

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

April 20, 2018

**Committee
Report No. _____**

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 March 28, 2018, makes reference to County Communication 18-30, from the County Auditor, transmitting a report, entitled "COUNTY OF MAUI, STATE OF HAWAII COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017," prepared by the County's designated independent auditor, N&K CPAs, Inc.

Your Committee notes Section 9-13, Revised Charter of the County of Maui (1983), as amended, requires the County Auditor to conduct or cause to be conducted an annual independent audit of the County's accounts and other evidences of financial transactions of the County and its operations. The County Auditor designated N&K CPAs, Inc. as the County's independent auditor for the Fiscal Year ("FY") 2017.

Your Committee further notes the independent auditor had an unmodified opinion on the County's financial statements, meaning the financial statements present fairly, in all material aspects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the County as of June 30, 2017.

Your Committee noted the Comprehensive Annual Financial Report ("CAFR") states the County's net position increased from \$597,045,000 at the end of FY 2016 to \$605,728,000 at the end of FY 2017. The FY 2017 levy of real property taxes was \$273 million, an increase of approximately \$23 million from FY 2016. The County's Capital Assets totaled approximately \$1.13 billion in FY 2017.

The County Auditor said the latest report on the County's unfunded liabilities for employee pensions and healthcare grew from over

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\$750 million to approximately \$910 million. The County Auditor stressed the importance of paying down the unfunded liabilities to avoid placing the burden on future generations.

Your Committee noted the CAFR states the County expects reimbursements from the Federal Emergency Management Agency for expenditures related to the Iao Valley flood that occurred in September 2016. The Director of Finance said the County reports pending reimbursements as receivables upon receipt. Both the County Auditor and the independent auditor said there are no problems with the County's reporting of the reimbursements.

Your Committee further noted the Administration's goal is to diligently fund the Emergency Fund to a level equal to 20 percent of the annual General Fund expenditures. While there is no mandate to transfer funds to the Emergency Fund or to maintain a certain balance, the Director of Finance reported the current balance in the Emergency Fund is about 10.36 percent of the General Fund expenditures.

Your Committee voted 9-0 to recommend filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Atay, Carroll, Cochran, Crivello, Guzman, King, and Sugimura voted "aye."

Your Budget and Finance Committee RECOMMENDS that County Communication 18-30 be FILED.

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



RIKI HOKAMA, Chair