

Auditor's Summary

Financial Audit of the Department of Land and Natural Resources

Financial Statements, Fiscal Year Ended June 30, 2017



PHOTO: DEPARTMENT OF LAND AND NATURAL RESOURCES

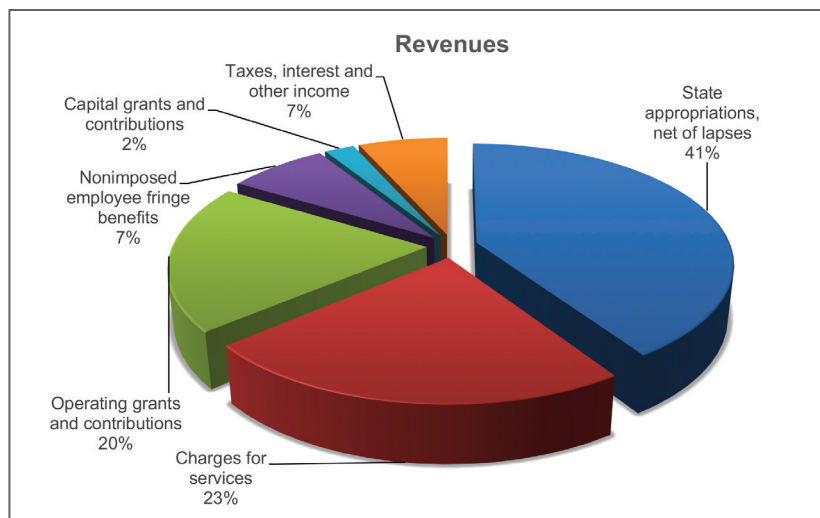
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Land and Natural Resources (DLNR), as of and for the fiscal year ended June 30, 2017. The audit was conducted by N&K CPAs, Inc.

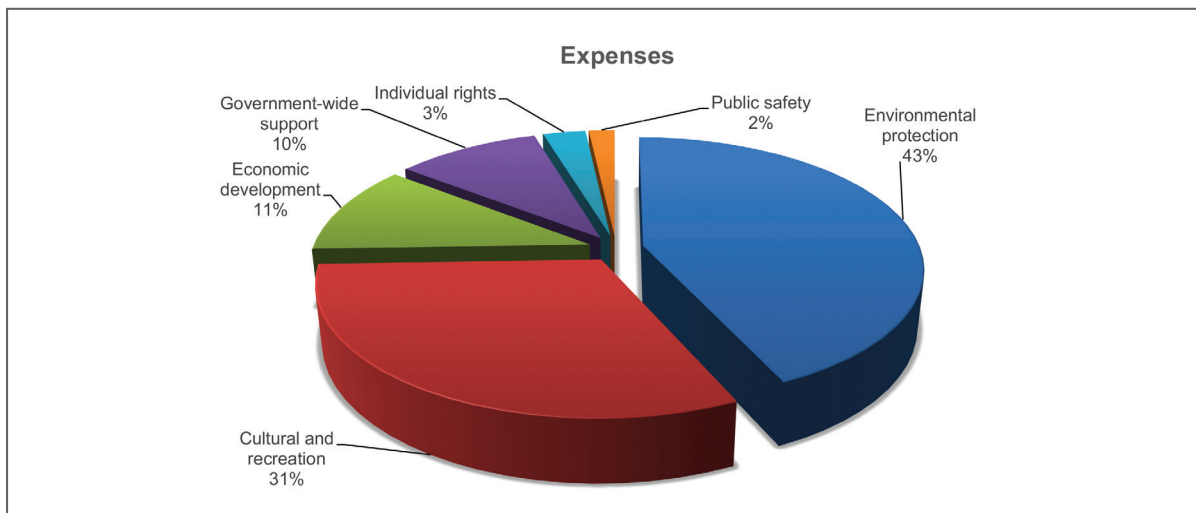
About the Department

DLNR manages, administers, and exercises control over public lands, water resources, minerals, and all other interests therein and exercises such powers of disposition as authorized by law. DLNR also manages and administers the State's parks, historical sites, forests, forest reserves, fisheries, wildlife sanctuaries, game management areas, public hunting areas, and natural area reserves. DLNR is headed by the Board of Land and Natural Resources.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2017, DLNR reported total revenues of \$177 million and total expenses and transfers of \$193.3 million, resulting in a decrease in net position of \$16.3 million. Revenues consisted of \$72 million from State appropriations, net of lapses, \$41 million from charges for services, \$35.1 million from operating grants and contributions, \$13.2 million from nonimposed employee fringe benefits, \$3.9 million from capital grants, and \$11.8 million from taxes, interest, and other income.





Total expenses and transfers of \$193.3 million consisted of \$81.9 million for environmental protection, \$59.3 million for cultural and recreation, \$20.9 for economic development, \$18.6 million for government-wide support, \$5.5 million for individual rights, and \$3.4 million for public safety. Total transfer to others amounted to \$3.7 million.

As of June 30, 2017, total assets of \$799 million exceeded total liabilities of \$34.9 million by \$764.1 million. Total assets included cash of \$280.3 million, receivables of \$4.2 million, and land and net capital assets of \$514.5 million. Total liabilities included vouchers and accrued payables of \$22.5 million, amount due to the State of \$5.9 million, unearned revenues of \$5.1 million, and general obligation bonds payable of \$1.4 million.

Auditors' Opinion

DLNR RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

THE AUDITORS IDENTIFIED four material weaknesses and one other matter that are required to be reported in accordance with *Government Auditing Standards*.

Material Weaknesses (4)

- Improve recordkeeping to prepare accrual basis financial statements.
- Improve accounting for construction in progress.
- Reconcile security deposits to cash held.
- Update allowance for uncollectible accounts and formalize procedures to follow-up on delinquent accounts.

Other Matter

- Remit funds due to others on a timely basis.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2017_Audit/DLNR2017.pdf