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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 Transportation, Harbors Division

Financial Statements, Fiscal Year Ended June 30, 2013

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 Transportation, Harbors Division (DOT-Harbors) as of and for the fiscal year ended June 30, 2013, 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 Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC.

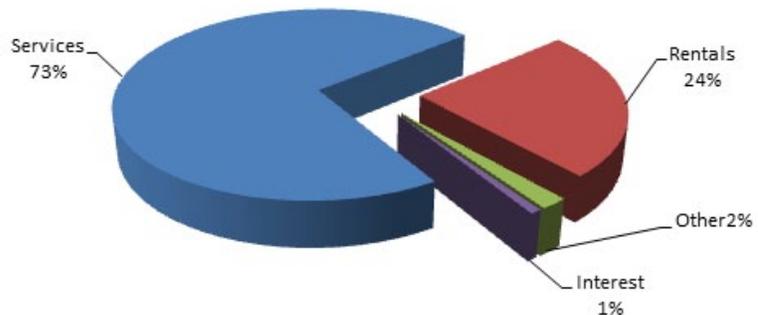
About the Division

DOT-Harbors is responsible for the statewide system of commercial harbors, consisting of ten harbors on six islands. The system plays a vital role in Hawai'i's economy as the ports serve as the primary means for goods to enter and exit the state. Hawai'i imports approximately 80 percent of what it consumes, the majority of which enters the state through the commercial harbors system. DOT-Harbors imposes and collects rates and charges for use of the harbors system to generate revenues to fund operating expenses. Capital improvements are funded by DOT-Harbors' revenues and the issuance of harbor system revenue bonds.

Financial Highlights

For fiscal year ended June 30, 2013, DOT-Harbors reported total revenues of approximately \$113.5 million and total expenses of \$90.5 million. Total revenues consisted of \$82.6 million in services, \$28 million in rentals, \$2.1 million in other revenues, and \$847,000 in interest income. The division also reported a \$1.1 million net increase in the fair value of investments, recognized \$4.1 million in capital contributions, and transferred \$610,000 to other funds. As a result, DOT-Harbors' net position increased by nearly \$27.6 million in FY2013.

Sources of Revenues



Expenses consisted of \$22.7 million in depreciation, \$18.2 million for harbor operations, \$16.2 million for personnel, \$20.6 million in interest and bond costs, and \$12.8 million in administrative and other costs.



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Auditors' Opinions

Financial Statements: **Unmodified opinion** +

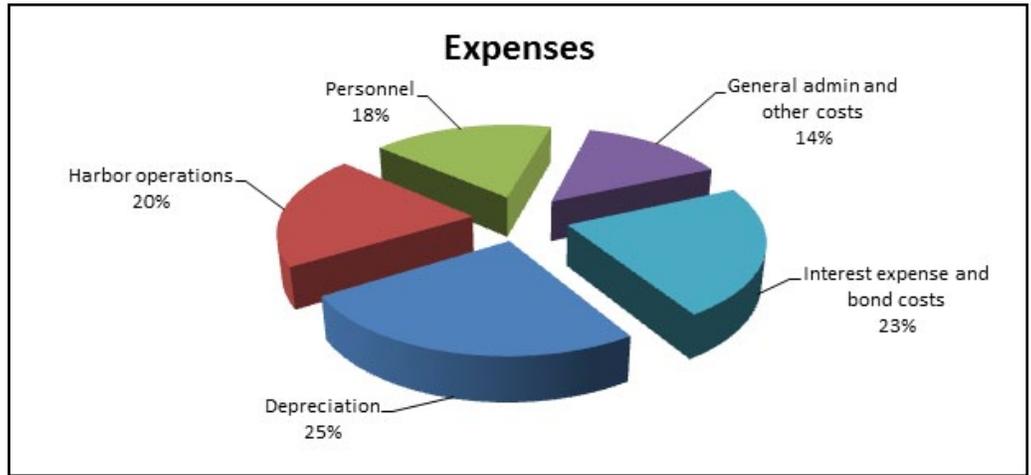
Federal Compliance: **Unmodified opinion** +

Issues of Concern

Material Weaknesses
 0

Significant Deficiencies
 2

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<http://auditor.hawaii.gov/>



At June 30, 2013, DOT–Harbors’ net position (total assets less total liabilities) totaled \$714.3 million. Of this amount, \$103.3 million was unrestricted and available to meet ongoing expenses and obligations. The largest portion of the division’s net position is its net investment in capital assets, in the amount of \$517.4 million, which represents amounts invested in capital assets (such as land improvements, wharves, buildings and equipment) less related indebtedness outstanding to acquire those capital assets. The remaining portions of the division’s net position are restricted for revenue bond requirements in the amount of \$33.6 million and restricted for capital projects in the amount of \$60 million.

Auditors' Opinions

DOT–Harbors received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The division 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*. However, the auditors reported two findings that were considered to be significant deficiencies in internal controls over compliance:

- Did not retain evidence documenting the submission of certain required reports in relation to a port security grant program.
- Did not consistently provide status reports on a quarterly basis to the State Civil Defense in accordance with a memorandum of agreement, and the auditors were unable to obtain evidence of the status reports that were submitted.

For further details on the findings, including the department’s corrective action plan, visit our website at: http://files.hawaii.gov/auditor/Reports/2013_Audit/DOT_Harbors_FS2013.pdf