

Auditor's Summary

Financial Audit of the Department of Education

Financial Statements, Fiscal Year Ended June 30, 2016



PHOTO: OFFICE OF THE AUDITOR

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 Education (DOE), as of and for the fiscal year ended June 30, 2016, and to comply with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs, Inc.

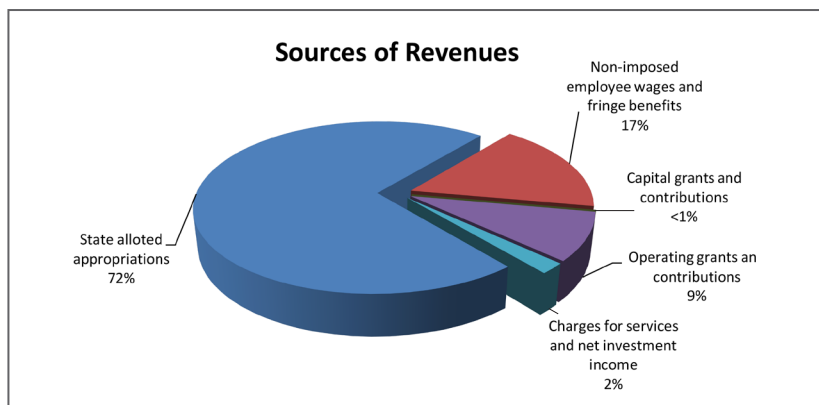
About the Department

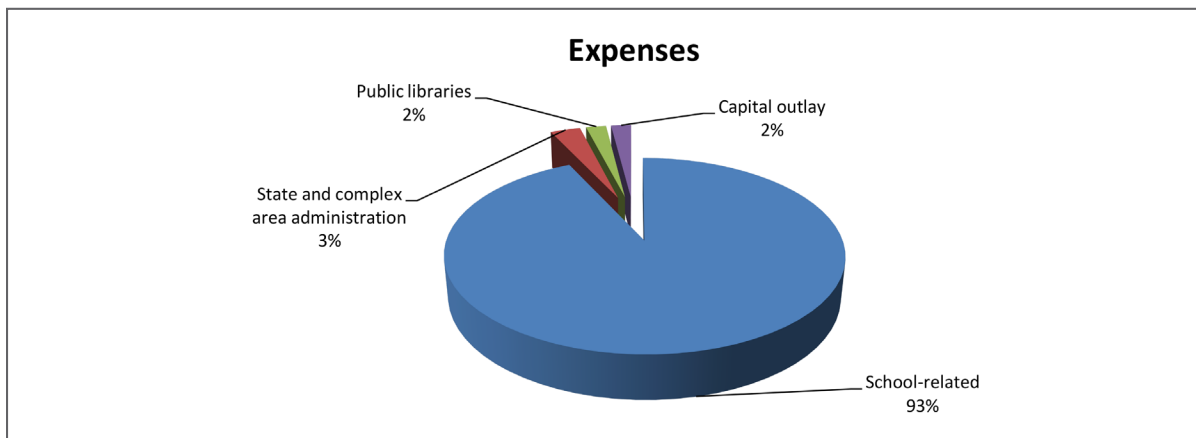
DOE administers the statewide system of public schools and public libraries. DOE is also responsible for administering state laws regarding regulation of private school operations through a program of inspection and licensing and the professional certification of all teachers for every academic and non-college type of school. Federal grants received to support public school and public library programs are administered by DOE on a statewide basis.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2016, DOE reported total revenues of \$3.10 billion and total expenditures and net transfer of \$2.68 billion, resulting in an increase in net position of \$418 million.

Sources of revenues included \$2.22 billion in state general fund appropriations, \$539 million in non-imposed employee wages and fringe benefits, \$265 million in operating grants and contributions, \$8 million in capital grants and contributions, and \$63 million in charges for services and net investment income.





Expenses consisted of \$2.50 billion for school-related costs, \$68 million for state and school complex area administration, \$47 million for public libraries, and \$66 million for capital outlay.

As of June 30, 2016, DOE's total assets exceeded total liabilities by \$2.23 billion. Of this amount, approximately \$670 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets of \$2.66 billion were comprised of cash of \$1.06 billion, receivables of \$41 million, and net capital assets of \$1.56 billion. Liabilities totaled \$424 million.

Auditors' Opinions

DOE RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOE received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal controls over financial reporting that were considered to be material weaknesses and required to be reported under *Government Auditing Standards*. However, the auditors identified two deficiencies in internal controls over financial reporting that are considered significant deficiencies:

- Complete and timely information was not provided for proper accounting of completed construction projects.
- The Schedule of Expenditure of Federal Awards did not initially report the amount of awards to subrecipients for the 21st Century Community Learning Centers program.

THERE WERE NO FINDINGS that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2016_Audit/DOE2016.pdf