

JOSH GREEN, M.D.  
GOVERNOR OF HAWAII  
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII



DEPT. COMM. 100-27  
KENNETH S. FINK, M.D., M.P.H., M.G.A.  
DIRECTOR OF HEALTH  
KA LUNA HO'ŌKELE

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
KA 'OIHANA OLAKINO  
P. O. BOX 3378  
HONOLULU, HI 96801-3378

In reply, please refer to:  
File:

December 31, 2025

The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Thirty-Third State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Nadine K. Nakamura,  
Speaker  
and Members of the House of  
Representatives  
Thirty-Third State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Annual Report on the State Water Pollution Control Revolving Fund to the Legislature, pursuant to Chapter 342D, Section 82, Hawaii Revised Statutes.

In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:

<https://health.hawaii.gov/opppd/department-of-health-reports-to-2026-legislature/>

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Fink".

Kenneth S. Fink, M.D., M.P.H., M.G.A.  
Director of Health

Enclosures

c: Legislative Reference Bureau  
Hawaii State Library System (2)  
Hamilton Library

**Report to the Thirty-Third Legislature  
State of Hawaii  
2026**

**State Water Pollution Control Revolving Fund**

**Pursuant to Section 342D-82  
Hawaii Revised Statutes**

**Pursuant to Act 218 Session Laws of 2024**

**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  
December 2025**

## Table of Contents

|   |    |
|---|----|
| Program.....                                | 4  |
| A. Introduction .....                       | 4  |
| B. Executive Summary.....                   | 4  |
| C. Loan Process .....                       | 4  |
| D. Total Funds Committed and Executed.....  | 7  |
| E. Meeting Funding Requirements .....       | 8  |
| F. Goals and Accomplishments.....           | 14 |
| G. Current Projects .....                   | 17 |
| H. Program and Non-Program Activities ..... | 17 |
| Finances .....                              | 19 |
| I. Internal Controls .....                  | 19 |
| J. Financial Activities.....                | 19 |
| K. Credit Risks of WPCRF Loans.....         | 21 |
| L. Audits .....                             | 22 |

## Table of Tables

|  |    |
|--|----|
| Table 1: SFY 2025 Commitment Notices.....  | 5  |
| Table 2: Total Funds Executed in SFY 2025 Based on Final Loans and Loan Amendments .....         | 6  |
| Table 3: Planned Projects from SFY 2025 IUP versus Actual Executed Projects during SFY 2025..... | 7  |
| Table 4: Cumulative Committed and Executed Amounts .....   | 8  |
| Table 5: State Match for SFY 2025 .....  | 9  |
| Table 6: Cash Draw Ratio Requirement .....   | 9  |
| Table 7: GPR Requirements for SFY 2025 .....   | 10 |
| Table 8: FFATA Reporting for SFY 2025.....   | 10 |
| Table 9: Additional Subsidy for SFY 2025.....  | 12 |
| Table 10: Status of Additional Subsidies for Closed Grants.....                                  | 12 |
| Table 11: Funds Received and Loan Allocations .....  | 19 |
| Table 12: ASAP Draws in SFY 2025.....  | 20 |
| Table 13: Loan Repayments and Investment Interest .....  | 20 |
| Table 14: Collected Fees and Operating Expenses .....  | 21 |
| Table 15: Loan Disbursements.....  | 21 |
| Table 16: Borrower Credit Risks.....   | 22 |

## Table of Figures

|   |    |
|---|----|
| Figure 1: Committed Amounts by County .....     | 8  |
| Figure 2: Executed Amounts by County.....       | 8  |
| Figure 3: Sources of Cash for SFY 2024.....     | 20 |
| Figure 4: Total Cash Outlays for SFY 2024 ..... | 21 |

## **Attachments**

1. Water Pollution Control Revolving Fund Projects Receiving CWSRF Assistance
2. Statement of Net Position
3. Statement of Revenues, Expenses & Changes in Net Position
4. Statement of Cash Flows
5. Notes to Financial Statements

# 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 the construction of publicly owned wastewater treatment works and the 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 and Act 218 Session Laws of 2024. The report covers State Fiscal Year (SFY) 2025, which began on July 1, 2024 and ended on June 30, 2025. The purpose of this report is to describe the progress in meeting goals set forth in the program's Intended Use Plan for SFY 2025, and to discuss the sources and uses of funds during SFY 2025.

## B. Executive Summary

The WPCRF Program is in its 36<sup>th</sup> year of operation and continues to provide low-interest loans to Hawai'i's four (4) counties. These loans fund projects such as the construction and repair of treatment plants, pump stations, sewer lines, water reuse facilities, energy efficiency improvement projects, conversion of large-capacity cesspools, and non-point source projects.

On November 15, 2021, President Biden signed the Bipartisan Infrastructure Law (BIL) (P.L. 117-58), also known as the Infrastructure Investment and Jobs Act (IIJA) of 2021. The BIL appropriates funds to be administered through the existing CWSRF program from FFY 2022 through 2026 and to be utilized from SFY 2023 through 2027. There are two (2) appropriations per year for the CWSRF (i.e., BIL CWSRF General Supplemental appropriation and BIL CWSRF Emerging Contaminants (EC) Supplemental appropriation).

During SFY 2025, Hawai'i received a federal capitalization grant of \$6,323,000.00 under the FFY 2024 Base CWSRF Appropriations Act and state matching funds of \$1,264,600.00 for a total of \$7,587,600.00. Hawai'i also received a federal capitalization grant of \$17,613,000.00 under the FFY 2024 BIL CWSRF General Supplemental and state matching funds of \$3,522,600.00 for a total of \$21,135,600.00. In addition, Hawai'i received a federal capitalization grant of \$1,647,000.00 under the FFY 2024 BIL CWSRF EC Supplemental. Total funds for new commitments during this period totaled \$79,680,777.10. Total loan funds executed during this period totaled \$93,338,666.85.

## C. Loan Process

There is a commitment notice and there are two (2) types of loans used to fund a project:

### 1. Commitment Notice

A **commitment notice** 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 commitment notices issued during SFY 2025.

**Table 1: SFY 2025 Commitment Notices**

| County       | Project No. | Project Name  | Loan Amount             | Date Issued | District |        |
|--------------|-------------|---|-------------------------|-------------|----------|--------|
|              |             |   |                         |             | House    | Senate |
| Kaua'i       | C150059-25  | Best Management Practice (BMP) Improvements at Various Refuse Transfer Stations | \$ 36,200,000.00        | 8/21/2024   | 16       | 8      |
| Maui         | C150054-36  | Kaanapali Resort R-1 Water Distribution System Expansion                        | \$ 8,500,000.00         | 9/6/2024    | 14       | 6      |
| Kaua'i       | C150055-06  | Wailua SPS #3 Rehabilitation  | \$ 8,917,168.00         | 4/30/2025   | 16       | 8      |
| Honolulu-BWS | C150051-77  | East Kapolei 215 R-1 3.0 MG Reservoir and 16-Inch Transmission Main             | \$ 15,824,610.10        | 6/16/2025   | 42, 43   | 21     |
| Honolulu-BWS | C150051-83  | Kualakai Parkway: 16-Inch R-1 Transmission Main                                 | \$ 10,238,999.00        | 6/16/2025   | 42, 43   | 21     |
| <b>Total</b> |             |   | <b>\$ 79,680,777.10</b> |             |          |        |

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 amount. The loan, once executed, allows the borrower to receive funds up to the amount already spent on the subject project.

3. Loan Amendment

A **loan amendment** is any modification to the final loan. Once a funded project is completed, a **supplemental loan** or **contract modification form** 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 loan amendment amount. *Table 2* includes final loan (F) amounts, which are the amounts originally executed. The table also includes the supplemental loan (S) and contract modification form (CM) difference (increase or decrease) from the original final loan amount. Total funds executed during SFY 2025 are based on final loans and loan amendments.

**Table 2: Total Funds Executed in SFY 2025 Based on Final Loans and Loan Amendments**

| County       | Project No. | Loan Type | Project Name  | Loan Amount             | Date Executed | District |        |
|--------------|-------------|-----------|---|-------------------------|---------------|----------|--------|
|              |             |           |   |                         |               | House    | Senate |
| Kaua'i       | C150047-09  | S2        | Waimea R-1 Distribution System Upgrades   | \$ 949,000.85           | 9/15/2024     | 16       | 8      |
| Maui         | C150077-32  | S1        | Kihei No. 7 Force Main Replacement  | \$ -                    | 10/15/2024    | 11       | 6      |
| Honolulu     | C150051-82  | S1        | Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements | \$ 23,000,000.00        | 4/15/2025     | 41       | 19     |
| Maui         | C150054-45  | F         | Napili Wastewater Pump Station No. 3 Modifications                                | \$ 4,597,816.00         | 4/15/2025     | 14       | 6      |
| Kaua'i       | C150059-25  | S1        | Best Management Practice (BMP) Improvements at Various Refuse Transfer Stations   | \$ 14,224,600.00        | 4/15/2025     | 16       | 8      |
| Honolulu     | C150051-81  | S5        | Honouliuli WWTP Secondary Treatment Phase 1B - Secondary Compliance Facilities    | \$ 15,530,000.00        | 5/15/2025     | 41       | 19     |
| Maui         | C150054-36  | F         | Kaanapali Resort R-1 Water Distribution System Expansion                          | \$ 7,837,250.00         | 5/15/2025     | 14       | 6      |
| Hawai'i      | C150062-53  | S1        | Hilo WWTP Rehabilitation and Replacement Project Phase I                          | \$ 27,200,000.00        | 6/15/2025     | 3        | 1      |
| <b>Total</b> |             |           |   | <b>\$ 93,338,666.85</b> |               |          |        |

4. Planned Projects from SFY 2025 IUP versus Actual Executed Projects during SFY 2025

Table 3 includes the following:

- The planned projects (i.e. Project No./Subrecipient/Project Name) from the SFY 2025 IUP;
- The planned dates (i.e. Estimated Loan Date) from the SFY 2025 IUP;
- The planned amounts (i.e. Estimated Loan Amount) from the SFY 2025 IUP;
- The planned and actual GPR, Additional Subsidization, and FFATA projects;
- The actual dates (i.e. Executed Loan Agreement) that occurred during SFY 2025;
- The actual amounts (i.e. Actual Loan Amount) that occurred during SFY 2025;
- If a planned project was not executed during SFY 2025, then “Not Executed” is indicated; and
- If an actual project was executed during SFY 2025, but was not included as a planned project on SFY 2025 IUP Table 1: CWSRF Projects to be Funded in SFY 2025, then “Not on IUP” is indicated.

**Table 3: Planned Projects from SFY 2025 IUP versus Actual Executed Projects during SFY 2025**

| Project No./ Subrecipient/ Project Name   | Estimated Loan Date | Estimated Loan Amount | State Match | Ad. Sub. (GPR/Afford. Crit.) |     | FFATA (Base/BIL/EC) | Executed Loan Agreement | Actual Loan Amount      | Actual Ad. Sub. (GPR/Afford. Crit.) | Actual FFATA               |
|---|---------------------|-----------------------|-------------|------------------------------|-----|---------------------|-------------------------|-------------------------|-------------------------------------|----------------------------|
| <b>90-08: Hawaii</b> Pāhala Wastewater Collection System  | 7/15/2024           | \$ 7,000,000          |             | \$ 1,000,000 (BIL)           | AC  |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>54-45: Maui</b> Napili Wastewater Pump Station No. 3 Modifications   | 8/15/2024           | \$ 4,600,000          |             |                              |     |                     | 4/15/2025               | \$ 4,597,816.00         |                                     |                            |
| <b>77-29: Maui</b> North Kihei Mauka Transmission System  | 9/15/2024           | \$ 6,823,000          |             |                              |     |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>55-08: Kauai</b> Wailua WWTP Improvements Phase II   | 9/15/2024           | \$ 7,000,000          |             | \$ 632,300 (Base)            |     |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>55-06: Kauai</b> Wailua SPS #3 Rehabilitation  | 9/15/2024           | \$ 4,500,000          |             |                              |     |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>59-25: Kauai</b> Best Management Practice (BMP) Improvements at Various Refuse Transfer Stations [S1]          | 10/15/2024          | \$ 7,400,000          |             |                              |     |                     | 4/15/2025               | \$ 14,224,600.00        |                                     |                            |
| <b>54-36: Maui</b> Kaanapali Resort R-1 Water Distribution System Expansion                                       | 10/15/2024          | \$ 8,500,000          |             | \$ 632,300 (Base)            | GPR | \$ 6,323,000 (Base) | 5/15/2025               | \$ 7,837,250.00         | \$ 632,300.00 (Base)                |                            |
|   |                     |                       |             | \$ 2,499,035 (BIL)           | GPR |                     |                         |                         | \$ 2,999,035.00 (BIL)               |                            |
| <b>62-53: Hawaii</b> Hilo WWTP Rehabilitation and Replacement Project Phase I [S1]                                | 11/15/2024          | \$16,500,000          |             | \$ 1,000,000 (BIL)           | AC  |                     | 6/15/2025               | \$ 27,200,000.00        | \$ 6,036,180.00 (BIL FFY23-24)      |                            |
| <b>54-56: Maui</b> Napili No. 1 Force Main Replacement  | 1/15/2025           | \$ 3,700,000          |             |                              |     |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>80-30: Hawaii</b> Hale Halawai Wastewater Pump Station Force Main Replacement                                  | 3/15/2025           | \$ 3,200,000          |             |                              |     |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>51-82: Honolulu-FNV</b> Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | 4/15/2025           | \$17,628,464          |             | \$ 1,264,600 (Base)          |     | \$ 17,613,000 (BIL) | 4/15/2025               | \$ 23,000,000.00        | \$ 724,000.00 (EC FFY22)            | \$ 724,000.00 (EC FFY22)   |
|   |                     |                       |             |                              |     |                     |                         |                         | \$ 1,647,000.00 (EC FFY23)          | \$ 1,647,000.00 (EC FFY23) |
|   |                     |                       |             |                              |     |                     |                         |                         | \$ 1,647,000.00 (EC)                | \$ 1,647,000.00 (EC)       |
|   |                     |                       |             |                              |     |                     |                         |                         | \$ 3,131,335.00 (BIL)               | \$ 17,613,000.00 (BIL)     |
| <b>RCCKA-02: Kauai</b> County of Kauai Residential Cesspool Conversion Program 2                                  | 5/15/2025           | \$ 1,000,000          |             | \$ 1,000,000 (BIL)           | GPR |                     | Not Executed            | Not Executed            |                                     |                            |
| <b>46-99: Honolulu-FNV</b> Ewa Beach Sewers, Section 4, Improvement District                                      | 6/15/2025           | \$ 1,647,000          |             | \$ 1,647,000 (EC)            | GPR | \$ 1,647,000 (EC)   | Not Executed            | Not Executed            |                                     |                            |
| <b>47-09: Kauai</b> Waimea R-1 Distribution System Upgrades   | Not on IUP*         | Not on IUP*           |             |                              |     |                     | 9/15/2024               | \$ 949,000.85           |                                     |                            |
| <b>51-81: Honolulu-FNV</b> Honouliuli WWTP Secondary Treatment Phase 1B - Secondary Compliance Facilities [S5]    | Not on IUP*         | Not on IUP*           |             |                              |     |                     | 5/15/2025               | \$ 15,530,000.00        |                                     | \$ 6,323,000.00 (Base)     |
| <b>TOTAL</b>  |                     | <b>\$ 89,498,464</b>  |             |                              |     |                     |                         | <b>\$ 93,338,666.85</b> |                                     |                            |
| <b>Minimum Executed Loans</b>   |                     | <b>\$ 89,498,464</b>  |             |                              |     |                     |                         |                         |                                     |                            |

\*Executed project that was not on SFY 2025 IUP Table 1: CWSRF Projects to be Funded in SFY 2025.

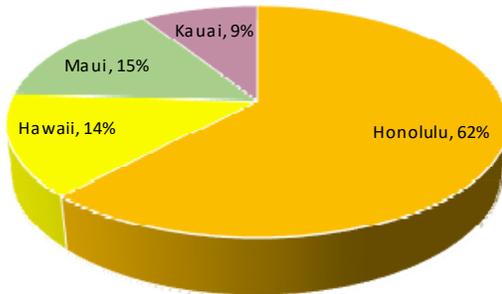
**D. Total Funds Committed and Executed**

From SFY 1991 through SFY 2025, the WPCRF has committed \$1,473,142,086.56 and executed \$1,415,811,309.46. *Table 4, Figure 1, and Figure 2* show the breakdown of loans by county.

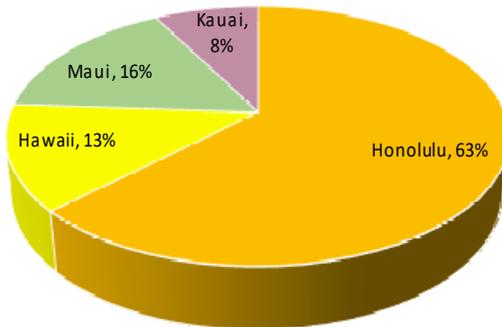
**Table 4: Cumulative Committed and Executed Amounts**

| County       | Cumulative Committed Loan Amount | Percent of Total Committed Amount | Cumulative Executed Loan Amount | Percent of Total Executed Amount | Quantity Executed Loans |
|--------------|----------------------------------|-----------------------------------|---------------------------------|----------------------------------|-------------------------|
| Honolulu     | \$ 908,427,879.34                | 62%                               | \$ 882,364,270.24               | 63%                              | 36                      |
| Hawai'i      | \$ 199,162,708.04                | 14%                               | \$ 189,812,708.04               | 13%                              | 30                      |
| Maui         | \$ 229,286,416.99                | 15%                               | \$ 229,286,416.99               | 16%                              | 50                      |
| Kaua'i       | \$ 136,265,082.19                | 9%                                | \$ 114,347,914.19               | 8%                               | 21                      |
| <b>Total</b> | <b>\$ 1,473,142,086.56</b>       | <b>100%</b>                       | <b>\$ 1,415,811,309.46</b>      | <b>100%</b>                      | <b>137</b>              |

**Figure 1: Committed Amounts by County**



**Figure 2: Executed Amounts by County**



**E. Meeting Funding Requirements**

The WPCRF Program met funding requirements as follows:

1. State Matching Funds

Pursuant to Act 230/24, the Hawai'i Legislature appropriated \$5,515,000.00 in general obligation bond funds for the required state match to the FFY 2024 EPA CWSRF Base Capitalization Grant and BIL CWSRF General Supplemental. The state match was transferred to the WPCRF's account in January 2025. Since Hawai'i State law prohibits the program to use the state match for

administrative purposes, all state match funds are used for loans. *Table 5* shows how the state match requirements were met.

**Table 5: State Match for SFY 2025**

| SFY  | FFY  | Grant Type | State Match Amount | State Match Project  | Loan Amount      | Percent Met? |
|------|------|------------|--------------------|--|------------------|--------------|
| 2025 | 2024 | Base       | \$ 1,264,600.00    | C150051-84: Honolulu-ENV Honouliuli WWTP Solids Process Biogas Cleaning and Storage System | \$ 33,825,000.00 | Yes          |
| 2025 | 2024 | BIL Supp.  | \$ 3,522,600.00    | C150051-84: Honolulu-ENV Honouliuli WWTP Solids Process Biogas Cleaning and Storage System | \$ 33,825,000.00 | Yes          |

The project listed in *Table 5* was used for the state match and was executed on March 15, 2024. The state match amounts were disbursed on May 13, 2025.

2. Cash Draw Ratio

*Table 6* shows how the cash draw ratio requirements were met.

**Table 6: Cash Draw Ratio Requirement**

| SFY  | FFY  | Grant Type | State Match Received | State Match Disbursed | First Drawdown Date | Cash Draw Ratio Requirement Satisfied? |
|------|------|------------|----------------------|-----------------------|---------------------|--|
| 2025 | 2024 | Base       | 1/16/2025            | 5/13/2025             | 11/3/2025           | Yes                                    |
| 2025 | 2024 | BIL Supp.  | 1/16/2025            | 5/13/2025             | 2026                | Yes                                    |

The first drawdowns for the FFY 2024 grants are planned for SFY 2026 for the following projects:

- C150051-82 Honouliuli WWTP Phase 1C – Headworks, HRBC, Solids, Process and Misc. Improvements
- C150051-81 Honouliuli WWTP Secondary Treatment Phase 1B – Secondary Compliance Facilities.

3. Grant Fund Commitment

The requirements to commit 120% of the \$6,323,000.00 Base CWSRF capitalization grant amount (i.e. \$7,587,600.00) and 120% of the \$17,613,000.00 BIL CWSRF General Supplemental amount (i.e. \$21,135,600.00) were satisfied. During SFY 2025, five (5) commitment notice letters were issued, totaling \$79,680,777.10. During SFY 2025, two (2) final loans and six (6) loan amendments were executed, totaling \$93,338,666.85.

4. Green Project Reserve (GPR)

**GPR** projects are those that address:

- a. green infrastructure (e.g. sustainable infrastructure),
- b. water efficiency improvements,
- c. energy efficiency improvements, or
- d. other environmentally innovative activities.

The WPCRF Program is required to make a good faith effort to allocate a minimum amount of funds, not less than 10 percent of the grant amount, to GPR projects. *Table 7* shows how GPR requirements were met.

**Table 7: GPR Requirements for SFY 2025**

| SFY  | FFY  | Grant Type | Grant Amount     | GPR Required    | GPR Project  | GPR Amount      | GPR Met? |
|------|------|------------|------------------|-----------------|--|-----------------|----------|
| 2025 | 2024 | Base       | \$ 6,323,000.00  | \$ 632,300.00   | 54-36: Maui Kaanapali Resort R-1 Water Distribution System Expansion                                       | \$ 632,300.00   | Yes      |
| 2025 | 2024 | BIL Supp.  | \$ 17,613,000.00 | \$ 1,761,300.00 | 51-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 1,761,300.00 | Yes      |
| 2025 | 2024 | BIL EC     | \$ 1,647,000.00  | \$ 164,700.00   | 51-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 164,700.00   | Yes      |
| 2024 | 2023 | BIL EC     | \$ 1,647,000.00  | \$ 164,700.00   | 51-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 164,700.00   | Yes      |
| 2023 | 2022 | BIL EC     | \$ 724,000.00    | \$ 72,400.00    | 51-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 72,400.00    | Yes      |

**GPR** requirements for the base, BIL supplemental, and BIL EC supplemental were met by projects C150054-36 and C150051-82, executed on May 15, 2025 and April 15, 2025, respectively.

5. Federal Funding Accountability and Transparency Act (FFATA) and Equivalency

**FFATA** requires the reporting of the funded project(s) whose loan amounts add up to the exact grant amount. *Table 8* shows how FFATA requirements and equivalency requirements were met.

**Table 8: FFATA Reporting for SFY 2025**

| SFY  | FFY  | Grant Type | Grant Amount     | FFATA Project   | FFATA Amount     | Percent Met? |
|------|------|------------|------------------|---|------------------|--------------|
| 2025 | 2024 | Base       | \$ 6,323,000.00  | C150051-81: Honolulu-ENV Honouliuli WWTP Secondary Treatment Phase 1B - Secondary Compliance Facilities [S4]    | \$ 6,323,000.00  | 100%         |
| 2025 | 2024 | BIL Supp.  | \$ 17,613,000.00 | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 17,613,000.00 | 100%         |
| 2025 | 2024 | BIL EC     | \$ 1,647,000.00  | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 1,647,000.00  | 100%         |
| 2024 | 2023 | BIL EC     | \$ 1,647,000.00  | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 1,647,000.00  | 100%         |
| 2023 | 2022 | BIL EC     | \$ 724,000.00    | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 724,000.00    | 100%         |

***Equivalency*** requirements for the base, BIL supplemental, and BIL EC supplemental were met by projects C150051-82 and C150051-81, executed on April 15, 2025 and May 15, 2025, respectively.

6. American Iron and Steel (AIS)

The WPCRF Program ensures that the AIS requirement is met. Based on Section 608 of the Water Resources Reform and Development Act of 2014 amendments, loan applicants were required to certify that the AIS requirement was met. For construction of treatment works projects, specific AIS contract language is included in the CWSRF loan agreement. For the construction of treatment works projects and during construction site inspections, the CWSRF engineer checks that the subrecipient's project/construction manager has verified and received from the contractor certification documents (e.g. step certification process, final manufacturer certification) for the "covered iron and steel products".

7. Build America, Buy America (BABA)

The WPCRF Program ensures that the BABA requirements are met. The BIL creates the BABA domestic sourcing requirements for federal financial assistance programs for infrastructure, including the SRF programs. The BABA requires that, no later than May 14, 2022, none of the funds made available for a federal financial assistance program for infrastructure may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.

8. Additional Subsidy

Additional subsidy refers to providing funds at an interest rate of zero percent (0%) with principal forgiveness.

For the FFY 2024 Base Appropriation, two distinct and additive subsidy authorities were included in the base 2024 capitalization grant (i.e. Congressional Additional Subsidy Authority and Clean Water Act Additional Subsidy Authority). Under the Congressional Additional Subsidy Authority, the state must use ten percent (10%) of the funds made available in the base capitalization grant to provide additional subsidy to eligible recipients, and under the Clean Water Act Additional Subsidy Authority, commonly referred to as Statutory Additional Subsidy, as amended by the BIL, mandates that states use at least ten percent (10%) but not more than thirty percent (30%) of the base capitalization grant amount to provide additional subsidy to project types as described in section 603(i) of the CWA.

For the FFY 2024 BIL CWSRF Appropriation Act (i.e. BIL CWSRF General Supplemental and BIL CWSRF EC Supplemental), not more than forty-nine percent (49%) of the funds made available in the BIL CWSRF General Supplemental to provide additional subsidy to project types as described in section 603(i) of the CWA and one-hundred percent (100%) of the BIL CWSRF EC Supplemental to be provided as additional subsidy to project types as described in section 304(a) of the CWA.

*Table 9* shows how the Additional Subsidy requirements were met.

**Table 9: Additional Subsidy for SFY 2025**

| SFY          | FFY  | Grant Type       | Grant            | Required % of Grant | Additional Subsidy Project  | Add. Sub. Amount       |
|--------------|------|------------------|------------------|---------------------|---|------------------------|
| 2025         | 2024 | Base (Cong.)     | \$ 6,323,000.00  | \$ 632,300.00       | 55-06: Kauai Wailua SPS #3 Rehabilitation   | Planned SFY 2026       |
|              |      | Base (Statutory) |                  | \$ 632,300.00       | 54-36: Maui Kaanapali Resort R-1 Water Distribution System Expansion  | \$ 632,300.00          |
| 2025         | 2024 | BIL Supp.        | \$ 17,613,000.00 | \$ 8,630,370.00     | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 3,131,335.00        |
|              |      |                  |                  |                     | C150062-53: Hawai'i Hilo WWTP Rehabilitation and Replacement Project Phase I [S1]                               | \$ 2,500,000.00        |
|              |      |                  |                  |                     | 54-36: Maui Kaanapali Resort R-1 Water Distribution System Expansion  | \$ 2,999,035.00        |
| 2024         | 2023 | BIL Supp.        | \$ 16,144,000.00 | \$ 7,910,560.00     | C150062-53: Hawai'i Hilo WWTP Rehabilitation and Replacement Project Phase I [S1]                               | \$ 3,536,180.00        |
| 2025         | 2024 | BIL EC           | \$ 1,647,000.00  | \$ 1,647,000.00     | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 1,647,000.00        |
| 2024         | 2023 | BIL EC           | \$ 1,647,000.00  | \$ 1,647,000.00     | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 1,647,000.00        |
| 2023         | 2022 | BIL EC           | \$ 724,000.00    | \$ 724,000.00       | C150051-82: Honolulu-ENV Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements [S1] | \$ 724,000.00          |
| <b>Total</b> |      |                  |                  |                     |   | <b>\$16,816,850.00</b> |

**Additional Subsidy** requirements for the Base (Congressional) was not met due to delays in project C150055-06. However, plans are in place to execute this loan in SFY 2026.

Table 10 shows the status of the Additional Subsidy for grants that were closed out.

**Table 10: Status of Additional Subsidies for Closed Grants**

| SFY  | FFY  | Grant            | Required % of Grant | Disbursed Subsidy | Undisbursed Subsidy | Subsidy in Executed Loans |
|------|------|------------------|---------------------|-------------------|---------------------|---------------------------|
| 2024 | 2023 | \$ 16,144,000.00 | \$ 7,910,560.00     | \$ 2,914,380.00   | \$ 4,996,180.00     | Yes                       |

9. Affordability Criteria

The WPCRF program established its affordability criteria by September 30, 2015 and revised it on October 13, 2021. Borrowers will be able to receive additional subsidization in the form of principal forgiveness if the affordability criteria are met. Additional subsidy was provided in SFY 2025 for the one (1) following project based on the affordability criteria.

- Hilo WWTP Rehabilitation and Replacement Project Phase I [S1]

## 10. Fiscal Sustainability Plan

Based on Section 603 (d)(1)(E) of the Water Resources Reform and Development Act of 2014 amendments, loan recipients were required to certify in their loan applications that the Fiscal Sustainability Plan requirement was being met.

## 11. Cost and Effectiveness Analysis

Based on Section 602 (b)(13) of the Water Resources Reform and Development Act of 2014 amendments, loan recipients were required to certify in their loan applications that the cost and effectiveness analysis requirement was being met.

## 12. Reporting Requirements

Information on projects with executed final loans has been entered into the CWSRF Office of Water State Revolving Funds (OWSRF) system. FFATA reporting for the BASE CWSRF, BIL CWSRF General Supplemental, and BIL CWSRF EC Supplemental was completed for the following projects on May 28, 2025:

- C150051-82 Honouliuli WWTP Phase 1C – Headworks, HRBC, Solids, Process and Misc. Improvements
- C150051-81 Honouliuli WWTP Secondary Treatment Phase 1B - Secondary Compliance Facilities

## 13. Other Federal Requirements

The program continues compliance with other requirements to:

- a. Ensure borrowers comply with Davis-Bacon requirements. For construction of treatment works projects, the CWSRF engineer checks:
  - i. That the “CWSRF Boilerplate” document is included in the bid specification and contract and includes the Wage Determination General Decision Number and Modification Number, prior to approving a project for a CWSRF loan.
  - ii. That the federal payroll records form (WH-347) and federal interview form (SF-1445) are completed by the contractor, during construction site inspections. The federal forms may be replaced by state forms if they contain all of the same information.
  - iii. That the Davis-Bacon poster (WH-1321) is posted at the job site, during construction site inspections.
- b. Report on minority and women business enterprises (MBE/WBE).
- c. Draw funds from the capitalization grant at a ratio of 100% of the disbursement amount after all state match funds have been disbursed.
- d. Continue use of Generally Accepted Government Accounting Standards in accounting, audit, and fiscal procedures.
- e. Enhance public awareness of EPA assistance agreement nationwide by implementing an EPA-wide initiative focused on signage. The program will ensure compliance of EPA’s Signage policy

is met by posting signs for projects that are selected as that equivalency project(s). Signs will be posted at public buildings or locations (e.g. public library, government building).

#### 14. Operating Agreement between the State and EPA

Compliance with operating requirements continues. These requirements, in the State WPCRF Operating Agreement between the State of Hawai'i DOH 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 the Hawai'i State Environmental Review Process (SERP), Hawai'i Revised Statutes, Chapter 343, and Hawai'i Administrative Rules, Title 11, Chapter 200 ("Chapter 11-200").

Prepared documents were published by the State of Hawai'i Office of Planning and Sustainable Development Environmental Review Program and open to public comment.

Loan applicants certified that a current assessment of the environmental impacts of the proposed project was conducted, that all known significant environmental impacts were disclosed, and that all requirements of the Federal environmental cross-cutting authorities ("cross-cutters") were met.

##### b. Intended Use Plan (IUP)

The IUP for SFY 2025 was drafted, made available for public comment, published in May – June 2024, and included with Hawai'i's application for a CWSRF capitalization grant.

##### c. Other Federal Cross-Cutting Authority Requirements

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

#### 15. CWSRF 2% Technical Assistance

- a. Base CWSRF: The Hawai'i CWSRF program did not utilize the 2% technical assistance for the Base CWSRF fund in SFY 2025.
- b. BIL CWSRF General Supplemental: The Hawai'i CWSRF program did not utilize the 2% technical assistance for the BIL CWSRF General Supplemental fund in SFY 2025.
- c. BIL CWSRF EC: The Hawai'i CWSRF program did not utilize the 2% technical assistance for the BIL CWSRF EC fund in SFY 2025.

#### 16. CWSRF Program Evaluation Report (PER) follow-up discussion for SFY 2025

EPA conducts its annual review of the program as required by 40 CFR 35.3165(c). The purpose of the annual review process is to assess the effectiveness and fiscal health of the program. The EPA

bases the evaluation on transaction tests, file and program reviews and interviews, and overall compliance with the capitalization grant agreement. The required follow-up actions were fulfilled.

## F. Goals and Accomplishments

Each year, the WPCRF Program sets forth goals in its IUP. The following are the long- and short-term goals and the progress made in meeting them.

### 1. Long-Term Goals

- a. Provide financial assistance for eligible projects that protect Hawai'i's public health by correcting surface water quality impairment or eliminating and preventing groundwater 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 Hawai'i's counties in complying with water quality standards, protecting public health, and incorporating energy-efficient pumps and improving energy and water efficiencies that decrease energy and water 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.

- c. Ensure equitable access to financial assistance for underserved and small communities in Hawaii, providing tailored support to address their water infrastructure challenges and promote sustainable practices in compliance with regulatory standards.

*Progress:* The program continued to make progress toward expanding equitable access to financial assistance for underserved and small communities by conducting outreach and strengthening engagement efforts across the state.

### 2. Short-Term Goals

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

*Progress:* The Honouliuli WWTP Solids Process Biogas Cleaning and Storage System project proposes to construct improvements to enhance the management of wastewater solids and promote biogas production for beneficial reuse. The construction phase started on September 29, 2023, and is scheduled to be completed on September 24, 2029. Additionally, the Kaanapali Resort R-1 Water Distribution System Expansion project proposes to expand the West Maui recycled water system to provide service to properties in the Kaanapali area. The construction phase started on January 2, 2025, and is scheduled to be completed on December 31, 2026.

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

*Progress:* ULOs refer to EPA capitalization grant funds that have not 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 payment request is received.

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

*Progress:* The total loan rate of 1.25% commands a high demand for loans. Since Hawai'i's four (4) 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:* During SFY 2025, the WPCRF Program continues to implement recommendations from the Northbridge Environmental Management Consultants' October 22, 2014 Hawaii SRF Management Study for the CWSRF and DWSRF Programs to streamline procedures. Continue working with Northbridge on the development and implementation of the Loans and Grants Tracking System (LGTS) to track the required items, which include accounting, management, set-asides, compliance, and customer service concerns. LGTS went into live production on September 2, 2015. The LGTS is actively used daily by the Hawaii SRF program and will continue to be tested, and more functions will be fully integrated.

- e. Prepare a strategic outreach/marketing plan and project planning process and procedures to address the slow rate of readiness by assistance recipients to enter into commitment agreements, and to establish a sustainable pipeline of projects.

*Progress:* On-going. The WPCRF Program continues to coordinate with potential loan recipients.

- f. Enhance disbursement efficiency by streamlining procedures and reducing processing times, ensuring timely release of funds to eligible projects, while maintaining stringent oversight to guarantee proper allocation.

*Progress:* Efficiency in disbursements improved through the acceptance of electronic signatures, which helped streamline procedures and support timely processing while maintaining proper oversight.

- g. Ensure high fund utilization rates by maintaining a robust pipeline of ready-to-go projects, continuously identifying and preparing projects for funding to meet demand and maximize program effectiveness.

*Progress:* Fund utilization advanced through ongoing coordination with loan recipients to help ensure projects continue moving forward, while identifying and replacing projects that are no longer progressing.

## G. Current Projects

The water reuse project listed below met the GPR criteria. The sewer line projects listed below helped to protect public health by preventing wastewater spills from arising through leaks due to deteriorated pipes. The WPCRF Program also funded projects involving improvements to wastewater treatment plants and non-point source projects.

### 1. GPR Projects

- a. The Honouliuli WWTP Phase 1C – Headworks, HRBC, Solids Process and Misc. Improvements project proposes to construct improvements to enhance the management of wastewater solids and promote biogas production for beneficial reuse.
- b. The Kaanapali Resort R-1 Water Distribution System Expansion project proposes to expand the West Maui Recycled Water System to provide service to properties in the Kaanapali area.

### 2. Sewer Line Projects

- a. The Napili Wastewater Pump Station No. 3 Modifications project includes the demolition of the existing metal drywell pump station and renovation of the existing wetwell.
- b. The Kaanapali Resort R-1 Water Distribution System Expansion project includes new distribution main and laterals, and construction of a recycled water distribution main, laterals, and recycled water meters to properties along Kaanapali Parkway and Nohea Kai Drive.
- c. The Waimea R-1 Distribution System Upgrades include installing a 400,000-gallon R-1 recycled water storage tank and an R-1 recycled water pump station on the existing WWTP site. Associated improvements include rehabilitating an existing force main and adding new service laterals and water meters to provide R-1 recycled water to reuse customers.

### 3. Wastewater Facility Improvement Projects

- a. The Honouliuli WWTP Secondary Treatment Phase 1B – Secondary Compliance Facilities project includes secondary treatment upgrades to the Honouliuli Wastewater Treatment Plant (WWTP) to comply with the requirements of paragraph 30 of the 2010 Consent Decree. Included in the project are new activated sludge secondary treatment facilities, including aeration basins and six clarifiers. Also, included is a new generator building, odor control, and electrical and civil upgrades associated with the new facilities.
- b. The Honouliuli WWTP Phase 1C – Headworks, HRBC, Solids Process and Misc. Improvements project includes new influent screens, a new grit facility, the installation of a high-rate biological contactor (HRBC) system, a thermal hydrolysis process (THP), a combined heat and power (CHP) system, new odor control facilities, storage tanks, blowers, boilers, and associated building, electrical, and communications improvements. These installations aim to enhance the wastewater treatment process by replacing primary clarifiers with the HRBC system and improving biogas production and reuse through the THP and CHP systems.
- c. Hilo WWTP Rehabilitation and Replacement Project Phase II project includes additional replacement of and construction of new facilities to improve wastewater treatment processes at Hilo Wastewater Treatment Plant (WWTP). Also, the additional construction includes plant-wide electrical and instrumentation systems, a support building for staff, equipment storage, and maintenance and repair facilities.

#### 4. Non-Point Source Projects

- a. The Best Management Practice (BMP) Improvements at Various Refuse Transfer Station project include excavation and compaction of subgrade, leachate management system, covered collection areas, and other improvements.

#### **H. 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 2025:

1. Review and approval of loan submittals including loan applications, project reports, plans, specifications, environmental documents, executed contracts, selected itemized bid, eligible costs, 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 2025 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

### I. 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.

### J. Financial Activities

Since its inception, the CWSRF program has received a total of \$426,651,248.00 in federal capitalization grants. Of the total amount, \$418,503,747.43 has been allocated to fund loans for eligible WPCRF projects.

Hawai'i also received \$30,352,300.00 in ARRA stimulus funds, of which \$29,752,300.00 was allocated for principal forgiveness loans and \$600,000.00 for administrative expenses. *Table 11* summarizes the funds received and allocated for loans.

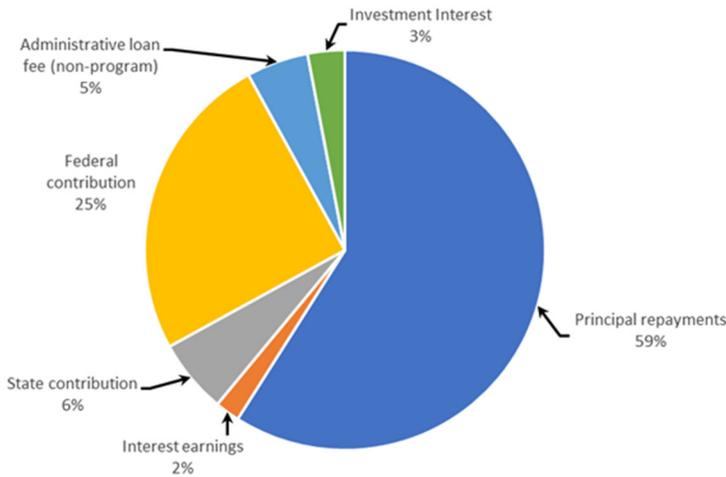
**Table 11: Funds Received and Loan Allocations**

| Source                                  | Amount            |
|---|-------------------|
| <b>EPA capitalization grant funds</b>   |                   |
| Amount received since program inception | \$ 426,651,248.00 |
| Amount allocated for loans              | \$ 418,503,747.43 |
| Percent allocated for loans             | 98%               |
| <b>ARRA funds</b>                       |                   |
| Amount received                         | \$ 30,352,300.00  |
| Amount allocated for loans              | \$ 29,752,300.00  |
| Percent allocated for loans             | 98%               |

#### 1. Sources of Cash

*Figure 3* shows sources of cash received or funds drawn upon by the program in SFY 2025.

**Figure 3: Sources of Cash for SFY 2025**



2. Automated Standard Application for Payments (ASAP)

Table 12 shows funds drawn from the ASAP payment system during the SFY 2025.

**Table 12: ASAP Draws in SFY 2025**

| Source                         | Amount           |
|--------------------------------|------------------|
| EPA capitalization grant funds | \$ 21,953,000.00 |

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 13 shows a breakdown of these funds received in SFY 2025.

**Table 13: Loan Repayments and Investment Interest**

| Source               | Amount                  | Activity Code |
|----------------------|-------------------------|---------------|
| Principal repayments | \$ 50,022,864.79        | 402           |
| Interest repayments  | \$ 1,369,161.74         | 403           |
| Investment interest  | \$ 2,958,981.59         | -             |
| <b>Total</b>         | <b>\$ 54,351,008.12</b> |               |

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 14 shows loan fees collected and operating expenses for SFY 2025.

**Table 14: Collected Fees and Operating Expenses**

|                    |                   |
|--------------------|-------------------|
| Program fees       | \$ 122,738.84     |
| Non-program fees   | \$ 4,175,993.09   |
| Operating Expenses | \$ (3,305,097.92) |

5. Loan Disbursements

Table 15 shows loan disbursements for SFY 2025.

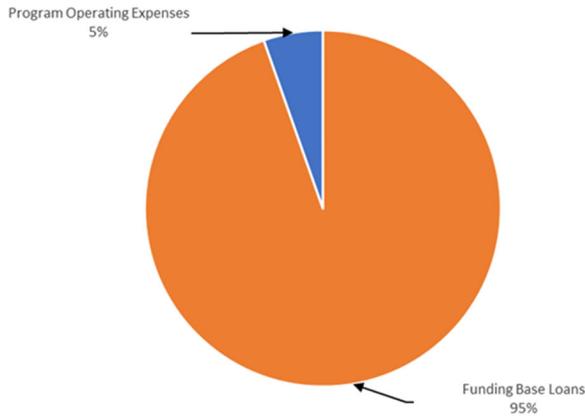
**Table 15: Loan Disbursements**

|            |                  |
|------------|------------------|
| Loan funds | \$ 58,105,813.88 |
|------------|------------------|

6. Total Cash Outlays

Figure 4 shows total cash outlays for SFY 2025.

**Figure 4: Total Cash Outlays for SFY 2025**



7. Transfer Between WPCRF and Drinking Water Treatment Revolving Loan Fund (DWTRLF)

The DOH is required to provide information to the legislature no later than twenty (20) days prior to each regular session, in accordance with Act 218. This includes details on all transfers between the WPCRF and the DWTRLF, as well as an assessment of compliance with federal law regarding these transfers. For this reporting period, zero (0) dollars were transferred between programs.

**K. 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 16 shows the creditworthiness 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 contributes to the program's perpetuity.

**Table 16: Borrower Credit Risks**

| <b>Loan Recipient</b>       | <b>Committed Amount</b>    | <b>Moody's Fitch Bond Ratings</b> | <b>Percent of WPCRF Loan Portfolio</b> |
|-----------------------------|----------------------------|-----------------------------------|--|
| City and County of Honolulu | \$ 908,427,879.34          | Aa2/AA+                           | 62%                                    |
| County of Hawai'i           | \$ 199,162,708.04          | Aa2/AA+                           | 14%                                    |
| County of Maui              | \$ 229,286,416.99          | Aa2/AA+                           | 15%                                    |
| County of Kaua'i            | \$ 136,265,082.19          | Aa2/AA                            | 9%                                     |
| <b>Totals</b>               | <b>\$ 1,473,142,086.56</b> |                                   | <b>100%</b>                            |

**L. Audits**

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

The DOH selected the accounting firm Accuity LLP to perform an independent audit of the WPCRF Program's activities and financial statements for SFY 2025. The auditor's report for SFY 2025 was dated December 8, 2025 and stated: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WPCRF as of June 30, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

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

## **Attachment 1**

### **Water Pollution Control Revolving Fund Projects Receiving CWSRF Assistance**

State of Hawaii  
Water Pollution Control Revolving Fund - Year Ending June 30, 2025  
Attachment 1: **WPCRF Projects Receiving SRF Assistance**

**A. FINAL LOANS**

| No. | Date     | Proj. No. | 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                         | 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, Part 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 Wastewater 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, 2025  
Attachment 1: **WPCRF Projects Receiving SRF Assistance**

**A. FINAL LOANS** (cont.)

| No. | Date     | Proj. No. | 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                                | 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 Facility 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                  | 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, 2025  
Attachment 1: **WPCRF Projects Receiving SRF Assistance**

**A. FINAL LOANS** (cont.)

| No. | Date     | Proj. No. | 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 Phase 1                        | 0.50         | 93,186,373.05 |
| 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 and Solids Modifications     | 0.50         | 2,000,000.00  |
| 67  | 09/15/08 | 52-28     | Countywide Pump Station Renovations (design)  | 0.50         | 928,607.60    |
| 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 Phase 3 Disposal Cell and 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         | 9,698,228.51  |
| 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, 2025  
Attachment 1: **WPCRF Projects Receiving SRF Assistance**

**A. FINAL LOANS** (cont.)

| No. | Date     | Proj. No. | 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                         | 0.00         | 117,869,186.66 |
| 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 - Phase II               | 0.50         | 7,847,044.65   |
| 82  | 04/15/13 | 54-23     | West Maui Recycled Water - Phase 1 - UV Expansion, County Job #WW11-03          | 0.50         | 3,205,090.33   |
| 83  | 07/15/13 | 52-35     | Wailuku-Kahului Force Main Replacement  | 0.25         | 3,621,040.00   |
| 84  | 07/15/13 | 54-34     | Countywide Pump Station Renovations   | 0.25         | 4,023,751.00   |
| 85  | 07/15/13 | 54-28     | Lahaina No. 3 Force Main Replacement  | 0.25         | 4,719,006.54   |
| 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   |
| 89  | 10/15/14 | 50-11     | Eleele Wastewater Treatment Plant Improvements                                  | 0.25         | 5,161,874.38   |
| 90  | 11/15/14 | 77-17     | South Maui Recycled Water Distribution System Expansion                         | 0.25         | 2,543,970.00   |
| 91  | 02/15/15 | 70-53     | Energy Savings Performance Contract for Kailua Wastewater Treatment Plant       | 0.25         | 15,840,775.34  |
| 92  | 04/15/15 | 80-27     | Kealahou Wastewater Treatment Plant Aeration Upgrade and Sludge Removal Project | 0.25         | 21,162,933.85  |
| 93  | 01/15/16 | 52-48     | Paia Force Main Replacement   | 0.25         | 1,734,737.68   |
| 94  | 01/15/16 | 77-22     | Kihei #10 Force Main Replacement  | 0.25         | 1,620,000.00   |
| 95  | 03/15/16 | 80-17     | North Kona Sewer and Effluent Reuse - Phase I                                   | 0.25         | 2,690,404.21   |
| 96  | 05/15/16 | 52-61     | Wailuku-Kahului Wastewater Reclamation Facility Filter Modification             | 0.25         | 4,594,178.93   |
| 97  | 06/15/16 | NPS 47-11 | Gas Collection & Control System For Kekaha Landfill                             | 0.25         | 4,535,205.69   |
| 98  | 12/15/16 | 80-35     | Kealahou Wastewater Treatment Plant R-1 Upgrade                                 | 0.25         | 8,677,918.00   |
| 99  | 03/15/17 | 52-50     | Waiehu Wastewater Pump Station Force Main Replacement                           | 0.25         | 827,136.22     |
| 100 | 04/15/17 | NPS 52-62 | Central Maui Landfill (CML) Phase V Gas Collection System Expansion             | 0.25         | 1,683,238.14   |

State of Hawaii  
Water Pollution Control Revolving Fund - Year Ending June 30, 2025  
Attachment 1: **WPCRF Projects Receiving SRF Assistance**

**A. FINAL LOANS** (cont.)

| No. | Date     | Proj. No. | Project Name on Final Loan   | Interest (%) | Amount (\$)    |
|-----|----------|-----------|--|--------------|----------------|
| 101 | 04/15/17 | 54-22     | Lahaina Wastewater Reclamation Facility Modifications, Stage 1A                        | 0.25         | 49,520,830.45  |
| 102 | 04/15/17 | 54-31     | Hawaiian Homes Force Main Replacement  | 0.25         | 2,240,000.00   |
| 103 | 05/05/17 | 77-25     | Kulanihakai Street Recycled Water Line Extension                                       | 0.25         | 1,473,063.59   |
| 104 | 07/15/17 | NPS 80-24 | Kealakehe Scrap Metal Yard Remediation   | 0.25         | 8,000,972.51   |
| 105 | 10/15/17 | NPS 62-42 | South Hilo Sanitary Landfill Final Closure   | 0.25         | 23,099,552.80  |
| 106 | 11/15/17 | 77-24     | Kihei No. 16 Pump Station Rehabilitation and Force Main Replacement                    | 0.25         | 5,409,243.00   |
| 107 | 01/15/18 | NPS 47-12 | Kekaha Landfill Lateral Expansion Cell 2   | 0.25         | 13,188,635.71  |
| 108 | 03/15/18 | 52-60     | Wailuku-Kahului Wastewater Reclamation Facility Solids Building Renovation             | 0.25         | 657,605.95     |
| 109 | 12/15/18 | 48-07     | Sand Island WWTP - UV Disinfection and Effluent Pump Station Odor Control System       | 0.25         | 9,192,960.72   |
| 110 | 12/15/18 | 51-78     | Honouliuli Influent Pump Station Odor Control System                                   | 0.25         | 8,827,000.00   |
| 111 | 03/15/19 | NPS52-64  | Central Maui Landfill Phase V-B Extension  | 0.25         | 3,337,610.72   |
| 112 | 05/15/19 | 48-06     | Dowsett Highlands Relief Sewer   | 0.25         | 63,112,602.00  |
| 113 | 05/15/19 | 77-16     | South Maui Recycled Water System Expansion (2nd Tank)                                  | 0.25         | 5,023,000.00   |
| 114 | 07/15/19 | 51-80     | Honouliuli WWTP Secondary Treatment Phase 1A - Sludge Drying and Related Facilities    | 0.25         | 27,740,890.00  |
| 115 | 07/15/19 | 51-81     | Honouliuli WWTP Secondary Treatment Phase 1B - Secondary Compliance Facilities         | 0.25         | 200,674,000.00 |
| 116 | 10/15/19 | 51-76     | Honouliuli Water Recycling Facility R-1 Pre-Treatment and UV Disinfection Improvements | 0.25         | 8,187,715.41   |
| 117 | 01/15/20 | 59-20     | Lihue WWTP Process Improvements  | 0.25         | 4,245,430.00   |
| 118 | 11/15/20 | 59-23     | Hanamā'ulu and Kapaia SPS Renovations  | 0.25         | 3,925,781.00   |
| 119 | 05/15/21 | 47-09     | Waimea R-1 Wastewater Distribution System Upgrades                                     | 0.25         | 7,858,729.84   |
| 120 | 10/15/21 | 62-31     | Lanihau Wastewater Pump Station Force Main Replacement                                 | 0.25         | 1,023,630.88   |
| 121 | 05/15/22 | 77-28     | Kihei No. 8 Force Main Replacement   | 0.25         | 2,125,000.00   |
| 122 | 05/15/22 | 77-32     | Kihei No. 7 Force Main Replacement   | 0.25         | 2,096,575.00   |
| 123 | 12/15/23 | 55-11     | Wailua Sewage Pump Station (SPS) No. 1 Rehabilitation                                  | 0.25         | 2,615,706.88   |
| 124 | 02/15/23 | 54-48     | Napili Wastewater Pump Station No. 4 Modifications                                     | 0.25         | 4,576,400.00   |
| 125 | 03/15/23 | 59-25     | Best Management Practice (BMP) Improvements at Various Refuse Transfer Stations        | 0.25         | 15,812,419.70  |
| 126 | 05/15/23 | 54-46     | West Maui Recycled Water System Expansion  | 0.25         | 10,299,000.00  |
| 127 | 05/15/23 | 62-53     | Hilo WWTP Rehabilitation and Replacement Project Phase I                               | 0.25         | 32,284,465.00  |
| 128 | 05/15/23 | 62-54     | Hilo WWTP Rehabilitation and Replacement Project Phase II                              | 0.25         | 8,215,477.00   |
| 129 | 10/15/23 | 50-12     | 'Ele'ele Subdivision Collection System Rehabilitation                                  | 0.25         | 3,716,990.00   |
| 130 | 03/15/24 | 51-84     | Honouliuli WWTP Solids Process Biogas Cleaning and Storage System                      | 0.25         | 33,825,000.00  |
| 131 | 04/15/24 | 51-82     | Honouliuli WWTP Phase 1C - Headworks, HRBC, Solids Process and Misc. Improvements      | 0.25         | 28,809,000.00  |
| 132 | 06/15/24 | RCCKA-01  | County of Kauai Residential Cesspool Conversion Program 1                              | 0.00         | 2,000,000.00   |
| 133 | 04/15/25 | 54-45     | Napili Wastewater Pump Station No. 3 Modifications                                     | 0.25         | 4,597,816.00   |
| 134 | 05/15/25 | 54-36     | Kaanapali Resort R-1 Water Distribution System Expansion                               | 0.25         | 7,837,250.00   |

TOTAL FINAL

TOTAL FINAL LOAN AMOUNT

\$1,386,059,009.46

State of Hawaii  
Water Pollution Control Revolving Fund - Year Ending June 30, 2025  
Attachment 1: **WPCRF Projects Receiving SRF Assistance**

**B. COMMITMENT NOTICES**

| No. | Date     | Proj. No. | Project Name on Commitment Notice  | Interest (%) | Amount (\$)   |
|-----|----------|-----------|--|--------------|---------------|
| 1   | 06/27/16 | 90-06     | Nā'ālehu Sewage Pump Station and Force Main                                  | 0.25         | 550,000.00    |
| 2   | 06/27/16 | 60-07     | Kula'imano, Pāpa'ikou, & Hilo Dewatering and Barminutor Replacement          | 0.25         | 2,200,000.00  |
| 3   | 06/27/16 | 90-07     | Nā'ālehu Wastewater Treatment and Disposal System and Drainage Modifications | 0.25         | 6,600,000.00  |
| 4   | 06/24/24 | 55-08     | Wailua WWTP Improvements Phase II  | 0.25         | 13,000,000.00 |
| 5   | 04/30/25 | 55-06     | Wailua SPS #3 Rehabilitation   | 0.25         | 8,917,168.00  |
| 6   | 06/16/25 | 51-77     | East Kapolei 215 R-1 3.0 MG Reservoir and 16-Inch Transmission Main          | 0.25         | 15,824,610.10 |
| 7   | 06/16/25 | 51-83     | Kualakai Parkway: 16-Inch R-1 Transmission Main                              | 0.25         | 10,238,999.00 |

**TOTAL COMMITTED AMOUNT** **\$57,330,777.10**

**TOTAL FINAL LOANS & COMMITTED AMOUNT** **\$1,443,389,786.56**

## **Attachment 2**

### **Statement of Net Position**

State of Hawaii  
Water Pollution Control Revolving Fund  
**Statement of Net Position**  
June 30, 2025

**Assets and Deferred Outflow of Resources**

|   |                       |
|---|-----------------------|
| Current Assets  |                       |
| Cash and cash equivalents in State Treasury           | 118,601,001.94        |
| Accounts Receivable                                   | 0.00                  |
| Accrued Interest                                      | 422,497.45            |
| Accrued Administrative Loan Fees, program             | 67,326.46             |
| Accrued Administrative Loan Fees, non-program         | 1,293,629.70          |
| Accrued Interest on Investments                       | 2,826,157.75          |
| Due from State Treasury                               | 1,003,749.78          |
| Due from Federal Government                           | 0.00                  |
| Current maturities of loans receivable                | 52,459,256.04         |
| Total for Current Assets                              | <u>176,673,619.12</u> |
| ARRA Advance  | 0.00                  |
| Loans Receivable, net of current maturities           | 487,497,514.14        |
| Capital Assets  | 738,753.67            |
| Less: Accumulated Depreciation                        | (733,084.77)          |
| Total for Capital Assets                              | <u>5,668.90</u>       |
| Total for Assets                                      | 664,176,802.16        |
| Deferred outflows of resources related to pensions    | 1,049,891.32          |
| Deferred outflows of resources related to OPEB        | 493,298.88            |
| <b>Total Assets and Deferred Outflow of Resources</b> | <b>665,719,992.36</b> |

**Liabilities, Deferred Inflow of Resources, and Net Position**

|  |                       |
|--|-----------------------|
| Liabilities  |                       |
| Current Liabilities  |                       |
| Payroll Payable  | 176,125.81            |
| Accounts Payable   | 82,208.06             |
| Indirect Payable   | 0.00                  |
| Due to State Treasury  | 13,371.96             |
| Compensated Absences, current portion                                    | 198,256.83            |
| Total for Current Liabilities  | <u>469,962.66</u>     |
| Compensated Absences, net of current portion                             | 1,066,496.77          |
| Net Pension liability  | 4,325,899.26          |
| Net OPEB liability   | 2,548,135.28          |
| Total for Liabilities  | <u>8,410,493.97</u>   |
| Deferred inflows of resources related to pensions                        | 70,536.40             |
| Deferred inflows of resources related to OPEB                            | 657,258.84            |
| Net Position   |                       |
| Net Investment in Capital Assets   | 5,668.90              |
| Restricted   | 656,576,034.25        |
| Unrestricted   | 0.00                  |
| Total for Net Position   | <u>656,581,703.15</u> |
| <b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b> | <b>665,719,992.36</b> |

## **Attachment 3**

### **Statement of Revenues, Expenses & Changes in Net Position**

State of Hawaii  
Water Pollution Control Revolving Fund  
**Statement of Revenues, Expenses and Changes in Net Position**  
Year Ended June 30, 2025

|  |                       |
|--|-----------------------|
| Operating Revenues   |                       |
| Interest earnings from loans                               | 1,360,467.22          |
| Administration loan fee earnings, program                  | 133,022.12            |
| Administration loan fee earnings, non-program              | 4,220,020.57          |
| Total for Operating Revenues                               | 5,713,509.91          |
| Operating Expenses   |                       |
| Administrative expenses for SRF activities                 | 1,044,781.96          |
| Administrative expenses for State activities, program      | 0.00                  |
| Administrative expenses for State activities, non-program  | 1,661,814.27          |
| Principal Forgiveness for ARRA                             | 0.00                  |
| Principal Forgiveness for SRF                              | 7,867,130.00          |
| Total for Operating Expenses                               | 10,573,726.23         |
| <b>Total Operating Income/(Loss)</b>                       | <b>(4,860,216.32)</b> |
| Nonoperating Revenue/(Expense)                             |                       |
| Federal contribution                                       | 21,953,000.00         |
| State matching contribution                                | 5,515,000.00          |
| Interest earnings (loss) from investment                   | 4,712,705.51          |
| Non-imposed fringe   | 26,703.69             |
| <b>Total Nonoperating Revenue/(Expense) Total</b>          | <b>32,207,409.20</b>  |
| <b>Change in Net Position</b>                              | <b>27,347,192.88</b>  |
| Net Position GLTB - Beginning of Year                      | 630,210,684.64        |
| Restatement due to change in accounting principle          | (976,174.37)          |
| <b>Total Net Position - Beginning of Year, as restated</b> | <b>629,234,510.27</b> |
| <b>Total Net Position - End of Year</b>                    | <b>656,581,703.15</b> |

## **Attachment 4**

### **Statement of Cash Flows**

State of Hawaii  
Water Pollution Control Revolving Fund  
**Statement of Cash Flows**  
Year Ended June 30, 2025

|   |                       |
|---|-----------------------|
| <b>Cash flows from operating activities</b>   |                       |
| Personnel Costs   | (3,141,549.84)        |
| Payments to vendors   | (163,548.08)          |
| <b>Total Cash flows from operating activities</b>                                   | <b>(3,305,097.92)</b> |
| <b>Cash flows from noncapital financing activities</b>                              | 27,468,000.00         |
| <b>Total Cash flows from noncapital financing activities</b>                        | <b>27,468,000.00</b>  |
| <b>Cash flows from capital and related financing activities</b>                     |                       |
| Purchase of equipment   | 0.00                  |
| <b>Total Cash flows from capital and related financing activities</b>               | <b>0.00</b>           |
| <b>Cash flows from investing activities</b>   |                       |
| Interest income from loans  | 1,369,161.74          |
| Administrative loan fees  | 4,298,731.93          |
| Principal repayments on loans   | 50,022,864.79         |
| Disbursement of loan proceeds   | (58,105,813.88)       |
| Interest from investments   | 2,958,981.59          |
| <b>Total Cash flows from investing activities</b>                                   | <b>543,926.17</b>     |
| <b>Total Net increase/(decrease) in cash and cash equivalents</b>                   | <b>24,706,828.25</b>  |
| <b>Total Cash and Cash Equivalents - Beginning of Year</b>                          | <b>93,894,173.69</b>  |
| <b>Total Cash and Cash Equivalents - End of Year</b>                                | <b>118,601,001.94</b> |
| <b>Reconciliation of operating income (loss) to net cash</b>                        |                       |
| <b>Provided by (used by) operating activities</b>                                   |                       |
| <b>Total Operating Income (Loss)</b>  | <b>(4,860,216.32)</b> |
| <b>Adjustments to reconcile operating income to net cash</b>                        |                       |
| Depreciation  | 9,266.35              |
| Principal Forgiveness for SRF   | 7,867,130.00          |
| Interest income from loans  | (1,360,467.22)        |
| Administrative loan fees  | (4,353,042.69)        |
| In-kind contribution from EPA   | 0.00                  |
| Non-imposed fringe  | 26,703.69             |
| <b>Total Adjustments to reconcile operating income to net cash</b>                  | <b>2,189,590.13</b>   |
| <b>Change in assets, deferred outflows, liabilities, and deferred inflows</b>       |                       |
| Accounts Receivable   | 0.00                  |
| Due from state treasury   | 638.18                |
| Accrued salaries and other administrative costs                                     | (248,955.40)          |
| Net deferred outflows / inflows of resources  | 1,070.78              |
| Net Pension Liability   | 135,221.99            |
| Net OPEB Liability  | (522,447.28)          |
| <b>Total Change in assets, deferred outflows, liabilities, and deferred inflows</b> | <b>(634,471.73)</b>   |
| <b>Total Net cash used by operating activities</b>                                  | <b>(3,305,097.92)</b> |

## **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 (State) received more than \$72 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 approximately \$427 million.

In 1988, the Hawaii State Legislature established the State Water Pollution Control Revolving Fund (WPCRF or Fund) 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. Prior to July 1, 2015, the first repayment of principal and interest occurred no later than one year after the notice to proceed for construction or the final agreement date, whichever is later. Beginning July 1, 2015, the first repayment of principal and interest occurred no later than one year after the final loan disbursement, one year after the project completion date or three years after the final agreement date, whichever is earliest. The Fund is administered by the Wastewater Branch, Environmental Management Division of the Department of Health (DOH), State of Hawaii.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. Financial Statement Presentation**

The accompanying financial statements are intended to present the financial position, results of operations, and cash flows of only that portion of the State and DOH that is attributable to the transactions of the WPCRF and do not purport to present the financial position, results of operation or cash flows of the State or DOH.

The accompanying financial statements of the WPCRF have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) prescribed by the Governmental Accounting Standards Board (GASB).

## 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 revenue. Principal forgiveness for loans is reported as operating expenses.

## 3. Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, 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. These estimates, among others, include the allowance for uncollectible accounts, depreciable lives of capital assets, and the net pension and other postemployment benefits (OPEB) liabilities.

## 4. Equity in Cash and Cash Equivalents and Investments in State Treasury

All monies of the WPCRF are held in 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 is 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. At June 30, 2025, information relating to the types, insurance, collateral, and related interest rate, credit and custodial risks of funds deposited with the State Treasury was not available since such information is determined on a statewide basis and not for individual departments or funds. 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.

#### 5. Loans Receivable

Loans made to the counties are funded by federal capitalization grants, State matching funds, repayments and investment interest income. Loan funds are disbursed to local agencies as they expend for the purposes of the loan, and request reimbursement from the Fund. Interest is calculated from the date that loan funds are disbursed, and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed, and interest accrued during the project period. The capitalization grants for certain loans allow for portions of the loan to be forgiven upon satisfaction of certain requirements.

#### 6. Administrative Loan Fees

The administrative loan fee program pays for the Fund's administration, including employee salaries and benefits. The program applies an administrative loan fee to all loans as provided for in Chapter 11-65 of the Hawaii Administrative Rules.

#### 7. Capital Assets

Management capitalizes an asset 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 value at the date of donation.

Depreciation expense is recorded in the financial statements. The straight-line method is utilized over the asset's estimated useful life. Generally, the useful life is three to seven years.

#### 8. Compensated Absences

It is the WPCRF's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, "compensated absences"). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid, or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits. The liability for sick leave that is more likely than not to be used, paid, or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the WPCRF's historical experience with sick leave usage through payouts over the last four years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability for the leave

donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred and reported in the statement of net position.

## 9. Net Position

Net position is 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 position. 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.

The WPCRF's net position is classified into two net position categories.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted-expendable* consists of restricted assets less liabilities whose use by the WPCRF are subject to externally-imposed stipulations that can be fulfilled by actions of WPCRF pursuant to those stipulations or that expire by the passage of time.

## 10. Administrative Costs

The accompanying financial statements do not reflect certain administrative costs incurred which are paid for by other sources of funding from DOH. These costs include the DOH and State's overhead costs which DOH does not assess to the WPCRF, since they are not practical to determine.

## 11. Fund Accounts

The WPCRF consists of the SRF and State activity. The SRF activity consists of the state matching contributions, federal capitalization grant loans, federal set-aside funds, Water Resources Reform and Development Act (WRRDA) administrative funds, principal loan repayments, and interest from loans and investments. The State activity consists of administrative loan fees and state loan funds.

## 12. Expenses

The statement of revenues, expenses and changes in net position presents expenses on a functional basis. The natural classifications of expenses are presented in the supplementary schedule of operating expenses.

## 13. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The following is a breakdown of deferred outflows of resources and deferred inflows of resources as of June 30, 2025:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Related to Pensions                      | \$1,049,891.32                       | \$ (70,536.40)                      |
| Related to Other Postemployment Benefits | 493,298.88                           | (657,258.84)                        |
|  | <u>\$1,543,190.20</u>                | <u>\$ (727,795.24)</u>              |

## 14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State of Hawaii Employees' Retirement System (ERS), and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

## 15. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

## 16. Indirect Cost

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

## 17. Due from State Treasury

Due from State Treasury includes amounts due from other State departments and agencies, primarily related to interest income, which were not received at the end of the fiscal year.

## 18. Recently Issued or Adopted Accounting Pronouncements

**GASB Statement No. 101**

During fiscal year 2025, the WPCRF implemented GASB Statement No. 101, Compensated Absences. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled. Implementation of this Statement resulted in a \$976,174 restatement to the Fund's beginning net position as of July 1, 2024.

**GASB Statement No. 102**

During fiscal year 2025, the WPCRF implemented GASB Statement No. 102, Certain Risk Disclosures. The primary objective of the Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this statement did not have material effect on the WPCRF's financial statements.

**GASB Statement No. 103**

The GASB issued Statement No. 103, Financial Reporting Model Improvements. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The WPCRF has not determined the effect this Statement will have on its financial statements.

**GASB Statement No. 104**

The GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The primary objective of this Statement is to improve users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The WPCRF has not determined the effect this Statement will have on its financial statements.

## NOTE C - LOANS RECEIVABLE

At June 30, 2025 the WPCRF had outstanding loans receivable with the following government entities:

Sixteen loans with the City & County of Honolulu; due in semiannual payments, including interest ranging from 0.00% to 0.50%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion date. \$368,343,060.78

Twelve loans with the County of Hawaii; due in semiannual payments, including interest ranging from 0.25% to 0.50%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion date. 51,359,958.87

Thirty-six loans with the County of Maui; due in semiannual payments, including interest ranging from 0.25% to 0.50%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion date. 80,478,252.09

Seventeen loans with the County of Kauai; due in semiannual payments, including interest ranging from 0.25% to 2.13%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion date. 39,775,498.44

|                          |                  |
|--------------------------|------------------|
|                          | 539,956,770.18   |
| Less: current maturities | (52,459,256.04)  |
|                          | \$487,497,514.14 |

Loans are expected to mature at various dates through 2046. The scheduled principal payments on loans maturing in subsequent years are as follows:

|              |    |                   |
|--------------|----|-------------------|
| SFY2026      | \$ | 52,459,256.04     |
| SFY2027      | \$ | 49,853,965.17     |
| SFY2028      | \$ | 41,986,426.30     |
| SFY2029      | \$ | 39,268,686.81     |
| SFY2030      | \$ | 38,656,073.29     |
| SFY2031-2035 | \$ | 162,734,248.04    |
| SFY2036-2040 | \$ | 126,677,109.86    |
| SFY2041-2045 | \$ | 27,987,531.77     |
| 2046         | \$ | 333,472.90        |
|              |    | \$ 539,956,770.18 |
|              |    | \$ 539,956,770.18 |

Management believes that all loans will be repaid according to the loan terms or portions will be forgiven upon satisfaction of certain requirements; accordingly, no provision for uncollectible amounts has been recorded.

In fiscal year 2025, \$7,867,130.00 in loans were forgiven. Loans and advances were forgiven in accordance with the required conditions.

As of June 30, 2025, the WPCRF earmarked funds for loans under existing commitment notices to the following counties:

|                             |                  |
|-----------------------------|------------------|
| City and County of Honolulu | 26,063,609.10    |
| County of Hawaii            | 9,350,000.00     |
| County of Kauai             | 21,917,168.00    |
| Total                       | \$ 57,330,777.10 |

NOTE D – CONTRIBUTED CAPITAL

The WPCRF is capitalized by grants from the EPA authorized by Title VI of the Clean Water Act and matching funds from the State. As of June 30, 2025, the EPA has awarded \$426,651,248.00 to the State of Hawaii, of which \$396,579,232.78 was drawn down for loans and program administration expenses and the remaining \$2,118,015.22 is related to EPA in-kind draws. Total draws including EPA in-kind draws is \$398,697,248.00.

The following summarizes the EPA capitalization grants, amounts drawn on each grant, and the balances available for future loans at June 30, 2025:

| Capitalization Grant ID             | Budget Period           | FFY          | Amount                | Total Cash Draws      | EPA Draws* (deducted prior to issuance of cap grant) | Funds Available      |
|-------------------------------------|-------------------------|--------------|-----------------------|-----------------------|--|----------------------|
| <b>Balance from Previous Years:</b> |                         | <b>89-21</b> | <b>353,998,248.00</b> | <b>353,998,248.00</b> | <b>1,817,315.22</b>                                  | <b>1 0.00</b>        |
| CS150001-23                         | 07/01/2022 - 06/30/2029 | 22           | 8,961,000.00          | 8,961,000.00          | 25,000.00  | 2 0.00               |
| 4C98T463-01                         | 07/01/2022 - 06/30/2029 | 22           | 13,785,000.00         | 13,785,000.00         | 275,700.00   | 3 0.00               |
| 4X98T725-01                         | 10/01/2023 - 06/30/2029 | 22           | 724,000.00            | 0.00                  | 0.00   | 724,000.00           |
| 4C98T769-01                         | 10/01/2023 - 06/30/2030 | 23           | 16,144,000.00         | 16,144,000.00         | 0.00   | 0.00                 |
| CS150001-24                         | 10/01/2023 - 06/30/2028 | 23           | 5,809,000.00          | 5,809,000.00          | 0.00   | 0.00                 |
| 4X98T726-01                         | 10/01/2023 - 06/30/2030 | 23           | 1,647,000.00          | 0.00                  | 0.00   | 1,647,000.00         |
| CS150001-25                         | 10/01/2024 - 09/30/2031 | 24           | 6,323,000.00          | 0.00                  | 0.00   | 6,323,000.00         |
| 4X97T073-01                         | 10/01/2024 - 09/30/2031 | 24           | 1,647,000.00          | 0.00                  | 0.00   | 1,647,000.00         |
| 4C97T060-01                         | 10/01/2024 - 09/30/2031 | 24           | 17,613,000.00         | 0.00                  | 0.00   | 17,613,000.00        |
|                                     |                         |              | <b>426,651,248.00</b> | <b>398,697,248.00</b> | <b>2,118,015.22</b>                                  | <b>27,954,000.00</b> |

\*Amount was deducted prior to issuance of cap grant. Therefore, the amount shows up in EPA's records and not in FAMIS.

1 \$32,304.00 deducted as in kind from the 1992 grant, from Administrative Expenses set-aside; \$32,997.00 deducted as in kind from the 1993 grant, from Administrative Expenses set-aside; 4,514.22 deducted as in kind from the 1994 grant, from Administrative Expenses set-aside; \$2,500.00 deducted as in kind from the 2005 grant, from Administrative Expenses set-aside; \$350,000.00 deducted as in kind from the 2013 grant, from Administrative Expenses set-aside; \$230,000.00 deducted as in kind from the 2015 grant, from Administrative Expenses set-aside; \$315,000.00 deducted as in kind from the 2016 grant, from Administrative Expenses set-aside; \$850,000.00 deducted as in kind from the 2017 grant, from Administrative Expenses set-aside.

2 \$25,000.00 deducted as in kind from the 2022 grant, from Technical Assistance set-aside.

3 \$275,700.00 deducted as in kind from the 2022 grant, from Technical Assistance set-aside.

The State is required to match 20% of the estimated amount of the grant from the EPA and does so in the year that the capitalization grant is awarded. For the FFY2022-2023 Bipartisan Infrastructure Law General Supplemental grant, the required State match is reduced from 20% to 10%. Through June 30, 2025, the Fund was in compliance with the State matching requirement. The cumulative required State match through June 30, 2025 approximated \$81.5 million, of which the entire amount has been utilized.

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, 2025.

| Federal<br>Fiscal Year                      | Source of State Funds | 20% State<br>Match<br>Amount |
|---|-----------------------|------------------------------|
| Balances from previous years (1989 - 2019): |                       | <u>\$ 65,876,850.67</u>      |
| 2020  | Act 006/20            | \$ 2,461,600.00              |
| 2021  | Act 88/21             | \$ 2,461,200.00              |
| 2022  | Act 248/22            | \$ 1,792,200.00              |
|   | Act 248/22            | <u>\$ 1,378,500.00</u> *     |
| Total 22 Match                              |                       | \$ 3,170,700.00              |
| 2023  | Act 164/23            | \$ 1,161,800.00              |
|   | Act 164/23            | <u>\$ 1,614,400.00</u> *     |
| Total 23 Match                              |                       | \$ 2,776,200.00              |
| 2024  | Act 230/24            | \$ 1,264,600.00              |
|   | Act 230/24            | <u>\$ 3,522,600.00</u>       |
| Total 24 Match                              |                       | \$ 4,787,200.00              |
| Total 20% State Match                       |                       | <u>\$ 81,533,750.67</u>      |

\* Required State Match reduced from 20% to 10% for the subject year's BIL Supplemental Capitalization Grant

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

|                              | Balance at<br>July 1, 2024 | Additions             | Retirements/<br>Disposals | Balance at<br>June 30, 2025 |
|------------------------------|----------------------------|-----------------------|---------------------------|-----------------------------|
| Equipment                    | \$ 89,855.04               | \$ -                  | \$ -                      | \$ 89,855.04                |
| Intangible Assets - Software | 648,898.63                 | -                     | -                         | 648,898.63                  |
| Accumulated Depreciation     | (723,818.42)               | ( 9,266.35)           | -                         | (733,084.77)                |
|                              | <u>\$ 14,935.25</u>        | <u>\$ ( 9,266.35)</u> | <u>\$ -</u>               | <u>\$ 5,668.90</u>          |

NOTE F – OTHER LIABILITIES

The changes to the other liabilities during 2025 were as follows:

|                              | Balance at<br>July 1, 2024<br>(As restated) | Additions        | Deductions*        | Balance at<br>June 30, 2025 | Current<br>Portion |
|------------------------------|---|------------------|--------------------|-----------------------------|--------------------|
| Accrued compensated absences | \$1,324,865                                 | \$ -             | \$(60,111)         | \$1,264,754                 | \$198,257          |
| Net pension liability        | 4,190,677                                   | 542,938          | (407,716)          | 4,325,899                   |                    |
| Net OPEB liability           | 3,070,583                                   | -                | (522,448)          | 2,548,135                   |                    |
|                              | <u>\$8,586,125</u>                          | <u>\$542,938</u> | <u>\$(990,275)</u> | <u>\$8,138,788</u>          | <u>\$198,257</u>   |

\*Compensated absences reported as net deductions.

NOTE G – RESTATEMENT OF BEGINNING BALANCES

During the current year, the WPCRF implemented GASB Statement No. 101, Compensated Absences. This implementation resulted in recalculation of the WPCRF's liabilities for compensated absences. The effects of this change in accounting principle are summarized below.

|  | SRF<br>Activity         | State<br>Activity       | Total                    |
|--|-------------------------|-------------------------|--------------------------|
| Net position - June 30, 2024, as previously reported | \$630,661,401.06        | \$ (450,716.42)         | \$ 630,210,684.64        |
| Restatement - GASB 101 implementation                | (248,533.00)            | (727,641.37)            | (976,174.37)             |
| Net position - June 30, 2024, as restated            | <u>\$630,412,868.06</u> | <u>\$(1,178,357.79)</u> | <u>\$ 629,234,510.27</u> |

|  | Compensated Absences |                      |                        |
|--|----------------------|----------------------|------------------------|
|  | Vacation             | Sick                 | Total                  |
| Compensated Absences - June 30, 2024, as previously reported | \$ 348,691.12        | \$ -                 | \$ 348,691.12          |
| Restatement - GASB 101 implementation                        | 95,010.94            | 881,163.43           | 976,174.37             |
| Compensated Absences - June 30, 2024, as restated            | <u>\$ 443,702.06</u> | <u>\$ 881,163.43</u> | <u>\$ 1,324,865.49</u> |

## NOTE H - EMPLOYEE BENEFIT PLANS

### 1. Pension Plan

#### *Plan Description*

Generally, all full-time employees of the State and counties are required to be members of the Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility and contribution requirements are governed by Hawaii Revised Statutes (HRS) Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: <https://ers.ehawaii.gov/resources/financials>.

#### *Benefits Provided*

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class.

Noncontributory Class

- Retirement Benefits – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at the time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- Retirement Benefits - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.
- Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

- Death Benefits - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the twelve months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

#### Contributory Class for Members Hired After June 30, 2012

- Retirement Benefits - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.
- Disability and Death Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service are required for ordinary disability.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

#### Hybrid Class for Members Hired Prior to July 1, 2012

- Retirement Benefits - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are

determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- Death Benefits – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

#### Hybrid Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.
- Disability and Death Benefits – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

### *Contributions*

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. Contributions to the pension plan from the WPCRF were \$443,567 for the year ended June 30, 2025.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2025, the WPCRF reported a liability of \$4,325,899 for its proportionate share of net pension liability of the State. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. The WPCRF's proportion of the net pension liability was based on an allocation of the State's net pension liability based on the proportionate share of qualified payroll. At June 30, 2024 and 2023, the WPCRF's proportion of the State's share was 0.05% and 0.06%, respectively.

There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2025, the WPCRF recognized pension expense of \$404,120. At June 30, 2025, the WPCRF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | <u>\$ 89,497</u>                     | <u>\$ (39,997)</u>                  |
| Changes in assumptions   | 30,050                               | (30,539)                            |
| Net difference between projected and actual earnings<br>on pension plan investments                          | 442,568                              | --                                  |
| Changes in proportion and difference between WPCRF<br>contributions and proportionate share of contributions | 44,209                               | --                                  |
| WPCRF contributions subsequent to the measurement date   | <u>443,567</u>                       | <u>--</u>                           |
|  | <u>\$ 1,049,891</u>                  | <u>\$ (70,536)</u>                  |

At June 30, 2025, the \$443,567 reported as deferred outflows of resources related to pensions resulting from WPCRF contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Years ending June 30,</u> | <u>Amount</u>     |
|------------------------------|-------------------|
| 2026                         | \$108,478         |
| 2027                         | 68,643            |
| 2028                         | 197,430           |
| 2029                         | 117,569           |
| 2030                         | 43,668            |
| Total                        | <u>\$ 535,788</u> |

*Actuarial Assumptions*

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Employees' Retirement System of the State of Hawaii on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50%   |
| Payroll growth rate       | 3.50%   |
| Investment rate of return | 7.00% per year, compounded annually including inflation |

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Pre-retirement mortality rates are based on multiples of Pub-2010 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with a replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS's Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage.

The rate of returns based on ERS's investment consultant as of June 30, 2024, are summarized in the following table:

| <b>Strategic Allocation (Risk-Based Classes)</b> | <b>Strategic<br/>Class<br/>Weights</b> | <b>Long-Term<br/>Expected Geometric<br/>Rate of Return</b> |
|--|--|--|
| Broad growth                                     |  |  |
| Public equity                                    | 20.0%                                  | 7.2%   |
| Private equity                                   | 19.0%                                  | 9.9%   |
| Liquid credit                                    | 4.0%                                   | 6.5%   |
| Private credit                                   | 8.0%                                   | 9.2%   |
| Real estate                                      | 9.0%                                   | 6.3%   |
| Infrastructure                                   | 7.0%                                   | 7.3%   |
| Timber/agriculture/infrastructure                | <u>3.0%</u>                            | 5.3%   |
| Total broad growth                               | 70.00%                                 |  |
| Diversifying strategies                          |  |  |
| Systematic trend following                       | 8.0%                                   | 3.8%   |
| Long US treasuries                               | 4.0%                                   | 4.3%   |
| Intermediate government                          | 14.0%                                  | 4.0%   |
| Reinsurance                                      | <u>4.0%</u>                            | 5.0%   |
| Total diversifying strategies                    | <u>30.00%</u>                          |  |
| Total investments                                | <u>100.0%</u>                          |  |

#### *Discount Rate*

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the WPCRF’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the WPCRF’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the WPCRF’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|   | 1% Decrease<br>(6.00%) | Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|---|------------------------|--------------------------|------------------------|
| WPCRF’s proportionate share<br>of the net pension liability | <u>\$5,778,056</u>     | <u>\$4,325,899</u>       | <u>\$3,123,077</u>     |

*Pension Plan Fiduciary Net Position*

The pension plan’s fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report. ERS’s complete financial statements are available at <https://ers.ehawaii.gov/resources/financials>.

The State’s annual comprehensive financial report (ACFR) contains further disclosures and required supplementary information related to the State’s proportionate share of the net pension liability and employer pension contributions.

*Payables to the Pension Plan*

At June 30, 2025, there was no payable to the ERS.

## 2. Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor.

## 3. Postemployment Healthcare and Life Insurance Benefits

### *Plan Description*

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, Sessions of Laws (SLH) of 2001, the State contributes to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund 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 an annual financial report that is available to the public at <https://eutf.hawaii.gov/reports/>. The report may also be obtained by writing to the EUTF at 201 Merchant St., Suite 1700, Honolulu, Hawaii 96813.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten or more years of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with fewer than ten years of service, the State makes no contributions. For those employees retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with fewer than ten years of service, the State makes no contributions. For those employees retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For

those employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

#### *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 net OPEB liability, deferred inflows and outflows, and OPEB expense, to component units and proprietary funds that are reported as such in the State's ACFR. The basis for the allocation is the proportionate share of contributions made by each component unit or proprietary fund for retiree health benefits.

#### *Contributions*

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the WPCRF was \$406,371 for the year ended June 30, 2025. The employer is required to make all contributions for members.

#### *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2025, the WPCRF reported a liability of \$2,548,135 for its proportionate share of net OPEB liability of the State. The net OPEB liability was measured as of July 1, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The WPCRF's proportion of the net OPEB liability was based on an allocation of the State's net OPEB liability based on the proportionate share of qualified payroll. At June 30, 2024 and 2023, the WPCRF's proportion of the State's share was 0.05% and 0.02% respectively.

There were no changes between the measurement date, July 1, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net OPEB liability.

For the year ended June 30, 2025, the WPCRF recognized OPEB expense of \$59,663. At June 30, 2025, the WPCRF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                  | \$ --                                | \$ (604,811)                        |
| Changes in assumptions  | 6,848                                | (52,448)                            |
| Net difference between projected and actual earnings on investments | 80,080                               | --                                  |
| WPCRF contributions subsequent to the measurement date              | 406,371                              | --                                  |
|   | <u>\$ 493,299</u>                    | <u>\$ (657,259)</u>                 |

At June 30, 2025, the \$406,371 reported as deferred outflows of resources related to OPEB resulting from WPCRF contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending June 30, | Amount              |
|-----------------------|---------------------|
| 2026                  | \$ (183,004)        |
| 2027                  | (140,736)           |
| 2028                  | (118,780)           |
| 2029                  | (65,611)            |
| 2030                  | (62,200)            |
| Total                 | <u>\$ (570,331)</u> |

#### *Actuarial Assumptions*

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

|                           |                                    |
|---------------------------|------------------------------------|
| Inflation                 | 2.50%                              |
| Salary increases          | 3.75% to 6.75% including inflation |
| Investment rate of return | 7.00%                              |

## Healthcare cost trend rates

|                |  |
|----------------|--|
| PPO*           | Initial rate of 6.20%; declining to an ultimate rate of 4.25% after 20 years |
| HMO**          | Initial rate of 6.20%; declining to an ultimate rate of 4.25% after 20 years |
| Contribution   | Initial rate of 5.00%; declining to an ultimate rate of 4.25% after 20 years |
| Dental         | 4.00%  |
| Vision         | 2.50%  |
| Life insurance | 0.00%  |

\* Blended rates for medical and prescription drugs.

\*\* Includes prescription drug assumptions.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

| Asset Class                 | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|-----------------------------|----------------------|--|
| Private equity              | 15.0%                | 10.1%  |
| U.S. microcap               | 3.0%                 | 8.3%   |
| Global equity               | 30.0%                | 6.0%   |
| Real assets                 | 12.0%                | 5.0%   |
| Private credit              | 10.0%                | 7.8%   |
| TIPS                        | 2.5%                 | 2.1%   |
| Long Treasuries             | 5.0%                 | 2.6%   |
| Reinsurance                 | 5.5%                 | 5.1%   |
| Alternative risk premia     | 5.0%                 | 3.8%   |
| Trend following             | 10.0%                | 2.4%   |
| Tail risk / long volatility | <u>2.0%</u>          | (1.3)%                                       |
|                             | <u>100.0%</u>        |  |

*Single Discount Rate*

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on EUTF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*OPEB Plan Fiduciary Net Position*

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at <https://eutf.hawaii.gov/reports/>.

*Changes in Net OPEB Liability*

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2024.

|   | Total OPEB<br>Liability | Plan Fiduciary<br>Net Position | Net OPEB<br>Liability |
|---|-------------------------|--------------------------------|-----------------------|
| Balance at June 30, 2024                          | \$ 4,304,401            | \$ 1,233,818                   | \$ 3,070,583          |
| Service cost                                      | 109,349                 | --                             | 109,349               |
| Interest on the total OPEB liability              | 371,792                 | --                             | 371,792               |
| Difference between expected and actual experience | (416,169)               | --                             | (416,169)             |
| Employer contributions                            | --                      | 386,234                        | (386,234)             |
| Net investment income                             | --                      | 201,408                        | (201,408)             |
| Benefit payments                                  | (190,959)               | (190,959)                      | --                    |
| Administrative expense                            | --                      | (194)                          | 194                   |
| Other   | --                      | (28)                           | 28                    |
| Net changes                                       | (125,987)               | 396,461                        | (522,448)             |
| Balance at June 30, 2025                          | 4,178,414               | 1,630,279                      | 2,548,135             |

*Sensitivity of the WPCRF's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following table presents the WPCRF's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the WPCRF's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|   | 1% Decrease<br>(6.00%) | Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|---|------------------------|--------------------------|------------------------|
| WPCRF's proportionate share of the net OPEB liability | \$3,285,273            | \$2,548,135              | \$1,955,348            |

*Sensitivity of the WPCRF’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following table presents the WPCRF’s proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the WPCRF’s proportionate share of the net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

|  | <u>1% Decrease</u> | <u>Current<br/>Healthcare<br/>Cost Trend<br/>Rate</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| WPCRF’s proportionate share<br>of the net OPEB liability | <u>\$1,924,521</u> | <u>\$2,548,135</u>                                    | <u>\$3,342,321</u> |

*Payables to the OPEB Plan*

There were no contributions payable to the EUTF as of June 30, 2025.

*Required Supplementary Information and Disclosures*

The State’s ACFR includes additional disclosures and required supplementary information on the State’s OPEB plan.

**NOTE I - INSURANCE COVERAGE**

Insurance coverage is maintained at the State level. The State is self-insured for substantially all perils including workers' compensation. Expenditures for workers' compensation and other insurance claims are appropriated annually from the State's general fund.

DOH is covered by the State's self-insured workers' compensation program for medical expenses of injured DOH employees. However, DOH is required to pay temporary total and temporary partial disability benefits as long as the employee is on DOH's payroll. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claim liabilities may be re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Workers' compensation benefit claims reported as well as incurred but not reported were reviewed at year end. The estimated losses from these claims were not material.