

**REPORT TO THE TWENTY-EIGHTH LEGISLATURE
STATE OF HAWAII
2015**

STATE WATER POLLUTION CONTROL REVOLVING FUND

**PURSUANT TO SECTION 342D-82
HAWAII REVISED STATUTES
RELATING TO THE
STATE WATER POLLUTION CONTROL REVOLVING FUND
OF THE DEPARTMENT OF HEALTH**

**PREPARED BY:
STATE OF HAWAII
DEPARTMENT OF HEALTH
ENVIRONMENTAL HEALTH ADMINISTRATION
ENVIRONMENTAL MANAGEMENT DIVISION
WASTEWATER BRANCH
NOVEMBER 2014**

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PROGRAM

A. INTRODUCTION

The Water Pollution Control Revolving Fund (WPCRF), also known as the Clean Water State Revolving Fund (CWSRF), was established by Title VI of the Clean Water Act. The purpose of the fund is to support construction of publicly owned wastewater treatment works and management of non-point source pollution and national estuary issues by providing financial assistance in the form of low-interest loans.

This annual report is submitted to the State of Hawaii Legislature pursuant to Section 342D-82 of the Hawaii Revised Statutes. The report covers State Fiscal Year (SFY) 2014, which began on July 1, 2013 and ended on June 30, 2014. The purpose of this report is to describe the progress in meeting goals set forth in the program's *Intended Use Plan for SFY 2014*, and to discuss the sources and uses of funds during SFY 2014.

B. EXECUTIVE SUMMARY

The WPCRF Program is in its 25th year of operation and continues to provide low-interest loans to Hawaii's four counties. These loans fund projects such as construction and repair of treatment plants, pump stations, sewer lines, water reuse facilities, and conversion of large capacity cesspools.

During SFY 2014, Hawaii received a federal capitalization grant of \$10,341,000 and 20% state matching funds of \$2,068,200 for a total of \$12,409,200. Total funds committed during this period totaled \$35,794,904.30.

C. LOAN PROCESS

There are three types of loans used to fund a project:

1. Interim Loan

An *interim loan* formally commits to funding a project once a loan application and project report are received and approved. The applicant proceeds to fulfill other requirements to obtain a final loan. Table 1 shows interim loans executed during SFY 2014.

Table 1: SFY 2014 Interim Loans						
County	Proj. No.	Project	Loan Amount	Date Executed	District	
					House	Senate
Maui	52-35	Wailuku-Kahului Force Main Replacement	3,621,040.00	07/15/13	8, 9	5
Maui	54-34	Countywide Pump Station Renovations	4,023,751.00	07/15/13	10	6
Honolulu	70-53	Energy Savings Performance Contract for Kailua Wastewater Treatment Plant	15,600,000.00	07/15/13	50	24
Maui	54-10	Lahaina Wastewater Pump Station No. 2 Modifications	5,000,000.00	08/15/13	10	6
Maui	54-46	West Maui Recycled Water Expansion	3,160,684.00	08/15/13	10	5
Hawaii	90-04	Naalehu Wastewater Collection System	3,632,850.00	10/15/13	5	3
Maui	77-17	South Maui Recycled Water Distribution System Expansion	2,585,980.00	12/15/13	11	6

2. Final Loan

A **final loan** is executed once all requirements are met. The amount of the loan is based on the project's executed contract. This loan is the most significant of the three because once executed, it allows the borrower to receive funds up to the amount already spent on the particular project.

3. Supplemental Loan

Once a funded project is completed, a **supplemental loan** is issued to set the loan amount based on the actual funds disbursed. This amount may differ and reflect an increase or decrease from the final loan amount, depending on eligible changes during the course of the project. Amortization schedules are based on the supplemental loan amount.

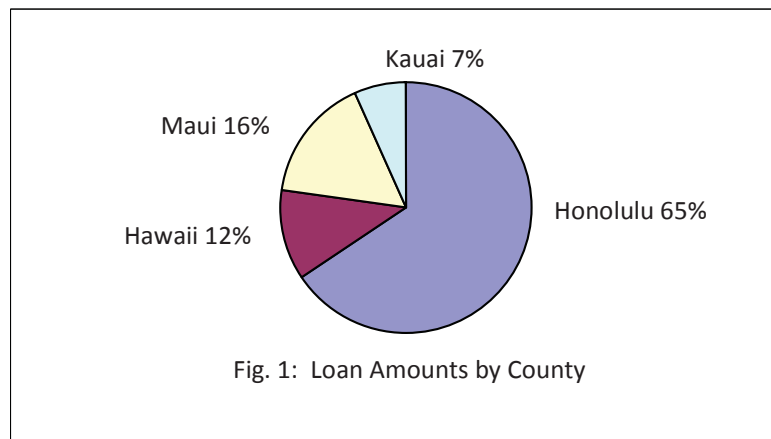
Table 2: Total Funds Committed in SFY 2014 Based on Final & Supplemental Loans						
County	Proj. # & Type of Loan	Project Name	Loan Amount	Date Executed	District	
					House	Senate
Maui	54-28, F	Lahaina No. 3 Force Main Replacement	4,719,660.00	07/15/13	10	6
Maui	52-35, F	Wailuku-Kahului Force Main Replacement	3,621,040.00	07/15/13	8, 9	5
Maui	54-34, F	Countywide Pump Station Renovations	4,023,751.00	07/15/13	10	6
Maui	52-33, F	Central Operations Maintenance Facility	500,000.00	08/15/13	9	5
Kauai	55-07, F	Wailua Wastewater Treatment Plant Improvements - Phase I	1,942,632.69	01/15/14	15	8
Maui	54-10, F	Lahaina Wastewater Pump Station No. 2 Modifications	4,478,103.00	02/15/14	10	6
Kauai	59-07, S	Kauai County Cesspool Conversion Project	116,542.21	07/15/13	15	8
Honolulu	48-00, S	Ala Moana Wastewater Pump Station Force Mains #3 and #4	20,000,000.00	02/15/14	26	13
Honolulu	70-45, S	Wanaao Road/Keolu Drive Reconstructed Sewer	-2,411,728.25	03/15/14	51	25
Maui	52-40, S	Alamaha Force Main Replacement	-132,000.00	03/15/14	8	5
Hawaii	72-01, S	Honokaa Wastewater Treatment Plant Upgrade - Phase 2	-298,551.16	04/15/14	1	4
Maui	52-33, S	Central Operations and Maintenance Facility	0.00	04/15/14	8	5
Hawaii	80-19, S	Queen Liliuokalani Large Capacity Cesspool Replacement	-764,545.19	04/15/14	6	3
		Total	35,794,904.30			

Table 2 includes final loan (F) amounts which are the amounts originally committed. The table also includes the supplemental loan (S) difference (increase or decrease) from the original final loan amount. Total funds committed during SFY 2014 are based on final and supplemental loans.

D. TOTAL FUNDS COMMITTED

From SFY 1991 through SFY 2014, the WPCRF has loaned out approximately \$668,451,429. Table 3 and Figure 1 show the breakdown of loans by county. Attachment 1 *Water Pollution Control Revolving Fund Projects Receiving SRF Assistance* provides information on all the final loans executed for the program.

Table 3: Cumulative Loan Amounts		
County	Cumulative Loan Amount (\$)	Percent of Total Amount
Honolulu	434,672,064	65%
Hawaii	77,993,643	12%
Maui	111,072,959	16%
Kauai	44,712,762	7%
Total	668,451,429	100%



E. MEETING FUNDING REQUIREMENTS

The WPCRF Program met funding requirements as follows:

1. State Matching Funds

Pursuant to Act 134/13, the Hawaii Legislature appropriated \$2,068,200 in general obligation bond funds for the required 20% state match to the FFY 2013 EPA SRF Capitalization Grant. The state match was transferred to the WPCRF's account in June 2014. Since Hawaii State law prohibits the program to use the state match for administrative purposes, all state match funds are used for loans. This results in a greater percent of state match fund draw versus cash draw for each active capitalization grant.

2. Grant Fund Commitment

The requirement to commit 120% of the \$10,341,000 grant amount (\$12,409,200) was satisfied. During SFY 2014, six final loans and seven supplemental loans were executed, totaling \$35,794,904.30.

3. Green Project Reserve (GPR)

GPR projects are those which contribute to energy efficiency, water efficiency, and/or sustainable infrastructure. The WPCRF Program is required to make a good faith effort to allocate a minimum amount of funds to GPR projects. Table 4 shows how GPR requirements were met.

Table 4: GPR Requirements for SFY 2014						
SFY	FFY	Grant Amount (\$)	GPR Required (\$)	GPR Project	GPR Amount (\$)	GPR Met?
2013	2012	10,946,000	1,094,600	West Maui recycled Water Phase 1 - UV Expansion (water reuse)	1,081,188	yes
				Countywide Pump Station Renovations (energy efficient pumps)	4,023,751	
2014	2013	10,341,000	1,034,100	Lahaina Wastewater Pump Station No. 2 Modifications (energy efficient pumps)	4,478,103	yes

4. Federal Funding Accountability and Transparency Act (FFATA)

FFATA requires the reporting of funded project(s) whose loan amounts add up to the exact grant amount. Table 5 shows how FFATA requirements were met.

Table 5: FFATA Reporting					
SFY	FFY	Grant (\$)	FFATA Project	FFATA Amount (\$)	Percent Met
2014	2013	10,341,000	Ala Moana Wastewater Pump Station Force Mains #3 & #4	10,341,000	100%

5. Additional Subsidy

Additional subsidy refers to providing funds at a zero interest rate with principal forgiveness. The amount of additional subsidy must fall within a specified range. Table 6 shows how additional subsidy requirements were met.

Table 6: Additional Subsidy						
SFY	FFY	Grant (\$)	Min. (\$)	Max. (\$)	Project w/ Additional Subsidy	Ad Sub (\$)
2014	2013	10,341,000	487,105	730,658	Lahaina Wastewater Pump Station No. 2 Modifications	500,000
					Total	500,000

6. Reporting Requirements

Information on projects with executed final loans has been entered into the **CWSRF Benefits Reporting (CBR)** system. FFATA reporting was late and completed for Ala Moana Wastewater Pump Station Force Main #3 and #4 project.

7. Other Federal Requirements

The program continues compliance with other requirements to:

- a. Ensure borrowers comply with Davis-Bacon requirements.
- b. Report on minority and women business enterprises (MBE/WBE).

- c. Maintain a cash draw ratio of 83% (federal funds) to 17% (state funds) or one that satisfies the cash draw ratio requirement.
- d. Continue use of Generally Accepted Government Accounting Standards in accounting, audit, and fiscal procedures.

8. Operating Agreement between the State and EPA

Compliance with operating requirements continues. These requirements, in the *State WPCRF Operating Agreement between the State of Hawaii Department of Health and EPA: Chapter II, Section C, Assurances and Certifications*, are as follows:

a. Environmental Review

Review of the loan applicant's submittals ensured applicable federal and state requirements were met. Loan applicants continued to prepare environmental documents in accordance with Hawaii Revised Statutes, Chapter 343, and Hawaii Administrative Rules, Chapter 11-200.

Prepared documents were published by the State of Hawaii Office of Environmental Quality Control and open to public comment.

Loan applicants certified that a current assessment of environmental impacts of the proposed project was conducted, that all known significant environmental impacts were disclosed, and that all federal "cross-cutter" requirements were met.

b. Intended Use Plan (IUP)

The IUP for SFY 2014 was drafted, made available for public comment, published in April 2013, and included with Hawaii's application for an SRF capitalization grant.

c. Other Federal "Cross-Cutter" Requirements

Each loan applicant was required to certify that each proposed project complied with all federal "cross-cutting" requirements.

F. GOALS AND ACCOMPLISHMENTS

Each year, the WPCRF Program sets forth goals in its Intended Use Plan. Following are the long and short-term goals and progress made in meeting them.

1. Long-Term Goals

- a. Provide financial assistance for eligible projects that protect Hawaii's public health by correcting surface water quality impairment or eliminating and preventing ground water contamination and controlling point and non-point pollution sources. Encourage projects that promote water reuse and energy efficiency, and/or achieve compliance with federal and state water quality standards.

Progress: The program supported Hawaii's counties in complying with water quality standards, protecting public health, and incorporating energy-efficient pumps that decrease energy demands and costs.

- b. Ensure fiscal soundness and perpetuity of the WPCRF.

Progress: Receipt of an EPA grant and state matching funds, meticulous tracking of loans, disbursements, repayments, interest, fees, and investment interest, and borrowers with high credit ratings all help ensure fiscal soundness.

2. Short-Term Goals

- a. Promote water reuse, energy efficiency, and/or other innovative environmental projects.

Progress: Energy-efficient pumps and/or blowers were used in the Countywide Pump Station Renovations, Lahaina Wastewater Pump Station No. 2 Modifications, and Wailua Wastewater Treatment Plant Improvements - Ph. I projects.

- b. Reduce EPA unliquidated loan obligations (ULOs).

Progress: ULOs refer to EPA capitalization grant funds that haven't yet been disbursed. To minimize ULOs, borrowers submit monthly disbursement statements to allow tracking of each project's spending rate. Federal funds are then assigned accordingly, and county expenditures are reviewed ahead of time to expedite disbursement once a pay request is received.

- c. Provide loans with competitive interest rates while still assuring the program's perpetuity.

Progress: The total loan rate of 1% commands a high demand for loans. Since Hawaii's four loan applicants are county government agencies with good credit ratings, loan repayment is reliable, helping ensure the fund's perpetuity.

- d. Revisit standard operating procedures to improve program efficiency.

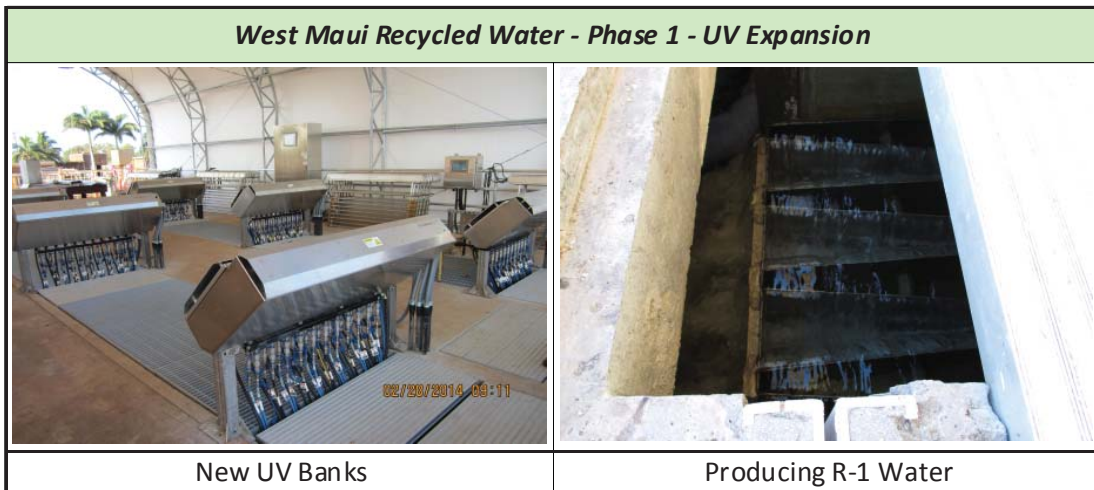
Progress: In February 2014, the CWSRF Program underwent a management audit to streamline procedures. Work also began on a loan grant tracking system (LGTS) to automate reports and improve program efficiency.

G. CURRENT PROJECTS

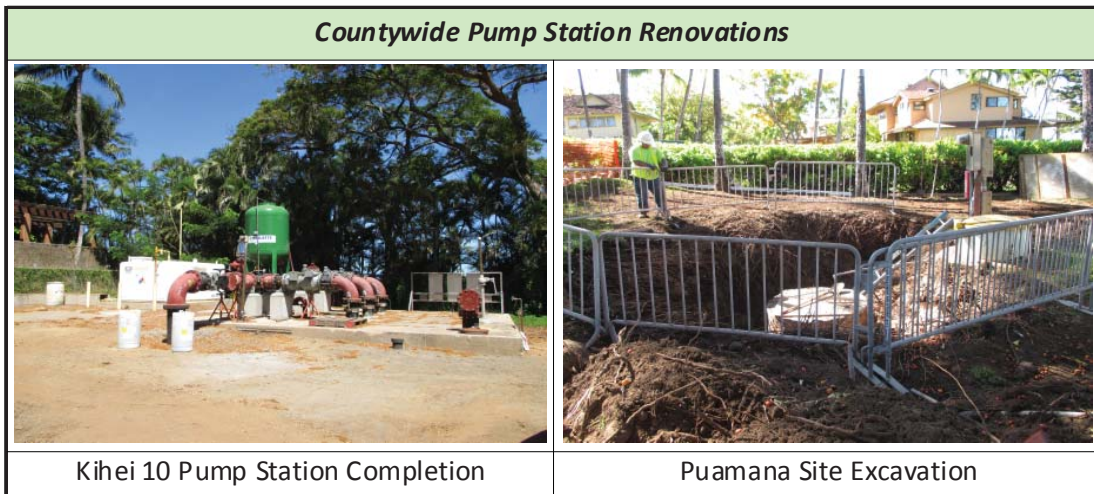
The first four projects meet GPR criteria to incorporate water reuse and energy efficiency. The last two sewer line projects protect public health by preventing wastewater spills arising from leaks in deteriorated pipes.

1. GPR Projects

- a. The West Maui Recycled Water project continues making progress and contributes to water efficiency by tripling the Lahaina Treatment Plant's capacity to produce reuse water.



- b. Countywide Pump Station Renovations project includes the removal and replacement of the existing pumps, controls, electrical equipment and the Lahaina 7 force main. Energy efficient pumps will be used to replace old pumps.



- c. Wailua Wastewater Treatment Plant Improvements – Phase I project includes relocation and replacement of aeration blowers, WAS and RAS pumps, and centrifuge. Energy efficient pumps and blowers will be used for replacement.

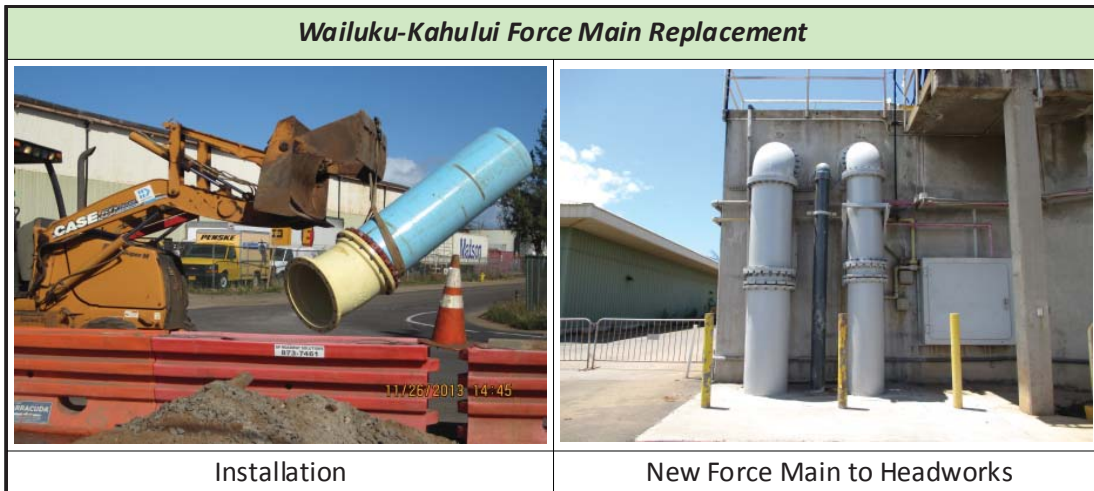


- d. Lahaina Wastewater Pump Station No. 2 Modification project started in May

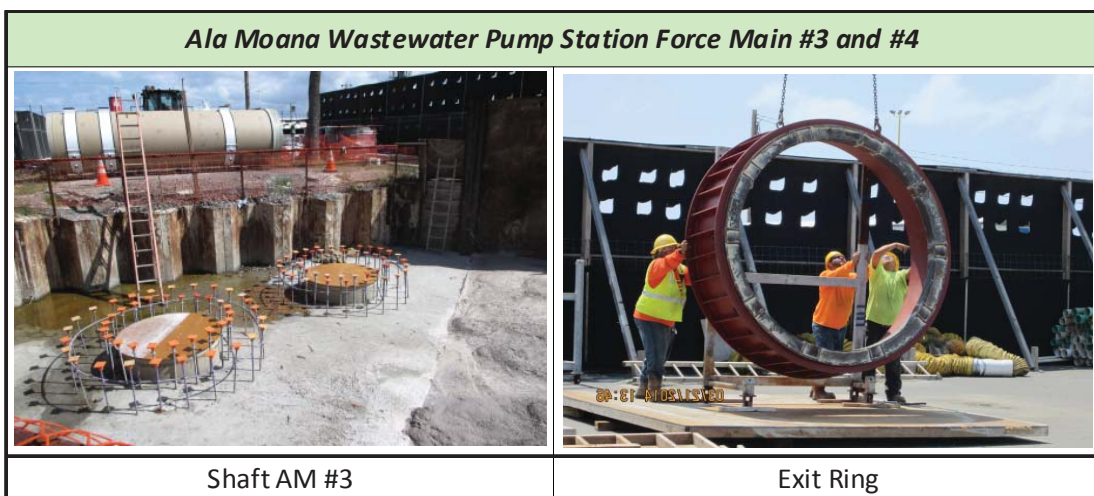
2014. It includes the removal and replacement of the existing pumps, piping, controls, wet well, electrical equipment, access driveway, and minor building improvements. Energy efficient pumps will be used to replace old pumps.

2. Sewer Line Projects

- a. The Wailuku – Kahului Force Main project replaced a total of 5,065 linear feet of deteriorated sewer force main.



- b. Ala Moana Wastewater Pump Station Force Mains #3 and #4 continues making progress.



H. FUTURE PROJECTS

Future projects include those listed in the IUP for the next fiscal year (SFY 2015) and those with interim loans. Table 7 lists interim loans executed before and during SFY 2014.

Table 7: SFY 2015 Future Projects						
County	Proj. No.	Project	Loan Amount	Interim Executed	District	
					House	Senate
Hawaii	80-17	North Kona Sewer and Effluent Reuse - Phase 1	6,747,000.00	07/15/07	6	3
Kauai	50-11	Eleele Wastewater Treatment Plant Improvements	4,023,751.00	08/15/12	16	7
Hawaii	80-27	Kealakehe Wastewater Treatment Plant Aeration Upgrade and Sludge Removal Project	14,600,000.00	12/15/12	6	3
Honolulu	70-53	Energy Savings Performance Contract for Kailua Wastewater Treatment Plant	15,600,000.00	07/15/13	50	24
Maui	54-46	West Maui Recycled Water Expansion	3,160,684.00	08/15/13	10	5
Hawaii	90-04	Naalehu Wastewater Collection System	3,632,850.00	10/15/13	5	3
Maui	77-17	South Maui Recycled Water Distribution System Expansion	2,585,980.00	12/15/13	11	6

I. PROGRAM AND NON-PROGRAM ACTIVITIES

Loan recipients are assessed an interest rate and an administrative fee, also known as a loan fee. The loan fee covers the costs of program activities directly related to administering the CWSRF program, as well as non-program activities that protect and preserve water quality. The following program activities were performed during SFY 2014:

1. Review and approval of loan submittals including loan applications, project reports, plans, specifications, environmental documents, executed contracts, selected itemized bid, eligible costs, site certifications, and other required documents.
2. Construction inspections to report progress, ensure compliance with federal and state requirements, and determine if reasonable correlation exists between completed work and progress payments.
3. Frequent meetings and communication to train new loan applicants, assist with required submittals, encourage payment requests, and promote projects incorporating energy-efficiency and water reuse.
4. Financial tracking of federal grants, state match funds, interest, disbursements to loan recipients, loan repayments, amortization schedules, program income, expenses, cash flow reports, coordination with the state budget department, and communication with the loan recipient's fiscal staff.

Non-program activities during SFY 2014 included administering the water reuse and sludge programs, inspecting operation and maintenance of wastewater treatment facilities, responding to wastewater-related complaints, enforcement of wastewater regulations, and permitting of individual wastewater systems.

FINANCES

J. INTERNAL CONTROLS

The WPCRF program is responsible for implementing and maintaining a system of internal accounting controls to ensure compliance with applicable laws and regulations related to federal and state financial assistance programs. An internal control system provides the program with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition. It also ensures that transactions are executed and recorded with proper authorization to permit preparation of financial statements in accordance with generally accepted accounting principles.

Based on the annual performance evaluations by EPA and annual financial audits by independent auditors, the WPCRF program's internal controls appear to adequately safeguard assets and provide reasonable assurances of proper recording of financial and provide reasonable assurances of proper recording of financial transactions.

K. FINANCIAL ACTIVITIES

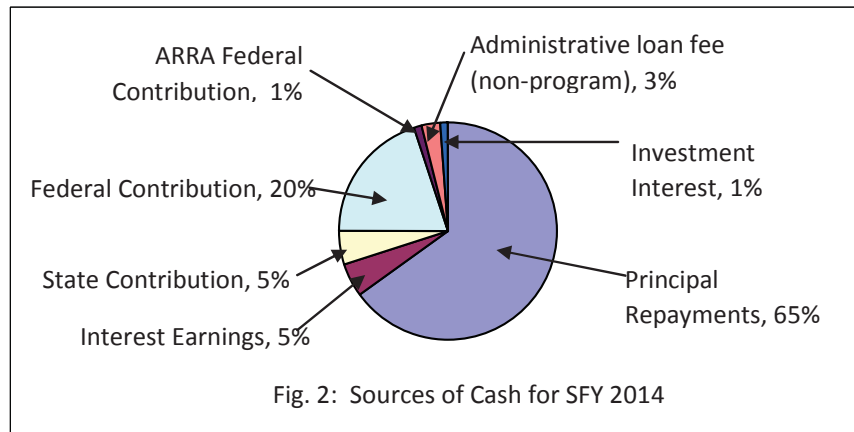
Since its inception, the CWSRF program has received a total of \$262,368,248 in federal capitalization grants. Of the total amount, \$255,079,399.27 has been allocated to fund loans for eligible WPCRF projects.

Hawaii also received \$30,352,300 in ARRA stimulus funds of which \$29,752,300 was allocated for principal forgiveness loans and \$600,000 for administrative expenses. Table 8 summarizes the funds received and allocated for loans.

Table 8: Funds Received and Loan Allocations	
Source	Amount (\$)
EPA capitalization grant funds	
Amount received since program inception	262,368,248.00
Amount allocated for loans	255,079,399.27
Percent allocated for loans	97%
ARRA funds	
Amount received	30,352,300.00
Amount allocated for loans	29,752,300.00
Percent allocated for loans	98%

1. Sources of Cash

Figure 2 shows sources of cash received or funds drawn upon by the program in SFY 2014.



2. Automated Standard Application for Payments (ASAP)

Table 9 shows funds drawn from the ASAP payment system during SFY 2014.

Table 9: ASAP Draws in SFY 2014	
Source	Amount
EPA capitalization grant funds	\$8,125,594.59
ARRA funds	\$290,208.19
Total	\$8,415,802.78

3. Loan Repayments and Investment Interest

Accounts and activity codes have been established to track program revenue sources. Fund use is legally restricted to funding only loans for eligible WPCRF projects. Table 10 shows a breakdown of these funds received in SFY 2014.

Table 10: Loan Repayments and Investment Interest		
Source	Amount	Activity Code
Principal repayments from federal funds	\$24,489,705.63	402
Interest from federal funds	\$2,073,993.05	403
Principal repayments from state funds	\$2,862,934.17	406
Interest from state funds	\$55,793.97	407
Investment interest	\$387,382.91	-
Total	\$29,869,809.73	

4. Administrative Fees and Loan Disbursements

The State provides 20% matching funds for each capitalization grant, but these funds do not contribute to administering the WPCRF Program and providing for water related activities. In order to pay employee salaries, benefits, and comply with federal law which requires that the WPCRF program be operated in perpetuity, the DOH implemented a loan fee program in January 1997. Table 11 shows loan fees collected and operating expenses for SFY 2014.

Table 11: Collected Fees & Operating Expenses	
Program fees	\$75,838.06
Non-program fees	\$1,152,624.21
Operating Expenses	(\$1,901,150.90)

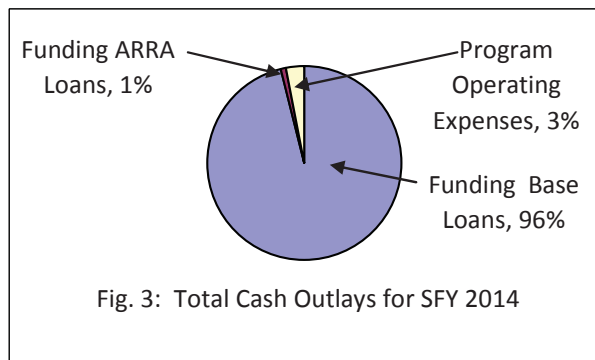
5. Loan Disbursements

Table 12 shows loan disbursements for SFY 2014.

Table 12: Loan Disbursements	
Base loan funds	\$59,877,915.13
ARRA loan funds	\$290,208.19
Total	\$60,168,123.32

6. Total Cash Outlays

Figure 3 shows total cash outlays for SFY 2014.



L. CREDIT RISKS OF WPCRF LOANS

Each loan applicant is required to pledge a dedicated source of revenue to repay the loan. Examples of dedicated revenue sources include a pledge of the county's full faith credit and/or a pledge of general obligation bonds.

Table 13 shows the credit worthiness of the four loan recipients. Each recipient was given a high rating by the General Obligation Bond credit agencies, Moody's and Fitch. This helps maintain a solid program and contribute to the program's perpetuity.

Table 13: Borrower Credit Risks			
Loan Recipient	Committed Amount	Moody's Fitch Bond Ratings	Percent of WPCRF Loan Portfolio
City & County of Honolulu	\$450,272,064.06	Aa1/AA+	63%
County of Hawaii	102,673,493.14	AA2/AA-	14%
County of Maui	116,819,622.84	Aa1/AA+	16%
County of Kauai	48,312,762.48	Aa2/AA-	7%
Totals	\$718,077,942.52		100%

M. AUDITS

This report was prepared in accordance with the Generally Accepted Accounting Principles (GAAP) and Reporting Requirements requested by EPA, as well as the Hawaii Revised Statutes, §342D-34.

The Department of Health (DOH) selected the N&K CPAs, Inc. accounting firm to perform an independent audit of the WPCRF Program's activities and financial statements for SFY 2014. The audit is in progress.

The previous audit was performed and completed by the *Accuity, LLP* for SFY 2013. The auditor's previous report for SFY 2013, was published on November 15, 2013, and stated: "In our opinion, the Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Capitalization Grants for Clean Water State Revolving Funds program (CFDA No. 66.458) for the year ended June 30, 2013."

For more information on this report, please contact the Wastewater Branch at (808) 586-4294 or the Environmental Resources Office at (808) 586-4575.

Attachment 1

Water Pollution Control Revolving Fund Projects Receiving SRF Assistance

STATE OF HAWAII
WATER POLLUTION CONTROL REVOLVING FUND - YEAR ENDING JUNE 30, 2014
Att. 1: **PROJECTS RECEIVING WPCRF ASSISTANCE**

A. FINAL LOANS

No.	Date	Proj.	Project Name on Final Loan	Interest (%)	Amount (\$)
1	03/01/91	70-16	Kailua Sewage Treatment Plant Modification, Ph. 2	2.50	8,184,015.00
2	03/01/91	70-18	Kaneohe Sewage Treatment Plant Modification, Ph. 2	2.50	1,061,464.00
3	03/01/91	68-28	Miomio Wastewater Pump Station and Force Main	2.50	1,303,134.00
4	03/01/91	62-09	Hilo Wastewater Treatment & Conveyance Project, Ph II, Schedule D, G, & H	2.50	12,724,311.00
5	04/16/91	55-02	Kapaa Sewer System, Phase I	2.50	2,654,640.00
6	04/19/91	54-04	Lahaina Wastewater Reclamation Facility Expansion (design)	2.50	500,000.00
7	08/01/93	54-05	Lahaina Wastewater Reclamation Facility Expansion	2.57	7,381,497.00
8	08/01/91	62-05	Waiakea Houselot Interceptor Sewer	2.50	459,321.00
9	02/01/92	70-19	Kailua Wastewater Treatment Plant Modifications, Phase III	2.50	18,039,641.00
10	03/23/92	62-08	Waiakea Mill Pond Sewer System	2.50	1,300,000.00
11	04/20/92	80-05	Kealakehe Land Disposal	2.50	1,300,071.00
12	03/01/93	52-14	Wailuku / Kahului WWRF Additions and Modifications	2.50	4,825,074.00
13	05/15/93	80-08	Alii Drive Interceptor Sewer Part "A" and "B"	2.78	3,210,243.00
14	05/15/93	80-09	Waiaha Bay Sewage Pump Station	2.78	3,697,893.00
15	11/08/93	59-10	Lihue STP Optimization-Expansion	2.78	13,438,074.07
16	08/01/93	70-32	Kailua Modification, Phase 3, Maintenance/Storage and Operators Buildings	2.57	5,003,603.00
17	01/03/94	53-20	Waianae Wastewater Treatment Plant, Secondary Treatment Facilities	2.06	27,878,719.95
18	06/01/94	62-04	Ainako Interceptor Sewer, Parts A & B	2.06	2,239,174.01
19	10/01/94	80-10	Alii Drive Interceptor Sewer, Parts C & D	2.06	3,780,000.00
20	12/01/94	55-02-A	Kapaa Sewer System, Phase I, Contract Change Order No. 9	2.06	698,790.00
21	10/10/95	62-11	Kalaniana'ole Collector Sewers	3.02	1,499,944.00
22	01/16/96	80-12	Alii Drive Interceptor Sewer, Parts E & F	3.02	2,112,654.21
23	04/15/96	54-07	Lahaina Pump Station #3 Replacement	2.49	2,644,415.75
24	05/15/96	77-06	Kihei Wastewater Reclamation Facility Expansion, Phase IIB	2.49	9,018,078.31
25	10/01/96	80-11	Holualoa Bay Sewage Pump Station	3.02	3,080,000.00

STATE OF HAWAII
WATER POLLUTION CONTROL REVOLVING FUND - YEAR ENDING JUNE 30, 2014
Att. 1: **PROJECTS RECEIVING WPCRF ASSISTANCE**

A. FINAL LOANS (cont.)

No.	Date	Proj.	Project Name on Final Loan	Interest (%)	Amount (\$)
26	06/01/97	68-03	Kahaluu Housing Wastewater Pump Station and Force Main	3.02	3,315,874.14
27	08/01/97	77-09	Kihei Reuse Core Distribution System	2.60	3,231,080.46
28	10/01/97	70-13	Kaneohe Bay South Wastewater Pump Station No. 5 and Force Main	3.02	2,887,402.63
29	02/15/98	70-29	Kailua Heights Wastewater Pump Station Force Main Replacement	2.65	735,321.13
30	02/15/98	70-36	Waikalua Wastewater Pump Station Force Main Replacement	2.65	815,587.00
31	02/15/98	46-61	Ala Moana Emergency Generator Upgrade	2.57	2,970,073.00
32	02/15/98	71-10	North Shore Septage Handling Facility	2.65	6,606,497.12
33	04/15/98	54-17	Lahaina Wastewater Pump Station No. 17 Renovations	2.57	600,000.00
34	02/15/98	46-64	Public Baths Force Main Replacement	2.57	3,403,937.52
35	01/15/99	62-15	Waiakea Houselot Collector Sewer, Phase II	2.61	5,024,266.00
36	04/15/99	60-05	Pauka'a Community Collector Sewer	2.38	2,143,448.00
37	06/15/99	46-31	Nimitz Highway Reconstructed Sewer (Hotel to Auahi)	2.39	23,057,225.29
38	05/15/00	54-14	Kuhua Camp Sewer System Rehabilitation	2.34	1,745,481.34
39	11/15/00	NPS C0-02	Ahuimanu Storm Water Dewatering Facility Solids Handling	2.75	1,118,928.83
40	01/15/01	80-13	Pahoehoe Wastewater Pump Station	2.61	2,817,760.42
41	04/15/01	54-20	Lahaina Wastewater Reclamation Solids Handling	2.45	1,344,000.00
42	01/15/02	46-37	Gulick Avenue Relief Sewer	2.34	5,812,837.16
43	01/15/02	70-44	Kailua Heights Wastewater Pump Station Modification	2.34	2,714,347.37
44	01/15/02	70-33	Kailua Wastewater Treatment Plant Disinfection Facility	2.34	2,516,434.22
45	08/15/02	90-03	County Parks Wastewater Facilities Upgrade	2.49	68,506.00
46	08/15/02	NPS C0-01	DFM Road Division Storm Water Equipment	2.96	2,794,141.55
47	11/15/02	52-16	Wailuku-Kahului Wastewater Reclamation Facility Modifications, Phase II	2.49	11,951,083.00
48	07/15/04	62-18	Kalaniana'ole Highway Interceptor Sewer Rehabilitation (Ph.1)	2.37	1,615,980.00
49	10/15/05	NPS 59-07	Kauai County Cesspool Conversion Project	2.13	1,467,016.21
50	01/15/06	46-55	Hart Street Wastewater Pump Station Alternative	0.50	25,324,356.47

STATE OF HAWAII
WATER POLLUTION CONTROL REVOLVING FUND - YEAR ENDING JUNE 30, 2014
Att. 1: **PROJECTS RECEIVING WPCRF ASSISTANCE**

A. FINAL LOANS (cont.)

No.	Date	Proj.	Project Name on Final Loan	Interest (%)	Amount (\$)
51	01/15/06	46-60	Ala Moana Wastewater Pump Station Modification	0.50	21,225,055.00
52	01/15/06	51-64	Waipahu Wastewater Pump Station Modification	0.50	8,989,339.27
53	02/15/06	52-30	Kahului Wastewater Pump Station Modification	0.50	2,623,957.00
54	02/15/06	54-12	Lahaina Wastewater Pump Station Nos. 5 and 6 Forcemain Replacement	0.50	3,300,000.00
55	04/15/06	59-13	Lihue Wastewater Treatment Plant Effluent Disposal System	0.50	2,722,304.61
56	09/15/06	NPS 62-10	Hawaii County Cesspool Conversion Project	0.50	8,363,772.53
57	01/15/07	47-07	Waimea Wastewater Treatment Plant Effluent Disposal System	0.50	2,058,817.00
58	05/15/07	55-05	Wailua/Kapaa Sewer System Improvements	0.50	3,876,835.02
59	05/15/07	54-09	Lahaina Wastewater Pump Station No. 4 Modifications	0.50	1,700,000.00
60	06/15/07	46-70	Sand Island Wastewater Treatment Plant Primary Expansion Phase1	0.50	88,199,631.00
61	07/15/07	46-68	Kuliouou Sewer Rehabilitation	0.50	9,997,685.66
62	08/15/07	70-45	Wanaao Road/Keolu Drive Reconstructed Sewer	0.50	50,716,812.75
63	11/15/07	59-16	Marriott Wastewater Pump Station Improvements	0.50	436,349.45
64	04/15/08	52-19	Wailuku-Kahului Wastewater Pump Station Forcemain Replacement	0.50	9,931,786.00
65	07/15/08	NPS 52-39	Central Maui Landfill Gas Collection and Flare Construction	0.50	3,502,173.00
66	08/15/08	52-32	Wailuku-Kahului Wastewater Reclamation Facility Electrical & Solids Modifications	0.50	2,000,000.00
67	09/15/08	52-28	Countywide Pump Station Renovations (design)	0.50	997,670.00
68	09/15/08	54-06	Lahaina Wastewater Pump Station No. 1 Modifications	0.50	7,050,000.00
69	09/15/08	59-15	Lihue Wastewater Treatment Plant Digester Repair	0.50	4,855,378.43
70	10/15/08	52-31	Islandwide EPA Consent Decree Sewer Rehabilitation	0.50	8,438,769.51
71	01/15/09	NPS 41-07	Molokai Integrated Solid Waste Facility Ph. 3 - Disposal Cell & Drainage Improvements	0.50	3,241,037.97
72	01/15/09	54-11	Front Street Sewer Line Rehabilitation	0.50	447,454.00
73	01/15/10	80-19	Queen Liliuokalani Large Capacity Cesspool Replacement	0.50	9,421,732.13
74	01/15/10	47-04	Waimea Wastewater Treatment Plant Expansion, Phase I	0.50	10,561,925.00
75	05/15/10	54-25	Hyatt/Kaanapali force Main Replacements	0.50	1,737,541.00

STATE OF HAWAII
WATER POLLUTION CONTROL REVOLVING FUND - YEAR ENDING JUNE 30, 2014
Att. 1: **PROJECTS RECEIVING WPCRF ASSISTANCE**

A. FINAL LOANS (cont.)

No.	Date	Proj.	Project Name on Final Loan	Interest (%)	Amount (\$)
76	07/15/11	NPS 72-01	Honokaa Wastewater Treatment Plant Upgrade - Phase 2	0.50	4,513,157.84
77	08/15/11	51-70	Waimalu Sewer Rehabilitation/Reconstruction, Phase 1	0.50	30,000,000.00
78	08/15/11	77-20	Kihei No. 2 Force Main Replacement	0.50	1,022,918.50
79	05/15/12	48-00	Ala Moana Wastewater Pump Station Force Mains #3 and #4	0.50	80,000,000.00
80	08/15/12	52-40	Alamaha Force Main Replacement	0.50	1,128,000.00
81	01/15/13	62-38	Kalaniana'ole Avenue Interceptor System Rehabilitation - Ph. II	0.50	8,621,409.00
82	04/15/13	54-23	West Maui Recycled Water - Phase 1 - UV Expansion, County Job #WW11-03	0.50	3,368,388.00
83	07/15/13	54-28	Lahaina No. 3 Force Main Replacement	0.25	4,719,660.00
84	07/15/13	52-35	Wailuku-Kahului Force Main Replacement	0.25	3,621,040.00
85	07/15/13	54-34	Countywide Pump Station Renovations	0.25	4,023,751.00
86	08/15/13	52-33	Central Operations and Maintenance Facility	0.25	500,000.00
87	01/15/14	55-07	Wailua Wastewater Treatment Plant Improvements - Phase I	0.25	1,942,632.69
88	02/15/14	54-10	Lahaina Wastewater Pump Station No. 2 Modifications	0.25	4,478,103.00
TOTAL FINAL LOAN AMOUNT					\$668,451,428.52

B. INTERIM LOANS (definition on page 3)

No.	Date	Proj.	Project Name on Interim Loan	Interest (%)	Amount (\$)
1	07/15/07	80-17	North Kona Sewer and Effluent Reuse	0.50	6,747,000.00
2	01/15/12	62-37	Pua Sewage Pump Station - Pump Replacement	0.50	2,300,000.00
3	08/15/12	50-11	Eleele Wastewater Treatment Plant Improvements	0.50	3,600,000.00
4	12/15/12	80-27	Kealahou Wastewater Treatment Plant Aeration Upgrade & Sludge Removal Project	0.50	12,000,000.00
5	07/15/13	70-53	Energy Savings Performance Contract for Kailua Wastewater Treatment Plant	0.25	15,600,000.00
6	08/15/13	54-46	West Maui Recycled Water Expansion	0.25	3,160,684.00
7	10/15/13	90-04	Naalehu Wastewater Collection System	0.25	3,632,850.00
8	12/15/13	77-17	South Maui Recycled Water Distribution System Expansion	0.25	2,585,980.00
TOTAL INTERIM LOAN AMOUNT					\$49,626,514.00
TOTAL FINAL & INTERIM LOAN AMOUNT					\$718,077,942.52

Attachment 2

Statement of Net Position

State of Hawaii
Water Pollution Control Revolving Fund
STATEMENT OF NET POSITION

	June 30, 2014	June 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents in State Treasury (note C)	\$ 128,692,695.89	\$ 148,844,338.31
Accrued Interest (note D)	497,298.05	504,549.92
Accrued Administrative Loan Fees, program (note D)	33,887.29	20,282.68
Accrued Administrative Loan Fees, non-program (note D)	242,079.87	260,424.75
Accrued interest on investments	107,492.26	94,183.72
Due from state treasury (note B)	49,945.39	0.00
Due from federal government	47,782.39	101,592.37
Current maturities of loans receivable (note D)	25,870,375.98	26,199,473.43
Total Current Assets	155,541,557.12	176,024,845.18
ARRA Advance (note H)	12,488,391.00	12,198,182.81
Loans Receivable, net of current maturities (note D)	310,150,392.98	279,296,020.20
Capital Assets		
Office Equipment (notes B and F)	84,517.80	78,209.82
Less: Accumulated Depreciation (notes B and F)	(61,657.18)	(51,228.54)
Total Capital Assets	22,860.62	26,981.28
TOTAL ASSETS	\$ 478,203,201.72	\$ 467,546,029.47
 LIABILITIES AND NET POSITION		
Current Liabilities		
Payroll Payable	\$ 77,216.79	\$ 69,741.94
Accounts Payable	11,235.38	13,542.69
Indirect Payable	54,979.78	19,194.35
Accrued Vacation, current portion (note B)	97,125.37	60,269.94
Total Current Liabilities	240,557.32	162,748.92
Accrued Vacation, net of current portion (note B)	194,717.68	212,568.18
Other Post-employment Benefits (note B and G)	1,265,603.62	1,123,639.60
Total Liabilities	1,700,878.62	1,498,956.70
Net Position		
Invested in Capital Assets	22,860.62	26,981.28
Restricted	476,479,462.48	466,020,091.49
Unrestricted	-	-
Total Net position	476,502,323.10	466,047,072.77
TOTAL LIABILITIES AND NET POSITION	\$ 478,203,201.72	\$ 467,546,029.47

The accompanying notes are an integral part of this statement.

Attachment 3

Statement of Revenues, Expenses & Changes in Net Position

State of Hawaii
Water Pollution Control Revolving Fund

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

	Year Ended	
	June 30, 2014	June 30, 2013
OPERATING REVENUES		
Interest earnings from loans	\$ 2,122,535.15	\$ 2,478,653.57
Administration loan fee earnings, program	89,442.67	66,865.52
Administration loan fee earnings, non-program	1,134,279.33	1,771,313.56
Total Operating Revenues	3,346,257.15	4,316,832.65
OPERATING EXPENSES		
Administrative expenses for SRF activities	782,248.31	439,423.77
Administrative expenses for State activities, program	-	-
Administrative expenses for State activities, non-program	1,187,249.15	1,486,981.34
Principal forgiveness for SRF	2,000,000.00	-
Total Operating Expenses	3,969,497.46	1,926,405.11
OPERATING INCOME (LOSS)	(623,240.31)	2,390,427.54
NON-OPERATING REVENUES & EXPENSES		
Federal contribution	8,187,591.00	16,376,423.76
ARRA Federal contribution	290,208.19	2,581,471.56
State matching contribution	2,200,000.00	3,157,000.00
Principal forgiveness for SRF	-	(1,000,000.00)
Interest earnings (loss) from investment	400,691.45	1,346,486.58
Total Non-operating Revenues & Expenses	11,078,490.64	22,461,381.90
CHANGE IN NET POSITION	10,455,250.33	24,851,809.44
Net position - beginning of year	466,047,072.77	441,195,263.33
Net position - end of year	\$ 476,502,323.10	\$ 466,047,072.77

The accompanying notes are an integral part of this statement.

Attachment 4

Statement of Cash Flows

State of Hawaii
Water Pollution Control Revolving Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

Cash flows from operating activities:	
Interest income from loans	\$ 2,129,787.02
Administrative loan fees	1,228,462.27
Principal repayments on loans	27,352,639.80
Disbursement of loan proceeds	(59,877,915.13)
Personnel costs	(1,550,763.78)
Payments to vendors	<u>(140,522.12)</u>
Net cash flows used in operating activities	(30,858,311.94)
Cash flows from noncapital financing activities:	<u>10,325,594.59</u>
Net cash flows provided by noncapital financing activities	10,325,594.59
Cash flows from capital and related financing activities:	
Purchase of equipment	<u>(6,307.98)</u>
Net cash flows used by capital and related financing activities	(6,307.98)
Cash flows from investing activities:	
Interest from investments	<u>387,382.91</u>
Net cash flows provided by investing activities	387,382.91
NET DECREASE IN CASH	(20,151,642.42)
Cash Balance at July 1, 2013	<u>148,844,338.31</u>
Cash Balance at June 30, 2014	<u><u>\$ 128,692,695.89</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ (623,240.31)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	10,428.64
Principal Forgiveness for SRF	2,000,000.00
IPA expenses	115,806.39
Changes in assets and liabilities:	
Decrease in interest receivable on loans	7,251.87
Decrease in administrative fee receivable on loans	4,740.27
Increase in due from state treasury	(49,945.39)
Increase in accrued salaries and other administrative costs	59,957.90
Increase in other post-employment benefits	141,964.02
Increase in loans receivable	<u>(32,525,275.33)</u>
Net cash used by operating activities	<u><u>\$ (30,858,311.94)</u></u>
Supplemental disclosure of non-cash noncapital financing activities:	
In-kind contribution received from federal government	\$ 115,806.39

The accompanying notes are an integral part of this statement.

Attachment 5

Notes to Financial Statements

NOTE A - ESTABLISHMENT AND PURPOSE OF THE WPCRF

In accordance with the Clean Water Act of 1987 (the Act), the U.S. Environmental Protection Agency's (EPA) direct grants for the construction of wastewater treatment works ended in 1990. The Act provides for the creation of a State Revolving Fund (SRF) loan program to be capitalized in part by federal funds. The Act authorizes states to make loans for construction of publicly owned wastewater treatment works, for implementation of a non-point source pollution control management program and for implementation of an estuary conservation and management program. The SRF serves as the major federal funding source for future wastewater construction projects. Under the Act, from 1989 to 1994, the State of Hawaii received more than \$72.7 million in SRF capitalization grants. The Act expired on September 30, 1995, however the state continues to receive SRF capitalization grants annually from the U.S. EPA and to date, has been awarded over \$262.3 million.

In 1988, the Hawaii State Legislature established a State Water Pollution Control Revolving Fund (WPCRF) program to initiate the federal loan program. The purpose of the WPCRF is to provide loans in perpetuity to county and state agencies for the construction of wastewater treatment facilities and for non-point source projects. Such loans may be at or below market interest rates and be fully amortized for a period not to exceed twenty years, with the first repayment of principal and interest occurring no later than one year after the notice to proceed for construction or the final loan agreement date, whichever is later.

From the outset of the program, some funds were used to provide grants, however the state stopped awarding grants in March 1991. In 1996, Act 81 was passed and curtailed the Director's authority to provide grants from the WPCRF. Currently, the WPCRF is a loan program.

NOTE B - ACCOUNTING POLICIES**1. Financial Statement Presentation**

The financial statements are intended to present the financial position and results of operations of only that portion of the funds of the Department of Health, State of Hawaii that is attributable to the transactions of the WPCRF.

The accompanying financial statements of the WPCRF have been prepared in conformity with accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, Basic Financial Statements – and Management's Discussion and Analysis –

for state and local governments. This statement established new financial reporting requirements for state and local governments in the United States of America. It requires new information and restructuring of much of the information that governments have presented in the past. The Department implemented these standards in June 2002.

Other GASB statements are required to be implemented in conjunction with Statement 34. Therefore, the Department has implemented the following GASB Statements: Statement 36, Recipient Reporting for Certain Shared Nonexchange Revenues, Statement 37, Basic Financial Statements – Management’s Discussion and Analysis – for state and local governments: Omnibus, and Statement 38, Certain Financial Statement Note Disclosures.

2. Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are reported when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund’s principal ongoing operation. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the WPCRF are interest income and administrative loan fees on loans made to county governments. Federal grants, state matching funds, and interest income from investments are reported as non-operating income.

Net assets are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally, it is management’s policy to use restricted resources first, then unrestricted resources as they are needed.

3. Loans Receivable

Transactions related to loans are usually classified as investing activities on the statement of cash flows. Management of the Fund considers these loans to be program loans, as they are undertaken to fulfill a governmental responsibility. All loans made and collected (including interest) are considered to be operating cash outflows and inflows, respectively.

4. Capital Assets

Capital assets, which include property and equipment, are reported in financial statements. Management capitalizes equipment if the cost is in excess of \$5,000 and the useful life exceeds one year.

Purchased capital assets are valued at cost. Donated assets are recorded at their fair market value at the date of donation.

Depreciation expense is recorded in the financial statements. The straight-line method is utilized over the assets' estimated useful life. Generally, the useful life used for equipment is three years.

5. Administration Costs

The accompanying financial statements do not reflect certain administration costs incurred which are paid for by other sources of funding from DOH. These costs include the DOH and the state's overhead which the DOH does not assess to the SRF.

6. Fund Accounts

The WPCRF consists of the State Revolving Fund (SRF) and state activity. The SRF consists of the state match, federal capitalization grant loans, federal set-aside funds, principal loan repayments, and interest from loans and investments.

The state activity consists of administration loan fees and state loan funds.

7. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

8. Accrued Vacation

Employees earn vacation leave at a rate of 14 hours for each month of service. Vacation leave can be accumulated up to a maximum of 720 hours at the end of the calendar year and is convertible to pay upon termination of service.

9. Accumulated Sick Leave

Sick leave accumulates at a rate of 14 hours for each month of service without limit, but may be taken only in the event of an illness and is not convertible to pay upon termination of employment. However, an employee who leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System (ERS). At June 30, 2014, accumulated sick leave was approximately \$1,065,400.

10. Other Post-employment Benefits (OPEB)

The state provides post-retirement health care and life insurance benefits to qualified retirees classified as other post-employment benefits (OPEB). OPEB costs are measured and disclosed using the accrual basis of accounting. From an accrual accounting perspective, the cost of OPEB should be associated with the periods in which the exchange of salaries and benefits for employee services occur, rather than with the periods when benefits are paid or provided.

GASB 45 requires state and local government employers to move from accounting for OPEB costs from a pay-as-you-go basis to an accrual basis for the actuarially determined annual OPEB cost. The OPEB liability is the long-term financial obligation allocated to the WPCRF.

11. Indirect Cost

The state charges the WPCRF federal grants an indirect cost on direct salaries and wages, including all fringe benefits. The cost is determined based on a negotiated federal indirect rate.

12. Due from State Treasury

Due from State Treasury includes amounts due from other State departments and agencies, which were not received at the end of the fiscal year. This includes vacation transfers for employees from other government jurisdictions, or between positions within the same jurisdiction which are financed by different "Means of Finance."

NOTE C - CASH AND CASH EQUIVALENTS

All monies of the WPCRF are deposited into the state treasury. The state Director of Finance is responsible for the safekeeping of cash in the state treasury in accordance with state laws. The Director of Finance may invest any monies of the state, which in the Director's judgment are in

excess of the amounts necessary for meeting the immediate requirements of the state. Effective August 1, 1999, cash was pooled with funds from other state agencies and departments and deposited into approved financial institutions or participates in the State Treasury Investment Pool System. Cash accounts that participate in the investment pool accrue interest based on the average weighted cash balances of each account. The state requires that the depository banks pledge, as collateral, government securities held in the name of the state for deposits not covered by federal deposit insurance.

Investments can be categorized to give an indication of the level of risk assumed by the WPCRF. Category 1 includes investments that are insured or for repurchase agreements, collateralized by underlying securities that are so held. Category 2 includes uninsured and unregistered investments for which the broker-dealer in the WPCRF's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker-dealer but not in the WPCRF's name.

Since all of the WPCRF's cash was included in the state cash pool, the category of risk is not determinable at the Fund level.

NOTE D - LOANS RECEIVABLE

At June 30, 2014, the WPCRF had loans receivable from the following government entities:

	<u>SRF Activity</u>	<u>State Activity</u>
Twenty-two loans with the City & County of Honolulu; due in annual or semiannual payments, including interest commencing not later than one year after project completion, notice to proceed, or loan agreement date. Final payment is due not later than twenty years after project completion date.	\$247,087,682.99	\$ 66,956.80

	<u>SRF Activity</u>	<u>State Activity</u>
Five loans with the County of Hawaii; due in annual or semiannual payments, including interest commencing not later than one year after project completion, notice to proceed, or loan agreement date. Final payment is due not later than twenty years after project completion date.	\$ 22,928,637.50	\$ 82,003.48
Twenty-two loans with the County of Maui; due in annual or semiannual payments, including interest commencing not later than one year after project completion, notice to proceed, or loan agreement date. Final payment is due not later than twenty years after project completion date.	\$ 46,689,071.91	\$ -
Ten loans with the County of Kauai; due in semiannual or quarterly payments, including interest commencing not later than one year after project completion, notice to proceed, or loan agreement date. Final payment is due not later than twenty years after project completion date.	<u>\$ 18,977,160.64</u>	<u>\$ 189,255.64</u>
Total	\$335,682,553.04	\$ 338,215.92

Loans mature at various dates through 2034. The scheduled principal payments on loans maturing in subsequent years are as follows:

SFY2015	\$	25,870,375.98
SFY2016	\$	25,789,881.76
SFY2017	\$	25,244,031.10
SFY2018	\$	25,011,449.68
SFY2019	\$	24,020,674.81
Thereafter	\$	210,084,355.63
		<hr/>
	\$	336,020,768.96
		<hr/> <hr/>

As of June 30, 2014, interest accrued receivable, program loan fee accrued receivable, and non-program loan fee accrued receivable on loans totaled \$497,298.05, \$33,887.29, and \$242,079.87, respectively.

The program believes that all loans will be repaid according to the loan terms. Accordingly, no provision for uncollectible amounts has been recorded.

As of June 30, 2014, the WPCRF has committed additional funding to the following counties:

City & County of Honolulu	\$15,600,000.00
County of Hawaii	24,679,850.00
County of Maui	5,746,664.00
County of Kauai	<u>3,600,000.00</u>
Total	\$49,626,514.00

NOTE E – FEDERAL FUNDING AND STATE MATCH

The WPCRF is capitalized by grants from EPA authorized by Title VI of the Clean Water Act with matching funds from the state. As of June 30, 2014, the EPA has awarded \$262,368,248.00 to the State of Hawaii, of which \$250,728,823.92 has been drawn for loans and program administration expenses. The state has also legislated and committed matching funds of \$52,473,650.67.

The table below summarizes the capitalization grants awarded to the WPCRF, the amounts drawn on each grant, and the funds available for future activity as of June 30, 2014:

<u>Budget Period</u>	<u>FFY</u>	<u>Amount</u>	<u>Total Cash Draws</u>	<u>EPA Draws (deducted prior to issuance of cap grant)</u>	<u>Funds Available</u>
Balance from previous years:	89-06	\$195,144,248.00	\$195,141,748.00	\$ 2,500.00	\$ -
03/01/08 - 06/30/17	07	\$ 8,273,000.00	\$ 8,273,000.00	\$ -	\$ -
10/01/08 - 06/30/16	08	\$ 5,223,500.00	\$ 5,223,500.00	\$ -	\$ -
12/31/09 - 06/30/16	09	\$ 5,223,500.00	\$ 5,223,500.00	\$ -	\$ -
04/01/11 - 06/30/17	10	\$ 15,781,000.00	\$ 15,571,967.82	\$ -	\$ 209,032.18
09/30/11 - 06/30/18	11	\$ 11,436,000.00	\$ 10,978,748.33	\$ -	\$ 457,251.67
09/28/12 - 06/30/19	12	\$ 10,946,000.00	\$ 9,963,840.86	\$ -	\$ 982,159.14
09/30/13 - 06/30/20	13	\$ 10,341,000.00	\$ 18.91	\$ 350,000.00	\$ 9,990,981.09
		\$262,368,248.00	\$250,376,323.92	\$ 352,500.00¹	\$11,639,424.08

1 \$2,500 and \$350,000 was used to pay for an EPA County workshop and a Northbridge Management Study, respectfully. A total of \$352,500 was deducted from the Admin fund prior to the issuance of the FFY2005 and FFY2013 cap grants and were recorded in EPA's records and not in FAMIS.

The table below summarizes the state match funds received for each EPA capitalization grant awarded to the WPCRF, the federal fiscal year (grant year), the source of state funds, and the dollar amount of state match for each EPA capitalization grant as of June 30, 2014.

<u>Federal Fiscal Year</u>	<u>Source of State Funds</u>	<u>20% State Match Amount</u>
Balance from previous years (1989 – 2006):		<u>\$39,028,850.67</u>
2007	Act 281/00	\$154,696.00
	Act 259/01	21,386.00
	Act 177/02	28,979.00
	Act 200/03	34,403.00
	Act 41/04	33,156.00
	Act 178/05	386,980.00
	Act 213/07	<u>995,000.00</u>
		\$ 1,654,600.00
2008	Act 158/08	\$ 1,044,700.00
2009	Act 162/09	\$ 1,044,700.00
2010	Act 180/10	\$ 3,156,200.00
2011	Act 164/11	\$ 2,287,200.00
2012	Act 106/12	\$ 2,189,200.00
2013	Act 134/13	<u>\$ 2,068,200.00</u>
Total State Match		<u><u>\$52,473,650.67</u></u>

NOTE F - EQUIPMENT

The following are the changes in equipment and accumulated depreciation during SFY 2014:

	Balance at	SFY 2014		Balance at
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Equipment	\$78,209.82	\$ 6,307.98	\$ -	\$84,517.80
Accumulated Depreciation	(51,228.54)	(10,428.64)	\$ -	(61,657.18)
	<u>\$26,981.28</u>	<u>(\$ 4,120.66)</u>	<u>\$ -</u>	<u>\$22,860.62</u>

NOTE G – POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description

The state provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, Session Laws of Hawaii (SLH) of 2001, the state contributes to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan, effective July 1, 2003.

The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues annual financial reports that are available to the public by writing to:

EUTF at 201 Merchant Street, Suite 1520, Honolulu Hawaii 96813

Funding Policy

The state's base contribution levels to EUTF are established by statutes and the retiree is responsible to pay the difference if the base contribution is less than the cost of the monthly premium.

The state's base contribution levels are currently tied to the pay-as-you-go amount necessary to provide current benefits to retirees. The state's OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The contributions for the WPCRF for the years ended June 30, 2014, 2013, and 2012 were approximately \$112,000, \$105,400, and \$82,400, respectively.

State Policy

The actuarial valuation of the EUTF does not provide OPEB information by department or agency. Accordingly, the state's policy on the accounting and reporting for OPEB is to allocate a portion of the state's ARC, interest, and any adjustment to the ARC, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the state's Comprehensive Annual Financial Report (CAFR). The basis for the allocation is the proportionate share of contributions made by each component unit or proprietary fund for retiree health benefits.

Allocated OPEB Cost

The following table shows the components of the annual OPEB cost that have been allocated to the WPCRF for the years ended June 30th:

	<u>2014</u>	<u>2013</u>
Annual OPEB cost	\$253,980	\$385,409
Contributions made	(112,016)	(105,370)
Increase in net OPEB obligation	<u>141,964</u>	<u>280,039</u>
Net OPEB obligation, beginning of year	1,123,640	843,601
Net OPEB obligation, end of year	<u>\$1,265,604</u>	<u>\$1,123,640</u>

The following table summarizes the annual OPEB cost, percentage of annual OPEB cost contributed, and net OPEB obligation for the years ending June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Annual OPEB cost	\$253,980	\$385,409
Percentage of annual OPEB cost contributed	44.10%	27.34%
Net OPEB obligation, end of year	\$1,265,604	\$1,123,640

Required Supplementary Information and Disclosures

Additional information related to the state's health care and insurance benefit plans, including additional OPEB disclosures and required supplementary information is available at the statewide level in the state's CAFR at the following website:

<http://ags.hawaii.gov/accounting/annual-financial-reports/>

NOTE H – ARRA ADVANCES

The WPCRF committed all of its ARRA stimulus money to the four counties of Hawaii by January 2010. The program used the stimulus money to provide 0% interest and loan fee loans with 100% principal forgiveness.

ARRA funds that are advanced will be classified as “ARRA advance” and will be recorded in the Statement of Net Assets. Once all of the conditions and compliance requirements have been satisfied, the ARRA loans will be completely forgiven and expensed.