

Office of Hawaiian Affairs



**mea kava**  
TRADITIONAL HAWAIIAN WEAPONRY  
ANNUAL REPORT

25 YEARS SERVING HAWAIIANS







Cover:  
Mahiole of 'ie'ie made by  
Raymond Nakama for 'Umi Kai.  
Facial tattoo design provided by  
Keone Nunes.

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# board of trustees

during fiscal year 2005



**Haunani Apoliona, MSW**  
Chairperson  
Trustee, At-large



**John D. Waihe'e IV**  
Vice Chair  
Trustee, At-large



**Rowena Akana**  
Trustee, At-large



**Dante Keala Carpenter**  
Trustee, O'ahu



**Donald B. Cataluna**  
Trustee, Kaua'i & Ni'ihau



**Linda K. Dela Cruz**  
Trustee, Hawai'i



**Colette Y. Machado**  
Trustee, Moloka'i & Lāna'i



**Boyd P. Mossman**  
Trustee, Maui



**Oswald Stender**  
Trustee, At-large







## chairperson's message

### ‘Ōlelo a ka Luna Ho‘omalu

Aloha pumehana kākou

lā ‘oukou e nā ‘ōiwi ‘ōlino mai Hawai‘i a Ni‘ihau a puni ke ao mālamalama; nā kama‘āina, nā malihini, nā hoa kāko‘o o ke kaiāulu ‘ōiwi Hawai‘i; aloha nō kākou. To you, the indigenous Hawaiians from Hawai‘i to Ni‘ihau, or away from our shores and around this brilliant world; to those who call Hawai‘i home, visitors to our islands, and the many supporters of the Native Hawaiian community; aloha to all.

Now more than ever, the spirit of inclusiveness, resolve, courage and partnership is key to the success of our diverse Hawaiian communities. Our priorities in advocacy and nationhood have taken us on a path where forward momentum is critical. Our efforts to enjoin Native Hawaiians throughout Hawai‘i, on the continent and around the world through the Kau Inoa registration gives voice to our people in charting our future and writing the next chapter in our collective history.

Fiscal Year 2005 (July 1, 2004-June 30, 2005) was filled with successes as well as challenges. We are encouraged by surveys showing that a majority of Hawai‘i residents support Hawaiian causes, and offer our heartfelt mahalo nui to Senator Daniel Akaka, Senator Daniel Inouye, Representative Neil Abercrombie, Representative Ed Case, Governor Linda Lingle and the Hawai‘i State Legislature for their ongoing kāko‘o, or support, of Native Hawaiian issues.

At the federal level, we continue our resolve for passage of the Native Hawaiian Government Reorganization Act of 2005, known as the Akaka Bill. As of this writing in January 2006, we have been assured that action on this landmark legislation will be taken during this year’s second session of the 109th Congress. At the U.S. District and Ninth Circuit court levels, we continue to monitor progress in the *Arakaki v. Lingle* lawsuit challenging the constitutionality of Native Hawaiian programs and trusts.

The following annual report reflects the hard work and commitment of the Office of Hawaiian Affairs during Fiscal Year 2005. Also included is a full financial audit reflecting that same time period.

As the Office of Hawaiian Affairs begins its 26th year, and we mark the mid-point of the decade, “E kaupē aku nō i ka h’oe a kō mai. Put forward the paddle and draw it back.” Let us proceed with the many tasks at hand until all are completed.

Ke aloha nui nō,

S. Haunani Apoliona, MSW, Trustee  
Chairperson  
Board of Trustees

### Board of Trustees staff as of June 30, 2005

Patricia Brandt, chief of staff  
Reynold Freitas, board secretary  
Nathan Takeuchi, aide, Akana  
Gladys Rodenhurst, secretary, Akana  
Winona E. Rubin, aide, Apoliona  
Louise Yee-Hoy, secretary, Apoliona  
Merlyn Akuna, aide, Carpenter  
Mika Arikawa, secretary, Carpenter  
Bobbi Ray, aide, Cataluna  
Winona Gaison, secretary, Cataluna  
Josephine Tanimoto, aide, Dela Cruz  
Tiona Wallehua, secretary, Dela Cruz  
Leah Burrows, aide, Machado  
Dayna Nae’ole, secretary, Machado  
Kalei Rapoza, aide, Mossman  
Melissa Beimes, secretary, Mossman  
Lei-Ann Durant, secretary/aide, Stender  
Crayn Akina, aide, Waihe’e  
Loahn Nguyen, secretary, Waihe’e

The following personnel served on the BOT staff during FY-05, but left OHA employment or transferred to another division within the agency before the end of the fiscal year:

Francine Kananionāpua Murray,  
secretary, Waihe’e

Scotty Bowman, chief of staff



Clyde Nāmu'o  
Administrator

## administrator's message

### 'Ōlelo a ka Luna Ho'okele

Aloha kākou:

As the Office of Hawaiian Affairs marks 25 years of serving Hawaiians in 2005-2006, we acknowledge the many years of dedication of individuals and organizations toward bettering the conditions of Hawaiians.

In this report, we reflect on the programs, activities and a financial audit of the Office of Hawaiian Affairs during Fiscal Year 2004-2005 (FY-05) covering the period of July 1, 2004 through June 30, 2005.

The OHA Strategic Plan 2002-2007 guides OHA programs, activities and operating budget. In August 2005, that strategic plan was revisited, updated and refined, and now extends through 2011. Changes to that plan were in areas of activities and objectives, but the original 10 strategic goals remain intact, and focus on advocacy and native rights; culture; economic development; education, environment and natural resources; nationhood and governance; policy, social services; land and housing; and health.

During the past fiscal year, OHA has provided millions of dollars in community grants to non-profit groups with projects and programs that support the agency's broad range of strategic goals. In addition, OHA appropriates significant funds on an ongoing basis to a number of programs that reach far into the Hawaiian community, including Alu Like Inc., the Native Hawaiian Legal Corporation and Nā Pua No'eau.

A nine-member, publicly elected board of trustees heads the Office of Hawaiian Affairs and creates policies that guide the agency. An administrative staff of 128 work in offices including our main headquarters in Honolulu, as well as Hilo, Kona, Kaunakakai, Kahului, Lihue and Washington, D.C.

"Mea Kava: Traditional Hawaiian Weaponry" is the artistic theme of this year's report, designed and produced by OHA's Public Information Office. Mahalo nui to artists Gordon 'Umi Kai, Arna Johnson, Keone Nunes and our staff for creating this powerful reflection of our kūpuna.

We are proud of the hard work and dedication of our trustees, staff and community partners. For additional information on the Office of Hawaiian Affairs, visit [www.oha.org](http://www.oha.org)

Mahalo nui,

Clyde W. Nāmu'o  
Administrator

### About the Office of the Administrator

The Office of the Administrator manages the internal operations of the Office of Hawaiian Affairs by providing leadership, guidance, direction and executive oversight. It implements the policies, rules and directives adopted by the Board of Trustees and guides the organization's operation within the

parameters established by the board and in response to the concerns of OHA's beneficiaries. Additionally, the office works with other agencies, government and private, that also serve Hawaiians and native Hawaiians toward OHA's mission of bettering the conditions of all Hawaiians. It reports to the board on OHA's fiscal status

and on the status of projects and programs. This includes developing and overseeing organizational structures and procedures; securing, supervising and inspiring staff in the skills and attitudes required to work together; and guiding the implementation of OHA's functional, master and strategic plans and processes.



# organizational chart



## Administration staff as of June 30, 2005

Ron Mun, deputy administrator, operations  
Pōmaialoha Cox, secretary to the deputy administrator  
Robert Takushi, special assistant to the administrator  
Barbara Yuen, secretary to the administrator

### Community Resource Coordinators

Ululani Sherlock, CRC, East Hawai'i  
Ruby McDonald, CRC, West Hawai'i  
La France Kapaka-Arboleda, CRC, Kaua'i  
Thelma Shimaoka, CRC, Maui  
Irene Ka'ahanui, CRC, Moloka'i  
Gladys Brigham, clerk typist, East Hawai'i  
Kaliko Santos, clerk typist, Kaua'i  
Roy Newton, clerk typist, Maui  
Roxanne French, clerk typist, Moloka'i

Note: The chart above depicts the structure of the organization as of January 2006.

# OHA Strategic Plan 2002-2011

Goals adopted by the OHA Board of Trustees Jan. 13, 2002

Note: These goals represent the OHA Strategic Plan that was in effect during FY-05. On Aug. 4, 2005, the Board of Trustees voted to amend the Strategic Plan and extend it to 2011. The latest version of OHA's Strategic Plan goals is available online at [www.OHA.org](http://www.OHA.org).

## Advocacy-native rights

By 2007 OHA shall have devised and implemented strategies to protect Native Hawaiian rights and entitlements and secured at least one significant legal outcome; created a legal mechanism to assure a predictable ongoing revenue stream from the Public Land Trust; and ensured the settlement of the blood quantum issue.

## Culture

By 2004 OHA shall have drafted a plan that identifies and provides solutions to safeguard endangered traditions, practices and rights, and subsequently put into practice steps that will protect, re-establish and enhance Hawaiian cultural assets by the year 2007.

## Economic Development

By 2007 OHA's investment in the creation and retention of wealth for Native Hawaiians shall have:

- 1) impacted at least seven percent of the total statewide Native Hawaiian population by improving economic solvency, and
- 2) accounted for a return on investment to OHA "equal or greater than the cost of capital used to fund the activity and/or OHA's current rate of return (total fund) from the Native Hawaiian Trust Fund."

## Environment - natural resources

By 2007 OHA shall have protected natural and cultural resources through the adoption of stewardship standards by five public and 10 private entities as evidenced by research, studies and partnerships; and the enactment of new laws, ordinances and rules.

## Education

By 2007 OHA shall have assisted 28,750 Native Hawaiians to achieve age appropriate literacy.





## nationhood

By 2007 OHA shall have assisted, coordinated and enabled the creation of a unified Hawaiian nation.

## policy

By 2007 OHA shall have initiated, collaborated, partnered and advocated with other agencies and organizations through five Memoranda of Agreements that will commit the signatories to act assertively together on behalf of their beneficiaries-in-common.

## social services

By 2007 OHA shall have improved the quality of life for 17,500 Native Hawaiians in the areas of food, shelter, and safety.

## land and housing

By 2003 OHA shall have increased the percentage of its investment in real estate by no less than 15 percent and shall develop strategies to enhance the use of these assets to benefit the Native Hawaiian people.

## health

By 2007 OHA shall have collaborated with other Native Hawaiian health care providers to increase the acquisition of resources from federal, state, counties and others, to address the health care needs of Native Hawaiians with particular focus on the needs of the aged and elderly, including but not limited to prevention, treatment, education, and other needs.



# washington, d.c., bureau

## Mission

The OHA trustees and administrator established the Washington, D.C., Bureau to assure an ongoing national presence and advocate for more than 401,000 Native Hawaiians.

## Strategic Plan Goals Addressed/Needs Served

In accordance with OHA Strategic Plan Goal 7, Strategy 4, (policy/legislative engagement), the goal of the Washington, D.C., Bureau is to educate Congress and the executive branch on issues important to Native Hawaiians and secure passage of favorable legislation at the national level. The four primary objectives are:

1. To educate Congress and the executive branch on issues important to Native Hawaiians;
2. To establish and maintain organizations and individuals at the national level as allies;
3. To overcome resistance of non-supporters of issues important to Native Hawaiians; and
4. To establish a mechanism to collect and disseminate information on issues important to native peoples.

## FY-05 Highlights

The bureau worked with OHA trustees, administrator, legal advisors, the Hawai'i congressional delegation and key staff, the governor of Hawai'i, Hawaiian organizations, American Indians, Alaska Natives, various Pacific and Asian Pacific

American organizations, and an array of civil rights organizations to urge passage of the federal Akaka Bill, which would clarify the United States' relationship with Native Hawaiians by providing a process for federal recognition of a Hawaiian governing entity. The Senate version of the bill, S. 147, was revised and passed by the Senate Committee on Indian Affairs: and is pending a vote by the full Senate.

As part of its efforts, the Washington, D.C., Bureau:

- Briefed members of Congress and key administration staff and representatives of national organizations on the Akaka Bill and answered inquiries on Native Hawaiian issues;
- Delivered tote bags containing brochures, legal briefs, books, CDs and videotapes on Native Hawaiian history and issues with OHA trustee staff teams to 50 newly elected members of Congress;
- Coordinated communication with our Hawai'i congressional delegation staff and our legal advisors and expert resources;
- Briefed thousands of allies on the status of S.147/H.R. 309 and issued calls for action;
- Hosted, sponsored or co-sponsored 32 Hawaiian, Pacific, Asian Pacific Islander American, Alaska Native and American Indian events;
- Represented OHA at more than 50 federal, congressional, Alaska Native, American Indian and

national organization events;

- Hosted dozens of visitors from Hawai'i, both Hawaiian and non-Hawaiian, and networked with Hawaiian and Hawaiian-support organizations on the East Coast to increase awareness of Native Hawaiian issues;
- Represented OHA in the National Congress of American Indians' Federal Acknowledgment Task Force meetings;
- Coordinated the efforts of the approximately 500 Native Hawaiians who participated in the historic opening of the Smithsonian National Museum of the American Indian, a weeklong celebration that included a native nations procession, two receptions and three screenings of the documentary *The Hawaiians: Reflecting Spirit*;
- Co-sponsored the 2005 Pacifika New York Hawaiian Film Festival and a reception honoring Oscar Temaru, first indigenous president of Tahiti;
- Coordinated participation of OHA at the annual lei draping of the statue of Kamehameha I, held in the rotunda of the U.S. Capitol;
- Served as a resource for Ke Ali'i Maka'ainana Hawaiian Civic Club, the first Hawaiian Civic Club to be established on the East Coast;
- Served as co-chair for Pacific Night 2005, a coordinated effort among the various Pacific embassies, offices and representatives located in Washington, D.C., to increase awareness about issues facing the Pacific.

## Washington, D.C., Bureau staff as of June 30, 2005

Martha Ross, bureau chief  
Julie Coleson, administrative services assistant

During FY-05, five interns and 31 volunteers contributed 1,385 hours of work to the bureau's objectives.

### Interns:

Helen Brownell  
Valzey Freitas  
Bryce Mendez  
T. F. Mana Moriarty  
Haunani Yap

### Volunteers:

Cindy Maguire  
Kapiolani Adams  
Gail Browne  
Carol Takafuji  
Ernie Takafuji  
Claire Pruet  
Darlene Butts  
Shani Butts  
Gini Moore  
Tim Johnson  
Maile Duggan  
Gordon Lee  
Janice Sessing  
Nahaku McFadden  
Gavin Maguire  
Kanoë Davis  
Anela Nomura  
The Jachowski family  
Marybeth Aoyagi  
Aloma Meyers  
Makalena Shibata  
Patty Makanui and Hālau o Nā Hali'a  
Manu Ikaika and hālau  
Susan Ikaika  
Merrilee Chapdelaine  
Will Chapdelaine  
Dreana Kalili

### Lā'au Pālau

Lā'au Pālau ( long-handled club) made by 'Umi from pōhaku (stone) head, kauila wood handle and coconut husk cordage.

Used for long-reach clubbing.







# HĀLAWA-LULUKU INTERPRETIVE DEVELOPMENT PROJECT

## Mission

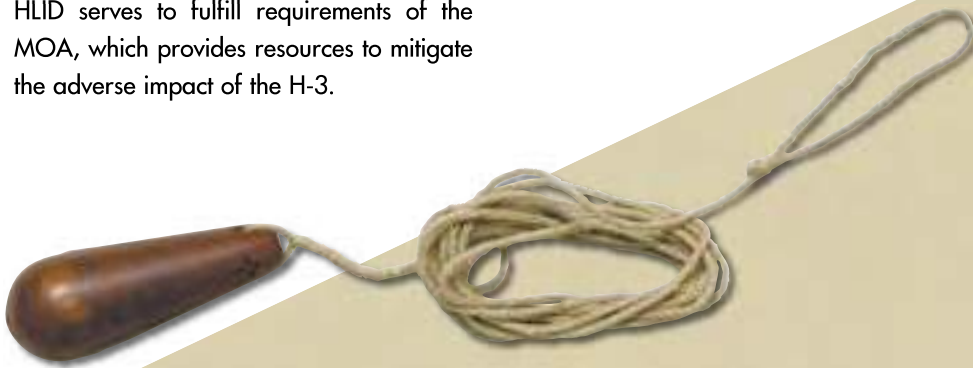
To execute the H-3 Memorandum of Agreement (MOA) requiring development of an Interpretive Development Plan, with community consultation, that addresses the mitigation of land areas affected by the H-3 and which preserves, interprets and perpetuates Native Hawaiian history, traditions and culture.

## Needs Served

HLID serves to fulfill requirements of the MOA, which provides resources to mitigate the adverse impact of the H-3.

## FY-05 Highlights

The project continued its progress in developing a strategic plan despite several delays. Meetings were held to present the strategic plan, which was drafted by the HLID community working group. A 45-day public response period was observed to allow public input. Once the strategic plan is finalized, it will be presented to the OHA Board of Trustees for review and approval.



## Pikoi (also 'ikoi)

Pikoi (tripping weapon) made by 'Umi from kauila wood with hemp cordage by Janice Kai.

Made for tripping and/or bludgeoning.

## HLID staff as of June 30, 2005

Kahikina Akana, project coordinator

Laura Kamalani-Paikai, secretary

Pamela Nakagawa, assistant project coordinator

The following personnel served on the HLID staff during FY-05, but left OHA employment before the end of the fiscal year:

Pono Chong, assistant project coordinator

HLID Community Working Group

Donna Bullard

Wali Camvel

Māhealani Cypher

Lela Hubbard

Marion Kelly

Clara "Sweet" Mathews

Robert "Boot" Mathews

Havana McLafferty

Vienna Nāhinu

Ella Paguyo

John Talkington

Laulani Teale







**Leiomano**

Leiomano (shark tooth weapon)  
made by 'Umi from granadillo wood and  
tiger shark's teeth, with hemp cordage.

A slashing tool.

## TOS staff as of June 30, 2005

Barrie Stewart, chief financial officer  
Cyndi Caberto, secretary  
Lori Casupang, accountant  
Kaulikealani Daunie, information systems assistant  
Gerald Honda, credit and collections specialist  
Tom Kellenberger, controller  
Mylene Lacuesta, accounting assistant  
Cynthia Ota, senior accountant  
Mona Pang, accounting assistant  
Gwen Valbuena, accounting assistant  
Ruben Walston, information system specialist

The following personnel served on the TOS staff  
during FY-05, but left OHA employment before  
the end of the fiscal year:

Alan Lum, information system specialist  
Jim Sharp, chief financial officer

# TREASURY AND OTHER SERVICES

## Mission

Treasury & Other Services (TOS) works in partnership with other OHA divisions to manage and report on the agency's finances, information systems and technology.

Treasury ensures that resources are allocated within the organization as guided by OHA's long-range and strategic plans;

## Strategic Plan Goals Addressed/Needs Served

TOS addresses the policy goal (Goal 7) of the Strategic Plan. The division's major functional areas are:

- 1) Accounting – responsible for the day-to-day processing and auditing of accounting transactions, maintaining the general ledger and all aspects of producing accurate financial reports;
- 2) Treasury – handles reviews of OHA's Native Hawaiian Trust Fund, coordination of OHA's annual budget development, and credit and collections.

- 3) Financial Management – ensures that Accounting and Treasury work hand-in-hand in the development of financial plans that are in accordance with OHA's financial policies. These policies safeguard and maximize return on OHA's financial assets; and

- 4) Information Systems – manages and maintains OHA's local and statewide computer information network.

Each year, an independent certified public accounting firm conducts an audit of OHA's financial statements. The financial statements for the fiscal year ending June 30, 2005, are included in this report, beginning on page 39.

## FY-05 Highlights

- Net investment returns in the Native Hawaiian Public Land Trust amounted to \$25.9 million – a decrease from \$39 million in the prior year.
- Total Operating Budget expenditures increased in FY-05 to \$23.5 million – up from \$19.5 million in the prior year.
- OHA began implementation of more robust and contemporary information system technologies, including upgrading all central servers, replacing outmoded workstations and installation of BlackBerry text messaging.
- State Act 107, enacted in 2005, permits OHA's transition to fiscal autonomy, with the first phase planned to be effective July 1, 2006.





# Mission Statement

"To mālama Hawai'i's people and environmental resources, and OHA's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally."

## Vision

"Ho'oulu Lāhui Aloha – To Raise a Beloved Nation"



### Ihe

Ihe (spear) made by 'Umi Kai of 'ōhia lehua wood.  
These types of ihe when broken, were used as pāhoa (daggers)



A full-page photograph of a man standing in shallow water, holding a long spear. He is shirtless and wearing a white loincloth. The background features a range of mountains under a clear sky. The text 'HUMAN SERVICES, HOUSING AND EDUCATION' is overlaid on the right side of the image.

## HUMAN SERVICES, HOUSING AND EDUCATION

## Mission

The Human Services, Housing and Education hale (HSHE) aims to better the conditions of Native Hawaiians in the areas of social service programs, housing and educational opportunities.

## Strategic Plan Goals Addressed/Needs Served

In order to address OHA Strategic Plan goals for education (Goal 4), social services (Goal 8), and land and housing (Goal 9), the HSHE contains three sections: Human Services, Housing and Education.

## HUMAN SERVICES

### Mission

The mission of OHA's Human Services program is to improve the quality of life for Native Hawaiians by enhancing access to resources, information and services.

### Needs Served

Attached to the Health program for several years, Human Services was officially established as a separate field of activity by OHA on Feb. 1, 2005, to give more attention to the growing need for basic human services among Native Hawaiians. Human Services directly addresses Strategic Plan Goal 8, which states: "By 2007, OHA shall have improved the quality of life for 17,500 Native Hawaiians in the areas of food, shelter and safety."

### FY-05 Highlights:

Among the broad areas and specific projects that Human Services staff focused on:

- The review and monitoring of OHA grants to direct service organizations that provide domestic violence counseling and prevention, substance abuse counseling and treatment, transitional housing, therapeutic outdoor education for children with special needs, HIV/AIDS prevention and case management, culturally

based programs for incarcerated youth and adults, cultural capacity building for human service providers, food distribution and transportation services for kūpuna;

- Homeless Advocacy – Staff was involved in two ongoing efforts to address the problems faced by homeless Hawaiians: Solidarity with the Homeless, an interfaith coalition, and the Wai'anae Homeless Summit, which is coordinated and funded with OHA's assistance;
- Pa'ahao (Native Hawaiian prisoners) – Requests for assistance from Native Hawaiian prisoners, particularly those incarcerated in correctional facilities located on the continent, steadily increased during the year. Staff began addressing the need for a comprehensive and systematic approach to serving pa'ahao and helping with their reintegration into the community;
- Multi-Service Project – Funded by OHA and administered by Alu Like Inc., the project provides information, case management, emergency financial assistance and financial literacy services to approximately 5,500 Native Hawaiians; and
- The Governor's Native Hawaiian Foster Parent Advisory Committee – Human Services staff represented the OHA administrator at the monthly meetings of the committee, the purpose of which is to promote the recruitment of Native Hawaiian foster parents and provide a support network for foster parents.

## HOUSING

### Mission

The Housing section works cooperatively with others in building or rebuilding healthy, self-sufficient Native Hawaiian communities. This includes the planning and





implementation of programs that foster the development of safe, decent and affordable housing for Native Hawaiians. OHA also assists Hawaiians in achieving equality in living standards.

## Needs Served

OHA's housing programs focus on providing homeownership opportunities that particularly fit the needs of Native Hawaiian families. Due to the changing nature of the housing market, OHA also outreached to agencies and organizations who address other housing-related issues, including affordable rentals, homelessness, transitional housing and creative financing.

## FY-05 Highlights

- OHA continued its Homeownership Program, a historic partnership between OHA, Fannie Mae, First Hawaiian Bank and Bank of Hawai'i designed to increase the homeownership rate of Hawaiians. The program features one component:
  - OHA 103. This program allows Native Hawaiians to borrow up to 103 percent of the purchase price of a home, which eliminates the need for a down payment and minimizes closing costs.
- OHA continued to support the six Habitat for Humanity affiliates in the state in their efforts to provide self-help housing for native Hawaiian beneficiaries.
- OHA continued its partnership with the state Department of Land and Natural Resources (DLNR) to support the Kikala-Keōkea Project, which helps resettle residents of the Kikala-Keōkea subdivision in the Kalapana area, whose traditional way of life was ended abruptly in 1983 by volcanic

eruptions that destroyed one of the last Hawaiian settlements on the island of Hawai'i.

## EDUCATION

### Mission

The mission of the Education program is to facilitate culturally sound educational opportunities for Native Hawaiians to promote academic success and lifelong learning.

### Needs Served

The Education program provides access to a wide range of educational opportunities, furnishing financial support and technical assistance to Hawaiian educational programs and advocating for increased statewide support of Native Hawaiians' educational goals. In partnership with the Hawaiian educational community, Education staff strives to enhance the development of education and curricular resources and teaching materials; positively affect policies relating to education for Native Hawaiians; assist in the collection, analysis and dissemination of information about Hawaiian teaching and learning; and promote and support knowledge of Hawaiian language and culture in both public and private schools.

In addition, Education staff sits on the Native Hawaiian Education Council; the advisory council for Pihana Nā Mamo, a state Department of Education (DOE) program that focuses on special education; and the DOE's Hawaiian Language Immersion Advisory Council. Members of the Education staff also actively participate in the 'Eleu Early Childhood Education group and a range of the group's community initiatives; are active with the Native Hawaiian Education Association; provide support to OHA's Advisory Committee on

Education; and work closely with Hawaiian-focused charter schools, DOE Hawaiian Language Immersion programs and DOE schools with high numbers of Hawaiian students.

## FY-05 Highlights

- OHA provided the University of Hawai'i at Hilo \$581,948 in funds for its Nā Pua No'eau program for gifted and talented Native Hawaiian children. The program reaches 600 children on six islands.
- OHA continued to work with the DOE by providing up to \$500,000 each year for five years to support Kula Kaiapuni, the DOE's Hawaiian Language Immersion Program. As part of the *OHA v. DOE* lawsuit settlement, OHA assists Kula Kaiapuni in a 2:1 funding ratio. This is the last year of the five-year agreement.
- Through its vocational training program, Ka Liu 'Oihana, OHA began providing scholarships for three projects designed to increase Native Hawaiian employment opportunities. The three-year program will provide \$1.5 million in scholarships to projects administered by the Building Industry Association, Hawai'i Technology Institute and the Wai'anae Maritime Academy.
- OHA provided post-high school financial aid to 91 Native Hawaiian students through the Liko A'e Program, which is administered by Maui Community College.
- OHA provided \$305,000 to support the development and implementation of hawaiian studies courses and ceded lands training





and research at the Center for Hawaiian Studies at the University of Hawai'i at Mānoa. FY-05 was the third year of the five-year grant.

- OHA provided grants to Olomana, Keaukaha Elementary, and Nānākuli High and Intermediate schools to fund programs that focus on computers, literacy and math tutoring.
- Through a \$50,000 grant from OHA, Kua'ana Native Hawaiian Student Development Services trained University of Hawai'i at Mānoa students to become literacy tutors and mentors to Hawaiian elementary students at Ma'ema'e Elementary School.
- Funding was provided to Kula no nā Po'e Hawai'i, an organization that provides educational activities for the Papakōlea, Kewalo and Kalāwahine Hawaiian Homestead communities.
- OHA provided Kaua'i Community College funds for Project Ka Hale Pono, which offers after-school tutoring, health education classes and life skills training to the Anahola Hawaiian Homestead community.
- OHA provided operating funds for Aka'ula School, a small, private intermediate school on Moloka'i that serves a predominately Native Hawaiian student population.
- OHA provided \$40,825 for the purchase of a van to assist with transportation for students at Kua o ka Lā Public Charter School.
- OHA contracted with the University of Hawai'i at Hilo's Nā Pua No'eau program to redesign the current 'Aha 'Ōpio program from a weeklong program into a multi-year, multi-event, multi-faceted youth leadership initiative.
- OHA provided funds for classroom furniture and equipment to Kula Aupuni Ni'ihau A Kahelelani Aloha Public Charter School, which serves Native Hawaiian students of Ni'ihau families living on the island of Kaua'i.
- OHA provided funding for Hawaiian language family days at He'eia Fishpond.
- Through the award of OHA grant funds, Wai'anae Coast Early Childhood Services was able to offer scholarships for Native Hawaiian keiki ages three to four to attend their Wai'anae Coast preschool and upgrade their facilities to meet federal requirements.
- OHA provided funds for two awards and the presentation banquet at the Native Hawaiian Education Association's annual convention of outstanding educators, as well as \$10,000 in scholarships for low-income Native Hawaiians attending the convention. OHA also provided \$3,525 towards six scholarships to Native Hawaiian students enrolled in an Asthma Educator-Certification preparatory class.

## The Human Services, Housing and Education staff as of June 30, 2005

Stanley W.O. Lum, director

Chessa DeCambra, education specialist

Reshela DuPuis, education lead advocate

Stephanie Kon, human services specialist

Winona Matsuzaki, support specialist

Stephen K. Morse, human services lead advocate

Ka'imookalani Muhlestein, housing specialist

The following personnel served on the HSHS staff during FY-05, but left OHA employment or transferred to another division within the agency before the end of the fiscal year:

Kathryn Keala De Santos, health and human services specialist

Analika Nāhulu, health and human services lead advocate

Layne Richards, education specialist

José Villa, housing lead advocate

Ka'iulani Vincent, education program specialist

### Ihe Laumeki

Ihe Laumeki (barbed spear) made by 'Umi from 'ōhi'a wood.

Traditionally used for throwing, designed for the tip to break off after striking the target.

# native rights, land and culture

## Mission

The mission of the Native Rights, Land and Culture (NRLC) Hale is to advocate for the rights, land and culture of the Hawaiian community at the international, federal, state and county levels.

## Strategic Plan Goals Addressed/Needs Served

NRLC addresses the following Strategic Plan goals: advocacy-native rights (Goal 1), culture (Goal 2), environmental/natural resources (Goal 5), and land and housing (Goal 9).

NRLC's advocacy efforts include the protection of Hawaiians' traditional and customary rights, as well as ensuring that federal, state and county resources are proportionately directed to Hawaiian needs. NRLC reviews proposed federal, state and county legislation and regulations, and reviews, comments and consults on proposed federal, state and county projects. Private projects are also reviewed, and relevant comments are submitted to reviewing agencies for consideration or inclusion into environmental impact statements and other reviews.

## FY-05 Highlights

- During the 2005 legislative session, NRLC staff tracked and presented testimony for approximately 250 pieces of legislation. NRLC staff also provided assistance to other state agencies and the Legislative Reference Bureau on a wide variety of legislative issues and attended other agency meetings, including the Board of Water Supply, the Board of Land and Natural Resources, the Land Use Commission and the Island Burial Councils.
- NRLC responded to requests for comments on land-altering activities in the state, focusing on how development

will affect Hawaiian access and traditional practice rights, as well as the possibility of affecting historic, cultural or burial sites. NRLC also participated in National Historic Preservation Act Section 106 consultations on projects with federal funding, requiring federal permits or affecting federal land.

- During FY-05, NRLC staff responded to:
  - 26 Army permits
  - 117 Environmental Assessments
  - 28 Environmental Impact Assessments
  - 38 Cultural Impact Assessments
  - 17 Conservation District Use Applications
  - 89 Native American Graves Protection and Repatriation Act or Section 106 reviews
  - 14 Shoreline Setback Permit reviews
  - 31 Water Use Permit Applications
- NRLC staff maintained an active role in monitoring actions by the state Commission on Water Resource Management, and the county boards and departments of water supply. OHA took actions to see that the water resources of the 'Īao Aquifer and Nā Wai 'Ehā would be properly managed, and Hawaiian rights in the area would be protected and enhanced. In cooperation with the U.S. Geological Survey, OHA also began a two-year study intended to document the actual water uses of kalo farmers across the state.
- NRLC monitored grants to the Native Hawaiian Legal Corporation and made referrals to its intake program to assist beneficiaries in cases affecting lands as well as traditional and customary rights.
- NRLC helped oversee the imple-

mentation of Chapter 6E, Hawai'i Revised Statutes at the state and county level, and the Native American Graves Protection and Repatriation Act (NAGPRA) at the federal level. NRLC also attended and submitted testimony for OHA at NAGPRA meetings in Washington, D.C., and Honolulu.

- NRLC served as OHA's liaison with the Native Hawaiian Historic Preservation Council (NHHPC), a board made up of community volunteers that advises OHA's Board of Trustees on historic preservation issues. Among other actions, the NHHPC attended a NAGPRA hearing at the University of Hawai'i, as well as a community meeting on Lāna'i and a staff development retreat on Moloka'i.
- During FY-05, OHA continued to support coastal zone studies through community meetings held on each island in order to ensure that Hawaiian traditional rights and practices are part of future Coastal Zone Management plans. OHA undertook an innovative integrated resources plan to inventory and protect the natural and cultural elements of the Pāpōhaku Dunes on Moloka'i. This project promises continuing collaborative efforts between the beneficiary community and landowners.
- The NRLC staff reviewed and made recommendations on several Programmatic Agreements signed by the Board of Trustees that give OHA input on such issues as the Stryker Brigade, which impact beneficiary communities. OHA continues to advocate for traditional rights and practices on lands utilized by the military through participation in other consulting and compliance efforts.

## Native Rights, Land and Culture staff as of June 30, 2005

Lance Foster, director

Apolei Bargamento, NHHPC liaison

Heidi Kai Guth, native rights lead advocate

Anita Manzano, administrative assistant

Kai Markell, culture policy advocate

Jonathan Likeke Scheuer, land lead advocate

Jesse Yorck, policy advocate

The following personnel served on the NRLC staff during FY-05, but either left OHA employment or transferred to another division within the agency before the end of the fiscal year:

Pōmaialoha Cox, administrative assistant

Matthew Myers, policy advocate

Native Hawaiian Historic Preservation  
Council members

Kalani Flores, chair, Hawai'i

Butch Richards, vice-chair, O'ahu

Charles Burrows, council member, O'ahu

Jeno Enocencio, council member, Hawai'i

Lanihuli Freidenburg, council member, Maui

Halona Ka'opūiki, council member, Moloka'i

Kamika Kepa'a, council member, Maui

Sweets Matthews, council member, O'ahu

Clarence Medeiros, council member, Hawai'i

(term expired 12/31/04)

William Kealakahi Meyers, council member, Hawai'i

(term began 1/1/05)

Kawehi Ryder, council member, O'ahu

Lei Wann, council member, Kaua'i

Nani Watanabe, council member, Lāna'i

## Pāhoa

Pāhoa (Kaua'i style dagger)  
made by 'Umi from Kaua'i  
kauila wood.

A stabbing and  
blocking tool.





## Economic Development

### Kao Lele

Kao Lele (javelin spear)  
made by 'Umi from a  
wild coffee tree.

A throwing and  
stabbing tool.



### Mission

To create, retain and expand wealth of Native Hawaiians by improving economic self-sufficiency and business sustainability.

### Strategic Plan Goals Addressed/Needs Served

In order to address Strategic Plan Goal 3 (economic development), the Economic Development hale administers three programs: the Native Hawaiian Revolving Loan Fund (NHRLF), the Consumer Micro-Loan Program (CMLP) and the Community-Based Economic Development program (CBED).

## Native Hawaiian Revolving Loan Fund

### Mission

To increase sustainable Native Hawaiian-owned businesses by fostering economic independence, commitment and fiscal responsibility through entrepreneurial development.

### Needs Served

NHRLF provides entrepreneurial training assistance and lending to Native Hawaiian-owned businesses. The purpose of the program is to expand business ownership and employment opportunities for Native Hawaiians.

### FY-05 Highlights

- During FY-05, the program received 108 applications requesting \$9.7 million in business loans.
- The NHRLF Advisory Board, made up of 14 directors, approved 15 loans for a total of \$812,000. These loans benefit both new and existing businesses, in industries ranging from construction to taro farming. The loans created and/or retained 43 jobs in Hawai'i.
- Through program initiatives and new funding provided to new or existing businesses in FY-05, 461 Native Hawaiians received training and technical assistance in entrepreneurial development.
- Full scholarships were awarded to 51 Native Hawaiians participating in one of 15 statewide entrepreneurial training courses conducted during FY-05. The total scholarships awarded amounted to \$19,000.
- Collaborating with the federal Administration for Native Americans, NHRLF staff worked to remove its two-bank denial requirement in an effort to create more opportunities for beneficiaries. The program is now considered a lender of "first resort."
- NHRLF contracted a pool of 19 service providers, ranging from business consultants to accountants, to assist applicants and borrowers on all islands with entrepreneurial training, business plan consulting, mentorship and basic financial reporting.

- NHRLF staff continually participates in statewide marketing presentations for new or existing business owners. Events NHRLF participated in include the 2004 Small Business Fair, the 2005 Chamber of Commerce Small Business Expo, the Moloka'i Business Conference and the 2005 CNHA Conference.

## Consumer Micro- Loan Program

### Mission

The mission of the CMLP is to finance temporary cash flow difficulties and career enhancement opportunities for Native Hawaiians.

### Needs Served

The CMLP is designed to provide consumer loans to Native Hawaiians who are experiencing temporary financial hardship as a result of unforeseen events, or who wish to enhance their career opportunities.

### FY-05 Highlights

- During FY-05, the program received 284 inquiries, which resulted in 248 applications requesting \$1.2 million. Of those applications, OHA staff approved 62 for a total of \$240,000 in loans. These loans directly impacted 225 Native Hawaiians and provided

## Economic Development staff as of June 30, 2005

Charles "Chip" McClelland,  
director

Susan Maltezo, finance and  
operations officer

Clarita B. Barretto, economic  
development manager

Art Mori, business and economic  
development specialist

Gilbert Fernandes Jr., consumer  
loan officer

Dana O. Hauani'o, manager/ senior  
loan officer

Sharon Kato, loan operations assistant

Beata Kozdras, financial analyst

Gerald W. Lau, business and  
consumer loan officer

The following personnel served  
on the Economic Development  
staff during FY-05, but left OHA  
employment before the end  
of the fiscal year:

Dean Oshiro, NHLRF manager  
and senior loan officer

a wide array of financial assistance,  
from major auto repair to emergency  
medical procedures.

- Since the loan program's inception  
in March 2004, the initial \$500,000-  
funding base has been fully utilized.

organizations. OHA serves as a catalyst  
to foster partnerships among community-  
based organizations, government agencies  
and the private sector.

### FY-05 Highlights

OHA provided \$350,000 in funding  
to 12 community-based organizations  
for capacity building, feasibility studies,  
business plans, implementation of  
economic projects, and training and  
technical assistance. The following is a  
list of CBED organizations that received  
funding from OHA:

## community- based economic development

### Mission

To assist community-based economic  
development organizations in planning,  
developing and implementing sustainable  
economic activities that serve Native  
Hawaiians.

### Needs Served

The CBED program provides grants to  
community-based organizations, with  
grassroots and entrepreneurial initiatives  
that empower communities to develop  
sustainable economic development projects.  
These communities are defined by common  
geographic location and cultural, social,  
economic or shared interests.

Grant funding is also provided for training  
and technical assistance in order to build  
capacity and assure stability of the CBED

- Council for Native Hawaiian  
Advancement
- Hale Kū'ai Cooperative
- Hawai'i Alliance for Community-  
Based Economic Development
- Hui Kalo o Waialua
- Hui o Kuapā
- Ke Kula Ni'ihau o Kekaha
- Kipahulu Community  
Association Inc.
- North Kohala Community  
Resource Center
- Office of Economic  
Development, County of Maui
- Wai'anae Coast Coalition
- Waimānalo Hawaiian  
Homes Association
- Waipā Foundation





### Pāhoa A'u

Pāhoa A'u (marlin bill dagger) made by 'Umi from the nuku (bill) of an a'u (marlin).

A stabbing tool.



## HAWAIIAN GOVERNANCE

### Mission

Hawaiian Governance seeks to facilitate the creation of a Hawaiian nation by actively involving the Hawaiian community and helping to build support for Hawaiian nationhood among both Hawaiians and non-Hawaiians.

### Strategic Plan Goals Addressed/Needs Served

Formation of a Hawaiian nation is critical to protecting Hawaiian programs, trusts and kuleana from legal attacks. To address OHA's Strategic Plan Goal 6 (nationhood), the Hawaiian Governance works to bring the Hawaiian community together for discussion and creation of a Hawaiian nation and also to encourage the support of non-Hawaiians in this process.

### FY-05 Highlights

- Hawaiian Governance staff assisted OHA's Washington, D.C., Bureau in promoting the Akaka Bill, which lays out the process for Native Hawaiian federal recognition.
- In January 2004, OHA kicked off the Kau Inoa registration to enroll potential citizens of the Hawaiian nation. The goal of the initiative is to register 100,000 Hawaiians in Hawai'i and on the U.S. continent. Registration drives conducted at events such as Sunset on the Beach, hula festivals and competitions, canoe regattas, music festivals, and reunions, along with the canvassing of homestead

communities in Wai'anae, Nānākuli and Waimānalo have resulted in the enrollment of 35,000 Native Hawaiians by the end of FY-05.

- OHA facilitated the meetings of the Native Hawaiian Coalition, a loose group of Hawaiian organizations and individuals convened in February 2004 to determine the steps to forming a nation. The coalition held five general assembly meetings and several smaller island meetings during FY-05.
- During FY-05, Hawaiian Governance outreach staff participated in more than 160 events and meetings, speaking with thousands of people about Native Hawaiian self-determination. Meetings were held with Hawaiian service organizations, civic clubs, canoe clubs, hālau hula, schools, golf clubs, kūpuna clubs and labor unions.
- Outreach meetings were held in places on the U.S. continent, including Seattle, Portland, northern California, southern California, Colorado, Las Vegas and Florida. Outreach staff helped Hawaiians on the continent form new civic clubs in Chicago and the Washington, D.C., area.
- During FY-05, OHA sponsored or co-sponsored the following events:
- The Japanese American Citizens League's 75th annual convention, held in August 2004, during which Governance staff sponsored a panel discussion on the Akaka Bill;
- An August 2004 mahalo dinner for Dr. Patricia Zell, who retired



## Hawaiian Governance staff as of June 30, 2005

Mona Bernardino, director

Jaclyn Alana, community outreach specialist

Keaumiki Akui, public affairs specialist

Aulani Apollona, policy advocate

Chantelle Belay, policy advocate

Lani Ho'omana, administrative assistant

Myrna Junk, administrative assistant

Leona Kalima, community outreach coordinator

Coranne Park-Chun, community outreach specialist

Albert Tiberi, policy advocate

Health staff as of June 30, 2005:

Kathryn Keala De Santos, health specialist

Analika Nāhulu, health lead advocate

The following personnel served on the Hawaiian Governance staff during FY-05, but left OHA employment or transferred to another division within the agency before the end of the fiscal year:

Hōkūlei Lindsey, policy advocate

Steve Morse, policy advocate

Michele Oka, administrative assistant

as senior counsel to the U.S. Senate Committee on Indian Affairs. Dr. Zell was instrumental in obtaining millions of dollars in funding over the years for Hawaiian programs;

- The opening of the Smithsonian Museum's National Museum of the American Indian in Washington, D.C., in September 2004;
- The Council for Native Hawaiian Advancement's 2004 convention in September;
- Sign waving outside the 9th U.S. Circuit Court of Appeals hearings for the *Doe v. Kamehameha Schools* and *Arakaki v. Lingle* cases in November 2004;
- The O'ahu Council of the Association of Hawaiian Civic Clubs' Hō'ike'ike event held at Kapi'olani Park in March 2005;
- The Hāna Visioning Conference, a two-day symposium held in May 2005 to help Hāna residents envision what a Hawaiian nation might look like;
- The June 2005 draping of the Kamehameha statue in Washington, D.C.
- Hawaiian Governance staff hosted students from an Arizona Navajo college and held several meetings with Chamorros from the Commonwealth of the Northern Marianas Islands. Staff shared ideas with Chamorro representatives who are creating their own registry for members to apply for land from the newly-created Marianas Public Lands Authority.
- During FY-05, Hawaiian Governance initiated a mass media campaign, creating three new commercials to encourage Hawaiians to enroll in Kau Inoa. In addition, staff continued to provide assistance in the production of OHA's 'Ōlelo Community Television series, *Ho'oulu Lāhui Aloha*, and provided articles for the semi-monthly e-newsletter *Ho'okahua* and the Moku Honu column in OHA's monthly newspaper, *Ka Wai Ola*. As part of Hawaiian Governance's media strategy, staff also responded to inaccurate articles and letters published in Hawai'i's daily newspapers and key publications across the U.S.
- OHA commissioned a documentary titled *The Hawaiians: Reflecting Spirit*, produced by award-winning local filmmaker Edgy Lee. The goal of the film was to increase the national public's understanding of Hawaiian issues, traditions and beliefs. Premier screenings of the film were held at Hawai'i Theatre in Honolulu; at the Smithsonian Museum in Washington, D.C.; and at the Pacifika Film Festival in New York City. *The Hawaiians: Reflecting Spirit* is scheduled for broadcast in several major U.S. cities during 2006
- In FY- 05, the Hawaiian Registry program was transferred to Hawaiian Governance, and 977 new cards were issued.

## Health

During FY-05, the OHA Health program and its staff were transferred to Hawaiian Governance as a pilot project for the building of a healthy nation. Health staff serves on the Board of Papa Ola Lōkahi and acts as liaison to the state Department of Health's strategic planning committees on chronic diseases affecting Native Hawaiians.

### FY-05 Highlights

The following is a list of projects that received grants from the Health program:

- Four programs promoting wellness through the Native Hawaiian diet were awarded \$80,000;
- The Hawai'i Uninsured Project received a \$16,000 grant to travel to neighbor islands to gather input from Native Hawaiian communities to update OHA's health plan;
- Lapakahi, a gathering of healing practitioners, was awarded a \$25,000 grant;
- Health staff monitored and reviewed \$300,000 in OHA grants that were awarded to programs assisting with asthma, kūpuna medical transportation, culture-based psychotherapy, oral hygiene, substance abuse, medical services for uninsured children, stop smoking kits, and scholarships for students to attend caregiver training, the Pacific Region diabetes conference and Harvard Medical School's summer program.





## Pu'u Lei Mano

Pu'u Lei Mano made by 'Umi from tiger shark's teeth, kauila wood and hemp cordage. The actual name of this weapon is not known, so 'Umi coined this term until the true name can be found.

A slashing tool.



# OFFICE OF BOARD SERVICES

## Mission

The Office of Board Services (OBS) was created to improve the efficiency and effectiveness of OHA policymaking, programs and operations, and to manage information needed to reach decisions that lead to the achievement of OHA's mission and goals.

## Strategic Plan Goals Addressed/Needs Served

OBS serves as custodian of BOT records and supervises the revision, codification and printing of Board of Trustee (BOT) policies, by-laws and related materials. OBS also monitors and reports on the administration and staff's fulfillment of BOT actions. OBS primarily addresses Strategic Plan Goal 7 (policy), which states: "to provide an effective and efficient administration of OHA." Further, by creating an archive and central filing system intended to preserve records of Hawaiian traditions, practices and rights, OBS addresses Strategic Plan goals relating to culture (Goal 2) and education (Goal 4).

## FY-05 Highlights

- As part of the 25<sup>th</sup> anniversary celebration of OHA, OBS created a Trustee Gallery (located in OHA's reception area) of the 42 individuals who have served on the agency's Board of Trustees since its inception in 1980.
- In compliance with the Office of Information Practices (OIP), OBS completed listing OHA's 84 records on OIP's Records Reporting System to allow the general public to view OHA's records on the OIP website.
- OBS created the agency's first comprehensive records management policy and procedures manual for all OHA staff to use as a guide for record keeping.
- In FY-05, OBS purchased two central filing systems to maximize staff space and efficiency.
- Consistent with Hawai'i Revised Statutes, Chapter 10, OBS created the 2006 Native Hawaiian Data Book (to be published in January 2006). For the first time, the Data Book will include an interactive web version, as well as a hard copy version.
- OBS initiated and began implementation of a new video conferencing system, allowing OHA to seamlessly communicate with satellite OHA offices and other organizations.

## Office of Board Services staff as of June 30, 2005

Mark B. Glick, director

Buzzy Agard, beneficiary services assistant

Haunani Ching, records management specialist

Jennifer Chiwa, facilities coordinator

Nana Kawasaki-Jones, beneficiary services assistant

Joanie Martinez, board services assistant

Joanne Medeiros, purchasing technician

Luci Meyer, beneficiary services assistant

Clayton Nakamoto, board services specialist

Dominique Silva, beneficiary services assistant

Lea Young, research specialist

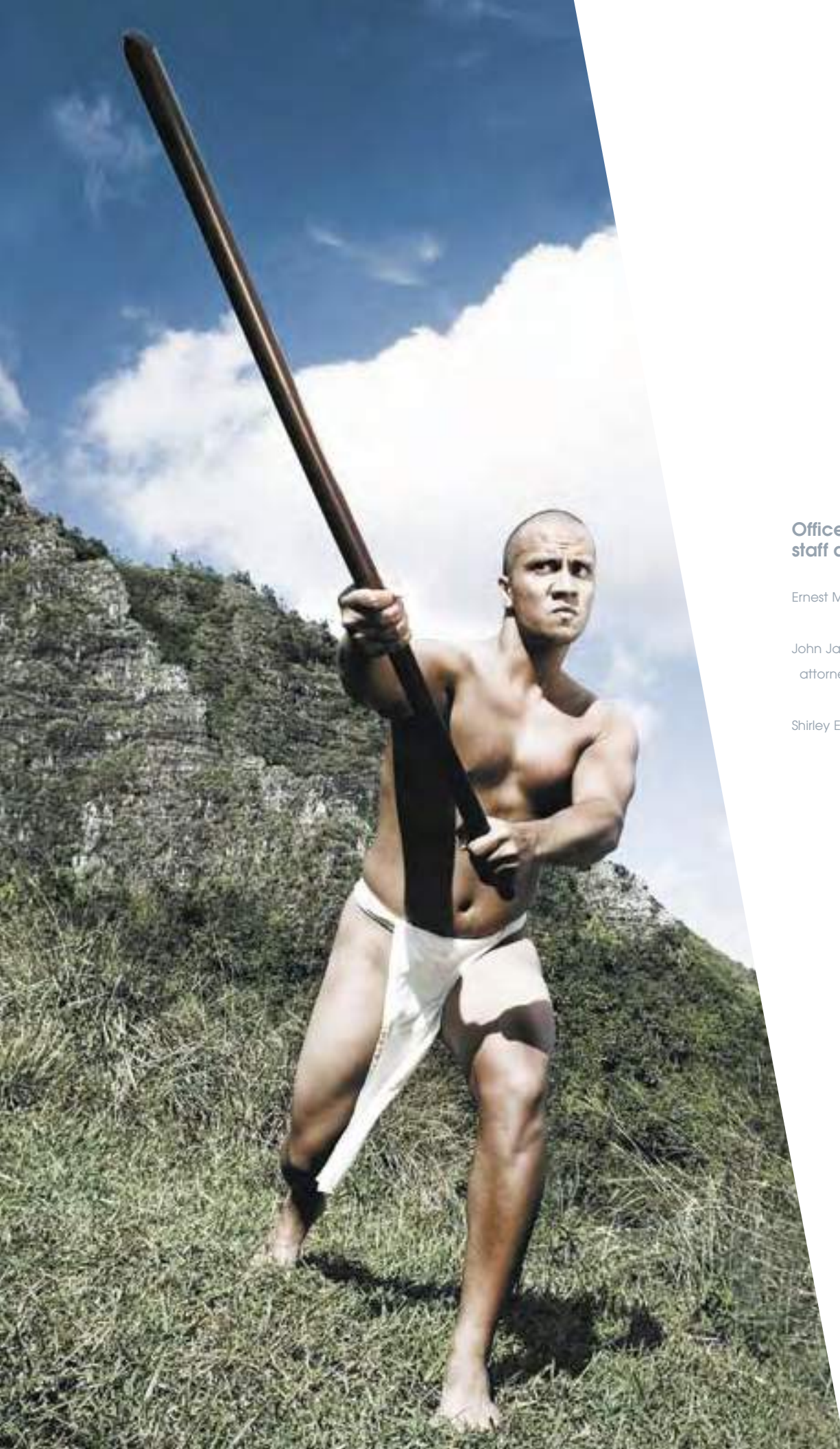
Interns:

Kuhia Arakaki

Kamanu Maunupau

Alika Young





**Office of the Staff Attorney  
staff as of June 30, 2005**

Ernest M. Kimoto, senior staff attorney

John James McMahon, associate staff  
attorney

Shirley E. Okamoto, legal assistant

# OFFICE OF THE STAFF ATTORNEY

## Mission

The mission of the Office of the Staff Attorney (OSA) is to meet the legal needs of the administration and to ensure compliance with applicable laws.

## Strategic Plan Goals

### Addressed/Needs Served

As an integral part of OHA's infrastructure, OSA participates in the strategic, organizational and operational planning of the agency; the implementation of those plans; and budget development. In FY-05, OSA focused on providing legal advice, assistance and support to the trustees, the administrator and staff in meeting the goals of the agency's strategic plan. The basic responsibility of the OSA is to provide comprehensive legal advice, guidance and assistance to administration.

The OSA provides legal services in these primary functional areas:

- Legal advice and guidance on compliance with administrative regulations, and state and federal laws;
- Interpretation, advice and analysis on the applicability of administrative rules and regulations, and state and federal laws;

- Consultation, advice and review of agency's procurement and contracting activities;
- Drafting legal services contracts and other transactional documentation;
- Oversight of legal services contracts with outside legal counsel, consultants, experts and other individuals providing services to the agency;
  - Policy development;
  - Compliance oversight;
  - Risk management oversight;
  - Minor litigation in which OHA is a party;
  - Drafting and legal review of proposed legislation; and
  - Other administrative projects and activities.
- Provided consultation and guidance on procurement activities and contract drafting;
- Reviewed contracts and other transactional documents and instruments;
- Participated in board and administrative policy development;
- Provided counseling and advice on compliance with ethics and standards of conduct, the Americans with Disabilities Act, Equal Employment Opportunity laws, Uniform Information Practices Act and "Sunshine" laws;
- Provided preventative counseling to minimize legal liabilities and financial risks.

## FY-05 Highlights

- Provided oral and written advice and guidance on issues presented by administration, Board of Trustees and staff on matters relating to OHA policymaking, operations and management;



**Ko'oko'o**

Ko'oko'o (cane or walking-stick)  
made by 'Umi from kauila wood.

Used for close-range fencing.



# HUMAN RESOURCES

## Newa

Newa (war club) with inlayed molars. A makana (gift) from Raymond Nakama to 'Umi Kai. Made from kauila wood and niho pua'a (pig's teeth).

Used for short-range bludgeoning.



## Mission

To effectively manage the human resources capabilities of the agency.

## Strategic Plan Goals Addressed/Needs Served

The Human Resources division addresses Goal 7 (policy), Strategy 1, which seeks to provide an effective and efficient administration of the Office of Hawaiian Affairs.

Human Resources serves such agency needs as recruitment, wage and benefit administration, employee services, staff development, leave accounting and personnel record keeping, and related areas in accordance with applicable statutes, standards and guidelines. In addition, electronic timesheet processing, personnel budgetary support, payroll and Oracle Human Resources Management Systems maintenance were functions that continued under Human Resources in FY-05.

## FY-05 Highlights

During the past fiscal year, the Human Resource division developed and/or streamlined the following programs:

- Recruitment, examination and placement
- Orientation
- Leave accounting
- Overtime guidelines
- Safety and security
- Staff development
- Service awards
- Employee Assistance Program
- Oracle Human Resources Management System including time and labor, timekeeper and other modules
- Personnel records review
- Employee performance review
- Employee turnover and position vacancy study
- Employee Union Trust Fund Benefits Open Enrollment

## Human Resources staff as of June 30, 2005

Alvin Kushima, personnel manager

Annette Hayashi, personnel specialist

Sally Koba, personnel specialist

Tane Mosher, personnel specialist



# planning, evaluation and grants

## Mission

The mission of the Planning, Evaluation and Grants (PEG) division is threefold: 1) To assist with the development and implementation of the OHA Strategic Plan and provide daily assistance to staff and the Board of Trustees with project and program planning; 2) To monitor and evaluate OHA's internal processes and grantmaking programs; and 3) To guide and administer OHA's various grantmaking programs.

## Strategic Plan Goals Addressed/Needs Served

PEG addresses Goal 7 (policy) of the Strategic Plan by helping to "provide an effective and efficient administration of OHA; assure an effective and efficient process of decision-making by the Board of Trustees and create the infrastructure to support their work."

## Planning

The function of the Planning unit is to assist with the implementation of the Strategic Plan by engaging in an ongoing process of work planning, review, assessment and assistance. Staff work with OHA directors to improve the organization's project management capacity, actively pursuing feedback, tracking quarterly progress, generating reports and assisting the administrator and Board of Trustees in putting this knowledge to work at a strategic level.

## FY-05 Highlights

- Completion of the first three years of activities for OHA's Strategic Plan;

- Completion of the Strategic Plan's Summary of Goals & Strategies and Next Steps sections;
- Development of a hierarchy for the Policy section of the Strategic Plan;
- Strategic Plan Goal and Strategy integration into budget and labor planning;
- Integration of culturally appropriate practices into the workplace.

## Evaluation

The function of the Evaluation unit is to monitor and report on the effectiveness of OHA's internal and external programs and projects, ensuring optimal benefit is accrued to the Hawaiian community and that OHA trustee decision-making is well-informed.

Information is obtained through research, surveys and interviews with key participants and organizations. OHA management is able to utilize this information to make modifications to improve their programs.

## FY-05 Highlights

Programs and projects evaluated or reviewed during the fiscal year included:

- OHA Homeownership Program (Fannie Mae)
- Kamakakūokalani Center for Hawaiian Studies, University of Hawai'i at Mānoa
- Kikala-Keōkea infrastructure project, Hawai'i island
- Ho'olehua Self-Help Housing, Moloka'i

## Grants

The Grants program provides grant awards to nonprofit organizations whose projects benefit the Hawaiian community. Proposed projects address housing needs; offer educational opportunities; fill physical and mental health needs; assure opportunities for economic self-sufficiency; and promote Hawaiian art, culture and language. To support this activity, OHA provides technical assistance with proposal writing and project planning.

## FY-05 Highlights

Grant Workshops:

Grant staff continued to provide technical assistance through grant workshops.

Staff conducted 11 workshops in the spring of 2005 to assist applicants in preparing for the April 2005 grants deadline. A total of 360 attended the statewide workshops, and 146 applications were submitted in April.

## Grant Awards:

The Grants program received a total of 95 applications by the August 2004 deadline. After thorough review and consideration, the Board of Trustees awarded \$2,419,562 to 37 projects, and the administrator awarded \$165,921 to 10 projects.

In addition, the administrator awarded \$566,870 to 25 projects whose applications were received at a second deadline in January 2005 and \$253,868 to 13 projects that had applied at the prior November 2003 deadline.



## Planning, Evaluation and Grants staff as of June 30, 2005

Peter Yee, director

Paulette Hedemark, evaluation specialist

Nancy Holt, grants specialist

Rona Rodenhurst, planning specialist

Karyle Saiki, evaluation assistant

The following personnel served on the PEG staff during FY-05, but left OHA employment or transferred to another division within the agency before the end of the fiscal year:

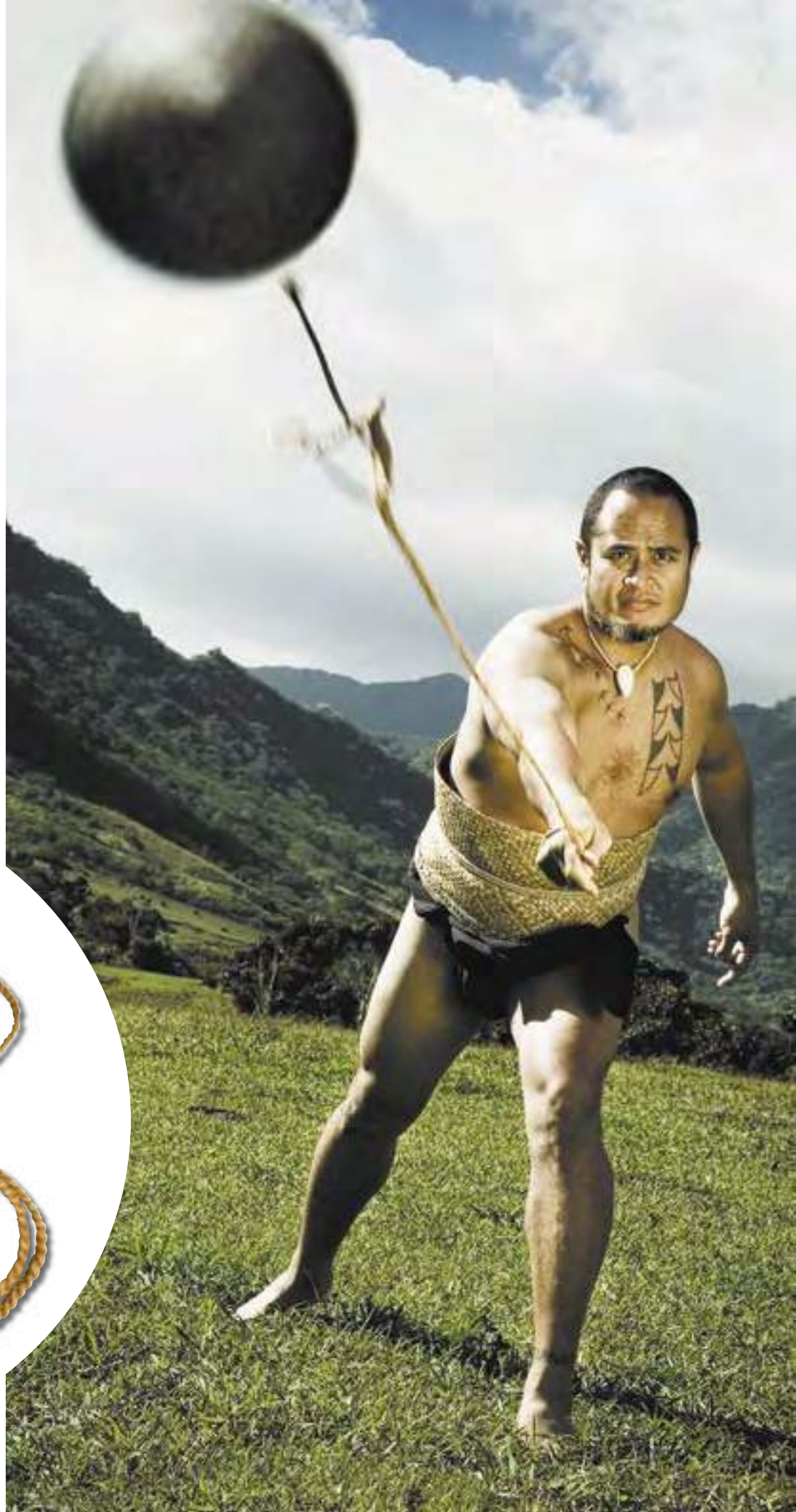
Stephanie Kon, grants specialist

Carolina Lam, grants specialist

### Ma'a

Ma'a (sling) and  
ma'a 'alā (sling stone)  
made by Raymond  
Nakama for 'Umi.

Used for slinging projectiles.







## Nuku A'u

This large Nuku A'u (swordfish bill) has dual uses: one end as a dagger and the other as a club. Made by 'Umi Kai.



## Government Relations and Legislative Affairs staff as of June 30, 2005

Ronald B. Mun, deputy administrator

Pōmaialoha Cox, secretary to the deputy administrator

Jerry B. Norris, federal desk officer

David Rodriguez, policy analyst

# GOVERNMENT RELATIONS AND LEGISLATIVE AFFAIRS

## Mission

The Government Relations and Legislative Affairs (GRLA) division is responsible for the promotion, protection and advocacy of Native Hawaiian rights and entitlements at the federal, state and county levels.

## Strategic Plan Goals Addressed/Needs Served

Advocacy efforts include the protection of Hawaiians' traditional and customary rights, as well as ensuring that federal, state and county resources are proportionately directed to Hawaiian needs. These efforts fall under the OHA Strategic Plan goals for advocacy-native rights (Goal 1) and culture (Goal 2).

GRLA also addresses various other Strategic Plan goals by reviewing proposed legislation and regulations, and preparing testimony for review by the administrator and the Board of Trustees. GRLA deals with such issues as access and traditional gathering rights, economic development, education, environment and natural resources, social services, land and housing, health and those issues directly impacting OHA.

The division works closely with officials and lawmakers at the county, state and federal levels to develop and promote legislation, regulations and programs that better the conditions of Native Hawaiians. In addition, GRLA coordinates public forums to discuss Native Hawaiian issues in order to stimulate involvement by the community at large.

## FY-05 Highlights

- GRLA, working with other OHA divisions and various organizations, compiled OHA's 2005 Legislative Package, which consisted of 22 bills addressing such issues as ceded lands revenue, education, environment, OHA autonomy and the construction of a Hawaiian Community Center.
- During the 23<sup>rd</sup> state legislative session, GRLA staff reviewed more than 4,500 legislative proposals, including 275 for which GRLA staff submitted testimony. These activities were summarized in the 2005 Legislative Report prepared by GRLA staff.
- OHA sponsored two legislative briefings on OHA's history and its legislative package. The first briefing was for 11 newly elected state legislators, with 43 legislators and staff in attendance. The second was OHA's annual luncheon for all members of the Senate and House, with over 300 in attendance.
- GRLA staff, in concert with OHA's Public Information Office, prepared the following articles for OHA's monthly newspaper, *Ka Wai Ola*:
  - A state legislative candidate survey, which consisted of eight questions of special interest to Hawaiians. All but 16 of the candidates responded;
- Several reports on bills and resolutions under consideration during the 2005 legislative session and a final legislative scorecard on the status of Hawaiian-related measures.
- GRLA also reviewed a number of proposed federal bills and regulations, and provided copies to OHA staff and sister organizations. GRLA also drafted testimony on selected proposed federal legislation, including S. 519, the Native American Capital Formation and Economic Development Act.
- GRLA staff assisted in the production of 23 episodes of OHA's roundtable television show on Hawaiian issues, *Ho'oulu Lāhui Aloha*, which is aired on 'Ōlelo Community Television. The series, which OHA staff has been producing since May 2003, was named the year's best Native Hawaiian show at 'Ōlelo's awards banquet.
- GRLA provided research and prepared testimony for various county ordinances, including the repeal of the controversial leasehold conversion law (Chapter 38). The mayor signed the repeal in February 2005.



# public information office

## Mission

The Public Information Office (PIO) serves the communications, publications, graphic design, public relations, multi-media production and information needs of the Office of Hawaiian Affairs. PIO coordinates the dissemination of OHA programs, policies and general information to the general public through various print, electronic and broadcast media.

## Strategic Plans Goals Addressed/Needs Served

PIO functions support Strategic Plan Goal 7 (policy), which states: "to provide an effective and efficient administration of OHA." In addition, PIO supports all other goals as the department responsible for dissemination of OHA information to the media, Hawaiian community and general public – except for matters relating to Hawaiian governance. Federal recognition, Kau Inoa and other governance-related issues are handled separately by OHA's Hawaiian Governance Hale.

PIO assists all OHA divisions with communications needs, with particular attention to 'ōlelo Hawai'i, cultural appropriateness and an overall Hawaiian approach. PIO produces OHA's monthly newspaper, *Ka Wai Ola*; manages OHA's websites; and keeps the media informed on OHA programs and board actions through press releases.

## FY-05 Highlights

- PIO added a new position, production specialist, which serves as support to art and graphic design. In addition, the department's former secretary position was re-titled as public information assistant, with increased office management responsibility. These two changes in personnel greatly enhanced the productivity of PIO in FY-05.
- PIO staff produced 12 issues of *Ka Wai Ola*. The monthly newspaper's current circulation of nearly 60,000 includes roughly 37,500 recipients on O'ahu, 18,000 on the neighbor islands and 4,500 on the continent.
- OHA websites – [www.oha.org](http://www.oha.org) and [www.nativehawaiians.com](http://www.nativehawaiians.com) – were regularly updated for effective online communication.
- PIO provided art direction and graphic design for the packaging and film premier of the OHA-sponsored film by Edgy Lee, *The Hawaiians: Reflecting Spirit*. In addition, an enhanced DVD was produced for public consumption.
- Department staff produced two live broadcast television shows: "The Akaka Bill: Myth or Reality," a call-in question-and-answer program; and "Congressional Forum," a live debate with congressional candidates Neil Abercrombie, Ed Case, Mike Gabbard and Dalton Tanonaka.
- PIO staff, working in combination with contractor Kinetic Productions, produced two 30-second television spots publicizing *Ka Wai Ola*. The media campaign also included radio and cinema advertising.
- Working with volunteers from other OHA divisions, PIO produced and directed 22 *Ho'oulu Lāhui Aloha* roundtable discussion programs for 'Ōlelo Community Television, with content coordination provided by the Government Relations and Legislative Affairs division. The program airs Wednesdays at 7 p.m. on 'Ōlelo, NATV Channel 53.
- PIO created the FY-04 OHA Annual Report, holiday card and calendar with the artistic theme "Lā'au 'Ōiwi Hawai'i: Native Flora," featuring artwork by Native Hawaiian photographer Arna Johnson.
- Production work was started on "The Hawaiian Connection: A Pilina Hawai'i Special," a 30-minute magazine-style television show focusing on Hawaiians living on the continent. The network-quality program reflects PIO's increased capacity in multimedia production.
- PIO produced "Nā Inoa 'Āina o Hawai'i Nei" (place names of Hawai'i), a series of 60-second radio spots featuring the meaning and stories of various place names around O'ahu. The series marked the approaching 25th anniversary of the Office of Hawaiian Affairs.
- PIO staff produced 12 issues of *Ka Hoa Hana* (the co-worker), OHA's monthly in-house electronic newsletter.

## PIO staff as of June 30, 2005

Manu Boyd,  
public information director

Derek Ferrar,  
public information specialist

Kristen Nohea Kimokeo,  
student intern

John Kamikakeahonui Matsuzaki,  
production specialist

Michael McDonald,  
publications specialist/art director

Francine Kananionāpua Murray,  
public information assistant

Charlie Ogata,  
volunteer

'Aukai Reynolds,  
media production specialist/webmaster

Sterling Kini Wong,  
publications editor

The following personnel served on the PIO staff during FY-05, but left OHA employment before the end of the fiscal year:

Leialoha Lono'ae'a,  
secretary



### Pahi Kaua

Pahi kaua (battle knife "sword") made by 'Umi from nuku a'u (bill of the flatbill swordfish) with 'aha cordage around handle. A stabbing and cutting tool.



## Office of Hawaiian Affairs Office Locations

OHA Administration  
711 Kapi'olani Blvd., Ste. 500  
Honolulu, HI 96813  
Phone: 594-1888  
Fax: 594-1865

OHA East Hawai'i (Hilo)  
162-A Baker Ave.  
Hilo, HI 96720-4869  
Phone: 808-920-6418  
Fax: 808-920-6421

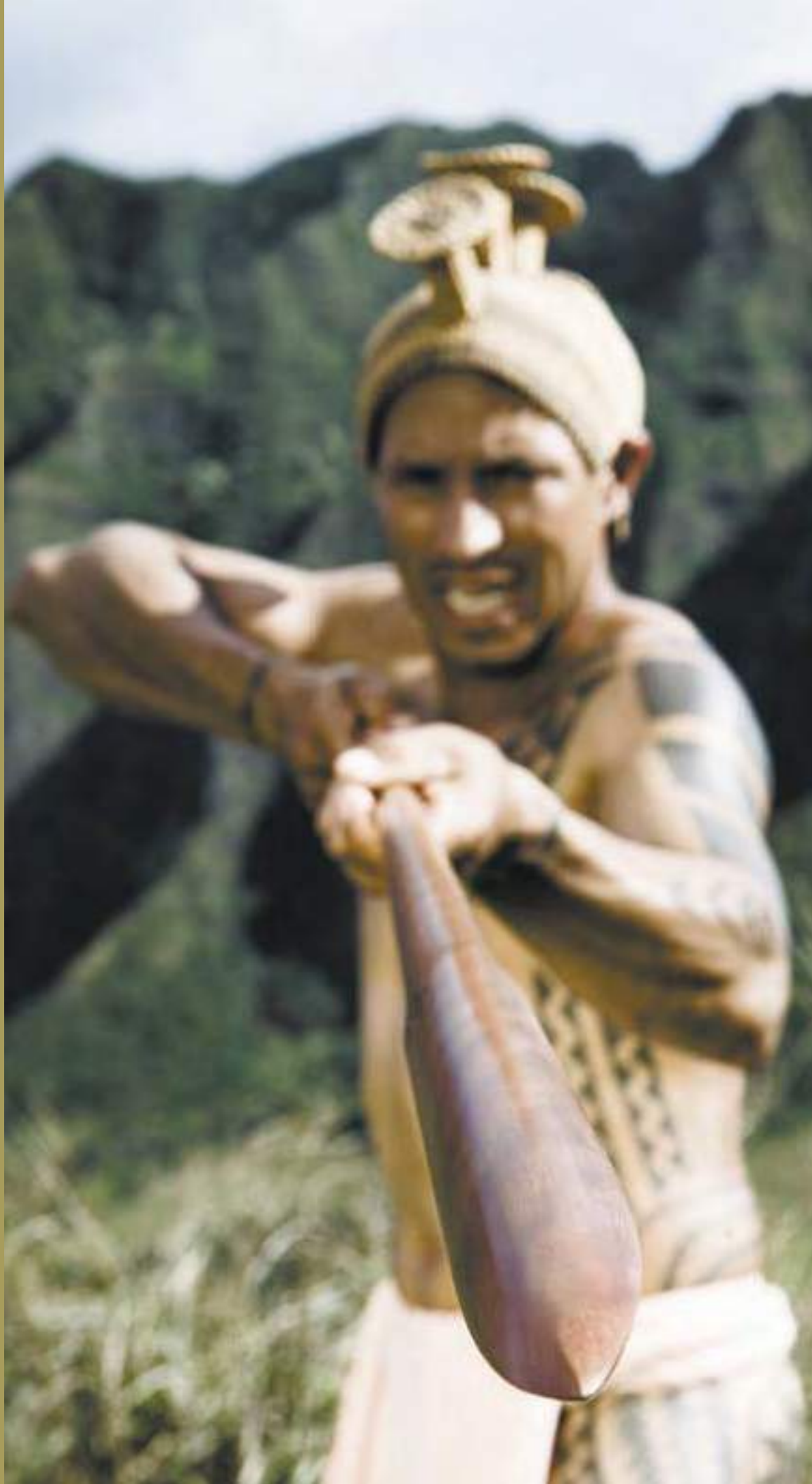
OHA West Hawai'i (Kona)  
75-5706 Hanama Pl. Ste. 107  
Kailua-Kona, HI 96740  
Phone: 808-329-7368  
Fax 808-326-7928

OHA Kaua'i/ Ni'ihau  
3-3100 Kūhiō Hwy. Ste. C4  
Līhu'e, HI 96766-1153  
Phone: 808-241-3390  
Fax: 808-241-3508

OHA Maui  
140 Ho'ohana St., Ste. 206  
Kahului, HI 96732  
Phone: 808-243-5219  
Fax: 808-243-5016

OHA Moloka'i/Lāna'i  
P.O. Box 1717  
Kaunakakai, HI 96748  
Phone: 808-560-3611  
Fax: 808-560-3968

OHA Washington, D.C., Bureau  
1301 Connecticut Ave. NW, Ste 200,  
Washington, D.C. 20036  
Phone: 202-721-1388  
Fax: 202-466-7797







financial statements and independent auditor's report

Office of Hawaiian Affairs  
State of Hawaii

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Office of Hawaiian Affairs  
State of Hawaii

INTRODUCTION

Year ended June 30, 2005

**GENERAL**

*Organization* – Office of Hawaiian Affairs (OHA) was established by the 1979 Hawaii State Legislature under the provisions of Chapter 10, Hawaii Revised Statutes (Act 196). In 1980, the Hawaii State Legislature approved Act 273, which, in addition to Act 196, initiated the appropriate process to organize and fund the entity.

The purposes of OHA include the following:

- Betterment of conditions of Native Hawaiians;
- Betterment of conditions of Hawaiians;
- Serve as the principal public agency in the State responsible for the performance, development, and coordination of programs and activities relating to Native Hawaiians and Hawaiians, except that the Hawaiian Homes Commission Act shall be administered by its own commission;
- Assess the policies and practices of other agencies impacting on Native Hawaiians and Hawaiians, and conduct advocacy efforts for Native Hawaiians and Hawaiians;
- Apply for, receive, and disburse grants and donations from all sources for Native Hawaiian and Hawaiian programs and services;
- Serve as a receptacle for reparations.

**DIVISIONS**

A division is a combination of resources and activities designed to achieve an objective or objectives. OHA prepares biennial budgets and records expenditures separately for each of its divisions.

The title and objective of each division are listed below:

<b>Division title</b>	<b>Division objectives</b>
1. Board of Trustees	To work for the betterment of all Hawaiians by setting policy in response to the concerns and interest of the beneficiaries, in order to ensure the well being of Native Hawaiians; to protect their rights and entitlements in their homeland; to assist them to achieve self-determination and self-governance; and to nurture and honor their culture.
2. Support Services	To work for the betterment of conditions of all Hawaiians by providing leadership, guidance, direction, and executive oversight. OHA seeks to excel among Hawaii's organizations in managing resources, as well as applying technology to streamline processes, and fully integrate all aspects of information sharing and program support, and to coordinate data gathering, planning, research, and development efforts with other Hawaiian agencies.
3. Beneficiary Advocacy	To seek the betterment of all Hawaiians through improving access to resources, benefits, and services, particularly in the areas of housing, education, health, and economic development. To advance the rights and interests of Hawaiians through advocacy, public policy development, dialogue, community outreach, and litigation.

## **PURPOSE OF THE REPORT AND DEFINITIONS**

The purpose of the financial audit was to enable the independent auditors to form an opinion as to the financial position of Office of Hawaiian Affairs at June 30, 2005, and the results of its operations for the year then ended. The auditors' report represents the conclusion of the independent auditors regarding the fairness of the presentations, in conformity with accounting principles generally accepted in the United States of America, set forth in the financial statements and is used to communicate such conclusion to interested parties.

The following is a glossary of certain accounting terms associated with the financial statements.

1. *Appropriations* – Authorizations granted by the State Legislature or OHA Board of Trustees permitting the agency within established fiscal and budgetary controls to incur obligations and to make expenditures for specific purposes. An appropriation is usually limited in amount and as to the period during which it may be expended.
2. *Lapse* – As applied to appropriations, this term denotes the automatic termination of an appropriation. At the end of the appropriation period, any unexpended or unencumbered balance lapses. This terminated amount is available for appropriation by the State Legislature in the ensuing fiscal year.
3. *Encumbrances* – Commitments related to unperformed (executory) contracts for goods or services.
4. *Expenditures* – Decreases in net financial resources. Expenditures include current operating expenses and capital outlays that require the current use of net current assets.
5. *Fund* – A fiscal and accounting entity with a self-balancing set of accounts recording cash and other current financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Independent Auditors' Report

Board of Trustees of Office of Hawaiian Affairs  
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 Office of Hawaiian Affairs (OHA), State of Hawaii, as of and for the year ended June 30, 2005, which collectively comprise OHA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the OHA's management. Our responsibility is to express opinions 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

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 OHA, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note N to the basic financial statements, OHA is self-insured for workers' compensation, automobile, and general liabilities. Several claims were filed against OHA during the year ended June 30, 2005. Although OHA has recorded an estimated loss for such claims, as well as from any unasserted claims, the ultimate results may differ from OHA's estimates, due to the subjectivity of the data used by OHA to compute these amounts.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005 on our consideration of OHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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

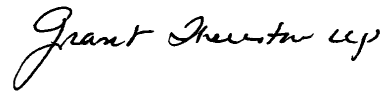


Board of Trustees of Office of Hawaiian Affairs  
State of Hawaii

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 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

The introduction, as listed in the accompanying contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of OHA's basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Honolulu, Hawaii  
November 30, 2005

Office of Hawaiian Affairs  
State of Hawaii

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended June 30, 2005

As management of the Office of Hawaiian Affairs (OHA), we offer readers of OHA's financial statements this narrative overview and analysis of the financial activities of OHA for the fiscal years ended June 30, 2005 and 2004. While the audit report presents only the financial activities for the fiscal year ended June 30, 2005, the management discussion and analysis will address both this year and the year ended June 30, 2004.

The management's discussion and analysis is provided at the beginning of the audit report to provide in layman's terms the past and current position of OHA's financial condition. This summary should not be taken as a replacement for the audit report that immediately follows this narrative.

**FINANCIAL HIGHLIGHTS**

**Government-wide Financial Statements Highlights**

*Statements of Net Assets* – The assets of OHA exceeded its liabilities at fiscal year ended June 30, 2005 by \$404,312,070 (presented as “total net assets”). Of this amount, \$376,886,485 is reported as “unrestricted”, while \$25,484,597 is reported as “restricted-federal funds” and \$1,940,988 is reported as “invested in capital assets, net of related debt.” The assets of OHA exceeded its liabilities at fiscal year ended June 30, 2004 by \$381,265,558 (presented as “total net assets”). Of this amount, \$354,249,201 is reported as “unrestricted”, while \$24,691,826 is reported as “restricted-federal funds” and \$2,324,531 is reported as “invested in capital assets.” Unrestricted net assets represent the amount available to be used to meet OHA's ongoing obligations to beneficiaries and creditors. Restricted assets represent amounts that have legal requirements on their use.

*Changes in Net Assets* – OHA's total net assets, increased by \$23,046,512 (a 6.0% increase) in fiscal year 2005. This was primarily due to investment income and gains experienced on the OHA's Native Hawaiian Trust Fund (NHTF). OHA's total net assets, increased by \$36,232,349 (a 10.5% increase) in fiscal year 2004. This was primarily due to gain experienced on the fair value of OHA's NHTF.

**Governmental Funds Financial Statements Highlights**

*Governmental Funds – Fund Balances* – As of the close of fiscal year 2005, OHA's governmental funds reported an ending fund balance of \$403,737,314. Of this total amount, \$384,855,589 represents the unreserved fund balances with 93.7% being in the Public Land Trust Fund. Of this \$384,855,589, \$22,941,976 is designated for the Native Hawaiian Revolving Loan Fund, \$4,000,000 is designated for the Fannie Mae Loan Program; \$29,419 is designated for other grants, \$665,709 is designated for Hawaiian projects; and \$4,510,000 is designated for subsequent year's expenditures, leaving \$352,708,485 as undesignated. This \$352,708,485 is roughly 87.4% of the total fund balance at the end of fiscal year 2005.

As of the close of fiscal year 2004, OHA's governmental funds reported an ending fund balance of \$380,422,676. Of this total amount, \$361,872,741 represents the unreserved fund balances with 93.7% being in the Public Land Trust Fund. Of this \$361,872,741, \$22,859,936 is designated for the Native Hawaiian Revolving Loan Fund, \$4,000,000 is designated for the Fannie Mae Loan Program; \$29,419 is designated for other grants, \$646,155 is designated for Hawaiian projects; and \$4,759,032 is designated for subsequent year's expenditures, leaving \$329,578,199 as undesignated. This \$329,578,199 is roughly 86.6% of the total fund balance at the end of fiscal year 2004.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OHA's basic financial statements. OHA's basic financial statements include four components: 1) government-wide financial statements, 2) governmental funds financial statements, 3) Statements of Revenues and Expenditures – Budget and Actual (Budgetary Basis), General Fund, and 4) notes to the financial statements. The first three components are intended to present different financial views of OHA. The fourth component is intended to further explain some of the information in the financial statements and provide more detail. These components are described below.

### Government-wide Financial Statements

The *government-wide financial statements* provide a broad view of OHA's operations in a manner similar to a private-sector business. These statements provide both short-term and long-term information about OHA's financial position, which assists in assessing OHA's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements.

1. The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in OHA's net assets may serve as a useful indicator of whether the financial position of OHA is improving or deteriorating.
2. The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused compensatory and vacation leave).

Both of the above financial statements distinguish functions of OHA that are principally supported by inter-governmental revenues (*governmental activities*) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of OHA include program revenues (Federal and other grants that break out charges for services, investment income and net gains/losses on Native Hawaiian Revolving Loan Fund (NHRLF), and operating grants), and general revenues (investment income and net gains/losses on investments, legislative appropriations, non-imposed fringe benefits, newspaper advertisements, donations, Public Land Trust funds, and other revenues).

The government-wide financial statements are reflected on the right hand side of the "Adjustments" column of each of the governmental funds financial statements.

### Governmental Funds Financial Statements

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. OHA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The governmental funds financial statements focus on individual parts of OHA, reporting OHA's operations in more detail than the government-wide statements. All of the funds of OHA are considered *governmental funds* as opposed to proprietary (operate more like those of commercial enterprises) and fiduciary funds (used to account for resources held for the benefit of parties outside OHA).



Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of OHA's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of OHA.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented in the Notes to Financial Statements (see note K).

OHA has two types of governmental funds that are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. OHA's two types of governmental funds are General Fund and Special Revenue Funds. The Special Revenue Funds are the Public Land Trust Fund, Federal Grants Fund, and Other Fund.

The basic governmental funds financial statements can be found to the left of the "Adjustments" column, preceding the government-wide financial statements.

### **Statements of Revenues and Expenditures – Budget and Actual (Budgetary Basis)**

The basic financial statements are followed by a budgetary comparison schedule, which includes a reconciliation between the actual general fund revenues and expenditures on a budgetary basis compared to budgeted general fund revenues and expenditures approved by State Legislature.

### **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 the governmental funds financial statements. The notes to the financial statements can be found immediately following the Statements of Revenues and Expenditures – Budget and Actual (Budgetary Basis), General Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. OHA's net assets totaled \$404,312,070 at the end of fiscal year 2005, compared to \$381,265,558 at the end of fiscal year 2004.

The largest portion of OHA's net assets (93.2% and 92.9% at June 30, 2005 and 2004, respectively) represents resources that may be used to meet OHA's ongoing obligations to beneficiaries and creditors. Internally imposed designations of resources are not presented as restricted net assets.

Summarized financial information of OHA's statement of net assets as of June 30, 2005 and 2004 is as follows:

	2005	2004
Capital assets	\$ 2,097,979	\$ 2,324,531
Other assets	407,536,988	383,181,412
Total assets	<u>\$409,634,967</u>	<u>\$385,505,943</u>
Other liabilities	\$ 3,791,772	\$ 3,392,346
Long-term liabilities	1,531,125	848,039
Total liabilities	5,322,897	4,240,385
Invested in capital assets, net of related debt	1,940,988	2,324,531
Restricted – federal funds	25,484,597	24,691,826
Unrestricted	<u>376,886,485</u>	<u>354,249,201</u>
Total net assets	<u>404,312,070</u>	<u>381,265,558</u>
Total liabilities and net assets	<u>\$409,634,967</u>	<u>\$385,505,943</u>

A portion of OHA's net assets (0.5% and 0.6% at June 30, 2005 and 2004, respectively) reflects its investment in capital assets such as equipment and software development, less any related debt used to acquire those assets that are still outstanding. OHA uses these capital assets to provide services to beneficiaries; consequently, these assets are not available for future spending. Although OHA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of fiscal years 2005 and 2004, OHA is able to report a positive balance in its category of government-wide net assets.

### Changes in Net Assets

OHA's net assets recognized in fiscal year 2005 increased by \$23,046,512 or 6.0% from the prior year. Approximately 22.8% of OHA's total revenue came from the Public Land Trust, while 14.9% came from dividend and interest income, 55.5% came from net investment gains, and 5.4% resulted from Legislative appropriations. This is in direct contrast to revenue amounts from fiscal year 2003 to fiscal year 2004. In 2004, its net assets were increased by \$36,232,349 or 10.5% from fiscal year 2003. Approximately 17.8% of OHA's total revenue came from

the Public Land Trust, while 7.3% came from dividend and interest income, 69.1% came from net investment gains, and 4.5% resulted from Legislative appropriations. This change was due to market fluctuations incurred during the year, and the continuance of further diversifying the investment portfolio to attain long term asset allocation targets.

Summarized financial information of OHA's statement of changes in net assets for the fiscal years ended June 30, 2005 and 2004 is as follows:

	2005	2004
Revenues:		
Program revenues:		
Operating grants	\$ 319,208	\$ 321,056
Charges for services	63,118	92,381
Dividend and interest income	607,434	586,402
Net investment gains (losses)	(87,008)	(516,690)
General revenues:		
Appropriations, net of lapses	2,498,960	2,489,829
Public land trust	10,631,224	9,915,962
Dividend and interest income	6,339,036	3,508,407
Net investment gains (losses)	25,963,215	39,021,376
Newspaper ads	59,109	51,459
Donations and other	33,746	96,206
Non-imposed fringe benefits	193,811	186,193
Total revenues	46,621,853	55,752,581
Expenses:		
Current divisions:		
Board of Trustees	1,600,433	1,731,115
Support Services	8,716,897	7,939,757
Beneficiary Advocacy	12,632,579	9,223,394
Depreciation	625,432	625,966
Total expenses	23,575,341	19,520,232
CHANGES IN NET ASSETS	<u>\$23,046,512</u>	<u>\$36,232,349</u>

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As noted earlier, OHA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of OHA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing OHA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending, restricted by OHA's Spending Policy limitations, at the end of the fiscal year.



As of the close of fiscal year 2005, OHA's governmental funds reported an ending fund balance of \$403,737,314. Of this amount, approximately \$384,855,589, or 95.3%, is unreserved funds, broken down as follows: 5.7% for Native Hawaiian Revolving Loans, 1.0% for Fannie Mae Loan Program, .007% for Other Grants, 0.2% for Hawaiian projects, 1.1% for subsequent years expenditures, and 87.3% undesignated. Reserved fund balances accounted for \$18,881,725, or 4.7% of the total fund balance, broken down as follows: 1.7% for encumbrances, 2.9% for notes receivable, and 0.1% for prepaid expenses and security deposits.

As of the close of fiscal year 2004, OHA's governmental funds reported an ending fund balance of \$380,422,676. Of this amount, approximately \$361,872,741, or 95.1%, is unreserved funds, broken down as follows: 6.0% for Native Hawaiian Revolving Loans, 1.0% for Fannie Mae Loan Program, .008% for Other Grants, 0.2% for Hawaiian projects, 1.3% for subsequent years expenditures, and 86.6% undesignated. Reserved fund balances accounted for \$18,549,935, or 4.9% of the total fund balance, broken down as follows: 1.7% for encumbrances, 3.1% for notes receivable, and 0.1% for prepaid expenses and security deposits

## **ECONOMIC FACTORS**

The current state of Hawaii's economy can be described as good with improvements over prior years continuing to be achieved. While much of Hawaii's new economic growth continues to come from investments in construction, real estate, and the tourism industry, 2005 ended with a strong performance similar to that shown in 2004.

Hawaii's tourism industry saw almost 7.1 million visitors in 2005, a 7.2% increase over 2004. Of the 7.1 million visitors, 70% were made up of domestic air visitors and 30% from international and other air travel. The average length of stay in 2005 also increased to 9.97 from 9.89 days in 2004.

The growth rate in employment, personal income, and tax collections surpassed expectations and is indicative of the continuing system-wide expansion of Hawaii's economy. In addition, federal spending and the level of construction remains strong and allows for positive future investment activity.

Hawaii had the lowest unemployment rate in the nation in September 2004 of 2.9 percent. Except for Forestry and Fishing, Utilities and Information, all other sectors experienced quarterly increases in earnings.

Hawaii's tax revenues to the State General Fund increased 16.2% to 1.1 billion for third quarter 2005 compared to the third quarter 2004. The overall quarterly increase was due to 9.6% increase in domestic arrivals and 1.7% increase in international arrivals. Hotel occupancy rates increased 2.9% points to 84.4% for the quarter.

Construction activity remained positive in the third quarter which signifies sustained strong building activity. Construction jobs increased 9.7% to 32,950 jobs. The total number of bankruptcy filing increased by 15.8% in the second quarter 2005 compared to second quarter 2004. The increase in Chapter 7 filing was primarily attributed to the stiffening of the bankruptcy law.

Hawaii continues to anticipate solid growth for tourism, personal income, and wage and salary employment for 2006. Projections of economic growth for the mainland U.S., Hawaii's primary visitor market, are reasonably strong while Japan is projected to grow but at a slower rate.

The visitor industry, federal spending, and private construction remain strong. Building permit levels are still averaging over \$200 million per month, which depicts a healthy construction sector and foreseeable future.

The future of Hawaii remains linked to the mainland and Japanese economies. The GDP growth in 2005 was 3.5% for the U.S. and 2.0% for Japan. Growth in 2006 is expected to be 3.3% for the U.S. and 1.9% for Japan.

Hawaii's projected inflation rate for 2005 and 2006 have been 3.4% and 3.3%, respectively, which was caused by recent increases in the housing and energy prices.

In March 2003, OHA's investment advisors were awarded contracts in accordance with the NHTF investment policy statement. Upon commencement of the contracts, the combined value of the NHTF portfolio was approximately \$257 million. As of June 30, 2005 the Trust has grown to a net value of \$354 million (with net accretions in Fiscal Year 2003/2004 of \$41.5 million and \$55.4 million in Fiscal Year 2004/2005). This growth is a reflection of the very able management of the fund that permits OHA to fund Native Hawaiian needs through grants and initiatives that would otherwise be unavailable. Assuming current economic conditions continue these efforts will be sustained and OHA will provide \$8.7 million directly from the trust in the 2005/2006 fiscal year plus another \$2.6 million for legislative mandates which directly benefit Native Hawaiians.

## **REQUEST FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Office of Hawaiian Affairs; Treasury and Other Services; 711 Kapiolani Boulevard, Suite 500; Honolulu, HI 96813.

Office of Hawaiian Affairs  
State of Hawaii

GOVERNMENTAL FUNDS - BALANCE SHEET/GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2005

ASSETS	Governmental Funds					Adjustments (note K)	Government- wide statement of net assets
	General Fund	Public Land Trust	Federal Grants	Other	Total		
Petty cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ 20,000
Cash in State Treasury	419,617	10,813,044	984,511	665,709	12,882,881	-	12,882,881
Cash in banks	-	4,468,805	-	-	4,468,805	-	4,468,805
Cash held by investment manager	-	1,342,495	52,019	-	1,394,514	-	1,394,514
Accounts receivable	-	280,339	-	3,598	283,937	7,902	291,839
Interest and dividends receivable	-	228,193	155,073	-	383,266	-	383,266
Prepaid and other assets	30,179	235,597	13,277	-	279,053	-	279,053
Notes receivable - due within one year	-	874,000	372,000	-	1,246,000	-	1,246,000
Notes receivable - due after one year	-	9,395,734	1,132,184	-	10,527,918	-	10,527,918
Security deposits	-	44,215	1,803	-	46,018	-	46,018
Investments	-	353,054,718	22,941,976	-	375,996,694	-	375,996,694
Capital assets - net	-	-	-	-	-	2,097,979	2,097,979
<b>TOTAL</b>	<b>\$ 469,796</b>	<b>\$ 380,737,140</b>	<b>\$ 25,652,843</b>	<b>\$ 669,307</b>	<b>\$ 407,529,086</b>	<b>\$2,105,881</b>	<b>\$ 409,634,967</b>

The accompanying notes are an integral part of this statement.



Office of Hawaiian Affairs  
State of Hawaii

GOVERNMENTAL FUNDS - BALANCE SHEET/GOVERNMENT-WIDE STATEMENT OF NET ASSETS (continued)

June 30, 2005

LIABILITIES AND FUND BALANCES/NET ASSETS	Governmental Funds					Adjustments (note K)	Government- wide statement of net assets
	General Fund	Public Land Trust	Federal Grants	Other	Total		
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 162,897	\$ 3,438,441	\$ 64,034	\$ 2,188	\$ 3,667,560	\$ -	\$ 3,667,560
Due to State of Hawaii	20,000	-	104,212	-	124,212	-	124,212
Long-term liabilities:							
Due within one year	-	-	-	-	-	232,592	232,592
Due after one year	-	-	-	-	-	1,298,533	1,298,533
Total liabilities	182,897	3,438,441	168,246	2,188	3,791,772	1,531,125	5,322,897
FUND BALANCES/NET ASSETS:							
Fund balances:							
Reserved for encumbrances	293,860	6,286,279	202,597	-	6,782,736	(6,782,736)	-
Reserved for notes receivable	-	10,269,734	1,504,184	-	11,773,918	(11,773,918)	-
Reserved for prepaid expenses and security deposits	30,179	279,812	15,080	-	325,071	(325,071)	-
Unreserved:							
Designated for Native Hawaiian revolving loans	-	-	22,941,976	-	22,941,976	(22,941,976)	-
Designated for Fannie Mae Loan Program	-	4,000,000	-	-	4,000,000	(4,000,000)	-
Designated for other grants	-	-	29,419	-	29,419	(29,419)	-
Designated for Hawaiian projects	-	-	-	665,709	665,709	(665,709)	-
Designated for subsequent year's expenditures	-	4,510,000	-	-	4,510,000	(4,510,000)	-
Undesignated	(37,140)	351,952,874	791,341	1,410	352,708,485	(352,708,485)	-
Total fund balances	286,899	377,298,699	25,484,597	667,119	403,737,314	(403,737,314)	-
Total liabilities and fund balances	<u>\$ 469,796</u>	<u>\$ 380,737,140</u>	<u>\$ 25,652,843</u>	<u>\$ 669,307</u>	<u>\$ 407,529,086</u>		
Net assets:							
Invested in capital assets, net of related debt						1,940,988	1,940,988
Restricted - federal funds						25,484,597	25,484,597
Unrestricted						376,886,485	376,886,485
Total net assets						<u>\$ 404,312,070</u>	<u>\$ 404,312,070</u>

The accompanying notes are an integral part of this statement.

Office of Hawaiian Affairs  
State of Hawaii

GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2005

	Governmental Funds					Adjustments (note K)	Government- wide Statement of Activities
	General Fund	Public Land Trust	Federal Grants	Other	Total		
Expenditures/expenses:							
Current divisions:							
Board of Trustees	\$ 46,326	\$ 1,467,756	\$ -	\$ -	\$ 1,514,082	\$ 86,351	\$ 1,600,433
Support services	1,117,232	7,697,804	46,163	57,203	8,918,402	(201,505)	8,716,897
Beneficiary advocacy	1,620,963	11,364,984	56,266	-	13,042,213	(409,634)	12,632,579
Depreciation	-	-	-	-	-	625,432	625,432
Total expenditures/expenses	2,784,521	20,530,544	102,429	57,203	23,474,697	100,644	23,575,341
Program revenues:							
Charges for services	-	-	55,541	7,577	63,118	-	63,118
Operating grants and contributions							
Operating grants	-	-	319,208	-	319,208	-	319,208
Dividend and interest income	-	-	607,434	-	607,434	-	607,434
Investment losses	-	-	(87,008)	-	(87,008)	-	(87,008)
Total program revenues	-	-	895,175	7,577	902,752	-	902,752
Net program (expenses) revenue	(2,784,521)	(20,530,544)	792,746	(49,626)	(22,571,945)	(100,644)	(22,672,589)
General revenues:							
Appropriations, net of lapses	2,498,960	-	-	-	2,498,960	-	2,498,960
Public land trust	-	10,798,706	-	-	10,798,706	(167,482)	10,631,224
Dividend and interest income	-	6,339,036	-	-	6,339,036	-	6,339,036
Investment gains	-	25,963,215	-	-	25,963,215	-	25,963,215
Newspaper advertisements	-	-	-	59,109	59,109	-	59,109
Donations and other	-	33,716	25	5	33,746	-	33,746
Non-imposed fringe benefits	193,811	-	-	-	193,811	-	193,811
Total general revenues	2,692,771	43,134,673	25	59,114	45,886,583	(167,482)	45,719,101
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS (carried forward)	\$ (91,750)	\$ 22,604,129	\$ 792,771	\$ 9,488	\$ 23,314,638	\$ (268,126)	\$ 23,046,512

The accompanying notes are an integral part of this statement.

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GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

Year ended June 30, 2005

	Governmental Funds					Adjustments (note K)	Government- wide Statement of Activities
	General Fund	Public Land Trust	Federal Grants	Other	Total		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS (brought forward)	\$ (91,750)	\$ 22,604,129	\$ 792,771	\$ 9,488	\$ 23,314,638	\$ (268,126)	\$ 23,046,512
Fund balance/net assets:							
Beginning of year	<u>378,649</u>	<u>354,694,570</u>	<u>24,691,826</u>	<u>657,631</u>	<u>380,422,676</u>	<u>842,882</u>	<u>381,265,558</u>
End of year	<u><u>\$ 286,899</u></u>	<u><u>\$ 377,298,699</u></u>	<u><u>\$ 25,484,597</u></u>	<u><u>\$ 667,119</u></u>	<u><u>\$ 403,737,314</u></u>	<u><u>\$ 574,756</u></u>	<u><u>\$ 404,312,070</u></u>

The accompanying notes are an integral part of this statement.

Office of Hawaiian Affairs  
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STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(BUDGETARY BASIS), GENERAL FUND

Year ended June 30, 2005

	Original Budget	Final Budget	Actual (budgetary basis)	Variance
Revenues:				
State appropriations	\$2,532,647	\$2,532,647	\$2,532,647	\$ -
Total revenues	2,532,647	2,532,647	2,532,647	-
Expenditures:				
Board of Trustees	34,992	34,351	35,286	(935)
Support services	1,662,823	956,936	960,969	(4,033)
Beneficiary advocacy	834,832	1,541,360	1,533,908	7,452
Total expenditures	2,532,647	2,532,647	2,530,163	2,484
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 2,484	\$ (2,484)

The accompanying notes are an integral part of this statement.



Office of Hawaiian Affairs  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Statement Presentation and Basis of Accounting

The financial statements of the Office of Hawaiian Affairs (OHA) are prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

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 not presented as restricted net assets.

*Government-wide Financial Statements* – The government-wide 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.

*Governmental Funds Financial Statements* – The governmental funds 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, OHA considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources susceptible to accrual include federal grants and interest and dividends on investments.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leaves are recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2005 has been reported only in the government-wide financial statements.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues and expenditures of the fund. The funds are intended to conform to the State of Hawaii general accounting system and are structured to comply with the requirements of appropriations and allotments authorized by State law.

A description of the funds administered by OHA and included in the governmental funds financial statements follows.

*General Fund* – The General Fund of OHA is part of the State of Hawaii General Fund. However, OHA's General Fund financial statements reflect only OHA's appropriations and obligations. The General Fund is

Office of Hawaiian Affairs  
State of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Financial Statement Presentation and Basis of Accounting (continued)

used to account for all financial resources except those required to be accounted for in another fund, and includes the operating budget of general funds appropriated by the State Legislature.

*Special Revenue Funds* – These funds include OHA's proceeds and income from the Public Land Trust as defined in Chapter 10, Hawaii Revised Statutes, as well as the proceeds and income of the Native Hawaiian Rights Fund, the Native Hawaiian Revolving Loan Fund and other grants. Expenditures reflect those from the specific grant or designated fund and from other Board appropriations of Public Land Trust funds.

2. Investments

Investments are generally stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. OHA uses the first-in, first-out (FIFO) cost method in computing the gain or loss on sale of marketable equity securities.

3. Capital Assets

Capital assets acquired for general organization purposes are recorded as expenditures in the governmental funds financial statements. Donated fixed assets are recorded at estimated fair value at the time received. Depreciation expense is recorded in the government-wide financial statements. Buildings, equipment, and improvements are depreciated on the straight-line method over their estimated useful lives. There is no depreciation recorded for land and work-in-progress.

4. Accrued Vacation

OHA accrues all vacation and compensatory pay at current salary rates, including additional amounts for certain salary-related expenses associated with the payment of compensated absences, in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The June 30, 2005 balance includes fringe benefits computed at the rate of 7.65% of accrued vacation and compensatory pay. Accrued vacation is reported as an expense when earned in the government-wide financial statements, but not reported as an expenditure in the governmental funds financial statements, as current financial resources are not used.

5. Risk Management

OHA is exposed to various risks of loss from torts, theft of or damage to assets, errors and omissions, and employee injuries and illnesses. OHA participates in a State-sponsored general liability, automotive, and workers' compensation self-insurance program.

6. Governmental Funds – Fund Balance Reserves and Designations

The governmental funds financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for

Office of Hawaiian Affairs  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Governmental Funds – Fund Balance Reserves and Designations (continued)

encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

7. Encumbrances

Encumbrances against budgeted appropriations are recorded upon the execution of contracts or purchase orders. Such encumbrances are accounted for as a segregation of fund balance. The related expenditure is reported in the period in which the liability is incurred.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Concentrations of Credit Risk

The financial instruments that potentially expose OHA to concentrations of credit risk consist principally of notes receivable. OHA extends credit to Native Hawaiian and Hawaiian persons and agencies who use OHA's funds for the betterment of Native Hawaiians and Hawaiians. The mix of notes receivable at June 30, 2005 are as follows:

Native Hawaiian and Hawaiian persons	90%
Agencies	9
Other	1
	<hr/>
	100%

NOTE B – BIENNIAL BUDGET

Because it is not a part of the executive branch, OHA's budget is considered by the State Legislature to be separate from the State Administration's submittal, and its development follows a different procedure. The budgetary data reflected in the basic financial statements is established as follows:

- *The Budget* – In the fall of each odd-numbered fiscal year, OHA's Administration drafts the program and budget recommendations that will be the basis for OHA's biennium budget request. Once approved by the Board, the budget is submitted directly to the State Legislature prior to its convening. The budget is generally constructed around OHA's operations (offices) and programs (divisions) and states programmatic objectives, expected outcomes, and financial requirements. The budget also shows the proportion of funding requested from general funds to be appropriated by the Legislature and from trust funds appropriated by OHA's Board of Trustees.

Office of Hawaiian Affairs  
State of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE B – BIENNIAL BUDGET (continued)

- *Legislative Review* – Once the budget is submitted to the State Legislature, the review process follows that which is applied to the executive branch, with the budget being reviewed by House Finance Committee, Senate Ways and Means Committee, and the respective subject matter committee in the House and Senate. The State Legislature may request provisos and may require financial analysis and evaluation of those programs funded with general funds, but has no discretion over trust fund allocations.
- *Program Execution* – Except as limited by policy decisions of OHA's Board of Trustees, provisos of the State Legislature, and other provisions of law, OHA's Administration is responsible for the proper management of the programs. Appropriation changes and transfers can be authorized by the Board; those impacting general funds are reported to the State Legislature.

The budget is adopted for the General Fund and is prepared on a basis other than GAAP. The actual results of operations are presented on the budgetary basis in the statements of revenues and expenditures – budget and actual to provide a meaningful comparison of actual results to the legislative budget.

The major differences between the budgetary basis and GAAP basis are that: (1) encumbrances are recorded as the equivalent of expenditures under the budgetary basis; and (2) revenue is recognized when received under the budgetary basis.

Adjustments necessary to convert the results of operations and fund balances for the year ended June 30, 2005 from the budgetary basis to GAAP basis are as follows:

Excess of revenues over expenditures – actual (budgetary basis)	\$ 2,484
Reserve for encumbrances	293,860
Accrued payables and payroll	83,408
Prepaid expenditures not recognized for budgetary purposes – net of prior-year accruals	(9,469)
Expenditures for liquidation of prior-year encumbrances	(428,346)
Lapse of cash to State General Fund	<u>(33,687)</u>
Excess (deficiency) of revenues over expenditures – actual (GAAP basis)	<u>\$ (91,750)</u>

NOTE C – APPROPRIATIONS

OHA is authorized to transfer appropriation amounts and positions between programs for operating purposes, provided that a report of all transfers are made to the State Legislature prior to convening of the next legislative session. Act 183, SLH 2003 authorizes a total of \$2,532,647 general funds, and \$5,051,293 trust funds for OHA's programs for fiscal year 2005.

NOTE D – CASH

The State maintains a cash pool that is used by all agencies. OHA's portion of this pool is indicated on the Governmental Funds Balance Sheet as "Cash in State Treasury." The Hawaii Revised Statutes authorize the



Office of Hawaiian Affairs  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE D – CASH (continued)

Director of Finance to invest in 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. OHA's cash included in State pooled funds is fully collateralized with securities held by third-party agents in the State's name, as required by the Hawaii Revised Statutes Section 38-8. At June 30, 2005, OHA's deposits with financial institutions totaled \$4,540,824, and had corresponding bank balances of \$4,520,963. The portion of the bank balances covered by FDIC insurance totaled \$121,977 in 2005; the remainder was uninsured and uncollateralized.

NOTE E – NOTES RECEIVABLE

Notes receivable at June 30, 2005 consist of the following:

Loans Receivable serviced by First Hawaiian Bank (of which, \$5,138,912 is guaranteed by DHHL)	\$ 9,812,476
Native Hawaiian Revolving Loan Fund	2,908,784
Other	<u>2,049,379</u>
Total	14,770,639
Less allowance for doubtful accounts	<u>(2,996,721)</u>
Net	11,773,918
Amounts due within one year	<u>1,246,000</u>
Amounts due after one year	<u><u>\$10,527,918</u></u>

NOTE F – INVESTMENTS

Under the Hawaii Revised Statutes, Chapter 10, the Board of Trustees may collect, receive, deposit, withdraw, and invest money and property on behalf of the office to further the mission of OHA. On May 29, 2003, the Board of Trustees adopted the Native Hawaiian Trust Fund Investment Policy Statement (NHTF investment policy). The Board of Trustees maintain responsibility for setting the investment policy guidelines, asset allocation constraints, and monitoring the advisors to ensure they act prudently and follow the investment policy. OHA's investment policy allows for the following investments:

- \* U.S. large cap
- \* U.S. small cap equities
- \* Non U.S. equities
- \* Core fixed income
- \* High yield
- \* Real estate
- \* Absolute return
- \* Private equity

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State of Hawaii

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE F – INVESTMENTS (continued)

Investments (current and long-term) at June 30, 2005 and their maturities were as follows:

Investment type	FUND	Fair value	Investment maturities (in years)	
			Less than 1	1-5
U.S. treasuries	NHRLF	\$ 3,897,691	\$ 3,212,707	\$ 684,984
U.S. agencies	NHRLF	19,044,285	4,061,250	14,983,035
Other mutual funds	NHTF	94,604,284	94,604,284	—
Pooled investments	NHTF	62,810,161	62,810,161	—
Limited partnerships	NHTF	167,124,350	167,124,350	—
Real estate investments	NHTF	11,982,694	11,982,694	—
Other	NHTF	16,533,229	16,533,229	—
Total securities		375,996,694	360,328,675	15,668,019
Money market funds (not considered securities)	MIX	1,394,514	1,394,514	—
Total investments		<u>\$377,391,208</u>	<u>\$361,723,189</u>	<u>\$15,668,019</u>

For all investments held in accordance with OHA's NHTF investment policy, funds are managed by investment advisors who are responsible for the prudent management of all assets subject to their oversight and are involved in all key decisions, such as management selection, within the context set by the investment policy. The advisors are also responsible for the adherence to the NHTF investment policy which provides objectives, guidelines and procedures as to the type of investments, assets allocations, long term targets, asset diversification, benchmark, performance objectives, and of restricted investments. The NHTF investment policy provides for the superior investment returns to sustain the beneficiaries of the Trust in perpetuity and to uphold the mission of the Trust Fund.

In addition, OHA has a separate investment policy for the Native Hawaiian Revolving Loan Fund (NHRLF) which is restricted to investments in government backed securities (Fixed Securities) which strives for higher rates of income with the potential for greater principal stability than longer term fixed income investments. Interest rate, credit and concentration risks for the NHRLF investments are as follows:

**Interest Rate Risk**

As a means to limit the amount of exposure to fair value losses arising from rising interest rates, OHA's NHRLF investment policy for the liquidity portfolio limits investments to the following maximum maturities:

Type of investment	Maximum maturity
U.S. treasuries	3 years
U.S. agencies	3 years

Office of Hawaiian Affairs  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE F – INVESTMENTS (continued)

The duration of the investment portfolio, under normal market conditions, range between +/- 50% of the investment policy benchmark.

**Credit Risk**

Pursuant to 45 C.F.R. 1336.72(a), “any portion of the revolving loan fund that is not required for expenditure must be invested in obligations of the United States or in obligations guaranteed or insured by the United States.” At June 30, 2005, credit rates for all securities of government agencies were rated at Aaa/AAA.

**Concentration of Risk**

The NHRLF investment policy states that except for U.S. Treasury Securities and U.S. Government Sponsored Agency Obligations, fixed income securities will be limited to not more than 10% of the total portfolio, at the time of purchase, in any one issue.

NOTE G – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2005 are as follow:

	July 1, 2004	Additions	Retirements/ transfer	June 30, 2005
Capital assets not being depreciated:				
Land	\$ 84,100	\$ —	\$ —	\$ 84,100
Total capital assets not being depreciated	84,100	—	—	84,100
Capital assets being depreciated:				
Buildings	1,045,141	—	—	1,045,141
Leasehold improvements	451,319	39,827	—	491,146
Machinery, equipment, furniture and fixtures	3,271,734	362,304	(29,317)	3,604,721
Total capital assets being depreciated	4,768,194	402,131	(29,317)	5,141,008
Less accumulated depreciation	(2,527,763)	(625,432)	26,066	(3,127,129)
Capital assets being depreciated – net	2,240,431	(223,301)	(3,251)	2,013,879
Capital assets – net	<u>\$ 2,324,531</u>	<u>\$(223,301)</u>	<u>\$ (3,251)</u>	<u>\$ 2,097,979</u>

Office of Hawaiian Affairs  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE H – CAPITAL LEASE

In March 2005, OHA entered into an agreement to lease equipment which requires monthly payments of \$4,068 beginning in March 2005 and ending in March 2009. The present value of the minimum lease payments at the beginning of the lease term, was \$166,975. OHA records the equipment as an asset which is depreciated over the term of the lease and reported in the financial statements as depreciation. As of June 30, 2005, the related accumulated depreciation is \$10,436 and the net book value is \$156,539.

Fiscal year ending June 30,	
2006	\$ 48,816
2007	48,816
2008	48,816
2009	<u>36,612</u>
Total minimum lease payments	183,060
Less implicit interest of 8.25%	<u>(26,069)</u>
Present value of minimum lease payments (obligation under capital lease)	156,991
Less current portion	<u>(37,252)</u>
	<u><u>\$119,739</u></u>

NOTE I – TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2005 are as follows:

	July 1, 2004	Increases	Decreases	June 30, 2005	Amounts due within one year	Amounts due after one year
Accrued vacation	\$ 659,902	\$460,418	\$(352,473)	\$ 767,847	\$195,340	\$ 572,507
Accrued workers' compensation	460,026	146,261	—	606,287	—	606,287
Capital lease obligation	<u>—</u>	<u>166,975</u>	<u>(9,984)</u>	<u>156,991</u>	<u>37,252</u>	<u>119,739</u>
Long-term liabilities	<u><u>\$1,119,928</u></u>	<u><u>\$773,654</u></u>	<u><u>\$(362,457)</u></u>	<u><u>\$1,531,125</u></u>	<u><u>\$232,592</u></u>	<u><u>\$1,298,533</u></u>



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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE J – LEASES

OHA leases office space and equipment under various noncancelable operating leases expiring through June 2009. Future minimum payments under all leases as of June 30, 2005 are as follows:

Fiscal year ending June 30,	
2006	\$ 554,000
2007	605,000
2008	602,000
2009	<u>357,000</u>
Total	<u>\$2,118,000</u>

Rent expense (including taxes and common area maintenance) under operating leases totaled \$868,000 for the year ended June 30, 2005.

In August 1998, OHA entered into a 35 year lease with the State of Hawaii, Department of Land and Natural Resources (DLNR) for the use of the premises known as the Old Waialua Court House situated in Waialua, Hawaii. Lease rent is gratis, however, OHA pays for all operating and repair costs associated with maintaining the property. OHA subleases a portion of the property to a not-for-profit organization which reimburses OHA for their portion of the costs associated with maintaining the property as set forth in the lease agreement between OHA and DLNR.

NOTE K – RECONCILIATIONS OF GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS

The following schedule reconciles the governmental funds balance to net assets:

Total fund balance – governmental funds	\$403,737,314
Amounts reported for governmental activities in the statement of net assets are different because:	
Revenues in the statement of activities that do not provide current financial resources and therefore the related receivable is not included in the funds:	
Ceded land revenue	7,902
Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,097,979
Long-term liabilities not due and payable in the current period and therefore not reported in the funds:	
Accrued vacation	(767,847)
Accrued workers' compensation	(606,287)
Capital lease	<u>(156,991)</u>
Subtotal	<u>(1,531,125)</u>
Total net assets – government-wide	<u>\$404,312,070</u>

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE K – RECONCILIATIONS OF GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS (continued)

The following schedule reconciles the changes in fund balance to changes in net assets:

Net changes in fund balances – total governmental funds	\$ 23,314,638
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays and capital lease payments as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and related debt during the year	(383,543)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount includes \$7,902 of Ceded Land Revenue.	7,902
Revenues that were recorded in 2004 government-wide financial statements but recorded in 2005 governmental funds	(175,384)
Expenses that were recorded in 2004 government-wide financial statements but recorded in 2005 governmental funds	537,105
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Accrued vacation	(107,945)
Accrued workers' compensation	(146,261)
Subtotal	(254,206)
Changes in net assets – government-wide	<u><u>\$ 23,046,512</u></u>

Office of Hawaiian Affairs  
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE L – EMPLOYEE BENEFITS

1. Defined Benefit Pension Plans

All full-time employees of OHA are eligible to participate in the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing, multiple-employer public employee retirement system covering eligible employees of the State and counties.

The ERS is composed of a contributory retirement plan and a noncontributory retirement plan. Eligible employees who were in service and a member of the existing contributory plan on June 30, 1984, were given an option to remain in the existing plan or join the noncontributory plan, effective January 1, 1985. All new eligible employees hired after June 30, 1984, automatically become members of the noncontributory plan. Both plans provide death and disability benefits and cost of living increases. Benefits are established by State statute. In the contributory plan, employees may elect normal retirement at age 55 with 5 years of credited service or elect early retirement at any age with 25 years of credited service. Such employees are entitled to retirement benefits, payable monthly for life, of 2% of their average final salary, as defined, for each year of credited service. Benefits fully vest on reaching five years of service; retirement benefits are actuarially reduced for early retirement. Covered contributory plan employees are required by State statute to contribute 7.8% of their salary to the plan; OHA is required by State statute to contribute the remaining amounts necessary to pay contributory plan benefits when due. In the noncontributory plan, employees may elect normal retirement at age 62 with 10 years of credited service or at age 55 with 30 years of credit service, or elect early retirement at age 55 with 20 years of credited service. Such employees are entitled to retirement benefits, payable monthly for life, of 1.25% of their average final salary, as defined, for each year of credited service. Benefits fully vest on reaching ten years of service; retirement benefits are actuarially reduced for early retirement. OHA is required by State statute to contribute all amounts necessary to pay noncontributory plan benefits when due. Contribution by OHA for the fiscal year ended June 30, 2005 was approximately \$426,000. The contribution rate for the fiscal year ended June 30, 2005 was 10.82%.

The ERS issues a publicly available financial report that included financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813-2980 or by calling (808) 586-1735.

2. Post-Retirement Health Care and Life Insurance Benefits

In addition, the State of Hawaii Employer-Union Benefits Trust Fund (EUTF) provides certain health care (medical, prescription drug, vision and dental) and life insurance benefits for retired employees. OHA's contributions for retiree health and group life insurance benefits are subject to the State law governing the EUTF. The EUTF pays for some or all of these benefits for eligible employees, in accordance with the guidelines laid out by State law. The EUTF also reimburses Medicare expenses of retirees and qualified spouses who are at least 62 years of age and have at least 10 years of service. OHA's share of the expense for post-retirement health care and life insurance benefits for the fiscal year ended June 30, 2005 was approximately \$1,000.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE L – EMPLOYEE BENEFITS (continued)

3. Sick Leave

Accumulated sick leave as of June 30, 2005 was approximately \$1,423,000. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, no liability for sick leave is recorded in the accompanying financial statements.

NOTE M – NON-IMPOSED EMPLOYEE FRINGE BENEFITS

Payroll fringe benefit costs for employees of OHA funded by State appropriations (general fund) are assumed by the State and are not charged to OHA's operating funds. These costs, totaling \$193,811 for the fiscal year ended June 30, 2005, have been reported as revenues and expenditures of OHA's General Fund.

NOTE N – RISK MANAGEMENT AND CONTINGENT LIABILITIES

1. Workers' Compensation and Other Self-Insurance Liabilities

OHA is self-insured for property, excess liability, and criminal losses. This includes, but is not limited to claims for workers' compensation, automobile, and tort. The State Attorney General may review any claim against the State and may refer claims to the Comptroller for informal resolution.

The Comptroller may compromise or settle a claim within the purview of HRS Chapter 41D-8 for an amount not exceeding \$15,000, and the Comptroller may pay the claim without review by the Attorney General. The Comptroller may compromise or settle a tort claim not within the purview of HRS Chapter 41D-8 for \$10,000 or less without the necessity of court approval, and the Comptroller may pay the claim. Typically, these claims are delegated by the Comptroller to the risk management office of the Department of Accounting and General Services.

All other claims are handled by the Department of the Attorney General. The State has transferred risk by purchasing additional insurance to cover catastrophic loss. Under the State Risk Management and Insurance Administration (HRS 41D), OHA has access to insurance coverage for personal injury and property damage liability, including automobile and public errors and omissions, policies in force with a \$2,000,000 deductible and annual aggregate of \$23,000,000 per occurrence. To further mitigate risk to the Native Hawaiian Trust Fund, OHA purchases Public Officials and Employment Practices Liability insurance with a \$250,000 deductible and \$4,000,000 coverage limit, Bankers' Professional Liability insurance with a \$50,000 deductible and \$3,000,000 coverage limit, and commercial and excess liability insurance for property owned or required by lease agreements entered into, with a \$1,000 deductible and \$2,000,000 coverage limit.

Several claims have been filed against OHA during the year ended June 30, 2005. Although OHA has recorded an estimated loss for such claims, as well as from any unasserted claims, the ultimate results may differ from OHA's estimates, due to the subjectivity of the data used by OHA to compute these amounts. OHA has accrued a liability for workers' compensation and other self-insurance claims at June 30, 2005 that approximated \$606,000.



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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE N – RISK MANAGEMENT AND CONTINGENT LIABILITIES (continued)

2. Department of Education Settlement Agreement

On May 4, 2000, OHA entered into a Compromise and Settlement Agreement (Agreement) with the State of Hawaii, Department of Education (DOE), in which the DOE agreed to form a partnership for the support of the DOE's Hawaiian Language Immersion Program (HLIP). Although OHA is not responsible for the education, operation, management, supervision, or any other aspect of the HLIP, OHA has agreed to provide matching funding up to \$500,000 each year for five years beginning July 1, 2000. As of June 30, 2004, OHA has disbursed \$203,431 in settlement of the first year of the program. In February 2005, OHA subsequently disbursed \$167,935 and \$369,170 for the second and third year of the program.

3. Hina-malailena Joint Use Agreement

In 1995, OHA entered into a Joint Use Agreement (Agreement) with Hina-malailena, a not-for-profit corporation, for the purpose of developing a commercial center in Hana, Maui. Also in 1995, OHA and Hina-malailena received, as co-recipients, \$1,760,000 of federal funds from the U.S. Department of Commerce, Economic Development Administration (EDA). The entire amount was recorded in the accounting records of Hina-malailena.

Terms of the Agreement state that Hina-malailena is to be responsible for substantially all duties required to construct and complete the project, including but not limited to overseeing management of all construction and service contracts, ensuring that all EDA requirements are satisfied, and obtaining all necessary permits and approvals. However, in the event of default by Hina-malailena, OHA may elect to take control of the project.

During fiscal year 2000, OHA became aware that Hina-malailena would not be able to complete the project. As of June 30, 2005, OHA's project team has been working with the various parties involved in the project to move it to completion so that OHA can exit at the appropriate time and to advise the OHA Board of Trustees accordingly.

4. Ceded Lands – Public Land Trust

At June 30, 2005, *Office of Hawaiian Affairs v. Housing and Community Development Corporation of Hawai'i, fka Office of Hawaiian Affairs v. Housing Finance and Development Corporation*, Hawaii Supreme Court No. 25570 (Civil No. 94-4207-11), was still an active case. This lawsuit was originally filed in 1994 to enjoin the sale of ceded lands until the claims of the Native Hawaiians were resolved by the government. In December, 2002, the lower court issued its opinion and OHA appealed. Briefs have been filed. No date for oral argument has been set and no decision has been rendered. The case is currently pending before the Hawai'i State Supreme Court.

At June 30, 2005, *Office of Hawaiian Affairs v. Hawai'i Housing Authority*, Civil No. 95-2682-07 was still stayed. On January 11, 2000, all proceedings in this suit were stayed pending the Hawai'i Supreme Court's decision in *OHA v. State 1*. OHA disagreed that the decision rendered by the Hawai'i Supreme Court on September 12, 2001 in *OHA v. State 1* required the dismissal of the claims in *OHA v. HHA* (which relates to the valuation of 5 parcels transferred to HHA for affordable public housing units). The stay is still in effect.

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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

NOTE N – RISK MANAGEMENT AND CONTINGENT LIABILITIES (continued)

4. Ceded Lands – Public Land Trust (continued)

Both of the foregoing cases could have a potential financial impact relative to ceded land holdings. If the State is permitted to sell ceded lands, future ceded land revenue will ultimately be diminished. The present value of any land sale proceeds versus the future value of an annuity stream could have a significant long-term financial impact.

5. Civil Complaints

A motion to dismiss the *Arakaki v. Lingle* lawsuit, Ninth Circuit No. 04-15306 (Civil No. 02-00139-SOM-KSC), was filed by Defendant OHA in December, 2003 and the dismissal was granted by the United States District Court in January, 2004. Plaintiff Arakaki et al. appealed in February, 2004. Oral argument was held on November, 2004 but no decision has been issued. At June 30, 2005, the case was still pending before the Ninth Circuit Court of Appeals and the ultimate results of this lawsuit cannot presently be determined. Subsequently, the Ninth Circuit Court of Appeals ruled, affirming in part, reversing in part, and remanding to the district for its further action.

6. Litigation

OHA is a party to legal proceedings and claims that arise in the ordinary course of business. Although occasional adverse decisions (or settlements) may occur, other than the matters described above, OHA believes that the final disposition of such matters will not have a material adverse effect on the financial position or changes in financial position of OHA.

In October 2005, a lawsuit was filed in the United States District Court of the District of Hawai'i by five Native Hawaiians against two former OHA trustees and the current OHA trustees alleging that OHA is wrongfully expending its trust fund monies on all Hawaiian beneficiaries and not just exclusively on those beneficiaries with 50% or more blood quantum. As Plaintiffs are seeking injunctive relief to enjoin and restrain OHA from certain expenditures of its trust funds as well as a declaratory judgment with regard to certain legal issues, OHA does not presently believe there are contingent liabilities.

NOTE O – RELATED PARTY TRANSACTIONS

Besides property leased from DLNR discussed in Note J, Executive Order 3724 granted OHA a set aside of land located in Kekaha, Waimea, Kauai, Hawaii (Kekaha Armory), to be used for Hawaiian cultural and educational purposes in which OHA would control and manage the property. OHA is responsible for all maintenance costs associated with the property. Upon cancellation of the Executive Order and/or in the event of non-use for a continuous period of one year, for purposes described above, the property will revert back to DLNR, free of all liens and encumbrances. OHA leases the Kekaha Armory to a not-for-profit organization for a maximum period of 66 years commencing on November 2000, unless sooner terminated, for \$1 per year to utilize such property for purposes in accordance with the Executive Order.

## Credits

Photography:  
Arna Johnson, Arna Photography

Weapons & Apparel:  
Gordon 'Umi Kai

Location:  
Kualoa Ranch, O'ahu

Models:  
Fred Peleke Flores  
Kaponu Haynes  
Joshlynn Keahi  
Lance "Mahi" La Pierre  
Chauncey Kalā Lindsey-Asing  
Kaina Mākua  
Keli'iokalani Mākua

Art Direction/Graphic Design:  
Michael McDonald, OHA publications specialist  
John Matsuzaki, OHA production specialist

Editorial coordination:  
Sterling Kini Wong, publications editor

Introduction:  
Manu Boyd, OHA public information director

Weapon Descriptions:  
Gordon 'Umi Kai

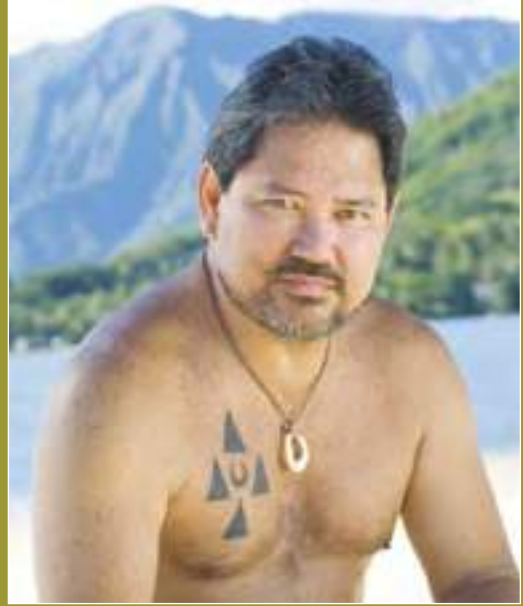
Cover:  
Mahiole of 'ie'ie made by  
Raymond Nakama for 'Umi Kai.  
Facial tattoo design provided by  
Keone Nunes.

Additional production/editorial assistance:  
Derek Ferrar, public information specialist  
Francine Murray, secretarial support  
'Aukai Reynolds, media production specialist

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Hawaiian Affairs.



### Gordon 'Umi Kai

Gordon 'Umi Kai lives in Kaimuki, O'ahu. His makuakāne (father) came from Nā'ālehu, Hawai'i island, and his makuahine (mother) from Waimea, Hawai'i island. He is married to Janice Leinā'ala Nōweo Lua Kai of Lā'ie, O'ahu, and has three sons, a daughter and four mo'opuna (grandchildren).

"I started being interested in mea Hawai'i (things Hawaiian) while attending high school in Anchorage, Alaska, for seven months just before graduating from Kaimuki High School. I made my first leiomano (shark tooth weapon) in 1973 after graduating from Chaminade University with a bachelor's degree in marketing science. Besides nā mea kaula, I like to make makau (fish hooks), pōhaku ku'i 'ai (poi pounders) and other Hawaiian implements. I try to stay to traditional designs as closely as possible and have had many influences: my mother, Rachel Kanimae'ole King Kai; my hānai father, Kahauanu Lake; Richard K. Paglinawan; Moke Kalauokalani; Jerry Walker; Mitchell Eli; Patrick Horimoto; George Fujinaga; Raymond Nakama; Ken Ching; and Hōkūlani Holt-Padilla. I am a current member of Pā Ku'i A Lua, Hale Mua-Kuali'i and Nālehuakūmākua."



