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# Auditor's Summary

## Financial and Compliance Audit of the Department of Health, Water Pollution Control Revolving Fund

Financial Statements, Fiscal Year Ended June 30, 2023



PHOTO: ISTOCK.COM

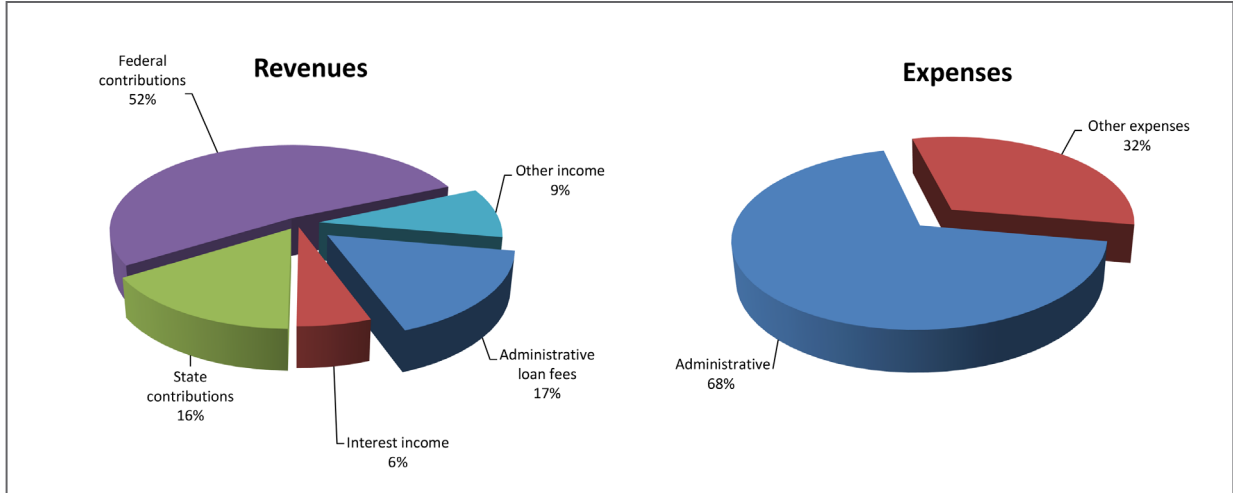
### About the Fund

The federal Clean Water State Revolving Fund provides low-cost infrastructure financing for public water quality infrastructure projects. Moneys earmarked for Hawai'i are deposited into the State's Water Pollution Control Revolving Fund (the Revolving Fund) and are used to provide loans in perpetuity to county and state agencies for the construction of wastewater treatment facilities and other programs. Loans may be at or below market interest rates and be fully amortized for a period not to exceed twenty years. Under the federal Clean Water Act of 1987, from 1989 to 1994, the State of Hawai'i received more than \$72 million in capitalization grants. The State continues to receive capitalization grants annually from the U.S. Environmental Protection Agency. The Revolving Fund is administered by the State of Hawai'i Department of Health's Environmental Management Division, Wastewater 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, Water Pollution Control Revolving 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 \$24.1 million and total operating expenses of \$5 million, resulting in an increase in net position of \$19.1 million. Total revenues consisted of (1) administrative loan fees of \$4 million, (2) interest income of \$1.4 million, (3) state contributions of \$3.9 million, (4) federal contributions of \$12.6 million, and (5) other income of \$2.2 million. Total expenses of \$5 million consisted of administrative expenses of \$3.4 million and other expenses of \$1.6 million.



As of June 30, 2023, total assets and deferred outflows of resources were \$611.2 million and total liabilities and deferred inflows of resources were \$8.2 million. Total assets were comprised of (1) cash and cash equivalents of \$91.9 million, (2) loans receivable of \$515.1 million, and (3) other assets and deferred outflows of resources of \$4.2 million. Total liabilities were comprised of (1) net other post-employment benefits liability of \$3.1 million, (2) net pension liability of \$3.9 million, and (3) other liabilities and deferred inflows of resources of \$1.2 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 Clean Water State Revolving Fund 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\\_WPCRF\\_2023.pdf](https://files.hawaii.gov/auditor/Reports/2023_Audit/DOH_WPCRF_2023.pdf)