

March 20, 2025

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

VIA EMAIL

The Honorable Nadine K. Nakamura
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial and Compliance Audit of the O'ahu Metropolitan Planning Organization

Dear President Kouchi and Speaker Nakamura:

The audit report on the financial statements and compliance of the O'ahu Metropolitan Planning Organization for the fiscal year ended June 30, 2024, was issued on January 10, 2025. The Office of the Auditor retained N&K CPAs, Inc. to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_OMPO2024.pdf; and

https://files.hawaii.gov/auditor/Reports/2024_Audit/OMPO_Summary_2024.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

Attachment

ec/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the O'ahu Metropolitan Planning Organization

Financial Statements, Fiscal Year Ended June 30, 2024



PHOTO: O'AHU METROPOLITAN PLANNING ORGANIZATION

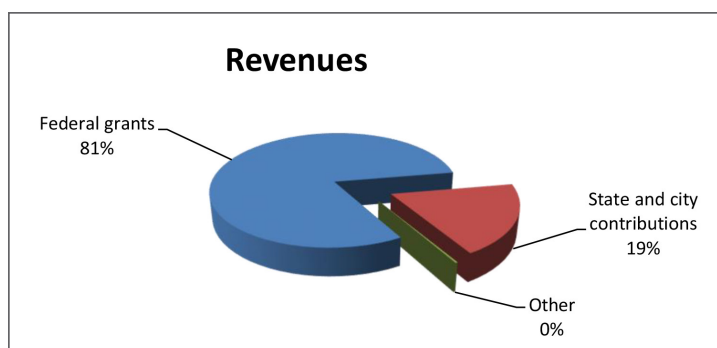
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the O'ahu Metropolitan Planning Organization, as of and for the fiscal year ended June 30, 2024, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs, Inc.

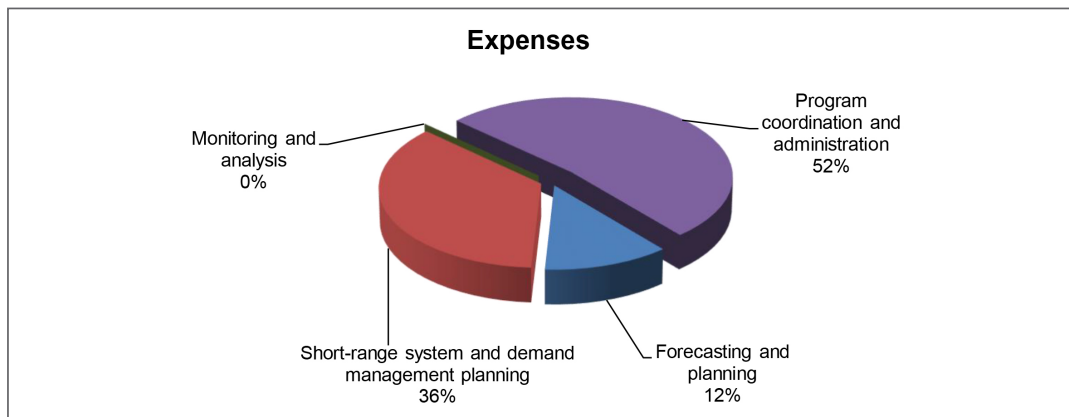
About the Organization

Federal highway and transit statutes require urbanized areas greater than 50,000 in population to designate a metropolitan planning organization as a condition for spending federal highway or transit funds. O'ahu Metropolitan Planning Organization (OahuMPO) is the designated metropolitan planning organization for the island of O'ahu. OahuMPO was established by agreement between the Governor of the State of Hawai'i and the Chairperson of the City Council of the City and County of Honolulu and serves as the decision-making body responsible for carrying out continuing, comprehensive, and cooperative transportation planning and programming for the island of O'ahu.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2024, OahuMPO reported total revenues of approximately \$4.4 million and total expenses of approximately \$4.58 million, resulting in minimal change in net position. Revenues consisted of \$3.55 million from federal grants, \$842,000 in contributions from the State of Hawai'i and City and County of Honolulu, and \$10,000 from other sources.





Total expenses consisted of (1) \$540,000 for transportation forecasting and long-range planning; (2) \$1.65 million for short-range transportation system and demand management planning; (3) \$6,000 for transportation monitoring and analysis; and (4) \$2.38 million for program coordination and administration.

As of June 30, 2024, total assets exceeded total liabilities by \$317,000. Total assets of \$1.99 million, included cash of \$560,000, receivables and other assets of \$1.39 million, and net capital assets of \$39,000. Total liabilities were \$1.68 million.

Auditors' Opinions

OahuMPO RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. OahuMPO also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*. However, the auditors identified one significant deficiency that was required to be reported under *Government Auditing Standards*. 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. The significant deficiency is described on page 45 of the report.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.



[Link to the complete report:](https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_OMPO2024.pdf)

Financial and Compliance Audit

https://files.hawaii.gov/auditor/Reports/2024_Audit/DOT_OMPO2024.pdf

**FINANCIAL AND COMPLIANCE AUDIT OF THE
OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

Fiscal Year Ended June 30, 2024

**Submitted by
The Auditor
State of Hawaii**



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**OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

TABLE OF CONTENTS

	<u>Page</u>
PART I FINANCIAL SECTION	
Independent Auditor's Report	5 - 8
Management's Discussion and Analysis	9 - 11
Basic Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet	12
Statement of Activities and Governmental Fund Revenues, Expenditures, and Change in Fund Balance	13
Notes to the Financial Statements	14 - 30
Supplementary Information	
Schedule of Expenditures by Agency	32 - 33
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	35
 PART II REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	
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>	37 - 38
 PART III REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	40 - 42

**OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

TABLE OF CONTENTS

	<u>Page</u>
PART IV SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	44 - 45
PART V CORRECTIVE ACTION PLAN	
Corrective Action Plan	47
PART VI SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	
Status Report	49

PART I
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Auditor
State of Hawaii

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the special revenue fund of the Oahu Metropolitan Planning Organization, State of Hawaii (OahuMPO), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise OahuMPO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of OahuMPO as of June 30, 2024, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OahuMPO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A, the financial statements of OahuMPO are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the special revenue fund of the State of Hawaii that is attributable to the transactions of OahuMPO. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2024, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OahuMPO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 OahuMPO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OahuMPO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 - 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OahuMPO's basic financial statements. The accompanying schedule of expenditures by agency and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 GAAS. In our opinion, the schedule of expenditures by agency and the schedule of expenditures of federal awards are 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 10, 2025 on our consideration of OahuMPO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of OahuMPO's 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.

N + K CPAs, INC.

Honolulu, Hawaii
January 10, 2025

**Oahu Metropolitan Planning Organization
State of Hawaii
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2024**

This section of the annual financial report presents an analysis of OahuMPO's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the financial statements which follows this section.

Financial Highlights

Key government-wide financial highlights for the fiscal year ended June 30, 2024 compared to the prior fiscal year ended June 30, 2023 are as follows:

- OahuMPO's net position decreased by approximately \$181,300.
- During the fiscal year, OahuMPO's revenues increased by approximately \$661,600, and expenses increased by approximately \$849,800.

These changes are 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.

Introduction to Basic 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, 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 Activities and Governmental Fund Revenues, Expenditures, and Change in Fund Balance reports OahuMPO's activities and the changes in its net position as a result of its activities.

Financial Analysis

Tables 1 and 2 present a comparative view of net position and changes in net position as of and for the fiscal years ending June 30, 2024 and 2023, respectively.

**Oahu Metropolitan Planning Organization
State of Hawaii
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Year Ended June 30, 2024**

**Table 1
Condensed Statements of Net Position**

	Governmental Activities	
	2024	2023
Assets		
Current assets	\$ 1,954,196	\$ 1,717,115
Capital assets	<u>39,490</u>	<u>86,879</u>
Total assets	<u>1,993,686</u>	<u>1,803,994</u>
Liabilities		
Current liabilities	1,569,099	1,202,047
Long-term liabilities	<u>107,667</u>	<u>103,707</u>
Total liabilities	<u>1,676,766</u>	<u>1,305,754</u>
Net position		
Restricted	<u>316,920</u>	<u>498,240</u>
Total net position	\$ <u>316,920</u>	\$ <u>498,240</u>

OahuMPO's net position decreased by approximately \$181,300, or 36.39%, between June 30, 2024 and 2023. At June 30, 2024 and 2023, all of OahuMPO's net position was restricted and represents the amount that can be used to finance day-to-day operations.

**Table 2
Condensed Statements of Activities**

	Governmental Activities	
	2024	2023
Revenues		
Federal grant contributions	\$ 3,549,926	\$ 2,995,976
State and local contributions	841,790	743,793
Other income	<u>9,700</u>	<u>--</u>
Total revenues	<u>4,401,416</u>	<u>3,739,769</u>
Expenses		
Regional transportation monitoring and analysis	--	5,615
Regional transportation forecasting and long-range planning	539,888	358,076
Short-range transportation system management/transportation demand management planning	1,652,382	1,875,065
Coordination of the planning program	2,384,525	1,493,037
Other	<u>5,941</u>	<u>1,164</u>
Total expenses	<u>4,582,736</u>	<u>3,732,957</u>
Change in net position	(181,320)	6,812
Beginning net position	<u>498,240</u>	<u>491,428</u>
Ending net position	\$ <u>316,920</u>	\$ <u>498,240</u>

**Oahu Metropolitan Planning Organization
State of Hawaii
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Year Ended June 30, 2024**

OahuMPO's total expenses increased by approximately \$849,800, or 22.76%, between the fiscal years ended June 30, 2024 and 2023. OahuMPO's revenues increased by approximately \$661,600, or 17.69%, between the fiscal years ended June 30, 2024 and 2023. The changes in revenues were attributed largely to the correlating increase in Federal grant and State and local contributions.

Financial Analysis of the Special Revenue Fund

Net change in fund balance was approximately \$(115,600) and \$-0- for the fiscal years ended June 30, 2024 and 2023. The net change in fund balance for the fiscal year ended June 30, 2024 were attributed largely to OahuMPO's temporary hazard pay accrual for personnel employed during the period of March 4, 2020 to March 25, 2022. The majority of the fund's activities are on a cost reimbursement arrangement. Revenues for the special revenue fund are the same amount as revenues on the statement of activities.

Capital Assets

OahuMPO did not have any capital acquisitions the fiscal years ended June 30, 2024 and 2023. OahuMPO did not dispose of any capital assets during the fiscal years ended June 30, 2024 and 2023.

Request for Information

The financial report is designed to provide a general overview of OahuMPO's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mark Garrity, Executive Director, Oahu Metropolitan Planning Organization, 707 Richards Street, Suite 200, Honolulu, HI 96813.

Oahu Metropolitan Planning Organization
State of Hawaii
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2024

	<u>Special Revenue Fund</u>	<u>Adjustments (Note C)</u>	<u>Statement of Net Position</u>
ASSETS			
Equity in cash and cash equivalents and investments in State Treasury	\$ 559,844	\$ --	\$ 559,844
Cash	400	--	400
Receivables from Federal government	1,376,504	--	1,376,504
Other	<u>17,448</u>	<u>--</u>	<u>17,448</u>
Total current assets	<u>1,954,196</u>	<u>--</u>	<u>1,954,196</u>
Capital assets, net	<u>--</u>	<u>39,490</u>	<u>39,490</u>
Total assets	\$ <u>1,954,196</u>	\$ <u>39,490</u>	\$ <u>1,993,686</u>
LIABILITIES			
Vouchers payable	\$ 972,418	\$ --	\$ 972,418
Lease liability, current	--	41,750	41,750
Advances from other agencies	234,733	--	234,733
Accrued liabilities	<u>280,279</u>	<u>39,919</u>	<u>320,198</u>
Total current liabilities	<u>1,487,430</u>	<u>81,669</u>	<u>1,569,099</u>
Accrued compensated absences	<u>--</u>	<u>107,667</u>	<u>107,667</u>
Total liabilities	<u>1,487,430</u>	<u>189,336</u>	<u>1,676,766</u>
FUND BALANCE/NET POSITION			
Restricted fund balance	<u>466,766</u>	<u>(466,766)</u>	<u>--</u>
Total liabilities and fund balance	\$ <u>1,954,196</u>		
Net position			
Restricted		<u>316,920</u>	<u>316,920</u>
Total net position		\$ <u>316,920</u>	\$ <u>316,920</u>

See accompanying notes to the financial statements.

**Oahu Metropolitan Planning Organization
State of Hawaii
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE
Fiscal Year Ended June 30, 2024**

	<u>Special Revenue Fund</u>	<u>Adjustments (Note D)</u>	<u>Statement of Activities</u>
REVENUES			
Federal grant contributions	\$ 3,549,926	\$ --	\$ 3,549,926
State and local contributions			
City and County of Honolulu	444,759	--	444,759
State of Hawaii	224,295	--	224,295
Honolulu Authority for Rapid Transportation	172,736	--	172,736
Interest income	<u>9,700</u>	<u>--</u>	<u>9,700</u>
Total revenues	<u>4,401,416</u>	<u>--</u>	<u>4,401,416</u>
EXPENDITURES/EXPENSES			
Regional transportation forecasting and long-range planning	539,888	--	539,888
Short-range transportation system management/ transportation demand management planning	1,652,382	--	1,652,382
Coordination of the planning program	2,317,311	67,214	2,384,525
Other	<u>7,462</u>	<u>(1,521)</u>	<u>5,941</u>
Total expenditures/expenses	<u>4,517,043</u>	<u>65,693</u>	<u>4,582,736</u>
 Change in fund balance/net position	 (115,627)	 (65,693)	 (181,320)
Fund balance/net position			
Beginning of the fiscal year	<u>582,393</u>	<u>(84,153)</u>	<u>498,240</u>
End of the fiscal year	\$ <u><u>466,766</u></u>	\$ <u><u>(149,846)</u></u>	\$ <u><u>316,920</u></u>

See accompanying notes to the financial statements.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE A - FINANCIAL REPORTING ENTITY

Oahu Metropolitan Planning Organization, State of Hawaii (OahuMPO) was established by agreement between the Governor of the State of Hawaii and the Chairperson of the City Council of the City and County of Honolulu to serve as the decision-making body responsible to carry out the continuing, comprehensive and cooperative transportation planning and programming for the island of Oahu as required by Federal law.

The financial statements of OahuMPO are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the special revenue fund of the State of Hawaii that is attributable to the transactions of OahuMPO. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2024, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP). The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State of Hawaii (State) annually, which includes OahuMPO's financial activities.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

OahuMPO's financial statements are prepared in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). The significant accounting policies used by OahuMPO are described below.

(1) *Measurement Focus, Basis of Accounting, and Financial Presentation*

Government-wide Financial Statements

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

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OahuMPO considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Federal grant revenues are recognized when reimbursement claims are made.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (2) ***Fund Accounting*** - The financial transactions of OahuMPO are recorded in a fund. A fund is considered a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

OahuMPO has only one fund, the 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 Highway Administration (FHWA), Federal Transit Administration (FTA), and those between OahuMPO and FTA prior to enactment of the Intermodal Surface Transportation Efficiency Act of 1991.

- (3) ***Use of Estimates*** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

- (4) ***Equity in Cash and Cash Equivalents and Investments in State Treasury*** - Substantially all of OahuMPO's cash is held in the State Treasury.

The State Director of Finance is responsible for the safekeeping of cash in the State Treasury in accordance with State laws. The Director of Finance may invest any monies of the State which, in the Director's judgment, are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury investment pool. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by Federal deposit insurance.

OahuMPO's monies are held in the State cash pool. OahuMPO does not manage its own investments and the types of investments and related interest rate, credit and custodial risks are not determinable specific to OahuMPO. The risk disclosures of the State's cash pool are included in the State's Annual Comprehensive Financial Report (ACFR), which may be obtained from the State Department of Accounting and General Services' website: <https://ags.hawaii.gov/accounting/annual-financial-reports/>.

Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

OahuMPO also maintains cash in a bank which is held separately from cash in the State Treasury and presented as cash on OahuMPO's governmental fund balance sheet and statement of net position. As of June 30, 2024, the carrying amount of the total bank balance was approximately \$400, which is insured by the Federal Deposit Insurance Corporation.

- (5) **Receivables from Federal Government** - Revenues for all Federal reimbursement type grants are recorded as a receivable from Federal government when costs are incurred.
- (6) **Capital Assets** - Capital assets purchased or acquired with an original cost of \$5,000 or more are reported in the statement of net position at cost. Additions, improvements, 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 estimated useful life of seven years for furniture and equipment.
- (7) **Leases** - OahuMPO has a policy to recognize a lease liability and right-to-use lease asset (lease asset) in the government-wide financial statements. OahuMPO recognizes lease liabilities with an initial, individual value of \$25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, OahuMPO initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how OahuMPO determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

OahuMPO uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, OahuMPO generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that OahuMPO is reasonably certain to exercise.

OahuMPO monitors changes in circumstances that would require a remeasurement of its leases and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use, along with other capital assets and lease liabilities reported with long-term liabilities, on the statement of net position.

- (8) **Compensated Absences** - OahuMPO permits employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.
- (9) **Pension Benefits** - The actuarial valuation of the Employees' Retirement System of the State of Hawaii (ERS) does not provide pension benefits information by department or agency. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the State's net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in the State's ACFR. The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll. Accordingly, OahuMPO does not receive any allocation of pension expense.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (10) **Postemployment Benefits Other than Pensions** - The actuarial valuation of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) does not provide other postemployment benefit (OPEB) information by department or agency. Accordingly, the State's policy on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, and any adjustment to the net OPEB liability, to component units and proprietary funds that are reported separately in the State's ACFR. The State allocates annual OPEB expense to component units and proprietary funds based on their proportionate percentage of the State's total contribution to the EUTF plan. Accordingly, OahuMPO does not receive any allocation of OPEB expense.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the EUTF, and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

- (11) **Risk Management** - OahuMPO is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.
- (12) **Fund Balance** - Fund balance is classified using a hierarchy based on the extent to which OahuMPO is bound to follow constraints on how resources can be spent. Classifications include:

Nonspendable - Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Restricted fund balance is restricted to specific purposes which is usually imposed by external parties such as grantors, contributors, or laws or regulations of other governments.

Committed - Committed fund balances are amounts that can only be used for specific purposes pursuant to formal action of the State Legislature.

Assigned - Assigned fund balance includes amounts that are constrained by the Policy Board or management for specific purposes but are neither restricted nor committed.

Unassigned - This classification includes any negative residual balance when actual expenditures exceed available resources of the fund.

OahuMPO has only a restricted fund balance.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

**NOTE C - EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
BALANCE SHEET AND STATEMENT OF NET POSITION**

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 statement.

Reconciling items include long-term liabilities and noncurrent assets. Long-term liabilities applicable to OahuMPO's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. At June 30, 2024, long-term liabilities amounted to approximately \$108,000, which is comprised of accrued compensated absences. At June 30, 2024, noncurrent assets amounted to approximately \$39,000, which is comprised of right-to-use lease assets.

**NOTE D - EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
OPERATING STATEMENT AND THE STATEMENT OF ACTIVITIES**

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

Reconciling items include long-term liability transactions for which expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. For OahuMPO, this difference is due to a net adjustment resulting from a net change in accrued compensated absences of approximately \$67,000 and lease expenses of approximately \$2,000.

NOTE E - FEDERAL GRANTS

FHWA Grants

The FHWA-Planning (FHWA-PL) grants represent apportionments under 23 USC Section 104(f) made to OahuMPO through the State Department of Transportation Highways Division (HDOT). 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. Allowable expenditures to the FHWA-PL grants include labor and non-labor expenditures incurred that are recorded based on the approved Overall Work Program (OWP).

OahuMPO has the following FHWA grants outstanding as of June 30, 2024: PL-0052(46) for the fiscal years 2024 and 2025 and PL-0052(43) for the fiscal year 2021.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE E - FEDERAL GRANTS (Continued)

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 HDOT Statewide Transportation Planning Office.

The FTA grants provide for the undertaking of (1) metropolitan planning activities pursuant to 49 USC Section 5303 (previously known as Section 8 of the Federal Transit Act), and (2) state planning and research activities pursuant to 49 USC Section 5304 (previously known as Section 5313(b) of the Federal Transit Act). Under Sections 5303 and 5304 grants, FTA participates in 80% of allowable costs claimed by OahuMPO. The remaining 20% is contributed by the participating State and county agencies. Allowable expenditures to the FTA grants include labor and non-labor expenditures incurred that are recorded based on the approved OWP.

OahuMPO has the following FTA grant outstanding as of June 30, 2024: HI-2022-010 (fiscal year 2023).

NOTE F - BUDGETING AND BUDGETARY CONTROL

The budget, known as the OWP, was prepared by OahuMPO for the fiscal years 2024 and 2025. The budget and any additions thereto, are approved by OahuMPO's Policy Board and subsequently and jointly by FHWA and the FTA. The OWP encompasses various projects (work elements), in which work performed is specifically for OahuMPO, the State, the City and County of Honolulu (C&C) or the Honolulu Authority for Rapid Transportation (HART), 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 accompanying financial statements.

The portion of OahuMPO's 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 as a pass-through agency to and for OahuMPO. 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 they are apportioned.

The amount of unexpended FHWA obligated funds amounted to approximately \$5,355,000 and \$354,000 related to the fiscal years 2024 through 2025, and 2021, respectively, for a total amount of approximately \$5,709,000 as of June 30, 2024.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE F - BUDGETING AND BUDGETARY CONTROL (Continued)

The portion of OahuMPO's 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 HDOT. 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 approximately \$15,000 as of June 30, 2024.

NOTE G - CAPITAL ASSETS

The changes in capital assets were as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental activities:				
Depreciable assets				
Furniture and equipment	\$ 10,955	\$ --	\$ --	\$ 10,955
Less accumulated depreciation	<u>(10,955)</u>	<u>--</u>	<u>--</u>	<u>(10,955)</u>
Total depreciable assets	--	--	--	--
Right-to-use lease assets				
Building	181,657	--	--	181,657
Less accumulated amortization	<u>(94,778)</u>	<u>(47,389)</u>	<u>--</u>	<u>(142,167)</u>
Total right of use lease assets, net	<u>86,879</u>	<u>(47,389)</u>	<u>--</u>	<u>39,490</u>
Total capital assets, net	\$ <u>86,879</u>	\$ <u>(47,389)</u>	\$ <u>--</u>	\$ <u>39,490</u>

Approximately \$47,000 of amortization expense was incurred during the fiscal year ended June 30, 2024. Amortization expense is charged to the coordination of the planning program.

NOTE H - LEASE LIABILITY

OahuMPO has entered into leases for building space and equipment use. The equipment related right-to-use lease asset, lease liability, rent expense, and future minimum lease payments were not material for the fiscal year ended June 30, 2024. The term of the building space lease agreement is for six years, expiring in 2025. The calculated interest rate used was 2.87%.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE H - LEASE LIABILITY (Continued)

Principal and interest payments to maturity are as follows:

Fiscal Year Ending June 30,	Principal Payments	Interest Payments	Total
2025	\$ 41,750	\$ 460	\$ 42,210

NOTE I - LONG-TERM LIABILITIES

Long-term liabilities for governmental activities include accrued compensated absences and a lease liability. Long-term liability activity during the fiscal year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due Within One Year
Accrued compensated absences	\$ 80,482	\$ 116,207	\$ (49,103)	\$ 147,586	\$ 39,919
Lease liability	90,550	--	(48,800)	41,750	41,750
	<u>\$ 171,032</u>	<u>\$ 116,207</u>	<u>\$ (97,903)</u>	<u>\$ 189,336</u>	<u>\$ 81,669</u>

NOTE J - RETIREMENT BENEFITS

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by Hawaii Revised Statutes (HRS) Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: <https://ers.ehawaii.gov/resources/financials>.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, survivor and disability benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE J - RETIREMENT BENEFITS (Continued)

highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

Retirement Benefits:

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits:

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE J - RETIREMENT BENEFITS (Continued)

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Disability Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits:

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump-sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE J - RETIREMENT BENEFITS (Continued)

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Disability and Death Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of the average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits:

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE J - RETIREMENT BENEFITS (Continued)

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

Disability and Death Benefits:

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2024 was 24% for all employees other than police and fire employees. Contributions to the pension plan from OahuMPO were approximately \$209,000 for the fiscal year ended June 30, 2024.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE J - RETIREMENT BENEFITS (Continued)

Measurement of the actuarial valuation is made for the State as a whole and is not separately computed for the individual State departments and agencies such as OahuMPO. It is the State's policy to recognize the proportionate share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pensions for only component units and proprietary funds that are reported separately in the State's ACFR. Therefore, the share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pensions for OahuMPO are not included in the financial statements. The State's ACFR includes the note disclosures and required supplementary information on the State's pension plans.

Payable to the Pension Plan

At June 30, 2024, OahuMPO's payable to the ERS was approximately \$20,000.

NOTE K - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at <https://eutf.hawaii.gov/reports>.

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

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less 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 base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE K - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

For employees hired on or after July 1, 2001, and who retire with less 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 base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Measurement of the actuarial valuation and the annual required contribution are made for the State as a whole and are not separately computed for the individual State departments and agencies such as OahuMPO. The State has only computed the allocation of the OPEB liability, OPEB expense, and deferred outflows of resources, and deferred inflows of resources related to OPEB to component units and proprietary funds that are reported separately in the State's ACFR. Therefore, the OPEB costs for OahuMPO were not available and are not included in the financial statements. The State's ACFR includes the note disclosures and required supplementary information on the State's OPEB plans.

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. The employer is required to make all contributions for members. Contributions from OahuMPO were approximately \$90,000 for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2024, OahuMPO's contributions payable to the EUTF was approximately \$10,000.

NOTE L - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees (excluding part-time, temporary, and casual/seasonal), permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investments of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the State's or OahuMPO's financial statements.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE M - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately \$901,000 as of June 30, 2024.

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 60 days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2024 approximated \$326,000.

Risk Management

Insurance coverage is maintained at the State level. The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks can be found in the State ACFR.

Torts and Litigation

OahuMPO may be subject to various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on OahuMPO's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State of Hawaii's general fund.

NOTE N - RELATED PARTY TRANSACTIONS

OahuMPO uses HDOT for staff support, accounting, information technology, human resources, and other services as per an Administrative Agreement between OahuMPO and HDOT. 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 C&C, HART, and OahuMPO was executed on July 20, 2015.

The State, the C&C, and HART each contribute dues to fund OahuMPO's operations. Any balance of unencumbered local funds and dues budgeted and provided by the State, the transit operator, and the C&C for that year's OWP shall be used towards the following year's OWP dues. For the fiscal year ended June 30, 2024, the State, the C&C, and HART each contributed approximately \$172,700 to OahuMPO for those projects. As of June 30, 2024, the net amount that shall be used towards the following year's OWP dues for the State, the C&C, and HART totaled approximately \$235,000.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024**

NOTE N - RELATED PARTY TRANSACTIONS (Continued)

As discussed in Note F, the OWP includes projects for the State, the C&C and HART. OahuMPO serves as the fiscal agent in processing the federal reimbursements to the State and the C&C. 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. For the fiscal year ended June 30, 2024, the amount of local share contributed by the C&C via projects was approximately \$272,000.

For the fiscal year ended June 30, 2024, the amount of local share contributed by the State, the C&C, and HART was approximately \$172,800, \$447,400 and \$172,000, respectively.

OahuMPO processed approximately \$1,360,000 of federal reimbursement claims for C&C for the fiscal year ended June 30, 2024.

As of June 30, 2024, OahuMPO had a payable of approximately \$717,000 to the C&C for federal grant monies to be received by OahuMPO.

NOTE O - TEMPORARY HAZARD PAY

The State entered into multiple settlement agreements regarding Temporary Hazard Pay with unions, for periods covering dates in March 2020 through March 2022, for those employees who performed essential functions during the COVID-19 pandemic. Total accrued payroll as of June 30, 2024, related to temporary hazard pay, was approximately \$118,000.

Act 049, SLH 2024 provided emergency appropriations for public employment cost items and cost adjustments for employees of certain collective bargaining units.

SUPPLEMENTARY INFORMATION

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF EXPENDITURES BY AGENCY
Fiscal Year Ended June 30, 2024**

	<u>W.E.</u>	<u>CITY</u>	<u>OMPO</u>	<u>DLNR</u>	<u>FHWA</u>	<u>TOTAL</u>
Regional Transportation Forecasting and Long-Range Planning	202					
Oahu Regional Transportation Plan	301.16	\$ --	\$ 464,750	\$ --	\$ 75,138	\$ 539,888
		--	464,750	--	75,138	539,888
Short-Range TSM/TDM Planning	203					
Transit Rider Survey	203.09	291,435	--	--	--	291,435
Energy Conservation Emission Reduction Plan	203.18	269,488	--	--	--	269,488
Vision Zero Action Plan	203.19	570,691	--	--	--	570,691
Planning for Improved Resilience to Coastal Hazards Through Green Infrastructure	204.02	--	--	206,479	--	206,479
Multi-Modal Mobility Hub Planning for Oahu	204.03	--	--	51,316	--	51,316
Multi-Modal (TAM) Plan, Phase II	204.06	24,162	--	--	--	24,162
Traffic Signal Opt & Demand Management	204.16	131,431	--	--	--	131,431
Active Transportation Monitor Phase IV	206.03	72,911	--	--	--	72,911
Multi-Modal Mobility Hub Study Phase II	206.04	--	7,799	--	--	7,799
State Government Employee TDM Study	206.05	--	26,670	--	--	26,670
		<u>1,360,118</u>	<u>34,469</u>	<u>257,795</u>	<u>--</u>	<u>1,652,382</u>

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF EXPENDITURES BY AGENCY (Continued)
Fiscal Year Ended June 30, 2024**

	<u>W.E.</u>	<u>CITY</u>	<u>OMPO</u>	<u>DLNR</u>	<u>FHWA</u>	<u>TOTAL</u>
Coordination of the Planning Program	301/302/303					
Program Support and Administration	301.01	\$ --	\$ 444	\$ --	\$ --	\$ 444
Single Audit	301.05	--	68,043	--	--	68,043
Computer Network Maintenance	301.10	--	67,139	--	--	67,139
Computer Model Operations and Support	301.15	--	256,735	--	--	256,735
Training, Education, Workforce Development	301.22	--	--	--	99,126	99,126
External Training Ed Workforce Development	301.26	--	--	--	8,529	8,529
Overhead (Indirect Costs)	302.01	--	184,611	--	--	184,611
Leave - PTO	303.03	--	187,916	--	--	187,916
OMPO Staff Cost	Task 1 - Admin	--	791,082	--	--	791,082
OMPO Staff Cost	Task 1 - Prof D	--	47,967	--	--	47,967
OMPO Staff Cost	Task 2 - GIS DA	--	51,394	--	--	51,394
OMPO Staff Cost	Task 3 - Short	--	83,114	--	--	83,114
OMPO Staff Cost	Task 4 - Long R	--	238,423	--	--	238,423
OMPO Staff Cost	Task 5 - Public	--	114,923	--	--	114,923
		<u>--</u>	<u>2,091,791</u>	<u>--</u>	<u>107,655</u>	<u>2,199,446</u>
Unallocated Costs		<u>--</u>	<u>125,327</u>	<u>--</u>	<u>--</u>	<u>125,327</u>
Total Expenditures by Agency		\$ <u>1,360,118</u>	\$ <u>2,716,337</u>	\$ <u>257,795</u>	\$ <u>182,793</u>	\$ <u>4,517,043</u>

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Department of Transportation				
Passed Through State Department of Transportation				
Federal Highways Administration				
Highway Planning and Construction				
OahuMPO Work Program	20.205	PL-052A(041)	\$ 161,200	\$ 161,200
OahuMPO Work Program		PL-0052(043)	491,369	687,836
OahuMPO Work Program		PL-052B(043)	11,927	11,927
OahuMPO Work Program		PL-052C(043)	16,862	49,591
OahuMPO Work Program		PL-0052(044)	--	50,604
OahuMPO Work Program		PL-052A(044)	231,889	231,889
OahuMPO Work Program		PL-0052(45)	—	309,967
OahuMPO Work Program		PL-0052B(45)	69,450	69,450
OahuMPO Work Program		PL-0052(46)	7,403	1,596,437
			<u>990,100</u>	<u>3,168,901</u>
Federal Transit Administration				
Metropolitan Transportation Planning and State and				
Non-Metropolitan Planning and Research				
FTA, Section 5303	20.505	HI-2021-008	—	19,384
FTA, Section 5303		HI-2022-010	—	116,115
			<u>—</u>	<u>135,499</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 990,100	\$ 3,304,400

The accompanying notes are an integral part of this schedule.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) under programs of the federal government for the fiscal year ended June 30, 2024.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of OahuMPO, it is not intended to and does not present the financial position or changes in net position of OahuMPO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

OahuMPO has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - LOCAL SHARE

The Federal Highway Administration and Federal Transit Administration grants reimburse 80% of the allowable expenditures claimed by OahuMPO and the remaining 20% is contributed by the State of Hawaii (State), the City and County of Honolulu (C&C), and the Honolulu Authority for Rapid Transportation (HART). For the fiscal year ended June 30, 2024, the amounts contributed by the State, the C&C, and HART were approximately \$172,800, \$447,400 and \$172,800, respectively.

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

**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**

To the Auditor
State of Hawaii

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 (*Government Auditing Standards*), the financial statements of the governmental activities and the special revenue fund of Oahu Metropolitan Planning Organization, State of Hawaii (OahuMPO), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise OahuMPO's basic financial statements, and have issued our report thereon dated January 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OahuMPO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OahuMPO'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 a 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 designed 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OahuMPO's financial statements are free from 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 financial statements. 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*.

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.

N + K CPAs, INC.

Honolulu, Hawaii
January 10, 2025

PART III

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Auditor
State of Hawaii

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Oahu Metropolitan Planning Organization, State of Hawaii's (OahuMPO) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of OahuMPO's major federal programs for the fiscal year ended June 30, 2024. OahuMPO's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, OahuMPO complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of OahuMPO and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of OahuMPO's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to OahuMPO's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on OahuMPO's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about OahuMPO's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding OahuMPO's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of OahuMPO's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of OahuMPO's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

N + K CPAs, INC.

Honolulu, Hawaii
January 10, 2025

PART IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2024**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(ies) identified?

☒ yes

☐ none reported

Noncompliance material to financial statements
noted?

☐ yes

☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(ies) identified?

☐ yes

☒ none reported

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

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

☐ yes

☒ no

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program

20.205

Highway Planning and Construction

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

\$750,000

Auditee qualified as a low-risk auditee?

☒ yes

☐ no

State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

Ref. <u>No.</u>	Internal Control Findings
2024-001	Improve Year-End Financial Close and Reporting Process (Significant Deficiency)
Criteria:	Management is responsible for the design, implementation, and operating effectiveness of policies and procedures over the year-end financial close and reporting process.
Condition:	During our audit, we noted that OahuMPO recognized approximately \$17,300 in expenditures for the fiscal year ended June 30, 2024 due to salary overpayments to an employee. An adjusting journal entry has been recorded by management to decrease expenditures and increase receivables by \$17,300 to correct the financial statements.
Cause:	The misstatement noted was the result of an oversight by management of OahuMPO.
Effect:	The ineffective design, implementation, or operation of policies and procedures over the year-end financial close and reporting process could result in material misstatements that are not prevented or detected by management when preparing OahuMPO's year-end financial statements in accordance with accounting principles generally accepted in the United States of America.

Recommendation

OahuMPO should improve the year-end financial close and reporting process in order to achieve reliable financial reporting. This includes the review and authorization of recurring and nonrecurring adjustments to the financial statements.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the finding and the recommendation. See Part V Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

None

PART V
CORRECTIVE ACTION PLAN



**OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2024**

Financial Statement Finding
2024-001 Improve Year-End Financial Close and Reporting Process

Contact Person

Joel Vincent, Accountant

View of Responsible Officials

Management agrees with the finding and recommendation.

Corrective Action Plan

Employees will email a copy of their EPAR to the Executive Director and copy the Office Manager. The Office Manager will coordinate with the HDOT Human Resources office to be certain payroll information entered on the EPAR for any changes in current employee status or any additional employees added to staff are correct.

Oahu MPO's Accountant will review monthly financial statements prior to and after any necessary adjustments have been made to check for accuracy and detect any necessary adjustments required prior to year-end financial close.

Anticipated Completion Date

January 2025

PART VI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



STATUS REPORT
Fiscal Year Ended June 30, 2024

This section contains the current status of prior audit recommendations. The recommendations are referenced to the pages of the previous audit report for the fiscal year ended June 30, 2023, dated March 4, 2024.

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number	Internal Control Findings	Status
2023-001	Maintain Accurate Leave Records (Significant Deficiency) - Page 45 Recommendation: Management should review approver access rights in HIP in order to maintain accurate leave records via HIP.	Accomplished.
2023-002	Recognition of Interest Income (Significant Deficiency) - Page 45 Recommendation: Management should develop policies and procedures to ensure that transactions are recognized in accordance with accounting principles generally accepted in the United States of America.	Accomplished.