

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

July 20, 2001

Committee
Report No.

01-118

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

Chair and Members:

Your Budget and Finance Committee, having met on February 27, 2001 and July 3, 2001, makes reference to County Communication No. 01-28, from the Council Chair, transmitting the Comprehensive Annual Financial Report (CAFR) and management letter for the Fiscal Year ended June 30, 2000.

Your Committee notes that the CAFR states that the Maui County Charter, Section 9-13, requires the County to issue annually a report on its financial position and activity and that this report is to be audited by an independent firm of certified public accountants. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the Department of Finance. The CAFR also notes that, to the best of the auditor's knowledge, the enclosed data are accurate in all material respects and are reported in a manner that fairly presents the financial position and results of operation of the various funds, account groups, and component unit of the County of Maui.

Your Committee further notes that the CAFR is presented in three sections: (1) the introductory section; (2) the financial section; and (3) the statistical section. Further, the CAFR includes all funds and account groups of the County of Maui, including its component unit, the Department of Water Supply, established by the Charter as a semi-autonomous department of the County government. The CAFR also notes that component units are legally separate entities for which the County of Maui is financially accountable.

At its meeting of February 27, 2001, your Committee met with the Budget Director, the Director of Finance, and a Deputy Corporation Counsel.

The Director of Finance provided your Committee with a PowerPoint overview of the CAFR and its relationship to the County's Annual Budget. He reviewed some general premises regarding budgeting, background of the budget document, the Quarterly Report and the CAFR. Your Committee was informed

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that the three documents relate as follows: (1) the budget document is the forecast or planning document; (2) the Quarterly Report is the budget implementation document; and (3) the CAFR is the annual financial report. The Director of Finance also stated that investors, creditors and banks use the CAFR to determine the financial health of the County.

Your Committee deferred the matter pending further discussion.

At its meeting of July 3, 2001, your Committee met with the Director of Finance, a Deputy Corporation Counsel, and Russell Yamane and Randal Taniguchi from Russell Yamane & Associates CPAs, Inc.

The Director of Finance informed your Committee that this CAFR reflects a significant turnaround in the County's financial affairs from the prior audit of Fiscal Year 1999. He stated that the General Fund had a \$91,000 loss in Fiscal Year 2000 compared to a \$7.9 million loss in Fiscal Year 1999. He further stated that the loss for Fiscal Year 2000 would have been \$12 million, if the County had not increased the real property taxes or Act 100 (which reduced the funding required for the Employee Retirement System) had not been enacted.

Your Committee was also informed that the County's fiscal turnaround contributed to the recently received AA3 rating from the bond underwriters (an increase from the prior rating of AA-). The Director of Finance stated that County of Maui now has a bond rating higher than the State of Hawaii.

The Director of Finance reviewed the current status of the three findings in the management letter. The first finding, the Landfill Division's Commercial Accounts Receivable, is being consolidated into the County's Interactive Fund Accounting System (IFAS). In addition, the Department is looking at additional collection methods for these receivable accounts.

The second finding, the Waiale Rental Housing Project Receivable, relates to advances from the General Fund in the form of grant/loans to Maui Economic Concerns of the Community, Inc. (MECC). The repayment was to be made from Low Income Housing Tax Credits and from a 1998 Series B Bond Issue. The loan proceeds received by the County were less than the outstanding grant/loans by approximately \$462,000. The Director stated that the MECC has

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verbally agreed to repay the loan balance and that the next step is to execute a grant/loan repayment agreement.

In regards to the third finding, relating to financial exposure to pending and threatened litigation of Claims and Judgements, the Director noted that the Department of Finance and the Risk Management Officer have begun meeting quarterly with the Department of the Corporation Counsel in order to improve the communications between the two departments in regards to pending claims and judgements.

After further discussion, your Committee voted to recommend filing of the communication.

Your Budget and Finance Committee **RECOMMENDS** that County Communication No. 01-28 be FILED.

Adoption of this report is respectfully requested.

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