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COUNTY OF KAUAI  
BOARD OF WATER SUPPLY  
SPECIAL BOARD MEETING

Thursday, December 8, 2011

8:11 - 8:42 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter

## 1 APPEARANCES

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## BOARD MEMBERS:

Larry Dill

Michael Dahilig

Daryl Kaneshiro

Roy Oyama, Chair

Clyde Nakaya

## STAFF:

David Craddick

Andrea Suzuki, Deputy County Attorney

Marites Yano

Faith Shiramizu

Dustin Moises

Keith Aoki

Gregg Fujikawa

William Eddy

Ron Rawls, Kauai County Auditor

## SPECIAL GUESTS:

James Nakayama

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SPECIAL BOARD MEETING

CHAIRMAN OYAMA: It's 8:11. So we'll call the meeting to order. It's a special board meeting, Department of Water, County of Kauai, we're in the Second Floor, Micro Lab Building, and it's 4398 Pua Loke Street, Lihue, Kauai 96766. Today is Thursday, December the 8th, 2011, and it's a special board meeting. It's called to order. Can we have the roll call, please?

MS. BEARDMORE: Good morning, Mr. Chair. Mr. McCormick will be unable to attend this morning's meeting.

Roy Oyama.

CHAIRMAN OYAMA: Here.

MS. BEARDMORE: Mike Dahilig.

MR. DAHILIG: Present.

MS. BEARDMORE: Larry Dill.

MR. DILL: Here.

MS. BEARDMORE: Daryl Kaneshiro.

MR. KANESHIRO: Here.

MS. BEARDMORE: Clyde Nakaya.

MR. NAKAYA: Here.

MS. BEARDMORE: Randall Nishimura.

We have quorum.

CHAIRMAN OYAMA: Thank you very much. Okay. So we will start with the acceptance of the

1 agenda.

2 MR. DAHILIG: Move to approve, Mr. Chair.

3 CHAIRMAN OYAMA: Thank you very much.

4 MR. KANESHIRO: Second.

5 CHAIRMAN OYAMA: Seconded by Mr. Kaneshiro.

6 Any more discussion?

7 If not, all in favor say aye.

8 Opposed no.

9 Motion carried. Thank you.

10 So we're on D, New Business, No. 1, Review of  
11 Auditor Financial Statements, FY2011.

12 We have James Nakayama here. Please come up.  
13 Thank you.

14 MR. NAKAYAMA: Good morning, everyone. My  
15 name is James Nakayama. I'm a senior manager with KMH,  
16 LLP. I'm here to present the audited financial  
17 statements of the Department of Water, County of Kauai,  
18 as of June 30, 2011 and 2010.

19 First of all, I want to start off by being very  
20 appreciative of being renewed for another three years  
21 with the department. We've been working for a long time  
22 with the department and always appreciate when we have  
23 an opportunity to continue working with the department  
24 as well.

25 To start off, to give you an idea of what -- I

1 think an agenda has been passed out to you today. Just  
2 to kind of give you a highlight, we're going to go  
3 through the basic financial statement, talk about our  
4 opinion and some of the highlights, if you will, of the  
5 financial statement.

6 If there's any point at which you want to have  
7 questions, feel free to stop me at any point in time.

8 I'll also go through some required  
9 communication regarding the audit, in particular talking  
10 about some of the significant adjustments that are more  
11 of the nonrecurring nature as we usually have quite a  
12 bit of recurring adjustments, but I wanted to talk about  
13 some significant adjustments that we encountered during  
14 this year's audit.

15 And, of course, any questions thereafter we can  
16 cover at the end the meeting here.

17 So you should have all received the final  
18 report regarding the department's financial statements.  
19 And the biggest difference this year, you're going to  
20 find, is that we split the report into two pieces.  
21 Before it was one piece where it included the single  
22 audit reports and GAGAS reports as we audit under  
23 generally accepted government auditing standards. Those  
24 reports will be covered.

25 Unfortunately, we could not have them ready for

1 you today. But in the light of trying to expedite the  
2 numbers, we wanted to make sure that we get the  
3 financial single audit done, and that has been completed  
4 for you folks.

5 As far as financial statement highlights go,  
6 the qualified opinion is something we had encountered  
7 this year, and we wanted to talk about that first. If  
8 we turn to the third page that has the KMH letterhead.

9 Qualified sounds like a good thing, but  
10 unfortunately it's not. It means that there's a  
11 modification for our opinions this year because of the  
12 departure from generally accepted accounting principles.  
13 And let me talk about a little bit of the background in  
14 this.

15 Every year for the past three or four years the  
16 department has been complying with GASB 40 -- I believe  
17 5, which is changing the way they account for their  
18 proposed retirement benefits.

19 And prior to that, what was happening is that  
20 for -- these are for medical premiums, insurance  
21 premiums for retirees. And before what was happening is  
22 that the department would pay on a pay-as-you-go basis.  
23 And essentially you pay the EUTF, which is -- it's like  
24 where all the counties and the state basically work with  
25 the EUTF to basically pay for the retirees' premiums and

1 so forth.

2 And what happened with the change in the rule  
3 is that instead of just paying it as it becomes due, the  
4 idea is technically they should be earned as the people  
5 are actually working.

6 So, therefore, the rule has changed such that  
7 you need to be accruing the expense as people were  
8 earning them.

9 Also, you had all these employees that are  
10 currently working, you have past service obligations you  
11 need to accrue as well.

12 And so instead of trying to suddenly accrue a  
13 huge liability on both the county and the department,  
14 basically the government accounting standards allow them  
15 to amortize that over a certain period of time. I  
16 believe in the department's case it's 20 years, if I'm  
17 not mistaken.

18 But what's happening is that -- it's important  
19 that the liability that is being incurred by the  
20 department every year is -- first of all, actuarially is  
21 that the actuary comes in and determines based on the  
22 employee base what the liability is.

23 But the extinguishment of that liability is  
24 important because what happens is that you want to make  
25 sure that if you do pay the money that the employees

1 will actually get them. So they have certain rules  
2 depending on where you put the money in the trust fund,  
3 for example, which is where the monies have to meet  
4 certain requirements.

5           What was determined in November of 2011, the  
6 state actually notified -- and we got it maybe  
7 secondhand via the county -- that the trust fund did not  
8 technically meet the requirement as the trust fund is  
9 irrevocable. And therefore, under accounting rules you  
10 could not consider those pre-funding contributions, if  
11 you will, as something that offsets your liability.

12           I mean, you still get credit for them, but in  
13 essence, you don't get to reduce your liability for it  
14 on your balance sheet and you still need to have the  
15 liability sitting on your books for that portion.

16           And so it doesn't change your P&L or the net  
17 assets for the department. It basically is a gross out  
18 of your assets and your liabilities.

19           The understanding we have from the EUTF via a  
20 copy of a letter we obtained was that their plan is to  
21 look to introduce legislation that will basically change  
22 the technicality so such that going forward you will not  
23 have this issue from the accounting standpoint. Or as  
24 of today, technically it should be recorded that way.  
25 But what the department and, I think, the county as well



1 has elected to do as they kind of discussed this issue  
2 -- it, again, arises very 11th hour here. That they  
3 decided not to make any accounting changes because they  
4 believe it's going to eventually come back.

5 But from an opinion standpoint because  
6 accounting-wise it's just technically wrong, we have to  
7 qualify our opinion just for that.

8 So what our opinion says, if you look at the  
9 fourth paragraph there, that's where we have basically a  
10 modification of our opinion that highlights to any  
11 reader of the financial statement that except for this  
12 particular area where we see that you would have to  
13 gross out the balance sheet by approximately  
14 1.4 million.

15 Otherwise, everything else -- there are no  
16 material differences that we noticed. Otherwise, it was  
17 a clean audit.

18 But there's different ways we do the  
19 qualifications, but this is what specifically there is.  
20 It was just a technical departure from GASB, and  
21 ultimately it's large enough for us to qualify for this  
22 significant amount.

23 MR. KANESHIRO: I have a question.

24 CHAIRMAN OYAMA: Sure.

25 MR. KANESHIRO: The county practice has

1 always been to fund it ahead of time, right?

2 MR. NAKAYAMA: Correct.

3 MR. KANESHIRO: So what I understand now,  
4 you're saying that the practices that the county used to  
5 do previously because, as you remember, I was a council  
6 member, and we used to always -- was proud of that, that  
7 we had the money funded in there because there were  
8 other counties in the state that got into problems when  
9 they probably did not do that.

10 MR. NAKAYAMA: Right.

11 MR. KANESHIRO: So with this new thing that  
12 came about now, you're saying that that practice is no  
13 more?

14 MR. NAKAYAMA: No. I think all this is  
15 that the liability that -- what the ideal thing is when  
16 you pay that amount off is that you take the liability  
17 off the department's books, meaning that you kind of  
18 fulfilled that liability based on using that. All that  
19 means is that the liability still exists there, but you  
20 still have credit for those assets.

21 So the idea is that there's still -- the ideal  
22 situation is to try to pre-fund them as much as possible  
23 according to that. Unfortunately, the accounting at  
24 this point is because the trust fund doesn't meet the  
25 rules of accounting standards. It has to be accounted

1 for this way.

2 And again, the department has chosen to not  
3 make any changes as of yet because the understanding is  
4 that the state will take the appropriate action to try  
5 to fix the problem and ultimately get it back to where  
6 it should be.

7 But you're correct. I mean, it is something  
8 that the state and the counties do struggle to fund, and  
9 it's always a year-to-year thing because it is  
10 increasing as the discount rate, the substance change.

11 MR. KANESHIRO: All right. Thank you.

12 MR. DAHILIG: So essentially what you're  
13 saying is that this qualification is pretty much going  
14 to be applied to all the accounting audits for all the  
15 counties and the state?

16 MR. NAKAYAMA: My understanding is that the  
17 other counties -- their auditors have decided not to  
18 qualify for whatever reason. Each auditor has their own  
19 opinions on how they apply it.

20 For us, I think we looked at the size of it,  
21 and said -- you know, we went through the options and  
22 worked with the department to figure out, is there any  
23 negative impact of this qualification.

24 And the feedback I got, understanding, was that  
25 it would be okay. And obviously it's not the ideal

1 situation, but it wouldn't create any problems from the  
2 department's standpoint.

3           Ultimately this then rose up to the county and  
4 then they reassessed, and I haven't seen their final  
5 draft, and I'm not sure where they stand. But my  
6 understanding is that they were going to qualify it.

7           CHAIRMAN OYAMA: Any more questions?

8           MR. CRADDICK: I don't have any.

9           MR. NAKAYAMA: So that's the opinion  
10 paragraph that we wanted to go through.

11           On the financial statements themselves, if you  
12 turn it page nine. I'm going to get back to water sales  
13 in a little bit, but the one thing I do want to kind of  
14 point out is that I think, as you have seen in last  
15 year's financial statement, the Build American Bonds  
16 came in, and those significantly increased your debt.

17           However, you didn't see an impact on each of  
18 the expenses fully until this year, '11. So that's why  
19 we look at, maybe a third from the bottom, interest  
20 expense, net of amounts capitalized, you'll see is  
21 significantly higher than the previous year. And I just  
22 wanted to point that out to the board.

23           And with regards to the footnotes themselves,  
24 on page 29, footnote 9a, that last paragraph in that  
25 section is further discussion regarding the situation we

1 just talked about regarding the OPEB.

2 Are there any questions in regards to the  
3 financial statements?

4 If not, if you could turn back to page nine.  
5 So as you can see, water sales for 2010 to '11 went from  
6 18.7 to 19.8 million. And when we first got the  
7 adjusted numbers, we had not -- you know, this is after  
8 all of our adjustments. What we had previously seen is  
9 that the unadjusted numbers provided to us was closer to  
10 \$21.4 million.

11 And when we obtained that and asked management  
12 what the reasons for that, we couldn't get a good  
13 explanation. And so that caused us some concern going  
14 into that, and we worked with management and the  
15 department here to ultimately try to figure out what was  
16 the cause of the difference. And there were some  
17 adjustments that came through as I've kind of  
18 highlighted on our agenda.

19 And then the adjustments -- excuse me. I'm  
20 going through 8, double I, there. But it related to the  
21 fire service customers' issue that came up ultimately  
22 determined. And what happened was my understanding, and  
23 hopefully David can correct me if I'm wrong here, but as  
24 of July 1st, 2010, so the beginning of fiscal year '11,  
25 there were changes to the billings for fire service

1 lines, which are, I'm assuming, mostly for commercial  
2 customers that have a detection check meter. And  
3 ultimately even though they have a certain meter size,  
4 they have a smaller meter -- actual 5/8s meter sitting  
5 on top of it to read any actual flow coming out of  
6 there.

7           And the rule changes were put into place, in my  
8 understanding, so that it would kind of prevent people  
9 from abusing those lines. They're, of course, meant to  
10 be only used in case of fires, but some people are using  
11 them for other reasons. And therefore, the rule changes  
12 were put into place for fairly -- there's a multiple put  
13 on there as far as if you have a situation, then you  
14 have a multiplier of any water being used, I think the  
15 number was 164 times.

16           So changes were made at the Board of Water  
17 Supply billing system to allow for this. As the year  
18 went by, several customers did see very high increases  
19 in their bills. And obviously, nobody likes to see  
20 that, did complain. Some were caused by leaks, some  
21 were caused by some abuse that was occurring out there.

22           But as the department -- as we kind of dug  
23 further, the department did realize, though, that there  
24 was an issue with the billings with regards to this  
25 where even though they had done -- they had made the

1 adjustments to do the multiplier, they had not made the  
2 adjustments to put them in the right, I would say meter  
3 size, if you will, meaning that if it's a 5/8-inch meter  
4 and they were billing on a 8-inch line, they should have  
5 been using the -- instead of the 5/8 block rate, should  
6 have been using the 8-inch blocks.

7           And because of that, by keeping it at the 5/8s,  
8 they immediately moved to the next box where they  
9 quickly end up paying rates essentially double of what  
10 they would have paid if it was billed at the 8-inch  
11 rate.

12           And so from that standpoint it was an  
13 unintended consequence of doing this change, and I think  
14 there was even a subsequent rule change that was being  
15 proposed to try to clarify this, that ultimately to make  
16 sure that was going to happen. But ultimately as the  
17 customers here that were essentially paying -- you know,  
18 being penalized too much.

19           And it affected the department a couple ways in  
20 the adjustments. Obviously, if you look at number one,  
21 there's an adjustment for the contested billings. So  
22 they already knew about those and they knew that they  
23 were going to have to adjust those. So there's 132,000.

24           Then there's folks who actually did pay or in  
25 the process of paying. So that is the second one, you

1 know, they're working with Tess and trying to identify  
2 who these customers are. That's another 288,000. And  
3 ultimately there's going to probably be a little bit  
4 more in that credit.

5 Even though we end at June 30, 2011, ultimately  
6 there's going to be some adjustments going to have to be  
7 done thereafter where we know that they used water  
8 related to the service lines. It's not a lot of  
9 customers, but ultimately there are some people that  
10 have used it.

11 And my understanding is the best way to do this  
12 is working with the Board of Water of Kauai to rerun  
13 their billings with what the actual amounts would have  
14 been had it been applied using the 8-inch rate.

15 But for the purpose of the audit, we couldn't  
16 wait for that. Ultimately we had to go by an estimate.  
17 We worked with management to determine that 50 percent  
18 was kind of the rate that we would use as it applied to  
19 each of the customers. And these are the amounts that  
20 kind of resulted from that.

21 So ultimately more work still has to be done.  
22 This is just from an audit standpoint being adjusted  
23 for.

24 The bigger number you see on No. 3 there is for  
25 the unbilled revenue numbers. What also happened with



1 the multiplier is that -- I'm not sure if all of you are  
2 familiar with the unbilled revenue deed, but what the  
3 Department of Water does every year is make sure they  
4 have a full year's worth of revenue irregardless of when  
5 the meters are read. Estimates are taken automatically  
6 through the Board of Water Supply billing system where  
7 they ultimately spit out -- based on six months of past  
8 usage or three billing cycles, they estimate what the  
9 bill would be for those days that have been unbilled, if  
10 you will. And they come up with a number.

11           Unfortunately, the fire service lines also --  
12 you can imagine with the multipliers and then the rates  
13 also basically increase the unbilled revenues  
14 overstating them by \$1.3 million as we determined.

15           So that is something -- it's purely for  
16 financial reporting purposes where ultimately show the  
17 revenues in the right period, because there's no -- this  
18 is, mind you, not real billing to customers. This is  
19 just an accounting estimate done at year end that gets  
20 reversed in the next period. But it's still important  
21 because we're will trying to get the revenues in the  
22 right year.

23           And had this adjustment gone through -- or not  
24 have been done, you probably would have recognized too  
25 much revenues in 2011, and then probably have a

1     shortfall in 2012 as part of the result. So that's kind  
2     of the ramification of that.

3             So ultimately we're then left with -- the full  
4     adjustments are about 1.7 million. There's still, as  
5     you see on the financials, about a one million increase  
6     in water sales.

7             And as auditors when we see this kind of issue  
8     is to make sure that's all there is. I think we want to  
9     make sure that we have identified all the adjustments.  
10    Working with the department they were able to provide  
11    analytics based on customers -- the number of customers  
12    where they knew there were increases in service charges  
13    and service fees and were able to identify and support  
14    the million dollar increase in water sales as presented  
15    to you. So we felt comfortable ultimately that the  
16    numbers that you see on these financial statements are  
17    correct.

18            So I know it's a pretty long discussion there,  
19    but ultimately we did a resolution of this. But as you  
20    can see, it's not something that we would like to have  
21    happen, you know. It's something significant for the  
22    audit itself. We wanted to bring people's attention to  
23    it because it's not a normal thing to occur.

24            Obviously, some of this will be discussed  
25    further as you talk about internal controls the next

1 time around. Of course, we could talk to you about it  
2 today, but as you can imagine, this issue will be part  
3 of that discussion. So we'll talk a little bit more  
4 about that later.

5 But if you have any questions right now about  
6 the adjustments.

7 CHAIRMAN OYAMA: Any questions?

8 MR. NAKAYA: Basically you're saying these  
9 adjustments, if we have better internal controls, this  
10 wouldn't have happened or?

11 MR. NAKAYAMA: Well, the idea is that if  
12 you have better internal controls, managers should be  
13 able to identify this issue before it gets to us. I  
14 think there are sometimes beliefs that auditors are  
15 meant to catch everything. And I believe management  
16 controls should catch, you know, these numbers  
17 themselves. Obviously, we're there to check that. But,  
18 you know, this is something that should have been  
19 caught.

20 CHAIRMAN OYAMA: Anything else?

21 MR. NAKAYAMA: Other than that -- I mean,  
22 these are just the significant adjustments. On top of  
23 that, in the portion above that, which I want to  
24 mention, is also on page seven. If you turn back a  
25 couple pages. It's more of a timing thing. If this

1 went to accrue the allotment from the State of Hawaii,  
2 and based on the accounting rules, that allotment should  
3 have been picked up in 2011. This is 2012. So you see  
4 the receivable there on the third line under Receivables  
5 caption, due from the State of Hawaii of 1.4 million.  
6 So that was picked up in 2011. Okay.

7 MR. CRADDICK: When you say it was picked  
8 up, picked up on the books in 2011, but collected in  
9 '12.

10 MR. NAKAYAMA: Yes, that's why it's  
11 receivable as of year end. So it was paid within the  
12 next month, I believe. The county rules for that is  
13 usually -- you may be appropriating monies but you would  
14 never accrue it based on that because that doesn't mean  
15 you're actually going to get them, but once there's an  
16 allotment being made at this point we say, yes, the  
17 money, of course, is received.

18 Any other questions or discussion on the  
19 financials themselves?

20 MR. DAHILIG: David, after you're done with  
21 the presentation.

22 MR. NAKAYAMA: Otherwise, again, I wish I  
23 could -- we like do it all at once usually. But just  
24 because of timing, we wanted to get this first. And  
25 then I know that on the agenda this seems a lot, but

1 that is currently not available at this point.

2 CHAIRMAN OYAMA: Okay. Very good. Any  
3 more questions? We would like to adjust our No. 2,  
4 review of single audit report. Okay.

5 MR. NAKAYAMA: Thank you.

6 CHAIRMAN OYAMA: Thank you very much.

7 MR. DAHILIG: I have just one more  
8 question.

9 CHAIRMAN OYAMA: All right.

10 MR. DAHILIG: David, just to be clear,  
11 because we are kind of operating in two realms here and  
12 we don't have any internal controls to cross reference  
13 this financial statement. But are you -- will you be  
14 raising any objections or do you concur with whatever is  
15 included in the auditor's report in terms of what is  
16 being presented? Do you concur?

17 MR. CRADDICK: The short answer is yes.  
18 But on the retirement thing, I did talk with some board  
19 members to kind of get some advice there. What it  
20 really comes down to is, did you want to have this ready  
21 for the county?

22 And by qualifying the audit -- if we were going  
23 to do a borrowing this next year, I don't think I would.  
24 I would have told the county to forget it. We're going  
25 to wait until this issue is resolved. But because we

1 weren't, you know, I doubt that we could go along and  
2 concur with the auditors. But board members -- some  
3 board members I talked to them, so we're presented now  
4 with a document that we can send on to the county if the  
5 board accepts it today, and they can complete their  
6 audit in a timely manner.

7           And the other issue is what the fire lines  
8 mean. I mean, we probably should have maybe done a  
9 little bit more work to have James up to speed when we  
10 got the data. But as you know, we definitely recognized  
11 the problem earlier. We did a rule change. The rule  
12 change is in place.

13           And we still have not got it implemented with  
14 Honolulu Board of Water Supply because they're going  
15 through the process of switching over to the new billing  
16 system. And now they've deferred that now from April to  
17 July. So I'm going to try and push it through, I guess,  
18 the existing system and get it in so we can get all  
19 these billing corrected. We just can't go on into  
20 another year ending with it the way it is. That's for  
21 sure.

22                   CHAIRMAN OYAMA: Okay.

23                   MR. DAHILIG: Good.

24                   CHAIRMAN OYAMA: Very good. Thank you very  
25 much.

1           Okay. Board members, action on this item?

2           MR. DAHILIG: What is the required action  
3 on this item?

4           CHAIRMAN OYAMA: This item, No. 1.

5           MR. DAHILIG: To approve or accept?

6           MS. SUZUKI: I recommend we approve it.

7           MR. DAHILIG: Move whatever she said.

8           CHAIRMAN OYAMA: From what I understand  
9 we're approving this because this would go on to the  
10 county. But the other issue is not done because we have  
11 to defer it and it still needs to go to the county. But  
12 we have to get the in-house problems resolved. That's  
13 what I understand. Right?

14          MR. CRADDICK: That's correct.

15          CHAIRMAN OYAMA: All right. Are we going  
16 to act?

17          MR. DAHILIG: I'll move to approve.

18          MR. KANESHIRO: I'll second.

19          CHAIRMAN OYAMA: Mike move to accept what  
20 the attorney is trying to say.

21          MS. SUZUKI: Mr. Dahilig made a motion to  
22 leave the item and approve it.

23          CHAIRMAN OYAMA: And Mr. Kaneshiro  
24 seconded. Thank you very much.

25                So is there additional discussion for this

1 motion?

2 MR. NAKAYA: Mr. Chair.

3 CHAIRMAN OYAMA: Yes.

4 MR. NAKAYA: I just want to make one  
5 comment. The timing, our year end is June 30th here,  
6 and it took almost six months to get to this. Is there  
7 something we can do to expedite it in the future? I  
8 mean, this is my first audit here. Not to show how last  
9 year was. But it seems like there was enough  
10 information passed on to the auditors to do their job  
11 or? I'm just concerned here. We're kind of scrambling  
12 for time, yeah.

13 MR. CRADDICK: I would say we are  
14 scrambling for time because the accounting staff, a lot  
15 of them including customer service, are all trying to  
16 learn the new system for billing because we really  
17 thought it was going to be implemented in October of  
18 this year. So a lot of their time was focused on that.  
19 And we couldn't just let it drop.

20 But, in fact, you know, it has delayed. And  
21 now when Honolulu passed their own rates, they're now  
22 moving it from April to July. You know, just like that.  
23 So in case of their own, they can do it. And I'm not  
24 grumbling because it's a good service they provide us.  
25 But that's a fact. I mean, a lot of time is going into



1 that.

2 So you have that, the transition of staff going  
3 -- I mean, essentially almost every single position is  
4 new in this last year, people moving up. Not all the  
5 positions are even there. So that's another factor in  
6 there.

7 And I think under the circumstances, we did  
8 pretty good because we still got it done on time. It  
9 was qualified, and that's not good. There's no question  
10 about that, but I think you'll see a vast improvement  
11 for next year.

12 MR. NAKAYA: Going forward?

13 MR. CRADDICK: Yeah.

14 MR. NAKAYA: That's all I ask.

15 MR. CRADDICK: Well, this next month they  
16 will have their last position filled.

17 The issue about the accounting software itself,  
18 hopefully we get that when we get to our IT strategic  
19 plan as we go forward and get that implemented. But  
20 there are still a few issues with that, I would say.  
21 You're probably going to hear about that from the  
22 auditor.

23 MR. NAKAYA: And that's all I'm asking,  
24 going forward we improve our timeliness. And whatever  
25 we can do to assist the county and the county can assist

1 us so the auditors can work on it.

2 MR. CRADDICK: In my mind, I guess, I kind  
3 of see it as just -- remember the movie, The Perfect  
4 Storm, three storms coming in from each side, and it all  
5 coalesces at the time of the audit.

6 I mean, my hat actually goes off to them to  
7 even have pulled it off and get it to this stage at this  
8 point, quite frankly, if you knew all those things that  
9 were going on that hopefully don't continue on.

10 CHAIRMAN OYAMA: Thank you, Mr. Clyde. You  
11 brought up a good point, and David answered it pretty  
12 well. And as the process has gone on, I was going to  
13 read it. I know several members of the board -- or  
14 members of the committee, and they really worked hard to  
15 get it to this point.

16 And I thank the auditors, too, because it's a  
17 good job. It was very cool-headedly handled and got to  
18 the end result. And I say we congratulate everybody for  
19 being so patient. So thank you.

20 Any more discussion or questions?

21 If not, all in favor say aye.

22 Opposed no.

23 Hearing none, motion carried. Thank you very  
24 much.

25 There is no more business. Move for

1 adjournment?

2 MR. DAHILIG: Move.

3 MR. DILL: Second.

4 CHAIRMAN OYAMA: Seconded by Mr. Dill to  
5 adjourn.

6 All in favor say aye.

7 Opposed no.

8 Hearing none, motion carried.

9 Adjournment. Thank you.

10 (Concluded at approximately 8:42 a.m.,  
11 December 8, 2011.)

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1 STATE OF HAWAII            )  
                                  )  ss.  
2 COUNTY OF KAUAI         )

3           I, TERRI R. HANSON, RPR, CSR 482, do hereby  
4 certify:

5           That on Thursday, December 8, 2011, at 8:11  
6 a.m. that the foregoing SPECIAL BOARD MEETING, County of  
7 Kauai, Board of Water Supply, was held;

8           That the foregoing proceedings were taken down by  
9 me in machine shorthand and were thereafter reduced to  
10 typewritten form under my supervision; that the  
11 foregoing represents to the best of my ability, a true  
12 and correct transcript of the proceedings had in the  
13 foregoing matter.

14           I certify that I am not an attorney for any of  
15 the parties hereto, nor in any way concerned with the  
16 cause.

17           DATED this 24th day of December, 2011, in Kapaa,  
18 Hawaii.

19  
20           -----  
21           TERRI R. HANSON, CSR 482  
22           Registered Professional Reporter  
23  
24  
25