on June 1, 2025, prior to their stated maturity, on or after June 1, 2024, in whole or in part at any time, in order of maturity selected by the County of Maui and by lot within a maturity, at 100% of the principal amount.