

COUNCIL OF THE COUNTY OF MAUI
POLICY AND INTERGOVERNMENTAL
AFFAIRS COMMITTEE

August 25, 2015

Committee
Report No. _____

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

Chair and Members:

Your Policy and Intergovernmental Affairs Committee, having met on June 29, 2015, and July 20, 2015, makes reference to County Communication 15-184, from the Director of Finance, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE OFFICE OF THE AUDITOR, STATE OF HAWAII TO AUDIT THE SCHEDULE OF ALLOCATIONS OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII (ERS)."

The purpose of the proposed bill is to authorize the Mayor to enter into an intergovernmental agreement with the State Office of the Auditor, to audit the schedule of allocations of the State of Hawaii Employees' Retirement System ("ERS") for the Fiscal Year ended June 30, 2014, in order to complete the County's Comprehensive Annual Financial Report ("CAFR") audit for Fiscal Year 2015, at an estimated cost of \$3,900.

At the request of the Chair of your Committee, the Department of the Corporation Counsel transmitted a revised proposed bill, approved as to form and legality, incorporating nonsubstantive revisions.

Your Committee notes, pursuant to Section 9-13 of the Revised Charter of the County of Maui (1983), as amended, the County has had annual CAFR audits since Fiscal Year 2002 using the reporting requirements prescribed by the Governmental Accounting Standards Board Statement 34 ("GASB 34"), "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

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The County Auditor noted the audit of the schedule of allocations is needed to complete the annual CAFR, which is audited by an independent auditor hired by the County. He explained the County's independent auditor needs assurance the ERS data is reliable prior to auditing the CAFR, and obtaining information compiled by the ERS's actuary and audited by the ERS's independent auditor will meet this requirement.

Your Committee voted 6-0 to recommend passage of the revised proposed bill on first reading and filing of the communication. Committee Vice-Chair Couch and members Baisa, Carroll, Cochran, Crivello, and White voted "aye." Committee Chair Victorino and members Guzman and Hokama were excused.

Your Policy and Intergovernmental Affairs Committee RECOMMENDS the following:

1. That Bill _____ (2015), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE OFFICE OF THE AUDITOR, STATE OF HAWAII TO AUDIT THE SCHEDULE OF ALLOCATIONS OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII (ERS)," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication 15-184 be FILED.

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This report is submitted in accordance with Rule 8 of the Rules of the Council.



MICHAEL P. VICTORINO, Chair

pia:cr:15048aa:kcw

ORDINANCE NO. _____

BILL NO. _____ (2015)

A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE OFFICE OF THE AUDITOR, STATE OF HAWAII TO AUDIT THE SCHEDULE OF ALLOCATIONS OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII (ERS)

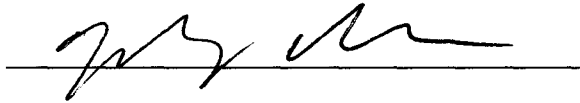
BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Purpose. The County of Maui Comprehensive Annual Financial Report audit requires the Employees' Retirement System schedule of allocations to be audited by the Office of the Auditor, State of Hawaii. The Department of Finance and the Office of the County Auditor of the Maui County have reviewed terms of the intergovernmental agreement set forth in the Memorandum of Understanding ("MOU"), attached hereto and incorporated herein as Exhibit "1" and agree with the terms and conditions therein.

SECTION 2. Council Authorization. Pursuant to Section 2.20.020, Maui County Code, the Council of the County of Maui hereby authorizes the Mayor to enter into an intergovernmental agreement, which would include the execution of the MOU, all other necessary documents relating to the MOU, and any amendments thereto.

SECTION 3. Effective Date. This ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:

A handwritten signature in black ink, appearing to be "J. B. [unclear]", is written over a solid horizontal line.

Department of the Corporation Counsel
County of Maui

pia:kcw:048abill01:kcw

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is effective the _____ day of _____, 2015, by and between the OFFICE OF THE AUDITOR, STATE OF HAWAI'I ("Auditor") and COUNTY OF MAUI ("Employer").

RECITALS

- A. The following state or county government employers (the "employers") have requested assistance from the Auditor in conducting an audit of the schedule of employer allocations of the Employees' Retirement System of the State of Hawai'i ("ERS") and the total for all employers of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the schedule of pension amounts by employer of ERS for the fiscal year ended June 30, 2014, from actuarial information received from Gabriel, Roeder, Smith & Company ("GRS"), the actuary for ERS. The information is provided to meet reporting requirements under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- i. State of Hawai'i;
 - ii. City and County of Honolulu;
 - iii. County of Maui;
 - iv. County of Kaua'i;
 - v. County of Hawai'i;
 - vi. Board of Water Supply, City and County of Honolulu;
 - vii. Department of Water Supply, County of Hawai'i;
 - viii. Department of Water, County of Kaua'i;
 - ix. Honolulu Authority for Rapid Transit; and
 - x. University of Hawai'i.
- B. The Auditor is willing to use KPMG LLC ("KPMG"), the contract auditor for ERS, to conduct the audit of the above-mentioned schedule and information.
- C. The purpose of this MOU is to provide for payment by the Employer to the Auditor as authorized under § 23-3.5, HRS, for the audited schedule and information to meet the reporting requirements of GASB 68.

TERMS AND CONDITIONS

1. Upon execution of this MOU, the Auditor will request KPMG to audit the schedule and information to meet the reporting requirements of GASB 68.
2. The cost of the audit to the Employer will be \$3,900.00.
3. The Auditor will bill the Employer for the audit cost after the Auditor receives the bill from KPMG.
4. This MOU may be amended or modified only by a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties have executed this MOU as of the last date written below.

OFFICE OF THE AUDITOR
STATE OF HAWAI'I

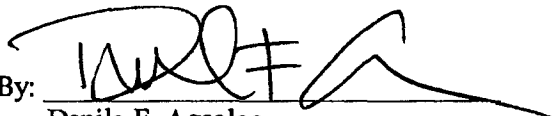
EMPLOYER:
COUNTY OF MAUI

By: _____
Jan K. Yamane
Acting State Auditor

By: _____
Alan Arakawa
Mayor

DATE: _____

DATE: _____

By: 
Danilo F. Aagsalog
Director of Finance

DATE: _____

APPROVED AS TO FORM:

Deputy Corporation Counsel