

**COUNCIL OF THE COUNTY OF MAUI**  
**BUDGET AND FINANCE COMMITTEE**

August 21, 2007

**Committee**  
**Report No.**

\_\_\_\_\_ 07-81

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 23, 2007, makes reference to County Communication No. 07-73, from the Council Chair, transmitting a report entitled "DEPARTMENT OF WATER SUPPLY, COUNTY OF MAUI (Proprietary Fund, County of Maui), Financial Statements for the years ended June 30, 2006 and 2005, Supplemental Schedules For the year ended June 30, 2006 and Independent Auditors' Reports" (Report), submitted by Russell Yamane & Associates CPAs, Inc., the County's independent auditor.

Your Committee notes that the Council's role in the audit review process is to exercise oversight regarding the efficiency and effectiveness of County operations. The auditor's responsibility is to conduct an audit in accordance with generally accepted auditing standards and express an opinion on the Department of Water Supply's financial statements.

Your Committee notes that the auditor opined that the financial statements present fairly the Department of Water Supply's financial position, changes in financial position, and cash flows, in conformance with generally accepted accounting principles.

At its meeting, your Committee met with the Budget Director; the Fiscal Officer, Department of Water Supply; the Accounting System Administrator, Department of Finance; the First Deputy Corporation Counsel; and Russell Yamane and Randal Taniguchi from Russell Yamane & Associates CPAs, Inc.

There was no public testimony.

Mr. Yamane stated that the Department of Water Supply's net assets increased from \$270 million for the fiscal year ended June 30, 2005 to \$275 million for the fiscal year ended June 30, 2006 ("Fiscal Year 2006").

Mr. Yamane further stated that the Department of Water Supply's operations for Fiscal Year 2006 resulted in a \$4 million loss, which includes depreciation of

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\$10,727,346. He further stated that since depreciation is a non-cash expense, the net cash provided by operating activities was approximately \$7 million.

Your Committee questioned whether the Department has the financial resources to address anticipated increases to the County's required contributions to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and the Employee Retirement System (ERS).

The Fiscal Officer stated that the Department did not budget for anticipated increases in contributions to the EUTF and ERS in the Fiscal Year 2008 Budget. She further stated that the Department will consult with the Director of Finance and the Budget Director regarding the financing of these contributions.

Mr. Yamane stated that he could not determine whether the Department has the financial resources to address the anticipated increases in contributions to the EUTF and ERS without consulting with the Department of Water Supply and evaluating its plan of action.

Your Committee voted to recommend filing of the communication.

Your Budget and Finance Committee **RECOMMENDS** that County Communication No. 07-73 be FILED.

Adoption of this report is respectfully requested.

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