

HAWAII GREEN INFRASTRUCTURE AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

Fiscal Year Ended June 30, 2024



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HAWAII GREEN INFRASTRUCTURE AUTHORITY

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PART I
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hawaii Green Infrastructure Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the special revenue fund of the Hawaii Green Infrastructure Authority (HGIA), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise HGIA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of HGIA, as of June 30, 2024, and the respective changes in financial position and the budgetary comparison for the special revenue fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HGIA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A, the financial statements of HGIA, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the special revenue fund of the State of Hawaii and the State of Hawaii, Department of Business, Economic Development and Tourism that is attributable to the transactions of HGIA. They do not purport to, and do not, present fairly the financial position of the State of Hawaii or the State of Hawaii, Department of

Business, Economic Development and Tourism as of June 30, 2024, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HGIA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of HGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HGIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HGIA's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawaii
December 20, 2024

Hawaii Green Infrastructure Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The following management's discussion and analysis provides an overview of the Hawaii Green Infrastructure Authority (HGIA) financial activities for the fiscal year ended June 30, 2024. Readers should also review the basic financial statements and the related notes to the financial statements to enhance their understanding of HGIA's financial performance.

Financial Highlights

The key government-wide financial highlights for the fiscal year ended June 30, 2024 are as follows:

- Exclusive of the Hawaii Public Utilities Commission (PUC) Order No. 34930 repayment expenditures of \$3.9 million, revenues exceeded expenses by \$8.8 million, an increase of \$3.7 million or 271% from the previous year's excess of \$5.1 million for the fiscal year ended June 30, 2023. This significant increase is due to an increase in investment earnings and appropriations received from the State of Hawaii general funds to provide additional funding for loans. HGIA was appropriated \$50.0 million, of which \$2.2 million has been recognized as revenue for the fiscal year ended June 30, 2024.
- PUC Order No. 34930 dated October 26, 2017, *Amending Decision and Order No. 32318 By Changing the Priority of Uses of GEMS Program Loan Repayments*, requires HGIA, on an annual basis, to transfer all GEMS program loan repayments collected to the PUC. Loan repayments collected during the 2024 fiscal year aggregating \$3.9 million, is reflected as a liability on the statement of net position, and results in a change in net position of \$4,832,621
- As a result, total net position at June 30, 2024 increased to \$146.1 million.

Overview of the Basic Financial Statements

The basic financial statements are comprised of (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

- Government-wide financial statements provide both long-term and short-term information about HGIA's overall financial position and changes in financial position. The statements are presented on an accrual basis of accounting and consist of the statement of net position and statement of activities.
- Fund financial statements focus on individual parts of HGIA and report operations in more detail than the government-wide statements. These statements are presented on a modified accrual basis of accounting and tell how activities were financed in the short-term as well as what remains for future spending.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Hawaii Green Infrastructure Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2024

Government-wide Financial Analysis

The following discussion highlights management's understanding of the key aspects of HGIA's financial activities.

In November 2014, HGIA received net bond proceeds of \$146,323,248 from the \$150.0 million Green Energy Market Securitization (GEMS) Bonds, 2014 Series A bonds issued by the Department of Business, Economic Development and Tourism (DBEDT), to provide funding for HGIA's GEMS loan program.

The following table was derived from the government-wide statements of net position:

Exhibit A-1
Condensed Statements of Net Position
June 30, 2024

| | Governmental Activities | | 2024 - 2023 | |
|--|--------------------------------|----------------|--------------------|--------------------------|
| | 2024 | 2023 | Increase | Percentage change |
| Assets: | | | | |
| Noncapital assets | \$ 165,949,986 | \$ 151,899,004 | \$ 14,050,982 | 9.25 % |
| Total assets | \$ 165,949,986 | \$ 151,899,004 | \$ 14,050,982 | 9.25 % |
| Liabilities: | | | | |
| Current | \$ 19,777,377 | \$ 10,546,167 | \$ 9,231,210 | 87.53 % |
| Noncurrent | 43,370 | 56,219 | (12,849) | (22.86) % |
| Total liabilities | 19,820,747 | 10,602,386 | 9,218,361 | 86.95 % |
| Net position: | | | | |
| Restricted for Hawaii green infrastructure | 146,129,239 | 141,296,618 | 4,832,621 | 3.42 % |
| Total net position | 146,129,239 | 141,296,618 | 4,832,621 | 3.42 % |
| Total liabilities and net position | \$ 165,949,986 | \$ 151,899,004 | \$ 14,050,982 | 9.25 % |

Analysis of Net Position

Total assets of \$165.9 million increased by approximately \$14.1 million during the fiscal year ended June 30, 2024 and consisted primarily of cash and cash equivalents of \$58.1 million, up \$8.3 million from the previous year; investments of \$34.2 million, up \$1.7 million from the previous year; and loan receivables of \$69.2 million, up \$2.2 million from the previous year.

Total liabilities of \$19.8 million increased by approximately \$9.2 million during the fiscal year ended June 30, 2024 and consisted primarily of unearned revenue of \$15.7 million related to SSBCI funding which will be recognized when all applicable eligibility requirements have been met and appropriations received from the State for loans that have not yet been disbursed. Total liabilities also consisted of principal and interest loan repayments due to the PUC of \$3.9 million per Order No. 34930, as described in the financial highlights section on page 8.

Additionally, as also described in the financial highlights section, total net position of \$146.1 million increased by approximately \$4.8 million due to an increase in investment earnings and additional appropriations received from the State.

Hawaii Green Infrastructure Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2024

Change in Net Position

The following financial information was derived from the government-wide statements of activities and reflects how HGIA's net position changed during the fiscal years ended June 30, 2024 and 2023:

Exhibit A-2
Condensed Statements of Activities
Fiscal Years Ended June 30,

| | Governmental Activities | | 2024 - 2023 | |
|---|--------------------------------|---------------------|---------------------|--------------------------|
| | 2024 | 2023 | Increase | Percentage change |
| Revenues | | | | |
| Program revenues | | | | |
| Operating grants and contributions | \$ 4,165,043 | \$ 2,340,373 | \$ 1,824,670 | 77.96 % |
| Charges for services | 1,975,398 | 1,905,484 | 69,914 | 3.67 % |
| Interest and investment earnings (losses) | <u>4,020,418</u> | <u>1,857,145</u> | <u>2,163,273</u> | 116.48 % |
| Total | <u>10,160,859</u> | <u>6,103,002</u> | <u>4,057,857</u> | 66.49 % |
| Expenses | | | | |
| Hawaii green infrastructure | <u>5,328,238</u> | <u>4,717,732</u> | <u>610,506</u> | 12.94 % |
| Change in net position | \$ <u>4,832,621</u> | \$ <u>1,385,270</u> | \$ <u>3,447,351</u> | 248.86 % |

Analysis of Change in Net Position

Program revenues of \$6.1 million, which increased by approximately \$1.9 million during the fiscal year consisted primarily of loan interest earned of \$1.8 million, SSBCI funding of \$2.0 million and State funding of \$2.2 million.

Interest and investment earnings of \$4.0 million, which increased by \$2.2 million during the fiscal year, consisted of interest and dividend income, realized gains and losses on sales of investments, and changes in the fair value of investments. Increases in the federal funds rate has resulted in significant increases in interest rates and yields on deposits.

Total expenses of \$5.3 million consisted of loan repayments payable to the PUC of \$3.9 million, personnel related expenses of \$760,000 and program expenses of \$630,000. Additionally, due to the one-month lag in the State payroll system, total expenses also included about \$80,000 in accrued salaries and wages.

**Hawaii Green Infrastructure Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2024**

Fund Financial Analysis

HGIA has only one fund, the special revenue fund.

Expenditures totaled approximately \$5.3 million and \$4.8 million, for the fiscal years ended June 30, 2024 and 2023, respectively.

As of the fiscal years ended June 30, 2024 and 2023, fund balance amounted to approximately \$146.1 million and \$141.3 million, respectively.

Budgetary Highlights

Actual expenditures on a budgetary basis were approximately \$752,000 for the fiscal year ended June 30, 2024, resulting in a variance between the final budget and actual expenditures on a budgetary basis of approximately \$451,000.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Hawaii Green Infrastructure Authority, 250 South Hotel Street, Honolulu, Hawaii 96813. General information about HGIA can be found at the website, gems.hawaii.gov.

Hawaii Green Infrastructure Authority
STATEMENT OF NET POSITION
June 30, 2024

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 58,061,649 |
| Investments | 34,281,203 |
| Accrued interest and other | 93,754 |
| Certificates of deposit | 4,152,678 |
| Loan receivables | <u>69,360,702</u> |
| Total assets | <u>\$ 165,949,986</u> |
| LIABILITIES AND NET POSITION | |
| Due to PUC | \$ 3,957,558 |
| Vouchers and contracts payable | 48,946 |
| Accrued wages and employee benefits payable | 80,259 |
| Unearned revenue and other | 15,665,924 |
| Accrued compensated absences | <u>68,060</u> |
| Total liabilities | <u>19,820,747</u> |
| Net position | |
| Restricted for Hawaii green infrastructure | <u>146,129,239</u> |
| Total net position | <u>146,129,239</u> |
| Total liabilities and net position | <u>\$ 165,949,986</u> |

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2024

GOVERNMENTAL ACTIVITIES

| | |
|--------------------------------------|-----------------------|
| Expenses | \$ 5,328,238 |
| Program revenues | |
| Operating grants and contributions | 4,165,043 |
| Charges for services | 1,975,398 |
| Interest and investment earnings | <u>4,020,418</u> |
| CHANGE IN NET POSITION | 4,832,621 |
| NET POSITION AT JULY 1, 2023 | <u>141,296,618</u> |
| NET POSITION AT JUNE 30, 2024 | <u>\$ 146,129,239</u> |

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2024

| | Special Revenue Fund |
|---|-----------------------------|
| | <u> </u> |
| ASSETS | |
| Cash and cash equivalents | \$ 58,061,649 |
| Investments | 34,281,203 |
| Accrued interest and other | 93,754 |
| Certificates of deposit | 4,152,678 |
| Loan receivables | <u>69,360,702</u> |
| Total assets | \$ <u>165,949,986</u> |
| | |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Due to PUC | \$ 3,957,558 |
| Vouchers and contracts payable | 48,946 |
| Accrued wages and employee benefits payable | 80,259 |
| Unearned revenue and other | <u>15,665,924</u> |
| Total liabilities | <u>19,752,687</u> |
| Fund balance | |
| Restricted for Hawaii green infrastructure | <u>146,197,299</u> |
| Total fund balance | <u>146,197,299</u> |
| Total liabilities and fund balance | \$ <u>165,949,986</u> |

See accompanying notes to the financial statements.

**Hawaii Green Infrastructure Authority
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
Fiscal Year Ended June 30, 2024**

| | |
|---|------------------------------|
| Fund balance - governmental fund | \$ 146,197,299 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Accrued compensated absences are not due in the current period, and therefore, are not reported in the governmental fund | <u>(68,060)</u> |
| Net position of governmental activities | \$ <u>146,129,239</u> |

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND
Fiscal Year Ended June 30, 2024

| | Special Revenue Fund |
|---|-----------------------------|
| | <u> </u> |
| REVENUES | |
| Operating grants and contributions | \$ 4,165,043 |
| Interest income from loan program | 1,840,995 |
| Interest and investment earnings | 4,020,418 |
| Other revenue | <u>134,403</u> |
| | <u>10,160,859</u> |
| EXPENDITURES | |
| Hawaii green infrastructure | <u>5,326,657</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>4,834,202</u> |
| NET CHANGE IN FUND BALANCE | 4,834,202 |
| FUND BALANCE AT JULY 1, 2023 | <u>141,363,097</u> |
| FUND BALANCE AT JUNE 30, 2024 | \$ <u>146,197,299</u> |

See accompanying notes to the financial statements.

**Hawaii Green Infrastructure Authority
RECONCILIATION OF THE GOVERNMENTAL FUND CHANGE
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2024**

| | |
|---|----------------------------|
| Net change in fund balance - total governmental fund | \$ 4,834,202 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Change in compensated absences reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds | <u>(1,581)</u> |
| Change in net position of governmental activities | \$ <u>4,832,621</u> |

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND
Fiscal Year Ended June 30, 2024

| | Budgeted Amounts | | Actual on | Variance |
|--|-------------------------|-----------------------|------------------------|-------------------|
| | Original | Final | Budgetary Basis | Favorable |
| Revenues - interest income | \$ 20,000 | \$ 20,000 | \$ 37,226 | \$ 17,226 |
| Expenditures - Hawaii green infrastructure | <u>1,203,740</u> | <u>1,203,740</u> | <u>752,316</u> | <u>451,424</u> |
| Deficiency of revenues below expenditures | \$ <u>(1,183,740)</u> | \$ <u>(1,183,740)</u> | \$ <u>(715,090)</u> | \$ <u>468,650</u> |

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE A - FINANCIAL REPORTING ENTITY

The Hawaii Green Infrastructure Authority (HGIA) was created by Act 211, Session Laws of Hawaii 2013 to identify and provide innovative ways to increase access to clean energy in the State of Hawaii.

HGIA is part of the executive branch of the State of Hawaii (the State). HGIA is administratively attached to the Department of Business, Economic Development and Tourism of the State of Hawaii (DBEDT). HGIA's basic financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the special revenue fund of the State and DBEDT that are attributable to the transactions of HGIA. They do not purport to, and do not, present fairly the financial position of the State or DBEDT as of June 30, 2024, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes comprehensive financial statements for the State annually, which include HGIA's financial activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of HGIA have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used in the preparation of such financial statements:

(1) ***Basis of Accounting and Measurement Focus***

Government-Wide Financial Statements - The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Program revenues include interest and fees charged to the borrowers of the Hawaii Green Infrastructure Loan Program and various operating grants and contributions.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in fund balance.

The modified accrual basis of accounting is used by the governmental fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at year-end).

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurable means that the amount of the transaction can be determined. Available means that the amount is collected in the current fiscal year or soon enough after year-end to liquidate liabilities existing at the end of the fiscal year.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Encumbrance accounting is employed in the governmental fund. Under this method, purchase orders, contracts, and other commitments outstanding at year-end do not constitute expenditures or liabilities.

- (2) **Fund Accounting** - The financial transactions of HGIA are recorded in a fund. A fund is considered a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

HGIA has only one fund, the special revenue fund. The special revenue fund accounts for the Hawaii Green Infrastructure Loan Program. Receipts may include loan repayments and interest earned on program loans made and interest and investment earnings of unused funds. Initial funding is from proceeds of bonds issued by DBEDT.

- (3) **Cash and Cash Equivalents** - Cash and cash equivalents consist of amounts held in the State Treasury, and in bank accounts held separately from the State Treasury. Cash in the State Treasury is pooled with funds from other State agencies and departments and deposited into approved financial institutions or participates in the State Treasury Investment Pool.

Cash accounts that participate in the investment pool accrue interest based on the weighted average cash balances of each account.

- (4) **Investments** - HGIA generally invests in money market mutual funds, government agency securities, and U.S. Treasury obligations. Investments are reported at fair value.
- (5) **Certificates of deposit** - Time certificates of deposit are held in the name of HGIA and maintained with a financial institution in the State (Lender) in connection with HGIA's participation in the federally-funded HI-CAP Collateral program. These time certificates of deposit secure the prompt payment in full of term loans made to eligible borrowers by the Lender under the HI-CAP Collateral program requirements. These loans have terms that range from 2 to 10 years. Restrictions on the use of these assets are generally released when the underlying loan is paid in full by the borrower or upon determination by the Lender that the cash collateral, in full or in part, is no longer necessary to support and secure the outstanding loan.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (6) **Compensated Absences** - Vacation leave is accrued at current salary rates. Vacation leave accumulates at the rate of one and three-quarters working days for each month of service up to a limit of ninety days at calendar year-end and is convertible to cash payment upon termination of employment. Accrued compensated absences is reported in the statement of net position.

- (7) **Fund Balance** - Fund balance is classified using a hierarchy based on the extent to which HGIA is bound to follow constraints on how resources can be spent. Classifications include:

Nonspendable - Includes amounts that are (a) not in a spendable form or (b) legally or contractually required to remain intact.

Restricted - Includes amounts restricted to a specific purpose imposed by either (a) external parties (e.g. creditors, grantors, contributors or other governments) or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes based on constraints imposed by formal action of the State Legislature.

Assigned - Includes amounts that are constrained by the Authority's board for specific purposes, but are neither restricted nor committed.

Unassigned - Includes any negative residual balance when actual expenditures exceed available resources of the fund.

HGIA has only a restricted fund balance.

- (8) **Operating Grants and Contributions** - Funding from the U.S. Department of the Treasury under the State Small Business Credit Initiative (SSBCI) Allocation Agreement is recognized as revenue when HGIA has met all applicable eligibility requirements and when the resources are available. For purposes of revenue recognition, applicable eligibility requirements include all uses of the SSBCI funds that are necessary to carry out the following approved programs: 1) HI-CAP Loans, 2) HI-CAP CDFI Loan Pool, and 3) HI-CAP Collateral. SSBCI funds received and not yet earned are recorded as unearned revenue in the accompanying financial statements.
- (9) **Use of Estimates** - The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE C - BUDGETING AND BUDGETARY CONTROL

In the statement of revenues and expenditures - budget and actual (non-GAAP budgetary basis) - special revenue fund, the amounts reflected as budgeted expenditures are derived from acts of the State Legislature and from other authorizations contained in specific appropriation acts in various Session Laws of Hawaii.

The amount reflected as actual expenditures has been adjusted to the budgetary basis by the inclusion of encumbrances that results in comparability with budgeted expenditures.

A reconciliation of the deficiency of revenues over expenditures as shown on the statement of revenues and expenditures - budget and actual (non-GAAP budgetary basis) - special revenue fund to the excess of revenues over expenditures as shown on the statement of revenues, expenditures, and changes in fund balance - governmental fund (GAAP basis) is presented below:

| | <u>Amount</u> |
|---|---------------------|
| Deficiency of revenues below expenditures - actual on a budgetary basis | \$ (715,090) |
| Reserve for encumbrances at year end | 13,835 |
| Expenditures for liquidation of prior fiscal year encumbrances | (7,923) |
| Revenues and expenditures for unbudgeted programs, net | 5,516,168 |
| Net accrued expenditures | <u>27,212</u> |
| Excess of revenues over expenditures - GAAP basis | \$ <u>4,834,202</u> |

NOTE D - CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED CERTIFICATES OF DEPOSIT

(1) *Cash, Cash Equivalents, and Restricted Certificates of Deposit*

HGIA's cash and restricted certificates of deposit balances are maintained in the State Treasury and in bank accounts held separately from cash in the State Treasury. The State Director of Finance (the Director) is responsible for the safekeeping of all moneys paid into the State Treasury. The Director pools and invests any moneys of the State, which in the Director's judgment, are in excess of amounts necessary for meeting the immediate requirements of the State.

For demand or checking accounts and time certificates of deposits, the State requires that the depository banks pledge collateral based on daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under collateralized at times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE D - CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED CERTIFICATES OF DEPOSIT (Continued)

Information relating to custodial credit risk of cash deposits in the State Treasury is available on a statewide basis and not for individual departments or agencies.

The cash and restricted certificates of deposit in banks which are held separately from cash in State Treasury is insured by the Federal Deposit Insurance Corporation (FDIC). The bank balance of cash and restricted certificates of deposit held outside of the State Treasury totaled approximately \$59,930,000 as of June 30, 2024.

(2) Investments

Information relating to interest rate risk, credit risk, custodial risk, and concentration of credit risk of investments in the State Treasury is available on a statewide basis and not for individual departments or agencies.

For investments held outside of the State Treasury, HGIA does not have an investment policy related to interest rate risk and credit risk.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

As of June 30, 2024, HGIA had the following investments:

| | Fair Value | Maturity (in years) | |
|---------------------------|----------------------|----------------------|---------------------|
| | | Less than 1 | 1 to 5 |
| U.S. government agencies | \$ 10,327,754 | \$ 9,436,067 | \$ 891,687 |
| U.S. treasury obligations | <u>19,179,067</u> | <u>14,066,309</u> | <u>5,112,758</u> |
| | 29,506,821 | \$ <u>23,502,376</u> | \$ <u>6,004,445</u> |
| Money market mutual funds | <u>4,774,382</u> | | |
| Total | \$ <u>34,281,203</u> | | |

Credit Risk - The State's investment policy limits investments in State and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

All investments held outside the State Treasury is rated AAAM by Standard & Poor's as of June 30, 2024.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE D - CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED CERTIFICATES OF DEPOSIT (Continued)

Custodial Credit Risk - For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess-SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping, certain types of securities to collateralized repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk - The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

NOTE E - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for most of the full term of the asset or liability. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in markets that are not active,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are unobservable for an asset or liability.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation techniques used by HGIA to measure fair value:

U.S. treasury obligations: Valued using quoted prices in active markets for identical assets.

U.S. government agency obligations: Valued using quoted prices for identical or similar assets in markets that are not active.

Money market mutual funds: Investments in money market mutual funds are valued at the net asset value (NAV) of the custodian bank liquid asset portfolio. NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

| Assets at Fair Value at June 30, 2024 | | | | |
|---------------------------------------|---------------|---------------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments by fair value level | | | | |
| U.S. government agencies | \$ 10,327,754 | \$ -- | \$ 10,327,754 | \$ -- |
| U.S. treasury obligations | 19,179,067 | 19,179,067 | -- | -- |
| | 29,506,821 | \$ 19,179,067 | \$ 10,327,754 | \$ -- |
| Investments measured at NAV | | | | |
| Money market mutual funds | 4,774,382 | | | |
| | \$ 34,281,203 | | | |

Money market mutual fund: The BlackRock FedFund (Institutional Shares) is a money market fund that seeks current income as is consistent with liquidity and stability of principal by investing in high quality money market investments.

NOTE F - LONG-TERM LIABILITIES

HGIA's long-term liabilities are recorded for accrued compensated absences. The changes in long-term liabilities for the fiscal year ended June 30, 2024 are as follows:

| | Amount |
|--------------------------|-----------|
| Balance at June 30, 2023 | \$ 66,479 |
| Additions | 40,326 |
| Deductions | (38,745) |
| Balance at June 30, 2024 | 68,060 |
| Less: current portion | 24,690 |
| Noncurrent portion | \$ 43,370 |

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE G - REVENUE BONDS

In November 2014, the State of Hawaii, Department of Business, Economic Development and Tourism issued \$150 million in Green Energy Market Securitization (GEMS) Bonds, 2014 Series A (Bonds).

The State used the proceeds of the bonds, net of costs of issuance and the funding of a debt service reserve subaccount, to fund the Hawaii Green Infrastructure Loan Program (Loan Program), which is administered by HGIA. The Loan Program serves the environmentally beneficial purpose of financing the purchase and installation of clean or renewable energy systems and energy efficiency projects for Hawaii ratepayers. None of the net proceeds of the Bonds used to fund the Loan Program, the loans, the repayments thereon, or the other assets of the Loan Program will serve as security for the Bonds.

The Bonds are special and limited obligations of the State payable from and secured by a pledge of Green Infrastructure Fee revenues and the Green Infrastructure Property and Accounts held under the Indenture. Green Infrastructure Property consists generally of the right to impose and collect, and to obtain periodic true-up adjustments to a non-bypassable fee on all electric customers of Hawaiian Electric Company, Inc., Hawaii Electric Light Company Inc., and Maui Electric Company, Limited, collectively the Service Providers (the Green Infrastructure Fee).

The Bonds do not constitute general or moral obligation of the State or a charge upon the general fund of the State and the full faith and credit of the State is not pledged to payment of principal or interest on the Bonds. No portion of the bonds is an obligation of HGIA and therefore no bond obligations are recognized by HGIA.

The Public Benefits Fee is all or a portion of the moneys collected by Hawaii's electric utilities from its ratepayers through a demand-side management surcharge that is transferred by order or rule from the Public Utilities Commission to a third-party administrator contracted by the Public Utilities Commission. The public benefits fee shall be used to support clean energy technology, demand response technology, and energy use reduction, and demand-side management infrastructure, programs, and services, subject to the review and approval of the Public Utilities Commission.

By order of the Public Utilities Commission, any loan repayments received by HGIA are paid annually to replenish the Public Benefits Fee. Such payments are done following the allocation and payment, transfer, or other segregation of amounts in the Green Infrastructure Special Fund for the purpose of paying GEMS Program-related administrative and or financing costs until October 26, 2017, when all loan repayments received by HGIA are paid annually to replenish the Public Benefits Fee before payment of GEMS administrative costs. Loan repayments collected during the fiscal year ended June 30, 2024 totaled \$3,957,558.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE H - RETIREMENT PLAN

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the State 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 HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS' website: <https://ers.ehawaii.gov>.

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 general employees 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.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE H - RETIREMENT PLAN (Continued)

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 is 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 dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at 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 surviving dependent children (up to age 18) receive a benefit equal to a percentage of the 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 is 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.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE H - RETIREMENT PLAN (Continued)

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 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 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 12 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 is 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.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE H - RETIREMENT PLAN (Continued)

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 is 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. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

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.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE H - RETIREMENT PLAN (Continued)

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. The contribution rate for fiscal year 2024 was 24.00%. HGIA's contribution requirement as of June 30, 2024 was approximately \$113,900 and was paid entirely during the fiscal year ended June 30, 2024.

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.

Measurement of the actuarial valuation is made for the ERS as a whole and is not separately computed for each participating employer. It is the State's policy to recognize the proportionate share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for only component units and proprietary funds that are reported separately in the State's Annual Comprehensive Financial Report (ACFR). Therefore, the share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for HGIA are not included in the financial statements. The State's ACFR includes the note disclosures and required supplementary information on the State's pension plans.

NOTE I - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the 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. The report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE I - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more 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 less than ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For 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. 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 less than ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those 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.

The State is required to contribute the annual required contribution (ARC) of the employer, an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Measurement of the actuarial valuation and the ARC are made for the State as a whole and are not separately computed for the individual state departments and agencies such as HGIA. The State has only computed the allocation of the other postemployment benefit (OPEB) costs to component units and proprietary funds that are reported separately in the State's ACFR. Therefore, the OPEB costs for HGIA was not available and are not included in the financial statements. The State's ACFR includes the note disclosures and required supplementary information on the State's OPEB plans.

HGIA's contributions made to the plan were approximately \$57,000 for the fiscal year ended June 30, 2024.

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE J - 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 investments of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor.

NOTE K - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately \$18,000 as of June 30, 2024.

Accumulated Sick Leave

Employees earn sick leave at the rate of 14 hours for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a permanent employee of HGIA who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2024 approximated \$145,000.

Program Loans

Commitments to fund program loans totaled approximately \$75.9 million as of June 30, 2024.

NOTE L - RISK MANAGEMENT

Insurance Coverage

Insurance coverage is maintained at the State level. The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Hawaii Green Infrastructure Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RISK MANAGEMENT (Continued)

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of building/asset loss subject to a \$1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is \$200,000,000, except for the terrorism policy, which is \$105,000,000 per occurrence and a \$1,000,000 deductible.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of \$10,000,000 per occurrence with a \$500,000 deductible per occurrence, except for claims expense coverage, which has a \$100,000 limit per occurrence and a \$1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Liability claims up to \$25,000 and automobile claims up to \$25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a \$7,500,000 self-insured retention per occurrence. The annual aggregate per occurrence limit is \$7,500,000.

Losses under the deductible amount or over the limit may be paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of \$50,000,000 with a deductible of \$1,000,000 per claim. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry - Data Security Standard coverage.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$25,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

HGIA is covered by the State's self-insured workers' compensation program for medical expenses of its insured employees. However, temporary wage loss replacement benefits are paid to those employees by HGIA. There were no benefits paid by HGIA for the fiscal year ended June 30, 2024.

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Hawaii Green Infrastructure Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the special revenue fund of the Hawaii Green Infrastructure Authority (HGIA), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise HGIA's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HGIA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HGIA's internal control. Accordingly, we do not express an opinion on the effectiveness of HGIA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HGIA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N&K CPAs, Inc.

Honolulu, Hawaii
December 20, 2024