

BOARD OF WATER SUPPLY, COUNTY OF KAUAI

On March 16, 2020, Governor David Y. Ige issued a Supplementary Emergency Proclamation related to COVID-19 which suspended Chapter 92 of the Hawai'i Revised Statutes ("HRS"), relating to Public Agency Meetings and Records (commonly referred to as the Sunshine Law) to the extent necessary in order to enable boards to conduct business in-person or through remote technology without holding meetings open to the public. Boards shall consider reasonable measures to allow public participation consistent with social distancing practices, such as providing notice of meetings, allowing the submission of written testimony on items which have been posted on an agenda, live streaming of meetings, and posting minutes of meetings online. No board deliberation or action shall be invalid, if such measures are not taken.

In accordance with the Governor's Proclamations including the stay-at-home order and the Mayor's Proclamations and Emergency Rules, the Board of Water Supply meetings will be conducted as follows until further notice:

- Board meetings will be held via remote technology to be consistent with social distancing practices and stay-at-home orders.
- Board members and/or resource individuals may appear via remote technology.
- Board meetings will continue to be noticed pursuant to HRS Chapter 92.
- Written testimony on any agenda item will continue to be accepted.
 - Written testimony may be submitted to Edie Ignacio-Neumiller, the Commission Support Clerk via email at eineumiller@kauaiwater.org by the close of business the day before the Board meeting is scheduled or mailed to the Board of Water Supply at 4398 Pua Loke Street, Lihu'e, Kaua'i, Hawai'i 96766 with attention to the Commission Support Clerk. The public is asked to please provide sufficient time if mailing in public testimony.
 - Oral testimony may be submitted by leaving a voice message at (808) 245-5412.
 - The Commission Support Clerk will provide electronic copies of public testimony received, if any, to the Board members prior to the start of the meeting.
- Board meeting minutes will continue to comply with HRS Chapter 92 and be posted to the Board's website at http://www.kauaiwater.org/cp_waterboard_agendas.asp.

For more information on COVID-19 and to access the Governor's Proclamations please visit: <https://hawaiicovid19.com/>.

For County of Kaua'i information, including the Mayor Kawakami's daily updates, Proclamations, and Emergency Rules, please visit: <http://www.kauai.gov/COVID-19>.

BOARD OF WATER SUPPLY of the COUNTY OF KAUAI

REGULAR MEETING

Board Room, Second Floor, Department of Water
4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766

Thursday, December 17, 2020
10:00 a.m. or soon thereafter

PUBLIC ACCESS: +1-415-655-0001 United States Toll
Access code: 126 326 8538# Password: 4398#

To listen live to the Regular Board meeting, members of the public may use the public access number and enter the access code. No live public testimony will be received. If members of the public require technical assistance, please contact: informationtechnology@kauaiwater.org

- A. CALL TO ORDER
- B. ROLL CALL
- C. ACCEPTANCE OF AGENDA
- D. MEETING MINUTES
 - Review and Approval of:**
 - Regular Board Meeting – November 19, 2020
 - Special Board Meeting – November 16, 2020
 - Review and Approval of:**
 - Executive Session – November 19, 2020
 - Executive Session – November 16, 2020 – Special Board Meeting
 - Executive Session - November 19, 2020 – Special Board Meeting Continuance
- E. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY
 - 1. Report of the Independent Auditors, Accuity LLP, Department of Water County of Kauai Financial Statement June 20, 2020 and 2019, Dated November 19, 2020
- F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS
- G. OLD BUSINESS
 - 1. Manager's Report No. 20-41 - Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report (*Update*)
 - 2. Manager's Report No. 21-12 - Discussion and Receipt relating to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, As-Needed Engineering Services Indefinite Delivery Indefinite Quantity (*Update*)

H. NEW BUSINESS

1. Resolution No. 21-02 – Farewell to Randal H. Watanabe (Retiree), Pipefitter, Operations Division
2. Manager’s Report No. 21-15 - Discussion and Possible Action to Approve Supplementary Budget for Vacancies on Active Recruitment
3. Chairperson’s Report No. 21-16 – Discussion and Possible Action on Board Policy No. 32, Oral Testimony
4. Manager’s Report No. 21-17 – Discussion and Possible Action for Board Approval on the Eighth Amendment to Contract No. 666 for the Information Technology Support Services with Brio Consulting, LLC for an extension until March 31, 2021 in an additional amount of \$80,000.00

I. STAFF REPORTS MONTHLY

1. Discussion and Receipt of the Kaua‘i County Water Department’s Statement of Revenues and Expenditures
 - a. November Monthly Summary Budget
 - b. Accounts Receivable Aging Summary
2. Discussion and Receipt of the Report by the Information & Education Specialist on Public Relations Activities
3. Discussion and Receipt of the Chief of Operation’s Summary Report on Operational Activities
4. Discussion and Receipt of the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW

J. EXECUTIVE SESSION

Pursuant to Hawai‘i Revised Statutes(HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

1. Pursuant to Hawai‘i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.
2. Pursuant to Hawai‘i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the hiring of a Manager and Chief Engineer where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.

- K. TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING (January 2021)
 - 1. Committee Appointments by 2021 Chair Gregory Kamm for Rules Committee, Finance Committee, Committee of the Whole

- L. TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS
 - 1. Department of Water Performance Audit (Update)
 - 2. Table of Organization Workshop
 - 3. Discussion and Possible Action to establish Fiscal Policies and Procedures
 - 4. Baseyard Master Plan Workshop
 - 5. Employee of the Year Resolutions (*February 2021*)

- M. UPCOMING EVENTS

- N. NEXT WATER BOARD MEETING
 - 1. Thursday, January 21, 2021, 10:00 a.m.
 - 2. Thursday, February 25, 2021, 10:00 a.m.
 - 3. Thursday, March 25, 2021, 10:00 a.m.
 - 4. Thursday, April 22, 2021, 10:00 a.m.

- O. ADJOURNMENT

PUBLIC TESTIMONY

The Board is required to afford all interested persons an opportunity to present testimony on any agenda item. At each Board meeting, the Board will accept oral and written testimony on any agenda item at item E Correspondence/Announcements/Public Testimony.

If any member of the public wishes to submit written testimony, please submit the written testimony to Edie Ignacio-Neumiller, the Commission Support Clerk via email at least two (2) business days prior to the meeting and the Commission Support Clerk will provide copies to the Board members or bring eight (8) copies with you the day of the meeting.

SPECIAL ASSISTANCE

If you need an auxiliary aid/service, other accommodation due to a disability, or an interpreter for non-English speaking persons, please contact Edie Ignacio-Neumiller at (808) 245-5406 or edieumiller@kauaiwater.org as soon as possible. Requests made as early as possible will allow adequate time to fulfill your request. Upon request, this notice is available in alternate formats such as large print, braille, or electronic copy.

Draft Minutes

MINUTES
BOARD OF WATER SUPPLY
November 19, 2020

The Board of Water Supply, County of Kaua'i, met in regular meeting **via remote** in Lihu'e on Thursday, November 19, 2020. Chair Kurt Akamine called the meeting to order at 10:00 a.m. The following Board members were present:

BOARD: Mr. Kurt Akamine, *Chair*
Ms. Julie Simonton, *Vice Chair*
Mr. Troy Tanigawa
Mr. Ka`aina Hull
Mr. Elesther Calipjo
Mr. Lawrence Dill
Mr. Gregory Kamm

Quorum was achieved with 7 members present at Roll Call.

STAFF: Mr. Dustin Moises Mr. Valentino Reyna
(*via remote*) Mr. Michael Hinazumi Mr. Claus Bollmann
Mr. Bryan Wienand Mr. Marcelino Soliz
Mr. Carl Arume Mrs. Mary-jane Akuna
Mrs. Jonell Kaohelauii Mr. Jas Banwait
Board Advisor Steve Kyono Mrs. Marites Yano
Deputy County Attorney Mahealani Krafft

GUESTs: Mr. Eddie Doi, DOW Retiree
Mr. Matthew Oda, Accuity LLP Consultant
Mr. Donn Nakamura, Accuity LLP Consultant

C. ACCEPTANCE OF AGENDA

Mr. Dill moved to accept the Agenda as distributed, seconded by Ms. Simonton; with no objections.

D. MEETING MINUTES

Review and Approval of:

Regular Board Meeting – October 22, 2020

Mr. Dill moved to approve the Regular Board Meeting of October 22, 2020; seconded by Mr. Tanigawa; with no objections, motion carried with 7 ayes.

Review and Approval of the Executive Session:

Regular Board Meeting – October 22, 2020

Ms. Simonton moved to approve the Executive Session of October 22, 2020; seconded by Mr. Kamm; with no objections, motion carried with 7 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY

No voice or written testimonies were received as of November 18th.

F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS (PIG)

None.

G. OLD BUSINESS

1. Manager's Report No. 20-41 - Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report (*Update*)

No update.

G. OLD BUSINESS (cont'd)

2. Manager's Report No. 21-12 - Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00

An updated Manager's Report No. 21-12 was "Received for the Record" (Page 143)

BACKGROUND:

Civil Engineer Mr. Bryan Wienand commented from the last Board meeting, the Department was going to provide a baseline sampling of polychlorinated biphenyl (PCB's) at the site. This information would be used prior for the work at the tank. He has a preliminary estimate from the consultant that is not updated. The Department is working on the estimate for the additional work estimate of \$80,000. The initial proposal would possibly be reduced as a line item of \$40,000 may be eliminated. The Department could move forward to finalize the amendment before the December Board meeting. Amounts listed in the Options are not finalized.

The "as needed" Engineering Services contract could help develop better water quality filtration specs to remove the water in the tank. Funds are available in the contract and the consultant is qualified. An estimate was provided for this service and funds in this contact are approved. He added that this might reduce the contractor's proposed change order.

The Environment Protection Agency (EPA) Region IX representative provided clarification if it was possible to demolish and build a new tank in lieu of remediating the PCB's in the paint and liner (costs have escalated). The representative provided a "Reinterpretation Guidance Document" which allows the entire tank demo to occur without first eliminating the PCB's from the tank. Mr. Wienand said this is important and the Department should do a holistic evaluation of the project again to continue on this path or to pivot to demolish and build a new tank.

Mr. Wienand referred to Option 3 to approve \$292,719.00 in additional funds for the contract to include baseline PCB sampling and testing.

DISCUSSION:

Ms. Simonton asked if the Department has the final impact of construction costs to handle all of the PCB's and water needs to be filtered. Chief of Construction Management Mr. Dustin Moises commented they did not get the Earthwork's cost which was due today regarding the discharge water. Mr. Wienand shared that the primary tank structural consultant is KAI Hawai'i and the "as needed" Engineering Services contract is with Brown and Caldwell. This project deals with the 1) soil, 2) water in the tank and 3) the tank rehab or replacement. Ms. Simonton inquired if Brown and Caldwell could assist with the analysis of the tank remediation vs. demo? Based on procurement, Mr. Wienand said the Department would have to be intentional on how to utilize Brown and Caldwell's services with the existing scope with KAI Hawai'i. Ms. Simonton questioned if KAI Hawai'i is the right fit to guide the Department or if there is needs to be more discussion with Brown and Caldwell. If there are no PCB's in the soil samples, this would be good for the contractor. If PCB's occurs after the remediation, this would be the contractor's liability not the Department of Water's (DOW) responsibility. The \$80,000 insurance policy for testing is worth the investment. Mr. Wienand agreed and the initial proposal from KAI Hawai'i included the physical break where the water would be filtered and drained. That portion of their amendment would be removed in the baseline sampling because it is included in the \$80,000, by removing a \$40,000 portion.

Mr. Dill would allow Mr. Wienand to provide the additional information by deferring this Manager's Report. He asked if there were time pressures to move quickly on the project? Is the Department incurring late charges? Construction is stalled and delay costs will continue to escalate according to Mr. Wienand. Mr. Moises added that last summer when RFI's were processed to be responded by the design team, a stop work order was issued

before they could be mobilized by the crews. To date, there has not been any delay charges and lifted stop work order via a modified stop work order last month so work could be done on the change order for the water discharge on an RFI response. Office overhead costs could incur relating to pricing. The stop work order was to minimize potential costs during the delay which may not be significant. Any costs are documented by the contractor's stop work order. Civil Engineer Claus Bollmann received the stop order cost of \$900,000 for the water discharge, office overhead claims and the contractor are working on the change orders.

Ms. Simonton addressed Mr. Dill and Mr. Wienand to approve just the additional sampling. If the soil comes back with PCB, it shifts the scope of the construction. She suggested to approve up to \$80,000 in additional funds. Mr. Wienand added it could be potential that the original scope could be broken into two amendments but signatures, etc. that could take weeks to execute.

Mr. Dill added if there is new information from the EPA to do a complete demo, he asked if this would have an effect on the PCB testing? According to Mr. Wienand, the PCB testing at the site is the timing. If the tank is demolished, he would need to see how to break out the construction phasing. Would the contract be kept, cancel for convenience or back out again due to phases?

Mr. Dill moved to *defer* to the December Board meeting Manager's Report No. 21-12 - Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

3. Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017

After Executive Session:

Mr. Dill moved to approve Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

H. NEW BUSINESS

1. Resolution No. 21-01 – Farewell to Edward K. Doi (Retiree), Chief of Water Resources & Planning Division

DISCUSSION:

Chair Akamine read Mr. Doi's Resolution and he thanked the Board and County. He served the public and made good relationships during his 35 years with DOW. Mr. Hull thanked Mr. Doi in getting him acclimated with the DOW as a new Board member. Mr. Dill has known Mr. Doi several years and a pleasure to always work with him who was fair, even handed with lots of knowledge. Mr. Doi acknowledged his successor who is easy to work with moving forward. Mr. Wienand expressed Mr. Doi's knowledge that he has given the Department. Chair Akamine added that Mr. Doi comes with wisdom and has supported the Department for many years.

Mr. Hull moved to approve and adopted Resolution No. 21-01 - Farewell to Edward K. Doi (Retiree), Chief of Water Resources & Planning Division; seconded by Mr. Tanigawa; with no objections, motion carried with 7 ayes.

2. Manager's Report No. 21-13 - Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Year 2020 and 2019

DISCUSSION: (Refer to Board packet for details)

Guest Accuity consultants Mr. Matthew Oda and Mr. Donn Nakamura thanked the Board and Waterworks Controller for running a smooth audit. Their opinion was presented to the Department with a clean unmodified opinion as of June 30, 2020 and 2019 (Page 41). Mr. Oda presented a quick overview of the Report of the Independent Auditors from Pages 41 to 93.

Mr. Dill referred to Page 60, GASB Statement No. 87 – is effective after June 2021; Statement No. 95 states postponement effective date by 18 months, which Mr. Oda said that 2021 is inclusive of the 18 months. Since the effective date is June 2021, *the Department needs to make sure and be ready for the next fiscal year (Periods July 1, 2021 or FY ending June 30, 2022).*

Information Technology General Controls (Page 96) – Turnovers in IT; there were deficiencies in the Departments controls. Correction Action Plan for IT is listed on Page 102.

Mr. Donn Nakamura gave his presentation on the Required Communications on Pages 30 – 37 of the report. GASB Statement No. 89 was adopted this year with no impacts to the Department. The Audit Plan for June 30, 2021 – Timeline listed on Page 37.

The final Financial Statement will be transmitted to the County of Kauai by November 23, 2020.

Mr. Dill moved to receive and approve Option 1 in Manager's Report No. 21-13 - Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Year 2020 and 2019; seconded by Mr. Kamm; with no objections, motion carried with 7 ayes, Roll Call: KA, JS, KH, LD, GK, TT, LC

Option 1 - It is recommended that the Board receive and accept the DOW's Financial Statements as of June 30, 2020 and 2019 with the accompanying Independent Auditor's Report as presented.

3. Manager's Report No. 21-14 – Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00

Updated Manager's Report No. 21-14 was "Received for the Record" (Page 148)

BACKGROUND:

Mr. Wienand is working with the consultant to finalize an amendment on the redesign and intent. A recommendation he suggested was to provide renderings or concept sketches of the finalized redesign for the owner to review prior to visualize the final outcome; part of the amendment. There are two options to address the storm water runoff. Mr. Wienand is working with the consultant on the Public Works requirements. Funds could be approved because there is an estimate from the consultant.

DISCUSSION:

Chair Akamine and Civil Engineering Mr. Keith Aoki planned to walk the site with Mr. Esaki to informally discuss the plan to work on concerns before the designs. If the Board approves the estimate of \$45,000, it would allow the design to continue by the next Board meeting. Mr. Wienand agreed and once an amendment is agreed upon, the funds would already be approved prior to December. Mr. Dill wanted to defer this item until after Executive Session.

After Executive Session:

Mr. Dill moved to approve *Manager's Report No. 21-14* – Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

4. Election of Officers for 2021

DISCUSSION:

Mr. Hull nominated Mr. Gregory Kamm as Chair.

Mr. Hull nominated Mr. Kurt Akamine as Vice Chair.

Mr. Hull nominated Ms. Julie Simonton as Secretary.

Ms. Simonton closed the nominations for Chair, Vice Chair & Secretary; seconded by Mr. Dill; with no objections, motion carried with 7 ayes.

Ms. Simonton moved to approve Officers for 2021: *Chair*, Gregory Kamm; *Vice Chair*, Kurt Akamine & *Secretary*, Julie Simonton; seconded by Mr. Tanigawa; with no objections, motion carried with 7 ayes.

5. Board Meeting Dates for 2021

Received for the Record

I. STAFF REPORTS MONTHLY

1. Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures
 - a. October Monthly Summary Budget
 - b. Accounts Receivable Aging Summary

BACKGROUND:

Waterworks Controller Mrs. Yano thanked her staff in Billing and Accounting on the Financial Statements Audit for a clean audit. She also acknowledged the other divisions on the audit.

Received for the Record

2. Discussion and Receipt of the Report by the Information & Education Specialist on Public Relations Activities

BACKGROUND:

Information & Education Specialist Mrs. Jonell Kaohelaulii said there were no major highlights this month.

Received for the Record

3. Discussion and Receipt of the Chief of Operation's Summary Report on Operational Activities

BACKGROUND:

Mr. Valentino Reyna highlighted the following:

1. Overtime – June, July, August increased; October OT tapered off. The first 18 days in November, OT started treading down. OT budget has already been consumed for this fiscal year. Mr. Reyna gave kudos to the Operations crew for a lot of overnight calls with no complaints.

Received for the Record

4. Discussion and Receipt of the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW

Chair Akamine announced that on Monday, November 23rd the Acting Manager and Chief Engineer, Mark Knoff will start and will be sworn in that morning. His duties will commence on Tuesday, December 1st. The permanent manager position interviews are ongoing.

Received for the Record

At 11:13 a.m., Mr. Dill read the Executive Session language.

Chair Akamine and the Board went into Executive Session with no objections.

J. EXECUTIVE SESSION

Pursuant to Hawai'i Revised Statutes(HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

1. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(4), the purpose of this Executive Session is for the Board to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as it relates to Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017.
(Refer to Mgr's Report No. 20-24 for motion)
2. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.
No update.

At 11:28 a.m., Chair Akamine called the Regular Board meeting back to order.

After Executive Session:

Mr. Dill moved to approve Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

After Executive Session:

Mr. Dill moved to approve *Manager's Report No. 21-14* – Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa‘a Homesteads 325’ Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa‘a, with Belt Collins Hawai‘i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

K. TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING (December 2020)

L. TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS

1. Department of Water Performance Audit (Update)
2. Table of Organization Workshop
3. Discussion and Possible Action to establish Fiscal Policies and Procedures
4. Baseyard Master Plan Workshop

N. UPCOMING EVENTS

O. NEXT WATER BOARD MEETING

1. Thursday, December 17, 2020, 10:00 a.m.
2. Thursday, January 21, 2021, 10:00 a.m.
3. Thursday, February 25, 2021, 10:00 a.m.
4. Thursday, March 25, 2021, 10:00 a.m.

P. ADJOURNMENT

Ms. Simonton moved to adjourn the Regular Board Meeting at 11:36 a.m., seconded by Mr. Tanigawa; with no objections.

Respectfully submitted,

Approved,

Edith Ignacio Neumiller
Commission Support Clerk

Elesther Calipjo
Secretary, Board of Water Supply

**SPECIAL BOARD MEETING MINUTES
BOARD OF WATER SUPPLY
Monday, November 16, 2020**

The Board of Water, County of Kaua'i, met in a special meeting via remote in Lihu'e on Monday, November 16, 2020. Chair Kurt Akamine called the meeting to order at 11:01 a.m.

BOARD: Mr. Kurt Akamine, *Board Chair*
Mr. Ka`aina Hull
Mr. Lawrence Dill
Mr. Troy Tanigawa
Mr. Elesther Calipjo
Mr. Greg Kamm

EXCUSED: Ms. Julie Simonton

Quorum was achieved with 7 members present at Roll Call.

STAFF: Mr. Steve Kyono, Board Advisor
Mr. Mike Hinazumi
Mr. Jas Banwait
DCA Mahealani Krafft

C. MEETING MINUTES

D. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY

There were no written or phone message testimonies received.

E. OLD BUSINESS

F. NEW BUSINESS

1. Discussion and Possible Action on the hiring of Manager and Chief Engineer

Mr. Dill read the Executive Session language at 11:06 a.m.

Mr. Dill moved to go into Executive Session and to include Board Advisor Mr. Steve Kyono as resource; seconded by Mr. Hull; with no objections, motion carried.

G. EXECUTIVE SESSION

Pursuant to Hawai'i Revised Statutes (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

1. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the hiring of a Manager and Chief Engineer, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.

H. ADJOURNMENT

Respectfully submitted,

Edith Ignacio Neumiller
Commission Support Clerk

Approved,

Elesther Calipjo
Secretary, Board of Water Supply

Correspondence

Department of Water County of Kauai

Financial Statements
June 30, 2020 and 2019

**Department of Water
County of Kauai
Index**

	Page(s)
Report of Independent Auditors	
Management’s Discussion and Analysis	
June 30, 2020 and 2019	4–9
Basic Financial Statements	
Statements of Net Position	
June 30, 2020 and 2019	10–11
Statements of Revenues, Expenses, and Changes in Net Position	
Years Ended June 30, 2020 and 2019	12
Statements of Cash Flows	
Years Ended June 30, 2020 and 2019	13–14
Notes to Financial Statements	
June 30, 2020 and 2019	15–42
Required Supplementary Information	
Schedule of the Department’s Proportionate Share of the Net Pension Liability	
Last Ten Fiscal Years	43
Schedule of the Department’s Pension Contributions	
Last Ten Fiscal Years	44
Schedule of the Department’s Proportionate Share of the Net OPEB Liability	
Last Ten Fiscal Years	45
Schedule of the Department’s OPEB Contributions	
Last Ten Fiscal Years	46
Supplementary Information	
Schedule I – Supplemental Schedule of Utility Plant in Service	
Year Ended June 30, 2020	47
Schedule II – Supplemental Schedule of Selective Account Classifications	
Five Years Ended June 30, 2020.....	48
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Schedule of Findings and Questioned Costs	
Section I – Financial Statement Finding	
Year Ended June 30, 2020	51–53
Section II – Federal Award Findings and Questioned Costs	
Year Ended June 30, 2020	54
Corrective Action Plan	

Report of Independent Auditors

To the Board of Water Supply
Department of Water, County of Kauai

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Water (the "Department"), a component unit of the County of Kauai (the "County"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of June 30, 2020 and 2019, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and schedule of the Department's proportionate share of the net pension liability, schedule of the Department's pension contributions, schedule of the Department's proportionate share of the net other postemployment benefits ("OPEB") liability, and schedule of the Department's OPEB contributions on pages 43 through 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying Supplemental Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplemental Schedules I and II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information in Schedules I and II is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 2, the basic financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the County as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
November 19, 2020

Management's Discussion and Analysis

Department of Water

County of Kauai

Management's Discussion and Analysis

June 30, 2020 and 2019

The Department of Water, County of Kauai (the "Department") is a semiautonomous agency consisting of a Board of Water Supply Manager and Chief Engineer, and support staff. The Board of Water Supply is responsible for the management, control and operation of the County of Kauai's water system. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- Total assets and deferred outflows at fiscal year-end ("FY") June 30, 2020 were \$302.5 million ("M") and exceeded liabilities and deferred inflows by \$198.3M.
- Total net position at June 30, 2020 had a positive net change of \$167.5 thousand ("K"). The current year's income (loss) before contributions of (\$3.3M) and capital contributions of \$3.5M brought in a combined net increase of \$167.5K in net position.
- Total cash and investments as of June 30, 2020 were \$66.0M, a decrease of \$1.4M from June 30, 2019.
- The Department's liquidity ratio was 2.7 at June 30, 2020 and 3.5 at June 30, 2019.
- The Department finances part of its capital improvement and rehabilitation programs through Build America Bonds ("BAB") and State Revolving Fund ("SRF") loans. There was no new debt for FY 2020. The debt-to-equity ratio including capital leases was 34% as of June 30, 2020 and 37% as of June 30, 2019.
- Operating revenues for FY 2020 were \$29.0M, a decrease of \$1.5M from FY 2019. Water rates in FY 2020 were the same as FY 2019 but total water consumption decreased by 155 million gallons ("MG") due to the COVID-19 pandemic, which caused temporary business closures that negatively affected the Department's top water consumers.
- Operating expenses for the current year totaled \$31.0M, an increase of \$3.9M as compared to the prior year. Details of this increase are further explained on pages 6 through 8.
- Long-term debt at June 30, 2020 was \$67.3M, a decrease of \$5.1M from June 30, 2019. The decrease was from principal payments made for both the SRF loans and BAB.

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

Overview of the Financial Statements

The financial statements are presented using the economic resources measurement focus and accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The financial statements are designed to provide readers with a broad overview of the Department's finances in a manner similar to a private-sector business.

The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to basic financial statements. The statement of net position presents all of the Department's assets and deferred outflows of resources ("deferred outflows") and liabilities, deferred inflows of resources ("deferred inflows"), and net position, and provides information on the nature of its resources and obligations. The statement of revenues, expenses, and changes in net position presents the results of operations and the resulting change in net position for the year. The statement of cash flows presents changes in cash resulting from operating activities, capital and related financing activities, and investing activities.

The notes to the basic financial statements provide required disclosures and additional information that is essential to a full understanding of the data provided in the basic financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information on utility plant-in-service and selective account classifications.

Financial Analysis

Statements of Net Position – Condensed

June 30, 2020, 2019 and 2018

	2020	2019	2018	FY 20 – 19 % Change
Assets				
Current and other assets	\$ 27,041,226	\$ 39,629,448	\$ 40,264,662	(32 %)
Net capital assets	221,271,476	222,343,881	216,914,030	(0 %)
Other noncurrent assets	45,729,384	36,104,224	34,892,358	27 %
Deferred outflows of resources	<u>8,469,228</u>	<u>5,253,018</u>	<u>5,218,846</u>	61%
Total assets and deferred outflows	<u>\$ 302,511,314</u>	<u>\$ 303,330,571</u>	<u>\$ 297,289,896</u>	(0 %)
Liabilities				
Current liabilities	\$ 10,049,880	\$ 11,425,374	\$ 10,290,202	(12 %)
Long-term debt, net	62,160,398	67,379,153	72,454,400	(8 %)
Other long-term liabilities	31,468,950	25,519,494	24,708,858	23 %
Deferred inflows of resources	<u>570,421</u>	<u>912,344</u>	<u>998,605</u>	(37 %)
Total liabilities and deferred inflows	<u>\$ 104,249,649</u>	<u>\$ 105,236,365</u>	<u>\$ 108,452,065</u>	(1 %)
Net position				
Net investment in capital assets	\$ 163,824,472	\$ 160,382,454	\$ 151,506,070	2 %
Restricted	2,050,166	905,194	809,295	126 %
Unrestricted	<u>32,387,027</u>	<u>36,806,558</u>	<u>36,522,466</u>	(12 %)
Total net position	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>	<u>\$ 188,837,831</u>	0 %

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

Statements of Revenues, Expenses, and Changes in Net Position – Condensed

Years Ended June 30, 2020, 2019 and 2018

	2020	2019	2018	FY 20 – 19 % Change
Operating revenues	\$ 29,013,044	\$ 30,558,551	\$ 30,449,591	(5 %)
Operating expenses	<u>30,966,409</u>	<u>27,110,251</u>	<u>26,570,522</u>	14 %
Income (loss) from operations	(1,953,365)	3,448,300	3,879,069	(157 %)
Nonoperating expenses	(1,384,042)	(922,775)	(3,501,720)	50 %
Capital contributions	<u>3,504,866</u>	<u>6,730,850</u>	<u>4,978,322</u>	(48 %)
Change in net position	167,459	9,256,375	5,355,671	(98 %)
Beginning of year	<u>198,094,206</u>	<u>188,837,831</u>	<u>183,482,160</u>	(2 %)
End of year	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>	<u>\$ 188,837,831</u>	0 %

The Department's financial condition remains positive at year-end. As described earlier, net position is the reported difference between assets and deferred outflows and liabilities and deferred inflows which over time, may serve as a useful indicator of the Department's overall financial position. Total assets and deferred outflows at year-end was \$302.5M, which exceeded liabilities and deferred inflows of \$104.2M by \$198.3M (net position).

Total cash and investments (including restricted funds) decreased by \$1.4M from \$67.4M at June 30, 2019 to \$66.0M at June 30, 2020.

The Department's liquidity ratio (current assets divided by current liabilities) was 2.7 at June 30, 2020 and 3.5 at June 30, 2019.

The Department finances part of its capital improvement and rehabilitation program through BAB and SRF loans. The debt-to-equity ratio, including capital leases, at June 30, 2020, 2019 and 2018 were 34%, 37% and 41%, respectively.

The debt service coverage, including capital leases, for FY 2020 was 1.4, which is lower than the Department's debt service coverage target of 1.5.

The change in net position is a result of the operating and nonoperating activities of the Department. For FY 2020, the change in net position of \$167.5K was a result of the following:

- Income (loss) from operations for FY 2020 was (\$2.0M). Combined with the nonoperating expenses of \$1.4M, the income before capital contributions was a net loss of \$3.3M. The department also received capital contributions of \$3.5M, thus the change in net position resulted in an increase of \$167.5K.
- Total operating expenses increased by \$3.9M or 14.2% higher from \$27.1M in FY 2019 to \$31.0M in FY 2020. A major portion of the increase was due to salaries and wages including fringe benefits, which increased by \$1.7M or 22%.
- Salaries and wages increased by \$428K or 8%. This increase was due to the previously approved pay raises for all bargaining units that became effective July 1, 2019. In addition, some vacant positions in FY 2019 were filled in FY 2020.

Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019

- Fringe benefits that include FICA, health fund, and retirement contributions increased by \$1.3M or 86%. This increase was due to the additional pension expense that was recorded because of the increase in net pension liability as provided for from the State of Hawaii – ERS GASB 68 actuarial report.
- Other components of the operating expenses with major variances are explained below:
 - Depreciation and amortization increased by \$325.4K or 5% from the previous fiscal year. The increase was due to a one-time adjustment correcting over-depreciated meters including a few asset retirements.
 - Administrative and general expenses increased by \$1.9M or 22%. This increase from the previous fiscal year was attributed to the following:
 - Salaries, wages and related employee benefits increased by \$900.0K or 21%.
 - Professional services increased by \$1.0M due to various services engaged under Information Technology (“IT”), Engineering Services, and Construction Management.
 - Other services, public relations, procurement advertising, insurance claims, repairs and maintenance for non-water systems had a combined increase of \$104.0K while utility services, communication and supplies had a combined decrease of \$68.7K.
 - Books, subscriptions and dues, training and development, travel and per diem had a combined net decrease of \$24.6K. With the COVID-19 pandemic, trainings and meetings were conducted via web conference or tele-calls.
 - Transmission and distribution (“TandD”) expenses increased by \$1.2M. This 29% increase was attributed to the following:
 - Salaries, wages and related employee benefits increased by \$1.0M or 34%. Increases in this category were explained above.
 - Repairs and maintenance – water systems increased by \$138.5K. This increase was due to a contract awarded to maintain the SCADA system.
 - Repairs and maintenance – non-water systems increased by \$34.5K because of more road and vehicle repairs.
 - Operating supplies and inventory stock purchases decreased by \$30.1K. Reduced production because of decreased water consumption due to the COVID-19 pandemic required less use of operating supplies.
 - Travel, training and development decreased by \$5.3K because meetings and trainings were held via live video or teleconference calls.

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

- Source of supply expenses increased by \$367.1K. This 18% increase was due to the following:
 - Salaries, wages and related employee benefits increased by \$262.0K. The increases for this category were explained above.
 - Bulk water purchases increased by \$320.8K. This increase was due to the change in classification of water purchases from capitalized cost to operating cost after fully amortizing the cost of an existing capital lease agreement.
 - Operating supplies increased by \$34.0K because more rehabilitation projects were completed in-house.
- Power and pumping expenses decreased by \$93.2K as compared to FY 2019. This 3% decrease was due to the following:
 - Salaries, wages and related employee benefits increased by \$80.2K.
 - Utility services decreased by \$244.7K. The decrease in water demand due to COVID-19 also reduced the cost of electricity used in pumping.
 - Repairs and maintenance increased by \$47.0K due to some pump purchases.
 - Operating supplies increased by \$16.0K because of the increased Hypochlor on-site generation.
- Customer accounting and collection had a net decrease of \$49.3K or 4% in expenses as compared to FY 2019. Salaries and wages decreased due to the hiring gap from vacancy to filling them back up. Several retirements occurred that were just being filled at the end of the fiscal year.
- Purification expenses increased by \$198.9K as compared to the previous FY 2019. This 21% increase was due to the following:
 - Salaries, wages and related employee benefits decreased by \$186.4K. The increases in salaries and employee benefits were explained above.
 - Professional services increased by \$42.1K because of water quality testing performed during the fiscal year.
 - Operating supplies decreased by \$29.8K. This decrease was also due to decreased water demand due to the COVID-19 pandemic.
- Capital contributions, which are included in nonoperating income, amounted to \$3.5M for FY 2020, a decrease of \$3.2M or 48% as compared to \$6.7M capital contributions in FY 2019.

**Department of Water
County of Kauai
Management’s Discussion and Analysis
June 30, 2020 and 2019**

Capital Assets and Debt Administration

Capital assets are made up of property, plant and equipment. As of June 30, 2020, the Department had net capital assets of \$221.3M. Utility plant-in-service additions completed in FY 2020 amounted to \$1.3M. Major capital asset additions included:

Waipao Pump Replacement	Utility Plant	\$	74,270
Anahola Well Pump Replacement	Utility Plant		98,580
Puhi Well #3 Replacement	Utility Plant		99,920
Hypochlorite System	Utility Plant		136,961
2020 Peterbilt 348 – Dump	General Plant		152,228
Koae WF Housing – Kukuiula Distribution Lines and Laterals	Utility Plant		305,847
		<u>\$</u>	<u>867,806</u>

Long-term debt obligations outstanding as of June 30, 2020 amounted to \$67.3M, which consisted of \$51.0M in BAB and \$16.4M in SRF loans. The Department made a total of \$5.0 M in principal payments for both the BAB and SRF loans. There was no new debt or borrowing activity for FY 2020. More detailed information about the Department’s long-term debt is provided in Note 6 of the notes to the basic financial statements.

Current Known Facts, Decisions or Conditions

The ongoing COVID-19 pandemic may result in a material adverse impact on the Department’s financial position, operations, and cash flows. As of this date, management is not aware of any other known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations of the Department.

Requests for Information

This financial report is designed to provide a general overview of the Department’s finances as of June 30, 2020. Questions concerning any information provided in this report or requests for additional information should be addressed to the Manager and Chief Engineer, Department of Water, County of Kauai at 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766.

Basic Financial Statements

**Department of Water
County of Kauai
Statements of Net Position
June 30, 2020 and 2019**

	2020	2019
Assets and Deferred Outflows of Resources		
Current assets		
Cash	\$ 12,085,164	\$ 8,359,490
Equity interest in pooled investments	8,294,230	23,039,770
Receivables		
Accounts, net of allowance for doubtful accounts of approximately \$247,000 and \$252,000 in 2020 and 2019, respectively	1,329,679	1,769,870
Unbilled accounts	1,378,550	1,532,261
Grants and subsidies	2,607,467	3,534,286
Accrued interest	209,775	230,006
Total receivables	<u>5,525,471</u>	<u>7,066,423</u>
Materials and supplies	1,089,732	1,112,506
Prepaid expenses	46,629	51,259
Total current assets	<u>27,041,226</u>	<u>39,629,448</u>
Restricted assets		
Facility reserve charge funds		
Cash	1,922,304	787,533
Accounts receivable and other	99,725	103,197
Total facility reserve charge funds	<u>2,022,029</u>	<u>890,730</u>
Bond funds		
Cash	1,265,983	1,118,943
Equity interest in pooled investments	8,623,168	9,318,809
Accrued interest	35,988	22,315
Total bond funds	<u>9,925,139</u>	<u>10,460,067</u>
Total restricted assets	<u>11,947,168</u>	<u>11,350,797</u>
Equity interest in pooled investments, noncurrent	<u>33,782,216</u>	<u>24,753,427</u>
Utility plant		
In service	347,014,604	345,664,652
Accumulated depreciation	(141,562,550)	(134,500,395)
Total utility plant	<u>205,452,054</u>	<u>211,164,257</u>
Construction work in progress	15,819,422	11,179,624
Net capital assets	<u>221,271,476</u>	<u>222,343,881</u>
Total assets	<u>294,042,086</u>	<u>298,077,553</u>
Deferred outflows of resources		
Deferred loss on refunding	-	1,066
Deferred outflows on net pension liability	7,031,125	4,037,094
Deferred outflows on net other postemployment benefits liability	1,438,103	1,214,858
Total deferred outflows of resources	<u>8,469,228</u>	<u>5,253,018</u>
Total assets and deferred outflows of resources	<u>\$ 302,511,314</u>	<u>\$ 303,330,571</u>

The accompanying notes are an integral part of these financial statements.

**Department of Water
County of Kauai
Statements of Net Position
June 30, 2020 and 2019**

	2020	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities		
Current portion of long-term debt	\$ 5,160,541	\$ 5,017,034
Current portion of capital lease obligation	-	4,058
Accounts payable and accrued liabilities	2,952,156	4,396,086
Contracts payable, including retainages	491,013	536,898
Accrued vacation and compensatory pay	552,118	513,190
Customer deposits	894,052	958,108
Total current liabilities	<u>10,049,880</u>	<u>11,425,374</u>
Long-term debt, net of current portion and unamortized premiums	62,160,398	67,379,153
Net pension liability	21,971,493	16,156,668
Net other postemployment benefits liability	8,525,884	8,459,304
Accrued vacation and compensatory pay, net of current portion	971,573	903,522
Total liabilities	<u>103,679,228</u>	<u>104,324,021</u>
Deferred inflows of resources		
Deferred gain on refunding	15,216	-
Deferred inflows on net pension liability	458,129	685,930
Deferred inflows on net other postemployment benefits liability	97,076	226,414
Total deferred inflows of resources	<u>570,421</u>	<u>912,344</u>
Commitments and contingencies		
Net position		
Net investment in capital assets	163,824,472	160,382,454
Restricted for capital activity	2,050,166	905,194
Unrestricted	32,387,027	36,806,558
Total net position	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues		
Water sales	\$ 26,672,425	\$ 27,959,395
Other water revenue		
Public fire protection service	2,174,298	2,174,298
Other	<u>166,321</u>	<u>424,858</u>
Total operating revenues	<u>29,013,044</u>	<u>30,558,551</u>
Operating expenses		
Depreciation and amortization	7,190,082	6,864,701
Administrative and general	10,894,918	8,951,109
Transmission and distribution	5,210,026	4,046,581
Power and pumping	2,940,942	3,034,099
Customer accounting and collection	1,151,162	1,200,438
Purification	1,138,620	939,770
Source of supply	<u>2,440,659</u>	<u>2,073,553</u>
Total operating expenses	<u>30,966,409</u>	<u>27,110,251</u>
Operating income (loss)	<u>(1,953,365)</u>	<u>3,448,300</u>
Nonoperating income (expenses)		
Investment income, net	1,806,151	2,216,290
Interest expense	<u>(3,190,193)</u>	<u>(3,139,065)</u>
Total nonoperating expenses	<u>(1,384,042)</u>	<u>(922,775)</u>
Income (loss) before contributions	<u>(3,337,407)</u>	<u>2,525,525</u>
Contributions	<u>3,504,866</u>	<u>6,730,850</u>
Change in net position	167,459	9,256,375
Net position		
Beginning of year	<u>198,094,206</u>	<u>188,837,831</u>
End of year	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>

The accompanying notes are an integral part of these financial statements.

**Department of Water
County of Kauai
Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 27,266,327	\$ 27,514,708
Cash payments to suppliers for goods and services	(16,170,132)	(12,140,764)
Cash payments to employees for services	(6,594,711)	(6,127,319)
Other cash receipts	2,340,619	2,599,156
Net cash provided by operating activities	<u>6,842,103</u>	<u>11,845,781</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(5,799,656)	(9,996,102)
Principal paid on revolving fund loan	(1,942,034)	(1,933,749)
Principal paid on public improvement bond maturities	(3,075,000)	(2,950,000)
Principal paid on capital lease obligation	(4,058)	(522,561)
Interest paid on long-term debt	(3,268,292)	(3,474,499)
Proceeds from Build America Bond interest subsidies	824,669	851,482
Net proceeds from FRC Program	919,445	437,130
Proceeds from federal government capital grants	-	32,228
Proceeds from state government capital grants	2,285,207	457,839
Net cash used in capital and related financing activities	<u>(10,059,719)</u>	<u>(17,098,232)</u>
Cash flows from investing activities		
Purchases of investments	(76,827,147)	(42,480,206)
Sales and maturities of investments	83,945,597	39,178,933
Interest on investments	1,106,651	1,046,319
Net cash provided by (used in) investing activities	<u>8,225,101</u>	<u>(2,254,954)</u>
Net change in cash (including restricted cash)	5,007,485	(7,507,405)
Cash		
Beginning of year (including \$1,906,476 and \$1,048,890 in restricted cash at July 1, 2019 and 2018, respectively)	<u>10,265,966</u>	<u>17,773,371</u>
End of year (including \$3,188,287 and \$1,906,476 in restricted cash at June 30, 2020 and 2019, respectively)	<u>\$ 15,273,451</u>	<u>\$ 10,265,966</u>

The accompanying notes are an integral part of these financial statements.

**Department of Water
County of Kauai
Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Reconciliation of cash flows from operating activities		
Operating income (loss)	\$ (1,953,365)	\$ 3,448,300
Depreciation and amortization expense	7,190,082	6,864,701
Bad debt expense	24,187	26,263
Decrease (increase) in assets and deferred outflows of resources		
Accounts receivable, net	416,004	(233,182)
Unbilled accounts and other receivables	153,711	(237,768)
Materials and supplies	22,774	(25,250)
Prepaid expenses and other assets	4,630	140,221
Deferred outflows of resources	(3,232,492)	(50,453)
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable and accrued liabilities	(1,365,833)	1,063,124
Accrued vacation and compensatory pay	106,979	14,201
Customer deposits	(64,056)	97,329
Net pension liability	5,814,825	733,150
Net other postemployment benefits liability	(62,758)	182,037
Deferred inflows of resources	(212,585)	(176,892)
Net cash provided by operating activities	<u>\$ 6,842,103</u>	<u>\$ 11,845,781</u>

Supplemental Disclosure of Noncash Capital and Related Financing Activities

The Department received approximately \$406,000 and \$1,669,000 for the years ended June 30, 2020 and 2019, respectively, in contributions of property, plant and equipment from governmental agencies, developers and customers, which are recorded as contributions at estimated fair value at the date of donation.

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019

1. Background

On May 10, 1960, by authority of Act 20, Session Laws of Hawaii 1960, the Board of Water Supply (the "Board") of the County of Kauai, Hawaii (the "County") was created. The County transferred to the Board the operation and management of the water transmission and distribution systems. Under Act 20, the Board has the power to make and alter rules and regulations relating to the management, control, operation, preservation and protection of the waterworks. The rules and regulations adopted by the Board have the force and effect of law.

As of January 2, 1969, under a new charter for the County, the policy-making responsibility for the water system was retained by the Board. The Board, however, is specifically stated to be an executive department of the County government. To the extent that they were not in conflict with the provisions of the charter, laws governing the County water supply which were in existence at the time of the enactment of the charter continued in effect. The water system is now being operated as the Department of Water, County of Kauai (the "Department"), a self-supporting component unit (enterprise fund) of the County, which renders water services throughout the island.

The Department is responsible for establishing rates for services based upon current operating costs and expected future capital and operating revenue requirements. The rates determined by the Department are subject to approval by the Board.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Department is a component unit of the County (the primary government). The accompanying financial statements present only the activities of the Department and do not include other organizations, activities and functions of the County.

Basis of Accounting

The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

The Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Department's principal ongoing water operations. The principal operating revenues are from charges for water usage, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash

The Department's cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Department has stated its investments at fair value, except for non-negotiable certificates of deposit which are recorded at amortized cost. Changes in the fair value of investments are recognized in investment income in the accompanying statements of revenues, expenses, and changes in net position. The net increase in the fair value of investments for the years ended June 30, 2020 and 2019 approximated \$706,000 and \$1,165,000, respectively.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include revenue recognized related to unbilled accounts, accrued liability for workers' compensation claims and judgments, accrued liability for postretirement healthcare benefits, and net pension liability. Actual results could differ from those estimates.

Utility Plant-in-Service ("UPIS") and Depreciation

In July 2007, a detailed report on the inventory and valuation of water utility properties of the Board was prepared by consultants. The estimated original cost of \$161,834,000 and the accumulated depreciation of \$59,014,000 were recorded. Additions to the utility plant since the date of the valuation are stated at cost and include contributions by government agencies, private developers, and customers at their fair value at the date of contribution.

The utility plant is depreciated using the straight-line basis by applying composite rates based on the useful lives below. The composite rates are applied to beginning plant balances including contributions in aid of construction to calculate depreciation expense for the year.

The estimated useful lives of the various individual and group assets are as follows:

Motor vehicles	7 – 10 years
Equipment and machinery	5 – 20 years
Buildings and improvements	40 – 50 years
Transmission and distribution equipment	18 – 63 years

Normal maintenance and repairs are charged to operations as incurred. All expenditures for major additions, betterments and replacements for the utility plant are capitalized, and expenditures for the general plant greater than \$5,000 are capitalized. The Department capitalizes certain indirect costs related to construction work orders based upon actual construction direct labor hours.

Material and Supplies

Materials and supplies are stated at lower of average cost (which approximates the first-in, first-out method) or market. The cost of materials and supplies is recorded as an expense when consumed rather than when purchased.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and will not be recognized as an outflow of resources (expenses) until then. Deferred charges on refunding bonds resulting from the difference between the carrying value of debt and its reacquisition price are reported as deferred outflows of resources. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt on a basis that approximates the effective-interest method.

Under Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for differences between expected and actual experience and changes in assumptions are recognized in pension and other postemployment

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

benefits (“OPEB”) expense, respectively, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan and OPEB through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on pension and OPEB plan investments are recognized in the pension and OPEB expense, respectively, using a systematic and rational method over a closed five-year period. Contributions to the pension and OPEB plan from the employer subsequent to the measurement date of the net pension and OPEB liability, respectively, and before the end of the reporting period are reported as deferred outflows of resources.

Revenue Recognition

The Department recognizes revenue on the accrual method of accounting as services are rendered. Revenue recognized for services rendered but not billed is reflected as unbilled accounts receivable in the accompanying statements of net position.

Risk Management

The Department is exposed to various risks of loss from: (1) torts, (2) theft of, damage to, and destruction of assets, (3) employee injuries and illnesses, (4) natural disasters, (5) employee health, dental and accident benefits, and (6) miscellaneous others. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims in excess of this commercial coverage were not significant in any of the three preceding years. The Department is self-insured for workers’ compensation claims and judgments.

Contributions

For the years ended June 30, 2020 and 2019, the following transactions represent voluntary non-exchange transactions, recorded at fair value, and are included as nonoperating income in the statements of revenues, expenses, and changes in net position:

	2020	2019
Contributions of property, plant and equipment, and grant money from governmental agencies, developers and customers	\$ 1,775,795	\$ 5,455,756
Build America Bond interest subsidies	809,626	837,964
Facility reserve charge fees	919,445	437,130
	<u>\$ 3,504,866</u>	<u>\$ 6,730,850</u>

At June 30, 2020 and 2019, the Department recorded approximately \$322,000 and \$344,000, respectively, of accrued interest subsidies in grants and subsidies receivable in the accompanying statements of revenues, expenses, and changes in net position.

Facilities Reserve Charge (“FRC”)

Under the authority provided to the Board mentioned in Note 1, the Department assesses a fee to commercial and residential developers based upon the number and size of water meters installed at respective projects. These fees are restricted to fund the capital improvements of the water supply system and recorded as contributions in the statements of revenues, expenses, and changes in net position.

Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019

Net Position

Net position comprises the various accumulated net earnings from operating and nonoperating revenues, expenses, and contributions in aid of construction. Net position is classified in the following three components: net investment in capital assets, restricted for capital activity, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments at year-end are not included in the calculation of net investment in capital assets. Restricted for capital activity consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net position not included in the above categories. When both restricted and unrestricted resources are available for use, generally, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii ("ERS"), and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

Postemployment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF"), and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

New Accounting Pronouncements

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement is effective for periods beginning after June 15, 2021. The Department has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 89

In 2020, the Department implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As the requirements of this Statement are applied prospectively, adoption of this Statement did not have any impact on approximately \$262,000 in interest that was capitalized in fiscal year 2019.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the effective dates for Statements No. 83, 84, and 88-93 by one year, unless previously adopted. This Statement also postpones the effective date for Statement No. 87, *Leases*, by 18 months.

Coronavirus Disease 2019 (“COVID-19”)

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus infection (“COVID-19”) to be a global pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Department’s financial position, operations, and cash flows. Management is continuing to evaluate the effects that COVID-19 will have on the operations of the Department.

3. Deposits

The Department’s deposits consist of cash on hand, cash held at financial institutions, and cash held at the County of Kauai.

At June 30, 2020 and 2019, the carrying value of the Department’s cash deposits amounted to approximately \$15,273,000 and \$10,266,000, respectively, of which approximately \$1,789,000 and \$1,439,000, respectively, were held by the County in the County’s name. The bank balances at June 30, 2020 and 2019 amounted to approximately \$15,781,000 and \$11,061,000, respectively. The County Director of Finance has arranged for all of the Department’s deposits at June 30, 2020 and 2019 to be collateralized with securities held by the pledging financial institution in the County’s name.

4. Investments

The Department’s investments are controlled by the Director of Finance of the County of Kauai and are generally invested in money market mutual funds, certificates of deposit, repurchase agreements, government treasury obligations and agencies (i.e., Federal Home Loan Bank notes and bonds, Federal Home Loan Mortgage Corporation bonds, and Federal National Mortgage Association notes and bonds) with federally insured financial institutions and mutual funds. The Department’s investment vehicles are consistent with the investment guidelines contained in the Hawaii Revised Statutes (“HRS”).

The Department participates in an investment pool with the County. The Department’s portion of this pool is displayed on the statements of net position as equity interest in pooled investments.

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The following table presents the fair value of the Department's investments by level of input at June 30, 2020 and 2019:

	Reported Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020				
Investments by fair value level				
U.S. Treasury obligations	\$ 11,916,610	\$ 11,916,610	\$ -	\$ -
U.S. government agencies	19,051,575	-	19,051,575	-
Repurchase agreements	200,000	-	200,000	-
Money market mutual funds	2,225,429	2,225,429	-	-
Total investments by fair value level	33,393,614	\$ 14,142,039	\$ 19,251,575	\$ -
Investments measured at amortized cost				
Certificates of deposit	17,306,000			
Total equity interest in pooled investments	\$ 50,699,614			
2019				
Investments by fair value level				
U.S. Treasury obligations	\$ 3,013,750	\$ 3,013,750	\$ -	\$ -
U.S. government agencies	32,842,358	-	32,842,358	-
Repurchase agreements	2,300,000	-	2,300,000	-
Money market mutual funds	5,449,898	5,449,898	-	-
Total investments by fair value level	43,606,006	\$ 8,463,648	\$ 35,142,358	\$ -
Investments measured at amortized cost				
Certificates of deposit	13,506,000			
Total equity interest in pooled investments	\$ 57,112,006			

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The following table represents the Department's investments by maturity as of June 30, 2020 and 2019:

	Reported Value	Maturity (in years)	
		0-1	1-5
2020			
U.S. Treasury obligations	\$ 11,916,610	\$ 4,931,820	\$ 6,984,790
U.S. government agencies	19,051,575	2,728,636	16,322,939
Repurchase agreements	200,000	200,000	-
Certificates of deposit	17,306,000	2,245,000	15,061,000
	<u>48,474,185</u>	<u>\$ 10,105,456</u>	<u>\$ 38,368,729</u>
Money market mutual funds	<u>2,225,429</u>		
Total equity interest in pooled investments	<u>\$ 50,699,614</u>		
2019			
U.S. Treasury obligations	\$ 3,013,750	\$ -	\$ 3,013,750
U.S. government agencies	32,842,358	13,822,682	19,019,676
Repurchase agreements	2,300,000	2,300,000	-
Certificates of deposit	13,506,000	10,786,000	2,720,000
	<u>51,662,108</u>	<u>\$ 26,908,682</u>	<u>\$ 24,753,426</u>
Money market mutual funds	<u>5,449,898</u>		
Total equity interest in pooled investments	<u>\$ 57,112,006</u>		

- **Interest Rate Risk** – State law limits the Department's investment portfolio to maturities of less than five years. The Department does not have a formal investment policy that further limits investment maturities.
- **Credit Risk** – State law limits investments to the top rating issued by nationally recognized statistical rating organizations ("NRSROs") or investments that have the faith and credit of the United States pledged for the payment of principal and interest. The Department has no investment policy that would further limit its investment choices. As of June 30, 2020, with the exception of the Department's investment in certain fixed income and money market funds which were not rated, all of the Department's investments were rated AA or greater.
- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
- **Concentration of Credit Risk** – The Department places no limit on the amount which may be invested in any one issuer. As of June 30, 2020, more than 5% of the Department's investments are held in the following: U.S. Treasury (24%), First Hawaiian Bank (16%), Federal Farm Credit Bank (14%), Freddie Mac (13%), and Federal Home Loan Bank (8%).

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

5. Capital Assets

Capital asset activity during 2020 and 2019 was as follows:

	Balance July 1, 2019	Additions	Reductions/ Transfers	Balance June 30, 2020
Capital assets not being depreciated				
Land and land rights	\$ 1,307,422	\$ -	\$ -	\$ 1,307,422
Construction in progress	11,179,624	5,287,640	(647,842)	15,819,422
Total capital assets not being depreciated	<u>12,487,046</u>	<u>5,287,640</u>	<u>(647,842)</u>	<u>17,126,844</u>
Capital assets being depreciated				
Utility plant	311,303,167	600,893	303,578	312,207,638
General plant	23,713,600	398,527	-	24,112,127
Capital leases	7,415,346	-	-	7,415,346
Intangible assets	1,925,117	46,954	-	1,972,071
Total capital assets being depreciated	<u>344,357,230</u>	<u>1,046,374</u>	<u>303,578</u>	<u>345,707,182</u>
Less: Accumulated depreciation and amortization				
Utility plant	(117,802,582)	(5,939,573)	87,701	(123,654,454)
General plant	(8,054,035)	(978,834)	-	(9,032,869)
Capital leases	(7,407,979)	(4,842)	-	(7,412,821)
Intangible assets	(1,235,799)	(226,607)	-	(1,462,406)
Total accumulated depreciation and amortization	<u>(134,500,395)</u>	<u>(7,149,856)</u>	<u>87,701</u>	<u>(141,562,550)</u>
Total capital assets, net	<u>\$ 222,343,881</u>	<u>\$ (815,842)</u>	<u>\$ (256,563)</u>	<u>\$ 221,271,476</u>
	Balance July 1, 2018	Additions	Reductions/ Transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land and land rights	\$ 1,307,422	\$ -	\$ -	\$ 1,307,422
Construction in progress	7,516,463	9,029,271	(5,366,110)	11,179,624
Total capital assets not being depreciated	<u>8,823,885</u>	<u>9,029,271</u>	<u>(5,366,110)</u>	<u>12,487,046</u>
Capital assets being depreciated				
Utility plant	304,021,737	2,101,401	5,180,029	311,303,167
General plant	22,516,701	1,198,081	(1,182)	23,713,600
Capital leases	7,415,346	-	-	7,415,346
Intangible assets	1,915,362	9,755	-	1,925,117
Total capital assets being depreciated	<u>335,869,146</u>	<u>3,309,237</u>	<u>5,178,847</u>	<u>344,357,230</u>
Less: Accumulated depreciation and amortization				
Utility plant	(112,728,210)	(5,185,540)	111,168	(117,802,582)
General plant	(7,159,667)	(895,550)	1,182	(8,054,035)
Capital leases	(6,885,572)	(522,407)	-	(7,407,979)
Intangible assets	(1,005,552)	(230,247)	-	(1,235,799)
Total accumulated depreciation and amortization	<u>(127,779,001)</u>	<u>(6,833,744)</u>	<u>112,350</u>	<u>(134,500,395)</u>
Total capital assets, net	<u>\$ 216,914,030</u>	<u>\$ 5,504,764</u>	<u>\$ (74,913)</u>	<u>\$ 222,343,881</u>

In 2020 and 2019, no impairment losses were identified by the Department.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

6. Long-Term Liabilities

Bonds Payable

The full faith and credit of the County is pledged for the payment of the Department's bond obligations. The County has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the County.

As of June 30, 2020 and 2019, bonds payable consisted of the following:

	2020	2019
Public Improvement Bonds – County Series 2012A, last installment 2029. Maturing serially from August 1, 2016. Interest rate – 3.00% to 5.00%. Date issued – July 10, 2012. Original amount – \$2,745,000.	\$ 2,115,000	\$ 2,285,000
Public Improvement Bonds – County Series 2011A, last installment 2025. Maturing serially from August 1, 2012. Interest rate – 2.00% to 5.00%. Date issued – July 7, 2011. Original amount – \$5,125,000.	2,340,000	2,680,000
Build America Bonds – County Series 2010A, last installment 2033. Maturing serially from August 1, 2013. Interest rate – 1.96% to 5.76%. Date issued – March 24, 2010. Original amount – \$60,000,000.	45,650,000	47,925,000
Public Improvement Bonds – County Series 2005A, last installment 2021. Maturing serially from August 1, 2008. Interest rate – 3.25% to 5.00%. Date issued – February 1, 2006. Original amount – \$3,165,000.	530,000	820,000
	<u>50,635,000</u>	<u>53,710,000</u>
Premium on bond issuance	323,515	381,729
	<u>\$ 50,958,515</u>	<u>\$ 54,091,729</u>

The approximate annual debt service requirements to maturity as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest	Total
2021	\$ 3,210,000	\$ 2,581,000	\$ 5,791,000
2022	3,260,000	2,440,000	5,700,000
2023	3,175,000	2,293,000	5,468,000
2024	3,325,000	2,141,000	5,466,000
2025	3,490,000	1,975,000	5,465,000
2026–2030	18,505,000	7,084,000	25,589,000
2031–2034	15,670,000	1,721,000	17,391,000
	<u>\$ 50,635,000</u>	<u>\$ 20,235,000</u>	<u>\$ 70,870,000</u>

Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019

Loans Payable

The full faith and credit of the Board is pledged for the payment of the Department's loan obligations. The Board has power to adjust water rates in order to raise funds sufficient to repay the Department's loan obligations.

The Department's outstanding loan obligations contain provisions that, in the event of default, an interest penalty will be assessed on outstanding loan repayment amounts beginning on the first day following the repayment due date and the ending on the date the defaulted balances are paid.

As of June 30, 2020 and 2019, the loans payable consisted of the following:

	2020	2019
State Revolving Fund ("SRF") Loan – Stable 1.0 MG Tank, last installment 2029. Interest rate – 0.26%. Semi-annual loan fee rate – 1.625%. Date issued – March 15, 2009. Original amount \$7,274,998.	\$ 3,475,552	\$ 3,856,781
SRF Loan – Poipu Road 16-Inch Main Replacement, last installment 2027. Interest rate – 0.16%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2007. Original amount – \$5,158,886.	1,873,717	2,139,708
SRF Loan – Wailua Houselots Main Replacement, last installment 2033. Interest rate – 0.5%. Semi-annual loan fee rate – 0.5%. Date issued – April 15, 2013. Original amount – \$4,463,084.	2,542,089	2,730,865
SRF Loan – Kaumualii Highway 12-Inch Main Replacement, last installment 2029. Interest rate – 0.32%. Semi-annual loan fee rate – 1.625%. Date issued – August 15, 2009. Original amount – \$3,989,537.	1,980,388	2,185,391
SRF Loan – Kapilimao 0.5 MG Tank, last installment 2030. Interest rate – 0.42%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2010. Original amount – \$3,793,779.	2,020,127	2,217,512
SRF Loan – Lihue Baseyard Improvements for the Department of Water, last installment 2034. Interest rate – 0.5%. Semi-annual loan fee rate – 0.5%. Date issued – December 15, 2014. Original amount – \$4,000,000.	1,499,265	1,598,844
SRF Loan – Waha, Wawae & Niho Roads Main Replacement, last installment 2029. Interest rate – 0.32%. Semi-annual loan fee rate – 1.625%. Date issued – August 15, 2009. Original amount – \$1,936,018.	964,795	1,064,656
Subtotal	<u>14,355,933</u>	<u>15,793,757</u>

Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019

	2020	2019
Subtotal carried forward	14,355,933	15,793,757
SRF Loan – 16-Inch Waterline Replacement along Kuhio Highway, Leho Drive to North Papaloa Road, last installment 2026. Interest rate – 0.16%. Semi-annual loan fee rate – 1.625%. Date issued – August 15, 2005. Original amount – \$2,305,093.	735,807	857,771
SRF Loan – Rehabilitate Lihue Steel Tanks 1 & 2, last installment 2025. Interest rate – 0.46%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2005. Original amount – \$1,243,017.	340,467	407,556
SRF Loan – Damage Repairs to Kokolau Tunnel, last installment 2021. Interest rate – 1.37%. Semi-annual loan fee rate – 1.625%. Date issued – July 15, 2001. Original amount – \$1,663,201.	144,854	239,749
SRF Loan – Replace Pipeline at Hanapepe River Crossing and Control of Slope; Failure at Hanapepe Well No. 3, last installment 2023. Interest rate – 0.99%. Semi-annual loan fee rate – 1.625%. Date issued – July 15, 2003. Original amount – \$1,243,976.	241,132	308,517
SRF Loan – Ornellas 0.2 MG Tank, last installment 2025. Interest rate – 0.58%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2005. Original amount – \$809,398.	219,656	262,845
SRF Loan – Kekaha Well, last installment 2022. Interest rate – 1.01%. Semi-annual loan fee rate – 1.625%. Date issued – April 15, 2002. Original amount – \$862,883.	102,664	153,212
SRF Loan – Rehabilitation of 27-Inch Steel Pipeline – Hanapepe – Eleele Water System, last installment 2023. Interest rate – 0.99%. Semi-annual loan fee rate – 1.625%. Date issued – July 15, 2003. Original amount – \$691,134.	134,422	171,974
SRF Loan – Wailua Homesteads Well No. 3, last installment 2024. Interest rate – 0.54%. Semi-annual loan fee rate – 1.625%. Date issued – March 15, 2004. Original amount – \$397,737.	87,489	109,077
	<u>\$ 16,362,424</u>	<u>\$ 18,304,458</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The approximate annual debt service requirements to maturity as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest	Total
2021	\$ 1,951,000	\$ 486,000	\$ 2,437,000
2022	1,910,000	421,000	2,331,000
2023	1,816,000	359,000	2,175,000
2024	1,768,000	300,000	2,068,000
2025	1,698,000	244,000	1,942,000
2026–2030	6,142,000	521,000	6,663,000
2031–2035	1,077,000	34,000	1,111,000
	<u>\$ 16,362,000</u>	<u>\$ 2,365,000</u>	<u>\$ 18,727,000</u>

Capital Lease Obligation

On February 19, 2004, the Department entered into a Water Treatment and Delivery Agreement (“Agreement”) with an unrelated third-party developer. The Agreement requires the developer to build, operate and maintain a surface water treatment plant (“SWTP”) with a capacity of 3.0 million gallons per day (“MGD”). The Department is required to purchase, at a minimum, 2.0 MGD and also to provide the developer a credit towards its facility reserve charge. The initial term of the Agreement was 15 years and was extended in February 2019 for an additional two years as the SWTP had not been dedicated to the Department. The Agreement also provides the Department with the option of accepting the dedication of the SWTP at no cost after the reimbursement date, as defined. The Department commenced water purchases on January 1, 2006. This arrangement has been recorded as a capital lease in the accompanying basic financial statements.

The capital lease obligation is amortized at an implicit rate of approximately 6.0%. The utility plant related to the SWTP facility approximated \$7,181,000 and was fully amortized as of June 30, 2020 and 2019.

Changes in Long-term Liabilities

Long-term liability activity for the years ended June 30, 2020 and 2019 was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
General obligation bonds payable	\$ 53,710,000	\$ -	\$ 3,075,000	\$ 50,635,000	\$ 3,210,000
Deferred costs –					
Premiums on bond issuance	381,729	-	58,214	323,515	-
Total bonds payable	54,091,729	-	3,133,214	50,958,515	3,210,000
Loans payable	18,304,458	-	1,942,034	16,362,424	1,950,541
Total long-term debt	72,396,187	-	5,075,248	67,320,939	5,160,541
Net pension liability	16,156,668	5,814,825	-	21,971,493	-
Net other postemployment benefit liability	8,459,304	66,580	-	8,525,884	-
Accrued vacation and compensatory pay	1,416,712	556,921	449,942	1,523,691	552,118
Capital lease obligation	4,058	-	4,058	-	-
	<u>\$ 98,432,929</u>	<u>\$ 6,438,326</u>	<u>\$ 5,529,248</u>	<u>\$ 99,342,007</u>	<u>\$ 5,712,659</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
General obligation bonds payable	\$ 56,660,000	\$ -	\$ 2,950,000	\$ 53,710,000	\$ 3,075,000
Deferred costs – Premiums on bond issuance	439,943	-	58,214	381,729	-
Total bonds payable	57,099,943	-	3,008,214	54,091,729	3,075,000
Loans payable	20,238,206	-	1,933,748	18,304,458	1,942,034
Total long-term debt	77,338,149	-	4,941,962	72,396,187	5,017,034
Net pension liability	15,423,518	733,150	-	16,156,668	-
Net other postemployment benefit liability	8,367,898	91,406	-	8,459,304	-
Accrued vacation and compensatory pay	1,402,511	529,411	515,210	1,416,712	513,190
Capital lease obligation	526,619	-	522,561	4,058	4,058
	<u>\$ 103,058,695</u>	<u>\$ 1,353,967</u>	<u>\$ 5,979,733</u>	<u>\$ 98,432,929</u>	<u>\$ 5,534,282</u>

7. Net Position

At June 30, 2020 and 2019, net position consisted of the following:

	2020	2019
Net investment in capital assets		
Capital assets, net	\$ 221,271,476	\$ 222,343,881
Less: Long-term debt, net	(67,320,939)	(72,396,187)
Less: Capital lease obligation	-	(4,058)
Add: Unspent debt proceeds	9,889,151	10,437,752
Add: Deferred outflows – deferred refunding costs	(15,216)	1,066
	<u>163,824,472</u>	<u>160,382,454</u>
Restricted for capital activity, debt service, and reserved funds		
FRC net position	2,014,178	882,879
Restricted cash – Bond funds	1,265,983	1,118,943
Restricted investments – Bond funds	8,623,168	9,318,809
Restricted accrued interest – Bond funds	35,988	22,315
Less: Unspent debt proceeds	(9,889,151)	(10,437,752)
	<u>2,050,166</u>	<u>905,194</u>
Unrestricted	<u>32,387,027</u>	<u>36,806,558</u>
Total net position	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

As of June 30, 2020 and 2019, FRC net position consisted of the following:

	2020	2019
FRC assets restricted for utility plant construction		
Cash	\$ 1,922,304	\$ 787,533
Accounts receivable	99,725	103,197
	<u>2,022,029</u>	<u>890,730</u>
FRC liabilities	<u>7,851</u>	<u>7,851</u>
FRC net position	<u>\$ 2,014,178</u>	<u>\$ 882,879</u>

For the years ended June 30, 2020 and 2019, FRC change in net position consisted of the following:

	2020	2019
Contributions	\$ 1,162,332	\$ 688,518
Transfers out	<u>(31,033)</u>	<u>(585,510)</u>
Change in net position	1,131,299	103,008
FRC net position		
Beginning of year	<u>882,879</u>	<u>779,871</u>
End of year	<u>\$ 2,014,178</u>	<u>\$ 882,879</u>

8. Employees' Retirement System

Description of Plan

All eligible employees of the State of Hawaii (the "State") and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS's website at <http://ers.ehawaii.gov>.

Benefits Provided

The ERS provides retirement, disability and death benefits that are covered by the provisions of the noncontributory, contributory and hybrid retirement membership classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later, and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.).

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

For members hired after June 30, 2012, the postretirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges and elected officials, vary from general employees.

- Noncontributory Class

- Retirement Benefits

- General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

- Disability Benefits

- Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

- Death Benefits

- For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension.

- Contributory Class for Employees Hired Prior to July 1, 2012

- Retirement Benefits

- General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

- Disability Benefits

- Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Death Benefits

For service-connected deaths, the designated beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

- Contributory Class for Employees Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Disability and Death Benefits

Disability and death benefits for contributory class members hired after June 30, 2012 are generally the same as those for contributory class members hired June 30, 2012 and prior.

- Hybrid Class for Employees Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

- Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and EMTs may retire with 25 years of credited service at age 55.

Disability and Death Benefits

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary, or if less than ten years of service, return of member's contributions and accrued interest.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The Department's required contributions for the years ended June 30, 2020 and 2019 were approximately \$1,325,000 and \$1,109,000, respectively. The contribution rate was 22.0% and 19.0% for the years ended June 30, 2020 and 2019, respectively.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for all other employees, other than police and firefighters, increases to 18.0% on July 1, 2017; 19.0% on July 1, 2018; 22.0% on July 1, 2019; and 24.0% on July 1, 2020.

The employer is required to make all contributions for members in the noncontributory plan.

- For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

- Contributory class employees hired after June 30, 2012 are required to contribute 9.8% of their salary.
- Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary.
- Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the Department reported a liability of approximately \$21,971,000 and \$16,157,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Department's proportionate share of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2019 and 2018, the Department's proportionate share was 0.16% and 0.12%, respectively.

The average of expected remaining service lives for the purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2019 fiscal year is 5.3135 years.

There were no changes in actuarial assumptions in 2019.

There were no other changes between the measurement date, June 30, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2020 and 2019, the Department recognized pension expense of approximately \$4,137,000 and \$2,212,000, respectively.

At June 30, 2020 and 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2020		
Difference between actual and expected experience	\$ 384,419	\$ 43,974
Net difference between projected and actual earnings on pension plan investments	-	60,312
Changes of assumptions	1,495,901	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,606,955	353,843
Department contributions subsequent to the measurement date	1,543,850	-
	<u>\$ 7,031,125</u>	<u>\$ 458,129</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Difference between actual and expected experience	\$ 291,427	\$ 101,239
Net difference between projected and actual earnings on pension plan investments	-	83,469
Changes of assumptions	1,741,950	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	564,085	501,222
Department contributions subsequent to the measurement date	1,439,632	-
	<u>\$ 4,037,094</u>	<u>\$ 685,930</u>

Deferred outflows of resources related to pensions of approximately \$1,544,000 at June 30, 2020 resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2021	\$ 1,847,697
2022	1,147,655
2023	849,680
2024	924,538
2025	259,576
	<u>\$ 5,029,146</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Projected salary increases, including inflation	3.50 % – 6.50 %
Investment rate of return, including inflation	7.00 %
Payroll growth	3.50 %

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including cost of living allowance (“COLA”). Postretirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality table based on the occupation of the member. The actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of actuarial experience study for the five-year period ended June 30, 2018. ERS updates their experience studies every five years.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The discount rate used to measure the net pension liability at June 30, 2020 and 2019 was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions were made at the current contribution rate and that employer contributions were made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Department's proportionate share of the net pension liability as of June 30, 2019 calculated using the discount rate of 7.00%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department's proportionate share of the net pension liability	<u>\$ 28,505,399</u>	<u>\$ 21,971,493</u>	<u>\$ 17,267,202</u>

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class used in the actuarial valuation as of the June 30, 2019 valuation are summarized in the following table:

Strategic Allocation	Long-Term Target Allocation	Long-Term Expected Geometric Rate of Return
Broad growth	63 %	7.10 %
Principal protection	7 %	2.50 %
Real return	10 %	4.10 %
Crisis risk offset	20 %	4.60 %
	<u>100 %</u>	

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. ERS's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at <http://www.ers.ehawaii.gov>.

Payables to the Pension Plan

As of June 30, 2020 and 2019, the Department had no payables to ERS.

9. Postretirement Healthcare and Life Insurance Benefits

Plan Description

The Department provides certain healthcare and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the Department contributes to EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. EUTF issues a publicly available annual financial report that can be obtained at <http://eutf.hawaii.gov>.

For employees hired before July 1, 1996, the Department pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the Department makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the Department pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the Department pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the Department pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the Department makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the Department pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the Department pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the Department pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Employees Covered by Benefit Terms

At July 1, 2019 and 2018, the following number of plan members was covered by the benefit terms:

	2019	2018
Inactive plan members or beneficiaries currently receiving benefits	55	51
Inactive plan members entitled to but not yet receiving benefits	6	6
Active plan members	<u>89</u>	<u>85</u>
Total plan members	<u>150</u>	<u>142</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Department were \$1,041,000 and \$1,011,000 for the fiscal years ended June 30, 2020 and 2019, respectively. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020 and 2019, the Department reported a net OPEB liability of approximately \$8.5 million. The net OPEB liability was measured as of July 1, 2019 and July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2019 and 2018, the Department recognized OPEB expenses of approximately \$1,215,000 and \$926,000, respectively. At June 30, 2020 and 2019, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2020		
Difference between actual and expected experience	\$ 28,613	\$ 97,076
Changes of assumptions	241,457	-
Net difference between projected and actual earnings on pension plan investments	127,033	-
Department contributions subsequent to the measurement date	<u>1,041,000</u>	<u>-</u>
	<u>\$ 1,438,103</u>	<u>\$ 97,076</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 226,414
Changes of assumptions	203,858	-
Department contributions subsequent to the measurement date	<u>1,011,000</u>	<u>-</u>
	<u>\$ 1,214,858</u>	<u>\$ 226,414</u>

The \$1,041,000 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2021	\$ 45,699
2022	45,700
2023	79,646
2024	81,748
2025	31,440
Thereafter	<u>15,794</u>
	<u>\$ 300,027</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii, on January 8, 2018, based on the experience study covering the five-year period ended June 30, 2018:

Valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Discount rate	7.00%
Inflation	2.50%
Salary increases	3.50% to 7.00%; including inflation
Demographic assumptions	Based on the experience study covering the five-year period ending June 30, 2018
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution ("BMC"). Healthcare participation rates of 25%, 65% and 90% for retirees that receive 0%, 50% or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates	
PPO*	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
HMO*	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
Part B & Base Monthly Contribution ("BMC")	Initial rate of 5.00%, declining to a rate of a rate of 4.70% after 11 years
Dental	Initial rate of 5.00% for first two years, followed by 4.00%
Vision	Initial rate of 0.00% for first two years, followed by 2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class in the July 1, 2019 actuarial valuation are summarized in the following table:

Strategic Allocation	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Non-U.S. equity	17 %	6.90 %
U.S. equity	15 %	5.35 %
Private equity	10 %	8.80 %
Core real estate	10 %	3.90 %
Trend following	9 %	3.25 %
U.S. microcap	7 %	7.30 %
Global options	7 %	4.75 %
Private credit	6 %	5.60 %
Long treasuries	6 %	2.00 %
Alternative risk premia	5 %	2.75 %
TIPS	5 %	1.20 %
Core bonds	3 %	1.50 %
	<u>100 %</u>	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.13% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA index"). Beginning with the fiscal year 2020 contribution, the Department's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2019.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 16,417,246	\$ 8,049,348	\$ 8,367,898
Service cost	380,070	-	380,070
Interest on the total OPEB liability	1,144,135	-	1,144,135
Difference between expected and actual experience	(135,272)	-	(135,272)
Changes of assumptions	237,370	-	237,370
Employer contributions	-	948,000	(948,000)
Net investment income	-	588,700	(588,700)
Benefit payments	(525,000)	(525,000)	-
Administrative expense	-	(1,803)	1,803
Net changes	<u>1,101,303</u>	<u>1,009,897</u>	<u>91,406</u>
Balance at June 30, 2019	<u>17,518,549</u>	<u>9,059,245</u>	<u>8,459,304</u>
Service cost	406,353	-	406,353
Interest on the total OPEB liability	1,221,753	-	1,221,753
Difference between expected and actual experience	33,498	-	33,498
Changes of assumptions	83,252	-	83,252
Employer contributions	-	1,011,000	(1,011,000)
Net investment income	-	399,132	(399,132)
Benefit payments	(536,228)	(536,228)	-
Administrative expense	-	(2,874)	2,874
Other	-	271,018	(271,018)
Net changes	<u>1,208,628</u>	<u>1,142,048</u>	<u>66,580</u>
Balance at June 30, 2020	<u>\$ 18,727,177</u>	<u>\$ 10,201,293</u>	<u>\$ 8,525,884</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
and Healthcare Cost Trend Rates**

The following table presents the Department's net OPEB liability calculated using the discount rate of 7.00%, as well as what the Department's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department's net OPEB liability	<u>\$ 11,606,056</u>	<u>\$ 8,525,884</u>	<u>\$ 6,090,140</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The following table presents the Department's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Department's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Department's net OPEB liability	<u>\$ 5,959,680</u>	<u>\$ 8,525,884</u>	<u>\$ 11,835,617</u>

Payables to the OPEB Plan

At June 30, 2020 and 2019, the Department had no payables to EUTF.

10. Deferred Compensation Plan

The Department offers its employees, through the County, a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the County or the Department.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting Code Section 457 – Deferred Compensation Plans*, the Department has excluded the plan assets from the financial statements. All such amounts are not subject to the claims of the Department or the County's general creditors.

11. Commitments and Contingencies

Sick Leave

Accumulated sick leave as of June 30, 2020 and 2019 was approximately \$2,094,000 and \$2,078,000, respectively. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. As a result, no liability for sick pay is recorded in the accompanying financial statements. However, a public employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS.

Workers' Compensation Insurance

Prior to July 1, 2001, the Department was fully self-insured for workers' compensation claims. Beginning July 1, 2001, the Department purchased insurance with a deductible of \$550,000. Claims are reported to and managed by the County. The Department provides reserves for claims not covered by insurance that in the opinion of counsel will result in probable judgment against the Department. These reserves include an estimate of claims that have been incurred but not reported ("IBNR"). Claim liabilities, including IBNR, are based on the estimated ultimate cost of settling the claims. Claims liabilities are estimated by a case-by-case review of all claims and the application of historical experience to outstanding claims. As of June 30, 2020 and 2019, the workers' compensation liability amounted to approximately \$351,000 and \$326,000, respectively, and is recorded in accounts payable and accrued liabilities in the accompanying statements of net position.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Safe Drinking Water Act

The Department is subject to the requirements of the Safe Drinking Water Act (the "Act") which is administered by the State of Hawaii Department of Health on behalf of the United States Environmental Protection Agency. Management believes that the Department is in full compliance with the requirements of the Act and is not aware of any matters under the Act that materially affected or are currently affecting the Department's customer service area.

Other Legal Matters

The Department is party to various legal proceedings arising in the normal course of business. The outcome of individual matters is not predictable. However, management believes that the ultimate resolution of all such matters will not have a material adverse effect on the Department's financial position or results of operations.

Other

Other commitments, primarily for utility plant construction, approximated \$18,781,000 and \$17,941,000 at June 30, 2020 and 2019, respectively.

12. Related Party Transactions

The Department charges the County for fire protection services (hydrant use) at agreed-to rates that approximate the cost for such services. The County provides certain services to the Department and charges the Department for these services at an amount equal to the charge for fire protection services. The amounts charged approximated \$2,174,000 in 2020 and 2019.

At June 30, 2020 and 2019, amounts due to the County for reimbursement of payroll expenses were approximately \$192,000 and \$175,000, respectively.

Required Supplementary Information

**Department of Water
 County of Kauai
 Schedule of the Department's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years***

	2020	2019	2018	2017	2016	2015	2014
Department's proportion of the net pension liability	0.16 %	0.12 %	0.12 %	0.13 %	0.13 %	0.12 %	0.12 %
Department's proportionate share of the net pension liability	\$ 21,971,493	\$ 16,156,668	\$ 15,423,518	\$ 16,921,133	\$ 11,310,002	\$ 9,317,991	\$ 10,322,299
Department's covered payroll	\$ 5,840,000	\$ 5,633,000	\$ 5,515,000	\$ 5,110,000	\$ 4,836,000	\$ 4,645,000	\$ 4,385,000
Department's proportionate share of the net pension liability as a percentage of its covered payroll	376.22 %	286.82 %	279.66 %	331.14 %	233.87 %	200.60 %	235.40 %
Plan fiduciary net position as a percentage of the total pension liability	54.87 %	55.48 %	54.80 %	51.28 %	62.42 %	63.92 %	57.96 %

* This data is presented for years for which information is available.

See accompanying independent auditors' report.

**Department of Water
County of Kauai
Schedule of the Department's Pension Contributions
Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 1,325,000	\$ 1,109,000	\$ 1,016,000	\$ 938,000	\$ 911,000	\$ 798,000	\$ 745,000	\$ 679,000	\$ 642,000	\$ 601,000
Contributions in relation to the statutorily required contribution	<u>1,325,000</u>	<u>1,109,000</u>	<u>1,016,000</u>	<u>938,000</u>	<u>911,000</u>	<u>798,000</u>	<u>745,000</u>	<u>679,000</u>	<u>642,000</u>	<u>601,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 5,966,000	\$ 5,840,000	\$ 5,633,000	\$ 5,515,000	\$ 5,110,000	\$ 4,836,000	\$ 4,645,000	\$ 4,385,000	\$ 4,285,000	\$ 4,014,000
Contributions as a percentage of covered payroll	22.21 %	18.99 %	18.04 %	17.01 %	17.83 %	16.50 %	16.04 %	15.48 %	14.98 %	14.97 %

**Department of Water
County of Kauai
Schedule of the Department's Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years***

	2020	2019	2018
Total other postemployment benefits liability			
Service cost	\$ 406,353	\$ 380,070	\$ 380,075
Interest on the total other postemployment benefits liability	1,221,753	1,144,135	1,073,630
Difference between expected and actual experience in the measurement of total OPEB liability	33,498	(135,272)	-
Changes of assumptions or other inputs	83,252	237,370	-
Benefit payments	<u>(536,228)</u>	<u>(525,000)</u>	<u>(368,000)</u>
Net change in total other postemployment benefits liability	1,208,628	1,101,303	1,085,705
Total other postemployment benefits liability – beginning	<u>17,518,549</u>	<u>16,417,246</u>	<u>15,331,541</u>
Total other postemployment benefits liability – ending	<u>\$ 18,727,177</u>	<u>\$ 17,518,549</u>	<u>\$ 16,417,246</u>
Plan fiduciary net position			
Employer contributions	\$ 1,011,000	\$ 948,000	\$ 1,287,000
Net investment income	399,132	588,700	654,929
Benefit payments	(536,228)	(525,000)	(368,000)
Other postemployment benefits plan administrative expense	(2,874)	(1,803)	(1,485)
Other	<u>271,018</u>	<u>-</u>	<u>8,474</u>
Net change in plan fiduciary net position	1,142,048	1,009,897	1,580,918
Plan fiduciary net position – beginning	<u>9,059,245</u>	<u>8,049,348</u>	<u>6,468,430</u>
Plan fiduciary net position – ending	<u>10,201,293</u>	<u>9,059,245</u>	<u>8,049,348</u>
Net other postemployment benefits liability – ending	<u>\$ 8,525,884</u>	<u>\$ 8,459,304</u>	<u>\$ 8,367,898</u>
Plan fiduciary net position as a percentage of total other postemployment benefits liability	54.47 %	51.71 %	49.03 %
Covered-employee payroll	\$ 5,787,000	\$ 5,700,000	\$ 5,269,000
Net other postemployment benefits liability as a percentage of covered-employee payroll	147.33 %	148.41 %	158.81 %

* This data is presented for years for which information is available.

See accompanying independent auditors' report.

**Department of Water
County of Kauai
Schedule of the Department's OPEB Contributions
Last Ten Fiscal Years***

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,041,000	\$ 1,011,000	\$ 1,002,000	\$ 968,000	\$ 914,000	\$ 884,000
Contributions in relation to the actuarially required contribution	<u>1,041,000</u>	<u>1,011,000</u>	<u>948,000</u>	<u>968,000</u>	<u>883,000</u>	<u>885,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 31,000</u>	<u>\$ (1,000)</u>
Department's covered-employee payroll	\$ 5,840,000	\$ 5,787,000	\$ 5,700,000	\$ 5,269,000	\$ 5,068,000	\$ 5,052,000
Contributions as a percentage of covered-employee payroll	17.83 %	17.47 %	16.63 %	18.37 %	17.42 %	17.52 %

* This data is presented for years for which information is available.

See accompanying independent auditors' report.

Supplementary Information

**Department of Water
County of Kauai
Supplemental Schedule of Utility Plant in Service
Year Ended June 30, 2020**

Schedule I

	July 1, 2019 Balance	Additions	Reductions/ Transfers	June 30, 2020 Balance
Cost basis				
Land and land rights				
Source	\$ 837,879	\$ -	\$ -	\$ 837,879
Pumping	156	-	-	156
Water treatment	150	-	-	150
Transmission and distribution	469,237	-	-	469,237
Total land and land rights	<u>1,307,422</u>	<u>-</u>	<u>-</u>	<u>1,307,422</u>
Utility plant				
Source	12,062,791	-	125,635	12,188,426
Pumping	48,716,889	-	124,633	48,841,522
Water treatment	2,964,237	-	136,961	3,101,198
Transmission and distribution	247,559,250	600,893	(83,651)	248,076,492
Total utility plant capital assets	<u>311,303,167</u>	<u>600,893</u>	<u>303,578</u>	<u>312,207,638</u>
General plant	23,713,600	398,527	-	24,112,127
Capital leases				
Water treatment	7,181,456	-	-	7,181,456
General	233,890	-	-	233,890
Total capital leased assets	<u>7,415,346</u>	<u>-</u>	<u>-</u>	<u>7,415,346</u>
Intangible assets				
Easements	35,722	-	-	35,722
Software	1,889,395	46,954	-	1,936,349
Total intangible assets	<u>1,925,117</u>	<u>46,954</u>	<u>-</u>	<u>1,972,071</u>
	<u>\$ 345,664,652</u>	<u>\$ 1,046,374</u>	<u>\$ 303,578</u>	<u>\$ 347,014,604</u>
	July 1, 2019 Balance	Additions	Reductions/ Transfers	June 30, 2020 Balance
Accumulated depreciation and amortization				
Utility plant				
Source	\$ 5,788,833	\$ 270,216	\$ (50,092)	\$ 6,008,957
Pumping	29,398,279	1,794,345	(2,718)	31,189,906
Water treatment	2,193,637	26,502	-	2,220,139
Transmission and distribution	80,421,833	3,848,510	(34,891)	84,235,452
Total utility plant accumulated depreciation	<u>117,802,582</u>	<u>5,939,573</u>	<u>(87,701)</u>	<u>123,654,454</u>
General plant	8,054,035	978,834	-	9,032,869
Capital leases				
Water treatment	7,181,457	-	-	7,181,457
General	226,522	4,842	-	231,364
Total capital lease accumulated depreciation and amortization	<u>7,407,979</u>	<u>4,842</u>	<u>-</u>	<u>7,412,821</u>
Intangible assets	1,235,799	226,607	-	1,462,406
	<u>\$ 134,500,395</u>	<u>\$ 7,149,856</u>	<u>\$ (87,701)</u>	<u>\$ 141,562,550</u>

See accompanying independent auditors' report.

**Department of Water
County of Kauai
Supplemental Schedule of Selective Account Classifications
Five Years Ended June 30, 2020
(All Dollars in Thousands)**

Schedule II

	2020	2019	2018	2017	2016
Statements of Net Position					
Utility plant in service	\$ 347,015	\$ 345,665	\$ 337,177	\$ 332,814	\$ 317,155
Net position					
Net investment in capital assets	\$ 163,824	\$ 160,382	\$ 151,506	\$ 148,855	\$ 147,808
Restricted for capital activity and debt service	2,050	905	809	540	1,864
Unrestricted	32,387	36,807	36,522	41,623	36,898
	<u>\$ 198,261</u>	<u>\$ 198,094</u>	<u>\$ 188,837</u>	<u>\$ 191,018</u>	<u>\$ 186,570</u>
Statements of Revenues, Expenses and Changes in Net Position					
Resources					
Water sales	\$ 26,672	\$ 27,959	\$ 27,910	\$ 28,445	\$ 29,228
Other	2,341	2,599	2,540	2,471	2,463
	<u>29,013</u>	<u>30,558</u>	<u>30,450</u>	<u>30,916</u>	<u>31,691</u>
Operating expenses					
Depreciation and amortization	7,190	6,865	7,633	7,440	7,065
Administrative and general	10,895	8,951	8,394	7,874	6,971
Transmission and distribution	5,210	4,047	4,165	4,043	3,472
Power and pumping	2,941	3,034	2,982	2,949	2,832
Accounting and collection	1,151	1,200	1,067	1,231	1,058
All other	3,579	3,013	2,330	2,361	2,205
	<u>30,966</u>	<u>27,110</u>	<u>26,571</u>	<u>25,898</u>	<u>23,603</u>
Nonoperating expenses	(1,384)	(923)	(3,502)	(3,238)	(3,405)
Contributions	3,505	6,731	4,978	2,668	6,053
	<u>\$ 168</u>	<u>\$ 9,256</u>	<u>\$ 5,355</u>	<u>\$ 4,448</u>	<u>\$ 10,736</u>

See accompanying independent auditors' report.

**Report of Independent Auditors on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Water Supply
Department of Water, County of Kauai

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Department of Water, County of Kauai (the "Department") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required

to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001.

Department's Response to Finding

The Department's response to the finding identified in our audit is described in the accompanying corrective action plan. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
November 19, 2020

Schedule of Findings and Questioned Costs

**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I – Financial Statement Finding

Finding No. 2020-001: IT General Control Deficiencies (Significant Deficiency)

Condition

Information technology (“IT”) is a strategic element of the Department of Water’s (the “Department”) operations. Because of the high volume of transactions at the Department, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2020, we performed an IT general controls review of the following systems operated by the Department:

- Great Plains (“GP”)
- Oracle Utilities Customer Care and Billing (“CC&B”)

Our review resulted in several IT control deficiencies in the areas of the overall IT environment; logical, physical, and network security; change management; and IT operations:

IT environment

- There are several vacant positions in the IT function, including the IT Manager. Although there is an interim IT manager, his professional background is not in IT. These vacancies and temporary assignment make it difficult for IT to effectively support the Department's operations.

Logical security

- Formal security procedures are not consistently followed for terminated CC&B users.
- User access rights were not reviewed in fiscal year 2020 to ensure access is limited to applicable position functions.
- Password security requirements do not comply with the Department's policies and procedures.

Physical security

- Various employees have physical access to the server room with no monitoring control in place to detect unauthorized events.

Network security

- Lack of documentation to show that the firewall was evaluated and updated in light of the increased network requirements associated with remote working accommodations due to the COVID-19 pandemic.
- Lack of vulnerability assessment.
- Lack of security awareness training.

Change management

- Lack of formal change management policies and procedures for GP.

IT operations

- System restoration testing was not performed for GP during fiscal year 2020.
- Lack of evidence that system backups are retained for GP.

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Criteria

When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Effect

Internal controls in the areas of IT governance, logical security, change management, IT operations, and system migration address the following risks:

IT environment

Without the expertise and support for the IT function, there may be a lack of accountability with employees, without an IT risk management process not in place to support financial reporting requirements.

Logical, physical and network security

Unauthorized access to financial systems could result in the loss of data and/or data integrity, unauthorized or nonexistent transactions being made, or transactions being inaccurately recorded.

Change management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

IT operations

Programs and processes are not executed as planned and deviations from scheduled processing are not identified and investigated causing data integrity concerns, including the inability to correct or recover from data loss and/or corruption.

Cause and View of Responsible Officials

The Department's IT policies and procedures do not include internal control procedures addressing the risks discussed above or such controls are not consistently followed due to turnover in IT staff.

Recommendations

We recommend that the Department perform the following:

IT environment

- Fill IT vacancies, particularly a dedicated IT manager.

Logical Security

- Update security procedures to include all financial systems and ensure procedures are consistently followed for new hires, transfers and separated users.
- Review user access rights on a periodic basis and at least annually.
- Implement additional password security requirements in compliance with IT policies and procedures.

Physical security

- Implement detective or monitoring controls over the server room.

**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Network security

- Implement formal procedures for evaluation of IT infrastructure and follow-up actions based on the results.
- Implement formal procedures to perform a vulnerability assessment and follow-up actions based on the results.
- Implement a formal security awareness program, including training.

Change management

- Implement formal change management procedures and ensure procedures are consistently followed.

IT operations

- Ensure system restoration testing is performed at least annually.
- Ensure periodic backups are retained.

**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section II – Federal Award Findings and Questioned Costs

None noted.



November 19, 2020

Accuity LLP
999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813

Gentlemen:

Thank you for the opportunity to provide comments on the Schedule of Finding issued in connection with the financial statement audit of the Department of Water, County of Kauai (the Department) for the fiscal year ended June 30, 2020. Attached is the Department's Corrective Action Plan.

We commend Accuity LLP's staff for the cooperative and professional manner in which they conducted themselves during the audit

If you have any questions, please call Mr. Michael Hinazumi of my staff at 808-245-5416 or email at mhinazumi@kauaiwater.org

Sincerely,

Kurt Akamine

Kurt akamine (Nov 12, 2020 08:33 HST)

Kurt Akamine
Chairperson
Board of Water Supply

MY/mja

Corrective Action Plan

DEPARTMENT OF WATER, COUNTY OF KAUAI

CORRECTIVE ACTION PLAN

Section I – Financial Statement Finding

Finding No. 2020-001: IT General Control Deficiencies (Significant Deficiency)

(Page 51)

Condition

Information technology (“IT”) is a strategic element of the Department of Water’s (the “Department”) operations. Because of the high volume of transactions at the Department, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2020, we performed an IT general controls review of the following systems operated by the Department:

- Great Plains (“GP”)
- Oracle Utilities Customer Care and Billing (“CC&B”)

Our review resulted in several IT control deficiencies in the areas of the overall IT environment; logical, physical, and network security; change management; and IT operations:

IT environment

Findings:

- There are several vacant positions in the IT function, including the IT Manager. Although there is an interim IT manager, his professional background is not in IT. These vacancies and temporary assignment make it difficult for IT to effectively support the Department’s operations.

Response:

- The Department is actively working with HR to recruit for the IT Manager position. Additional IT position vacancies will be recruited for and filled under the oversight of the IT Manager.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

Logical security

Findings:

- Formal security procedures are not consistently followed for terminated CC&B users.
- User access rights were not reviewed in fiscal year 2020 to ensure access is limited to applicable position functions.
- Password security requirements do not comply with the Department’s policies and procedures.

Response:

- The IT Division will be implementing new information security policies, procedures, and practices.
- The Department will be migrating to Dynamics 365, user rights access will be reviewed as a part of that process.
 - Annual User Access Review: 7 Business days for Manager review of users
 - User Termination: 3 Business days for user access removal from user’s termination date

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

DEPARTMENT OF WATER, COUNTY OF KAUAI

CORRECTIVE ACTION PLAN

Physical security

Findings:

- Various employees have physical access to the server room with no monitoring control in place to detect unauthorized events.

Response:

- The IT Division has removed access to the server room for facility workers.
 - Annual User Access Review: 7 Business days for Manager review of users
 - User Termination: 3 Business days for user access removal from user's termination date

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: Completed.

Network security

Findings:

- Lack of documentation to show that the firewall was evaluated and updated in light of the increased network requirements associated with remote working accommodations due to the COVID-19 pandemic.
- Lack of vulnerability assessment.
- Lack of security awareness training.

Response:

- The IT Division will be implementing new information security policies, procedures, and practices.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q4

Change management

Findings:

- Lack of formal change management policies and procedures for GP.

Response:

- The Department will be migrating to the latest release of Dynamics 365.
- The IT Division will be implementing change management policies, procedures, and practices.
 - Changes are authorized for work to be completed
 - Changes are tested before deploying to prod
 - Changes approved by appropriate management
- Managed Service Provider (RSM Consulting) will be defining change management roles and responsibilities for Dynamics 365.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

DEPARTMENT OF WATER, COUNTY OF KAUAI CORRECTIVE ACTION PLAN

IT operations

Findings:

- System restoration testing was not performed for GP during fiscal year 2020.
- Lack of evidence that system backups are retained for GP.

Response:

- The IT Division will be implementing retention testing policies, procedures, and practices.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

Old Business

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 20-41 (Update)

December 17, 2020

Re: Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report

RECOMMENDATION:

There is no action necessary; for Board review and discussion purposes only.

FUNDING: N/A.

BACKGROUND:

As requested by the Board of Water during its January 24, 2020 and February 28, 2020 Regular Board meetings, the Board requested the Department to provide a monthly update on the status of payments to Grove Farm in accordance with the project's budget. Please refer to Attachment 1.

There are no updates to report since the August 27, 2020 Board meeting. It is anticipated that work will resume on the project sometime in January, 2021.

BW/ein

Attachment(s): Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report as of December 1, 2020

Mgrrp/December 17, 2020/20-41/Waiahi Surface Water Treatment Plant Renovation Project Construction Cost Progress Report (Update) (1-24-20, 2-28-20, 6-25-20, 7-23-20, 8-27-20, 9-24-20, 10-22-20, 11-19-20, 12-17-20):ein

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
SITEWORK¹											
1	1	LS	\$100,000	Mobilization & Demobilization	\$100,000	\$33,333	\$66,667	\$0	\$0	0.00%	N/A
2	1.44	Acre	\$14,876	Clearing & Grubbing, including demolition of existing shed at Off-site Detention Basins, in place complete	\$21,421	\$7,140	\$14,281	\$0	\$0	0.00%	N/A
3	4151	CY	\$30	Excavation, in place complete	\$124,530	\$41,510	\$83,020	\$0	\$0	0.00%	N/A
4	2673	CY	\$15	Embankment, in place complete.	\$40,095	\$13,365	\$26,730	\$0	\$0	0.00%	N/A
5	1	LS	\$11,950	Erosion Control, including temp silt fence, temp wheel wash area, temp ground cover & erosion control fabric	\$11,950	\$3,983	\$7,966	\$0	\$0	0.00%	N/A
6	16	SY	\$450	Rip-rap Lined Embankment Swale, in place complete	\$7,200	\$2,400	\$4,800	\$0	\$0	0.00%	N/A
7	956	LF	\$80	Chain Link Fence, including warning signs, in place complete	\$76,480	\$25,493	\$50,987	\$0	\$0	0.00%	N/A
8	1	EA	\$2,500	Chain Link Gate, 18' Wide X 6' High at Off-site Detention Basins, in place complete.	\$2,500	\$833	\$1,667	\$0	\$0	0.00%	N/A
9	1	EA	\$1,000	Chain Link Pedestrian Gate, 30" Wide X 6' High at Drain/Reject Water Pump Station, in place complete	\$1,000	\$333	\$667	\$0	\$0	0.00%	N/A
10	2434	SY	\$80	Asphalt Concrete Pavement, including base course, in place complete	\$194,720	\$64,907	\$129,813	\$0	\$0	0.00%	N/A
11	1055	LF	\$55	Concrete curb, in place complete	\$58,025	\$19,342	\$38,683	\$0	\$0	0.00%	N/A
12	1321	LF	\$45	Concrete header, in place complete	\$59,445	\$19,815	\$39,630	\$0	\$0	0.00%	N/A
13	8	EA	\$250	Concrete drop curb, in place complete	\$2,000	\$667	\$1,333	\$0	\$0	0.00%	N/A
14	13	EA	\$800	Bollards, in place complete.	\$10,400	\$3,467	\$6,933	\$0	\$0	0.00%	N/A
15	2	EA	\$500	Ring Buoy, including pipe stand, in place complete	\$1,000	\$333	\$667	\$0	\$0	0.00%	N/A
YARD PIPING¹											
1	1	LS	\$58,000	Pre-lube Line for Existing Reservoir Intake Pumps, including fittings and appurtenances, in place complete	\$58,000	\$19,333	\$38,667	\$0	\$0	0.00%	N/A
2	1	LS	\$123,000	Flocculation Tank Inlet Line, including fittings, valves, and appurtenances, cutting, removing and relocating	\$123,000	\$41,000	\$82,000	\$0	\$0	0.00%	N/A

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
3	1	LS	\$29,000	Drainline "A", including connection to existing drain manholes & modifications to existing DMH "A-2"	\$29,000	\$9,667	\$19,333	\$0	\$0	0.00%	N/A
4	1	LS	\$150,000	Drainline "B," including headwall with ungrouted rip rap, & drain manholes, in place complete	\$150,000	\$50,000	\$100,000	\$0	\$0	0.00%	N/A
5	1	LS	\$24,000	Drainline "C", including headwalls, in place complete	\$24,000	\$8,000	\$16,000	\$0	\$0	0.00%	N/A
6	1	LS	\$130,000	Force Mains "A", "B" & "C", including fittings, valves & appurtenances, & concrete blocks	\$130,000	\$43,333	\$86,667	\$0	\$0	0.00%	N/A
7	1	LS	\$69,182	Off-Site Detention Basin Inlet & Outlet Lines, including residuals discharge connection	\$69,182	\$23,061	\$46,121	\$0	\$0	0.00%	N/A
8	1	LS	\$28,302	Residuals Discharge Lines "A" & "B", including fittings, valves & appurtenances & concrete blocks	\$28,302	\$9,434	\$18,868	\$0	\$0	0.00%	N/A
9	1	LS	\$75,472	Residuals Drying Beds Inlet Lines, including fittings, valves & appurtenances, concrete blocks	\$75,472	\$25,157	\$50,315	\$0	\$0	0.00%	N/A
STRAINER SYSTEM¹											
1	1	LS	\$120,000	16" Automatic Backwashing Strainer, including removal & disposal of ex. strainer, drain & backwash lines	\$120,000	\$40,000	\$80,000	\$0	\$0	0.00%	N/A
PUMP GALLERY IMPROVEMENTS¹											
1	1	LS	\$5,000	Liquid Level Sensor Alarm System, in place complete	\$5,000	\$1,667	\$3,333	\$0	\$0	0.00%	N/A
2	1	LS	\$5,000	8" Butterfly Valve on Permeate Line to Backpulse Tank, in place complete	\$5,000	\$1,667	\$3,333	\$0	\$0	0.00%	N/A
3	1	LS	\$10,000	Replace Existing Membrane Tank Level Transmitters. (Transmitters furnished by SUEZ. See Bid Item G-1.)	\$10,000	\$3,333	\$6,667	\$0	\$0	0.00%	N/A
4	1	LS	\$10,000	Combined Permeate Turbidimeter, including sampling line & revisions to sample drains & control wiring	\$10,000	\$3,333	\$6,667	\$0	\$0	0.00%	N/A
DRAIN/REJECT WATER PUMP STATION¹											
1	1	LS	\$44,025	Drain/Reject Water Pump Station Concrete Wet Well & Pipe Support, including structural excavation	\$44,025	\$14,675	\$29,350	\$0	\$0	0.00%	N/A

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
2	1	LS	\$69,182	Drain/Reject Water Pump System, including liquid level sensor, transducer, pump accessories, access hatch	\$69,182	\$23,061	\$46,121	\$0	\$0	0.00%	N/A
3	1	LS	\$62,893	Drain/Reject Water Piping, including fittings, valves & appurtenances, & connection to existing drain line	\$62,893	\$20,964	\$41,929	\$0	\$0	0.00%	N/A
MEMBRANE UNIT REPLACEMENT²											
1	1	LS	\$1,015,545	Membrane Unit Upgrades by SUEZ, all in accordance with SUEZ's proposal dated 9/6/2019.	\$1,015,545	\$338,515.00	\$677,030	\$677,030.00	\$677,030.00	100.00%	Yes
2	1	LS	\$160,941	Installation of Membrane Unit Upgrades by SUEZ, in place complete. Aqua Engineers, proposal dated 9/16/2019	\$160,941	\$53,647.00	\$107,294	\$107,294.00	\$107,294.00	100.00%	Yes
3	1	LS	*Initial estimate \$0	Taxes & Additional US Customs Duty Fees, in accordance with SUEZ's proposal (*estimate was \$0)	\$47,852.48	\$15,950.83	\$31,901.65	\$31,901.65	\$31,901.65	100.00%	Yes
LINER FOR OFF-SITE DETENTION BASINS¹											
1	1	LS	\$119,497	Liner for Off-Site Detention Basins, including geotextile fabric, anchoring battens & trenches	\$119,497	\$39,832	\$79,665	\$0	\$0	0.00%	N/A
PORTABLE PUMP FOR RESIDUALS TRANSFER³											
1	1	LS	\$41,024	Portable Pump for Residuals Transfer, including wheel kit & hoses, in place complete.	\$41,024	\$13,675	\$27,349	\$0	\$0	0.00%	N/A
GENERATOR BUILDING¹											
1	1	LS	\$350,000	Generator Building	\$350,000	\$116,667	\$233,333	\$0	\$0	0.00%	N/A
2	1	LS	\$300,000	Emergency Generator System	\$300,000	\$100,000	\$200,000	\$0	\$0	0.00%	N/A
3	1	LS	\$28,000	Painting and Coating	\$28,000	\$9,333	\$18,667	\$0	\$0	0.00%	N/A
ELECTRICAL WORK¹											
1	1	LS	\$493,192	Electrical Work, in place complete.	\$493,192	\$164,397	\$328,795	\$0	\$0	0.00%	N/A

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
----------	------	------	---------------	-------------	---------------------	----------------------------------	---------------------------	-----------------------------------	------------------------------	--------------------------------------	---

Summary for December 17, 2020 Board meeting

	Total Cost Estimate	GF Total 1/3 (33.33%)	BWS Total 2/3 (66.67%)	BWS Total Amount Due to Date (\$)	BWS Total Amount Paid to Date (\$)	Estimate Total to Date (% of total project)	All Payments Received by Grove Farm within 15 days?
Project Total Estimates =	\$4,279,874	\$1,426,625	\$2,853,249	\$816,226	\$816,226	28.61%	Yes

DOW NOTES

*Payments due within 15 calendar days of receipt of invoice.

*DOW will not be withholding 5% retainage.

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-12 (Update)

December 17, 2020

Re: Discussion and Receipt relating to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, As-Needed Engineering Services Indefinite Delivery Indefinite Quantity

RECOMMENDATION:

The Board deferred this item during the November 19, 2020 meeting. It is recommended that the Board receive the information provided in the background.

FUNDING:

N/A

BACKGROUND:

The Department is currently conducting an overall evaluation of the project to determine the best course forward. As discussed at the October and November Board meetings, the Department intends to utilize the current As-Needed Engineering Services Indefinite Delivery Indefinite Quantity (IDIQ) contract with Brown and Caldwell. This is separate and apart from the current contract with KAI Hawai'i. In particular, we are preparing three task orders for Brown and Caldwell:

1. Provide a high-level analysis of all options and provide an order of magnitude cost analysis to determine a clear financial path forward. Specifically, should the department continue on its course to rehabilitate the tank with an expected life cycle of 25 years or should the department demolish the tank and construct a new tank with an expected life cycle of 50-75 years.
2. Analyze options to filter and dispose of the PCB contaminated water currently in the tank and recommend a solution. The Department previously discussed this with the consultant and received an order of magnitude estimate for this effort is in the range of \$20,000 to \$30,000. The consultant is available and qualified to assist with this effort and \$150,000.00 funds are available within the approved budget for the existing I.D.I.Q. contract.
3. Provide a high-level analysis of the other 15 tanks within the DOW system which may be contaminated with PCBs and provide options and recommendations for the DOW to pursue to address these issues. The options should include, but not be limited to, outside funding sources such as the State legislature and federal sources. The analysis should evaluate liability on the part of the manufacturers of the PCB-contaminated paint, caulking, etc., and the consultant shall evaluate options to install plastic liners to reduce potential water contamination.

Additionally, DOW staff have continued to communicate with the EPA Region IX representative to clarify the requirements for disposing of the Paua Valley Tank No. 1 should the DOW decide that it is more cost effective to demolish the existing tank in its entirety and construct a brand new tank. Since the November Board meeting, DOW staff made a determination that through the EPA's Reinterpretation Guidance Document for PCBs, the tank could be considered "PCB Bulk

Product Waste” under EPA’s definition, which would allow the entire tank structure to be disposed of at a municipal landfill. The EPA has confirmed this interpretation is correct and DOW staff subsequently contacted the Department of Health, Solid Waste Division for concurrence. DOH has verbally confirmed that they concur with this determination and the Department is awaiting written confirmation. Lastly, DOW staff have also contacted the County of Kaua’i Solid Waste division and representatives of the Kekaha landfill and they confirmed that the tank would be allowed to be disposed of at the Kekaha landfill as long as it is considered “PCB Bulk Product Waste”. This is a significant determination for the Department because the option to demolish the tank remains viable. By comparison, if the demolished tank could not be disposed at the Kekaha Landfill, the cost would not be feasible to ship the demolished tank to a landfill off-island.

OPTIONS:

N/A

BW/ein

Mgrrp/November 2020/21-12/Discussion and Receipt relating to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, As-Needed Engineering Services Indefinite Delivery Indefinite Quantity (10-2-20, 11-19-20, 12-17-20):ein

New Business

*Mahalo and Aloha***Randal H. Watanabe**

Pipefitter

October 2006 – December 2020

WHEREAS, Randal “Randy” Watanabe first joined the County of Kaua`i, Department of Water (DOW) as a Pipefitter Helper on October 16, 2006 and got promoted to Pipefitter on May 1, 2012; and

WHEREAS, after more than fourteen (14) years of service to the County of Kaua`i and DOW customers, Randy decided it is time; and

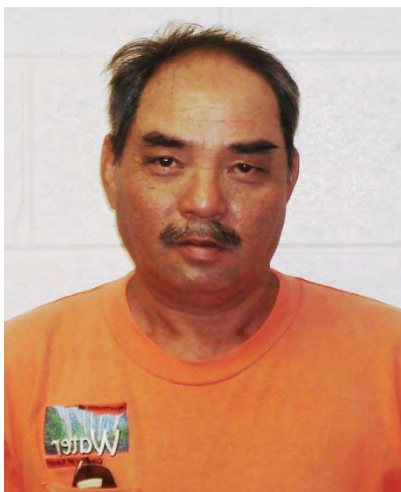
WHEREAS, in 2020, the Department has grown to over 100 employees (plus vacancies), 52 vehicles and numerous heavy equipment, some of which are now retired too and ready to hit the auction block, and the equivalent of over 21,000 service connections and over 400 miles of pipelines; Randy has tremendously benefitted our community and has played an important role in repairing, maintaining and replacing the growing and aging DOW water distribution, source and storage infrastructure and facilities as well as keeping up with numerous night time, holiday, and weekend callouts; and

WHEREAS, Randy demonstrated his dedication and loyalty to the Department by working tirelessly and fulfilling his assignments with minimal complaints and supervision, and getting along with all of his co-workers; and

WHEREAS, in addition to his many years of dedicated, loyal and devoted service with the Department of Water of the County of Kaua`i, we will miss the “can do” attitude by which Randy performs his work duties and work assignments; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUA`I, STATE OF HAWAII, that on behalf of the water-consuming customers on Kaua`i, it expresses its acknowledgment and appreciation of the many years of dedicated service rendered by **RANDAL H. WATANABE** and it extends to Randy its best wishes for much happiness and success in his retirement.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to RANDAL H. WATANABE with our warmest Aloha and best wishes for success in all his future endeavors.

HAPPY RETIREMENT

We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 17, 2020.

Kurt Akamine, Chairperson

Elesther Calipjo, Secretary

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-15

December 17, 2020

Re: Discussion and Possible Action to Approve Supplementary Budget for Vacancies on Active Recruitment

RECOMMENDATION:

It is recommended that the Board approve the funds requested below to fill the following vacant positions that are actively processed for recruitment. This amount includes Salaries and Wages with the corresponding Social Security Tax, Retirement and Health benefits.

FUNDING:

Funds Available	<i>Water Utility Fund -Unrestricted</i>		\$	5,592,762
Various Account Nos.	Salaries and Wages			
	Administration	\$	129,688	
	Engineering		71,990	
	Construction Management		45,301	
	Water Resources and Planning		73,665	
	Information Technology		30,740	
	Operations		46,145	
Additional Funds Requested :		\$	397,530	\$ 397,530
Fund Balance			\$	5,195,232

BACKGROUND:

The Department of Water (DOW)'s Annual Operating Budget for FY 20-21 was approved on June 25, 2020. Included in the Department's salaries budget were vacant positions with a dollar budget only. Although it was the Department's plan to fill up these vacancies, the timeframe for the recruitment process was unknown at that time so the Board concurred that the Department would go back for Board's approval later when the recruitment and/or filling up these vacancies are more realistic.

After careful review of these vacant positions, the Department can now present a more realistic budget for these vacant positions given the statuses. Instead of submitting a piecemeal budget request for each division, the Department hereby submits this request collectively for your consideration and approval. We strongly believe that the amount requested is conservative and realistic.

OPTIONS:

Option 1: Approve additional salaries and wages budget of \$397,530.00.
Pro: This will allow DOW to move forward with filling these vacant positions.
Con: Additional funds will be expended.

Option 2: Do not approve \$397,530.00 in additional funds for Salaries and Wages budget.
Pro: Additional funds will not be expended.
Con: The DOW may not be able to complete the recruitment and hiring process before the end of FY 20-21 after all.

MY/ein

Attachment: Supplementary Budget for Vacancies on Active Recruitment FY 2020-2021

Mgrrp/December 2020/21-15/Discussion and Possible Action to Approve Supplementary Budget for Vacancies on Active Recruitment (12-17-20):ein

Department of Water
 County of Kauai
 FY 2020-2021

BU	Pos #	Position Title	Vacancy Date	Grade/ Step	% of Funding	Proposed Salaries	7.65%	24.00%	Health	TOTALS
							FICA	ERS	EUTF	
13	2358	CE V (fr Engineering) to Water Special Projects Manager	8/1/17	SR-26 K	56%	\$ 94,102	\$ 7,199	\$ 22,584	\$ 5,803	\$ 129,688
13	2615	Information Technology Specialist III	5/30/18	SR-24 C	33%	\$ 20,752	\$ 1,588	\$ 4,981	\$ 3,420	\$ 30,740
13	2468	Civil Engineer V (from CE III)	3/16/20	SR-26 L	33%	\$ 32,403	\$ 2,479	\$ 7,777	\$ 3,420	\$ 46,078
13	2458	Civil Engineer II (active recruitment)	12/16/10	SR-20 C	33%	\$ 17,085	\$ 1,307	\$ 4,101	\$ 3,420	\$ 25,913
13	2355	Civil Engineer V (active recruitment)	11/1/17	SR-26 L	33%	\$ 31,813	\$ 2,434	\$ 7,635	\$ 3,420	\$ 45,301
13	2360	Civil Engineer III (From CE I) moved to 2484	6/1/16	SR-22 H	50%	\$ 33,600	\$ 2,570	\$ 8,064	\$ 5,181	\$ 49,416
13	2494	Civil Engineer I (From CE III) moved to 2455 - (active recruitment)	6/1/16	SR-18 C	33%	\$ 15,822	\$ 1,210	\$ 3,797	\$ 3,420	\$ 24,250
03	2617	Water Service Investigator III (New)	9/1/19	SR-16 L	50%	\$ 31,116	\$ 2,380	\$ 7,468	\$ 5,181	\$ 46,145
Totals			\$ 8.00			\$ 276,693.09	\$ 21,167.02	\$ 66,406.34	\$ 33,263.56	\$ 397,530

DEPARTMENT OF WATER

County of Kaua'i

“Water has no Substitute – Conserve It!”

CHAIRPERSON’S REPORT No. 21-16

December 17, 2020

Re: Discussion and Possible Action on Board Policy No. 32, Oral Testimony

RECOMMENDATION:

It is recommended that the Board approve Board Policy No. 32, Oral Testimony.

FUNDING: N/A

BACKGROUND:

Pursuant to HRS § 92-3 of the Public Agency Meetings and Records statute, the Board must afford all interested persons an opportunity to submit data, views, or arguments, in writing, on any agenda item. The Board must also afford all interested persons an opportunity to present oral testimony on any agenda item. The Board may provide for reasonable administration of oral testimony by rule. The Office of Information Practices does not interpret “rule” in the statute as a rule under HRS § 91 but rather a formal policy adopted by the Board.

To ensure the discretion of the Board to reasonably administer oral testimony, the Board Policy is being proposed. This will allow the Board to ensure fair opportunity to all interested persons who wish to provide oral testimony.

OPTIONS:

Option 1: Approve Board Policy No. 32.

Pros: Provides the Board discretion in the administration of oral testimony.

Con: None.

Option 2: Do Not Approve Board Policy No. 32.

Pros: There is no established policy for the Board to administer oral testimony.

Con: The Board does not have discretion in the administration of oral testimony.

KA/ein

Attachment: Draft Board Policy No. 32, Oral Testimony

Chairperson’s Report/December 2020/21-16/Discussion and Possible Action on Board Policy No. 32, Oral Testimony (12-17-20):ein

BOARD OF WATER SUPPLY POLICY NO. 32

Re: Oral Testimony

Pursuant to HRS § 92-3 of the Public Agency Meetings and Records statute, the Board must afford all interested persons an opportunity to submit data, views, or arguments, in writing, on any agenda item. The Board must also afford all interested persons an opportunity to present oral testimony on any agenda item. The Board may provide for reasonable administration of oral testimony by rule.¹

This Board Policy is enacted in accordance with HRS § 92-3 and the Office of Information Practices guidance, to allow the Board reasonable administration of oral testimony.

The Chair may limit all oral testimony during a Board meeting to [redacted] minutes. The Chair may grant an additional [redacted] minutes to provide further testimony after all interested persons have had an opportunity to provide oral testimony.

Chairperson, Board of Water Supply

Date

RE: ORAL TESTIMONY

Effective Date: _____

¹ The Office of Information Practices does not interpret “rule” in the statute as a rule under HRS 91, but rather, a formal policy adopted by the Board. Basic Sunshine Law Training, Part 1 at <https://oip.hawaii.gov/wp-content/uploads/2013/04/Transcript-of-Basic-Sunshine-Law-training-video1.pdf>, last visited Nov. 27, 2020.

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-17

December 17, 2020

Re: Discussion and Possible Action for Board Approval on the Eighth Amendment to Contract No. 666 for the Information Technology Support Services with Brio Consulting, LLC for an extension until March 31, 2021 in an additional amount of \$80,000.00

RECOMMENDATION:

It is recommended that the Board approve a transfer from the Water Utility Fund to the Information Technology Division Professional Services Budget in the amount of \$80,000.00 to fund the extension of IT Support Services with Brio Consulting.

FUNDING: Water Utility Fund

BACKGROUND:

The Department of Water (DOW) currently has three (3) vacant positions, Waterworks Information Technology Manager (WITM), Information Technology Specialist (ITS) III and Computer Systems Support Technician I, in its Information Technology (IT) Division. Due to the vacancy created with the loss of the Department's WITM, on October 14, 2019, the DOW executed amendment No. 2 to Contract No. 666, Review and Update the Department's Information Technology Strategic Plan and IT Project Implementation and Support with Brio Consulting to incorporate Task 1, Support IT Infrastructure. The contract amendment provided the Department with a mechanism for long term support services during periods when the ITS III employee is on leave.

The DOW has been actively trying to fill the WITM position. During the course of the WITM position recruitment, the ITS III position became vacant and further elevated the necessity to utilize Brio Consulting's IT support services to keep the Department's critical business systems operating. The need for the consultant IT support services are required until the vacant WITM and ITS III positions are filled as well as during the transition period of recruitment, to operate and maintain the Department's IT systems.

The Eighth Amendment to Contract No. 666 is to provide services until March 31, 2021 while the critical IT positions are under recruitment and hiring action with the Department of Human Resources. The DOW anticipated that to have the WITM position filled in July, however, the selected candidate declined the Department's offer. Re-recruitment and hiring of the WITM position is in process and recruitment of the ITS III position will be completed under the leadership of the new WITM. It is anticipated that the WITM position hiring action will be complete on or before March 31, 2021.

Additional funds are requested to continue Task 1, for IT infrastructure support, of this contract until March 31, 2021 to keep business critical systems of the Department in operation.

OPTIONS:

Option 1: **Approve the proposed contract amendment** to extend IT Support Services with Brio Consulting in the amount of **\$80,000.00 to ensure critical IT Infrastructure support is available through March 31, 2021.**

Pro: This will provide critical IT staffing resources through March 31, 2021 and will ensure that critical IT infrastructure will continue to be supported. This will protect the Department against any systematic failures of our Network, SCADA, LAN, hardware, software, and all other IT related system that serve the Department and our customers.

Con: Additional funds will be expended for the contract.

Option 2: **Do not approve an extension** for IT Support with Brio Consulting, LLC in the amount of \$80,000.00 **to ensure critical IT Infrastructure support through March 31, 2021.**

Pro: Additional funds will not be expended.

Con: The DOW will not realize the benefits listed in Option 1 and will be at high risk for significant IT related issues as the existing staff would be unable to support Department's IT infrastructure needs without the assistance.

MH/ein

Mgrrp/December 2020/21-17/Discussion and Possible Action for Board Approval on the Eighth Amendment to Contract No. 666 for the Information Technology Support Services with Brio Consulting, LLC for an extension until March 31, 2021 in an additional amount of \$80,000.00 (12-17-20):ein

Staff Reports



DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

FISCAL REPORT: MONTHLY SUMMARY HIGHLIGHTS – NOVEMBER 2020

I. BUDGET SUMMARY VS. ACTUAL (see attached report for details)

YEAR TO DATE (YTD) BUDGET & ACTUAL EXPENSES SUMMARY – AS OF NOVEMBER, 2020

	<u>BUDGET</u>	<u>vs</u>	<u>EXPENSED</u>
· Operating Expenses	\$16,056,742		\$9,146,623
· Debt Principal Payment	4,014,034		4,134,257
· Capital Projects	<u>28,437,462</u>		<u>1,741,044</u>
TOTAL	<u>\$48,508,238</u>		<u>\$15,021,924</u>

REVENUES: VARIANCE = "ACTUAL" LESS "BUDGET"; POSITIVE INDICATES HIGHER PERFORMANCE THAN EXPECTED.

- Total Revenue as of November 2020 was 4% below projection.
 - Water sales of \$11.2 million ("M") was \$1.7M or 17% higher than projected.
 - Other Water Revenue - Receipts of \$64 thousand ("K") was \$60.9K below projection or (49%).
 - Capital Contributions: Contributions from Federal & State Grants – \$333.8K receipts from BAB Subsidy.
 - Investment Income & Net Increase in FV of Investments –\$183.3K.
 - Miscellaneous Revenues - \$1.3K.

OPERATING EXPENSES: VARIANCE = BUDGET LESS ACTUAL

EXPENSES: POSITIVE INDICATES LESS SPENDING THAN PLANNED. **REVISED YTD BUDGET COLUMNS INCLUDE PO ROLLOVER FROM FY ENDING 2020.**

- YTD Operating Expenses before depreciation and amortization was \$9.1M. Total spending was \$6.9M less from the total of the approved operating budget and FY 2020 PO rollovers. This returned a positive variance of 43%.
 - Employee Related Expenses –\$4.3M with a 9% positive variance.
 - Contracts & Services – \$2M with a 73% positive variance.
 - Professional Services, Other Services – Billing, Communication, Insurance and Repairs and Maintenance for non-water systems are the main items contributing to the 73% positive variance.
 - Exceptional Expenses – None.
 - Fuel & Utilities – \$963K with a 26% positive variance.
 - Bulk Water Purchase –\$358.6K with a 53% positive variance.
 - Office & Operating Supplies – \$356.6K with 55% positive variance.
 - Training, Travel & Meeting Expenses – \$6K with a 91% positive variance.
 - Debt Service – Interest Expense - \$1.2M with 3% positive variance.
 - Depreciation & Amortization (non-cash expenses) is \$3M with 1% positive variance.



DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

NET OPERATING INCOME:

- Net Operating Income before depreciation and amortization - \$3.6M.
- Net Operating Income (loss) after depreciation & amortization was \$578K.

NON-OPERATING PROCEEDS & DISBURSEMENTS

- SRF Loan Proceeds – None.
- FRC – Facility Reserve Charge –\$721.1K.
- YTD Debt Principal Payment is \$4.1M.

CAPITAL PROJECTS BUDGET: YTD DISBURSEMENTS = \$1,741,044.36

- Capital Projects: Water Utility Fund - \$1.7M
- Capital Projects: FRC Fund – None
- Capital Projects: BAB Fund - \$43.3K
- Capital Projects: SRF Loan Fund - None

II. FY 2020 – 2021 CERTIFICATION OF FUNDS YTD \$1,742,184.32

	REPORT TO MANAGER (with approved Budget)	MANAGER'S REPORT (New Budget Requests)
Water Utility Fund	\$354,870.62	\$1,031,335.00
FRC Fund	\$.00	\$.00
BAB Fund	\$.00	\$85,978.70
Total	\$354,870.62	\$1,387,313.70

III. COMPARATIVE CHARTS:

METERED CONSUMPTION:

- November 2020 monthly metered consumption was 287.7 million gallons (mg); decreased by 18.6 mg or 6% as compared from the same month of FY 2020.
- Year to Date (YTD) metered consumption as of 10/31/20 was 1,578 mg with a YTD cumulative decrease of 153.4.8 mg or 9% as compared from the same month of FY 2020.

IV. COMPARATIVE BALANCE SHEET: SEE ATTACHED.

Statement of Net Positions as of November 30, 2020.

V. OTHER FISCAL ONGOING ACTIVITIES/INITIATIVES:

- Annual Proposed Operating & Capital Outlay Budgets – FY 2021-2020.
- On-going; Great Plains (GP) switch to the cloud, update the 2007 Depreciation Study & implement Share point in the cloud.
- Depreciation Study – Draft Report received.
- New Beacon Meters: testing and validation is in progress.



DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

- Develop Financial Policies for DOW – Statement of Qualifications were solicited for FY 2021, DOW will proceed with procurement.
- Budget Program Solution – It will be addressed concurrently with the Financial Policies Development procurement.
- Five (5) years Water Rate Study terminated; DOW will restart with an updated consumer database. Foresee procurement beginning of FY 2022.
- FEMA update: DOW submitted a request for an additional 30 months' extension to complete two outstanding projects for FEMA grant funding reimbursement; the Makaleha tunnel and Mānoa Stream.

MY/ein



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 11/30/2020

	November				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
I. OPERATING BUDGET								
Revenue								
Water Sales	\$1,916,124.00	\$1,916,124.00	\$2,069,741.76	\$153,617.76	\$9,580,620.00	\$11,233,786.82	\$1,653,166.82	17%
Revenue from Public Fire Protection	181,192.00	181,192.00	181,191.50	(0.50)	905,960.00	905,957.50	(2.50)	
Other Water Revenue	25,000.00	25,000.00	4,630.75	(20,369.25)	125,000.00	64,127.79	(60,872.21)	(49%)
Federal Grants	89,069.00	89,069.00		(89,069.00)	445,345.00		(445,345.00)	(100%)
State Grants	375,000.00	375,000.00		(375,000.00)	1,875,000.00		(1,875,000.00)	(100%)
Capital Contributions	46,723.00	46,723.00	66,761.61	20,038.61	233,615.00	333,808.05	100,193.05	43%
Net Increase in Fair Value of Investments	2,500.00	2,500.00	(9,945.65)	(12,445.65)	12,500.00	(45,214.74)	(57,714.74)	(462%)
Investment Income	11,250.00	11,250.00	75,619.73	64,369.73	56,250.00	228,561.85	172,311.85	306%
Gain or Loss on Disposal of Capital Assets	417.00	417.00		(417.00)	2,085.00		(2,085.00)	(100%)
Gain or Loss from the Retirement of Debt								
Miscellaneous Revenues	83.00	83.00	186.93	103.93	415.00	1,346.70	931.70	225%
Total Revenue	2,647,358.00	2,647,358.00	2,388,186.63	(259,171.37)	13,236,790.00	12,722,373.97	(514,416.03)	(4%)
Employee-Related Expenses								
Salaries and Wages (includes Leaves & CTO)	541,224.00	541,224.00	317,615.87	223,608.13	2,706,120.00	2,192,462.30	513,657.70	19%
Temporary Assignment	5,042.00	5,042.00	6,816.45	(1,774.45)	25,210.00	39,614.66	(14,404.66)	(57%)
Overtime	39,750.00	39,750.00	52,890.97	(13,140.97)	198,750.00	289,573.64	(90,823.64)	(46%)
Standby	16,250.00	16,250.00	19,437.80	(3,187.80)	81,250.00	90,136.31	(8,886.31)	(11%)
FICA	46,075.00	46,075.00	37,908.28	8,166.72	230,375.00	207,373.37	23,001.63	10%
Retirement Contribution	143,644.00	143,644.00	122,528.20	21,115.80	718,220.00	644,225.26	73,994.74	10%
Life & Health Insurance	53,623.00	53,623.00	47,685.90	5,937.10	268,115.00	236,473.72	31,641.28	12%
Workers Compensation								
Unemployment Compensation								
Post Employment Benefits (OPEB)	89,748.00	89,748.00	108,249.96	(18,501.96)	448,740.00	576,660.38	(127,920.38)	(29%)
Total Employee-Related Expenses	935,356.00	935,356.00	713,133.43	222,222.57	4,676,780.00	4,276,519.64	400,260.36	9%
Contracts & Services								
Professional Services-General	294,316.00	294,316.00	53,266.40	241,049.60	5,088,157.78	549,366.57	4,538,791.21	89%
Professional Services-Accounting & Auditing	8,900.00	8,900.00		8,900.00	155,100.00	65,000.00	90,100.00	58%
Other Services-General	4,249.00	4,249.00	4,557.32	(308.32)	65,765.50	22,424.46	43,341.04	66%
Other Services-Billing Costs	14,952.00	14,952.00	3,311.81	11,640.19	162,267.83	47,943.98	114,323.85	70%
Public Relations-General	9,644.00	9,644.00	800.57	8,843.43	35,487.67	7,267.26	28,220.41	80%
Procurement Advertising	833.00	833.00		833.00	24,165.00	12,682.72	11,482.28	48%
Communication Services	10,871.00	10,871.00	11,197.98	(326.98)	105,383.45	41,514.13	63,869.32	61%
Freight and Postage	1,198.00	1,198.00	122.58	1,075.42	7,056.78	1,245.34	5,811.44	82%
Rentals and Leases	10,923.00	10,923.00	4,046.90	6,876.10	73,574.96	38,122.38	35,452.58	48%
Insurance	12,917.00	12,917.00		12,917.00	64,585.00	5,000.00	59,585.00	92%
County Service Charge	181,192.00	181,192.00	181,191.50	0.50	905,960.00	905,957.50	2.50	
Repairs and Maintenance-Water System	17,583.00	17,583.00		17,583.00	93,883.02	13,340.53	80,542.49	86%
Repairs and Maint-Non Water System	30,391.00	30,391.00	46,319.64	(15,928.64)	428,130.47	249,768.85	178,361.62	42%
Total Contracts & Services	597,969.00	597,969.00	304,814.70	293,154.30	7,209,517.46	1,959,633.72	5,249,883.74	73%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 11/30/2020

	November				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
Exceptional Expenses								
FY2014 & FY2015 Kalaheo Emergency								
FY 2015 Kilauea								
Abandoning Hanamaulu Wells 1 & 2								
Total Exceptional Expenses								
Fuel & Utilities								
Utility Services	238,657.00	238,657.00	88,295.96	150,361.04	1,231,766.30	926,869.33	304,896.97	25%
Fuel	10,208.00	10,208.00	8,644.92	1,563.08	68,522.50	36,021.73	32,500.77	47%
Total Fuel & Utilities	248,865.00	248,865.00	96,940.88	151,924.12	1,300,288.80	962,891.06	337,397.74	26%
Bulk Water Purchase								
Bulk Water Purchase	151,681.00	151,681.00	127,618.11	24,062.89	758,405.00	358,596.68	399,808.32	53%
Total Bulk Water Purchase	151,681.00	151,681.00	127,618.11	24,062.89	758,405.00	358,596.68	399,808.32	53%
Office & Operating Supplies								
Office Supplies	1,833.00	1,833.00	316.06	1,516.94	9,516.26	6,353.71	3,162.55	33%
Operating Supplies	78,484.00	78,484.00	84,407.36	(5,923.36)	732,114.59	346,197.31	385,917.28	53%
Books, Subscriptions and Dues	5,874.00	5,874.00	2,089.29	3,784.71	42,820.00	4,000.69	38,819.31	91%
Books, Subscriptions and Dues - Board	91.00	91.00	91.00	91.00	455.00	455.00	455.00	100%
Total Office & Operating Supplies	86,282.00	86,282.00	86,812.71	(530.71)	784,905.85	356,551.71	428,354.14	55%
Training, Travel & Meeting Expenses								
Training and Development	6,966.00	6,966.00	596.46	6,369.54	34,830.00	5,948.30	28,881.70	83%
Travel and Per Diem	4,638.00	4,638.00	4,638.00	4,638.00	23,190.00	23,190.00	23,190.00	100%
Travel and Per Diem - Board								
Meeting Expense	1,656.00	1,656.00	1,656.00	1,656.00	8,280.00	14.22	8,265.78	100%
Meeting Expense - Board								
Total Training, Travel & Meeting Expenses	13,260.00	13,260.00	596.46	12,663.54	66,300.00	5,962.52	60,337.48	91%
Debt Service								
Interest Expense	252,109.00	252,109.00	245,293.44	6,815.56	1,260,545.00	1,226,467.20	34,077.80	3%
Total Interest Expense	252,109.00	252,109.00	245,293.44	6,815.56	1,260,545.00	1,226,467.20	34,077.80	3%
Total Operating Expenses	2,285,522.00	2,285,522.00	1,575,209.73	710,312.27	16,056,742.11	9,146,622.53	6,910,119.58	43%
Net Operating Income (Loss) Before Depreciation & Amortization	\$361,836.00	\$361,836.00	\$812,976.90	\$451,140.90	(\$2,819,952.11)	\$3,575,751.44	\$6,395,703.55	(227%)
Depreciation & Amortization								
Depreciation	541,667.00	541,667.00	580,923.73	(39,256.73)	2,708,335.00	2,900,030.26	(191,695.26)	(7%)
Amortization	62,721.00	62,721.00	19,501.05	43,219.95	313,605.00	97,812.12	215,792.88	69%
Total Depreciation & Amortization	604,388.00	604,388.00	600,424.78	3,963.22	3,021,940.00	2,997,842.38	24,097.62	1%
Net Operating Income (Loss)	(242,552.00)	(242,552.00)	212,552.12	455,104.12	(5,841,892.11)	577,909.06	6,419,801.17	(110%)



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 11/30/2020

	November				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Non Operating Proceeds								
FRC-Facility Reserve Charge	33,333.00	33,333.00	47,330.00	13,997.00	166,665.00	721,078.55	554,413.55	333%
Total Non Operating Proceeds	33,333.00	33,333.00	47,330.00	13,997.00	166,665.00	721,078.55	554,413.55	333%
Transfers Out(In) to Other Funds								
Debt Principal Payment	430,045.00				4,014,034.00	4,134,256.86	(120,222.86)	(3%)
Net Proceeds (Expenditures)	<u>(639,264.00)</u>	<u>(209,219.00)</u>	<u>259,882.12</u>	<u>469,101.12</u>	<u>(9,689,261.11)</u>	<u>(2,835,269.25)</u>	<u>6,853,991.86</u>	<u>(71%)</u>
II. CAPITAL BUDGET								
Capital Projects (See Attached for Details)	2,350,620.00	2,350,620.00	24,210.70	2,326,409.30	28,437,461.81	1,741,044.36	26,696,417.45	94%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 11/30/2020

	November				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Capital Projects (See Attached for Details):								
Water Utility - Capital Projects (See Attached for Details)	1,794,370.00	1,794,370.00	24,210.70	1,770,159.30	22,210,014.87	1,697,794.36	20,512,220.51	92%
FRC Special Trust Fund - Capital Projects (See Attached for Details)	56,250.00	56,250.00		56,250.00	752,133.22		752,133.22	100%
BAB Fund - Capital Projects (See Attached for Details)	500,000.00	500,000.00		500,000.00	5,475,313.72	43,250.00	5,432,063.72	99%
SRF Loan Fund - Capital Projects (See Attached for Details)								
Total Capital Projects (See Attached for Details)	<u>2,350,620.00</u>	<u>2,350,620.00</u>	<u>24,210.70</u>	<u>2,326,409.30</u>	<u>28,437,461.81</u>	<u>1,741,044.36</u>	<u>26,696,417.45</u>	<u>94%</u>



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 10
 11/30/2020

	November				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
Capital Projects (See Attached for Details):								
10-02-00-604-999 WU-IT-RandR Capital Purchases--	9,359.00	9,359.00	1,296.01	8,062.99	230,535.34	53,304.23	177,231.11	77%
10-02-00-605-999 WU-IT-Expansion Capital Purchases--	13,333.00	13,333.00	19,543.53	(6,210.53)	91,608.47	43,481.89	48,126.58	53%
10-10-40-604-999 WU-QualRandR Capital Purchases	3,333.00	3,333.00		3,333.00	16,665.00		16,665.00	100%
10-20-00-604-001 WU-Eng-ALLR-17-10-KW-07 Paua Valley Tank Repair	7,083.00	7,083.00		7,083.00	52,685.12		52,685.12	100%
10-20-00-604-132 WU-Eng-ALLR-13-05 Kolo Rd Main Replacement					2,712.50		2,712.50	100%
10-20-00-604-138 WU-Eng-69%R-11-07 HE-03 Hanapepe & Koloa Well MCC					24,467.50		24,467.50	100%
10-20-00-604-146 WU-Eng-12%R-Job 15-7 HE-01&10HanapepeEleeleConn PL					3,426.68		3,426.68	100%
10-20-00-604-148 WU-Eng-56%R-Kuhio Hwy Hardy-Oxford 16IN Main Repla					171,593.09	8,148.07	163,445.02	95%
10-20-00-604-157 WU-Eng-16-4-WKK-03-Kilauea Wells MCC Rehab	20,833.00	20,833.00		20,833.00	171,028.70		171,028.70	100%
10-20-00-604-160 Job 18-02 Islandwide Rehabilitation of Tanks					346,218.15		346,218.15	100%
10-20-00-604-164 WU-Eng-Job. 18-9 Makaleha Tunnel					229,632.00		229,632.00	100%
10-20-00-604-999 WU-Eng-RandR Capital Purchases	833.00	833.00	93.00	740.00	4,165.00	1,018.00	3,147.00	76%
10-20-00-605-139 WU-Eng-ALLE-02-11 M-02 100K Tank & Pipeline Moloaa					125,200.00		125,200.00	100%
10-21-00-604-001 Job 17-10 KW-07 Paua Valley Tank Repair					2,375,000.00	107,541.25	2,267,458.75	95%
10-21-00-604-029 WU-Cns-44%R-09-01 Yamada Tank Clearwell, Conn Pipe	1,100,000.00	1,100,000.00		1,100,000.00	5,500,000.00		5,500,000.00	100%
10-21-00-604-146 Job 15-07 HE-01 HE-10 Kaunualii Hwy 16" Main Boost					4,931,895.55	1,314,063.86	3,617,831.69	73%
10-21-00-604-157 Job 16-4 WKK-03-Kilauea Wells MCC Rehab	312,917.00	312,917.00		312,917.00	1,564,585.00		1,564,585.00	100%
10-21-00-604-167 WU-CM-R&R-Kukuilono Tank Demo	62,500.00	62,500.00		62,500.00	312,500.00		312,500.00	100%
10-21-00-604-999 WU-CM-RandR Capital Purchases	833.00	833.00		833.00	4,165.00		4,165.00	100%
10-21-00-605-017 Job 16-02 PLH-35B Kapaia Cane Haul Rd 18" Main					3,195,675.00		3,195,675.00	100%
10-21-00-605-118 Job 02-14 WK39 WK08 Kapaa Hmstd Well 4; Pkg A Well					603,660.83		603,660.83	100%
10-21-00-605-146 Job 15-07 HE-01 HE-10 Kaunualii Hwy 16" Main Boost					125,231.08		125,231.08	100%
10-21-00-605-999 WU-CM-Expansion Capital Purchases	833.00	833.00		833.00	4,165.00		4,165.00	100%
10-30-00-604-999 WU-Bill-RandR Capital Purchases	13,250.00	13,250.00		13,250.00	66,250.00		66,250.00	100%
10-40-00-604-166 WU-Operations-R&R-SWTP Delivery Agreement-GroveFar	183,496.00	183,496.00		183,496.00	917,480.00		917,480.00	100%
10-40-00-604-999 WU-Ops-RandR Capital Purchases	64,250.00	64,250.00		64,250.00	655,836.95	39,403.97	616,432.98	94%
10-40-00-605-999 WU-Ops-Expansion Capital Purchases	1,517.00	1,517.00	3,278.16	(1,761.16)	483,632.91	130,833.09	352,799.82	73%
Total Capital Projects (See Attached for Details)	1,794,370.00	1,794,370.00	24,210.70	1,770,159.30	22,210,014.87	1,697,794.36	20,512,220.51	92%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 20
 11/30/2020

	November				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Capital Projects (See Attached for Details):								
20-20-00-605-117 FRC-Eng-ALLE-12-02 WK-23 UH Expmntal Storage Tank					26,832.00		26,832.00	100%
20-20-00-605-118 Job 04-08 WK-39 Drill Kapaa Homestead Well 4	37,500.00	37,500.00		37,500.00	268,426.50		268,426.50	100%
20-20-00-605-120 FRC-Eng-90%E-Kilauea 1.0MG Tank Job 02-06					7,212.24		7,212.24	100%
20-20-00-605-153 Job 15-08-HW-11-Haena 0.2MG Tank					58,672.48		58,672.48	100%
20-20-00-605-154 Job 17-11 Drill & Test Kilauea Well #3					297,240.00		297,240.00	100%
20-21-00-605-161 FRC-Cns-Hanapepe River Bridge Kaumualii Hwy	18,750.00	18,750.00		18,750.00	93,750.00		93,750.00	100%
Total Capital Projects (See Attached for Details)	56,250.00	56,250.00		56,250.00	752,133.22		752,133.22	100%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 30
 11/30/2020

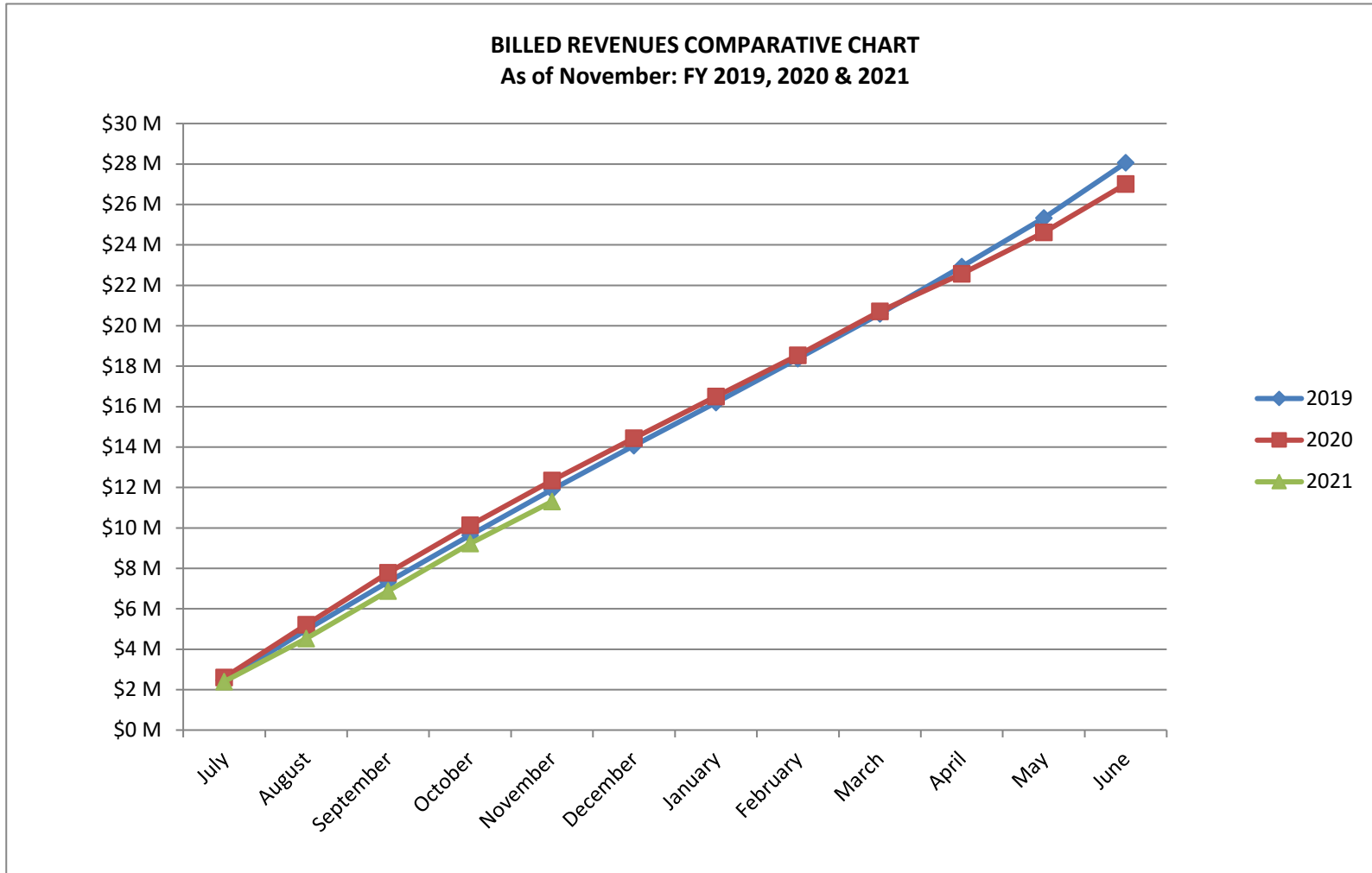
	November				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Capital Projects (See Attached for Details):								
30-20-00-604-105 BAB-Eng-ALLR-09-01 K-01 Kalaheo 1111FT & 1222FT					332,924.26		332,924.26	100%
30-20-00-605-120 BAB-Cns-ALLE-02-06WKK15-Kilauea 466 Tank Puu Pane					22,649.00		22,649.00	100%
30-20-00-605-125 BAB-Eng-98%E-02-01 Land for Kukuiolono Tank Site					53,508.05		53,508.05	100%
30-20-00-605-139 BAB-Eng-ALLE-02-11 M-02 100K Tnk & Pipeline Moloaa					94,222.00		94,222.00	100%
30-21-00-604-017 Job 16-02 PLH-35B Kapaia Cane Haul Rd 18" Main					1,091,650.00		1,091,650.00	100%
30-21-00-604-107 Job 11-07 KP-09-MCC Chlor KoloaWell16-A,B,E					1,323,634.55		1,323,634.55	100%
30-21-00-605-029 BAB--09-01 Yamada Tank Clearwell, Conn Pip	500,000.00	500,000.00		500,000.00	2,500,000.00		2,500,000.00	100%
30-21-00-605-118 Job 04-08 WK39 WK08 Kapaa Hmstd Well 4; Pkg A Well					56,725.86	43,250.00	13,475.86	24%
Total Capital Projects (See Attached for Details)	500,000.00	500,000.00		500,000.00	5,475,313.72	43,250.00	5,432,063.72	99%

FY 2020 - 2021 Certification of Funds					REPORTS TO MANAGER (RTM)				MANAGER'S REPORT (MR) - New or Additional Funds				
DATE	Contract #	Description	ACCOUNT #	CO/OE	W/U (10)	FRC (20)	BAB (30)	SUB-TOTAL	W/U (10)	FRC (20)	BAB (30)	SUB-TOTAL	TOTALS
7/23/2020	MOA	Kahiliihola Rd. Culvert Repair Project	10-40-00-604-999					-	44,100.00			44,100.00	44,100.00
7/23/2020	MOA	Reconstruction of WEKE Rd. & reinstallation of damaged water main and appurtunances	10-21-00-604-165					-	139,215.00			139,215.00	139,215.00
9/24/2020	701	Job No. 20-03 SCADA Contract	10-40-60-560-000		150,000.00			150,000.00	16,702.00			16,702.00	166,702.00
9/24/2020	702	Job No. 20-06, Wailua Homesteads Wells A&B	10-20-10-540-010		97,690.00			97,690.00				-	97,690.00
9/24/2020	703	Job No. 20-05 - Waimea Well B Pump Repl	10-40-00-604-999		84,124.62			84,124.62				-	84,124.62
9/24/2020	666	ITSP - IT Support	10-10-10-540-010					-	160,000.00			160,000.00	160,000.00
10/22/2020	639	Job No. 17-10, WP 2020 KW-07, Rehabilitate Paua Valley Tank #1	10-20-00-604-001					-	212,719.00			212,719.00	212,719.00
10/22/2020	639	Job No. 17-10, WP 2020 KW-07, Rehabilitate Paua Valley Tank #1	10-20-00-604-001					-	(212,719.00)			(212,719.00)	(212,719.00)
10/15/2020	427	Reinstatement of Contract Balance	30-20-00-605-116					-			40,978.70	40,978.70	40,978.70
11/10/2020	704	Furnishing & Delivery of Sewage Lift Station Control System	10-40-00-604-999		23,056.00			23,056.00				-	23,056.00
11/19/2020	639	4th Am.; contract # 639 Job No. 17-10, WP2020 Project	10-20-00-604-000					-	292,719.00			292,719.00	292,719.00
11/19/2020	427	10th Am; contract # 427 Job No. 02-14, WP 2020 WK+08 Kapaa Homesteads 325' Tanks.	30-20-00-605-116					-			45,000.00	45,000.00	45,000.00
12/17/2020	639	Job No. 17-10, WP 2020 KW-07, Rehabilitate Paua Valley Tank #1 (Rescind 10/22/20 and resubmitted 12/17/20)	10-20-00-604-001					-	251,069.00			251,069.00	251,069.00
12/17/2020	N/A	MR 21-15; Salaries, supplemental budget.						-	397,530.00			397,530.00	397,530.00
								-				-	-
								-				-	-
								-				-	-
								-				-	-
								-				-	-
					354,870.62	-	-	354,870.62	1,301,335.00	-	85,978.70	1,387,313.70	1,742,184.32

III.

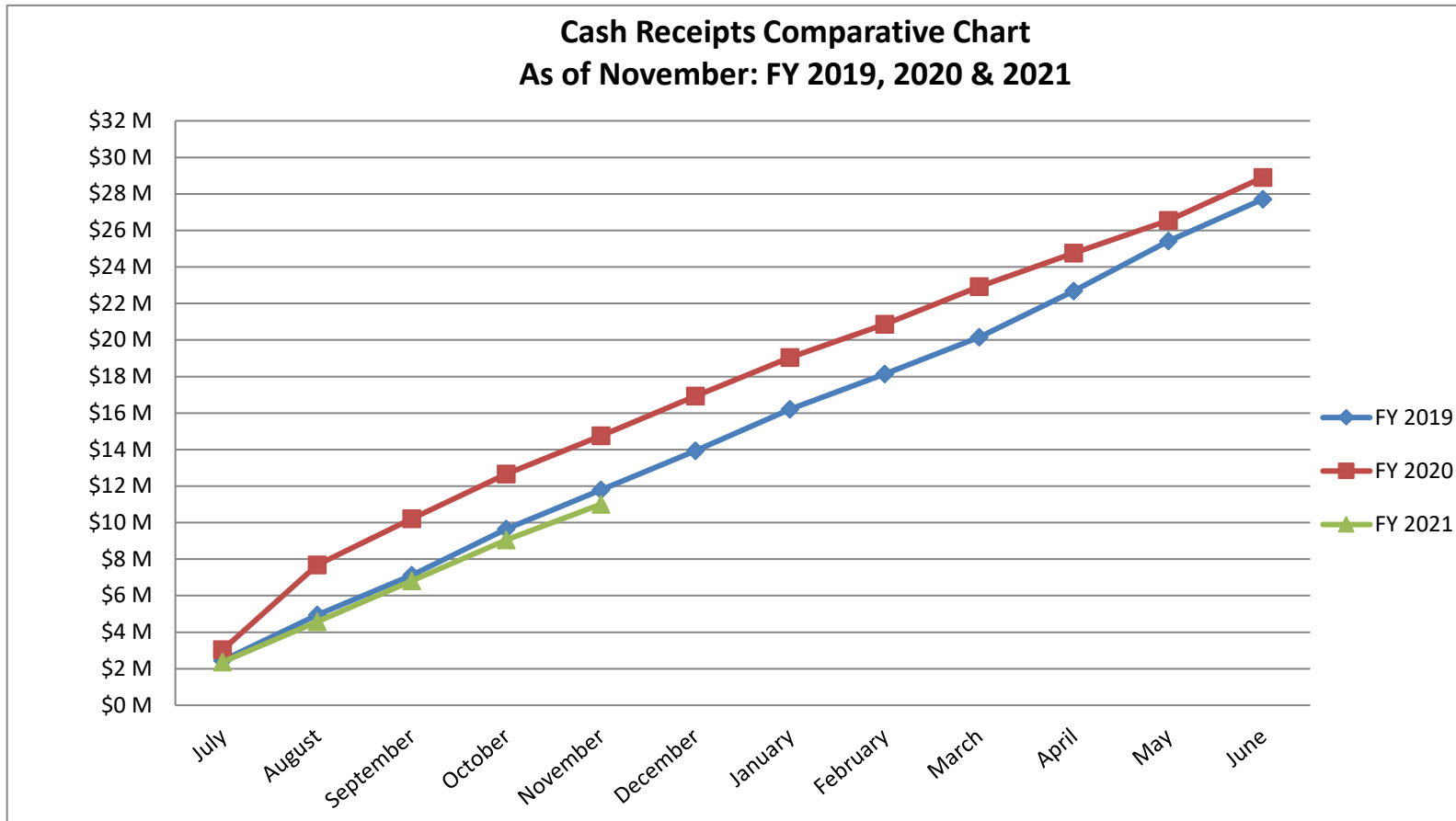
BILLED REVENUES COMPARATIVE REPORT
For Fiscal Years 2019, 2020 & 2021

		<u>2019</u>		<u>2020</u>		<u>2021</u>		Cum. Inc (Dec)	% Inc. (Dec.)
July	\$	2,459,791	\$	2,594,993	\$	2,399,952	\$	(195,041)	-7.52%
August	\$	4,944,154	\$	5,211,518	\$	4,528,656	\$	(682,862)	-13.10%
September	\$	7,331,598	\$	7,780,505	\$	6,873,259	\$	(907,246)	-11.66%
October	\$	9,638,616	\$	10,125,480	\$	9,228,964	\$	(896,516)	-8.85%
November	\$	11,892,751	\$	12,349,962	\$	11,303,298	\$	(1,046,663)	-8.48%



CASH RECEIPTS (W/U) COMPARATIVE REPORT
For Fiscal Years 2019, 2020 & 2021

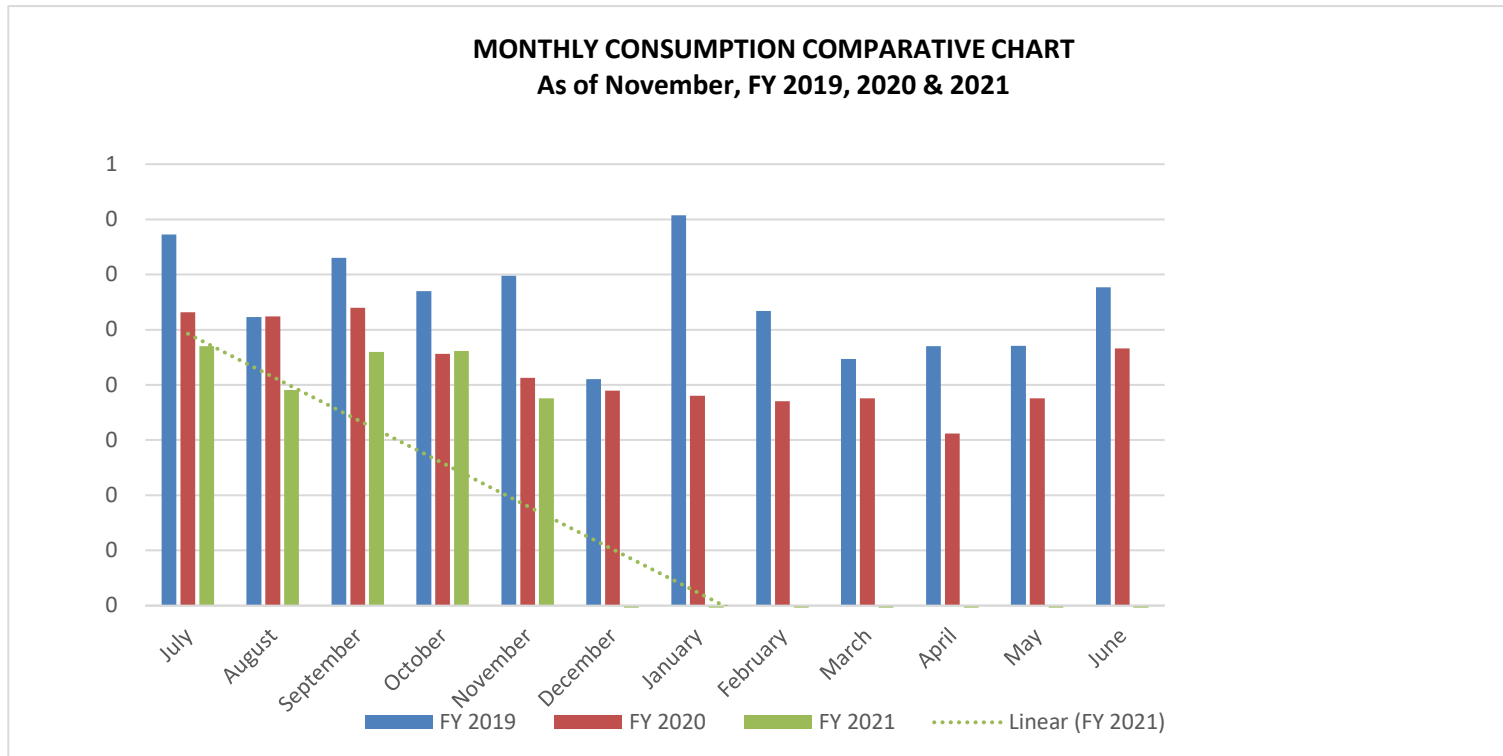
		FY 2019	FY 2020	FY 2021	Cum. Inc (Dec)	% of Inc (Dec)
July	\$	2,449,372	\$ 3,035,518	\$ 2,368,257	(667,261)	-22%
August	\$	4,946,100	\$ 7,676,802	\$ 4,578,257	(3,098,545)	-40%
September	\$	7,122,906	\$ 10,216,754	\$ 6,808,747	(3,408,007)	-33%
October	\$	9,651,558	\$ 12,655,760	\$ 9,056,785	(3,598,975)	-28%
November	\$	11,794,419	\$ 14,761,300	\$ 11,004,728	(3,756,572)	-25%



* Note: July '19-'20 receipts included a \$2.29 million state appropriation grant for the Hanapēpē.....

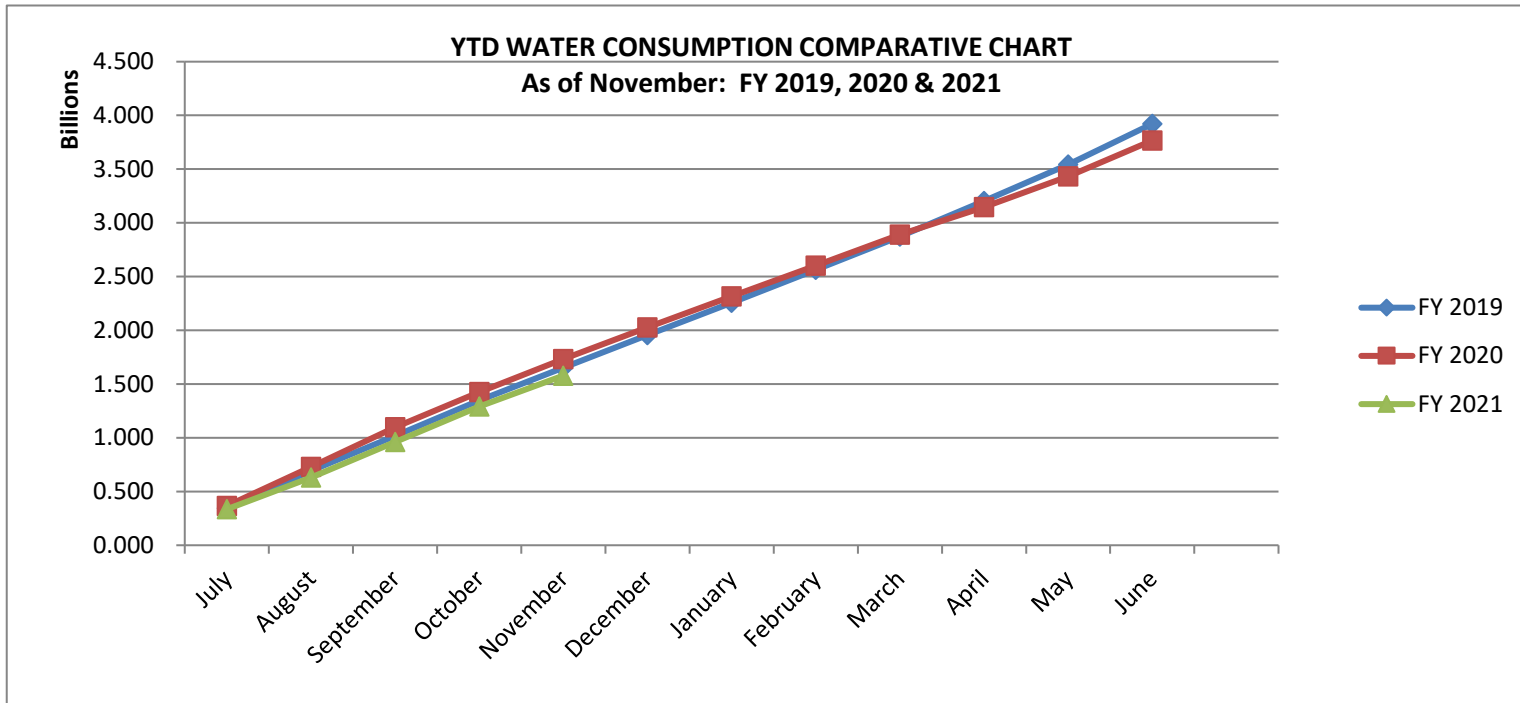
METERED CONSUMPTION (000 GALLONS) MONTHLY COMPARATIVE CHART
 For Fiscal Years 2019, 2020 & 2021
 (expressed in thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>MONTHLY INC. (DEC.)</u>	
July	436,238	365,892	335,209	-30,683	-8%
August	361,599	362,067	295,297	-66,770	-18%
September	415,176	369,751	329,858	-39,893	-11%
October	384,934	328,084	330,618	2,534	1%
November	398,863	306,312	287,707	-18,605	-6%

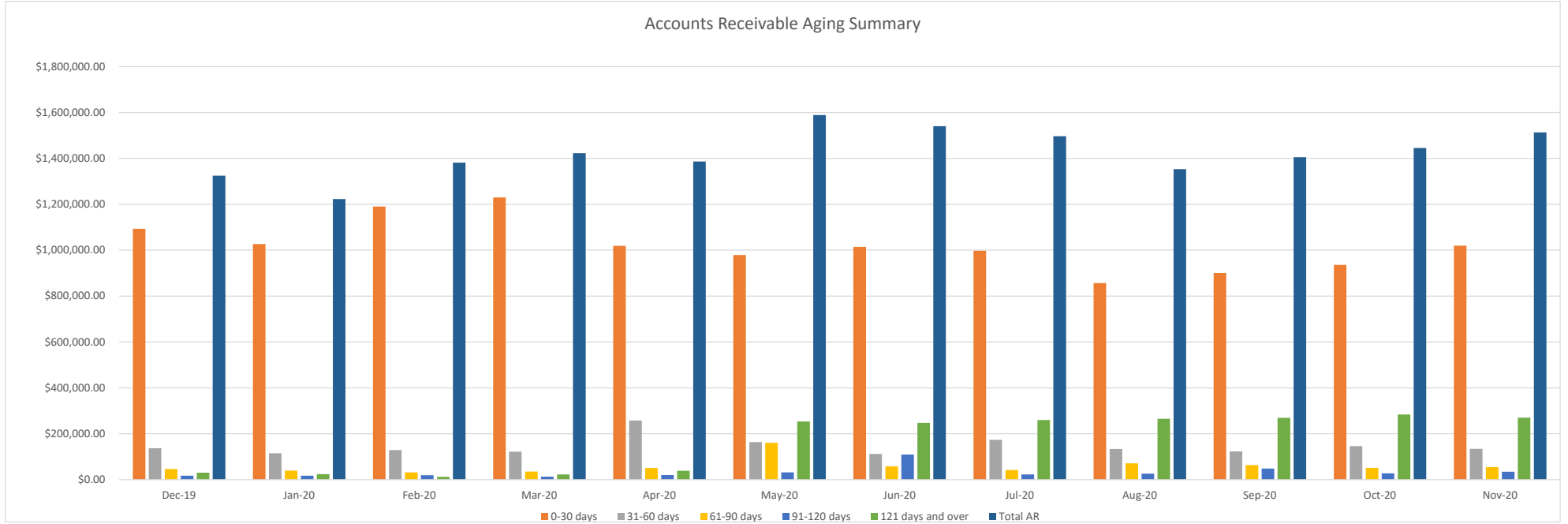


YTD METERED CONSUMPTION (000 GALLONS) COMPARATIVE REPORT
 For Fiscal Years 2019, 2020 & 2021
 (expressed in thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>CUM. INC (DEC)</u>	<u>%</u>
July	344,364	365,892	335,209	-30,683	-8%
August	692,933	727,959	630,506	-97,453	-13%
September	1,018,284	1,097,710	960,364	-137,346	-13%
October	1,346,859	1,425,794	1,290,982	-134,812	-9%
November	1,652,988	1,732,106	1,578,689	-153,417	-9%



DEPARTMENT OF WATER
Accounts Receivable Aging Summary
As of November, 2020



AR Aging	Dec-19		Jan-20		Feb-20		Mar-20		Apr-20		May-20		Jun-20		Jul-20		Aug-20		Sep-20		Oct-20		Nov-20	
0-30 days	\$1,093,337.19	83%	\$1,026,241.32	84%	\$1,189,752.20	86%	\$1,229,258.09	86%	\$1,018,686.24	73%	\$978,907.17	62%	1,013,853.91	66%	\$997,485.31	67%	\$856,561.14	67%	900,031.84	64%	935,900.16	65%	1,019,503.76	67%
31-60 days	\$137,197.13	10%	\$115,140.84	9%	\$128,662.63	9%	\$121,758.30	9%	\$257,987.42	19%	\$163,475.93	10%	112,069.52	7%	174,030.47	12%	133,850.15	12%	\$123,235.43	9%	\$145,805.40	10%	\$134,339.94	9%
61-90 days	\$46,080.54	3%	\$39,702.40	3%	\$31,954.93	2%	\$35,486.34	2%	\$50,532.72	4%	\$160,891.80	10%	57,755.74	4%	42,403.40	3%	70,980.66	3%	\$63,689.26	5%	\$51,325.89	4%	\$54,365.70	4%
91-120 days	\$17,301.17	1%	\$17,200.37	1%	\$18,953.24	1%	\$13,058.29	1%	\$20,047.89	1%	\$31,925.61	2%	109,465.82	7%	22,617.26	2%	26,277.91	2%	\$48,398.78	3%	\$27,821.61	2%	34,479.93	2%
121 days and over	\$30,389.69	2%	\$24,330.48	2%	\$12,326.29	1%	\$22,886.96	1%	\$38,823.06	3%	\$253,754.60	16%	247,167.20	16%	259,985.17	17%	265,096.96	17%	269,845.15	19%	284,230.15	20%	270,063.79	18%
Total AR	\$1,324,305.72	100%	\$1,222,615.41	100%	\$1,381,649.29	100%	\$1,422,447.98	100%	\$1,386,077.33	100%	\$1,588,955.11	100%	\$1,540,312.19	100%	\$1,496,521.61	100%	\$1,352,766.82	100%	\$1,405,200.46	100%	\$1,445,083.21	100%	\$1,512,753.12	100%

*Total AR is net of Customer deposits and overpayments.

Customer Deposits & Overpayments	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
	(\$209,366.49)	(\$216,003.50)	(\$231,033.54)	(\$219,423.13)	(\$207,346.51)	(\$179,741.24)	(\$235,645.43)	(\$228,641.66)	(\$233,729.73)	(\$231,853.92)	(\$226,659.51)	(\$219,890.53)

Assets and Deferred Outflows

Current Assets

Cash	\$9,946,553.67
Equity interest in pooled investments	8,294,230.00

Receivables:

Accounts, net of allowance for doubtful accounts	1,477,060.91
Due from other funds	
Unbilled accounts	1,378,549.63
Grants and subsidies	2,841,132.85
Accrued interest	209,775.36
Total receivables	<u>5,906,518.75</u>

Materials and supplies	1,089,731.90
Prepaid expenses	43,875.18
Total current asset	<u>25,280,909.50</u>

Restricted Assets:

Facility reserve charge funds:

Cash	2,643,382.99
Equity interest in pool investments	
Accounts receivable and other	199,867.41
Total facility reserve charge funds	<u>2,843,250.40</u>

Bond funds:

Cash	1,224,895.47
Equity interest in pooled investments	8,625,324.78
Accrued interest	39,439.66
Total bond funds	<u>9,889,659.91</u>

Total restricted assets	<u>12,732,910.31</u>
--------------------------------	-----------------------------

Equity Interest in Pooled Investment - Noncurrent

Investment - Non-Current	24,482,215.70
Investment - Reserves	9,300,000.00
Investment - Debt Service Reserve	
Total Equity Interest in Pooled Investment - Noncurrent	33,782,215.70

Utility Plant:

In service	346,915,304.39
Accumulated depreciation	(144,415,832.61)
Total utility plant	<u>202,499,471.78</u>

Construction work in progress	17,560,466.65
Total property, plant and equipment	<u>220,059,938.43</u>

Total assets	<u>291,855,973.94</u>
---------------------	------------------------------

1. DEPT OF WATER, COUNTY OF KAUAI NEW
For the Five Months Ending Monday, November 30, 2020

Deferred Outflow of Resources - Deferred Refunding Costs, net	<u>8,643,388.10</u>
Total assets and deferred outflows	<u>300,499,362.04</u>
*Allowance for doubtful accounts	(243,368.94)

Liabilities and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	3,363,134.38
Contracts payable, including retainages	564,255.46
Accrued Vacation And Compensatory Pay, current portion	582,288.09
Due to/Due From Other Funds	
Customer overpayment	183,627.58
Customer deposits and advances	485,887.97
Current portion of long term debt	5,160,540.98
Current portion of capital lease obligation	0.03
Total current liabilities	<u>10,339,946.22</u>

Long-Term Debt	58,001,885.83
Capital Lease Obligation	
OPEB & Retirement Benefits	31,024,840.00
Accrued Vacation and Compensatory Pay	971,573.47
Deferred Inflow of Assets	555,205.00
Total liabilities and deferred inflows:	<u>100,893,450.52</u>

Net Position:

Water Utility Reserves	9,300,000.00
Restricted FRC	2,835,399.64
Restricted Build American Bonds	9,782,627.24
Invested in Capital Assets Net of Related Debt	156,875,511.61
Unrestricted	20,812,373.03
Total net position	<u>199,605,911.52</u>

Total liabilities, deferred inflows and net position:	<u>300,499,362.04</u>
--	------------------------------

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve it!"

INFORMATION & EDUCATION SPECIALIST REPORT

December 17, 2020

Public Notices and Announcements

All news releases were published online via the Department's Facebook page and on the County of Kaua'i's website at www.kauai.gov/press-releases.

- **Kapa'a – Water service shutdown scheduled in Wailua**
 - A news release was issued on November 9, 2020 to announce a water service shutdown scheduled on November 12, 2020 from 9 a.m. to 5 p.m.; weather permitting, in order to conduct water line replacement and improvement work on the Kapa'a water system. The affected service area included: a portion of Kamalu Road; from Olohena Road to Opaeka'a Road, and included Pilikua Place, Kololia Place and Heamoi Place in Wailua.
 - A courtesy BlackBoard Connect mass notification and door-to-door notices were issued to the affected service area.
- **All systems – Flushing reminder for large commercial and resort properties**
 - A news release was issued on November 25, 2020 to reminds resort properties and large commercial facilities to conduct a flushing of their plumbing fixtures on property at least once a week and prior to reopening for business. The flushing protocol was also recommended for schools and businesses that have significantly reduced their water demand within their systems during COVID-19 related closures or extended property vacancies. DOW also recommended proper maintenance of cooling and heating systems to avoid unwanted microbial growth, such as legionella, during extended periods of non-use. A link to additional guidance on Water management programs by the Centers for Disease and Prevention (CDC) and American Water Works Association (AWWA) were also included in the news release.
 - The Garden Island Newspaper published the news release on Nov. 27, 2020. (*Attached*)
- **Wainiha – Emergency water service shutdown**
 - A news release was issued at approximately 2:40 p.m. on December 2, 2020 to announce a water service shutdown on Powerhouse Road in Wainiha; until further notice, due to a recent break in the system that has affected the storage tank facilities.
 - A courtesy notice was issued to the affected service area via BlackBoard Connect mass notification service.
 - A second news release was issued at approximately 6:30 p.m. on December 2, 2020 to update the affected service area to include: Ala Eke Road, Ananalua Road, Anahulu Road; in addition to Powerhouse Road, in Wainiha, as Department crews continue to work on the emergency repairs on the system.
 - A courtesy notice was issued to the affected service area via BlackBoard Connect mass notification service.
 - A final news release was issued at approximately 11 p.m. on December 2, 2020 to announce that water service was restored to all affected customers in Wainiha.

Public Relations Program

Community Outreach & Education

- Public Relations staff (PR) continues to seek to improve and increase of direct communications with customers; by providing courtesy calls, assisting divisions with information dissemination, developing relevant social media content and by issuing additional public notices regarding service disruptions, service inquiries, etc.
- The Department of Water is a recipient of the 2019-2020 Hawaii GREEN Business Program's-Green Event award and received a Governor's commendation from Governor David Y. Ige, for its 16th Annual Make a Splash water education festival that was held on September 19, 2019. PR worked towards reorganizing the Make a Splash to an eco-friendly event to promote sustainability and incorporate the use of recyclable materials that included; the re-use of activities supplies and tools, offering compostable or recycled materials and resources for the event, switching to email-only registrations, in addition to other recommendations aligned with the state's green program. A virtual recognition ceremony; was held on December 4, 2020. Governor David Ige participated in the ceremony to recognize the Department and other business recipients for their environmental and sustainable efforts in 2019-2020.
 - A video clip of the recognition ceremony featuring the Governor's commendation is available here:
https://www.dropbox.com/s/8va48f1jxys0ofw/DOW_Hawaii%20Business%20Award%20Ceremony%20%28snippet%29%20_Clipchamp_Edited.mp4?dl=0
- The Wise Water Wednesday radio campaign will continue its weekly announcements through June 2021. Weekly radio spots are currently airing on FM97 and Pacific Media Group stations and Facebook posts are being planned. Beginning early January 2021, the campaign will also include print advertisement to expand its weekly community outreach. The print advertisement contract is currently in review.

Upcoming Community Outreach & Educational Events

- March 15-19, 2021 – Fix a Leak Awareness Week

Project WET Hawaii

- Jonell Kaohelaulii met with Hawaii Rural Water Association (HRWA) on December 1st to discuss a possible grant opportunity and partnership to support the existing and possible expansion of the Project WET (PWET) Hawaii program. Currently, the PWET program consists of 15 facilitators; residing on Oahu, Molokai, Maui and Hawaii Island, only about half are considered active. The partnership with HRWA could allow the Department to create new opportunities for Facilitators statewide and provide additional support for the program's expansion that is currently on hold due to shortage in Department staff. A follow-up meeting and HRWA staff Facilitator training is being planned for Spring 2021.
- The Project WET Foundation recently updated their website at www.projectwet.org. The new website offers one-click features with easy navigation, access to additional online resources and includes a fresh look that compliments their new logo, which was adapted in January 2020.
- Jonell participated in the Project WET newsletter team meeting on December 3, 2020.

Miscellaneous

- The Department is participating in the County of Kaua`i Employee Council's Christmas tree display at the Mo'ikeha Building this year. The display was installed on December 2, 2020 and will be part of the Employee Council's Holly Jolly event. Special thanks to Terrilyn Amarin, Bekki-Dee Malapit and Jonell Kaohelaulii for coordinating the display.

JK/ein

Attachments: *The Garden Island* (DOW: commercial, resort properties flush plumbing)

Mgrpp/December 2020/Information & Education Specialist Report (12-17-20):ein



DOW: commercial, resort properties flush plumbing

LIHUE — The Department of Water (DOW) reminds resort properties and large commercial facilities to conduct a flushing of their plumbing fixtures on property at least once a week and prior to reopening for business. The flushing protocol is also recommended to schools and businesses that have significantly reduced their water demand within their systems during COVID-19 related closures or extended property vacancies.

A significant decrease in water demand; which includes the discontinued use and maintenance of water fixtures within a building can cause stagnation; furthermore, existing sediment in pipes can be stirred up in the water upon returning to normal water use. The flushing process will help to prevent stagnation, clear out existing sediment and help to ensure chlorine residuals (which checks microbial growth) are maintained within their facilities.

Existing maintenance plans should also include the proper care of cooling and air conditioning systems and property's hot water systems.

••• *The Garden Island*

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

Operations Division Report for the Month of November 2020

Personnel

- Operations personnel attended Asbestos refresher training and initial training was provided for our new employees.
- The Field personnel completed the replacement and relocation of approximately 500 feet of 2 ½ PVC main line on Koloa Road.
- Interviewed applicant for Water Service Investigator II. Recommendation forwarded to Department of Human Resources for further processing.

Source and Storage

- Maintenance workers continued cleaning various remote facilities island-wide. Works included clearing of vegetation and drainage as well as repair and construction of structures and facilities including access driveways.
- Water Plant Operators performed routine inspection and maintenance at all sites including valve maintenance, piping repair and replacement, chlorination equipment maintenance, and mixing of sodium hypochlorite.
- Job-20-05 Waimea Well B Repair Contract No. 703 being processed for execution.
- Contract No. 699 for Kapilimao On-Site Sodium Hypochlorite Generation was executed and Notice To Proceed issued.
- Monitoring of Sodium Hypochlorite on-site generation equipment on Makaleha Wells and Tank Site is on-going.
- Electrical workers performed routine electrical maintenance at all sites including SCADA radio troubleshooting, electrical wiring for motor controls, lighting repair and replacement.
- SCADA Contract No. 701 with Glenmount Global Services executed. Notice To Proceed issued.

Distribution

- Operations Division Field Section crews continue to perform routine leak repair of service laterals and mainlines. Field Section personnel responded to twenty (20) leak repair work orders.
- We received a total of 205 calls from customers reporting leaks on the mainline, service laterals, meters, meter boxes and fire hydrants including complaints of no water, complaints of low pressure, high pressure, calls requesting remote site/facility grounds

and vegetation maintenance, calls for assistance in shutting off the water meter, calls reporting damaged meter box and cover, reports of leaking or damaged fire hydrants and report of white milky water, and non-water emergency calls mainly customer inquiries. Work orders were generated and all calls resolved. Leak after the meter needs to be addressed by the customer.

- Installed sixty-three (63) water meters installed/repaired/replaced including Beacon meters.
- Installed four (4) temporary hydrant meters.
- Happy to report that no hydrant was hit by a vehicle in November.

Fleet, Inventory, Warehouse and Baseyard Area

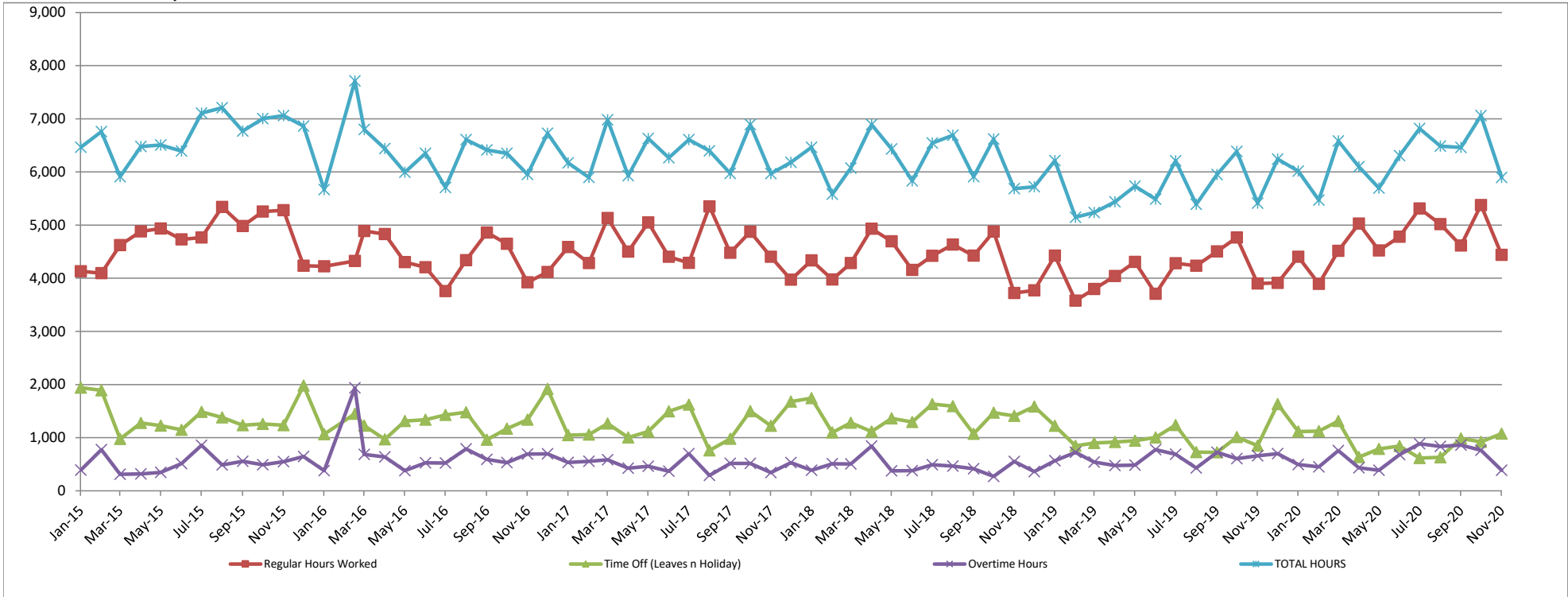
- One hundred twenty-nine (129) work orders were issued for Operations Division. Works included: electrical repairs and maintenance; automotive repairs and maintenance including power generator maintenance; Hawai'i One Call requests for markings; water meter installation and replacement; service lateral installations; leak repairs; well, tank site and PRV maintenance; replace damaged meter boxes; repair defective meters; replace damaged or leaking hydrant; door-to-door customer notifications for tie-ins of new lines to existing lines as well as notifications regarding scheduled repairs; callouts due to customer complaints/reports; meter replacement requests; Hawai'i One Call relative to contractor's requests for markings.
- Fourteen (14) Hawai'i One Call requests for markings were received.
- Auto mechanics performed routine maintenance of all DOW vehicle and equipment including light, medium and heavy vehicles as well as construction equipment and generators.
- GS-2021-01 Sewage Lift Station Control System award posted; contract being processed.
- GS-2021-02 Emergency Generator award posted.
- GS-2021-03 Compact Track Loader solicitation posted.

VPR/ein

Attachments: Overtime Chart
Leak Report Chart
Production/Billing Chart

Mgrp/Decembr 2020/Operations Division Report for the Month of November 2020 (12-17-20):ein

County Of Kauai - DEPARTMENT OF WATER
 Operations Division: Plant & Field
 Total Hours for the Month
 For the Period: January 2015 to November 2020

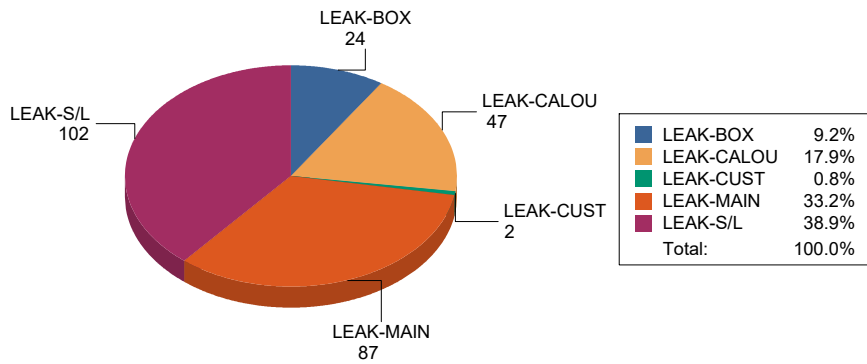


Work Orders by Job Reason Code for Selected Date Range

11/01/2019 to 11/30/2020

# of W/O's	Job Reason Code	Description
24	LEAK-BOX	Meter Box Leak Repair
47	LEAK-CALOU	LEAK CALL OUT
2	LEAK-CUST	Customer-Side Leak Repair
87	LEAK-MAIN	Mainline Leak Repair
102	LEAK-S/L	Service Lateral Leak Repair

Work Orders by Job Reason Code

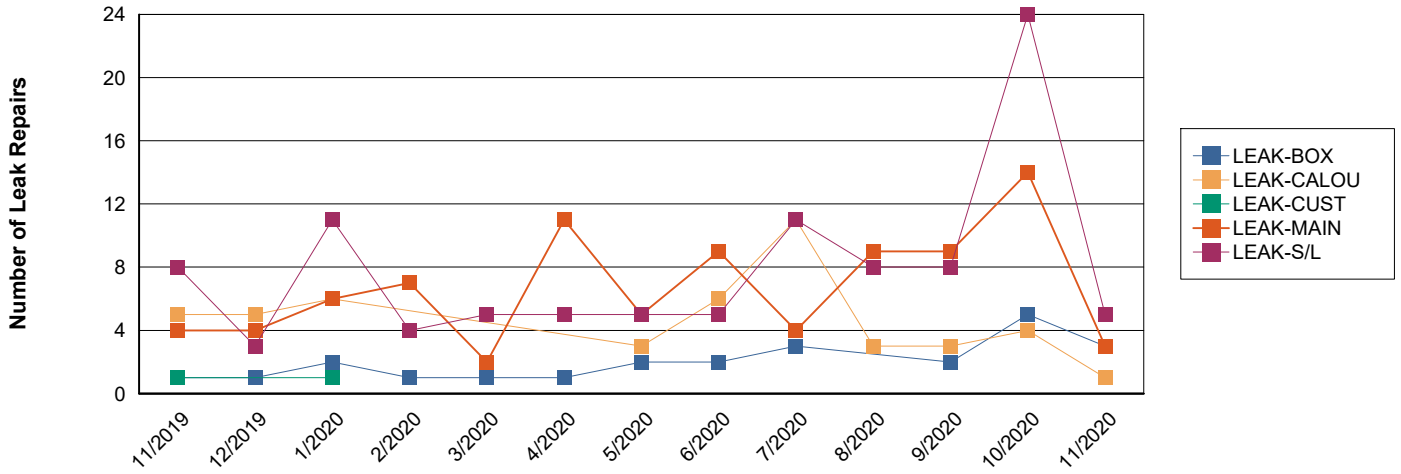


Work Orders by Job Reason Code for Selected Date Range

11/01/2019 to 11/30/2020

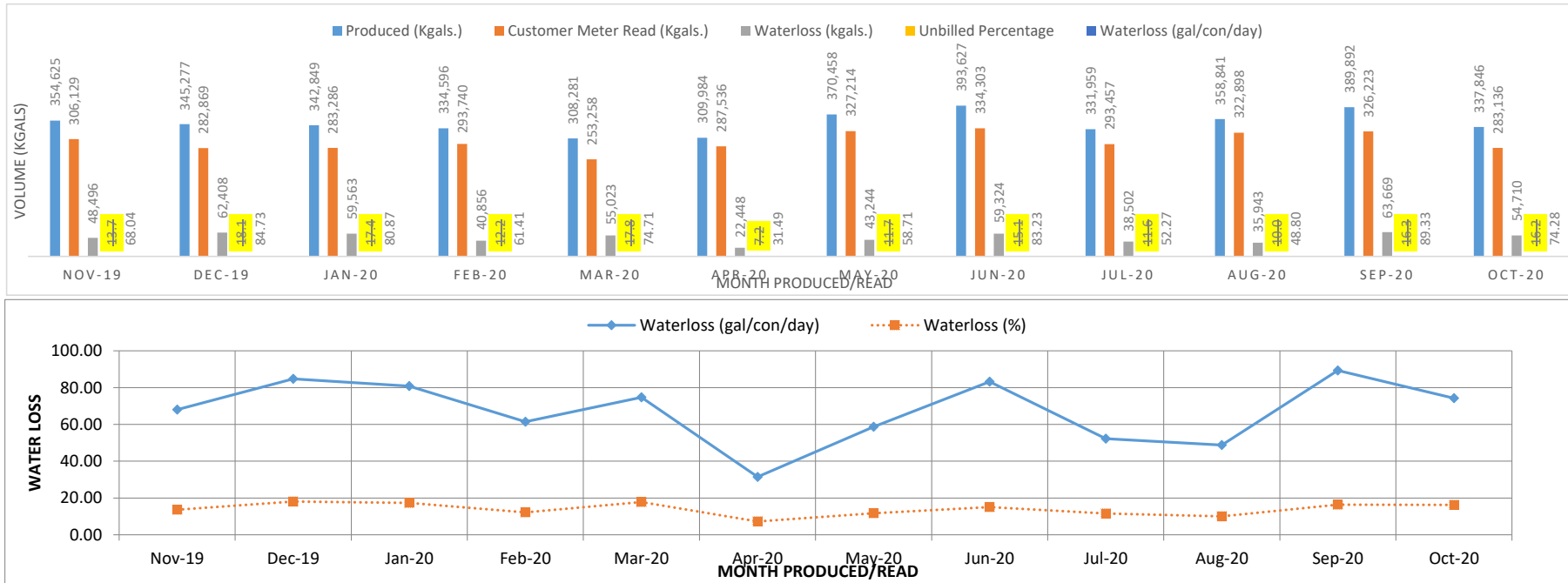
of W/O's Job Reason Code Description

Number of Leak Repairs per Month



Monthly Water Produced, Customer Meter Read and Waterloss Comparison For Calendar Year 2019/2020

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Total Year
Produced (Kgals.)	354,625	345,277	342,849	334,596	308,281	309,984	370,458	393,627	331,959	358,841	389,892	337,846	4,178,233
Customer Meter Read (Kgals.)	306,129	282,869	283,286	293,740	253,258	287,536	327,214	334,303	293,457	322,898	326,223	283,136	3,594,049
Waterloss (kgals.)	48,496	62,408	59,563	40,856	55,023	22,448	43,244	59,324	38,502	35,943	63,669	54,710	584,184
Waterloss (%)	13.7	18.1	17.4	12.2	17.8	7.2	11.7	15.1	11.6	10.0	16.3	16.2	14.0
Waterloss (\$)	61,929	79,695	76,061	52,173	70,264	28,666	55,222	75,757	49,166	45,899	81,306	69,864	746,002
Waterloss (gal/con/day)	68.04	84.73	80.87	61.41	74.71	31.49	58.71	83.23	52.27	48.80	89.33	74.28	67.36



DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S UPDATE

December 17, 2020

Pursuant to Board Policy No. 3

CONTRACTS AWARDED/EXTENSION/AMENDMENTS:

1 CONTRACT AND JOB NO. GS-2021-02 FOR THE FURNISHING AND DELIVERY OF ONE (1) 150 KVA TRAILER MOUNTED EMERGENCY GENERATOR AWARDED TO ALLIED MACHINERY IN THE AMOUNT OF \$99,685.82

FUNDING:

Account No.	10-40-00-604-999			
Acct Description	WU/Ops/Capital Outlay- R&R/Misc. Capital Purchases			
Funds Available	<i>Verified by WWC</i>		\$	100,000.00
Contract No.				
Vendor	Allied Machinery Corp.			
	Contract Amount	\$	99,685.82	
	5% Contingency	\$	N/A	
	Total Funds Certified	\$	99,685.82	\$ <99,685.82>
Fund Balance			\$	314.18

BACKGROUND:

The two existing 150 kVA emergency generators are manufactured by Onan and are over 28 years old. The Department acquired these generators from FEMA following Hurricane Iniki in 1992. Over the years these generators have slowly degraded, the frame and housing is corroding severely, parts are extremely hard to find, and the Department will probably require significant cost to keep them in operational condition. It is recommended that the Department replace these Onan generators first, as they are in the worst condition and have the most obsolete parts. The new generator will replace one of the existing dilapidated and antiquated generators and provide more reliable emergency power supply for our deep well pump stations.

WAIVER, RELEASE & INDEMNITY APPLICATIONS:

None

STAFF REPORTS - FY 20-21:

PERSONNEL MATTERS

November 27, 2020

Administration

1. Manager and Chief Engineer. Hiring in progress.
2. Civil Engineer VII #2460. Position to be filled 12/1/2020.
3. Senior Clerk #2479. Working with DHR on re-description.
4. Water Special Projects Manager #2494. Position started 11/23/2020. Updating position number assignment via classification submittal to DHR. Change will be from Water Special Projects Manager to CE I in Water Resources & Planning.

Fiscal Division

1. Accountant IV #2303 (ACCTG). Classification update and recruitment action submitted to DHR.

Information Technology Division

1. Information Technology Specialist III #2475, #2615. Positions vacant.
2. Waterworks IT Manager #2485. Working with DHR on hire action.
3. IT Specialist III #2615. Classification request submitted to DHR.

Operations Division

1. Assistant Water Plant Operator #2312. Position vacant.
2. Pipefitter #2418. Position filled on 11/16/2020.
3. Plant Electrician #2457. Pending list of eligibles.
4. Water Service Investigator II #2617. Interviewing on 11/18/2020. Pending selection.
5. Maintenance Worker I #2611. Pending referred list of eligibles. Job posting closes 11/30/2020 INTRA only. (Sent email to Mark)

Engineering Division

Construction Management

1. Civil Engineer V #2355. Working with DHR on filling vacancy.
2. Waterworks Inspector III #2357. Position reallocated from II to III effective 11/16/2020.

Engineering Services

1. Civil Engineer II #2458. Working with DHR on filling vacancy.
2. Civil Engineer V #2358. Updating position number assignment via classification submittal to DHR. Change will be from CE V to Water Special Projects Manager.

Water Resources & Planning

1. Civil Engineer III #2360. Position reallocated from II to III effective 12/1/2020.
2. Civil Engineer III #2455. Classification review completed effective 12/1/2020.
3. Civil Engineer I #2494. Per position number assignment update via classification submittal to DHR. Change will be from Water Special Projects Manager to CE I.

Pursuant to Board Policy No. 24

CONVEYANCE OF WATER FACILITIES

None

CUSTOMER CARE AND BILLING (CC&B) SYSTEM UPDATE:

December 17, 2020

The Department's Lead Water Meter Mechanic, Kevin Pongasi continues to process and install the new Beacon meters on a daily basis. He is averaging six to seven new installations per day. Beacon continues to monitor and test to make sure the system is picking up the correct data. Everything is going very well and we should be ready to have Beacon and Badger come to Kaua'i to do some in-depth training with our meter readers, billing team, as well as Kevin and his crew so that everyone understands the new system, when it goes live. Going live will be determined once the testing and training is complete.

I.T. STRATEGIC PLAN UPDATE:

These updates will be placed in the Quarterly reports per Board action during the July 26, 2019 Regular Board meeting. The current update is in the October 25, 2019 Regular Board meeting.

I.T. INITIATIVES UPDATE:

December 17, 2020

The Information Technology Division continues to work diligently to assist the Department to adapt to the COVID-19 challenges. Support to improve the DOW IT network with upgrades and maintenance of the server system continues.

The Department migration to Microsoft Office 365 was launched on November 26, 2020 with an anticipated completion in early December 2020.

Waterworks Information Technology Manager position is with DHR for final review and position offer.

ADVISOR REPORT TO THE BOARD OF WATER SUPPLY UPDATE

Period ending November 30, 2020

The following is a list of tasks which I worked on for the DOW during the month of November:

- Handled emails, calls and texts from staff
- Discussions with Chair Akamine and staff on various matters
- Discussions with Construction Division on various projects
- Participated in and/or conducted DH/Leads weekly meeting
- Participated in DOW Board Meeting
- Participated in MCE interviews
- Discussions on chlorination requirements and procedures
- Reviewed PMWeb for Hanapepe WL
- Discussions on Hanapepe WL RFI's