

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, 2023



PHOTO: ISTOCK.COM

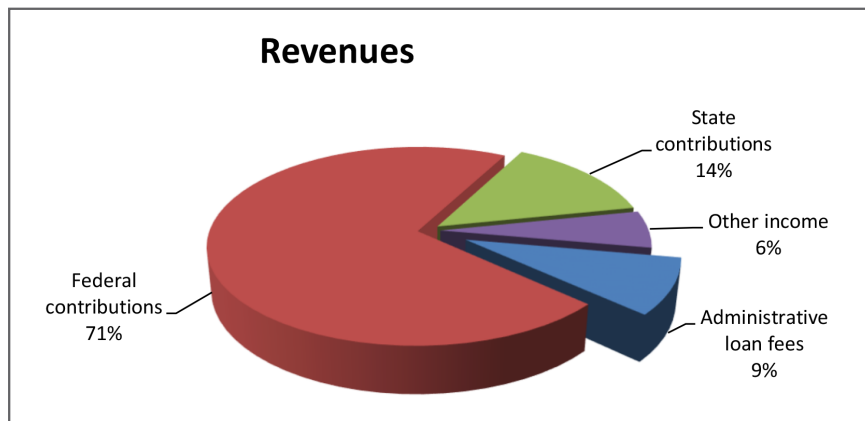
About the Fund

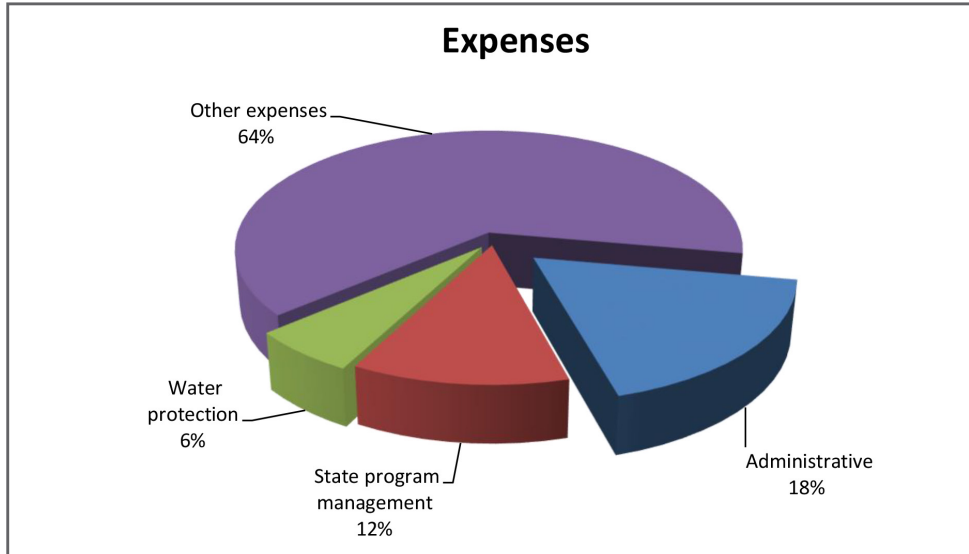
The Safe Drinking Water Act was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1996 to provide funding for water system improvements. In 1997, the Hawai'i State Legislature established the Drinking Water Treatment Revolving Loan Fund (Revolving Fund) to receive federal capitalization grants from the U.S. Environmental Protection Agency. The Revolving Fund is used 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 Fund is administered by the State of Hawai'i Department of Health's Environmental Management Division, Safe Drinking Water Branch.

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, 2023, 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 set forth 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. The audit was conducted by KMH LLP.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2023, the Revolving Fund reported total revenues of \$28.9 million and total operating expenses of \$7.5 million, resulting in a change in net position of \$21.4 million. Total revenues consisted of (1) administrative loan fees of \$2.6 million,





(2) federal contributions of \$20.5 million, (3) state contributions of \$4 million, and (4) other income of \$1.8 million.

Total expenses consisted of (1) administrative expenses of \$1.4 million, (2) state program management of \$900,000, (3) water protection of \$400,000, and (4) other expenses of \$4.8 million.

As of June 30, 2023, total assets and deferred outflows of resources were \$275.6 million and total liabilities and deferred inflows of resources were \$6.3 million. Total assets were comprised of (1) cash and cash equivalents of \$35 million, (2) loans receivable of \$237.9 million, and (3) other assets and deferred outflows of resources of \$2.7 million. Total liabilities were comprised of (1) net other post-employment benefits liability of \$2.4 million, (2) net pension liability of \$2.6 million, and (3) other liabilities and deferred inflows of resources of \$1.3 million.

Auditors' Opinions

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



For the complete report and financial statements, visit our website at:
https://files.hawaii.gov/auditor/Reports/2023_Audit/DOH_DWTRLF_2023.pdf