



REPORT TO CITIZENS FY 2009-2010

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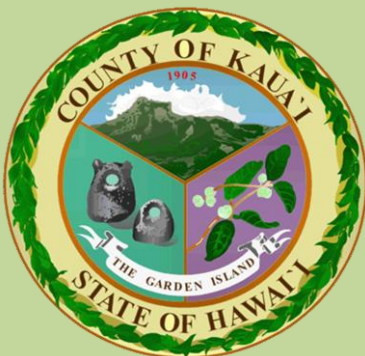
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OFFICE OF THE COUNTY AUDITOR



Who We Are

The County of Kaua'i was established in 1905, and is governed by the Charter of the County of Kaua'i, adopted in 1969. The Charter provides for a nonpartisan mayor, who serves as the head of the executive branch (4-year term), and seven councilmembers, who serve as the legislative branch (2-year term). The County Council approves the budget and establishes all fees, rates, assessments and taxes.

The county consists of the islands of Kaua'i and Ni'ihau, and is the smallest of the four counties in the State of Hawai'i. It has a land area of approximately 622.44 square miles, with an estimated residential population of 64,529 in 2009. However, when visitors and military personnel are included, the county's population increases significantly. The number of persons physically on the island (the de facto population) was 80,112 in 2009. Although the resident population density for that year was 103.7 persons per square mile, the actual population density was 128.7 persons per square mile. The projected resident population for the island of Kaua'i in the year 2025 is 75,598.

Seventy-three percent of the persons employed in the county were private sector workers; 16 percent were federal, state, or local government workers; and 12 percent were self-employed. Eighty-nine per cent of persons 25 years and over had at least a high school diploma, and 23 percent had a bachelor's degree or higher.

Source: U.S. Census Bureau, Hawai'i Data Book 2009



Purposes, Vision and Goals

County Purposes: Under Kaua'i County Charter section 2.01, county powers must be used to promote the general welfare and the safety, health, peace, good order, comfort and morals of the inhabitants of the County.

Auditor's Visions and Goals: The Office of the County Auditor was created by an amendment to the Kaua'i County Charter approved by the voters in the 2008 general election. The visions and goals of the office are to conduct factual and impartial audits to improve the accountability, transparency, efficiency and quality of county services, and to provide objective data to be used in making public policy and legislative decisions.

Where does the county's funding come from? How is it used?

Three-Year Trend

<u>Revenues & other sources</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Taxes	98,572,034	105,140,073	102,425,187
Licenses & permits	7,975,055	8,253,132	7,400,353
Rents & concessions	727,367	955,815	906,998
Interest	5,836,149	3,008,864	4,896,375
Intergovernmental revenues	41,290,535	44,763,841	37,213,641
Charges for current services	4,911,296	4,424,248	4,365,567
Miscellaneous	2,433,304	766,349	3,117,005
Other sources	485,174	1,862,543	62,418,556
Total revenues & other sources	162,230,914	169,174,865	222,743,682

<u>Expenditures</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
General government	33,461,255	37,370,973	26,681,874
Public safety	32,894,024	35,613,140	43,607,072
Public works	9,467,945	8,726,473	11,231,776
Highways & streets	11,273,415	15,312,333	10,089,042
Sanitation	9,772,708	9,834,250	12,313,226
Culture & recreation	7,839,158	8,223,353	9,714,650
Public welfare	15,637,506	22,374,453	19,957,368
Capital outlay	17,522,714	21,342,674	24,597,117
Debt service	7,026,604	8,362,697	8,684,119
Total expenditures	144,895,329	167,160,346	166,876,244

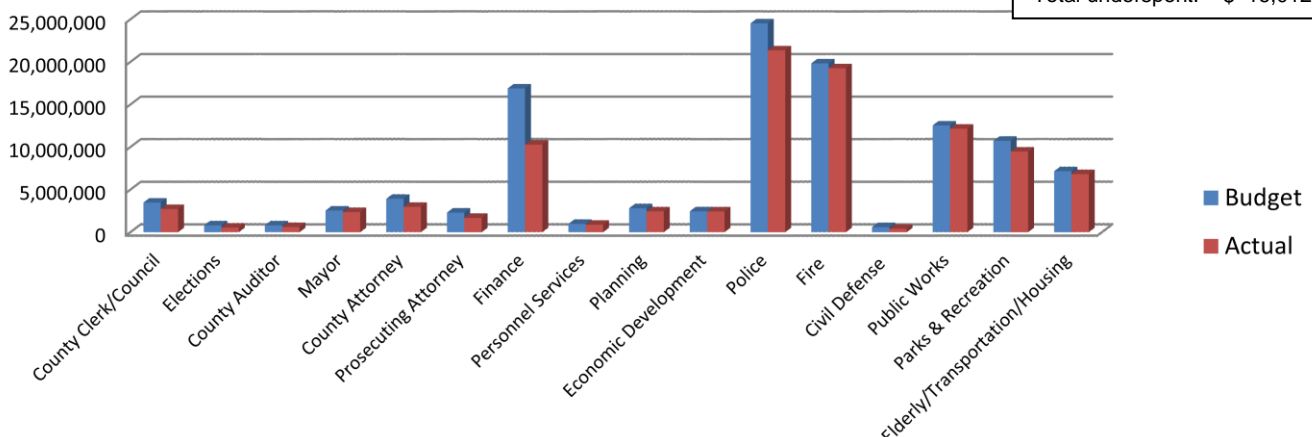
The majority of the county's FY 2010 revenues and other sources are received from taxes, intergovernmental revenues, and bond proceeds. The county receives four taxes. They are the real property tax, the public utility franchise tax (imposed on the electric utility), the fuel tax (imposed on gasoline, diesel oil, and liquefied gas for highway use), the public service company franchise tax (imposed on regulated public utilities). Intergovernmental sources are federal and state agencies, which provide funds in the form of grants and shared revenues.

The county's revenues are used to provide a myriad of essential services to the residents of Kaua'i. The fund uses are grouped according to the services provided. "Public safety" uses include funding for police, fire, lifeguards, civil defense, and liquor control, as well as grants to the humane society and for drug prevention. "Public works" uses include engineering, building, permitting and inspections, and repair and maintenance of county facilities. "Culture and recreation" uses include recreational programs and the maintenance and operation of public pools, county parks, the golf course, the convention hall, stadiums and neighborhood centers. "Public welfare" uses are the operation of the elderly affairs, transportation, housing, and the community development and assistance programs. "Highways and streets" include highway repairs and maintenance and street light costs. "General government" uses include operation of the offices of the mayor, economic development, council, county auditor, finance, prosecuting attorney, planning, personnel, and county attorney.

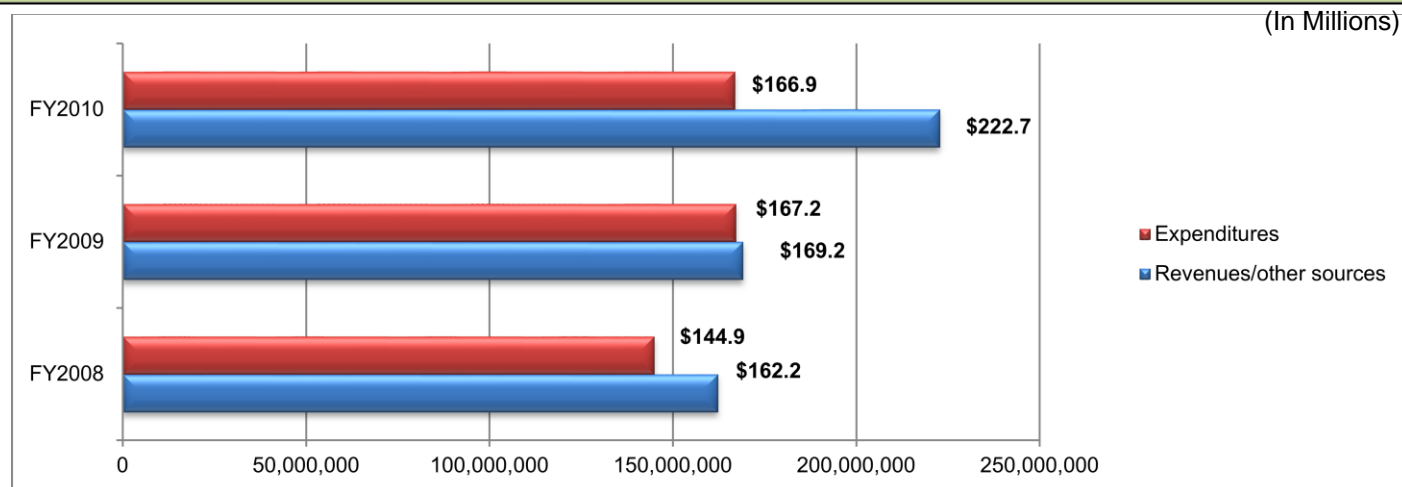
County departments that underspent their budgets did so primarily because of savings in salaries and fringe benefits due to unfilled and vacant positions. The following chart represents the actual expenditures to budget for the county's operating departments in the general fund.

2010 Budget vs. Actual

2010 Total budget: \$112,404,928
2010 Total actual: \$ 96,392,344
Total underspent: \$ 16,012,584



How are we doing?

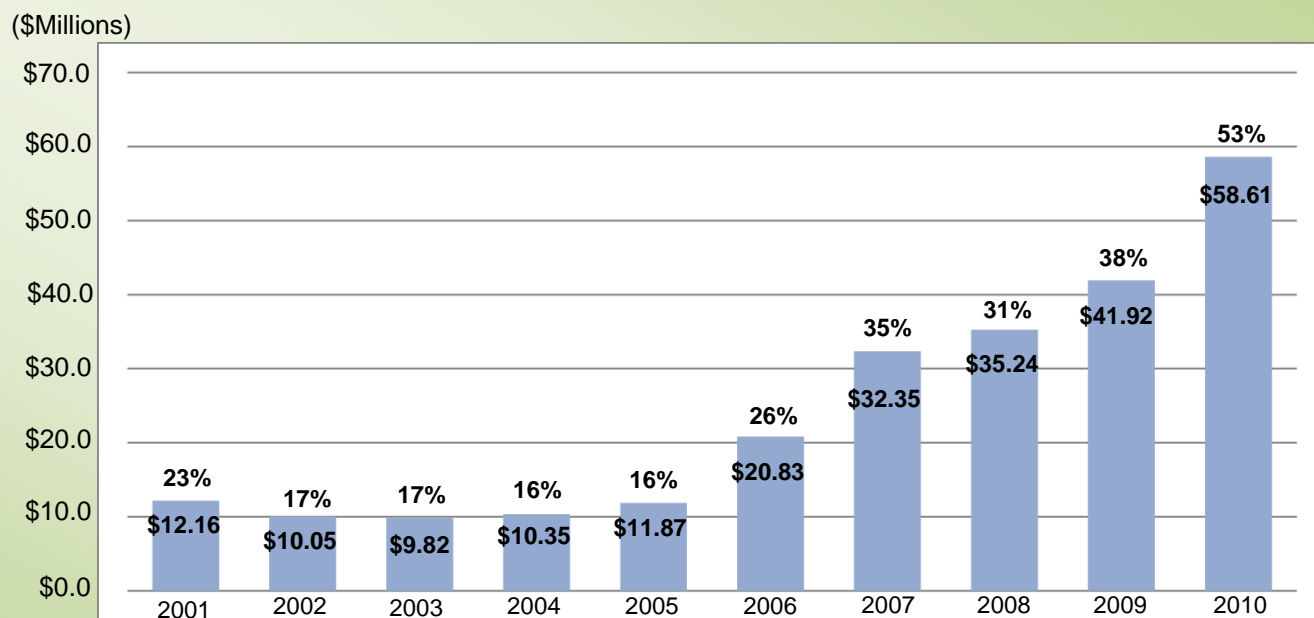


The data for the last three fiscal years show that county revenues and other sources exceeded expenditures in each year. The largest increase was in fiscal year 2010 (June 2009 to July 2010). Revenues and other sources for this fiscal year increased by approximately \$54 million, or 32%, largely due to general obligation bond proceeds that the county received in the first quarter of 2010. The bonds were issued in March 2010 to fund various capital projects.

The financial information on page 2 and this page is from the county's annual Comprehensive Annual Financial Reports (CAFR), which are prepared according to Generally Accepted Accounting Principles.

The county has been generating surpluses for the past 10 years.

Unreserved General Fund Balance FY 2001 – 2010.



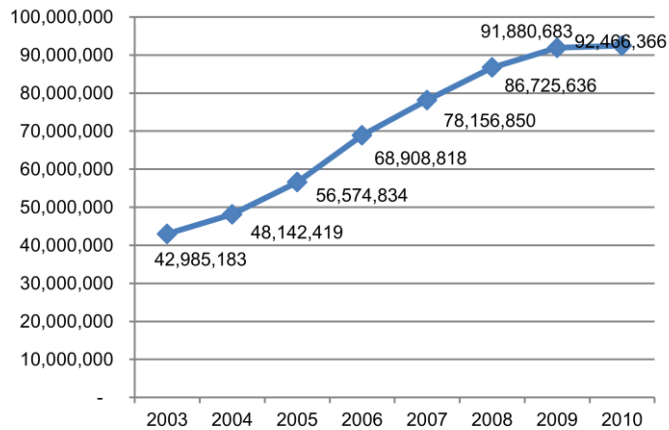
Note: Percentages represent unreserved fund balance as a percent of total general fund expenditures and transfers out. For FY 2009, the County adopted GASB 54 which prompted changes in reporting fund balances. The FY 2009 general fund unassigned balance as reported in the 2009 CAFR was \$32,844,060. FY 2009 and FY 2010 unreserved fund balances include \$9,074,550 and \$15,514,951, respectively, from the general assigned fund balances to balance future budget shortfalls.

Source: Department of Finance

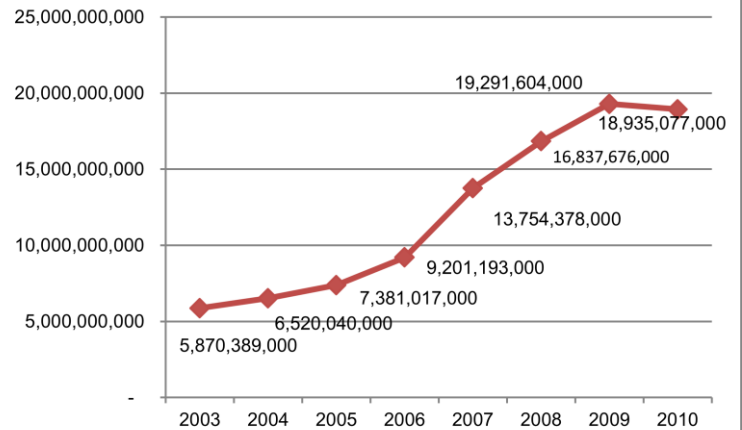
What's Next? Future Challenges

The county's challenges will increase in the future. Approximately 77% of the revenues that the county receives are from real property taxes, and assessments have fallen. Although real property tax collections increased in FY 2010, the increase was caused by adjustments in the county's escrow account, refunds, and overpayments. Real property tax (RPT) projections for FY 2012 are estimated to decrease by 6%, or \$4.87 million.

RPT Revenue



RPT Assessment



Source: Comprehensive Annual Financial Report, 2009 (Table 1A)

Before the recent catastrophic earthquake and other events in Japan, the State Department of Business, Economic Development and Tourism's "Outlook for the Economy, First Quarter 2011" projected positive future growth, specifically in construction. While economists say that the economic fallout from the disaster in Japan is too early to forecast, any slowing of the Asian economies may have a ripple effect on Hawai'i.



We Want To Hear From You

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Many thanks to Art Umezu, Film Commissioner, Office of Economic Development, for allowing his photographs to be used for this report.



Ernesto G. Pasion
County Auditor