

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

August 20, 2002

Committee
Report No.

02-97

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 July 30, 2002, makes reference to County Communication No. 02-7, from the Council Chair, transmitting a report entitled "COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2001", along with a management letter for the year ended June 30, 2001.

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, 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 provided a brief overview of the CAFR. He informed your Committee that Fiscal Year 2001 was a good year for the County

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

August 20, 2002
Page 2

Committee
Report No. 02-97

with revenues in excess of \$5.9 million in the General Fund. He stated that this increase in revenues was a result of an increase in Real Property Tax assessment revenues, an increase in Transient Accommodations Tax collections, the sale of Luana Gardens, and a reduction in the contribution to the Employees Retirement System (ERS). He further noted that the reduction in ERS is unlikely to continue in future years when the counties will see higher costs to catch up for the years with lower contributions.

The Director of Finance reviewed the current status of the two findings in the management letter that are still applicable from the prior year's audit. The first 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. MECC had verbally agreed to repay the loan balance. However, the Director stated that discussions with MECC on this matter make it apparent that the current cash flows will not support any repayment. He further noted that the matter relating to a write-off of the uncollectible account receivable balance is pending in your Committee under a related item.

In regards to the second finding, Workers' Compensation, the Director informed your Committee that a database information system was developed and implemented for the County's workers' compensation program. In addition, a new third party administrator has been contracted to manage the workers' compensation program. The Director stated that he anticipates that this finding will be cleared during the audit this year because of the significant progress that has been made.

Your Committee requested further information regarding the financial exposure to pending and threatened litigation of Claims and Judgements. The Director noted that the Department of Finance and the Risk Management Officer meet quarterly with the Department of the Corporation Counsel to improve the communications between the two departments in regards to pending claims and judgements. In addition, your Committee requested copies of contingent liability reports used to support clearance of this prior year's finding.

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

August 20, 2002
Page 3

Committee
Report No. 02-97

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

Your Budget and Finance Committee **RECOMMENDS** that County Communication No. 02-7 be FILED.

Adoption of this report is respectfully requested.

bf:cr:0251ca:trk

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

August 20, 2002
Page 4

Committee
Report No. 02-97

G. RIKI HOKAMA **Chair**

DANNY A. MATEO **Member**

ALAN M. ARAKAWA **Member**

MICHAEL J. MOLINA **Member**

ROBERT CARROLL **Member**

WAYNE K. NISHIKI **Member**

JO ANNE JOHNSON **Member**

CHARMAINE TAVARES **Member**

DAIN P. KANE **Member**