

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, 2013

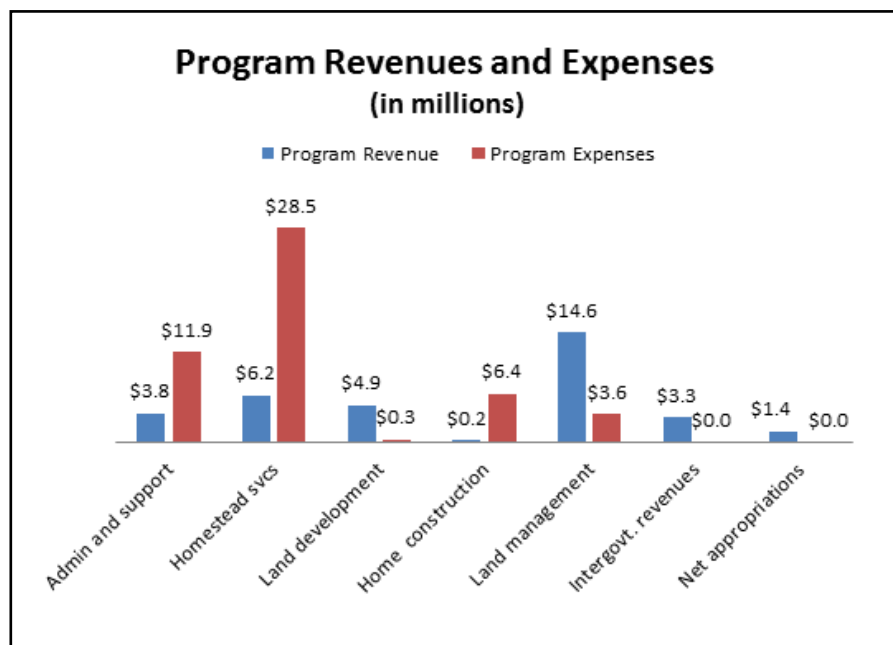
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Hawaiian Home Lands (DHHL) as of and for the fiscal year ended June 30, 2013, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity, LLP.

About the Department

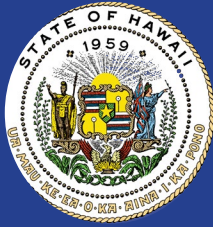
The Department of Hawaiian Home Lands' mission is to manage the Hawaiian Home Lands Trust effectively and to develop and deliver lands to native Hawaiians, the beneficiaries of the trust. The department partners with others towards the development of self-sufficient and healthy communities. The land trust consists of more than 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 fiscal year ended June 30, 2013, the department's total expenditures exceeded total revenues (before transfers) by \$16.3 million. Total revenues were \$34.4 million (program revenues of \$33 million and State appropriations of \$1.4 million) before transfers, and expenses totaled \$50.7 million. The department also received a transfer of \$30 million as part of its annual settlement payment with the State of Hawai'i. Approximately 29 percent of the department's program revenues of \$34.4 million came from interest income, 16 percent from home sales and land development, 10 percent from grants and contributions, 44 percent from the general lease program, and 1 percent from other sources.



Total assets of the department exceeded total liabilities by \$744 million. Total assets were \$866 million and total liabilities were \$122 million. Total assets were comprised of net capital assets



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Auditors' Opinion

Financial Statements: **Unmodified opinion** +

Federal Compliance: **Unmodified opinion** +

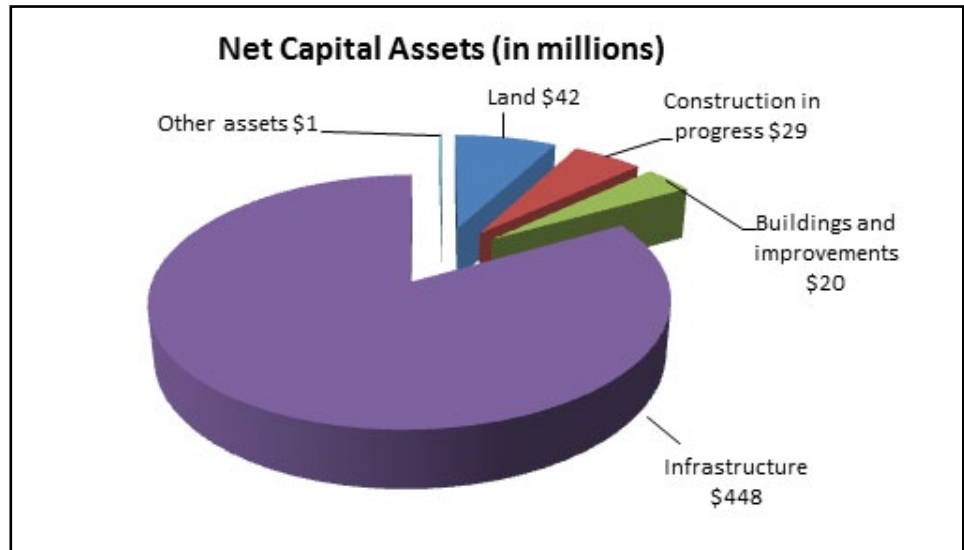
Issues of Concern

Material Weaknesses
 0
Significant Deficiencies
 0

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of \$540 million, cash of \$230 million, and loans receivable and other assets of \$96 million. Loans receivable consisted of 1,400 loans made to native Hawaiian lessees for the purposes specified in the Hawaiian Homes Commission Act. Loans are for a maximum amount of approximately \$397,000 and for a maximum term of 30 years.

Total liabilities were comprised of notes, bonds, and capital lease obligations totaling \$76 million, and temporary deposits payable and other liabilities of \$46 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/2013_Audit/DHHL2013.pdf