

Auditor's Summary

Financial and Compliance Audit of the Department of Health, Drinking Water Treatment Revolving Loan Fund

Financial Statements, Fiscal Year Ended June 30, 2018



PHOTO: ISTOCK.COM

About the Fund

THE SAFE DRINKING WATER

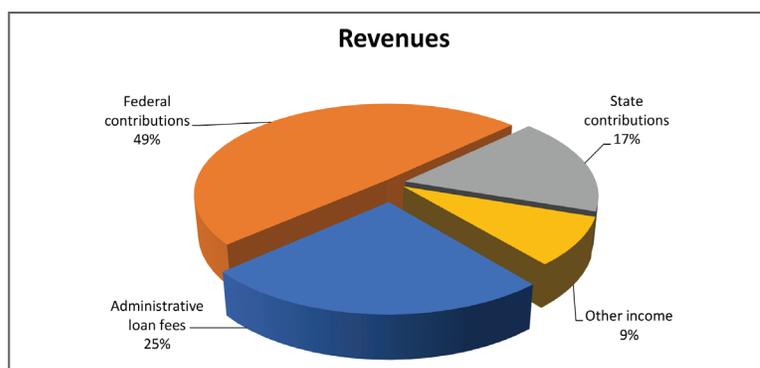
ACT Amendments of 1996 authorized the Environmental Protection Agency (EPA) to make capitalization grants to the states for the purpose of providing loans and other types of financial assistance to public water supply systems for drinking water infrastructure.

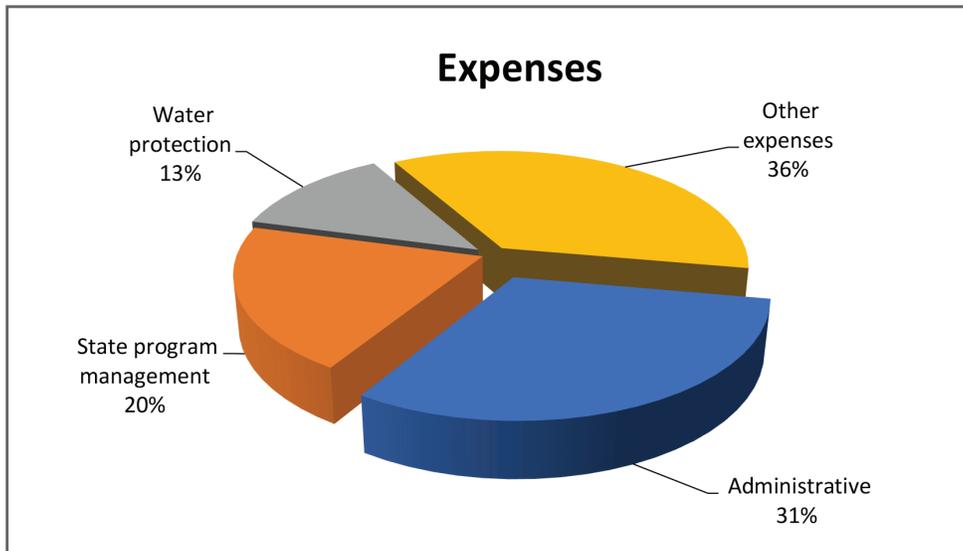
To receive the federal capitalization grants, the 1997 State of Hawai'i Legislature established the Drinking Water Revolving Loan Fund (Revolving Loan Fund) to receive federal capitalization grants from the EPA. The Revolving Loan Fund is intended to provide loans in perpetuity to public drinking water systems for construction of drinking water treatment facilities. Such loans may be at or below market interest rates and must be fully amortized within twenty years. The Revolving Loan Fund is administered by the Safe Drinking Water Branch, Environmental Management Division of the State Department of Health.

***THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health, Drinking Water Treatment Revolving Loan Fund, as of and for the fiscal year ended June 30, 2018, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards and the Environmental Protection Agency Audit Guide for Clean Water and Drinking Water State Revolving Fund Programs (Program). The audit was conducted by KMH LLP.*

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2018, the Revolving Loan Fund reported total revenues of \$9.6 million and total operating expenses of \$5.2 million, resulting in an increase in net position of \$4.4 million. Total revenues consisted of administrative loan fees of \$2.4 million, federal contributions of \$4.7 million, State contributions of \$1.7 million, and other income of \$800,000.





Total expenses consisted of administrative expenses of \$1.6 million, State program management expenses of \$1.1 million, water protection of \$700,000, and other expenses of \$1.8 million.

As of June 30, 2018, total assets and deferred outflows of resources were \$206.5 million and total liabilities and deferred inflows of resources were \$6.1 million. Total assets were comprised of cash and cash equivalents of \$25.8 million, loans receivable of \$178 million, and other assets and deferred outflows of resources of \$2.7 million. Total liabilities were comprised of net other post-employment benefits of \$2.7 million, net pension liability of \$2.4 million, and other liabilities and deferred inflows of resources of \$1 million.

Auditors' Opinions

THE REVOLVING LOAN FUND RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The Revolving Loan Fund also received an unqualified opinion on its compliance with the Program.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance with the Program.