

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

August 5, 2016

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 July 14, 2016, makes reference to County Communication 16-123, 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 Office of the Auditor, State of Hawaii, to audit the schedule of allocations of the State Employees' Retirement System, as required by Governmental Accounting Standards Board Statement 68, for the Fiscal Year ended June 30, 2015. The Memorandum of Understanding authorizes the payment of \$3,900 by the County of Maui for this purpose.

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, annual independent audits of County financial statements are conducted. The audits are referred to as Comprehensive Annual Financial Report ("CAFR") audits.

The Director of Finance said the audit of the schedule of allocations of the ERS is needed to complete the annual CAFR for the County. He explained the County's independent auditor requires reliable ERS data prior to conducting its review of the CAFR. Obtaining

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information compiled by the ERS actuary and audited by the ERS independent auditor will meet this requirement.

The actuarial information for the Fiscal Year ended June 30, 2015, is received from Gabriel, Roeder, Smith & Company, the actuary for the ERS. The information is then provided to KPMG LLC, the auditor for the ERS, to conduct the audit of the schedule of pension amounts and other information.

The Director further said the County's cost of \$3,900 for the audit is determined by the number of employees on the payroll.

Your Committee voted 7-0 to recommend passage of the revised proposed bill on first reading and filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Baisa, Carroll, Cochran, Crivello, and Victorino voted "aye." Committee members Couch and Guzman were excused.

Your Budget and Finance Committee **RECOMMENDS** the following:

1. That Bill _____ (2016), 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 16-123 be FILED.

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



RIKI HOKAMA, Chair

bf:cr:16073aa:mmy

ORDINANCE NO. _____

BILL NO. _____ (2016)

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 audit of the County of Maui Comprehensive Annual Financial Report requires the ERS schedule of allocations be audited in accordance with Governmental Accounting Standards Board Statement No. 68. The auditor that has been contracted by the Office of the Auditor, State of Hawaii, to audit the ERS, is willing and able to audit the ERS schedule of allocations for the fiscal year ending June 30, 2015, as it relates to the County of Maui for an additional fee. The Memorandum of Understanding ("MOU"), attached hereto and incorporated herein as Exhibit "1," places a financial obligation on the County and is intended to be executed between the County and a State agency. The Department of Finance and the County Auditor have reviewed terms of the MOU and find the terms and conditions therein to be acceptable.

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:



JEFF UEOKA

Department of the Corporation Counsel
County of Maui

2016-0575/2014-3082

BF-73 2016-07-13 Ordinance-
Intergovernmental Agmt Ofc of the Auditor

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is effective the _____ day of _____, 2016, 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, 2015, 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: _____
Leslie H. Kondo
State Auditor

By: _____
Alan Arakawa
Mayor

DATE: _____

DATE: _____

By: _____
Danilo F. Aagsalog
Director of Finance

DATE: _____

APPROVED AS TO FORM:

Deputy Corporation Counsel