

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

October 3, 2003

**Committee
Report No.**

03-109

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 September 16, 2003, makes reference to County Communication No. 03-87, from the Council Chair, transmitting the Financial Audit Report for the Department of Water Supply for the year ended June 30, 2002.

By correspondence dated September 5, 2003, your Committee Chair requested that the Director of Water Supply provide an overview of the Financial Audit Report.

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

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 auditors must report their findings to the Council on County operations in accordance with generally accepted auditing standards and principles.

The Director provided a brief overview comparing the Financial Audit Reports for the fiscal years ended June 30, 2002 and June 30, 2001. He informed your Committee of the changes in reporting format that were required for compliance to Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments (GASB 34). The Director recognized employees of the Department of Water for their efforts in complying with GASB 34.

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Your Committee raised questions regarding the decrease in cash and increase in investments. The Deputy Director of Finance informed your Committee that all County cash is consolidated and analyzed to determine the amount held or invested. He also stated that during fiscal year ended June 30, 2002, more cash from the Department of Water Supply became available for investment.

Your Committee inquired about why the Department of Water Supply maintains unrestricted cash of \$21.9 million. The Director of Water Supply noted that these funds are being used for construction projects in Fiscal Year 2004. Your Committee noted that during the Fiscal Year 2004 budget process, the Department of Water Supply was requested to fund construction projects with unrestricted cash in lieu of bonds.

Your Committee asked Mr. Yamane if the financial strength of the Department of Water Supply has improved in fiscal year ended June 30, 2002. Mr. Yamane stated that the Department has improved from a cash flow perspective; however, it is important to consider the overall cash requirements.

Your Committee raised questions regarding uncollectible customer accounts. Mr. Yamane informed your Committee that the bad debt expense and allowance for uncollectible customer accounts are reasonable in comparison to overall receivables and utility industry averages.

Your Committee inquired if the Department of Water Supply and the Department of Finance have identified functions that could be consolidated. The Deputy Director of Finance stated that the Department of Finance is evaluating opportunities to consolidate. He also stated that the Department of Finance will make a written proposal to the Department of Water Supply to consolidate purchasing functions.

Your Committee inquired if the Department of Water Supply will continue to issue separate financial statements. The Director of Water Supply stated that his Department is required to submit separate financial statements to Municipal Services Group. The Deputy Director of Finance informed your Committee that the Bond Council and Bond Underwriters do not require separate financial statements. He stated that for the fiscal year ended June 30, 2003, separate financial statements are required because the Department of Water Supply was

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semi-autonomous for part of the fiscal year. He also stated that the Department of Finance is still evaluating whether a separate financial statement is needed for Fiscal Year 2004. Your Committee requested that the departments consider whether separate financial statements are necessary to provide detailed information to support water rate changes.

Your Committee requested that the Department of Water Supply provide a detailed list of customer advances for utility construction, the most recent quarterly financial statement available, and a copy of the Qual Serve Report of Peer Review and the status of any findings made by that report.

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

Your Budget and Finance Committee **RECOMMENDS** that County Communication No. 03-87 be FILED.

Adoption of this report is respectfully requested.

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