Board present: Roy Oyama, Ian Costa, Leland Kahawai, Steven Kyono, and Randy Nishimura. Absent & excused: Dee Crowell and Donald Fujimoto


FINANCE COMMITTEE MEETING:
Finance Committee Chair Steven Kyono called the Finance Committee Meeting to order at 10:10 a.m.

Re: Claims Payable:

WATER UTILITY FUND: ............... $610,200.01
BOND FUND: ......................... $ 0
FRC FUND: ........................... $ 11,309.17
STATE FUND: ........................ $ 0
TOTAL ................................ $621,509.18

Mr. Oyama moved that the claims be approved for payment, seconded by Mr. Costa; motion was carried.

Re: Draft Annual Audit:

This matter was to be handled as part of the Regular Meeting.

The Finance Committee Meeting was duly adjourned at 10:12 a.m.

RULES COMMITTEE MEETING:
Pro-Tem Rules Committee Chair Ian Costa called the Rules Committee Meeting to order at 10:12 a.m.

Re: Request Rules Committee Approval of the Proposed Amendments to the Rules and Water System Standards, as Amended, of the Board of Water Supply, County of Kaua‘i, State of Hawai‘i and Forward to the Full Board at the Thursday, November 13, 2008 Board Meeting.

Mr. Costa reported on the following on behalf of the Rules Committee:

The public hearing was held on this proposed rule amendment at the Thursday, October 9, 2008 Board Meeting. A summary again of the proposed rule amendment is as follows:
1. **Correction of the Recent Amendment to the DOW’s Rules and Regulations and 2002 Water System Standards, as amended**

Upon review of the recently adopted rule amendment, we noticed an error in the finalized version of amendment document. Inadvertently, the proposed language relating to *Alternative methodology for satisfying fire protection requirements for non-residential structures* did not appear on the certified copy of the amendment.

The affected section of the amendment to the 2002 Water System Standards that needed to be incorporated into the finalized version of the document is the Annotations to Table 100-19A, subparagraph(C).

- Instead of may [reject] the applicant’s fire mitigation measures, the Fire Chief now may **approve** the sufficiency of the applicant’s measures no later than one hundred twenty (120) day from the date that the Chief has determined, in writing, that the applicant has submitted a complete written analysis to him. *(If “no action” was taken within the 120-day time frame, the applicant would receive an automatic approval.)*

- The basis for the Chief’s approval of an applicant’s proposed mitigation measures has been clarified; an applicant’s measures may be **approved** [rejected] if they are [in]sufficient relative to the structures to be built on the lot, or the uses which will occur in conjunction with the proposed structures.

- In assessing the sufficiency of an applicant’s measures, the Chief may also consider the impact of any potential on-site fire on surrounding off-site structures and uses.

There are no substantive changes to this subparagraph; essentially the wrong version of the amendment was transmitted to SBRRB through the rule making process. The inadvertent mix-up only affected the alternative methodology for fire protection revisions and the resulting action only addressed deleting the sunset provision from the Standards.

The SBRRB sent their concurrence on our proposed rule amendment (a copy was attached to the Board Report). Therefore, the Board may approve the proposed rule amendment at the Thursday, November 13, 2008 Board Meeting.

If approved, the secretary will obtain the necessary signatures from the Mayor, County Attorney and the County Clerk. Once the County Clerk signs the proposed rule amendment, it takes effect 10 days thereafter.

Mr. Nishimura moved to approve the proposed rule amendment and to forward it to the full Board for their approval, seconded by Mr. Oyama; motion was carried.
There being no other business, the Rules Committee Meeting was duly adjourned at about 10:13 a.m.

FINANCE COMMITTEE MEETING:
Finance Committee Chair Steven Kyono reconvened the Finance Committee Meeting at 10:20 a.m. for the Draft Annual Audit.

Re: Draft Annual Audit:
Mr. James Nakayama of KMP, LLP, our auditor, was present at the meeting to give the Board an overview of the draft annual audit.

The draft auditor's reports and Financial Statements as of June 30, 2008 and the Memorandum on Accounting Procedures and Internal Control (June 30, 2008) Report were part of the Board agenda packet.

Mr. Nakayama stated that they perform the audit under government auditing standards, which essentially they need to look at internal controls and have a secondary report to check on compliance. He also stated that they issued an unqualified opinion, which means a clean opinion for the DOW, which means that they have provided reasonable assurance and not absolute assurance that there are no material misstatements in the financial statements taken as a whole.

He gave an overview of their audit, which had no negative findings. There was no Single Audit this year, as the DOW did not spend above the required amount of Federal monies.

Mr. Nakayama discussed that there is a new line item on Page 9 on the balance sheet. There is a new line on the 3rd line from the top that is called Post-Retirement Health Care Benefits Payable of $462,000. Starting from 2008, the County of Kauai implemented GASB 45 Standards, which is a statewide requirement that requires the County to disclose and record a full liability related to other post-retirement health benefits for all of the DOW retirees.

Mr. Nakayama stated that that there were no new findings/recommendations for improvement on internal controls or financial reporting. He gave an update of the three (3) prior years’ findings/recommendations:

1. Timely replacement of defective meters, which has been addressed by our ongoing Automated Meter Reading Program; that will be completed by about the end of this year. – Resolved.
2. Implementation of our Operation’s computer modules to be compatible to our financial computer modules so both can be reconciled. – Ongoing.
3. Implementing the payroll module and job cost module relating to the accounting system. Ongoing

Mr. Nakayama thanked Acting Manager Ushigome and Waterworks Controller Ganaden and his staff for their cooperation and assistance to make their job a smooth one. He added that all went well with the implementation of some new audit standards. Mr. Nakayama stated their appreciation to continue to work with the Department of Water.

**Recommendation:**
It was recommended that the Finance Committee approve the draft Annual Audit for Fiscal Year Ending June 30, 2008 and refer this matter to the full Board for their approval of the final audit upon its completion.

Mr. Costa moved to approve the Draft Annual Audit, seconded by Mr. Nishimura; motion was carried.

The Finance Committee Meeting was duly adjourned at 10:28 a.m.

_Mr. Nakayama left the meeting at about 10:28 a.m._

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