

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

October 15, 2004

Committee
Report No.

04-179

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 13, 2004 and September 28, 2004, makes reference to County Communication No. 04-27, from the Council Chair, transmitting a report entitled "COUNTY OF MAUI, STATE OF HAWAII, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2003", along with a management letter for the year ended June 30, 2003.

The Comprehensive Annual Financial Audit (CAFR) notes that the Maui County Charter, Section 9-13, requires the County to annually issue 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. In the auditors' opinion, the basic financial statements fairly present the financial position of the County of Maui at June 30, 2003, and the results of its operations for the year then ended.

The CAFR is presented in three sections: (1) the introductory section; (2) the financial section; and (3) the statistical section. Further, the CAFR includes the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Maui. The management's discussion and analysis and budgetary comparison information presented in the report are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB).

At its meeting of July 13, 2004, your Committee met with the Deputy Director of Finance; the Accounting Systems Administrator from the Department of Finance; a Deputy Corporation Counsel; and Russell Yamane and Randall Taniguchi from Russell Yamane & Associates CPAs, Inc.

There was no public testimony.

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Your Committee deferred the matter with no discussion due to lack of a quorum.

At its meeting of September 28, 2004, your Committee met with the Deputy Director of Finance; the Accounting Systems Administrator and the Treasurer from the Department of Finance; a Deputy Corporation Counsel; and Russell Yamane and Randall Taniguchi from Russell Yamane & Associates CPAs, Inc.

There was no public testimony.

Mr. Yamane advised that this was the second year that the requirements of GASB Statement No. 34 have been implemented. He reviewed some of the differences in the reporting format.

In response to a question regarding infrastructure reporting, Mr. Taniguchi stated that GASB Statement No. 34 provides for two methods of presenting County infrastructure. The first method is to record the asset at historical cost minus depreciation. The second method is to value the condition of the asset with no depreciation. He stated that the County uses the first method, which was recommended by the consultant who assisted with the valuation. He agreed to provide additional information to your Committee regarding the strengths and weaknesses of each option.

During the review of the management letter regarding internal control weaknesses, the Treasurer stated that the landfill receivables have decreased from \$750,000 to \$250,000 over the past year. The corrective action measures that have been taken include monthly monitoring of the landfill accounts receivables, termination of accounts that are delinquent over 60 days, and monitoring of the larger accounts. She also noted that two of the larger delinquent accounts have been terminated.

Your Committee recognized the Department of Finance for receiving the Certificate of Achievement for Excellence in Financial Reporting for the CAFR from the Government Finance Officers Association for 20 consecutive years.

Your Committee voted to recommend filing of the communication.

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Your Budget and Finance Committee RECOMMENDS that County
Communication No. 04-27 be FILED.

Adoption of this report is respectfully requested.

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G. RIKI HOKAMA **Chair**

DANNY A. MATEO **Member**

WAYNE K. NISHIKI **Vice-Chair**

MICHAEL J. MOLINA **Member**

ROBERT CARROLL **Member**

JOSEPH PONTANILLA **Member**

JO ANNE JOHNSON **Member**

CHARMAINE TAVARES **Member**

DAIN P. KANE **Member**