

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
FINANCIAL AND COMPLIANCE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013
WITH INDEPENDENT AUDITOR'S REPORT

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STATE OF HAWAI'I
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Submitted by
The Auditor
State of Hawai'i

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
TABLE OF CONTENTS

| | <u>Page</u> |
|---|--------------------|
| PART I – TRANSMITTAL LETTER | 1-2 |
| PART II – FINANCIAL SECTION: | |
| Independent Auditor’s Report | 3-4 |
| Management’s Discussion and Analysis | 5-7 |
| Financial Statements: | |
| Statement of Net Position and Governmental Fund Balance Sheet – June 30, 2013 | 8 |
| Statement of Activity and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Net Position – For the Year Ended June 30, 2013 | 9 |
| Notes to the Financial Statements – For the Year Ended June 30, 2013 | 10-22 |
| Supplementary Information Schedules: | |
| 1 – Schedule of Expenditures by Agency – For the Year Ended June 30, 2013 | 23 |
| 2 – Schedule of Expenditures of Federal Awards – For the Year Ended June 30, 2013 | 24 |
| Notes to the Schedule of Expenditures of Federal Awards – For the Year Ended June 30, 2013 | 25 |
| 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> | 26-27 |
| Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 28-29 |
| PART IV – SCHEDULE OF FINDINGS AND QUESTIONED COSTS: | |
| Schedule of Findings and Questioned Costs – For Year Ended June 30, 2013 | 30-31 |
| Schedule of Prior Findings and Questioned Costs – As of June 30, 2013 | 32 |
| PART V – CORRECTIVE ACTION PLAN | 33 |

PART I – TRANSMITTAL LETTER

January 23, 2014

Office of the Auditor
State of Hawai'i

Mr. Brian Gibson
Executive Director
Oahu Metropolitan Planning Organization
Ocean View Center
707 Richards Street, Suite 200
Honolulu, HI 96813

Dear Mr. Gibson:

We have completed our financial audit of Oahu Metropolitan Planning Organization, State of Hawai'i, (OahuMPO) as of and for the year ended June 30, 2013. The audit was performed in accordance with terms of our contract with the Office of the Auditor, State of Hawai'i, and with the requirements of auditing standards generally accepted in the United States of America, the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133), and *Government Auditing Standards* issued by the Comptroller General of the United States.

Objectives of the Audit

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 fiscal year ended June 30, 2013, and to comply with the requirements of OMB Circular A-133. The objectives of our audit were as follows:

1. To provide a basis for an opinion on the fairness of the presentation of OahuMPO's financial statements.
2. To ascertain whether expenditures and other disbursements have been made and 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 Hawai'i and the federal government.
3. To ascertain whether OahuMPO has established sufficient internal controls to properly manage federal financial assistance programs and to comply with the applicable laws and regulations.
4. To ascertain whether OahuMPO has complied with the laws and regulations that may have a material effect on the financial statements and on its major federal financial assistance program.
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 fiscal year ended June 30, 2013.

Organization of the Report

This report is presented in five parts as follows:

- PART I The transmittal letter.
- PART II The financial statements and supplementary information and our report on such financial statements and supplementary information, and management's discussion and analysis.
- PART III Our report on internal control over financial reporting and compliance and other matters and our report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance.
- PART IV The schedule of findings and questioned costs and schedule of prior findings and questioned costs.
- PART V The corrective action plan.

We wish to express our sincere appreciation for the cooperation and assistance extended by the personnel of OahuMPO's and the personnel of the Department of Transportation – Business Management Office.

Very truly yours,



Michael K. Ito
Partner

PART II – FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Office of the Auditor
State of Hawai'i

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Oahu Metropolitan Planning Organization, State of Hawai'i, (OahuMPO) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise OahuMPO's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities of OahuMPO, as of June 30, 2013, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United State of America require that the schedule of expenditures by agency and management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schedule of Federal Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OahuMPO's basic financial statement. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the accompanying schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013, on our consideration of OahuMPO's internal control over financial reporting and 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* in considering OahuMPO's internal control over financial reporting and compliance.

Gilford Sato & Associates, CPAs, Inc.

Honolulu, Hawai'i
January 30, 2014

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

This section of the annual financial report presents an analysis of OahuMPO's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the financial statements which follows this section.

Financial Highlights

- OahuMPO's net position decreased by \$4,000.
- During the fiscal year, OahuMPO's revenues decreased by \$266,000, and expenditures/expenses decreased by \$245,000.

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

Overview of Annual Report

This annual report consists of the transmittal letter; management's discussion and analysis; financial statements, notes to the financial statements, and supplementary information that explain in more detail some of the information in the financial statements; the reports on internal controls and compliance; and schedule of findings and questioned costs. There was no corrective action plan required for the year ended June 30, 2013.

Required Financial Statements

The financial statements of 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/expenses, when the related liabilities are incurred. The fund financial statements were then adjusted to the accrual basis of accounting to present 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 received or paid.

The Statement of Net Position and Governmental Fund Balance Sheet includes all of 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 Activity and Governmental Revenues, Expenditures, and Changes in Fund Balance/Net Position reports the organization's activities and the changes in its net position as a result of its activities.

Tables 1 and 2 present a comparative view of net position and changes in net position as of and for the years ending June 30, 2013 and June 30, 2012, respectively.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

| | 2013 | 2012 |
|---|--------------|--------------|
| ASSETS: | | |
| Current assets | \$ 1,083,000 | \$ 1,148,000 |
| Capital assets, net of accumulated depreciation | 10,000 | 12,000 |
| Total assets | \$ 1,093,000 | \$ 1,160,000 |
| LIABILITIES: | | |
| Current liabilities | \$ 789,000 | \$ 861,000 |
| Long-term liabilities | 28,000 | 19,000 |
| Total liabilities | \$ 817,000 | \$ 880,000 |
| NET ASSETS: | | |
| Invested in capital assets | \$ 10,000 | \$ 12,000 |
| Unrestricted | 266,000 | 268,000 |
| Total net assets | \$ 276,000 | \$ 280,000 |

OahuMPO's net position decreased 1.43% (\$276,000 as compared to \$280,000) between June 30, 2013 and June 30, 2012. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased 0.75% (\$266,000 as compared to \$268,000) between June 30, 2013 and June 30, 2012.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

| | 2013 | 2012 |
|--|------------|--------------|
| EXPENDITURES: | | |
| Regional transportation forecasting and long-range planning | \$ 726,000 | \$ 1,111,000 |
| Short-range transportation system management (TSM)/ transportation demand management (TDM) planning | 538,000 | 167,000 |
| Regional transportation monitoring and analysis | 183,000 | 550,000 |
| Planning review and systems management | 136,000 | 11,000 |
| Coordination of the planning program | 512,000 | 501,000 |
| Total expenditures | 2,095,000 | 2,340,000 |
| REVENUES: | | |
| Federal grant contributions | 1,669,000 | 1,854,000 |
| State and City contributions | 416,000 | 452,000 |
| Interest income and other | 6,000 | 51,000 |
| Total revenues | 2,091,000 | 2,357,000 |
| (Decrease) Increase in net assets | \$ (4,000) | \$ 17,000 |

OahuMPO's expenditures/expenses decreased by 10.47% between the years ended June 30, 2013 and 2012 in all expenditure/expense categories. OahuMPO's revenues decreased by 11.29% between the years ended June 30, 2013 and 2012. The changes in revenues were attributed largely to the correlating decrease in Federal grant and State and City contributions.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013 and 2012, OahuMPO had capital assets net of accumulated depreciation of approximately \$10,000 and \$12,000, respectively. OahuMPO did not have any capital acquisitions or dispositions for the years ended June 30, 2013.

Debt

OahuMPO did not have any outstanding debt as of June 30, 2013 and 2012.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2013

| | Special Revenue | Adjustments (Note 2) | Statement of Net Position |
|--|--------------------|-------------------------|------------------------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 577,110 | \$ - | \$ 577,110 |
| Receivables from federal government | 506,678 | - | 506,678 |
| Total current assets | 1,083,788 | - | 1,083,788 |
| NONCURRENT ASSETS: | | | |
| Capital assets, net of accumulated depreciation | - | 9,797 | 9,797 |
| Total assets | \$ 1,083,788 | \$ 9,797 | \$ 1,093,585 |
| CURRENT LIABILITIES: | | | |
| Vouchers payable | \$ 336,630 | \$ - | \$ 336,630 |
| Advances from other agencies | 397,624 | - | 397,624 |
| Accrued liabilities | 24,410 | 30,293 | 54,703 |
| Total current liabilities | 758,664 | 30,293 | 788,957 |
| NONCURRENT LIABILITIES: | | | |
| Accrued liabilities | - | 28,292 | 28,292 |
| Total noncurrent liabilities | - | 28,292 | 28,292 |
| Total liabilities | 758,664 | 58,585 | 817,249 |
| FUND BALANCES/NET POSITION: | | | |
| Restricted fund balance | 325,124 | (325,124) | - |
| Net position: | | | |
| Invested in capital assets | - | 9,797 | 9,797 |
| Unrestricted | - | 266,539 | 266,539 |
| Total net position | - | 276,336 | 276,336 |
| Total liabilities and fund balance/net position | \$ 1,083,788 | \$ 9,797 | \$ 1,093,585 |

See accompanying notes to financial statements.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
STATEMENT OF ACTIVITY AND GOVERNMENTAL
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | Special Revenue | Adjustments (Note 2) | Statement of Activity |
|--|--------------------|-------------------------|--------------------------|
| EXPENDITURES: | | | |
| Regional transportation forecasting and long-range planning | \$ 726,219 | \$ - | \$ 726,219 |
| Short-range transportation system management (TSM)/ transportation demand management (TDM) planning | 537,447 | - | 537,447 |
| Regional transportation monitoring and analysis | 183,152 | - | 183,152 |
| Planning review and system management | 135,879 | - | 135,879 |
| Coordination of the planning program | 506,199 | 5,973 | 512,172 |
| | <u>2,088,896</u> | <u>5,973</u> | <u>2,094,869</u> |
| Total expenditures | | | |
| REVENUES: | | | |
| Federal grant contributions | 1,669,446 | - | 1,669,446 |
| Local contributions: | | | |
| City and County of Honolulu | 269,236 | - | 269,236 |
| State of Hawai'i | 146,719 | - | 146,719 |
| In-kind contributions | 3,496 | - | 3,496 |
| Interest income and other | 2,169 | - | 2,169 |
| | <u>2,091,066</u> | <u>-</u> | <u>2,091,066</u> |
| Total revenues | | | |
| Change in fund balance/net position | 2,170 | (5,973) | (3,803) |
| FUND BALANCE/NET POSITION: | | | |
| Beginning of the year | 322,955 | (42,816) | 280,139 |
| End of the year | \$ 325,125 | \$ (48,789) | \$ 276,336 |

See accompanying notes to financial statements.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Reporting Entity

Oahu Metropolitan Planning Organization, State of Hawai'i, (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 law.

The accompanying financial statements present only the financial activities of OahuMPO. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State of Hawai'i (State) annually, which includes OahuMPO's financial activities.

2. Summary of Significant Accounting Policies

a. Financial Statement Presentation

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.

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 government 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.

Government-Wide

The financial statements focus on the sustainability of OahuMPO as an entity and the change in its net position 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 the use of resources.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies (continued)

a. Financial Statement Presentation (continued)

Government Fund

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

The 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.

Governmental Fund Balance

OahuMPO implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended June 30, 2011. The guidance provides clearer fund balance classifications and clarifies the existing governmental fund type definitions. The new fund balance structure is based primarily on the extent to which OahuMPO is bound to follow constraints on how the resources can be spent. Due to the specific revenue sources and restricted expenditures for specified purposes, OahuMPO's fund balance was classified as restricted as of June 30, 2013.

Net position

OahuMPO implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* for the fiscal year ended June 30, 2013, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This resulted in a change in the presentation of the statement of net assets to the statement of net position and the term net assets is changed to net position throughout the financial statements.

Reconciliation

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.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. Summary of Significant Accounting Policies (continued)

a. Financial Statement Presentation (continued)

Reconciling items include the following:

Statement of net assets:

| | |
|---|--------------|
| Capital assets, net of accumulated depreciation | \$ 9,797 |
| | \$ 30,293 |
| Accrued liabilities - current | 28,292 |
| Accrued liabilities - non current | \$ 58,585 |
| | \$ 58,585 |
| Restricted fund balance | \$ (325,124) |
| Net assets | 276,336 |
| | \$ (48,788) |

Statement of activity:

| | |
|------------------|------------|
| Depreciation | \$ (2,359) |
| Accrued vacation | \$ (3,614) |
| | \$ (5,973) |

b. 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, 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.

c. Receivables From Federal Government

Revenues for all federal reimbursement-type grants are recorded as receivable from federal government when costs are incurred.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. Summary of Significant Accounting Policies (continued)

d. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported in the Statement of Net Position and Governmental Fund Balance Sheet, 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 is expensed as incurred. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|-------------|
| Furniture and equipment | 5 – 7 years |
|-------------------------|-------------|

e. Accumulated Vacation and Sick Leave

OahuMPO's employees earn vacation 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. Sick leave is recorded as expenditures when taken.

f. Encumbrance

OahuMPO's accounting procedures provide for the recording of commitments as encumbrances at the time contracts and other commitments are awarded and executed. Under encumbrance accounting, 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. As of June 30, 2013, OahuMPO recorded encumbrances of approximately \$525,800.

3. Federal Grants

Federal Highway Administration (FHWA) Grants

The FHWA-PL grants represent apportionments under 23 USC Section 104(f) made to the 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 the participating State and County agencies.

During the fiscal year ended June 30, 2013, OahuMPO completed a \$53,000 contract to pilot test a draft conceptual model to conduct climate change vulnerability risk assessments of Oahu's transportation infrastructure. The grant was passed-through the State Department of Transportation – Highway Division to OahuMPO and was subject to a 50% matching requirement.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3. Federal Grants (continued)

Federal Transit Administration (FTA) Grants

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 and is made to OahuMPO through the Statewide Transportation Planning Office – Department of Transportation.

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 the OahuMPO. The remaining 20% is contributed by the participating State and County agencies.

The FTA grants were executed on the following dates:

| <u>Grant No.</u> | <u>Date</u> |
|------------------|--------------------|
| HI-80-0022 | September 7, 2012 |
| HI-80-0021 | September 19, 2011 |
| HI-80-0020 | September 23, 2010 |
| HI-80-0019 | February 2, 2010 |
| HI-80-X017 | February 19, 2009 |
| HI-80-X016 | August 27, 2007 |

4. 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 and subsequently by the Federal Highway Administration. The OWP encompasses various projects (work elements), in which work performed is specifically for OahuMPO, the State, or the City and County of Honolulu, 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, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, budgetary comparison information is not included in the supplementary information.

The portion of 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.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

4. Budgeting and Budgetary Control (continued)

As of June 30, 2013, the estimated balance of unused FHWA obligated funds amounted to:

| <u>Fiscal Year of Appointment</u> | <u>Balance of Unused Obligation</u> |
|---------------------------------------|---|
| 2009 | \$ 79,340 |
| 2010 | 50,260 |
| 2011 | 16,777 |
| 2012 | 42,572 |
| 2013 | <u>1,808,580</u> |
| | <u><u>\$ 1,997,529</u></u> |

The portion of OahuMPO budget representing amounts allowable under specific FTA grants are financed by current and prior fiscal years' 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 amount of unexpended FTA funds amounted to \$852,460 as of June 30, 2013.

5. Cash

Cash consisted of the following as of June 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|--------------------------|--------------------------|
| Petty cash | \$ 400 | \$ 400 |
| Amounts held in State Treasury | <u>576,710</u> | <u>748,160</u> |
| Total cash | <u><u>\$ 577,110</u></u> | <u><u>\$ 748,560</u></u> |

Cash in State Treasury

The State has an established policy whereby all unrestricted and certain restricted cash is invested in the State Treasury's cash pool. Section 36-21, Hawai'i Revised Statute (HRS), authorizes the State to invest in obligations of the State, the United States Treasury, agencies and instrumentalities, certificate of deposits, and bank repurchase agreements.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. Cash (continued)

Cash in State Treasury (continued)

The State Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury's cash pool. The State Director of Finance may invest any monies of the State, which, in the Director's judgment, are in excess of amounts necessary for meeting the immediate requirements of the State. The HRS 36-1 authorizes the State Director of Finance to invest in obligations of or guaranteed by the U.S. Government, obligations of the State of Hawai'i, federally-insured savings and checking accounts, time certificates of deposit, auction rate securities, and repurchase agreements with federally-insured financial institutions.

Information related to individual bank balances, insurance, and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. A portion of the bank balances is covered by federal deposit insurance, or by collateral held by the State Treasury, or by the State's fiscal agents in the name of the State. Other bank balances are held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the State's deposits may not be returned. For demand or checking accounts and certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Earnings on cash held in the State Treasury are allocated to OahuMPO based on its average monthly investment balances at the end of each reporting period in the State Treasury.

6. Capital Assets

Changes in capital assets during the year ended June 30, 2013 were as follows:

| | <u>Beginning</u> <u>July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>June 30, 2013</u> |
|-------------------------------------|---|--------------------------|--------------------|---------------------------------------|
| <u>Capital assets:</u> | | | | |
| Furniture and equipment | \$ 16,509 | \$ - | \$ - | \$ 16,509 |
| Total capital assets | <u>16,509</u> | <u>-</u> | <u>-</u> | <u>16,509</u> |
| Less accumulated depreciation: | | | | |
| Furniture and equipment | <u>4,353</u> | <u>2,359</u> | <u>-</u> | <u>6,712</u> |
| Total accumulated depreciation | <u>4,353</u> | <u>2,359</u> | <u>-</u> | <u>6,712</u> |
| Capital assets, net of depreciation | <u><u>\$ 12,156</u></u> | <u><u>\$ (2,359)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 9,797</u></u> |

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

7. Changes in Noncurrent Liabilities

Changes in noncurrent liabilities during the year ended June 30, 2013 were as follows:

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2013</u> |
|------------------------------|---------------------------------------|------------------|------------------|--|
| Accrued liabilities | \$ 18,937 | 20,464 | 11,109 | \$ 28,292 |
| Total noncurrent liabilities | <u>\$ 18,937</u> | <u>20,464</u> | <u>11,109</u> | <u>\$ 28,292</u> |

8. Retirement Benefits

Employees' Retirement System of the State of Hawaii'i

All eligible employees of OahuMPO are required by HRS Chapter 88 to become members of the Employee's Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan that is governed by a Board of Trustees. The ERS provides retirement, survivor, and disability benefits through contributory, hybrid, and noncontributory plans. 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 (CAFR) that includes financial statements and required information. The report may be obtained by writing to the Employee's Retirement System of the State of Hawaii'i at 201 Merchant Street, Suite 1400, Honolulu, Hawaii'i 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. A new hybrid contributory plan provided employees in the contributory and noncontributory plan the option of joining the hybrid plan or remaining in their existing plan beginning July 1, 2006. All new employees covered by Social Security are required to join the hybrid plan beginning July 1, 2006.

The plans provide a monthly retirement allowance based on the employee's years of credited service, average final compensation (AFC), and applicable benefit multiplier percentage. The AFC is the average salary earned during the five highest paid years of service, including the payment of salary in lieu of vacation, or three highest paid years of service, excluding the payment of salary in lieu of vacation, 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 payment of salary in lieu of vacation. For new members hired beginning July 1, 2012, the AFC is based on the five highest paid years of service excluding the payment of salary in lieu of vacation.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. Retirement Benefits (continued)

Employees' Retirement System of the State of Hawai'i (continued)

Contributory Plan:

Employees in the contributory plan are required to contribute 7.8% of their salary and are fully vested for benefits after 5 years of credited service. Under the contributory plan, employees may retire with full benefits at age 55 and 5 years of credited service, or may retire at any age with at least 25 years of credited service with reduced level of benefits. The benefit multiplier is 2% for employees covered by social security.

New employees in the contributory plan hired beginning July 1, 2012 are required to contribute 9.8% of their salary and are fully vested for benefits after 10 years of credited service. Employees may retire with full benefits at age 60 and 10 years of credited service, or may retire at age 55 with at least 25 years of credited service with reduced benefits. The benefit multiplier is 1.75% for employees covered by social security.

Hybrid Plan:

Employees in the hybrid plan are required to contribute 6% of their salary and are fully vested for benefits after 5 years of credited service. Employees may retire with full benefits at age 62 with 5 years of credited service or age 55 and 30 years of credited service, or may retire at age 55 with at least 20 years of credit service with reduced benefits. The benefit multiplier is 2% for employees covered by social security.

New employees in the hybrid plan hired beginning July 1, 2012 are required to contribute 8% of their salary and are fully vested for benefits after 10 years of credited service. Employees may retire at age 65 and 10 years of credited service, or may retire at age 60 and 30 years of credited service with reduced benefits. The benefit multiplier is 1.75 % for employees covered by social security.

Noncontributory Plan:

Employees in the noncontributory plan are fully vested after 10 years of credited service. Employees may retire with full benefits at age 62 and 10 years of credited service, or age 55 and 30 years of credited service, or at age 55 and 20 years of credited service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 1.25%.

Funding Policy:

The funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer contributions, along with employee contributions and the actuarially determined rate of investment return are adequate to accumulate sufficient assets to pay benefits when they become due. 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.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. Retirement Benefits (continued)

Employees' Retirement System of the State of Hawai'i (continued)

Funding Policy (continued):

The State's contribution requirement as of June 30, 2012, 2011, and 2010, based on the most recent information available were approximately \$396,380,000, \$388,242,000, and \$398,724,000, respectively, and represented the required contributions for each year.

Contributions by OahuMPO for the years ended June 30, 2013, 2012, and 2011 were approximately \$67,000, \$61,900, and \$59,700, respectively, at the pension accumulation rate of 15.00% of annual covered payroll, which were equal to the required contributions for each year.

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 Hawai'i 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. The EUTF issues a financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Hawai'i Employer-Union Health Benefits Trust Fund at P.O. Box 2121, Honolulu, Hawai'i 96805-2121.

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 from July 1, 1996 to 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 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 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.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. Retirement Benefits (continued)

Postemployment Healthcare and Life Insurance Benefits (continued)

State Policy:

The actuarial valuation of the EUTF does not provide other postemployment healthcare and life insurance benefits information by department or agency. Accordingly, the State policy on the accounting and reporting for postemployment healthcare and life insurance benefits is to allocate a portion of the State's Annual Required Contribution (ARC), interest, and any adjustment to the ARC, to component units and proprietary funds that are reported separately in the State's CAFR. The basis of the allocation is the proportionate share of contributions made by each component unit and proprietary fund for retiree health benefits.

OahuMPO contributions for postemployment benefits for the years ended June 30, 2013, 2012, and 2011, were approximately \$44,000, \$32,900, and \$28,400, respectively.

The State's CAFR includes the required financial disclosures and required supplementary information on the State's pension and non-pension retirement benefits. The State's CAFR can be found at the Department of Accounting and General Services website at <http://hawaii.gov/dags/rpts>.

9. Commitments and Contingencies

Accumulated Sick Leave

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 accumulated sick leave is based on the employee's current salary rate 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, 2013, accumulated sick leave was approximately \$220,700.

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.

All amounts of deferred compensation, as well as property and rights purchased with those amounts and income attributable to those amounts, are held in trust by third-party agents for the exclusive benefit of participants and their beneficiaries. The assets and liabilities of the deferred compensation plan are not reflected in OahuMPO's financial statements.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. Commitments and Contingencies (continued)

Leases

OahuMPO's lease for its office space situated at 707 Richards Street, Oceanview Center, Suite 200, Honolulu, Hawai'i under a new lease agreement entered into in November 2011, which is retroactive to March 1, 2011 and expires on January 31, 2016. Under the terms and conditions of the lease agreement, OahuMPO is responsible for the monthly base rent and a share of operating costs.

OahuMPO also leases equipment under a 5-year operating lease agreement that expires on October 25, 2015. In addition to the base rent, OahuMPO is responsible for all operating costs related to the use of this equipment.

At June 30, 2013, the minimum lease payments due under the new office space lease agreement and under the equipment agreement will be approximately \$40,400 for the year ended June 30, 2014, \$40,900 for the year ended June 30, 2015, and \$22,900 for the year ended June 30, 2016.

The total rental expenditures incurred on the office space lease, including common area fees and on the equipment lease, including operating costs were approximately \$106,900 and \$7,200 for the year ended June 30, 2013, respectively.

10. 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. A summary of the State's insurance coverage for property insurance, general liability, including torts, and self-insured risks are described below.

Property Insurance and Crime Insurance

The State has property insurance coverage with a variety of insurers. The deductible for coverage is 3% of the loss subject to a \$1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler machinery coverage. The limit of loss per occurrence is \$175,000,000, except for flood and earthquake which individually is a \$175,000,000 aggregate loss and terrorism which is \$50,000,000 per occurrence and a \$50,000 deductible.

The State also has a crime insurance policy for various types of coverage with a limit of loss of \$10,000,000 per occurrence with a \$500,000 deductible per occurrence, except for claims expense coverage which has a \$100,000 limit per occurrence and a \$1,000 deductible.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. Risk Management (continued)

General Liability (Including Torts)

The State handles general liability claims under \$10,000 by 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 personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a \$4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is \$10,000,000.

A liability for a claim is established if information indicates that it is probable that a liability has incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As of June 30, 2013, there are no liabilities related to the OahuMPO that requires a provision and accordingly, no provision for any liabilities have been made in the accompanying financial statements.

Self-Insured Risks

The State generally self-insures its automobile, no-fault, and workers' compensation losses. Automobile losses are administered by third-party administrators. The State administers its workers' compensation losses.

12. 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, the transit operator, and OahuMPO specifying the cooperative procedures for carrying out transportation planning. A Comprehensive Agreement between the State, the County of Honolulu, and OahuMPO was executed on October 23, 2008.

The State 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, 2013, the State and the City and County of Honolulu each paid \$116,729 to OahuMPO for those projects.

As discussed in Note 4, the Overall Work Program includes projects for the State and the City and County of Honolulu. 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. OahuMPO serves as the fiscal agent in processing the federal reimbursements to the State and the City and County of Honolulu.

As of June 30, 2013, OahuMPO had a payable of \$133,598 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.

13. Subsequent Events

The OahuMPO's Policy Committee endorsed the fiscal year 2014 Overall Work Plan (OWP) at its July 9, 2013 meeting. In a joint letter dated September 6, 2013, FHWA and FTA approved the fiscal year 2014 OWP. However, as of the date of this report the State Department of Transportation has not obligated these funds for the fiscal year 2014.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES BY AGENCY
FOR THE YEAR ENDED JUNE 30, 2013

| | W.E. | CITY | HWY | OMPO | TOTAL |
|---|--------|-------------------|------------------|---------------------|---------------------|
| <u>Regional Transportation Forecasting and Long-Range Planning:</u> | | | | | |
| | 202 | | | | |
| Oahu Regional Transportation Plan | 202.06 | \$ - | \$ - | \$ 104,027 | \$ 104,027 |
| Transportation Improvement Program | 202.07 | - | - | 34,397 | 34,397 |
| Asset Climate Change Risk Assessment | 202.08 | - | - | 9,158 | 9,158 |
| Selection of Enhancement Projects for Oahu | 202.36 | - | - | 199 | 199 |
| Household Interview Travel Survey | 202.63 | - | - | 452,838 | 452,838 |
| Waikiki Regional Circulator Study | 202.84 | 125,600 | - | - | 125,600 |
| | | <u>125,600</u> | <u>-</u> | <u>600,619</u> | <u>726,219</u> |
| <u>Short-Range TSM/TDM Planning:</u> | | | | | |
| | 203 | | | | |
| Ewa Impact Fees for Traffic and Roadway Improvement Update Study | 203.75 | 83,237 | - | - | 83,237 |
| Makakilo Traffic Study | 203.80 | 45,877 | - | - | 45,877 |
| West Waikiki Traffic Study | 203.81 | 109,862 | - | - | 109,862 |
| Separate Left-Turn Phase Alternative Study | 203.82 | 43,618 | - | - | 43,618 |
| Village Park - Kupuna Loop Corridor Study | 203.83 | 98,333 | - | - | 98,333 |
| Contra-flow Update Study | 203.84 | 657 | - | - | 657 |
| Emergency Evacuation Plan | 206.01 | 155,863 | - | - | 155,863 |
| | | <u>537,447</u> | <u>-</u> | <u>-</u> | <u>537,447</u> |
| <u>Regional Transportation Monitoring and Analysis:</u> | | | | | |
| | 201 | | | | |
| 2010 Census Data | 201.06 | - | - | 8,276 | 8,276 |
| Federal Planning Requirements | 201.11 | - | - | 9,356 | 9,356 |
| Land Use Model Enhancement and Demonstration | 201.50 | - | - | 64,191 | 64,191 |
| Travel Demand Forecasting Model | 201.60 | - | - | 13,159 | 13,159 |
| Tantalus and Round Top Drive Boundary Identification Study | 201.65 | 18,852 | - | - | 18,852 |
| Pedestrian Master Plan | 201.66 | - | 69,318 | - | 69,318 |
| | | <u>18,852</u> | <u>69,318</u> | <u>94,982</u> | <u>183,152</u> |
| <u>Planning Review and System Management:</u> | | | | | |
| | 205 | | | | |
| OahuMPO Planning Process Review | 205.01 | - | - | 46,464 | 46,464 |
| OahuMPO Website Update and Electronic TIP and ORTP Development | 205.02 | - | - | 89,415 | 89,415 |
| | | <u>-</u> | <u>-</u> | <u>135,879</u> | <u>135,879</u> |
| <u>Coordination of the Planning Program:</u> | | | | | |
| | 301 | | | | |
| Program Support and Administration | 301.01 | - | - | 137,613 | 137,613 |
| Planning Resource | 301.02 | - | - | 26,527 | 26,527 |
| Overall Work Programs | 301.03 | - | - | 75,934 | 75,934 |
| Support for Citizen Advisory Committee and Additional Public Outreach | 301.04 | - | - | 56,289 | 56,289 |
| Single Audit | 301.05 | - | - | 52,431 | 52,431 |
| Disadvantaged Business Enterprise Program | 301.08 | - | - | 4,215 | 4,215 |
| Professional Development | 301.09 | - | - | 12,799 | 12,799 |
| Computer and Networking Maintenance | 301.10 | - | - | 4,349 | 4,349 |
| Transportation Improvement Pgm | 301.17 | - | - | 42,066 | 42,066 |
| Bicycle & Pedestrian Coord | 301.18 | - | - | 716 | 716 |
| Overhead (Indirect Costs) | 302.01 | - | - | 99,233 | 99,233 |
| | | <u>-</u> | <u>-</u> | <u>512,172</u> | <u>512,172</u> |
| Total expenditures by agency | | <u>\$ 681,899</u> | <u>\$ 69,318</u> | <u>\$ 1,343,652</u> | <u>\$ 2,094,869</u> |

See accompanying notes to financial statements.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

| <u>Federal Grantor/Pass-through Grantor and Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant Number</u> | <u>Rounded FY 2013 Expenditures</u> |
|---|------------------------------------|-------------------------|---|
| <u>U.S. Department of Transportation</u> | | | |
| Passed Through State Department of Transportation - | | | |
| Highway Planning and Construction: * | | | |
| OahuMPO Work Program | 20.205 | PL-0052(31) | \$ 55,454 |
| OahuMPO Work Program | 20.205 | PL-0052(32) | 33,467 |
| OahuMPO Work Program | 20.205 | PL-0052(33) | 64,907 |
| OahuMPO Work Program | 20.205 | PL-0052(34) | 69,861 |
| OahuMPO Work Program | 20.205 | PL-0052(35) | 1,076,390 |
| | | | <u>1,300,079</u> |
| Federal Transit Technical Studies Grant: * | | | |
| FTA, Section 5303 | 20.505 | HI-80-2016 | 14,120 |
| FTA, Section 5303 | 20.505 | HI-80-2017 | 56,195 |
| FTA, Section 5303 | 20.505 | HI-80-0019 | 88,649 |
| FTA, Section 5303 | 20.505 | HI-80-0020 | 120,418 |
| FTA, Section 5303 | 20.505 | HI-80-0021 | 70,925 |
| FTA, Section 5303 | 20.505 | HI-80-0022 | 19,060 |
| | | | <u>369,367</u> |
| Total Federal Expenditures | | | <u>\$ 1,669,446</u> |

* Major Program

See accompanying notes to schedule of expenditures of federal awards.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oahu Metropolitan Planning Organization, State of Hawai'i, (OahuMPO) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Major program

The Organization's major program is identified in the Schedule of Expenditures of Federal Awards.

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**

Office of the Auditor
State of Hawai’i

We have audited, in accordance with the 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 of America, the financial statements of the governmental activities of Oahu Metropolitan Planning Organization, State of Hawai’i, (OahuMPO) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise OahuMPO’s basic financial statements and have issued our report thereon dated January 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered OahuMPO’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of OahuMPO’s internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 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 *Governmental Auditing Standards*.

We noted certain matters that we reported to management of OahuMPO in a separate letter dated January 30, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

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.

Gulford Sabo & Associates, CPAs, Inc.

Honolulu, Hawai'i
January 30, 2014

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Office of the Auditor
State of Hawai’i

Report on Compliance for Each Major Federal Program

We have audited Oahu Metropolitan Planning Organization, State of Hawai’i, (OahuMPO)’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on OahuMPO’s major federal program for the year ended June 30, 2013. OahuMPO’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance of each of OahuMPO’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). 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 on compliance of each major program. However, our audit does not provide a legal determination of OahuMPO’s compliance.

Opinion on Each Major Federal Program

In our opinion, OahuMPO complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of OahuMPO is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OahuMPO's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Officer 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.

Grifford Sato & Associates, CPAs, LLC

Honolulu, Hawai'i
January 30, 2014

PART IV: SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

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

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

Identification of major program:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--|
| 20.205 | Highway Planning and Construction, U.S. Department of Transportation |
| 20.505 | Federal Transit Technical Studies |

Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no matters to report for the year ended June 30, 2013.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no matters to report for the year ended June 30, 2013.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2013

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs reported for the year ended June 30, 2012.

PART V – CORRECTIVE ACTION PLAN

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

CORRECTIVE ACTION PLAN

A corrective action plan was not required, since there were no audit findings and questioned costs reported for the year ended June 30, 2013.