

OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

AND

INDEPENDENT AUDITOR'S REPORT

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PART I
TRANSMITTAL LETTER

Akamine, Oyadomari & Kosaki

CERTIFIED PUBLIC ACCOUNTANTS, INC.

November 30, 2007

The Auditor
State of Hawaii

We have completed our financial audit of Oahu Metropolitan Planning Organization, State of Hawaii, (OMPO) as of and for the year ended June 30, 2007. 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 OMPO's financial statements as of and for the fiscal year ended June 30, 2007, 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 OMPO.
2. To ascertain whether or not expenditures have been made and all revenues and other receipts to which OMPO 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 OMPO 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 OMPO for the fiscal year ended June 30, 2007.

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 OMPO's financial statements and supplementary information and the independent auditor's report on such financial statements and supplementary information, and management's discussions 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 OMPO'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,

Akumene Oyadomari & Thelshi CPAs, Inc.

PART II
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Auditor
State of Hawaii

We have audited the accompanying financial statements of Oahu Metropolitan Planning Organization, State of Hawaii, (OMPO) as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of OMPO'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 OMPO are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of OMPO. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2007, 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 Oahu Metropolitan Planning Organization, State of Hawaii, as of June 30, 2007, 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 November 27, 2007, on our consideration of OMPO'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 20 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards 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 by agency has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Abhimata Oyadovani & Hoshi, CPAs, Inc.

Honolulu, Hawaii
November 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents an analysis of OMPO's financial performance during the fiscal year ending June 30, 2007. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- OMPO's net assets increased by \$32,000.
- During the fiscal year, OMPO's revenues decreased by \$113,000, and expenses decreased by \$126,000.

OVERVIEW OF ANNUAL REPORT

This annual report consists of five parts: 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; schedules of findings and questioned costs; and the Organization's corrective action plan.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of OMPO 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 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 Organization'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 Organization'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 Statements of Activities reports the Organization's activities and the changes in its net assets as a result of its activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Tables 1 and 2 present a comparative view of net assets and changes in net assets from 2006 to 2007.

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

	2007	2006
ASSETS		
Current	\$ 655,000	\$ 697,000
Capital assets, net of accumulated depreciation	2,000	3,000
Total assets	<u>\$ 657,000</u>	<u>\$ 700,000</u>
LIABILITIES		
Current	\$ 414,000	\$ 473,000
Long-term	54,000	70,000
Total liabilities	<u>\$ 468,000</u>	<u>\$ 543,000</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 2,000	\$ 3,000
Unrestricted	187,000	154,000
Total net assets	<u>\$ 189,000</u>	<u>\$ 157,000</u>

Net assets of OMPO in 2007 increased by 20.38% (\$189,000 as compared to \$157,000). Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by 21.43% (\$187,000 as compared to \$154,000) in 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Tables 1 and 2 present a comparative view of net assets and changes in net assets from 2006 to 2007.

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

	2007	2006
EXPENDITURES/EXPENSES		
Short-range transportation system management (TSM)/ transportation demand management (TDM) planning	\$ 202,000	\$ 363,000
Regional transportation forecasting and long-range planning	508,000	589,000
Regional transportation monitoring analysis	140,000	75,000
Coordination of planning program	383,000	332,000
Total expenditures/expenses	1,233,000	1,359,000
REVENUES		
Federal grant contributions	849,000	1,080,000
State and City contributions	391,000	279,000
Interest income	25,000	19,000
Total revenues	1,265,000	1,378,000
INCREASE IN NET ASSETS	\$ 32,000	\$ 19,000

OMPO's total revenues decreased by 8.20% in 2007 and total expenses decreased by 9.27%. The changes in expenses during 2007 were attributed primarily to decreased activity in the regional transportation forecasting and long-range planning and short-range transportation system management planning programs. The changes in revenues were attributed to the correlating decrease in Federal grant contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007 and 2006, OMPO had \$2,143 and \$3,000 in capital assets, net of accumulated depreciation. There was one disposition (obsolete TRAN PLAN model software program, original carrying value of \$6,000) and no additions of capital assets for the current year.

Debt

OMPO did not have any outstanding debt for 2007 and 2006.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2007

	<u>Special Revenue</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Assets</u>
CURRENT ASSETS			
Cash and cash equivalents (Note 4)	\$ 496,996	\$ -	\$ 496,996
Receivables from Federal Government	158,016	-	158,016
Total current assets	<u>655,012</u>	<u>-</u>	<u>655,012</u>
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation (Note 5)	<u>-</u>	<u>2,143</u>	<u>2,143</u>
Total assets	<u><u>\$ 655,012</u></u>	<u><u>\$ 2,143</u></u>	<u><u>\$ 657,155</u></u>
CURRENT LIABILITIES			
Vouchers payable	\$ 120,826	\$ -	\$ 120,826
Advances from other agencies	261,021	-	261,021
Accrued liabilities (Note 6)	17,918	14,570	32,488
Total current liabilities	<u>399,765</u>	<u>14,570</u>	<u>414,335</u>
NONCURRENT LIABILITIES			
Accrued liabilities (Note 6)	<u>-</u>	<u>53,710</u>	<u>53,710</u>
Total noncurrent liabilities	<u>-</u>	<u>53,710</u>	<u>53,710</u>
Total liabilities	<u><u>399,765</u></u>	<u><u>68,280</u></u>	<u><u>468,045</u></u>
COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 9)			
FUND BALANCE/NET ASSETS			
Reserved For:			
Encumbrances	180,000	(180,000)	-
Continuing Appropriations	75,247	(75,247)	-
Total fund balance	<u>255,247</u>	<u>(255,247)</u>	<u>-</u>
Net Assets:			
Invested in capital assets, net of related debt		2,143	2,143
Unrestricted		186,967	186,967
Total net assets		<u>189,110</u>	<u>189,110</u>
Total liabilities and fund balance/net assets	<u><u>\$ 655,012</u></u>	<u><u>\$ 2,143</u></u>	<u><u>\$ 657,155</u></u>

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

STATE OF HAWAII
 OAHU METROPOLITAN PLANNING ORGANIZATION
 STATEMENT OF ACTIVITY AND GOVERNMENTAL FUND
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2007

	<u>Special Revenue</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activity</u>
EXPENDITURES/EXPENSES			
Regional transportation forecasting and long-range planning	\$ 508,261	\$ -	\$ 508,261
Short-range transportation system management/ transportation demand management planning	201,965	-	201,965
Coordination of planning program	389,407	(6,871)	382,536
Regional transportation monitoring and analysis	140,181	-	140,181
Total expenditures/expenses	<u>1,239,814</u>	<u>(6,871)</u>	<u>1,232,943</u>
REVENUES			
Federal grant contributions	849,335	-	849,335
Local contributions:			
City and County of Honolulu	213,693	-	213,693
State of Hawaii	176,785	-	176,785
Interest and other	25,455	-	25,455
Total revenues	<u>1,265,268</u>	<u>-</u>	<u>1,265,268</u>
Change in fund balance/net assets	25,454	6,871	32,325
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>229,793</u>	<u>(73,008)</u>	<u>156,785</u>
End of the year	<u>\$ 255,247</u>	<u>\$ (66,137)</u>	<u>\$ 189,110</u>

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

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oahu Metropolitan Planning Organization, State of Hawaii, (OMPO) 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.

OMPO'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 in GAAP and used by OMPO are discussed below.

Reporting Entity - the financial statements reflect only OMPO'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 OMPO's financial activities.

Financial Statement Presentation - OMPO'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.

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

Governmental Fund - is the fund through which the acquisition, use and balances of OMPO'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 OMPO'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 OMPO with the U.S. Department of Transportation, Federal Highways Administration (FHWA), Federal Transit Administration (FTA) and those between OMPO and FTA prior to enactment of the Intermodal Surface Transportation Efficiency Act of 1991.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accumulated Vacation and Sick Leave - The Fund'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. The Fund 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

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 OMPO through the State Department of Transportation – Highways Division. The FHWA-PL grants reimburse 80% of allowable expenditures claimed by OMPO, and the remaining 20% is contributed by OMPO and the participating State and County agencies.

FTA Grants -- The FTA grants became effective on the following dates:

<u>Grant No.</u>	<u>Date</u>
HI-80-2015	July 21, 2006
HI-80-2014	July 20, 2005
HI-80-9014	July 20, 2005
HI-80-2013	July 13, 2004
HI-80-9013	July 13, 2004
HI-80-2012	February 18, 2004
HI-80-9012	February 18, 2004
HI-80-2011	July 8, 2003
HI-80-9011	July 8, 2003
HI-80-2010	July 18, 2003
HI-80-9010	July 18, 2003

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 5313(b) (previously known as Section 26(a)(2) of the Federal Transit Act). Under Sections 5303 and 5313(b) grants, FTA participates in 80% of allowable costs claimed by OMPO. The remaining 20% is contributed by OMPO and the participating State and County agencies.

3. BUDGETING AND BUDGETARY CONTROL

A budget, known as the overall work program (OWP) is prepared by OMPO on an annual basis. The budget and any additions thereto, are approved by OMPO's Policy Committee. The OWP encompasses several projects (work elements), which are worked on over a multi-year period.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

3. BUDGETING AND BUDGETARY CONTROL (Continued)

Amount shown in the OWP include amounts budgeted for in prior fiscal years and for the current fiscal year. Because OMPO 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 OMPO 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 OMPO 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 5313(b) 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 OMPO 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.

As of June 30, 2007, the estimated balance of unused FHWA obligated funds amounted to:

<u>Fiscal Year of Apportionment</u>	<u>Balance of Unused Obligation</u>
2003	\$ 5,841
2004	4,462
2006	1
2007	4,244,319
	<u>\$ 4,254,623</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.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

3. BUDGETING AND BUDGETARY CONTROL (Continued)

Although OMPO does not receive appropriations, the State Comptroller allows for the encumbrance of federally funded contracts without the actual cash being available.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are 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) authorizes 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, and repurchase agreements with federally-insured financial institutions. 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 OMPO, which in the Director's judgment, are in excess of the amount necessary for meeting the specific requirements of OMPO. Investment earnings are allocated to OMPO based on its equity interest in the pooled monies. For purposes of the financial statements, OMPO considers all cash held in the State Treasury and investments with a maturity of three months or less when purchased to be cash equivalents.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

5. CAPITAL ASSETS

Capital asset activity of the governmental fund for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets:</u>				
Furniture and equipment	\$ 12,000	\$ -	\$ 6,000	\$ 6,000
Total capital assets	<u>12,000</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Less accumulated depreciation:				
Furniture and equipment	9,000	857	6,000	3,857
Total accumulated depreciation	<u>9,000</u>	<u>857</u>	<u>6,000</u>	<u>3,857</u>
Capital assets, net of depreciation	<u>\$ 3,000</u>	<u>\$ 857</u>	<u>\$ -</u>	<u>\$ 2,143</u>

6. CHANGES IN NONCURRENT LIABILITIES

Changes in noncurrent liabilities were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Accrued liabilities	\$ 69,849	\$ 1,176	\$ 17,315	\$ 53,710
Total noncurrent liabilities	<u>\$ 69,849</u>	<u>\$ 1,176</u>	<u>\$ 17,315</u>	<u>\$ 53,710</u>

7. RETIREMENT BENEFITS

Employees' Retirement System

All eligible employees of the Fund 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.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

7. RETIREMENT BENEFITS (Continued)

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, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members 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 noncontributory 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.

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 as of June 30, 2006, 2005 and 2004, based on the most recent information available, was approximately \$318,144,000, \$251,685,000, and \$181,614,000, respectively. The State contributed 100% of its required contributions for those years.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

7. RETIREMENT BENEFITS (Continued)

Contributions by OMPO for the fiscal years ended June 30, 2007, 2006, and 2005, were approximately \$54,000, \$50,000 and \$34,000, respectively, at the rate of 13.75% of annual covered payroll, which were equal to the required contributions for each fiscal year.

Post-Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State, pursuant to HRS Chapter 87, provides certain health care and life insurance benefits to all qualified employees.

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

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

There are currently approximately 26,000 state retirees receiving such benefits. Free life insurance coverage for retirees and free dental coverage for dependents under age 19 are also available. Retirees covered by the medical portion of Medicare are eligible to receive reimbursement of the basic medical coverage premium. Contributions are financed on a pay-as-you-go basis. OMPO's share of the expense for post-retirement benefits for the year ended June 30, 2007, was approximately \$28,000.

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

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 OMPO employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

8. COMMITMENTS AND CONTINGENCIES (Continued)

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, 2007, accumulated sick leave was approximately \$350,000.

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 OMPO's financial statements.

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

OMPO 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.

Future minimum rent payments for years subsequent to June 30, 2007, are as follows:

<u>Years ending June 30,</u>	
2008	\$ 64,000
2009	65,000
2010	66,000
2011	45,000
	<u>\$ 240,000</u>

Total rent expense for OMPO for the fiscal year ended June 30, 2007, approximated \$64,000.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007

9. RISK MANAGEMENT

OMPO 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 generally retains the first \$250,000 per occurrence of property losses, and the first \$3 million with respect to general liability claims, and the first \$500,000 of losses due to crime. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is \$100 million, except for flood and earthquake which is \$25 million and terrorism which is \$50 million. The annual aggregate for general liability losses and losses due to crime per occurrence is \$10 million. The State also has an insurance policy to cover medical malpractice risk in the amount of \$20 million per occurrence and in the aggregate. 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 estimatable.

SUPPLEMENTARY INFORMATION

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES BY AGENCY
YEAR ENDED JUNE 30, 2007

	<u>DOT</u>	<u>City</u>	<u>OMPO</u>	<u>Total</u>
Regional Transportation Forecasting and Long-Range Planning:				
Update of the Oahu Regional Transportation Plan	\$ -	\$ -	\$ 209,076	\$ 209,076
Update of the Transportation Improvement Plan	-	-	69,401	69,401
Forecasting Model Development	-	-	177,887	177,887
Selection of Enhancement Projects for Oahu	-	-	6,344	6,344
Travel Demand Forecasting Model Upgrade	-	-	45,553	45,553
	<u>-</u>	<u>-</u>	<u>508,261</u>	<u>508,261</u>
Short-Range Transportation System Management/ Transportation Demand Management Planning:				
Paratransit Service Study	-	92,355	-	92,355
Transit Service Plan, Phase III	-	106,787	-	106,787
Kaneohe Town Traffic Circulation Study	-	2,823	-	2,823
	<u>-</u>	<u>201,965</u>	<u>-</u>	<u>201,965</u>
SUBTOTAL (carried forward)	<u>\$ -</u>	<u>\$ 201,965</u>	<u>\$ 508,261</u>	<u>\$ 710,226</u>

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES BY AGENCY (Continued)
YEAR ENDED JUNE 30, 2007

	DOT	City	OMPO	Total
SUBTOTAL (brought forward)	\$ -	\$ 201,965	\$ 508,261	\$ 710,226
Coordination of the Planning Program:				
Program Support and Administration	-	-	195,652	195,652
Support for Citizen Advisory Committee	-	-	74,361	74,361
Single Audit	-	-	44,376	44,376
Overall Work Program	-	-	34,449	34,449
Planning Resource	-	-	33,703	33,703
Disadvantage Business Enterprise and Private Sector Participation	-	-	6,866	6,866
	-	-	389,407	389,407
Regional Transportation Monitoring and Analysis:				
Simulation of Westbound Interstate H-1 Freeway	17,427	-	-	17,427
Federal Planning Requirements	-	-	74,819	74,819
Title VI and Environmental Justice Monitoring	-	-	28,166	28,166
Tabulation of 2000 Census Data	-	-	916	916
Forecasting Model Support	-	-	7,000	7,000
2000 Census Data	-	-	386	386
ITS Monitoring	-	-	3,439	3,439
Travel Demand Forecasting Model	-	-	8,028	8,028
	17,427	-	122,754	140,181
TOTAL EXPENDITURES BY AGENCY	\$ 17,427	\$ 201,965	\$ 1,020,422	\$ 1,239,814

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-through Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditure</u>
U.S. Department of Transportation			
Pass-through State Department of Transportation			
Highway Planning and Construction			
OMPO Work Program	20.205	PL-0052(26)	\$ 13,941
OMPO Work Program		PL-0052(28)	116,394
OMPO Work Program		PL-0052(29)	398,416
			<u>528,751</u>
Federal Transit Technical Studies Grant:			
FTA, Section 5303	20.505	HI-80-2010	6,278
FTA, Section 5303		HI-80-2011	45,946
FTA, Section 5303		HI-80-2012	21,227
FTA, Section 5303		HI-80-2013	35,411
FTA, Section 5303		HI-80-2014	152,482
FTA, Section 5303		HI-80-2015	7,785
			<u>269,129</u>
Federal Transit Technical Studies Grant:			
FTA, Section 5313 (b)	20.515	HI-80-9011	24,981
FTA, Section 5313 (b)		HI-80-9012	3,281
FTA, Section 5313 (b)		HI-80-9013	23,044
FTA, Section 5313 (b)		HI-80-9014	149
			<u>51,455</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 849,335</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the modified 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 accompanying financial statements of Oahu Metropolitan Planning Organization, State of Hawaii, (OMPO) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. 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 OMPO'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 OMPO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OMPO's internal control over financial reporting.

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

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 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 OMPO'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 OMPO, 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.

Alhanna Oyadomai & Toshi CPAs, Inc.

Honolulu, Hawaii
November 27, 2007

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 State of Hawaii Oahu Metropolitan Planning Organization, State of Hawaii, (OMPO) 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, 2007. OMPO'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 OMPO's management. Our responsibility is to express an opinion on OMPO'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 OMPO'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 OMPO's compliance with those requirements.

In our opinion, OMPO 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, 2007.

Internal Control Over Compliance

The management of OMPO 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 OMPO's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Office of the Auditor, management of OMPO, 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.

Ahemine Dyabonmai & Herahi CPAs, Inc.

Honolulu, Hawaii
November 27, 2007

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

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>
Reportable condition (significant deficiency) identified that is not considered to be 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>
Reportable condition (significant deficiency) identified that is not considered to be 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>

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Status of Prior Year Comments

There were no findings and questioned costs reported for the year ended June 30, 2006.

PART V
CORRECTIVE ACTION PLAN

STATE OF HAWAII
OAHU METROPOLITAN PLANNING ORGANIZATION
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2007

A corrective action plan is not required since there were no audit findings and questioned costs reported for the year ended June 30, 2007.