

**OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

AND

INDEPENDENT AUDITOR'S REPORT

**Akamine, Oyadomari & Kosaki
Certified Public Accountants, Inc.**

**Submitted by
THE AUDITOR
State of Hawaii**

Oahu Metropolitan Planning Organization
State of Hawaii
Table of Contents

	<u>Page</u>
PART I – TRANSMITTAL LETTER	
PART II – FINANCIAL SECTION:	
Independent Auditor’s Report	3
Management’s Discussion and Analysis	5
Financial Statements -	
Statement of net assets and governmental fund balance sheet – June 30, 2009	8
Statement of activity and governmental fund revenues, expenditures and changes in fund balance – Year ended June 30, 2009	9
Notes to the financial statements – June 30, 2009	10
Supplementary Information -	
Schedule of Expenditures by Agency – Year Ended June 30, 2009	22
Schedule of Expenditures of Federal Awards – Year Ended June 30, 2009	24
PART III – INTERNAL CONTROL AND COMPLIANCE SECTION:	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	25
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	27
PART IV – SCHEDULE OF FINDINGS AND QUESTIONED COSTS:	
Schedule of Findings and Questioned Costs – Year Ended June 30, 2009	29
Schedule of Prior Findings and Questioned Costs – Year Ended June 30, 2009	31
PART V – CORRECTIVE ACTION PLAN	

PART I
TRANSMITTAL LETTER

March 19, 2010

The Auditor
State of Hawaii

We have completed our financial audit of Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) as of and for the year ended June 30, 2009. The audit was performed in accordance with our agreement with the Office of the Auditor, State of Hawaii, and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

OBJECTIVES

The primary purpose of our audit was to form an opinion on the fairness of the presentation of OahuMPO's financial statements as of and for the year ended June 30, 2009, and to comply with the requirements of OMB Circular A-133. More specifically, the objectives of our audit were as follows:

1. To provide a basis for an opinion on the fairness of the financial statements of OahuMPO.
2. To ascertain whether or not expenditures have been made and all revenues and other receipts to which OahuMPO is entitled have been collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii and the federal government.
3. To ascertain the adequacy of the financial and other management information reports in providing officials at the different levels of the State and OahuMPO the proper information to plan, evaluate, control, and correct program activities.
4. To evaluate the adequacy, effectiveness, and efficiency of the systems and procedures for financial accounting, operational and internal controls, and to recommend improvements to such systems and procedures.
5. To satisfy the audit requirements of the federal grantor agency.

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of OahuMPO for the year ended June 30, 2009.

ORGANIZATION OF THE REPORT

This report is organized into five parts:

- PART I - contains the transmittal letter.
- PART II - contains the financial section which includes OahuMPO's financial statements and supplementary information and the independent auditor's report on such financial statements and supplementary information, and management's discussion and analysis.
- PART III - contains the reports on internal control and compliance.
- PART IV - contains the schedule of findings and questioned costs and schedule of prior findings and question costs.
- PART V - contains the corrective action plan.

At this time, we wish to thank OahuMPO's personnel for their cooperation and assistance extended to us. We will be happy to respond to any questions that you may have on this report.

Very truly yours,

Ahanine Ogodonai + Rosali CPA's, Inc.

PART II
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Auditor
State of Hawaii

We have audited the accompanying financial statements of the governmental activities of Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) as of and for the year ended June 30, 2009, which comprise OahuMPO's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of OahuMPO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of OahuMPO are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of Hawaii that is attributable to the transactions of OahuMPO. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of OahuMPO, as of June 30, 2009, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2010, on our consideration of OahuMPO'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 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 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The supplementary information on pages 22 and 23 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 24 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 22 and 23 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of expenditures of federal awards on page 24 has also been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chamira Ogodavari + Thoraki CPAs, Inc.

Honolulu, Hawaii
March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents an analysis of OahuMPO's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The OahuMPO's net assets increased by \$12,000.
- During the fiscal year, the OahuMPO's revenues increased by \$1,007,000, and expenses increased by \$1,025,000.

This is reflective of the cycle of annual planning studies and activities with which the OahuMPO is charged with overseeing, as the number of studies increase or decrease from year-to-year.

OVERVIEW OF ANNUAL REPORT

This annual report consists of six parts: 1) transmittal letter; 2) management's discussion and analysis; 3) financial statements, notes to the financial statements and supplementary information that explain in more detail some of the information in the financial statements; 4) the reports on internal controls and compliance; 5) schedules of findings and questioned costs; and 6) the OahuMPO's corrective action plan.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the OahuMPO present combined information about the Organization as a whole and the activities of its special revenue fund. The financial statements begin with the presentation of fund financial statements, which explains how government activities were financed in the short-term, as well as what resources remain for future spending. These financial statements were prepared on the modified accrual basis of accounting, which reports revenues, when both measurable and available, and expenditures, when the related liabilities are incurred. The fund financial statements were then adjusted to the accrual basis of accounting to present the OahuMPO's activities as a whole. The accrual basis of accounting, which is similar to the accounting used by most private-sector companies, recognizes revenues and expenses regardless of when cash is paid or received.

The Statement of Net Assets includes all of the OahuMPO's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the Organization to its creditors (liabilities). The Statement of Activities reports the Organization's activities and the changes in its net assets as a result of its activities.

Tables 1 and 2 present a comparative view of net assets and changes in net assets in 2008 and 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

TABLE 1
NET ASSETS
(Rounded to nearest \$1,000)

	<u>2009</u>	<u>2008</u>
ASSETS		
Current	\$ 1,024,000	\$ 891,000
Capital assets, net of accumulated depreciation	5,000	6,000
Total assets	<u>\$ 1,029,000</u>	<u>\$ 897,000</u>
LIABILITIES		
Current	\$ 767,000	\$ 646,000
Long-term	31,000	32,000
Total liabilities	<u>\$ 798,000</u>	<u>\$ 678,000</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 5,000	\$ 6,000
Unrestricted	226,000	213,000
Total net assets	<u>\$ 231,000</u>	<u>\$ 219,000</u>

Net assets of OahuMPO in 2009 increased by 5.48% (\$231,000 as compared to \$219,000). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by 6.10% (\$226,000 as compared to \$213,000) in 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

TABLE 2
CHANGES IN NET ASSETS
(Rounded to nearest \$1,000)

	2009	2008
EXPENDITURES/EXPENSES		
Short-range transportation system management (TSM)/ transportation demand management (TDM) planning	\$ 766,000	\$ 153,000
Regional transportation forecasting and long-range planning	292,000	224,000
Regional transportation monitoring and analysis	669,000	294,000
Coordination of the planning program	387,000	418,000
Total expenditures/expenses	<u>2,114,000</u>	<u>1,089,000</u>
REVENUES		
Federal grant contributions	1,690,000	874,000
State and City contributions	423,000	219,000
Interest income	13,000	26,000
Total revenues	<u>2,126,000</u>	<u>1,119,000</u>
INCREASE IN NET ASSETS	<u>\$ 12,000</u>	<u>\$ 30,000</u>

The OahuMPO's total revenues increased by 89.99% in 2009 and total expenses increased by 94.12%. The changes in expenses during 2009 were attributed primarily to increased activity in the regional transportation monitoring and analysis, (the Land Use File Update System and the Tantalus and Round Top Drive Boundary Identification Study). The increase in Short-Range Transportation System Management is attributed to the start of the Public Transit Facility Master Plan and the Human Service Transportation Coordination Plan and Program. The changes in revenues were attributed to the correlating increase in Federal grant contributions and to the increase in State and City contributions that supplemented the Short-Range Transportation System Management Project in 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009 and 2008, the OahuMPO had \$5,000 and \$6,000, respectively, in capital assets, net of accumulated depreciation. There were no capital acquisitions and no dispositions of capital assets in 2009.

Debt

The OahuMPO did not have any outstanding debt at June 30, 2009 and 2008.

Oahu Metropolitan Planning Organization

State of Hawaii

Statement of net assets and
governmental fund balance sheet
June 30, 2009

	Special Revenue	Adjustments (Note 1)	Statement of Net Assets
CURRENT ASSETS			
Cash in State Treasury (Note 4)	\$ 744,396	\$ -	\$ 744,396
Receivables from federal government	280,008	-	280,008
Total current assets	1,024,404	-	1,024,404
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation (Note 5)	-	4,793	4,793
Total assets	\$ 1,024,404	\$ 4,793	\$ 1,029,197
CURRENT LIABILITIES			
Vouchers payable	\$ 164,491	\$ -	\$ 164,491
Advances from other agencies	544,107	-	544,107
Accrued liabilities	21,317	36,767	58,084
Total current liabilities	729,915	36,767	766,682
NONCURRENT LIABILITIES			
Accrued liabilities (Note 6)	-	31,766	31,766
Total noncurrent liabilities	-	31,766	31,766
Total liabilities	729,915	68,533	798,448
COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 9)			
FUND BALANCE/NET ASSETS			
Reserved for:			
Encumbrances	1,000,000	(1,000,000)	-
Continuing appropriations	(705,511)	705,511	-
Total fund balance	294,489	(294,489)	-
Net assets:			
Invested in capital assets, net of related debt	-	4,793	4,793
Unrestricted	-	225,956	225,956
Total net assets	-	230,749	230,749
Total liabilities and fund balance/net assets	\$ 1,024,404	\$ 4,793	\$ 1,029,197

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

Oahu Metropolitan Planning Organization
State of Hawaii

Statement of activity and governmental fund
revenues, expenditures, and changes in fund balance
Year ended June 30, 2009

	Special Revenue	Adjustments (Note 1)	Statement of Activity
EXPENDITURES/EXPENSES			
Short-range transportation system management/ transportation demand management planning	\$ 766,374	-	\$ 766,374
Regional transportation monitoring and analysis	669,137	-	669,137
Coordination of planning program	385,363	\$ 1,250	386,613
Regional transportation forecasting and long-range planning	291,573	-	291,573
Total expenditures/expenses	2,112,447	1,250	2,113,697
REVENUES			
Federal grant contributions	1,689,720	-	1,689,720
Local contributions:			
City and County of Honolulu	345,712	-	345,712
State of Hawaii	77,015	-	77,015
Interest and other	13,123	-	13,123
Total revenues	2,125,570	-	2,125,570
Change in fund balance/net assets	13,123	(1,250)	11,873
FUND BALANCE/NET ASSETS			
Beginning of the year	281,366	(62,490)	218,876
End of the year	\$ 294,489	\$ (63,740)	\$ 230,749

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

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) was established in 1975 by the State Legislature to serve in an advisory capacity to the State Legislature, the City and County of Honolulu (City) Council, and appropriate state and county agencies in carrying out continuing, comprehensive, and cooperative transportation planning and programming for the island of Oahu as required by federal law.

OahuMPO's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local Governments through its pronouncements (Statements and Interpretations). Governments are required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP and used by OahuMPO are discussed below.

Reporting Entity - the financial statements reflect only OahuMPO's financial activities. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State of Hawaii (State) annually, which includes OahuMPO's financial activities.

Financial Statement Presentation - OahuMPO's financial statements include a combined government-wide and fund financial statement. The financial statements begin with the fund financial statements and include an adjustment column that reconciles amounts reported in the fund to an accrual basis of accounting under the government-wide financial statements.

Reconciling items include the following:

Statement of net assets -	
Capital assets, net	\$ 4,793
Accrued vacation - current	\$ 36,767
Accrued vacation - non current	31,766
	\$ 68,533
Fund balance	\$ (294,489)
Net asset	230,749
	\$ (63,740)
Statement of activity -	
Depreciation	\$ (1,650)
Accrued vacation	400
	\$ (1,250)

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide - financial statements focus on the sustainability of OahuMPO as an entity and the change in its net assets resulting from the current year's activities. Both the government-wide and fund financial statements categorize the primary activities of OahuMPO as governmental. All costs are charged directly to programs of OahuMPO based on use of resources.

Governmental Fund - is the fund through which the acquisition, use, and balances of OahuMPO's expendable financial resources and the related liabilities are accounted. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following describes OahuMPO's governmental fund type:

Special Revenue Fund - is used to account for the proceeds of specific revenue sources (other than expendable trusts) that are restricted to expenditures for specified purposes. The special revenue funds were established to account for the contracts that the State entered into for OahuMPO with the U.S. Department of Transportation, Federal Highways Administration (FHWA), Federal Transit Administration (FTA), and those between OahuMPO and FTA prior to enactment of the Intermodal Surface Transportation Efficiency Act of 1991.

Basis of Accounting

Accrual - Government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accumulated Vacation and Sick Leave - OahuMPO's employees, with certain exceptions, earn vacation leave at the rate of one and three-quarters working days for each month of service. Vacation days may be accumulated to a maximum of ninety days. When termination of employment takes place, the employees are paid their vacation allowance in a lump sum. OahuMPO records all vacation pay at current salary rates, including additional amounts for certain salary-related payments associated with the payment of compensated absences, in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Sick leave is not convertible to pay upon termination of employment and is recorded as an expenditure when taken.

Capital Assets - Capital assets purchased or acquired with an original cost of \$5,000 or more are reported in the Statement of Net Assets, at cost. Additions, improvement, and other capital outlays that significantly extend the useful life of an asset are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 - 7 years
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Grants - Revenues for all federal reimbursement-type grants are recorded as receivables when costs are incurred.

2. FEDERAL GRANTS

FHWA-PL Grants - The FHWA-PL grants represent apportionments under 23 USC Section 104(f) made to OahuMPO through the State Department of Transportation – Highways Division. The FHWA-PL grants reimburse 80% of allowable expenditures claimed by OahuMPO, and the remaining 20% is contributed by OahuMPO and the participating State and County agencies.

FTA Grants – The FTA grants were executed on the following dates:

<u>Grant No.</u>	<u>Date</u>
HI-80-X017	February 19, 2009
HI-80-X016	August 27, 2007
HI-80-X015	August 7, 2006
HI-80-X014	July 20, 2005
HI-80-X014	July 20, 2005
HI-80-X013	July 13, 2004
HI-80-X013	July 13, 2004
HI-80-X012	February 18, 2004
HI-80-X012	February 18, 2004

Oahu Metropolitan Planning Organization
State of Hawaii

Notes to the financial statements (continued)
June 30, 2009

2. FEDERAL GRANTS (continued)

The FTA grants provide for the undertaking of (1) metropolitan planning activities pursuant to 49 USC Section 5303 (previously known as Section 8 of the Federal Transit Act), and (2) state planning and research activities pursuant to 49 USC Section 5304 (previously known as Section 5313(b) of the Federal Transit Act). Under Sections 5303 and 5304 grants, FTA participates in 80% of allowable costs claimed by OahuMPO. The remaining 20% is contributed by OahuMPO and the participating State and County agencies.

3. BUDGETING AND BUDGETARY CONTROL

A budget, known as the Overall Work Program (OWP) is prepared by OahuMPO on an annual basis. The budget and any additions thereto, are approved by OahuMPO's Policy Committee. The OWP encompasses various projects (work elements), in which work performed is specifically for OahuMPO, the City and County of Honolulu, or the State of Hawaii, and are worked on over a multi-year period.

Amounts shown in the OWP include amounts budgeted for in prior fiscal years and for the current fiscal year. Because OahuMPO does not operate under a legally adopted budget, as defined by GASB Statement No. 34, budgetary comparison information is not included in the supplementary information.

The portion of the OahuMPO budget representing amounts allowable under specific FTA grants are financed by current and prior fiscal year's annual grant agreements which were approved, executed, and obligated to OahuMPO through the State Department of Transportation. At the end of each fiscal year, the unexpended portion of these obligated funds are carried forward to the following fiscal year.

The FTA apportions funds annually for Section 5303 Metropolitan Planning Program and for Section 5304 State Planning and Research Program. The apportionment is based on the State's urbanized area population as defined by the U.S. Census Bureau.

The portion of the OahuMPO budget representing work elements to be fully or partially funded by FHWA is financed by current and prior fiscal years' FHWA apportionments, which were obligated by the State. An obligation is a commitment – the federal government's promise to pay the State for the federal share of a project's eligible cost. This commitment occurs when the project is approved and the project agreement is executed. Unobligated FHWA apportionments are available for reprogramming for a period of three years following the federal fiscal year for which it is apportioned.

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

3. BUDGETING AND BUDGETARY CONTROL (continued)

As of June 30, 2009, the estimated balance of unused FHWA obligated funds amounted to:

<u>Fiscal Year of Appointment</u>	<u>Balance of Unused Obligation</u>
2007	\$ 30,313
2008	101,980
2009	5,811,417
	<u>\$ 5,943,710</u>

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

Although OahuMPO does not receive appropriations, the State Comptroller allows for the encumbrance of federally funded contracts.

4. CASH IN STATE TREASURY

All of OahuMPO's cash is held in the State Treasury. The Director of Finance is responsible for the safekeeping of all monies deposited into the State Treasury (cash pool). The Hawaii Revised Statutes (HRS) authorize the Director of Finance to invest in obligations of or guaranteed by the U.S. Government, obligations of the State of Hawaii, federally-insured savings and checking accounts, time certificates of deposit, auction rate securities and repurchase agreements with federally-insured financial institutions. Maturities of authorized short-term cash investments cannot exceed five years from the date of purchase. Deposits not covered by federal deposit insurance are fully collateralized by government securities held in the name of the State by third party custodians.

The Director of Finance pools and invests any monies of OahuMPO, which in the Director's judgment, are in excess of the amount necessary for meeting the specific requirements of OahuMPO. Investment earnings are allocated to OahuMPO based on its equity interest in the pooled monies. For purposes of the financial statements, OahuMPO considers all cash held in the State Treasury and investments with a maturity of three months or less when purchased to be cash equivalents.

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

5. CAPITAL ASSETS

Capital asset activity of the governmental fund for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets:</u>				
Furniture and equipment	\$ 11,554	\$ -	\$ -	\$ 11,554
Total capital assets	<u>11,554</u>	<u>-</u>	<u>-</u>	<u>11,554</u>
Less accumulated depreciation:				
Furniture and equipment	5,111	1,650	-	6,761
Total accumulated depreciation	<u>5,111</u>	<u>1,650</u>	<u>-</u>	<u>6,761</u>
Capital assets, net of depreciation	<u>\$ 6,443</u>	<u>\$ (1,650)</u>	<u>\$ -</u>	<u>\$ 4,793</u>

6. CHANGES IN NONCURRENT LIABILITIES

Changes in noncurrent liabilities were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accrued liabilities	\$ 32,449	\$ -	\$ 683	\$ 31,766
Total noncurrent liabilities	<u>\$ 32,449</u>	<u>\$ -</u>	<u>\$ 683</u>	<u>\$ 31,766</u>

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

7. RETIREMENT BENEFITS

Employees' Retirement System

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

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

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

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

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

7. RETIREMENT BENEFITS (continued)

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

The State's contribution requirement for the years ended June 30, 2008, 2007 and 2006, based on the most recent information available, was approximately \$377,475,000, \$341,896,000 and \$318,144,000, respectively. The State contributed 100% of its required contributions for those years.

Contributions by OahuMPO for the years ended June 30, 2009, 2008, and 2007, were approximately \$58,000, \$47,000 and \$54,000, respectively, at the rate of 15.00%, 13.75% and 13.75%, respectively, of annual covered payroll, which were equal to the required contributions for each fiscal year. The pension accumulation rate changed from 13.75% to 15.00%, on June 16, 2008.

Postemployment Healthcare and Life Insurance Benefits

In addition to providing pension benefits, the State, pursuant to HRS Chapter 87A, is a participating employer in a cost-sharing, multiple-employer defined benefit plan providing certain healthcare and life insurance benefits to all qualified employees and retirees. The Employer-Union Health Benefits Trust Fund (EUTF) which replaced the Hawaii Public Employer Health Fund was established on July 1, 2003 to design, provide, and administer medical, prescription, drug, dental, vision, chiropractic, dual-coverage medical and prescription, and group life benefits under this plan.

For employees hired before July 1, 1996, the State pays the entire monthly healthcare premium for employees retiring with 10 or more years of credited service, and 50% of the monthly healthcare premium for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired between June 30, 1996 and July 1, 2001, and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the monthly healthcare premium. For employees who retire with at least 15 years but fewer than 25 years of service, the State pays 75% of the monthly healthcare premium. For those employees retiring with over 25 years of

Oahu Metropolitan Planning Organization
State of Hawaii

Notes to the financial statements (continued)

June 30, 2009

7. RETIREMENT BENEFITS (continued)

service, the State pays the entire healthcare premium. Retirees can elect a family plan to cover dependents.

For employees hired after June 30, 2001, and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the healthcare premium. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the healthcare premium. For those employees retiring with at least 25 years of service, the State pays the entire healthcare premium. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Measurement of the actuarial valuation and the annual required contribution (ARC) of the EUTF are made for the State as a whole and are not separately computed for the individual state departments and agencies. The State policy on the accounting and reporting for postemployment benefits other than pension is to allocate a portion of the ARC, interest, and any adjustment to the ARC, to component units and proprietary funds that are reported separately in the State's Comprehensive Annual Financial Report (CAFR) or in stand-alone departmental financial statements. The basis of the allocation is the proportionate share of contributions made by each component unit and proprietary fund for retiree benefits.

Information on non-pension post-retirement costs allocated to OahuMPO for the years ended June 30, 2009, 2008 and 2007 is presently not available.

The State of Hawaii comprehensive annual financial report (CAFR) includes financial disclosure and required supplementary information on the State's pension and non-pension retirement benefits.

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

8. COMMITMENTS AND CONTINGENCIES

Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an OahuMPO employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. The Fund's accumulated sick leave pay is based on current salary rates, including additional amounts for certain salary-related payments associated with the payment of compensated absences, in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. As of June 30, 2009, accumulated sick leave was approximately \$340,000.

Deferred Compensation Plan

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all state employees, permits employees to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which was issued October 1997, requires deferred compensation plans to be reported as an expendable trust if they meet the fiduciary fund criteria defined in National Council on Governmental Accounting Statement 1. The State's deferred compensation plan does not meet those criteria. Accordingly, the assets and liabilities of the deferred compensation plan are not reported in the State's or OahuMPO's financial statement.

All plan assets are held in a trust fund to protect them from claims of the State's general creditors. The State has no responsibility for investment losses, but does have the duty of due care that would be required of an ordinary, prudent investor.

Lease

OahuMPO leases its office space situated at 707 Richards Street, Oceanview Center, Suite 200, Honolulu, Hawaii. The lease was renewed for a 5-year term on March 1, 2006 and expires on February 28, 2011.

Oahu Metropolitan Planning Organization
State of Hawaii

Notes to the financial statements (continued)
June 30, 2009

8. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum rent payments for years subsequent to June 30, 2009, are as follows:

<u>Years ending June 30,</u>	
2010	\$ 66,000
2011	45,000
	<u>\$ 111,000</u>

Total rent expense for OahuMPO for the year ended June 30, 2009, approximated \$70,000.

9. RISK MANAGEMENT

OahuMPO is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State has real and personal property insurance covering all risk of direct physical loss including named hurricanes with a limit of loss of \$100,000,000 per occurrence, flood and earthquakes with a limit of loss of \$25,000,000 and aggregate limit of \$25,000,000; and terrorism with a limit of loss of \$50,000,000. Deductibles are 3% of loss subject to a \$250,000 minimum per occurrence for windstorm, named hurricane, earthquake, flood damage, tsunami, and volcanic activity. For all other losses, the deductible is \$250,000 per occurrence.

The State has liability insurance covering bodily injury and property damage, automobile and watercraft liability, public errors and omissions liability, and employment practices and employee benefits liability. Coverage limits are \$10,000,000 for any one occurrence or \$10,000,000 in the aggregate. The State is self-insured for the first \$4,000,000 per occurrence for general liability claims. The State also has crime insurance for various types of coverage with a maximum limit of \$10,000,000 with a \$250,000 deductible per occurrence. The State is generally self-insured for workers' compensation and automobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, estimates (based on projections of historical developments) of claims incurred but not reported, and estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed, and as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

**Oahu Metropolitan Planning Organization
State of Hawaii**

Notes to the financial statements (continued)
June 30, 2009

10. RELATED PARTY TRANSACTIONS

OahuMPO utilizes the State Department of Transportation, for staff support, accounting, information technology, human resources, and other services. The Code of Federal Regulations requires that there be an agreement between the State of Hawaii, the transit operator, and OahuMPO specifying the cooperative procedures for carrying out transportation planning. A Comprehensive Agreement between the State of Hawaii, OahuMPO, and the City and County of Honolulu was executed on February 14, 2001.

The State of Hawaii and the City and County of Honolulu each contribute 10% of funding to OahuMPO's projects based on the budget for the Overall Work Program. For the year ended June 30, 2009, the State of Hawaii and the City and County of Honolulu each paid \$194,573 in advances to OahuMPO for those projects.

As discussed in footnote 3, the Overall Work Program includes projects for the City and County of Honolulu and the State of Hawaii. In these instances, the entity requesting the project pays for the entire cost of the project and is reimbursed 80% through federal grant monies. The remaining 20% is the local match as established in Federal regulations for these projects. The OahuMPO serves as the fiscal agent in processing the federal reimbursements to the City and County of Honolulu and the State of Hawaii. As of June 30, 2009, OahuMPO had a payable of approximately \$123,000 to the City and County of Honolulu for federal grant monies received by OahuMPO which will be paid to the City and County of Honolulu. The State of Hawaii did not have any projects in the Overall Work Program for the year ended June 30, 2009.

**Oahu Metropolitan Planning Organization
State of Hawaii**

Schedule of expenditures by agency
Year ended June 30, 2009

	<u>HWY</u>	<u>City</u>	<u>OahuMPO</u>	<u>Total</u>
Regional Transportation Forecasting and Long-Range Planning:				
Update of the Oahu Regional Transportation Plan	\$ -	\$ -	\$ 147,813	\$ 147,813
Update of the Transportation Improvement Plan	-	-	86,303	86,303
Selection of Enhancement Projects for Oahu	-	-	143	143
Travel Demand Forecasting Model Upgrade	-	-	57,314	57,314
	<u>-</u>	<u>-</u>	<u>291,573</u>	<u>291,573</u>
Short-Range Transportation System Management/ Transportation Demand Management Planning:				
Public Transit Facility Master Plan	-	444,673	-	444,673
Human Service Transportation Coordination Plan and Program	-	321,701	-	321,701
	<u>-</u>	<u>766,374</u>	<u>-</u>	<u>766,374</u>
SUBTOTAL (carried forward)	<u>\$ -</u>	<u>\$ 766,374</u>	<u>\$ 291,573</u>	<u>\$ 1,057,947</u>

**Oahu Metropolitan Planning Organization
State of Hawaii**

Schedule of expenditures by agency (continued)
Year ended June 30, 2009

	HWY	City	OahuMPO	Total
SUBTOTAL (brought forward)	\$ -	\$ 766,374	\$ 291,573	\$ 1,057,947
Coordination of the Planning Program:				
Program Support and Administration	-	-	220,991	220,991
Support for Citizen Advisory Committee and Additional Public Outreach	-	-	72,295	72,295
Single Audit	-	-	28,494	28,494
Overall Work Program	-	-	30,723	30,723
Planning Resource	-	-	27,520	27,520
Disadvantage Business Enterprise and Private Sector Participation	-	-	5,340	5,340
	-	-	385,363	385,363
Regional Transportation Monitoring and Analysis:				
Federal Planning Requirements	-	-	55,345	55,345
Title VI and Environmental Justice Monitoring	-	-	5,274	5,274
Land Use File Update System	-	140,729	-	140,729
Land Use Model Enhancement and Demonstration	-	-	1,595	1,595
Tantalus and Round Top Drive Boundary Identification Study	-	438,261	-	438,261
2000 Census Data	-	-	5,378	5,378
2010 Census Data	-	-	159	159
Travel Demand Forecasting Model	-	-	20,517	20,517
Simulation of Westbound Interstate H-1 Freeway Between the Airport and Waikele During the Weekday Afternoon Peak	1,879	-	-	1,879
	1,879	578,990	88,268	669,137
TOTAL EXPENDITURES BY AGENCY	\$ 1,879	\$ 1,345,364	\$ 765,204	\$ 2,112,447

**Oahu Metropolitan Planning Organization
State of Hawaii**

Schedule of expenditures of federal awards
Year ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditure</u>
<u>U.S. Department of Transportation</u>			
Pass-through State Department of Transportation -			
Highway Planning and Construction:			
OahuMPO Work Program	20.205	PL-0052(26)	\$ 1,503
OahuMPO Work Program		PL-0052(29)	205,760
OahuMPO Work Program		PL-0052(30)	1,242,124
Total CFDA 20.205			<u>1,449,387</u>
Federal Transit Technical Studies Grant:			
FTA, Section 5303	20.505	HI-80-X012	(2,613)
FTA, Section 5303		HI-80-X013	21,757
FTA, Section 5303		HI-80-X014	65,476
FTA, Section 5303		HI-80-X015	23,687
FTA, Section 5303		HI-80-X016	131,046
FTA, Section 5303		HI-80-X017	471
Total CFDA 20.505			<u>239,824</u>
Federal Transit Technical Studies Grant:			
FTA, Section 5313 (b)	20.515	HI-80-X012	(4,259)
FTA, Section 5313 (b)		HI-80-X013	6,890
FTA, Section 5313 (b)		HI-80-X014	(2,122)
Total CFDA 20.515			<u>509</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 1,689,720</u></u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

PART III

INTERNAL CONTROL AND COMPLIANCE SECTION

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

The Auditor
State of Hawaii

We have audited the financial statements of the governmental activities of Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) as of and for the year ended June 30, 2009, which comprise OahuMPO's basic financial statements and have issued our report thereon dated March 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether OahuMPO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D of the Hawaii Revised Statutes) and procurement rules, directives, and circulars, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Ahamine Oyadomai + Kasehi CPAs, Inc.

Honolulu, Hawaii
March 19, 2010

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

The Auditor
State of Hawaii

Compliance

We have audited the compliance of the Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. OahuMPO's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of OahuMPO's management. Our responsibility is to express an opinion on OahuMPO's compliance based on our audit.

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

In our opinion, OahuMPO complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

Alanene Oyadomari & Koraki CPAs, Inc.

Honolulu, Hawaii
March 19, 2010

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Oahu Metropolitan Planning Organization
State of Hawaii
 Schedule of findings and questioned costs
 Year ended June 30, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS:

Type of auditors’ report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified that is not considered to be a material weakness?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS:

Internal control over major program:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified that is not considered to be a material weakness?	<u>None reported</u>
Type of auditors’ report issued on compliance for major program:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>No</u>
Identification of major program:	
20.205 – Federal Highway Administration: Grant to assist in highway planning and construction.	
Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

Oahu Metropolitan Planning Organization
State of Hawaii
Schedule of findings and questioned costs (continued)
Year ended June 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Oahu Metropolitan Planning Organization
State of Hawaii
Schedule of prior findings and questioned costs
Year ended June 30, 2009

There were no findings and questioned costs reported for the year ended June 30, 2008.

PART V
CORRECTIVE ACTION PLAN

Oahu Metropolitan Planning Organization
State of Hawaii
Corrective action plan
Year ended June 30, 2009

A corrective action plan is not required since there were no audit findings and questioned costs reported for the year ended June 30, 2009.