

**STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT
AND TOURISM
HAWAII GREEN INFRASTRUCTURE BOND FUND**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT**

Fiscal Year Ended June 30, 2021



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**STATE OF HAWAII
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PART I
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Director of the
Department of Business, Economic Development and Tourism
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Hawaii, Department of Business, Economic Development and Tourism, Hawaii Green Infrastructure Bond Fund (Bond Fund), which comprise the balance sheet - governmental fund as of June 30, 2021, and the related statement of revenues, expenditures, and changes in fund balance - governmental fund for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Fund as of June 30, 2021, and 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.

Emphasis of Matter

As discussed in Note A, the financial statements of the Bond Fund are intended to present the financial position and changes in financial position of only that portion of the governmental fund type of the State of Hawaii (State) and the State of Hawaii, Department of Business, Economic Development and Tourism (DBEDT) that are attributable to the transactions of the Bond Fund. They do not purport to, and do not, present fairly the respective financial position of the State or DBEDT as of June 30, 2021, or the respective 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 opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 - 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Bond Fund. The accompanying schedule of cash receipts and cash disbursements and the schedule of reserve account balances are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of cash receipts and cash disbursements and the schedule of reserve account balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of cash receipts and cash disbursements and the schedule of reserve account balances are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021 on our consideration of the Bond Fund'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 the Bond Fund'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 the Bond Fund's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawaii
December 3, 2021

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

The following is management's discussion and analysis of the financial activities and performance of the State of Hawaii, Hawaii Green Infrastructure Bond Fund (Bond Fund) during the fiscal year ended June 30, 2021. Please read it in conjunction with the Bond Fund's financial statements including the related notes to the financial statements.

Financial Highlights

The key fund financial highlights for the fiscal year ended June 30, 2021 are as follows:

- Green infrastructure fee revenue for the fiscal year was approximately \$13,290,000. This is a (0.4%) or (\$59,000) increase from approximately \$13,231,000 for the fiscal year ended June 30, 2020.
- Investments as of June 30, 2021 comprised 91% of the total assets amounting to approximately \$8,658,000, as well as 91% of the total assets amounting to approximately \$8,665,000 as of June 30, 2020.
- The Bond Fund's liabilities reported in the balance sheet - governmental fund as of June 30, 2021 was approximately \$6,801,000, an increase of approximately \$168,000 or (2.5%) from approximately \$6,633,000 as of June 30, 2020.

Overview of the Governmental Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The financial statements of the Bond Fund, a governmental debt service fund type, consist of (1) the balance sheet - governmental fund, (2) the statement of revenues, expenditures, and changes in fund balance - governmental fund and (3) the accompanying notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

- The balance sheet - governmental fund provides information about the Bond Fund's current financial resources at the end of the fiscal year.
- The statement of revenues, expenditures, and changes in fund balance - governmental fund presents information about the inflows, outflows, and balances of current financial resources over the fiscal year. For the debt service fund, payments of bond principal and bond interest are recognized as expenditures when due within several days after the balance sheet date. The payment dates for the Bond Fund are July 1 and January 1 of each year.

The Bond Fund's financial 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 financial statements.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2021

Financial Analysis

As of June 30, 2021 and 2020, total assets exceeded liabilities and deferred inflows of resources resulting in a fund balance of approximately \$2,042,000 and \$2,049,000, respectively. A positive fund balance indicates that enough green infrastructure fees have been collected to ensure payment of the debt service on the payment date.

The Bond Fund continues to operate as required by the bond documents. More detailed information about the Bond Fund's long-term debt is presented in Note E to the financial statements.

The Bond Fund's assets, liabilities, deferred inflows of resources, and fund balance at June 30, 2021 and 2020 are summarized below:

Exhibit A-1
Condensed Balance Sheets - Governmental Fund
June 30,

	2021		2021 - 2020	
	2021	2020	Increase (decrease)	Percentage change
Assets:				
Noncapital assets	\$ 9,537,243	\$ 9,533,898	\$ 3,345	0.04%
Total assets	<u>\$ 9,537,243</u>	<u>\$ 9,533,898</u>	<u>\$ 3,345</u>	<u>0.04%</u>
Liabilities:				
Current	\$ 6,800,648	\$ 6,633,327	\$ 167,321	2.46%
Total liabilities	<u>6,800,648</u>	<u>6,633,327</u>	<u>167,321</u>	<u>2.46%</u>
Deferred inflows of resources	<u>694,734</u>	<u>851,992</u>	<u>(157,258)</u>	
Fund balance:				
Restricted for Hawaii green infrastructure bond	<u>2,041,861</u>	<u>2,048,579</u>	<u>(6,718)</u>	<u>-0.33%</u>
Total fund balance	<u>2,041,861</u>	<u>2,048,579</u>	<u>(6,718)</u>	<u>-0.33%</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,537,243</u>	<u>\$ 9,533,898</u>	<u>\$ 3,345</u>	<u>0.04%</u>

Analysis of Fund Balance

Total assets of approximately \$9,537,000 increased by approximately \$3,000 during the fiscal year ended June 30, 2021 due to a \$10,000 increase in Service Provider receivable, offset by a \$7,000 decrease of the cash and cash equivalents.

Total liabilities of approximately \$6,801,000 increased by approximately \$168,000 during the fiscal year ended June 30, 2021 and consisted primarily of the green infrastructure fee remittance excess payable of \$184,100, up by \$167,300 from the previous year.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
June 30, 2020

Fund balance as of June 30, 2021 of approximately \$2,042,000 decreased by approximately \$7,000 due to the excess of expenditures over revenues during the fiscal year.

Change in Fund Balance

Exhibit A-2

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund
Fiscal Years Ended June 30,

			2021 - 2020		Percentage change
	2021	2020	Increase (decrease)		
Revenues					
Green infrastructure fees	\$ 13,289,585	\$ 13,230,529	\$ 59,056		0.44%
Investment income	<u>1,089</u>	<u>75,314</u>	<u>(74,225)</u>		-6815.89%
Total	<u>13,290,674</u>	<u>13,305,843</u>	<u>(15,169)</u>		-0.11%
Expenditures					
Hawaii green infrastructure bond	<u>13,297,392</u>	<u>13,322,349</u>	<u>(24,957)</u>		-0.19%
Net change in fund balance	<u>\$ (6,718)</u>	<u>\$ (16,506)</u>	<u>\$ 9,788</u>		-145.70%

Analysis of Change in Fund Balance

Green infrastructure fees were approximately \$13,290,000, which increased by approximately \$59,000 during the fiscal year.

Investment income of approximately \$1,000, which decreased by approximately \$74,000, consisted primarily of interest income earned from the Bond Fund's cash and cash equivalents. The significant decrease in investment income is the result of the low interest rate environment caused by the pandemic.

Total expenditures of approximately \$13,297,000 consisted primarily of debt service payments of approximately \$13,209,000.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of the Department of Business, Economic Development and Tourism, State of Hawaii, 250 South Hotel Street, Honolulu, Hawaii 96813.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2021

ASSETS

Investments	
General subaccount	\$ 7,867,169
Debt service reserve subaccount	750,038
Surplus subaccount	<u>41,199</u>
	<u>8,658,406</u>
Green infrastructure fee receivables	<u>878,837</u>
Total assets	\$ 9,537,243

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Liabilities	
Accrued liabilities	\$ 11,813
Current maturities of debt	5,106,459
Current interest due on debt	1,498,274
Green infrastructure fee remittance excess payable	<u>184,102</u>
Total liabilities	<u>6,800,648</u>
Deferred inflows of resources	
Unavailable revenues	<u>694,734</u>
Fund balance	
Restricted for Hawaii green infrastructure bond	<u>2,041,861</u>
Total fund balance	<u>2,041,861</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ 9,537,243

See accompanying notes to the financial statements.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Fiscal Year Ended June 30, 2021

REVENUES

Green infrastructure fees	\$ 13,289,585
Interest and other investment income	1,089
Total revenues	<u>13,290,674</u>

EXPENDITURES

Ongoing financing costs	
Rating agency fees	50,750
Department legal, consulting and accounting fees	29,805
Service provider accounting and wire fees	6,170
Trustee fees	<u>1,200</u>
Total ongoing financing costs	87,925
Debt service	
Principal	10,131,463
Interest	<u>3,078,004</u>
Total expenditures	<u>13,297,392</u>

NET CHANGE IN FUND BALANCE (6,718)

FUND BALANCE AT JULY 1, 2020 2,048,579

FUND BALANCE AT JUNE 30, 2021 **\$** 2,041,861

See accompanying notes to the financial statements.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A - FINANCIAL REPORTING ENTITY

The Hawaii Green Infrastructure Bond Fund (Bond Fund) was created by Act 211, Session Laws of Hawaii 2013. It is administered by the State of Hawaii, Department of Business, Economic Development and Tourism (DBEDT). The Bond Fund receives all proceeds of the Green Infrastructure Fees and all other proceeds of the Green Infrastructure Property. Funds are used to pay all principal and interest on bonds and ongoing financing costs of the Hawaii green infrastructure loan program administered by the Hawaii Green Infrastructure Authority.

The financial statements of the Bond Fund are intended to present the financial position and changes in financial position of only that portion of the governmental fund type of the State of Hawaii (State) and DBEDT that are attributable to the transactions of the Bond Fund. They do not purport to, and do not, present fairly the respective financial position of the State or DBEDT as of June 30, 2021, or the respective 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 the Bond Fund's financial activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bond Fund 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) *Measurement Focus and Basis of Accounting*

For financial reporting purposes, the Bond Fund is considered a debt service fund that is a governmental fund type. Governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet - governmental fund. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net financial resources.

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 fiscal year-end).

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 fiscal year-end to liquidate liabilities existing at the end of the fiscal year.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are generally recorded when a liability is incurred. However, debt service expenditures are recognized only when payment is due or in the debt service fund when due within several days after the balance sheet date and the resources for payment have been provided in the fund.

- (2) **Investments** - Investments are held in a money market fund and are reported at fair value.
- (3) **Fund Balance** - Fund balance is classified using a hierarchy based on the extent to which DBEDT 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 laws or regulations by 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 management for specific purposes, but are neither restricted nor committed.

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

The Bond Fund has only a restricted fund balance.

- (4) **Green Infrastructure Fees** - Fees are imposed on all electric utility customers of certain electric service companies based on projected collections to ensure the timely payment of principal and interest of the Green Energy Market Securitization Bonds and all related ongoing financing costs. Periodic true-up adjustments made for the differences between projected and actual collections are determined as needed and are reflected in subsequent collections. Fees are recognized as revenue when collected and deposited in a trust account.
- (5) **Debt Service** - Payment of principal and interest to the bondholders is recognized as an expenditure when due within several days after the balance sheet date, and the resources for payment have been provided in the fund.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (6) **Deferred Inflows of Resources** - In addition to liabilities, the balance sheet - governmental fund will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 Bond Fund has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported on the balance sheet - governmental fund. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- (7) **Use of Estimates** - The preparation of the financial statements in accordance 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 expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - INVESTMENTS

The Bond Fund does not have an investment policy related to interest rate risk and credit risk.

- (1) **Interest Rate Risk** - As a practice, funds are invested in short-term, high-quality investments. Investments in a money market fund totaled \$8,658,406 and the weighted average maturity was less than one year as of June 30, 2021.
- (2) **Credit Risk** - All investments are held in a money market fund. As of June 30, 2021, the money market fund is rated AAA by Standard & Poor's.
- (3) **Custodial Credit Risk and Concentration of Credit Risk** - Because all investments are held in a money market fund, there is no custodial credit risk or concentration of credit risk. All investments, totaling approximately \$8.7 million as of June 30, 2021, are held in a money market fund that is measured at the net asset value. The fund pursues a high level of current income consistent with preservation of principal and liquidity. The fund normally invests in cash, U.S. Government Securities and/or repurchase agreements that are collateralized fully. There are no unfunded commitments as of June 30, 2021. The maximum redemption notice is five business days.

NOTE D - DEBT SERVICE RESERVE ACCOUNT

A portion of the fund balance is set aside for a debt service reserve as required by the bond indenture. The reserve amounted to approximately \$750,000 as of June 30, 2021.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E - GREEN INFRASTRUCTURE FEE AND GREEN INFRASTRUCTURE PROPERTY

In November 2014, the State of Hawaii, Department of Business, Economic Development and Tourism issued \$150 million in Green Energy Market Securitization Bonds, 2014 Series A (Taxable), hereinafter referred to as "Bonds", as follows:

Tranche	Principal Amount Offered	Expected Weighted Average Life (years)	Scheduled Final Payment Date	Final Maturity Date	No. of Scheduled Semi-Annual Principal Payments	Interest Rate
A-1	\$ 50,000,000	3.05	July 1, 2020	July 1, 2022	11	1.467%
A-2	\$ 100,000,000	10.21	January 1, 2029	January 1, 2031	18	3.242%

The State designated the Bonds as "Green Bonds" based on the intended use of the proceeds of the Bonds for the financing of environmentally beneficial projects.

The Bonds are special and limited obligations of the State payable from and secured by a pledge of Green Infrastructure Fees 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 nonbypassable fee on all electric service 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, nor is a charge upon the general fund of the State and the full faith and credit of the State is pledged for the payment of principal and interest on the Bonds.

The Green Infrastructure Fee is property of the State, and is collected by the Service Providers, as collection agents for the State, and is remitted daily to U.S. Bank National Association (the "Trustee"). The Green Infrastructure Fee is subject to mandatory adjustment, not less often than semi-annually, and more often as authorized to ensure that the estimated amount of Green Infrastructure Fee projected to be collected will be sufficient to pay the Bonds in accordance with their scheduled maturities, together with related ongoing financing costs. There is no cap on the size of the Green Infrastructure Fee per customer, which must be imposed and collected until the Bonds are paid in full.

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, which is administered by the Hawaii Green Infrastructure Authority. 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.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E - GREEN INFRASTRUCTURE FEE AND GREEN INFRASTRUCTURE PROPERTY
(Continued)

The Green Infrastructure Fee for the fiscal year ended June 30, 2021 amounted to approximately \$13,290,000.

The Bonds are not subject to optional redemption prior to maturity.

In the event of default, the Trustee or bondholders of a majority in principal amount of bonds then outstanding may declare the unpaid principal balance of the bonds, together with accrued interest thereon, to be immediately due and payable. However, payment of principal upon an acceleration of the bonds will be made only as funds become available in the Collection Account, which balance is comprised of the Green Infrastructure Fee collected that have not been used for debt service payments and related ongoing financing costs. Because the true-up mechanism was not designed to respond to an acceleration of bonds, it is unlikely that aggregate payments to bondholders would be received on an accelerated basis following an acceleration of the bonds.

Debt service requirements to maturity for the Bond Fund are as follows:

Payment Date	Principal	Interest	Total
7/1/2021	\$ 5,106,459	\$ 1,498,274	\$ 6,604,733
1/1/2022	5,189,235	1,415,498	6,604,733
7/1/2022 - 6/30/2023	10,632,185	2,577,281	13,209,466
7/1/2023 - 6/30/2024	10,979,675	2,229,791	13,209,466
7/1/2024 - 6/30/2025	11,338,520	1,870,946	13,209,466
7/1/2025 - 6/30/2029	49,182,929	3,654,934	52,837,863
Total	\$ 92,429,003	\$ 13,246,724	\$ 105,675,727

NOTE F - COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus disease (COVID-19) as a pandemic, which has led to an economic downturn on a global scale that has created significant uncertainty, volatility, and disruption across economies and financial markets. The pandemic has also resulted in federal, state, and local governments and private entities mandating various restrictions, including travel and business restrictions, temporary closures of nonessential businesses, and wide-sweeping quarantines and stay-at-home orders. While the disruption caused by COVID-19 remains, there continues to be uncertainty around the duration and severity of this pandemic. However, the debt service on the bonds are paid through daily remittances of Green Infrastructure Fees that are calculated based on the amounts the Service Providers bill their customers, not the amount they collect from customers. The related financial impact on the Bond Fund's financial statements cannot be reasonably determined at this time.

SUPPLEMENTARY INFORMATION

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
Fiscal Year Ended June 30, 2021

		Collection Account			
		General Subaccount		Debt Service Reserve Subaccount	Surplus Subaccount
		Total	Subaccount	Subaccount	Subaccount
CASH RECEIPTS					
Green infrastructure fees	\$ 13,306,367	\$ 13,306,367	\$ --	\$ --	\$ --
Less: Green infrastructure fee remittance reimbursement	(16,782)	(16,782)	--	--	--
Net green infrastructure fees	13,289,585	13,289,585	--	--	--
Interest and other investment income	1,089	930	151	8	
Transfers from other accounts	3,615	--	--		3,615
Total net cash receipts	<u>13,294,289</u>	<u>13,290,515</u>	<u>151</u>		<u>3,623</u>
CASH DISBURSEMENTS					
Ongoing financing costs					
Rating agency fees	50,750	50,750	--	--	--
Department legal, consulting and accounting fees	29,805	29,805	--	--	--
Service provider accounting and wire fees	6,170	6,170	--	--	--
Trustee fees	1,200	1,200	--	--	--
Total ongoing financing costs	87,925	87,925	--	--	--
Debt service payments	13,209,467	13,209,467	--	--	--
Transfers to other accounts	3,615	--	3,615		--
Total cash disbursements	<u>13,301,007</u>	<u>13,297,392</u>	<u>3,615</u>		<u>--</u>
(Deficiency) excess of cash receipts over cash disbursements	(6,718)	(6,877)	(3,464)		3,623
INVESTMENTS, JULY 1, 2020	<u>8,665,124</u>	<u>7,874,046</u>	<u>753,502</u>		<u>37,576</u>
INVESTMENTS, JUNE 30, 2021	\$ <u>8,658,406</u>	\$ <u>7,867,169</u>	\$ <u>750,038</u>		\$ <u>41,199</u>

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
SCHEDULE OF RESERVE ACCOUNT BALANCES
June 30, 2021

	<u>Amount</u>
Debt service reserve subaccount balance	\$ <u>750,038</u>
Initial bond principal amount	\$ 150,000,000
Required debt service reserve subaccount percentage size	0.5%
Required debt service reserve subaccount level	\$ <u>750,000</u>
Debt service reserve subaccount balance in excess of minimum requirement	\$ <u>38</u>

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**

To the Director of the
Department of Business, Economic Development and Tourism
State of Hawaii

We have audited, in accordance with the 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, the financial statements of the State of Hawaii, Department of Business, Economic Development and Tourism, Hawaii Green Infrastructure Bond Fund (Bond Fund), which comprise the balance sheet - governmental fund as of June 30, 2021, and the related statement of revenues, expenditures, and changes in fund balance - governmental fund for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bond Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund'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 3, 2021