
Auditor's Summary

Financial and Compliance Audit of the Department of Hawaiian Home Lands

Financial Statements, Fiscal Year Ended June 30, 2017



***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, 2017, and to comply with the requirements of Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity, LLP.*

About the Department

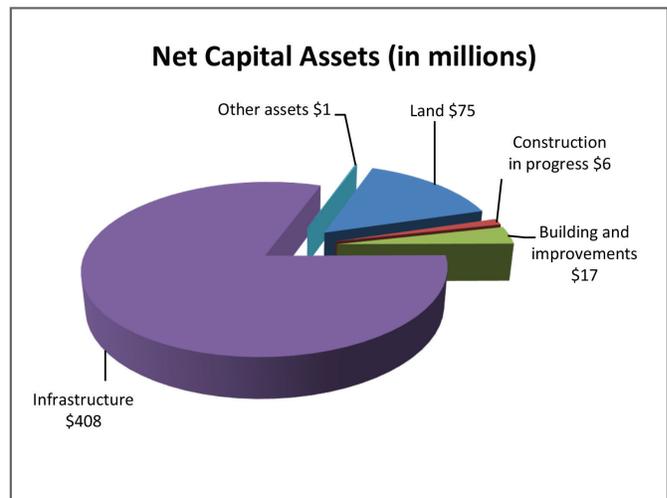
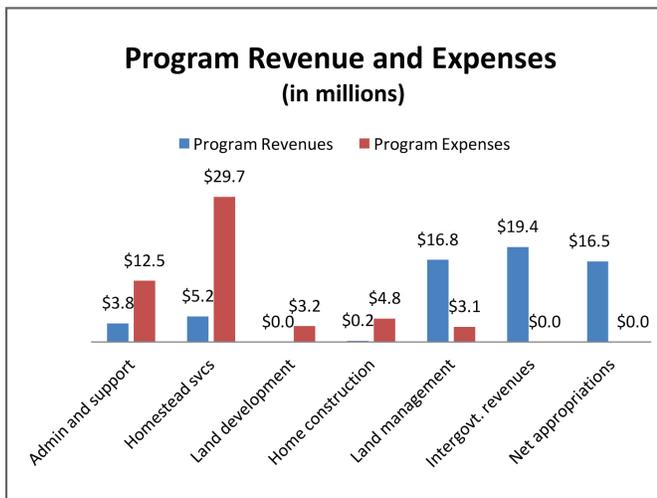
DHHL IS HEADED by the Hawaiian Homes Commission. DHHL was established by Section 24 of Act 1 (Second Special Session Laws of Hawaii 1959) (the Hawai'i State Government Reorganization Act of 1959) and is responsible for the administration of the Hawaiian Homes Commission Act of 1920 enacted by the United States Congress. The Hawaiian Homes Commission Act sets aside certain public lands as Hawaiian home lands to be utilized in the rehabilitation of native Hawaiians.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2017, DHHL's total revenues exceeded total expenditures by \$8.6 million. Total revenues were \$61.9 million (program revenue of \$45.4 million and State appropriations and transfers of \$16.5 million), and expenses totaled \$53.3 million. Approximately 19 percent of program revenues of \$45.4 million came from interest income, 42.7 percent from grants and contributions, 37 percent from the general lease program, and 1.3 percent from other sources.

As of June 30, 2017, total assets of \$947 million exceeded total liabilities of \$123 million, resulting in a net position balance of \$824 million. Total assets included net capital assets of \$507 million, equity in cash of \$298 million, and loans receivable and other assets of \$142 million. Loans receivable consisted of 1,317 loans made to native Hawaiian lessees for the purposes specified in the Hawaiian Homes Commission Act. Loans are for a maximum amount of approximately \$354,000 and for a maximum term of 30 years.

Total liabilities included notes, bonds, and capital lease obligations totaling \$61 million, and temporary deposits payable and other liabilities of \$62 million.



Auditors' Opinions

DHHL RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DHHL also 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 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 in accordance with the *Uniform Guidance*. However, there was one other matter that was required to be reported under the *Uniform Guidance*, as follows:

There was one instance where DHHL did not comply with the earmarking requirement set forth by the Native Hawaiian Block Grant agreement.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2017_Audit/DHHL2017.pdf