

Office of the Auditor
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Jan K. Yamane
Acting State Auditor
State of Hawai'i

Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Financial Audit of the Department of Hawaiian Home Lands

Financial Statements, Fiscal Year Ended June 30, 2012

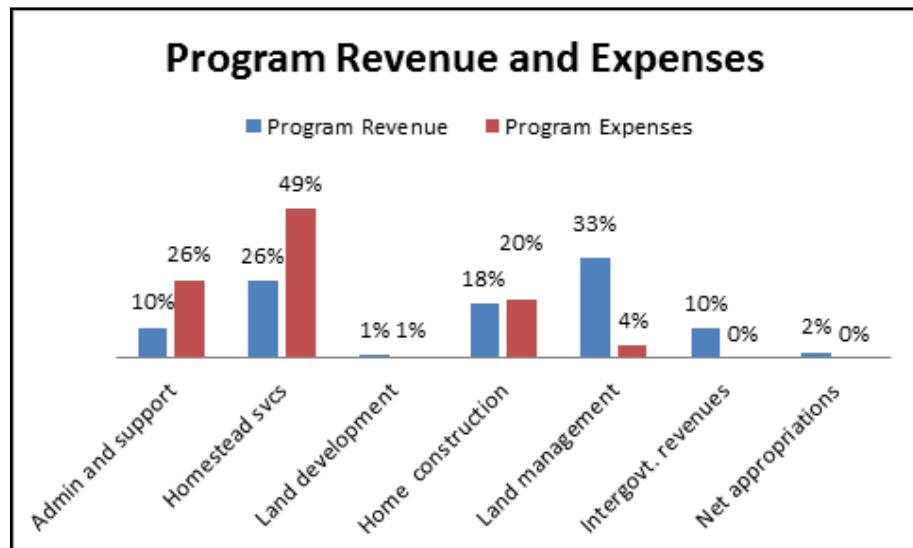
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Hawaiian Home Lands (DHHL) as of and for the fiscal year ended June 30, 2012, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.

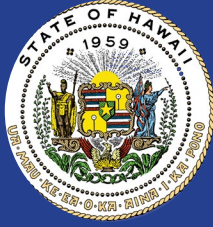
About the Department

The Department of Hawaiian Home Lands' mission is to manage the Hawaiian home lands trust effectively and to develop and deliver lands to native Hawaiians, the beneficiaries of the trust. The department partners with others towards the development of self-sufficient and healthy communities. The land trust consists of over 200,000 acres on the islands of Hawai'i, Maui, Moloka'i, Lāna'i, O'ahu, and Kaua'i. Beneficiaries may receive 99-year homestead leases at \$1 per year for residential, agricultural, or pastoral purposes, and may be extended for an aggregate term not to exceed 199 years. Beneficiaries may also receive financial assistance through direct loans, insured loans, or loan guarantees for home construction, home replacement or repair.

Financial Highlights

For the fiscal year ended June 30, 2012, the department's total expenditures exceeded total revenues (before transfers) by \$16.7 million. Total revenues were \$39.4 million (program revenue of \$38 million and State appropriations of \$1 million) before transfers, and expenses totaled \$56.1 million. The department also received a transfer of \$30 million as part of its annual settlement payment with the State of Hawai'i. Approximately 15.5 percent of the department's program revenues of \$38 million came from interest income, 19.2 percent from home sales, 10.1 percent from grants and contributions, 34.2 percent from the general lease program, and 21 percent from other sources.





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Auditors' Opinions

Financial Statements: +
Unmodified opinion

Federal Compliance: +
Unmodified opinion

Issues of Concern

Material Weaknesses

0

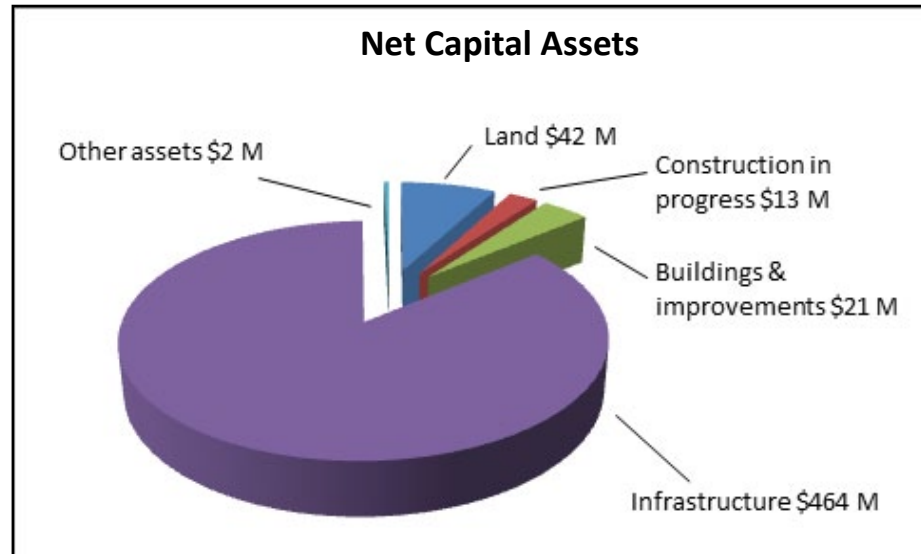
Significant Deficiencies

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Total assets of the department exceeded total liabilities by \$730 million. Total assets was \$850 million and total liabilities was \$120 million. Total assets was comprised of net capital assets of \$542 million, cash of \$212 million, and loan receivables and other assets of \$96 million. Loan receivables net of allowance for losses of \$13 million totaled \$74 million. Loan receivables consist of 1,400 loans made to native Hawaiian lessees for the purposes specified in the Hawaiian Home Commission Act. Loans are for a maximum amount of approximately \$390,000 and for a maximum term of 30 years.

Total liabilities was comprised of long-term debt outstanding of \$76 million, and temporary deposits payable and other liabilities of \$44 million.



Auditors' Opinions

The department received an unmodified opinion that the basic financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. There were no findings that were considered material weaknesses or significant deficiencies.

For the complete report, visit our website at:
http://files.hawaii.gov/auditor/Reports/2012_Audit/DHHL2012.pdf