

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 18-31, from the County Auditor, transmitting a report, entitled "DEPARTMENT OF WATER SUPPLY COUNTY OF MAUI (A Proprietary Fund of the County of Maui) FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORT Fiscal Years Ended June 30, 2017 and 2016," prepared by the County's designated independent auditor, N&K CPAs, Inc.

Your Committee notes the independent auditor has an unmodified opinion of the financial statements of the Department of Water Supply ("Department"). The independent auditor's representative explained an unmodified opinion means the statements that were audited fairly and accurately represent the Department's financial position and is the best result possible from an audit.

The audit report states the Department adopted a new accounting principle relating to pension obligations. The adoption of the new accounting principle, as noted in Note 13 of the report, resulted in the reclassification of payments made by the Department to satisfy employee contribution requirements that were previously deferred. These changes have been applied retroactively by restating the financial statements of the Department as of June 30, 2016. The representative said the change did not have any impact on N&K's opinion of the financial statements.

The audit report also states the Department has omitted its discussion and analysis of the statements, the schedules of proportionate share of net pension liability, contributions, and funding progress that accounting principles generally accepted in the United States require to be presented to supplement the financial statements. The representative said

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the omission of this information is acceptable, but the Governmental Accounting Standards Board requires the independent auditor to state in the report that the information was omitted. The omission of this information had no impact on the independent auditor's opinion of the financial statements.

Your Committee notes the Department's total assets and deferred outflows of resources increased from \$405,548,229 in Fiscal Year 2016 to \$435,651,435 in Fiscal Year 2017. The representative said the increase to the Department's total assets and deferred outflows of resources is based on approximately \$10 million related to pensions and approximately \$20 million for investments in property and equipment.

The representative said the Department accounted for approximately \$72.5 million of the County's cash and investment pool in Fiscal Year 2017. The Director of Finance said the funds from the Department combined with other County funds are used for various County investments. The Director said he will consult with the Department to determine the appropriate level of funding from the Department for investment purposes.

The Director said the County's Investment Policy does not specify the amount of funds to be used for investment purposes or the cash balances that should be maintained in the Water Fund.

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 18-31 be FILED.

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



RIKI HOKAMA, Chair

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