

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2007

PART I
INTRODUCTORY SECTION

January 12, 2008

Board of Land and Natural Resources
State of Hawaii

We have completed our financial audit of the Department of Land and Natural Resources, State of Hawaii as of and for the fiscal year ended June 30, 2007. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

OBJECTIVES OF THE AUDIT

The objectives of our audit were:

1. To provide a basis for an opinion on the fairness of the financial statements of the Department of Land and Natural Resources (Department).
2. To determine whether expenditures and other disbursements have been made and all revenues and other receipts to which the Department is entitled have been collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii and the federal government.
3. To determine whether the Department's internal control is adequate in assuring that there is effective control over the proper accounting of revenues, expenditures, assets, and liabilities.
4. To determine whether the Department has established sufficient internal controls to properly manage federal financial assistance programs and to comply with the applicable laws and regulations.
5. To determine whether the Department has complied with the laws and regulations that may have a material effect on the financial statements and on each major federal financial assistance program of the Department.

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of the Department for the fiscal year ended June 30, 2007.

ORGANIZATION OF THE REPORT

This report is organized into five parts:

- | | | |
|------|-------|--|
| PART | I - | presents the introduction. |
| PART | II - | presents the financial statements and the auditors' report on such statements. |
| PART | III - | presents other supplementary financial data. |
| PART | IV - | contains the report on compliance and on internal control over financial reporting and the report on compliance with requirements applicable to each major program and internal control over compliance. |
| PART | V - | contains the schedule of findings and questioned costs and provides the status of prior audit findings. |

* * * * *

At this time, we wish to express our sincere appreciation for the excellent cooperation and assistance extended to us by the personnel of the Department. We shall be pleased to respond to any questions that you may have on this report.

Very truly yours,



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PART II
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Land and Natural Resources
State of Hawaii

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Land and Natural Resources, State of Hawaii (Department), as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2007, the respective changes in financial position thereof, and the respective budgetary comparison for the general fund and other major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2008, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

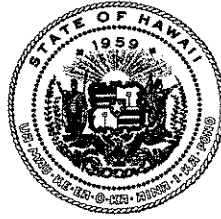
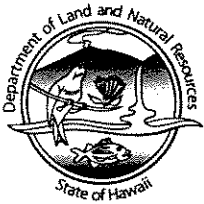
The management's discussion and analysis on pages 7 through 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The introductory section and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Department. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Oshata Chum Yuen LLP".

Honolulu, Hawaii
January 12, 2008

LINDA LINGLE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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BOARD OF LAND AND NATURAL RESOURCES
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KEN C. KAWAHARA
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

As management of the Department of Land and Natural Resources (the DLNR), we offer readers of these financial statements this narrative overview and analysis of the financial activities of DLNR for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2007

- The assets of the DLNR exceeded its liabilities at June 30, 2007, by \$399.3 million. Of this amount, \$138.2 million is unrestricted and may be used to meet the DLNR's ongoing obligations.
- As of the close of the current fiscal year, the DLNR's governmental funds reported a combined ending balance of \$145.6 million.
- During the year, the DLNR's total revenue was \$152.1 million and expenses totaled \$146 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the DLNR basic financial statements. The basic financial statements are comprised of three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information. These components are described below:

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the DLNR's finances, in a manner similar to a private-sector business. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The government-wide financial statements include two statements:

- The *Statement of Net Assets* presents information on all of the DLNR's assets and liabilities, with the difference between the two reported as "net assets." Increases and decreases in the net assets serve as a useful indicator of whether the financial position of the DLNR is improving or deteriorating.
- The *Statement of Activities* presents information showing how the DLNR's net assets changed during the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Fund Financial Statements

The fund financial statements provide more detailed information about the DLNR's most significant funds and not the DLNR as a whole. The financial activities of the DLNR are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are either reported as a major fund or a non-major fund. The Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, which sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and are detailed in the combining section of the financial statements.

The DLNR has two types of funds: governmental funds and fiduciary funds.

- **Governmental Funds:** These funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year.

The financial activities of the DLNR reported in the governmental fund financial statements are classified into the following major governmental funds:

- **General Fund -** The general fund is the operating fund of the DLNR. It is used to account for all financial activities except those required to be accounted for in another fund. The annual operating budget as authorized by the State Legislature provides the basic framework within which the resources and obligations of the general fund are accounted.
- **Special Revenue Funds -** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- **Capital Project Fund -** The capital project fund is used to account for financial resources used for the acquisition, construction, or improvement of major capital facilities.
- **Expendable Trust Funds: -** Expendable trust funds account for cash collected and expended by the DLNR for designated purposes.
- **Fiduciary Funds:** These funds account for assets held by the DLNR in a trustee or agent capacity for other State departments, individuals and organizations.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including combining financial statements referred to earlier in connection with non-major Governmental Funds.

DEPARTMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, changes in net assets may serve over time as a useful indicator of the DLNR's financial position. As of June 30, 2007, the DLNR's total net assets were approximately \$399.3 million.

The largest part of the DLNR's net assets reflects its investment in capital assets (land, buildings, improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The DLNR uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the DLNR's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a comparative statement of net assets:

Summary of Statement of Net Assets
(in millions)

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Cash and short term investments	\$176.6	\$ 177.3	\$ (0.7)
Receivables	6.1	3.2	2.9
Capital assets	<u>266.8</u>	<u>227.7</u>	<u>39.1</u>
Total assets	<u>\$ 449.5</u>	<u>\$ 408.2</u>	<u>\$ 41.3</u>
Current liabilities	41.0	35.9	5.1
Long-term liabilities	<u>9.2</u>	<u>10.6</u>	<u>(1.4)</u>
Total liabilities	<u>50.2</u>	<u>46.5</u>	<u>3.7</u>
Invested in capital assets, net of related debt	261.1	220.9	40.2
Unrestricted	<u>138.2</u>	<u>140.8</u>	<u>(2.6)</u>
Total net assets	<u>399.3</u>	<u>361.7</u>	<u>37.6</u>
Total liabilities and net assets	<u>\$ 449.5</u>	<u>\$ 408.2</u>	<u>\$ 41.3</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

DLNR's net assets increased by \$37.6 million during the fiscal year ended June 30, 2007. This was due in large part to the increase of Capital assets by \$39.1.

Funds available in General Fund increased by \$10.7 million due to increased activity in emergency relief spending for repair of damages resulting from the March 2006 Flood. Decrease in assets of Special Land Development Fund is offset by increase in assets of Other Funds. This is due to the inclusion of Special Land Development Fund with Other Funds in fiscal year 2007 because it no longer meets the criteria of a major fund. Funds available for Capital Improvement Projects decreased by \$11.3 million because funds allotted in FY06 for the Maui County ferry system improvements and land acquisition in Moanalua Valley were expended in FY07.

Capital asset increases included \$5.6 million of land acquisition in Moanalua Valley, an increase of \$35.2 million in construction work in progress, and the addition of a \$1 million database system by Commission of Water Resources Management.

Analysis of the DLNR's Operations: The following table provides a summary of the DLNR's operations for the year ended June 30, 2007:

	Changes in Net Assets (in millions)		
	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Program revenue			
Interest, rents, taxes and fees	\$ 48.8	\$ 48.9	\$ (0.1)
Operating grants and contributions	25.2	26.1	(0.9)
State allotted appropriations, net of lapses	<u>73.2</u>	<u>63.7</u>	<u>9.5</u>
Total revenue	<u>147.2</u>	<u>138.7</u>	<u>8.5</u>
Total expenses	<u>107.0</u>	<u>86.7</u>	<u>20.3</u>
Excess before transfers	40.2	52.0	(11.8)
Transfers	<u>(2.6)</u>	<u>(6.9)</u>	<u>4.3</u>
Change in net assets	37.6	45.1	(7.5)
Net assets – beginning	<u>361.7</u>	<u>316.6</u>	<u>45.1</u>
Net assets - end of year	<u>\$ 399.3</u>	<u>\$ 361.7</u>	<u>\$ 37.6</u>

Revenues of the DLNR consist of state appropriations, charges for services, program investment income and federal grants. Charges for services consist primarily of rent from leases, licenses and permits from public lands. Allocations of conveyance and liquid fuel taxes are also included in program revenue as is interest earned on funds invested by the State Director of Finance. Increase in program revenue is mostly due to the additional \$12.3 million in general fund appropriation received by the Department in FY07 for the March 2006 Flood Emergency Relief projects. Total expenditures increased by \$20.3 million, primarily as a result of increased capital improvement

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

projects in FY07. Major capital improvement expenditures included \$10.4 million for improvements to the Waimanalo Wastewater Treatment Plant, \$5.6 million on the Maui County ferry system, and \$4.6 million for land acquisition in Moanalua Valley.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S GOVERNMENTAL FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As noted earlier, the DLNR uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements.

Comparison of Balance Sheets
(in millions)

	Assets			Liabilities			Fund Balances		
	2007	2006	Change	2007	2006	Change	2007	2006	Change
General Fund	\$ 16.1	\$ 5.4	\$ 10.7	\$ 2.8	\$ 2.5	\$ 0.3	\$ 13.3	\$ 2.8	\$ 10.5
Federal Grant Fund	8.5	10.4	(1.9)	13.1	12.6	0.5	(4.6)	(2.2)	(2.4)
Special Land Development Fund	0.0	14.6	(14.6)	0.0	0.8	(0.8)	0.0	13.9	(13.9)
Water and Land Development Fund	0.5	0.5	0.0	6.2	6.2	0.0	(5.6)	(5.6)	0.0
Natural Area Reserves Fund	21.5	16.9	4.6	1.3	0.7	0.6	20.2	16.2	4.0
Ocean Based Recreation Fund	2.2	2.3	(0.1)	4.0	3.4	0.6	(1.9)	(1.0)	(0.9)
Kaho'olawe Rehabilitation Trust Fund	23.5	27.8	(4.3)	0.6	0.3	0.3	22.9	27.5	(4.6)
Capital Projects Fund	81.6	91.9	(10.3)	4.9	3.3	1.6	76.7	88.6	(11.9)
Other Funds	28.9	10.6	18.3	4.3	2.6	1.7	24.6	7.9	16.7
Total	\$ 182.8	\$ 180.4	\$ 2.4	\$ 37.2	\$ 32.4	\$ 4.8	\$ 145.6	\$ 148.1	\$ (2.5)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Comparison of Statement of Revenues, Expenditures and Changes in Fund Balances
(in millions)

	Revenues		Expenditures		Transfers		Lapsed Appropriations		Net Changes in Fund Balances			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	Change	
General Fund	\$29.3	\$25.6	\$27.1	\$22.3	\$4.8	\$-1.0	-\$0.5	-\$0.7	-\$0.9	\$0.2	\$0.6	-\$1.4
Federal Grant Fund	17.5	12.0	16.0	12.5	3.5	-0.7	0.0	-0.7	0.0	0.0	0.8	-0.5
Special Land Development Fund	13.9	7.3	5.4	8.4	-3.0	-1.5	-0.2	-1.3	0.0	0.0	7.0	-1.3
Water and Land Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Natural Area Reserve Fund	13.9	5.7	3.6	3.0	0.6	-2.0	-2.0	0.0	0.0	0.0	8.3	0.7
Ocean-Based Recreation Fund	11.2	10.3	9.8	9.2	0.6	-1.2	-1.4	0.2	0.0	0.0	0.2	-0.3
Kaho'olawe Rehabilitation Trust Fund	1.2	0.9	4.1	3.6	0.5	0.0	0.0	0.0	0.0	0.0	-3.0	-2.7
Capital Projects Fund	42.5	43.6	30.0	16.0	14.0	-1.6	0.7	-2.3	-5.1	5.1	10.9	23.2
Other Funds	9.2	9.6	13.3	14.8	-1.5	1.0	2.9	-1.9	0.0	0.0	-3.1	-2.3
Total	\$138.7	\$115.0	\$109.3	\$89.8	\$19.5	-\$7.0	-\$0.5	-\$6.5	-\$6.0	\$5.3	\$21.7	\$18.8
												\$2.9

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The General Fund is the primary operating fund of the DLNR. At the end of the current fiscal year, there was a \$1 million deficit in the unreserved fund balance of the General Fund. The deficit resulted from recognition of expenditures under GAAP in 2007 and will be funded with fiscal year 2008 state allotted appropriations.

The DLNR has four major and several non-major special funds. A fund is categorized as major if the percentages of its assets, liabilities, revenues, or expenditures exceed pre-defined percentages when compared to the corresponding total of all funds in that category. The DLNR's four major special revenue funds are: 1) Federal Grant Fund; 2) Water and Land Development Fund; 3) Natural Area Reserves Fund; and 4) Ocean-Based Recreation Fund.

The Federal Grant Fund accounts for funds received from a variety of federal grantor agencies for specific purposes ranging from restoration, protection and acquisition of natural resources to assistance following a natural disaster. Total federal grant expenditures for the year approximated \$30.8 million from more than 200 hundred individual grants. A Schedule of Expenditures of Federal Awards, which lists the various grants, can be found in the Supplemental Information section.

The Water and Land Development Fund is a major special fund due to a \$6.2 million recorded liability to another state agency. Additional information on this liability is available in note 11 of the Notes to the Financial Statements. This fund also contains a revolving fund used to receive and pay for accrued leave for project funded employees who enter and leave the capital improvement projects staff.

The Natural Area Reserves Fund was established in FY92 to fund the NARS program. Allowable uses include the identification, establishment and management of natural area reserves, the acquisition of private lands for new natural area reserves, the operation of the heritage program, and the provision of matching funds for the natural area partnership program. The primary source of revenue for this fund is a dedicated portion of conveyance taxes collected by the Bureau of Conveyances. For FY07, this amounted to \$11.8 million.

The Ocean-Based Recreation Fund accounts for revenues collected to implement the boating and ocean recreation program. Deposits into this fund include a portion of the liquid fuel tax used by recreational boaters. Revenue was approximately \$12.2 million and expenditures approximately \$11.4 million.

The Kaho`olawe Rehabilitation Trust Fund is DLNR's major expendable trust fund. This fund accounts for moneys received from the federal government for the rehabilitation and environmental restoration of the island of Kaho`olawe. On April 9, 2004, the Kaho`olawe Island Reserve Commission assumed full managerial of the Reserve.

The Capital Projects Fund received approximately \$40.3 million of State allotted appropriations for capital projects. Capital projects funds are used to account for financial resources to acquire or construct major capital facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FIDUCIARY NET ASSETS

These funds account for assets held by the DLNR in a trustee or agent capacity for other State departments, individuals and organizations. Cash and short term investments increased by \$1.2 million in receipts which represents the 80% share of general funds derived from ceded lands. These funds will be used to fulfill any commitments to the Office of Hawaiian Affairs required per Section 3 of Act 178, SLH 2006 and Executive Order No. 06-06.

Summary of Statement of Fiduciary Assets
(In millions)

	2007	2006	Increase (Decrease)
Cash and short term investments	\$ 10.7	\$ 9.5	\$ 1.2
Receivables - General leases and licenses	0.6	0.7	-0.1
Total assets	<u>11.3</u>	<u>10.2</u>	<u>1.1</u>
Due to State Treasury	0.4	0.5	-0.1
Due to other State agencies	0.8	0.8	0.0
Total liabilities	<u>1.2</u>	<u>1.3</u>	<u>-0.1</u>
Held in trust for Individuals and organizations	10.1	8.9	1.2
Total net assets	<u>\$ 10.1</u>	<u>\$ 8.9</u>	<u>\$ 1.2</u>

BUDGETARY HIGHLIGHTS

General Fund - Actual expenditures for general funded programs were \$1.4 million less than the budgeted expenditures. This was due primarily to savings from vacant positions.

Federal Funds - In anticipation of new and additional federal grant funds in fiscal year 2007, the DLNR requested and received approval from the Governor to increase the ceilings on its federal grant operating appropriations by approximately \$13.3 million. New sources of federal funding included funds from Fish and Wildlife Services for the acquisition of the Nu'u Makai Wetlands on Maui. The DLNR requested authority to expend approximately \$1.6 million for the Commercial Fisheries, Aquatic Resources, and Recreational Fisheries programs with funds from the National Oceanic and Atmospheric Administration and from the Fish and Wildlife Service. Ceiling increases of \$1.6 million was also approved for marijuana eradication, operational security for the Lahaina Harbor on Island of Maui and Kailua-Kona Pier on Island of Hawaii, and the Hunter Education Program. A \$10.1 million ceiling increase was authorized for our forestry and wildlife programs in FY07. These included funds for endangered species recovery and restoration, landowner incentives to manage and conserve wildlife and habitat, land acquisitions for wetlands and endangered species, promotion of the forestry industry in Hawaii and a variety of private landowner assistance programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Federal grants usually require that the DLNR expend funds first then submit a claim. Therefore if expenditures are lower than expected, then actual revenue will similarly be lower than budgeted. Lower than budgeted expenditures may be the result of project reprioritizations and/or staff shortages.

Water and Land Development Fund –This fund contains a revolving fund used to receive and pay for accumulated leave of capital projects funded staff. Revenue is recognized from 1) accumulated vacation transfers for new staff and 2) interest income earned on the accumulated fund balance. Interest income for the year amounted to \$23,685. The remaining revenue balance of \$3,632 was received for accumulated leave for new staff members. This fund's revenue and expenditures are directly related to personnel decisions and therefore cannot be accurately predicted.

Natural Area Reserves Fund – An increase in conveyance tax collections in FY07 resulted in a corresponding increase in the twenty five percent share deposited into this fund, resulting in the \$2.3 million variance.

Ocean Based Recreation Fund - This special fund is the primary operating fund for the Division of Boating and Ocean Recreation. Actual revenue collected was \$3.6 million less than budgeted and expenditures were \$4.3 million less than budgeted because the division's operating budget had been approved by the Legislature based on an anticipated revised fee structure that was not implemented until April 1, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2007 the DLNR had invested approximately \$266.8 million (net of accumulated depreciation) in a broad range of capital assets. The inventory of construction-in-progress increased by \$35.2 million. Land acquisition included 3,716 acres of Oahu property in Moanalua Valley for watershed protection and habitat restoration.

See Note 5 to the financial statements for a description of capital assets activities for the Fiscal Year Ended June 30, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Capital Assets (In millions)			
	2007	2006	Increase (Decrease)
Capital assets not being depreciated			
Land	\$ 147.1	\$ 141.5	\$ 5.6
Land improvements	0.7	0.7	0.0
Construction in progress	75.6	40.4	35.2
Total capital assets not being depreciated	223.4	182.6	40.8
Capital assets being depreciated			
Buildings	32.0	31.8	0.2
Land and improvements	80.3	78.2	2.1
Furniture and equipment	9.4	7.8	1.6
Vehicles	13.5	12.8	0.7
Total capital assets being depreciated	135.2	130.6	4.6
Less total accumulated depreciation	(91.8)	(85.5)	(6.3)
Total capital assets being depreciated, net	43.4	45.1	(1.7)
Total capital assets, net	\$ 266.8	\$ 227.7	\$ 39.1

Long-term obligations consist of accrued vacation and State of Hawaii reimbursable general obligation bonds.

The accrued vacation balance as of June 30, 2007 was \$7,421,589, an increase of \$156,587 from fiscal year 2006. Beginning with FY06, leave amounts were increased to include certain fringe benefits. For FY07, the value attributed to fringe benefits was \$527,405.

The outstanding balance of the State of Hawaii general obligation bonds allocated to the DLNR is approximately \$5.7 million as of June 30, 2007, a decrease of \$1,153,819 from the amount outstanding as of June 30, 2006. In addition to the payments for bond principal, interest approximating \$308,197 was paid by during the fiscal year ended June 30, 2007. These bonds are backed by the full faith, credit and taxing power of the State. Repayment of allocated bond debts is made to the state general fund.

See Note 6 to the financial statements for details of the general obligations bonds outstanding as of June 30, 2007.

Long Term Obligations (In millions)			
	2007	2006	Increase (Decrease)
Accrued vacation	\$ 7.4	\$ 7.3	\$ 0.1
General obligation bonds	5.7	6.8	(1.1)
Total long term debt	\$ 13.1	\$ 14.1	\$ (1.0)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The department has entered into an agreement with the Department of Budget and Finance for a loan up to \$1,000,000 to temporarily fund grant reimbursable costs on Federal Aid projects for ferry system improvements in Maui County. The DLNR serves as a sub-recipient to the State Department of Transportation for these projects and is required to pay its vendors' invoices prior to submitting claims for reimbursement.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the DLNR's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Land and Natural Resources, Administrative Services Office, P. O. Box 621, Honolulu, Hawaii 96809.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Statement Of Net Assets
June 30, 2007

ASSETS

Cash and short-term cash investments held in State Treasury	\$176,622,079
Receivables:	
Federal grants	6,028,165
General leases and licenses, net of allowance for losses of \$926,786	85,175
Capital assets:	
Land, improvements, construction-in-progress and other capital assets, net of depreciation	<u>266,775,532</u>
Total assets	<u>\$449,510,951</u>

LIABILITIES

Vouchers and contracts payable	\$ 10,604,830
Accrued wages and employee benefits payable	2,548,856
Due to State Treasury	12,242,870
Due to other State agencies	9,297,447
Deferred revenue	1,849,816
General obligation bonds:	
Due within one year	1,160,000
Due in more than one year	4,502,985
Note payable to State Treasury	506,875
Accrued vacation:	
Due within one year	2,738,441
Due in more than one year	4,683,148
Security deposits	<u>39,600</u>
Total liabilities	<u>50,174,868</u>

Commitments and contingencies

NET ASSETS

Invested in capital assets, net of related debt	261,112,547
Unrestricted	<u>138,223,536</u>
Total net assets	<u>399,336,083</u>
Total liabilities and net assets	<u>\$449,510,951</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Statement Of Activities
For The Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Interest, Rents and Fees</u>	<u>Revenue and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	
Departmental activities:			
Economic development	\$ 7,184,456	\$ 706,421	\$ (3,281,680)
Environmental protection	43,885,238	13,868,968	(18,983,167)
Culture and recreation	32,931,802	16,242,861	(7,393,814)
Public safety	1,744,095	-	(187,343)
Individual rights	5,000,941	4,730,569	(260,109)
Government-wide support	7,511,318	13,275,486	5,833,389
Capital outlays	<u>8,695,615</u>	<u>-</u>	<u>(8,695,615)</u>
Total departmental activities	<u>\$106,953,465</u>	<u>\$48,824,305</u>	<u>(32,968,339)</u>
General revenues:			<u>73,261,226</u>
Appropriations, net of lapsed appropriations			73,261,226
Total general revenues before transfers			<u>(2,629,958)</u>
Transfers, net			<u>70,631,268</u>
Total general revenues and transfers			<u>37,662,929</u>
Change in net assets			<u>361,673,154</u>
Net assets at July 1, 2006			<u>\$399,336,083</u>
Net assets at June 30, 2007			

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Federal Grant Fund	Water and Land Development	Natural Area Reserves Fund	Ocean-Based Recreation Fund	Kaho'olawe Rehabilitation Trust Fund	Capital Projects Fund	Other Funds	Total
ASSETS									
Cash and short-term cash investments held in State Treasury	\$16,065,759	\$ 4,259,246	\$ 569,760	\$21,498,367	\$ 2,127,222	\$23,509,783	\$79,792,943	\$28,798,999	\$176,622,079
Receivables:									
Federal grants	-	4,263,029	-	-	-	-	1,765,136	-	6,028,165
General leases and licenses, net of allowance of \$926,786	-	-	-	-	-	-	-	85,175	85,175
Due from Federal Grant Fund	-	-	-	-	108,336	-	-	28,230	136,566
Total assets	<u>\$16,065,759</u>	<u>\$ 8,522,275</u>	<u>\$ 569,760</u>	<u>\$21,498,367</u>	<u>\$ 2,235,558</u>	<u>\$23,509,783</u>	<u>\$81,558,079</u>	<u>\$28,912,404</u>	<u>\$182,871,985</u>
LIABILITIES									
Vouchers and contracts payable	\$ 1,603,634	\$ 1,477,725	\$ -	\$ 911,584	\$ 382,362	\$ 476,464	\$ 4,249,900	\$ 1,503,161	\$ 10,604,830
Accrued wages and employee benefits payable	1,163,045	128,542	-	38,891	284,963	127,536	116,863	689,016	2,548,856
Due to State Treasury	-	10,068,194	-	-	1,187,138	-	-	987,538	12,242,870
Due to other State agencies	-	-	6,180,795	321,418	1,949,764	-	-	845,470	9,297,447
Due to Special Revenue Funds	-	136,566	-	-	-	-	-	-	136,566
Deferred revenue	-	1,286,680	-	-	294,910	-	-	268,226	1,849,816
Note payable to State Treasury	-	-	-	-	-	-	506,875	-	506,875
Security deposits	-	-	-	-	-	-	-	39,600	39,600
Total liabilities	<u>2,766,679</u>	<u>13,097,707</u>	<u>6,180,795</u>	<u>1,271,893</u>	<u>4,099,137</u>	<u>604,000</u>	<u>4,873,638</u>	<u>4,333,011</u>	<u>37,226,860</u>
Commitments and contingencies									
FUND BALANCES									
Reserved for:									
Encumbrances	14,467,056	5,688,019	-	4,179,475	857,658	2,175,480	56,155,327	9,063,706	92,586,721
Receivables	-	4,263,029	-	-	108,336	-	1,765,136	113,405	6,249,906
Continuing appropriations	-	-	-	-	-	-	18,763,978	-	18,763,978
Unexpended Federal awards	-	-	-	-	-	20,730,303	-	-	20,730,303
Total reserved fund balances	<u>14,467,056</u>	<u>9,951,048</u>	<u>-</u>	<u>4,179,475</u>	<u>965,994</u>	<u>22,905,783</u>	<u>76,684,441</u>	<u>9,177,111</u>	<u>138,330,908</u>
Unreserved:									
Unreserved reported in major funds	(1,167,976)	(14,526,480)	(5,611,035)	16,046,999	(2,829,573)	-	-	15,402,282	(8,088,065)
Unreserved reported in nonmajor - Special Revenue Funds	-	-	-	-	-	-	-	-	15,402,282
Total unreserved fund balances	<u>(1,167,976)</u>	<u>(14,526,480)</u>	<u>(5,611,035)</u>	<u>16,046,999</u>	<u>(2,829,573)</u>	<u>-</u>	<u>-</u>	<u>15,402,282</u>	<u>7,314,217</u>
Total fund balances	<u>13,299,080</u>	<u>(4,575,432)</u>	<u>(5,611,035)</u>	<u>20,226,474</u>	<u>(1,863,579)</u>	<u>22,905,783</u>	<u>76,684,441</u>	<u>24,579,393</u>	<u>145,645,125</u>
Total liabilities and fund balances	<u>\$16,065,759</u>	<u>\$ 8,522,275</u>	<u>\$ 569,760</u>	<u>\$21,498,367</u>	<u>\$ 2,235,558</u>	<u>\$23,509,783</u>	<u>\$81,558,079</u>	<u>\$28,912,404</u>	<u>\$182,871,985</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds
For The Year Ended June 30, 2007

	General Fund	Federal Grant Fund	Water and Land Development	Natural Area Reserves Fund	Ocean-Based Recreation Fund	Kaho'olawe Rehabilitation Trust Fund	Capital Projects Fund	Other Funds	Total
Revenues									
Appropriations	\$46,253,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$32,862,986	\$ -	\$ 79,116,717
Intergovernmental revenues	-	16,118,838	-	-	-	76,701	7,416,401	-	23,611,940
General leases, licenses and permits	-	-	-	-	10,467,832	-	-	15,339,550	25,807,382
Taxes, fuel and others	-	-	-	11,782,127	1,657,966	-	-	6,382,851	19,822,944
Interest	-	37,737	23,685	644,992	77,753	1,134,639	41,982	1,233,191	3,193,979
Other	-	15,927	3,652	-	8,180	11,938	-	539,204	578,881
Total revenues	<u>46,253,731</u>	<u>16,172,502</u>	<u>27,317</u>	<u>12,427,119</u>	<u>12,211,731</u>	<u>1,223,278</u>	<u>40,321,369</u>	<u>23,494,796</u>	<u>152,131,843</u>
Expenditures									
Current:									
Economic development	1,828,365	4,826,327	-	-	-	-	-	883,651	7,538,343
Environmental protection	19,413,407	8,989,200	-	5,568,550	-	5,792,853	-	4,622,628	44,386,638
Culture and recreation	11,663,271	4,220,149	-	-	9,915,441	-	-	5,419,551	31,218,412
Public safety	1,236,520	376,275	-	-	-	-	-	-	1,612,795
Individual rights	-	-	-	-	-	-	-	4,907,479	4,907,479
Government-wide support	6,439	28,229	-	-	-	-	-	7,534,597	7,569,265
Capital improvement projects	-	-	-	-	-	-	47,332,271	-	47,332,271
Debt service:									
Principal on long-term debt	-	-	-	-	1,153,819	-	-	-	1,153,819
Interest on long-term debt	-	-	-	-	308,197	-	-	-	308,197
Total expenditures	<u>34,148,002</u>	<u>18,440,180</u>	<u>-</u>	<u>5,568,550</u>	<u>11,377,457</u>	<u>5,792,853</u>	<u>47,332,271</u>	<u>23,367,906</u>	<u>146,027,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,105,729</u>	<u>(2,267,678)</u>	<u>27,317</u>	<u>6,858,569</u>	<u>834,274</u>	<u>(4,569,575)</u>	<u>(7,010,902)</u>	<u>126,890</u>	<u>6,104,624</u>
Other financing sources (uses)	-	9,351,513	542,443	12,834,613	10,682,419	26,499,184	2,700,000	18,012,916	80,623,088
Operating transfers in	(725,149)	(9,432,466)	(542,443)	(15,664,456)	(12,351,617)	(26,499,184)	(2,700,000)	(15,337,731)	(83,253,046)
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(725,149)</u>	<u>(80,953)</u>	<u>-</u>	<u>(2,829,843)</u>	<u>(1,669,198)</u>	<u>-</u>	<u>-</u>	<u>2,675,185</u>	<u>(2,629,958)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>11,380,580</u>	<u>(2,348,631)</u>	<u>27,317</u>	<u>4,028,726</u>	<u>(834,924)</u>	<u>(4,569,575)</u>	<u>(7,010,902)</u>	<u>2,802,075</u>	<u>3,474,666</u>
Lapsed appropriations	915,829	-	-	-	-	-	4,939,662	-	5,855,491
Net change in fund balances	<u>10,464,751</u>	<u>(2,348,631)</u>	<u>27,317</u>	<u>4,028,726</u>	<u>(834,924)</u>	<u>(4,569,575)</u>	<u>(11,950,564)</u>	<u>2,802,075</u>	<u>(2,380,825)</u>
Fund balances at July 1, 2006	2,834,329	(2,276,801)	(5,638,352)	16,197,748	(1,028,655)	27,475,358	88,635,005	21,777,318	148,025,950
Fund balances at June 30, 2007	<u>\$13,299,080</u>	<u>\$ (4,575,432)</u>	<u>\$(5,611,035)</u>	<u>\$20,226,474</u>	<u>\$(1,863,579)</u>	<u>\$22,905,783</u>	<u>\$76,684,441</u>	<u>\$24,579,393</u>	<u>\$145,645,125</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Statement Of Fiduciary Net Assets
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and short-term cash investments held in State Treasury	\$10,676,571
Receivables:	
General leases and licenses, net of allowance for losses of \$320,461	<u>641,043</u>
Total assets	<u>11,317,614</u>
 LIABILITIES	
Due to State Treasury	413,898
Due to other State agencies	<u>794,450</u>
Total liabilities	<u>1,208,348</u>
 NET ASSETS	
Held in trust for:	
Individuals and organizations	<u>10,109,266</u>
Total net assets	<u>\$10,109,266</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Assets
June 30, 2007

	<u>Total Governmental Funds</u>	<u>Long-Term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Assets</u>
ASSETS				
Cash and short-term cash investments held in State Treasury	\$176,622,079	\$ -	\$ -	\$176,622,079
Receivables:				
Federal grants	6,028,165	-	-	6,028,165
General leases and licenses, net of allowance for losses	85,175	-	-	85,175
Due from Federal Grant Fund	136,566	-	(136,566)	-
Capital assets:				
Land, improvements, construction-in-progress and other capital assets, net of depreciation	<u>-</u>	<u>266,775,532</u> (1)	<u>-</u>	<u>266,775,532</u>
Total assets	<u>\$182,871,985</u>	<u>\$266,775,532</u>	<u>\$ (136,566)</u>	<u>\$449,510,951</u>
LIABILITIES				
Vouchers and contracts payable	\$ 10,604,830	\$ -	\$ -	\$ 10,604,830
Accrued wages and employee benefits payable	2,548,856	-	-	2,548,856
Due to State Treasury	12,242,870	-	-	12,242,870
Due to other State agencies	9,297,447	-	-	9,297,447
Due to Special Revenue Funds	136,566	-	(136,566)	-
Deferred revenue	1,849,816	-	-	1,849,816
Bonds payable:				
Due within one year	-	1,160,000 (2)	-	1,160,000
Due in more than one year	-	4,502,985 (2)	-	4,502,985
Note payable to State Treasury	506,875	-	-	506,875
Accrued vacation:				
Due within one year	-	2,738,441 (3)	-	2,738,441
Due in more than one year	-	4,683,148 (3)	-	4,683,148
Security deposits	<u>39,600</u>	<u>-</u>	<u>-</u>	<u>39,600</u>
Total liabilities	<u>37,226,860</u>	<u>13,084,574</u>	<u>(136,566)</u>	<u>50,174,868</u>
FUND BALANCES/NET ASSETS				
Invested in capital assets, net of related debt	-	227,729,010 (1)	-	261,112,547
		45,887,313 (1)		
		(6,840,791) (1)		
		(6,816,804) (2)		
		1,153,819 (2)		
Reserved/Restricted for:				
Encumbrances	92,586,721	-	(92,586,721) (4)	-
Receivables	6,249,906	-	(6,249,906) (4)	-
Continuing appropriations	18,763,978	-	(18,763,978) (4)	-
Unexpended federal awards	20,730,303	-	(20,730,303) (4)	-
Unreserved/Unrestricted	<u>7,314,217</u>	<u>(7,421,589) (3)</u>	<u>138,330,908 (4)</u>	<u>138,223,536</u>
Total fund balances/net assets	<u>145,645,125</u>	<u>253,690,958</u>	<u>-</u>	<u>399,336,083</u>
Total liabilities and fund balances/net assets	<u>\$182,871,985</u>	<u>\$266,775,532</u>	<u>\$ (136,566)</u>	<u>\$449,510,951</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Assets
June 30, 2007

Total fund balances - governmental funds		\$145,645,125
Amounts reported for governmental activities in the statement of net assets are different because:		
(1) Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. These assets consist of:		
Land improvements	\$ 80,278,456	
Other capital assets	54,962,183	
Accumulated depreciation	(91,836,251)	
Land	147,087,878	
Other capital assets, not depreciated	719,990	
Construction-in-progress	<u>75,563,276</u>	
Total capital assets		266,775,532
(2) Bonds payable are not reported in the governmental funds.		
		(5,662,985)
(3) Accrued vacation is not reported in the governmental funds.		
		(7,421,589)
(4) Reclassify reserved fund balances/net assets to unrestricted fund balances/net assets.		
		<u>-</u>
Total net assets		<u>\$399,336,083</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balances
To The Statement Of Activities
For The Year Ended June 30, 2007

	<u>Total Governmental Funds</u>	<u>Long-Term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities</u>
Revenues				
Appropriations	\$ 79,116,717	\$ -	\$(5,855,491) (5)	\$ 73,261,226
Intergovernmental revenues	23,611,940	-	-	23,611,940
General leases, licenses and permits	25,807,382	-	-	25,807,382
Taxes, fuel and others	19,822,944	-	-	19,822,944
Interest	3,193,979	-	-	3,193,979
Other	<u>578,881</u>	<u>970,000 (4)</u>	<u>-</u>	<u>1,548,881</u>
Total revenues	<u>152,131,843</u>	<u>970,000</u>	<u>(5,855,491)</u>	<u>147,246,352</u>
Expenditures				
Economic development	7,538,343	(656,518)(1) 276,793 (1) 25,838 (3)	-	7,184,456
Environmental protection	44,386,638	(3,850,461)(1) 3,288,987 (1) 60,074 (3)	-	43,885,238
Culture and recreation	31,218,412	(1,681,888)(1) 3,054,803 (1) 32,278 (3)	308,197 (6)	32,931,802
Public safety	1,612,795	123,716 (1) 7,584 (3)	-	1,744,095
Individual rights	4,907,479	67,287 (1) 26,175 (3)	-	5,000,941
Government-wide support	7,569,265	(91,790)(1) 29,205 (1) 4,638 (3)	-	7,511,318
Capital outlays	47,332,271	(38,636,656)(1)	-	8,695,615
Principal on long-term debt	1,153,819	(1,153,819)(2)	-	-
Interest on long-term debt	<u>308,197</u>	<u>-</u>	<u>(308,197) (6)</u>	<u>-</u>
Total expenditures	<u>146,027,219</u>	<u>(39,073,754)</u>	<u>-</u>	<u>106,953,465</u>
	<u>6,104,624</u>	<u>40,043,754</u>	<u>(5,855,491)</u>	<u>40,292,887</u>
Other financing sources (uses) and lapsed appropriations:				
Net operating transfers	(2,629,958)	-	-	(2,629,958)
Lapsed appropriations	<u>(5,855,491)</u>	<u>-</u>	<u>5,855,491 (5)</u>	<u>-</u>
Change in fund balances/net assets	<u>\$ (2,380,825)</u>	<u>\$40,043,754</u>	<u>\$ -</u>	<u>\$ 37,662,929</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In
Fund Balances To The Statement Of Activities
For The Year Ended June 30, 2007

Change in fund balances - governmental funds \$(2,380,825)

Amounts reported for governmental activities in the statement of activities are different because:

- (1) Capital outlays are reported as expenditures in governmental funds, however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these outlays are:

Capital outlays and equipment purchases	\$44,917,313
Depreciation expense	<u>(6,840,791)</u>

Excess of capital outlays over depreciation expense	38,076,522
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- | | |
|--|---------------------|
| (2) Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces bonds payable in the statement of net assets. | 1,153,819 |
| (3) The increase in accrued vacation is not reported in governmental funds. | (156,587) |
| (4) The donated value of capital assets acquired is not reported in governmental funds. | 970,000 |
| (5) Lapsed appropriations are net against appropriations in the statement of activities. | - |
| (6) Reclassify interest on long-term debt to function. | <u>-</u> |
| Change in net assets | <u>\$37,662,929</u> |

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII

Statement Of Revenues And Expenditures - Budget And Actual - General Fund
For The Year Ended June 30, 2007

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u>
			<u>Positive</u>
			<u>(Negative)</u>
Appropriations	\$27,292,777	\$46,253,731	\$ -
Expenditures:			
Economic development	1,753,489	3,095,085	91,521
Environmental protection	17,167,364	18,503,861	263,839
Culture and recreation	8,093,118	20,550,756	793,552
Public safety	278,806	2,443,068	262,049
Government – wide support	-	<u>234,807</u>	<u>15,193</u>
Total expenditures	<u>27,292,777</u>	<u>44,827,577</u>	<u>1,426,154</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 1,426,154</u>	<u>\$ 1,426,154</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Statement Of Revenues And Expenditures - Budget And Actual - Other Major Funds
For The Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (<u>Budgetary Basis</u>)	Variance with Final Budget - Positive (<u>Negative</u>)
	<u>Original</u>	<u>Final</u>		
<u>Federal Grant Fund</u>				
Revenues	\$13,318,833	\$28,874,818	\$16,172,502	\$(12,702,316)
Expenditures:				
Economic development	1,127,199	3,540,026	2,794,280	745,746
Environmental protection	8,048,853	19,731,008	9,697,780	10,033,228
Culture and recreation	3,751,628	5,208,911	4,001,281	1,207,630
Public safety	318,519	322,239	414,465	(92,226)
Government-wide support	<u>72,634</u>	<u>72,634</u>	<u>28,230</u>	<u>44,404</u>
Total expenditures	<u>13,318,833</u>	<u>28,874,818</u>	<u>16,936,036</u>	<u>11,938,782</u>
Excess of expenditures over revenues	\$ -	\$ -	\$ (763,534)	\$ (763,534)

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII

Statement Of Revenues And Expenditures - Budget And Actual - Other Major Funds
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
<u>Water and Land Development Fund</u>				
Revenues	\$ 110,000	\$ 110,000	\$ 27,317	\$ (82,683)
Expenditures:				
Economic Development	<u>110,000</u>	<u>110,000</u>	-	<u>110,000</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,317</u>	<u>\$ 27,317</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII

Statement Of Revenues And Expenditures - Budget And Actual - Other Major Funds
For The Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (<u>Budgetary Basis</u>)	Variance with Final Budget - Positive (<u>Negative</u>)
	<u>Original</u>	<u>Final</u>		
<u>Natural Area Reserves Fund</u>				
Revenues	\$10,031,500	\$10,080,876	\$12,427,119	\$ 2,346,243
Expenditures:				
Environmental Protection	<u>10,031,500</u>	<u>10,080,876</u>	<u>8,727,296</u>	<u>1,353,580</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,699,823</u>	<u>\$ 3,699,823</u>
<u>Ocean-Based Recreation Fund</u>				
Revenues	\$15,561,561	\$15,769,845	\$12,211,731	\$(3,558,114)
Expenditures:				
Culture and recreation	<u>15,561,561</u>	<u>15,769,845</u>	<u>11,493,560</u>	<u>4,276,285</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,171</u>	<u>\$ 718,171</u>

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Department of Land and Natural Resources (DLNR), State of Hawaii (the State), is headed by the Board of Land and Natural Resources. The DLNR manages, administers, and exercises control over public lands, water resources, minerals and all other interests therein and exercises such powers of disposition thereof as authorized by law. The DLNR also manages and administers the State's parks, historical sites, forests, forest reserves, fisheries, wildlife sanctuaries, game management areas, public hunting areas, natural area reserves, and other functions assigned to it by law. In connection with the above, the DLNR leases certain lands and facilities under its jurisdiction to individuals and organizations under long-term and short-term agreements.

The accompanying financial statements of the DLNR have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This Statement establishes new financial reporting requirements for state and local governments throughout the United States of America. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The accompanying financial statements present the financial position of the DLNR and the various funds and fund types and the changes in financial position of the DLNR and the various funds and fund types. The financial statements are presented as of June 30, 2007, and for the year then ended.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

The following is a summary of significant accounting policies.

Reporting Entity

The DLNR is part of the executive branch of the State. The DLNR's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the DLNR. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually which includes the DLNR's assets, liabilities, net assets and financial activities.

Departmental and Governmental Fund Financial Statements

The departmental financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the DLNR. The effect of interfund activity has been removed from these departmental financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Appropriations and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are presented as reserves of fund balances.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

Portions of fund balances are also reserved for the following:

- Encumbrances are recorded obligations in the form of purchase orders or contracts.
- Receivables are amounts owed to DLNR at year-end and are shown as reserved to indicate that portion of the fund balance that is not available for funding current expenditures.
- Continuing appropriations, which include specific legislative appropriations which do not lapse at the end of the year.
- Unexpended federal awards received for the restoration of the Island of Kaho'olawe as outlined in Title X of the Fiscal Year 1994 Department of Defense Appropriations Act, Public Law 103-139, 107 Stat. 1418.

Unreserved fund balances represent resources that have not been internally designated.

Financial statements are provided for DLNR's governmental and fiduciary funds. The DLNR has no proprietary funds. Major individual governmental funds are reported as separate columns in the governmental fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Departmental Financial Statements - The departmental financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the DLNR considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. The DLNR has no principal revenue sources which are considered susceptible to accrual.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions include employees' vested annual leave which is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2007, has been reported only in the departmental financial statements.

Fund Accounting

The accounts of the DLNR are organized on the basis of funds, each of which is considered a separate accounting entity. The financial activities of each fund are accounted for with a separate set of self-balancing accounts which represent each funds' assets, liabilities, fund equity, revenues and expenditures.

The financial activities of the DLNR that are reported in the accompanying governmental fund financial statements have been classified into the following major governmental funds:

General Fund - The general fund is used to account for all financial activities except those required to be accounted for in another fund. The annual operating budget as authorized by the State Legislature provides the basic framework within which the resources and obligations of the general fund are accounted for.

Special Revenue Funds - Special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trust) that are restricted to expenditures for specified purposes. Revenues are primarily from assessments and fees. DLNR's major special revenue funds are as follows:

DEPARTMENT OF LAND AND NATURAL RESOURCES
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June 30, 2007

Federal Grant Fund - This fund was established by DLNR to account for its federal grant expenditures and related federal grant reimbursements. It does not account for monies received from the federal government for the rehabilitation of the island of Kaho'olawe.

Water and Land Development Fund - This fund was established to account for revenues to be used for engineering services related to the development and administration of the Capital Improvements Projects Program and Flood Control/Dam Safety Programs.

Natural Area Reserve Fund – This fund was established by Act 326, SLH 1991 to receive and expend State and private funds to be used for services in support of native ecosystems protection and management programs that occur on State-owned and private lands. Supported programs include the Natural Area Heritage and Natural Area Partnership Programs.

Ocean-Based Recreation Fund - This fund was established under HRS §248-8. The fund receives its revenues from fuel taxes and rents from mooring permits at the State's small boat harbors. These revenues are used for the planning, development, management, operations or maintenance of the small boat harbors.

Expendable Trust Funds - Expendable trust funds account for cash collected and expended by the DLNR for designated purposes. DLNR's major expendable trust fund is described as follows:

Kaho'olawe Rehabilitation Trust Fund - This fund was established under HRS Title I, Chapter 6K. The primary source of revenues to this fund are monies received from the federal government for the rehabilitation and environmental restoration of the Island of Kaho'olawe.

Capital Projects Fund - The capital projects fund is used to account for financial resources used for the acquisition, construction, or improvement of major capital facilities. These resources are derived from State appropriations.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

Fiduciary Fund

The DLNR presents as a fiduciary fund, assets held by the DLNR in a trustee or agent capacity for other State departments, individuals and organizations.

Appropriations

An authorization granted by the State Legislature permitting a State agency, within established fiscal and budgetary controls, to incur obligations and to make expenditures. Appropriations are allotted quarterly. The allotted appropriations lapse if not expended by or encumbered at the end of the fiscal year, except for allotted appropriations related to capital projects.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Cash and Short-Term Cash Investments

Cash and short-term cash investments reported in the statement of net assets and the governmental funds balance sheet consists of cash and short-term cash investments held in the State Treasury.

The State of Hawaii maintains a cash pool that is available for all funds. Each fund type's portion of this pool is displayed on the statement of net assets and the governmental fund balance sheet within cash and short-term cash investments. Those funds are pooled with funds from other State agencies and departments and deposited in approved financial institutions by the State Director of Finance. Deposits not covered by federal deposit insurance are fully collateralized by government securities held in the name of the State by third-party custodians. Interest income from this cash pool is allocated to the various departments and agencies based upon their average cash balance for the period.

The Hawaii Revised Statutes (HRS) authorized the State Director of Finance to invest in obligations of or obligations guaranteed by, the U.S. Government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit and repurchase agreements with federally-insured financial institutions.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

Accumulated Vacation and Sick Leave

Beginning July 1, 2004, eligible employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year-end. The governmental fund financial statements record expenditures when employees are paid for leave. The departmental financial statements present the cost of accumulated vacation leave as a liability. Liabilities for vacation pay are inventoried at the end of each accounting period and adjusted to current salary levels.

Beginning July 1, 2004, eligible employees are credited with sick leave at a rate of one and three-quarter days per month. Unused sick leave may be accumulated without limit but can be taken only in the event of illness or other incapacitation and is not convertible to pay upon termination of employment. Accordingly, accumulated sick leave is not included in the DLNR's statement of net assets or governmental fund balance sheet. However, an employee who retires or leaves government service in good standing with sixty days or more in unused sick leave is entitled to additional service credit in the Employee's Retirement System of the State of Hawaii (ERS). Accumulated sick leave as of June 30, 2007 was \$20,806,695.

Intrafund and Interfund Transactions

Significant transfers of financial resources between activities and appropriations included within the same fund are eliminated. Transfers of revenues from funds authorized to receive them to funds authorized to expend them have been recorded as operating transfers in the financial statements.

All interfund transfers are reflected in the governmental fund financial statements but are eliminated in the departmental financial statements.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

Inventory

Inventory of materials and supplies is recorded as expenditures when purchased.

Capital Assets

Capital assets, which include land, buildings, improvements, equipment and vehicles, are reported in the departmental financial statements. Capital assets are assets which have a cost of \$5,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the departmental financial statements.

Capital assets are depreciated in the departmental financial statements on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land, certain land improvements and construction-in-progress. Generally, estimated useful lives are as follows:

Furniture and equipment	5 - 7 years
Vehicles	5 years
Buildings and land improvements	15-40 years

Grants

Federal awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement type awards are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred.

Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

2. BUDGETING AND BUDGETARY CONTROL

The DLNR's annual budget is prepared on the cash basis utilizing encumbrance accounting. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected by the DLNR as budgeted revenues are those estimates as compiled by the State Director of Finance. Budgeted expenditures for the DLNR's general fund are provided to the Department of Budget and Finance, State of Hawaii, for accumulation with budgeted amounts of the other State agencies and included in the Governor's executive budget that is subject to legislative approval.

To the extent not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorization for other appropriations.

For purposes of budgeting, the DLNR's budgetary fund structure and accounting principles differ from those utilized to present the financial statements in conformity with accounting principles generally accepted in the United States of America. Since the budgetary basis differs from accounting principles generally accepted in the United States of America, budget and actual amounts in the statements of revenues and expenditures - budget and actual, are presented on the budgetary basis. A reconciliation of the general and major special revenue funds' revenues in excess of expenditures on a budgetary basis for the year ended June 30, 2007, to the general and major special revenue funds' revenues in excess of expenditures presented in conformity with accounting principles generally accepted in the United States of America, is set forth below.

Under Section 78-13 HRS, staff salaries and wages amounting to \$1,067,872 and \$412,727 in the general and major special revenue funds, respectively, as of June 30, 2007, are to be funded with monies budgeted for fiscal 2008. In addition, at June 30, 2007, the DLNR accrued expenditures of \$100,104 and \$139,090 in the general and major special revenue funds, respectively, for certain goods and services received through June 30, 2007, which the DLNR will fund with monies budgeted for fiscal 2008. Accordingly, these amounts are excluded from the statements of revenues and expenditures - budget and actual. For accounting purposes these amounts are reflected in the departmental and governmental fund financial statements at June 30, 2007 in accordance with accounting principles generally accepted in the United States of America.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

The DLNR accrued certain salaries and wages as of June 30, 2006 and certain goods and services received through June 30, 2006, which the DLNR funded with monies budgeted for fiscal 2007. Accordingly, these amounts are included in the statements of revenues and expenditures - budget and actual, for the year ended June 30, 2007. These salaries, wages, goods and services aggregated \$1,006,877 and \$518,385 in the general and major special revenue funds, respectively.

The following schedule reconciles the general and major special revenue funds' budgetary amounts to the amounts presented in accordance with accounting principles generally accepted in the United States of America (GAAP basis) for the fiscal year ended June 30, 2007.

	Major Special Revenue Funds				
	General Fund	Federal Grant Fund	Water and Land Development Fund	Natural Area Reserves Fund	Ocean-Based Recreation Fund
Excess of revenues over (under) expenditures - actual on budgetary basis	\$ 1,426,154	\$ (763,534)	\$27,317	\$3,699,824	\$ 718,171
Current year's appropriations included in reserved for encumbrances at June 30, 2007	14,345,272	4,434,404	-	4,156,387	651,036
Expenditures for liquidation of prior years' encumbrances	(3,504,598)	(6,050,023)	-	(946,414)	(441,254)
Fiscal 2006 salaries and wages and other expenditures funded by fiscal 2007 budget	1,006,877	250,198	-	3,695	264,492
Fiscal 2007 salaries and wages funded by fiscal 2008 budget under Section 78-13 HRS	(1,067,872)	(111,273)	-	(36,272)	(265,182)
Fiscal 2007 expenditures funded by fiscal 2008 budget	<u>(100,104)</u>	<u>(27,450)</u>	<u>-</u>	<u>(18,651)</u>	<u>(92,989)</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$12,105,729</u>	<u>\$(2,267,678)</u>	<u>\$27,317</u>	<u>\$6,858,569</u>	<u>\$ 834,274</u>

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

3. CASH AND SHORT-TERM CASH INVESTMENTS HELD IN STATE TREASURY

Cash and short-term cash investments includes monies in the State Treasury. The State Treasury maintains an investment pool for all state monies. Hawaii Revised Statutes (HRS) authorized the State Director of Finance to invest any monies of the State which in the Director's judgment are in excess of amounts necessary for meeting the immediate requirements of the State. Legally authorized investments include obligations of or guaranteed by the U.S. Government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit and repurchase agreements with federally-insured financial institutions.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions.

As of June 30, 2007, the carrying amount, which approximates the bank balance of the DLNR's cash and short-term cash investments, was \$176,622,079 for its governmental funds and \$10,676,571 for its fiduciary funds.

4. RECEIVABLES

At June 30, 2007, receivables for general leases and licenses for governmental funds consisted of the following:

Rents, fees and licenses	\$1,011,961
Less allowance for doubtful accounts	<u>(926,786)</u>
	<u>\$ 85,175</u>

The Department has installment agreements with certain lessees for accounts receivable of the trust and agency fund which aggregated \$265,418 at June 30, 2007. These agreements provide for interest rates from 0% to 9.75% and payment terms from 1 to 30 years.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
June 30, 2007

At June 30, 2007, receivables for general leases and licenses for fiduciary funds consisted of the following:

Rents, fees and licenses	\$961,504
Less allowance for doubtful accounts	<u>(320,461)</u>
	<u>\$641,043</u>

5. CAPITAL ASSETS

The changes in capital assets were as follows:

	<u>Beginning Balance</u> <u>July 1, 2006</u>	<u>Additions,</u> <u>Adjustments</u> <u>and Transfers</u>	<u>Disposals,</u> <u>Adjustments</u> <u>and Transfers</u>	<u>Ending</u> <u>Balance</u> <u>June 30, 2007</u>
Capital assets, not being depreciated -				
Land	\$141,517,878	\$ 5,570,000	\$ -	\$147,087,878
Land improvements	688,400	-	-	688,400
Construction-in-progress	40,429,814	37,036,656	(1,903,195)	75,563,275
Other assets	<u>31,590</u>	<u>-</u>	<u>-</u>	<u>31,590</u>
Total capital assets, not being depreciated	<u>182,667,682</u>	<u>42,606,656</u>	<u>(1,903,195)</u>	<u>223,371,143</u>
Capital assets, being depreciated -				
Buildings	31,784,335	201,494	-	31,985,829
Land improvements	78,190,718	128,768	1,958,971	80,278,457
Furniture and equipment	7,809,560	1,780,853	(145,501)	9,444,912
Motor vehicles	<u>12,819,242</u>	<u>1,204,364</u>	<u>(492,164)</u>	<u>13,531,442</u>
Total capital assets, being depreciated	<u>130,603,855</u>	<u>3,315,479</u>	<u>1,321,306</u>	<u>135,240,640</u>
Less: accumulated depreciation for -				
Buildings	(20,144,372)	(673,553)	-	(20,817,925)
Land improvements	(48,840,382)	(3,456,314)	(35,842)	(52,332,538)
Furniture and equipment	(5,666,164)	(1,661,343)	125,567	(7,201,940)
Motor vehicles	<u>(10,891,609)</u>	<u>(1,084,403)</u>	<u>492,164</u>	<u>(11,483,848)</u>
Total accumulated depreciation	<u>(85,542,527)</u>	<u>(6,875,613)</u>	<u>581,889</u>	<u>(91,836,251)</u>
Total capital assets, being depreciated, net	<u>45,061,328</u>	<u>(3,560,134)</u>	<u>1,903,195</u>	<u>43,404,389</u>
Capital assets, net	<u>\$227,729,010</u>	<u>\$39,046,522</u>	<u>\$ -</u>	<u>\$266,775,532</u>

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Notes To The Financial Statements
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Changes to capital assets consisted of the following:

Additions:	
Capital outlays and equipment purchases	<u>\$44,917,313</u>
Disposals:	
Disposed capital assets, at cost	\$ 581,889
Accumulated depreciation of disposed capital assets	<u>(581,889)</u>
Loss on disposal of capital assets	<u>\$ -</u>
Adjustments:	
Other income from donated value of acquired capital assets	<u>\$ 970,000</u>

Depreciation expense for the year ended June 30, 2007, was charged to functions of the DLNR as follows:

Economic development	\$ 276,793
Environmental protection	3,288,987
Culture and recreation	3,054,803
Public safety	123,716
Individual rights	67,287
Government-wide support	<u>29,205</u>
	<u>\$6,840,791</u>

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Notes To The Financial Statements
June 30, 2007

6. LONG-TERM OBLIGATIONS

The changes in long-term obligations were as follows:

	<u>Accrued Vacation</u>	<u>General Obligation Bonds</u>
Balance at July 1, 2006	\$7,265,002	\$6,816,804
Principal payments	-	(1,153,819)
Net increase in accrued vacation	<u>156,587</u>	<u>-</u>
Balance at June 30, 2007	<u>\$7,421,589</u>	<u>\$5,662,985</u>

The following are portions of the State of Hawaii general obligation bonds allocated to the DLNR under Acts of various Session Laws of Hawaii. These bonds are backed by the full faith, credit and taxing power of the State. Repayment of allocated bond debts are made to the State general fund. The details of these general obligation bonds at June 30, 2007 are as follows:

\$1,867,548 series BW bonds dated March 1, 1992; due in annual installments of \$103,742; final payment on March 1, 2012; partially refunded \$209,259 by the issuance of refunding General Obligation Bonds, series DG, dated June 15, 2005; interest at 5.50% to 6.40% payable semi-annually	\$ 309,453
\$1,648,311 series BZ bonds dated October 1, 1992; due in annual installments of \$103,019 commencing October 1, 2000; final payment on October 1, 2012; interest at 5.00% to 6.00% payable semi-annually	618,117

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Notes To The Financial Statements
June 30, 2007

<p>\$987,378 series CB refunding bonds dated January 1, 1993; due in annual installments of \$75,945; final payment on January 1, 2008; interest at 4.30% to 5.75% payable semi-annually</p>	<p>\$ 75,945</p>
<p>\$1,852,409 series CC refunding bonds dated February 1, 1993; due in annual installments of \$132,323 through February 1, 2005 and \$132,295 through final payment on February 1, 2009; interest at 3.85% to 7.75% payable semi-annually</p>	<p>264,590</p>
<p>\$1,218,020 series CH bonds dated November 1, 1993; due in annual installments of \$67,673 through November 1, 2010 and \$67,649 through final payment on November 1, 2013; interest at 4.10% to 6.00% payable semi-annually</p>	<p>473,615</p>
<p>\$2,540,742 series CI refunding bonds dated November 1, 1993; due in annual installments of \$158,674; final payment on November 1, 2010; interest at 4.00% to 5.00% payable semi-annually</p>	<p>634,544</p>
<p>\$1,543,701 series CO bonds dated March 1, 1997; due in varying semi-annual installments; final payment on March 1, 2011; interest at 4.50% to 6.00% payable semi-annually</p>	<p>636,151</p>
<p>\$129,212 series CN bonds dated March 1, 1997; due in varying annual installments commencing March 1, 2002 through final payment on March 1, 2017; partially refunded \$11,135 by the issuance of refunding General Obligation Bonds, series CS, dated April 1, 1998; interest at 5.25% to 6.25% payable semi-annually; partially refunded \$67,711 by the issuance of refunding General Obligation Bonds series DG, dated June 15, 2005; interest at 6.00% to 6.25% payable semi-annually</p>	<p>14,966</p>

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<p>\$214 series CP bonds dated October 1, 1997; due in varying annual installments commencing April 1, 2002 through final payment on April 1, 2021; partially refunded \$102 by the issuance of refunding General Obligation Bonds, series DG, dated June 15, 2005; interest at 5.00% payable semi-annually</p>	<p>\$ 80</p>
<p>\$85,000 series CR bonds dated April 1, 1998; due in varying annual installments commencing April 1, 2006 through final payment on April 1, 2021; partially refunded \$63,399 by the issuance of refunding General Obligation Bonds, series DG, dated June 15, 2005; interest at 5.50% to 6.00% payable semi-annually</p>	<p>14,488</p>
<p>\$1,489,544 series CS bonds dated April 1, 1998; due in varying annual installments commencing April 1, 2003 through final payment on April 1, 2009; interest at 5.00% to 5.25% payable semi-annually</p>	<p>483,824</p>
<p>\$576,754 series CT bonds dated September 15, 1999; due in varying annual installments commencing September 1, 2005 through final payment on September 1, 2019; partially refunded \$87,215 by the issuance of refunding General Obligation Bonds, series DG, dated June 15, 2005; interest at 5.25% to 5.625% payable semi-annually</p>	<p>92,829</p>
<p>\$456,926 series CW bonds dated August 1, 2001; due in varying annual installments commencing August 1, 2005 through final payment on August 1, 2015; partially refunded \$14,662 by the issuance of refunding General Obligation Bonds, series DG, dated June 15, 2005; interest at various rates payable semi-annually</p>	<p>376,122</p>

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\$887,628 series CY bonds dated February 2, 2002; due in varying annual installments commencing February 1, 2007 through final payment on February 1, 2015; partially refunded \$4,309 by the issuance of refunding General Obligation Bonds, series DG, dated June 15, 2005; interest at various interest rates payable semi-annually \$ 803,297

\$396,612 series DB bonds dated September 16, 2003; due in varying annual installments commencing September 1, 2008 through final payment on September 1, 2016; interest at 5.00% to 5.25% payable semi-annually 396,612

\$468,352 series DG bonds dated June 15, 2005; due in varying annual installments commencing July 1, 2009 through final payment on July 1, 2017; interest at 5.00% payable semi-annually 468,352

\$5,662,985

Interest paid by the DLNR during the fiscal year ended June 30, 2007, approximated \$308,000.

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The approximate annual requirements to amortize the general obligation bond's debt and related interest are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$1,160,000	\$238,318	\$1,398,318
2009	1,082,392	180,186	1,262,578
2010	732,663	130,095	862,758
2011	828,803	95,553	924,356
2012	518,327	60,758	579,085
2013	416,846	38,046	454,892
2014	327,296	24,715	352,011
2015	273,854	15,688	289,542
2016	146,275	8,121	154,396
2017	113,472	4,429	117,901
2018	63,042	1,451	64,493
2019	5	1	6
2020	5	-	5
2021	<u>5</u>	<u>-</u>	<u>5</u>
Total	<u>\$5,662,985</u>	<u>\$797,361</u>	<u>\$6,460,346</u>

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Notes To The Financial Statements
June 30, 2007

7. RETIREMENT BENEFITS

Plan Description - All eligible employees of the State and counties are required by HRS Chapter 88 to become members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. The ERS is governed by a Board of Trustees. All contributions, benefits, and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action. The ERS issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing to the ERS at 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Prior to June 30, 1984, the plan consisted of only a contributory option. In 1984, legislation was enacted to add a new noncontributory option for members of the ERS who are also covered under Social Security. Police officers, firefighters, judges, elected officials, and persons employed in positions not covered by Social Security are precluded from the noncontributory option. The noncontributory option provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory option or to elect the new noncontributory option and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and non-contributory options, respectively.

Both options provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members are to receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan, were eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006 will be required to join the hybrid plan.

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Funding Policy - Most covered employees of the contributory option are required to contribute 7.8% of their salary. Police officers, firefighters, investigators of the departments of the County Prosecuting Attorney and the Attorney General, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2% of their salary. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The State's contribution requirements as of June 30, 2006, 2005, and 2004 were approximately \$318,144,000, \$251,685,000 and \$181,614,000, respectively. The State contributed 100% of its required contributions for those years. Covered payroll for the fiscal year ended June 30, 2006 was approximately \$2,184,793,000.

Post-Retirement Health Care and Life Insurance Benefits - In addition to providing pension benefits, the State, pursuant to HRS Chapter 87, provides certain health care and life insurance benefits to all qualified employees.

For employees hired before July 1, 1996, the State pays the entire monthly health care premium for employees retiring with ten or more years of credited service, and 50% of the monthly premium for employees retiring with fewer than ten years of credited service.

For employees hired after June 30, 1996, and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the retired employees' monthly Medicare or non-Medicare premium. For employees hired after June 30, 1996, and who retire with at least 15 years but fewer than 25 years of service, the State pays 75% of the retired employees' monthly Medicare or non-Medicare premium; for those retiring with over 25 years of service, the State pays the entire health care premium.

There are currently approximately 26,000 state retirees receiving such benefits. Free life insurance coverage for retirees and free dental coverage for dependents under age 19 are also available. Retirees covered by the medical portion of Medicare are eligible to receive reimbursement of the basic medical coverage premium. Contributions are financed on a pay-as-you-go basis. During fiscal 2006, expenditures of \$178,675,000 were recognized for post-retirement health care and life insurance benefits, approximately \$38,193,000 of which is attributable to the Component Units.

DEPARTMENT OF LAND AND NATURAL RESOURCES
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June 30, 2007

Effective July 1, 2003, the Hawaii Employer-Union Health Benefit Trust Fund (EUTF) replaced the Hawaii Public Employees Health Fund under Act 88, SLH of 2001. The EUTF was established to provide a single delivery system of health benefits for state and county employees, retirees, and their dependents.

Cost of Retirement Benefits - The DLNR's general fund share of the retirement system expense for the fiscal year ended June 30, 2007 was included as an item to be expended by the Department of Budget and Finance, State of Hawaii, and is not reflected in the DLNR's financial statements. The DLNR's special revenue funds, expendable trust funds and capital projects fund contributed approximately \$2,054,551 to the ERS for the fiscal year ended June 30, 2007. The entire ERS' actuarial determination of the employer contribution requirements were met as of June 30, 2007.

8. COMMITMENTS AND CONTINGENCIES

Litigation - The DLNR is involved in several lawsuits and complaints which management believes arose in the normal course of operations. Based on discussions with counsel, management has ascertained that lawsuits and complaints against the State of Hawaii are typically paid through an appropriation from the General Fund of the State of Hawaii. Accordingly, management is of the opinion that the outcome of these lawsuits and complaints will not have a material adverse effect on the financial position of the DLNR.

Insurance - Insurance coverage is maintained at the State level. The State is substantially self-insured for all perils including workers' compensation. All payments for workers' compensation are reflected in the respective department or agency's financial statements. Workers' compensation payments made by the DLNR for the fiscal year ended June 30, 2007 approximated \$296,300 and are reflected as expenditures of the general and special revenue funds. Amounts related to unpaid workers' compensation are reflected in the Statement of Net Assets. Expenditures for other insurance claims are made by the Department of Accounting and General Services, State of Hawaii, and are not reflected in the DLNR's financial statements. Workers' compensation benefit claims reported, as well as incurred but not reported were reviewed at year end. In the opinion of management, the estimated losses from these claims are not material.

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Notes To The Financial Statements
June 30, 2007

Deferred Compensation Plan - In 1983, the State established a deferred compensation plan which enables State employees to defer a portion of their compensation. The Department of Human Resources Development, State of Hawaii, has the fiduciary responsibility of administering the plan. The plan assets are protected from claims of the State's creditors and from diversion to any uses other than paying benefits to participants and beneficiaries. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

Due to State Treasury - Included in the special revenue funds are approximately \$9,554,000 of federal fund reimbursements received or receivable by the DLNR for program expenditures that were paid with previous year's general operating funds and \$514,000 of federal fund reimbursements received by the DLNR for the acquisition or construction of major capital facilities that were paid with the proceeds of general obligation bonds. Under Act 328 of the 1997 Regular Session, such monies are owed to the State Treasury.

Other - At June 30, 2007, substantially all of the reserve for encumbrances in the capital projects fund relates to construction contracts.

9. SMALL BOAT HARBORS AND BOAT RAMPS PROGRAM

During the year ended June 30, 2007, the DLNR's special revenue funds were charged by the Department of Transportation, State of Hawaii, approximately \$100,000 for services rendered during the year in connection with the Small Boat Harbors and Boat Ramps Program. At June 30, 2007, the DLNR owed the Department of Transportation, State of Hawaii, approximately \$24,000 for these services.

10. CENTRAL SERVICE AND ADMINISTRATION FEES

During the fiscal year ended June 30, 2007, the DLNR's special revenue funds were charged by the Department of Budget and Finance, State of Hawaii, approximately \$2,374,000 in central service and administration fees. At June 30, 2007, the DLNR owed the Department of Budget and Finance, State of Hawaii, approximately \$1,400,000 in unpaid fees.

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Notes To The Financial Statements
June 30, 2007

11. DUE TO OTHER STATE AGENCIES

For the fiscal year ended June 30, 2004, the DLNR recorded a liability of \$6,180,795 in its Water and Land Development Fund, owed to the State of Hawaii (State), which in a previous year was reversed as it was believed that there was no further obligation to reimburse the State for the amount. However, the DLNR determined that the liability will continue to be reported until the status of this obligation can be formally resolved with the State. The liability is related to advances from the State during the 1950's and 1960's for the development of water and irrigation projects. The projects were completed and subsequently transferred to the Department of Agriculture, State of Hawaii; however, the liability remained with the DLNR. The DLNR's attempts to resolve this matter with the State have not been successful but otherwise, the DLNR has never been notified of any requirement to repay the advances. This resulted in a \$6,180,795 restatement to the July 1, 2003 unreserved fund balance of the Governmental Funds.

In addition, DLNR receives revenue from numerous leases of State lands and properties. These include leases of ceded lands which are held in trust for native Hawaiians by the State. The State is required to pay 20% of revenues generated from ceded lands to the Office of Hawaiian Affairs (OHA), State of Hawaii, which administers and manages the proceeds related to the ceded lands. DLNR accounts for the revenues derived from ceded lands and determines the amounts due which are paid to OHA.

As of June 30, 2007, DLNR has recorded a liability to OHA and the State of Hawaii in the Ocean-Based Recreation Fund of approximately \$2,371,000 for amounts due from ceded land revenues. The portion payable to the State amounts to approximately \$1,187,000 and is reported under due to State of Hawaii.

12. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of the following:

Transfer To	Transfer From (To)						Total
	General Fund	Federal Grant Fund	Natural Area Reserves Fund	Ocean-Based Recreation Fund	Capital Projects Fund	Nonmajor Governmental	
Federal Grant Fund	\$725,149	\$ -	\$ -	\$ -	\$ 1,600,000	\$ -	\$2,325,149
Ocean-Based Recreation Fund	-	80,953	-	-	-	-	80,953
Capital Projects Fund	-	1,600,000	-	-	-	1,100,000	2,700,000
Nonmajor Governmental	-	-	2,329,843	1,750,151	-	2,373,756	6,453,750
Other Transfer, Net; Major and Nonmajor Governmental	-	(1,600,000)	500,000	(80,953)	(1,600,000)	(6,148,941)	(8,929,894)
Total	\$725,149	\$ 80,953	\$2,829,843	\$1,669,198	\$ -	\$ (2,675,185)	\$2,629,958

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

DEPARTMENT OF LAND AND NATURAL RESOURCES
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Notes To The Financial Statements
June 30, 2007

13. NOTE PAYABLE TO STATE TREASURY

DLNR is a sub-recipient to Federal Transit Administration grants for small boat harbor improvement projects on the Island of Maui. During the year, the Department of Budget and Finance (DBF), State of Hawaii, approved an interest-free loan of up to \$1,000,000 to DLNR whereby DBF would advance funds to DLNR for the sole purpose of paying project costs subject to federal reimbursement. The loan matures in May 2008 and as of June 30, 2007, reflected an outstanding balance of \$506,875.

PART III
SUPPLEMENTAL SECTION

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2007

	Special Land Development Fund	Land Conservation Fund	Bureau of Conveyances Fund	Commercial Fisheries Fund	Forest Stewardship Fund	Aquatic Resources Fund	Forests and Wildlife Fund	Water Resources Fund	Conservation Resource Enforcement Fund	Historical Preservation Fund	Subtotal Carried Forward
ASSETS											
Cash and short-term cash investments held in State Treasury	\$10,606,095	\$8,055,672	\$1,910,338	\$365,366	\$1,198,108	\$85,072	\$2,087,532	\$974,946	\$ 91,222	\$7,398	\$25,381,749
Receivables:											
General leases and licenses, net of allowance for losses	32,639	-	-	-	-	-	-	-	-	-	32,639
Due from Federal Grant Fund	28,230	-	-	-	-	-	-	-	-	-	28,230
Total assets	<u>\$10,666,964</u>	<u>\$8,055,672</u>	<u>\$1,910,338</u>	<u>\$365,366</u>	<u>\$1,198,108</u>	<u>\$85,072</u>	<u>\$2,087,532</u>	<u>\$974,946</u>	<u>\$ 91,222</u>	<u>\$7,398</u>	<u>\$25,442,618</u>
LIABILITIES											
Vouchers and contracts payable	\$ 376,397	\$ 8,332	\$ 93,285	\$ 21,109	\$ 156,012	\$ -	\$ 464,041	\$ 40,321	\$ 28,568	\$ -	\$ 1,188,065
Accrued wages and employee benefits payable	197,778	-	151,383	3,786	6,612	-	11,259	12,334	171,013	6,301	560,466
Due to State Treasury	-	-	987,538	-	-	-	-	-	-	-	987,538
Due to other State agencies	322,413	-	354,481	-	-	-	-	-	-	-	676,894
Deferred revenue	261,160	-	-	-	-	-	-	4,589	-	-	265,749
Security deposits	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>1,157,748</u>	<u>8,332</u>	<u>1,586,687</u>	<u>24,895</u>	<u>162,624</u>	<u>-</u>	<u>475,300</u>	<u>57,244</u>	<u>199,581</u>	<u>6,301</u>	<u>3,678,712</u>
FUND BALANCES											
Reserved for:											
Encumbrances	1,813,062	3,203,545	155,857	48,463	255,502	-	1,750,275	255,474	23,791	-	7,505,969
Receivables	60,869	-	-	-	-	-	-	-	-	-	60,869
Total reserved fund balances	<u>1,873,931</u>	<u>3,203,545</u>	<u>155,857</u>	<u>48,463</u>	<u>255,502</u>	<u>-</u>	<u>1,750,275</u>	<u>255,474</u>	<u>23,791</u>	<u>-</u>	<u>7,566,838</u>
Unreserved:											
Unreserved reported in nonmajor - Special Revenue Funds	7,635,285	4,843,795	167,794	292,008	779,982	85,072	(138,043)	662,228	(132,150)	1,097	14,197,068
Total unreserved fund balances	<u>7,635,285</u>	<u>4,843,795</u>	<u>167,794</u>	<u>292,008</u>	<u>779,982</u>	<u>85,072</u>	<u>(138,043)</u>	<u>662,228</u>	<u>(132,150)</u>	<u>1,097</u>	<u>14,197,068</u>
Total fund balances	<u>9,509,216</u>	<u>8,047,340</u>	<u>323,651</u>	<u>340,471</u>	<u>1,035,484</u>	<u>85,072</u>	<u>1,612,232</u>	<u>917,702</u>	<u>(108,359)</u>	<u>1,097</u>	<u>21,763,906</u>
Total liabilities and fund balances	<u>\$10,666,964</u>	<u>\$8,055,672</u>	<u>\$1,910,338</u>	<u>\$365,366</u>	<u>\$1,198,108</u>	<u>\$85,072</u>	<u>\$2,087,532</u>	<u>\$974,946</u>	<u>\$ 91,222</u>	<u>\$7,398</u>	<u>\$25,442,618</u>

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2007

	Subtotal Brought Forward	Na Ala Hele Park Development Fund	Wildlife Revolving Fund	Sport-Fish Restoration Fund	Park Development Operations Fund	State Parks Fund	Natural Physical Environment Fund	Preservation of Endangered Plants Fund	Donations, Gifts and Grants Fund	OHA Kikakakeokea Trust Fund	Endangered Species Trust Fund	Assistance in Managing Land Fund	Total Other Governmental Funds
ASSETS													
Cash and short-term cash investments held in State Treasury	\$25,381,749	\$706,881	\$112,115	\$93,299	\$31,629	\$1,593,170	\$99,721	\$3,164	\$26,020	\$224,930	\$404,328	\$121,993	\$58,798,999
Receivables:													
General leases and licenses, net of allowance for losses	32,639	-	-	-	-	52,536	-	-	-	-	-	-	85,175
Due from Federal Grant Fund	28,230	-	-	-	-	-	-	-	-	-	-	-	28,230
Total assets	\$25,442,618	\$706,881	\$112,115	\$93,299	\$31,629	\$1,645,706	\$99,721	\$3,164	\$26,020	\$224,930	\$404,328	\$121,993	\$58,917,404
LIABILITIES													
Vouchers and contracts payable	\$ 1,188,065	\$ 10,459	\$ 7,824	\$ 3,882	\$32,254	\$ 248,847	\$ 182	\$ -	\$ -	\$ -	\$ 2,530	\$ 9,118	\$ 1,503,161
Accrued wages and employee benefits payable	560,466	15,464	20,569	-	9,496	62,583	20,438	-	-	-	-	-	689,016
Due to State Treasury	987,538	-	-	-	-	-	-	-	-	168,576	-	-	987,538
Due to other State agencies	676,894	-	-	-	-	-	-	-	-	-	-	-	845,470
Deferred revenue	265,749	-	-	-	-	2,477	-	-	-	-	39,600	-	268,226
Security deposits	-	-	-	-	-	-	-	-	-	-	-	-	39,600
Total liabilities	3,678,712	25,923	28,393	3,882	41,750	313,907	20,620	-	-	168,576	42,130	9,118	4,333,011
FUND BALANCES													
Reserved for:													
Encumbrances	7,505,969	45,442	101,266	2,414	641	1,240,722	1,497	-	-	56,354	6,938	102,463	9,063,706
Receivables	60,869	-	-	-	-	52,536	-	-	-	-	-	-	113,403
Total reserved fund balances	7,566,838	45,442	101,266	2,414	641	1,293,258	1,497	-	-	56,354	6,938	102,463	9,177,111
Unreserved:													
Unreserved reported in nonmajor - Special Revenue Funds	14,197,068	635,516	(17,544)	87,003	(10,762)	38,541	77,604	3,164	26,020	-	355,260	10,412	15,402,282
Total unreserved fund balances	14,197,068	635,516	(17,544)	87,003	(10,762)	38,541	77,604	3,164	26,020	-	355,260	10,412	15,402,282
Total fund balances	21,763,906	680,958	83,722	89,417	(10,121)	1,331,799	79,101	3,164	26,020	56,354	362,198	112,875	24,579,393
Total liabilities and fund balances	\$25,442,618	\$706,881	\$112,115	\$93,299	\$31,629	\$1,645,706	\$99,721	\$3,164	\$26,020	\$224,930	\$404,328	\$121,993	\$58,917,404

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances -
Nonmajor Governmental Funds
For The Year Ended June 30, 2007

	Special Land Development Fund	Land Conservation Fund	Bureau of Conveyances Fund	Commercial Fisheries Fund	Forest Stewardship Fund	Aquatic Resources Fund	Forests and Wildlife Fund	Water Resources Fund	Conservation Resource Enforcement Fund	Historical Preservation Fund	Subtotal Carried Forward
Revenues											
General leases, licenses and permits	\$7,709,080	\$ -	\$4,682,806	\$232,923	\$ 116,971	\$ -	\$ -	\$ 59,159	\$ -	\$67,903	\$12,868,842
Taxes, fuel and others	-	4,832,851	-	-	300,000	-	-	-	-	-	5,132,851
Interest	497,073	236,482	47,763	15,130	40,929	3,510	84,109	43,962	1,980	19,198	990,136
Other	60,572	-	10,263	-	7,385	-	-	400	-	-	78,620
Total revenues	8,266,725	5,069,333	4,740,832	248,053	465,285	3,510	84,109	103,521	1,980	87,101	19,070,449
Expenditures											
Current:											
Economic development	-	-	-	239,078	599,448	-	-	-	-	-	838,526
Environmental protection	-	-	-	-	-	-	1,954,632	452,810	1,638,024	-	4,045,466
Culture and recreation	-	-	-	-	-	-	-	-	-	76,201	76,201
Individual rights	-	-	4,907,479	-	-	-	-	-	-	-	4,907,479
Government-wide support	5,583,358	1,586,754	-	-	-	-	-	-	-	-	7,170,112
Total expenditures	5,583,358	1,586,754	4,907,479	239,078	599,448	-	1,954,632	452,810	1,638,024	76,201	17,037,784
Excess (deficiency) of revenues over (under) expenditures	2,683,367	3,482,579	(166,647)	8,975	(134,163)	3,510	(1,870,523)	(349,289)	(1,636,044)	10,900	2,032,665
Other financing sources (uses)											
Operating sources (uses)	4,860,525	3,464,761	459,199	271,928	987,912	81,562	2,598,014	919,223	1,660,121	165	15,303,410
Operating transfers in	(6,224,558)	(4,564,761)	(304,143)	(283,380)	(687,912)	(81,562)	(24,927)	(636,400)	(1,718)	(163)	(12,809,526)
Operating transfers out	(1,364,033)	(1,100,000)	155,056	(11,452)	300,000	-	2,573,087	282,823	1,658,403	-	2,493,884
Total other financing sources (uses)	1,319,334	2,382,579	(11,591)	(2,477)	165,837	3,510	702,564	(66,466)	22,359	10,900	4,526,549
Net change in fund balances	8,189,882	5,664,761	335,242	342,948	869,647	81,562	909,668	984,168	(130,718)	(9,803)	17,237,357
Fund balances at July 1, 2006	\$9,509,216	\$8,047,340	\$ 323,651	\$340,471	\$1,035,484	\$85,072	\$1,612,232	\$917,702	\$ (108,359)	\$ 1,097	\$21,763,906

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances -
Nonmajor Governmental Funds
For The Year Ended June 30, 2007

	Subtotal Brought Forward	Na Ala Hele Park Development Fund	Wildlife Revolving Fund	Sport-Fish Restoration Fund	Park Development Operations Fund	State Parks Fund	Natural Physical Environment Fund	Preservation of Endangered Plants Fund	Donations, Gifts and Grants Fund	OHA Kikakakoeka Trust Fund	Endangered Species Trust Fund	Assistance in Managing Land Fund	Total Other Governmental Funds
Revenues													
General leases, licenses and permits	\$12,868,842	\$ 96,324	\$376,574	\$ 33,320	\$ -	\$ 1,964,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$15,339,550
Taxes, fuel and others	5,132,851	350,000	-	-	-	900,000	-	-	-	-	-	-	6,382,851
Interest	990,136	28,990	11,000	3,989	-	166,801	5,694	-	-	17,522	9,059	-	1,233,191
Other	78,620	-	2,917	1,315	6,977	1,007	1,418	-	13,200	-	275,750	158,000	539,204
Total revenues	19,070,449	475,314	390,491	38,624	6,977	3,032,298	7,112	-	13,200	17,522	284,809	158,000	23,494,796
Expenditures													
Current:													
Economic development	838,526	-	-	-	-	-	-	-	-	-	-	45,125	883,651
Environmental protection	4,045,466	-	-	-	-	-	510,088	-	180	-	66,894	-	4,622,628
Culture and recreation	76,201	453,221	521,379	43,886	738,983	3,585,881	-	-	-	-	-	-	5,419,551
Individual rights	4,907,479	-	-	-	-	-	-	-	-	364,485	-	-	4,907,479
Government-wide support	7,170,112	-	-	-	-	-	-	-	-	-	-	-	7,534,597
Total expenditures	17,037,784	453,221	521,379	43,886	738,983	3,585,881	510,088	-	180	364,485	66,894	45,125	23,367,906
Excess (deficiency) of revenues over (under) expenditures	2,032,665	22,093	(130,888)	(5,262)	(732,006)	(553,583)	(502,976)	-	13,020	(346,963)	217,915	112,875	126,890
Other financing sources (uses)													
Operating sources (uses)	15,303,410	642,014	169,814	86,696	721,885	450,992	604,031	3,164	13,000	-	17,910	-	18,012,916
Operating transfers in	(12,809,526)	(642,014)	(223,814)	(86,696)	(1,885)	(1,337,285)	(51,771)	(3,164)	(13,000)	(168,576)	-	-	(15,337,731)
Total other financing sources (uses)	2,493,884	-	(54,000)	-	720,000	(886,293)	552,260	-	-	(168,576)	17,910	-	2,675,185
Net change in fund balances	4,526,549	22,093	(184,888)	(5,262)	(12,006)	(1,439,876)	49,284	-	13,020	(515,539)	235,825	112,875	2,802,075
Fund balances at July 1, 2006	17,237,357	658,865	268,610	94,679	1,885	2,771,675	29,817	3,164	13,000	571,893	126,373	-	21,777,318
Fund balances at June 30, 2007	\$21,763,906	\$680,958	\$ 83,722	\$ 89,417	\$ (10,121)	\$ 1,331,799	\$ 79,101	\$ 3,164	\$ 26,020	\$ 56,354	\$352,198	\$112,875	\$24,579,393

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Animal and Plant Health Inspection Service - Plant, Pest & Animal Disease Control Surveillance & Management Relative to Chronic Wasting Disease	10.025	05-9715-1400-CA	\$ 53,571	\$ 28,648
	10.025	06-9715-1400-CA	48,000	7,211
			<u>101,571</u>	<u>35,859</u>
Forest Service - Avian Influenza Surveillance Program	10.028	06-7100-0158-CA	<u>100,000</u>	<u>54,863</u>
Cooperative Forestry Assistance - Prevention and Suppression	10.664	03-DG-11052021-087	410,000	-
Forest Land Enhancement Program	10.664	03-DG-11052021-119	100,000	5,501
Forest Health Protection, Prevention & Suppression	10.664	04-DG-11052021-089	547,000	58,405
Cooperative Forest Health Protection	10.664	04-DG-11052021-090	122,000	12,786
Wildland Urban Interface	10.664	04-DG-11052012-093	246,750	76,734
Cooperative Fire Protection Program	10.664	04-DG-11052012-094	664,000	-
Development of Conservation Literacy Curriculum - K12	10.664	05-DG-11052021-065	15,000	100
Wildland Urban Interface	10.664	05-DG-11052012-134	350,000	260,592
Forest Health Protection - Genetic Preservation of Wiliwili Trees in Hawaii	10.664	06-DG-11052021-104	20,000	11,713
Wildland Urban Interface	10.664	06-DG-11052012-172	646,300	370,700
Cooperative Fire Protection Program	10.664	06-DG-11052012-173	575,000	375,000
Conservation Education	10.664	06-DG-11052021-217	15,000	14,900
			<u>3,711,050</u>	<u>1,186,431</u>
Rural Development Through Forestry	10.672	05-DG-11052021-071	70,650	20,644
Cooperative Fire Assistance	10.672	05-DG-11052012-135	620,000	140,000
			<u>690,650</u>	<u>160,644</u>
Urban & Community Forestry	10.675	04-DG-11052021-091	428,000	96,500
Urban & Community Forestry	10.675	05-DG-11052021-110	348,000	132,062
Urban & Community Forestry	10.675	06-DG-11052021-212	223,000	150,725
Urban & Community Forestry	10.675	07-DG-11052021-176	268,000	-
			<u>1,267,000</u>	<u>379,287</u>
Forest Legacy Program	10.676	05-DG-11052021-085	30,000	100
Forest Legacy Program	10.676	06-DG-11052021-223	30,000	30,000
Forest Legacy Program	10.676	06-DG-11052021-245	20,000	1,161
Forest Legacy Program	10.676	07-DG-11052021-175	30,000	-
Forest Legacy - Kealakekua Ranch, Ph I	10.676	07-CA-11052021-178	2,000,000	-
			<u>2,110,000</u>	<u>31,261</u>

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of Agriculture (Continued)</u>				
Forest Lands Enhancement Program	10.677	05-DG-11052021-124	\$ 62,300	\$ 27,809
Forest Lands Enhancement Program	10.677	06-DG-11052021-210	25,000	24,153
			87,300	51,962
Forest Stewardship Program	10.678	04-DG-11052021-088	197,600	29,585
Forest Stewardship Program	10.678	05-DG-11052021-118	125,000	5,000
Forest Stewardship Program	10.678	06-DG-11052021-209	113,000	113,000
Forest Stewardship Program	10.678	07-DG-11052021-159	105,000	5,000
			540,600	152,585
Forest Health Protection	10.680	05-DG-11052021-070	547,000	456,599
Forest Health Protection	10.680	05-DG-11052021-064	112,296	53,523
Forest Health Management	10.680	06-DG-11052021-158	75,000	33,906
Evaluation Monitoring - New Rust Disease on Myrtaceae	10.680	06-DG-11052021-201	52,000	5,659
Control & Evaluation of Invasive Species in Hawaii	10.680	06-DG-11052021-202	515,000	165,595
Forest Health Protection	10.680	07-DG-11052021-174	75,000	-
			1,376,296	715,282
Natural Resources Conservation Service - Wildlife Habitat Incentives Program	10.UNK	72-9251-5A-163	80,642	-
Kanaha Pond Wetland Reserve Program	10.UNK	66-9251-6-719	109,350	-
Kure Atoll	10.UNK	72-95251-6A-119	143,400	-
Pouhala Marsh	10.UNK	72-95251-6A-120	102,000	-
Hamakua Marsh	10.UNK	72-95251-6A-138	89,625	-
Kihapai Wetland	10.UNK	66-9251-5-681	99,994	-
Kawaiele Wetland	10.UNK	72-9251-0-7073	22,500	-
Puu Mali Watershed	10.UNK	72-9251-0-706Q	344,250	-
			991,761	-
 Total U.S. Department of Agriculture			 10,976,228	 2,768,174
<u>U.S. Department of Commerce</u>				
Direct Programs:				
National Oceanic and Atmospheric Administration -				
Web-Based Internet Commercial Marine Licensing System	11.407	NA04NMF4070127	71,636	19,599
Hawaii Coral Reef Management Program	11.419	NA03NOS4190210	347,200	-
Hawaii Coral Reef Management Program	11.419	NA04NOS4190111	450,000	134,699
Acquisition of 1,129 Acres on Oahu Known as Pupukea-Paumalu	11.419	NA04NOS4190196	1,978,955	-
Hawaii Coral Reef Management Program	11.419	NA05NOS4191014	420,768	101,673
Hawaii Coral Reef Management Program	11.419	NA06NOS4190101	513,000	44,514
			3,709,923	280,886

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of Commerce (Continued)</u>				
Hawaii Coral Reef Monitoring Program	11.426	NA03NOS4260112	\$ 115,000	\$ 15,951
Hawaii Coral Reef Monitoring Program	11.426	NA05NOS4261189	125,000	71,304
Hawaii Coral Reef Monitoring Program	11.426	NA06NOA4260113	129,999	70,635
			<u>369,999</u>	<u>157,890</u>
Northwest Hawaiian Islands Coral Reef Ecosystem Reserve	11.429	MOA-2001-675	<u>830,000</u>	<u>177,988</u>
An Investigation of the Current Status of the Hawaiian Black Coral Fishery Using Historical & New Perspectives	11.430	NA04OAR3000141	<u>51,240</u>	<u>-</u>
Hawaii Marine Recreational Fishing Survey Collect & Provide Fisheries Data Under the Western Pacific Fisheries Information Network	11.437	NA04NMF4370068	386,667	100
	11.437	NA04NMF4370142	234,000	120,672
Hawaii Marine Recreational Fishing Survey	11.437	NA06NMF4370201	143,005	142,961
			<u>763,672</u>	<u>263,733</u>
Fisheries Disaster Relief Program	11.452	NA03NMF4520452	<u>5,000,000</u>	<u>3,674,735</u>
Assessment of Carijoa Riisei	11.463	NA06NMF4630219	<u>50,000</u>	<u>42,126</u>
Kaipukaiaola - A Partnership to Provide Meaningful Outdoor Experience to Pre-service & In-service Teachers about Kaho'olawe	11.473	NA06NOS4730014	<u>99,900</u>	<u>65,721</u>
Fine Scale Habitat Characterization VENDOR	11.UNK	DG133C04SE1197	<u>100,000</u>	<u>32,858</u>
National Marine Fishery - 2006 Joint Enforcement Agreement	11.UNK	-	<u>154,153</u>	<u>360</u>
Subtotal Direct Programs			<u>11,200,523</u>	<u>4,715,896</u>
National Oceanic and Atmospheric Administration - Pass-Through Programs From:				
The Department of Business, Economic Development and Tourism, State of Hawaii - Comprehensive Plan to Prevent the Introduction & Dispersal of Alien Aquatic Organisms				
	11.419	SOH-DBEDT 51678	55,205	-
Ocean Recreation User Conflicts	11.419	SOH-DBEDT 54106	50,000	20,000
			<u>105,205</u>	<u>20,000</u>
Subtotal Pass-Through Programs			<u>105,205</u>	<u>20,000</u>
Total U.S. Department of Commerce			<u>11,305,728</u>	<u>4,735,896</u>

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of Defense</u>				
U.S. Department of the Navy - Kaho'olawe Rehabilitation Trust	12.UNK	12.UNK	\$ 44,014,410	\$ 4,724,065
Total U.S. Department of Defense			<u>44,014,410</u>	<u>4,724,065</u>
<u>U.S. Department of the Interior</u>				
Fish and Wildlife Service -				
Replacement of Comfort Station at Heeia-Kea Small Boat Harbor	15.605	F-19-B-33	187,500	2,599
Pohoiki Boat Ramp & Loading Dock	15.605	F-19-B-35	97,500	16,707
Loading Dock Replacement at the Waianae Small Boat Harbor, Waianae, Oahu	15.605	F-19-B-36	60,000	-
Statewide Freshwater Fisheries Development	15.605	F-11-D-30	261,000	100
Waikaea Boat Ramp Dredging & Revetment Repair	15.605	F-19-B-38	45,000	-
Statewide Marine Fisheries Development	15.605	F-12-D-30	800,500	108,637
Coordination of Statewide Sports Fish Restoration Program	15.605	F-13-C-30	82,614	-
Freshwater Fisheries Research & Surveys	15.605	F-14-R-30	208,500	43,065
Statewide Freshwater Fisheries Technical Guidance	15.605	F-15-T-30	24,000	-
Statewide Marine Fisheries Technical Guidance	15.605	F-16-T-30	60,000	-
Statewide Marine Research & Surveys	15.605	F-17-R-30	675,000	162,743
Aquatic Resources Education	15.605	F-18-AE-19	180,000	3,768
Design for the Maintenance Dredging & Minor Loading Dock Repair at Kihei & Mala Boat Ramps, Maui, Hawaii	15.605	F-19-B-39	187,500	153,107
Coordination of Statewide Sports Fish Restoration Program	15.605	F-13-C-31	79,500	40,994
Statewide Freshwater Fisheries Technical Guidance	15.605	F-15-T-31	24,000	19,702
Statewide Marine Fisheries Technical Guidance	15.605	F-16-T-31	60,000	53,416
Aquatic Resources Education	15.605	F-18-AE-20	217,500	217,400
Statewide Freshwater Fisheries Development	15.605	F-11-D-31	261,000	260,900
Freshwater Fisheries Research & Surveys	15.605	F-14-R-31	181,875	178,520
Statewide Marine Fisheries Development	15.605	F-12-D-31	699,000	566,031
Statewide Marine Fisheries Research & Surveys	15.605	F-17-R-31	986,977	788,619
			<u>5,378,966</u>	<u>2,616,308</u>
Hawaii Year One Aquatic Invasive Species	15.608	122004G029	199,926	78,112
Updating Hunter Education Classes	15.608	122004G017	30,000	-
Mauna Kea Dry Forest Restoration	15.608	122006G014	110,000	26
Avian Influenza Surveillance Program	15.608	122007J001	101,600	5,165
Invasive Species Early Detection	15.608	122006G013	4,500	-

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of the Interior (Continued)</u>				
Investigation of Barn Owls as Predators	15.608	122007J003	\$ 8,715	\$ 19
Regional Site Fidelity of Migratory Shorebirds	15.608	2006-0181-008	15,575	14,088
Mauna Kea Dry Forest Restoration	15.608	2006-0094-015	25,000	-
			495,316	97,410
Conservation Education Facility, Waimea	15.611	FW-1-DE-1	857,000	34,459
Hawaii Non-Game Management Program	15.611	W-23-NG-10	215,158	12,122
Hawaii Game Management Program	15.611	W-22-G-10	610,498	61,088
Conservation Management - Kauai Hunting Units	15.611	122004G018	77,500	29,126
Mokihana Ridge-Waialae Trail Project	15.611	122004G030	20,000	12
Hawaii Hunter Education Program	15.611	W-21-HS-29	382,125	34,869
Hawaii Game Management Program	15.611	W-22-G-11	610,498	119,142
Hawaii Non-Game Management Program	15.611	W-23-NG-11	215,158	6,245
Hawaii Hunter Education Program	15.611	W-21-HS-30	430,875	356,366
Hawaii Non-Game Management Program	15.611	W-23-NG-12	215,800	199,017
Hawaii Game Management Program	15.611	W-22-G-12	900,975	534,211
			4,535,587	1,386,657
Pouhala Marsh Protection & Restoration, Ph 2	15.614	C-2	260,000	-
Ilio Point Coastal Ecosystem Restoration, Ph 1	15.614	122001G007	8,128	1,657
Mokulua Seabird Sanctuary Soil Stabilization	15.614	122001G009	15,927	-
			284,055	1,657
Statewide Endangered Plant Program	15.615	E-2-MP-3	492,962	26,010
Candidate Conservation Grants - Development of Candidate Conservation Agreements	15.615	E-4-CC-1	981,899	190
Recovery Land Acquisition Program Grants	15.615	E-6-RL-1	150,000	-
Habitat Conservation Plan Grants - Development of HCP's	15.615	E-5-HP-1	517,134	-
Safe Harbor Grants - Development of Safe Harbor Agreements	15.615	E-3-SH-1	1,147,186	140,408
Endangered Maui Forest Bird	15.615	122002J002	642,948	172,231
Statewide Endangered Plant Program	15.615	E-2-MP-4	649,950	2
HCP Planning Assistance - Dev of an HCP for Game Mammal Mgmt in North Kona, HI Yr2	15.615	E-5-HP-2	346,583	76,899
Statewide Endangered Plant Program	15.615	E-2-MP-5	598,033	49,796
Coordination & Planning of Programmatic HCP for E&T Seabirds on Kauai, Hawaii	15.615	E-8-HP-1	148,989	57,588
Statewide Endangered Plant Program	15.615	E-2-MP-6	545,332	33,575
Statewide Endangered Wildlife Program	15.615	E-2-7	471,000	52,848
Statewide Endangered Wildlife Program	15.615	E-2-8	505,533	298,546
Statewide Endangered Plant Program	15.615	E-2-MP-7	579,863	111,678
Recovery Land Acquisition - Carlsmith Trust Property	15.615	E-10-RL-1	875,000	176

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of the Interior (Continued)</u>				
Recovery Land Acquisition - Moanalua Valley Watershed Protection & Habitat Restoration	15.615	E-11-RL-1	\$ 1,634,364	\$ 1,618,197
Recovery Land Acquisition - Manuka Natural Area Reserve Inholding Acquisition	15.615	E-12-RL-1	78,750	-
Statewide Endangered Plant Program	15.615	E-2-MP-8	713,537	353,427
Statewide Endangered Wildlife Program	15.615	E-2-9	639,207	141,902
			<u>11,718,270</u>	<u>3,133,473</u>
Statewide Clean Vessel Program	15.616	F-V-1-1	623,000	-
Kaena Point Seabird Habitat Restoration	15.617	P-3-MP	50,000	1,080
Construction of Tie-up Facilities for Transient Vessels at Ala Wai Small Boat Harbor, Oahu, Hawaii	15.622	Y-4-D-1	100,000	-
Construction of Tie-Up Facilities for Transient Vessels at Ala Wai Small Boat Harbor, Oahu, Hawaii	15.622	Y-5-D-1	100,000	-
			<u>200,000</u>	<u>-</u>
Hawaii Wildlife Conservation & Restoration Program	15.625	R-1-CMRE-1	358,683	-
Ulupalakua Ranch - Kanaio Fence & Habitat Restoration	15.631	122001G012	50,000	50,000
Kauai Bog Endangered Species Management	15.631	122004G032	64,884	13,071
Preventing the Extinction of Hawaii's Rarest Plants	15.631	122005G007	60,000	-
Helemano Watershed Management Project	15.631	122005G014	38,785	36,163
Hilo Forest Reserve Feral Cattle Hunt	15.631	122005G012	29,850	6,107
Review & Assessment of Methodologies to Control Non-Native Game Mammals	15.631	122005G013	15,000	10,334
Kohala Mountain Watershed Management	15.631	122005G011	15,000	5,161
			<u>273,519</u>	<u>120,836</u>
Landowner Incentive Program, Tier 1	15.633	I-1-1	180,000	55,728
Landowner Incentive Program, Tier 2	15.633	I-2-1	1,551,750	101,279
Landowner Incentive Program, Tier 1	15.633	I-3-1	180,000	15,923
Landowner Incentive Program, Tier 2	15.633	I-4-D-1	1,120,000	74,879
Landowner Incentive Program, Tier 2	15.633	I-5-HM-1	314,446	74,725
			<u>3,346,196</u>	<u>322,534</u>
Statewide Wildlife Grant Program	15.634	T-2-1-1	389,940	1,170
Native Dryland & Mesic Forest Protection & Restoration	15.634	U-2-M-1	501,270	126,702

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of the Interior (Continued)</u>				
State Wildlife Grant Program I - Planning & Coordination of Statewide Program of Terrestrial Wildlife Conservation	15.634	T-1-P-2	\$ 175,420	\$ 4,059
State Wildlife Grant Program II - Implementation of Statewide Program of Terrestrial Wildlife Conservation	15.634	T-2-2	407,340	8,059
Planning & Coordination of Statewide Program for Aquatic Wildlife Conservation	15.634	T-3-P-1	150,000	24,585
Statewide Wildlife Grant Program I	15.634	T-1-P-3	188,000	10,610
Statewide Wildlife Grant Program II	15.634	T-2-3	424,020	2,927
State Wildlife Grant Program I - Planning & Coordination of Statewide Program of Terrestrial Wildlife Conservation	15.634	T-1-P-4	198,000	69,674
State Wildlife Grant Program II - Implementation of Statewide Program of Terrestrial Wildlife Conservation	15.634	T-2-4	422,887	217,299
SWG I - State Wildlife Grant	15.634	T-2-5	204,446	49,100
SWG C - State Wildlife Grant	15.634	T-1-P-5	245,054	212,063
Aquatic Wildlife Conservation	15.634	T-3-P-2	150,000	3,750
			<u>3,456,377</u>	<u>729,998</u>
Kuia Natural Area Reserve Fencing	15.FFB	122002J015	25,000	-
Restore Lake House Reservoir - Pu'u Wa'awa'a	15.FFB	122002G010	233,318	231,286
Ahupua'a Pu'u Wa'awa'a Coordination	15.FFB	122003G014	60,000	-
Axis Deer Control on the Island of Maui	15.FFB	122003G029	60,000	12,778
Kahakuloa Natural Area Reserve / Game Management Area Fencing Project	15.FFB	122003G035	100,000	-
Mauna Kea Feral Ungulate Removal	15.FFB	122003J003	25,000	-
Kau Forest Reserve	15.FFB	122003G033	22,000	9
Alala Conservation Cooperative Initiative	15.FFB	122003G037	35,000	62
Mauna Kea Forest Reserve Fence Repair: Northwest Section	15.FFB	122003G038	92,000	9
Pacific Islands Cooperation for Shared Species	15.FFB	2005-005-008	7,395	-
			<u>659,713</u>	<u>244,144</u>
National Park Service -				
Historic Preservation Annual Grant	15.904	15-05-20413	481,180	-
Historic Preservation Annual Grant	15.904	15-06-21514	482,959	203,743
Historic Preservation Annual Grant	15.904	15-07-21615	495,273	365,977
			<u>1,459,412</u>	<u>569,720</u>
Wailea Restroom, Hapuna Beach State Recreation Area	15.916	15-00142	217,455	-
Lahaina Recreation Center Expansion	15.916	15-00143	220,000	-

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of the Interior (Continued)</u>				
Aquatic Center, Central Oahu Regional Park	15.916	15-00146	\$ 725,000	\$ -
Rubberized Track, Vindinha Stadium, County of Kauai	15.916	15-00147	430,000	21,500
Keolonahihi State Historical Park, North Kona, Hawaii Island	15.916	15-00150	600,000	-
Park Improvements, Isaac Hale Beach Park, County of Hawaii	15.916	15-00148	520,824	-
Playground Equipment, Hanapepe Heights Park & Hanapepe Cliffside Park, County of Kauai	15.916	15-00151	42,000	-
Diamond Head State Monument, Oahu	15.916	15-00149	200,000	-
Kekaha Gardens Oark - Increment II	15.916	15-00154	200,000	-
			<u>3,155,279</u>	<u>21,500</u>
Management & Conservation of Nene Habitat	15.ABN	H8080010002	85,500	3,466
Total U.S. Department of the Interior			<u>36,079,873</u>	<u>9,248,783</u>
<u>U.S. Department of Justice</u>				
Drug Enforcement Administration -				
Direct Programs:				
Domestic Cannabis Eradication / Suppression	16.579	LOA 2005-56	469,784	-
Domestic Cannabis Eradication / Suppression	16.579	LOA 2006-59	462,576	265,686
Marijuana Eradication	16.579	LOA 2007-62	600,000	150,887
			<u>1,532,360</u>	<u>416,573</u>
Subtotal Direct Programs			<u>1,532,360</u>	<u>416,573</u>
Office of Justice Programs -				
Pass-Through Programs From:				
The Department of the Attorney General, Crime Prevention and Justice Assistance Division, State of Hawaii -				
Maritime Intelligence & Enforcement Program	16.579	State AG 04-DB-07	150,000	22,732
Maritime Intelligence & Enforcement Program	16.579	State AG 06-DJ-04	90,000	13,806
			<u>240,000</u>	<u>36,538</u>
Subtotal Pass-Through Programs			<u>240,000</u>	<u>36,538</u>
Total U.S. Department of Justice			<u>1,772,360</u>	<u>453,111</u>

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of Transportation</u>				
Federal Highway Administration -				
Direct Programs:				
Na Ala Hele Trail & Access System	20.219	NRT-NRT 1(008)	\$ 530,738	\$ -
Na Ala Hele Trail & Access System	20.219	NRT-NRT 1(009)	625,284	-
Na Ala Hele Trail & Access System	20.219	NRT-NRT 1(010)	653,669	618,053
Na Ala Hele Trail & Access System	20.219	NRT-NRT 1(011)	758,079	-
			<u>2,567,770</u>	<u>618,053</u>
Subtotal Direct Programs			<u>2,567,770</u>	<u>618,053</u>
Federal Highway Administration -				
Pass-Through Programs From:				
The Department of Transportation, State of Hawaii -				
Ka Iwi Scenic Shoreline	20.205	SOH-DOT STP-072-1(46)	5,159,006	277,057
Diamond Head Rd 3/06 Flood Damage Repair	20.205	SOH-DOT ER-14(9)	307,000	305,769
			<u>5,466,006</u>	<u>582,826</u>
Federal Transit Administration -				
Pass-Through Programs From:				
The Department of Transportation, State of Hawaii -				
Maui Ferry System & Harbor Improvements	20.500	SOH-DOT HI-03-0027-00	408,000	21,520
Ferry Boat Acquisition & Pier Improvements	20.500	SOH-DOT HI-03-0034-00	7,460,000	4,044,645
Ferry Commuter Pier Improvements	20.500	SOH-DOT HI-03-0038-00	14,684,170	1,266,133
Ferry Commuter Pier Improvements	20.500	SOH-DOT HI-03-0044-00	4,800,000	-
			<u>27,352,170</u>	<u>5,332,298</u>
Subtotal Pass-Through Programs			<u>32,818,176</u>	<u>5,915,124</u>
Total U.S. Department of Transportation			<u>35,385,946</u>	<u>6,533,177</u>
<u>Environmental Protection Agency</u>				
Wetlands Protection Development -				
Direct Programs:				
Wetlands Protection Development - Hamakua Monitoring and Restoration	66.461	CD-97955301-0	75,000	5,917
Wetlands Protection Development - Plant Field Guide	66.461	CD-96911601	93,750	53,454
			<u>168,750</u>	<u>59,371</u>
Subtotal Direct Programs			<u>168,750</u>	<u>59,371</u>

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>Environmental Protection Agency (Continued)</u>				
Nonpoint Source Management Program - Pass-Through Programs From:				
The Department of Health, State of Hawaii -				
Polluted Runoff Control Program	66.460	SOH-DOH ASO No. 06-054	\$ 1,500,000	\$ 671,988
Polluted Runoff Control Program	66.460	SOH-DOH ASO No. 06-182	150,000	129,972
			<u>1,650,000</u>	<u>801,960</u>
Subtotal Pass-Through Programs			<u>1,650,000</u>	<u>801,960</u>
Total Environmental Protection Agency			<u>1,818,750</u>	<u>861,331</u>
<u>Corporation for National & Community Service</u>				
Americorps Awards Formula - Pass-Through Programs From:				
The Research Corporation of the University of Hawaii, State of Hawaii -				
Hawaii Youth Conservation Corps	94.006	SOH-UH RCUH Z770004	168,792	60,648
Hawaii Youth Conservation Corps	94.006	SOH-UH 06AFHHI0010005	165,758	99,058
			<u>334,550</u>	<u>159,706</u>
Subtotal Pass-Through Programs			<u>334,550</u>	<u>159,706</u>
Total Corporation for National & Community Service			<u>334,550</u>	<u>159,706</u>
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
United States Coast Guard -				
Recreational Boating Safety Program, FY05	97.012	15-01-15	479,102	97,763
Recreational Boating Safety Program, FY06	97.012	16-01-15	1,106,745	150,722
			<u>1,585,847</u>	<u>248,485</u>
Federal Emergency Management Agency -				
National Dam Safety Grant Program	97.041	EMW-2003-GR-0350	80,018	24,603
Community Assistance Program	97.023	EMF-2006-GR-0603	72,640	17,172
Community Assistance Program	97.023	EMF-2007-GR-0703	104,612	64,793
Community Assistance Program	97.023	EMF-2007-GR-0610	140,000	-
			<u>317,252</u>	<u>81,965</u>
Map Modernization Support Program	97.070	EMF-2005-GR-0506	120,000	59,665
Flood Map Modernization Management Support	97.070	EMF-2006-GR-0610	25,000	18,375
			<u>145,000</u>	<u>78,040</u>
Subtotal Direct Programs			<u>2,128,117</u>	<u>433,093</u>

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Grant Award	Federal Expenditures
<u>U.S. Department of Homeland Security (Continued)</u>				
Federal Emergency Management Agency - Pass-Through Programs From:				
The Department of Defense, Office of the Director of Civil Defense, State of Hawaii -				
October 2004 Flood	97.036	SOH-DOD FEMA-1575-DR-HI	\$ 90,057	\$ -
March 2006 Flood	97.036	SOH-DOD FEMA-1640-DR-HI	882,839	651,128
October 2006 Earthquake	97.036	SOH-DOD FEMA-1664-DR-HI	1,412,169	195,552
			<u>2,385,065</u>	<u>846,680</u>
Office of Domestic Preparedness - Pass-Through Programs From:				
The Department of Defense, Office of the Director of Civil Defense, State of Hawaii -				
FY2003 State Homeland Security Grant Program Part II	97.004	SOH-DOD SHSGP II	300,000	11,126
FY2005 State Homeland Security Grant	97.067	SOH-DOD 2005-GE-T5-0034	303,428	-
FY2004 State Homeland Security Grant	97.067	SOH-DOD 2004-GE-T4-0042	332,986	-
FY2003 State Homeland Security Grant Program Part I	97.067	SOH-DOD 2003 SHSGP I	217,000	23,069
			<u>853,414</u>	<u>23,069</u>
Subtotal Pass-Through Programs			<u>3,538,479</u>	<u>880,875</u>
Total U.S. Department of Homeland Security			<u>5,666,596</u>	<u>1,313,968</u>
Total Federal Grants			<u>\$147,354,441</u>	<u>\$ 30,798,211</u>

The above schedule is prepared on the cash basis. Under this basis, expenditures are recognized when paid.

PART IV

COMPLIANCE AND INTERNAL CONTROL SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Land and Natural Resources
State of Hawaii

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Land and Natural Resources, State of Hawaii (Department), as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements and have issued our report thereon dated January 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Department in a separate letter dated January 12, 2008.

This report is intended solely for the information and use of the management of the Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Oshata Chun Juen LLP".

Honolulu, Hawaii
January 12, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Land and Natural Resources
State of Hawaii

Compliance

We have audited the compliance of the Department of Land and Natural Resources, State of Hawaii (Department), with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Department, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Department's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of the Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Honolulu, Hawaii
January 12, 2008

PART V

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF LAND AND NATURAL RESOURCES
 STATE OF HAWAII
 Schedule Of Findings And Questioned Costs
 For The Year Ended June 30, 2007

Section I - Summary Of Auditors' Results

Financial Statements -

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.452	Unallied Industry Projects
15.615	Cooperative Endangered Species Conservation Fund
20.500	Federal Transit Capital Investment Grants

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Schedule Of Findings And Questioned Costs
For The Year Ended June 30, 2007

Section I - Summary Of Auditors' Results (continued)

Dollar threshold used to distinguish between
type A and type B programs:

\$ 923,946

Auditee qualified as low-risk auditee?

 x yes no

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Schedule Of Findings And Questioned Costs
For The Year Ended June 30, 2007

Section II - Financial Statement Findings

None

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Schedule Of Findings And Questioned Costs
For The Year Ended June 30, 2007

Section III - Federal Award Findings And Questioned Costs

None

DEPARTMENT OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
Schedule Of Prior Findings And Questioned Costs
For The Year Ended June 30, 2007

Finding

Status

None