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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, 2015

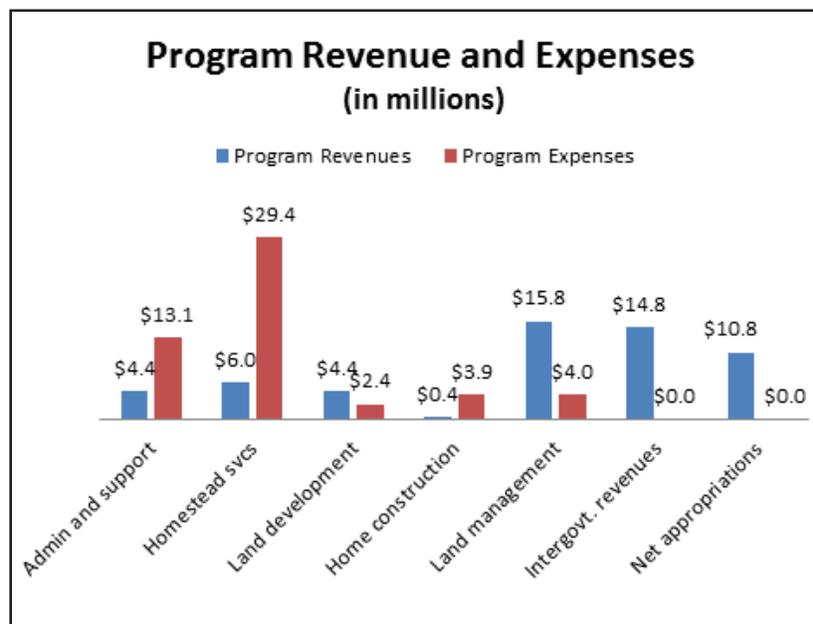
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Hawaiian Home Lands (DHHL), as of and for the fiscal year ended June 30, 2015, and to comply with the requirements of federal OMB Circular A-133, which established 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 administers about 200,000 acres of public lands set aside for agricultural and pastoral use to be leased to native Hawaiians, upon which they may live, farm, ranch, and engage in commercial or other activities. The department, led by a nine-member commission, must provide financial and technical assistance to native Hawaiians (those with at least 50 percent Hawaiian blood), which enables them to enhance their economic self-sufficiency and promote community-based development. According to the *Hawaiian Homes Commission Act of 1920*, by doing this, the traditions, culture, and quality of life of native Hawaiians will be self-sustaining.

Financial Highlights

For the fiscal year ended June 30, 2015, the department's total revenues exceeded total expenditures (before transfers) by \$3.8 million. Total revenue was \$56.6 million (program revenue of \$45.8 million and State appropriations of \$10.8 million) before transfers, and expenses totaled \$52.8 million. The department also received a transfer of \$29.4 million as part of its annual settlement payment with the State of Hawai'i. Approximately 21.8 percent of the department's program revenues of \$45.8 million came from interest income, 10.5 percent from home sales and land development, 32.3 percent from grants and contributions, 34.5 percent from the general lease program, and 0.9 percent from other sources.





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Auditors' Opinions

Financial Statements: **+**
 Unmodified opinion

Federal Compliance: **+**
 Unmodified opinion

Issues of Concern

Material Weaknesses

0

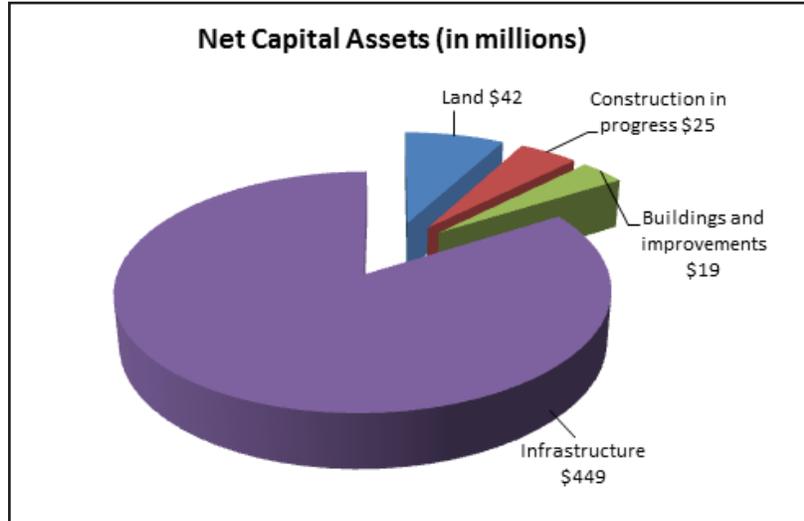
Significant Deficiencies

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

Total assets of the department exceeded total liabilities by \$802 million. Total assets were \$937 million and total liabilities were \$135 million. Total assets were comprised of net capital assets of \$535 million, cash of \$272 million, and loans receivable and other assets of \$130 million. Loans receivable consisted of 1,300 loans made to native Hawaiian lessees for the purposes specified in the *Hawaiian Homes Commission Act*. Loans are for a maximum amount of approximately \$361,000 and for a maximum term of 40 years.

Total liabilities were comprised of notes, bonds, and capital lease obligations totaling \$68 million, and temporary deposits payable and other liabilities of \$67 million.



Auditors' Opinions

The department received an unmodified opinion that the 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 in internal control over compliance.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2015_Audit/DHHL2015.pdf