

*State of Hawaii
Department of
Transportation—
Airports Division*

*Single Audit Report for the
Fiscal Year Ended June 30, 2006*

*Submitted by
The Auditor
State of Hawaii*

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION—AIRPORTS DIVISION**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Auditor
State of Hawaii:

We have audited the financial statements of the Airports Division, Department of Transportation, State of Hawaii ("Airports Division") as of and for the year ended June 30, 2006, and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Airports Division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airports Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Auditor, management of the Airports Division, and the Federal Aviation Administration, U.S. Department of Transportation, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 27, 2006

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO A MAJOR FEDERAL AWARD PROGRAM AND COMPLIANCE AND OTHER MATTERS AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Auditor
State of Hawaii:

Internal Control over Compliance

The management of the Airports Division, Department of Transportation, State of Hawaii ("Airports Division") is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Airports Division's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Compliance and Other Matters

We have audited the compliance of the Airports Division with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The Airports Division's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Airports Division's management. Our responsibility is to express an opinion on the Airports Division's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance

with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airports Division's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airports Division's compliance with those requirements.

In our opinion, the Airports Division complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Airports Division as of and for the year ended June 30, 2006, and have issued our report thereon dated November 27, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the Airports Division. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor, management of the Airports Division, and the Federal Aviation Administration, U. S. Department of Transportation, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 27, 2006

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION—AIRPORTS DIVISION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:		
Federal Aviation Administration—Airport Improvement Program:	20.106	
3-15-0000-01		\$ 1,512,942
3-15-0001-04		1,027,755
3-15-0003-04		638,978
3-15-0004-07		40,968
3-15-0004-12		4,720
3-15-0004-15		13,300
3-15-0004-16		51,163
3-15-0004-18		19,232
3-15-0004-19		1,014
3-15-0004-20		994,234
3-15-0004-22		899
3-15-0004-23		23,918
3-15-0005-53		3,119
3-15-0005-54		5,237
3-15-0005-55		4,038
3-15-0005-60		626,144
3-15-0005-61		438,856
3-15-0005-63		2,699,787
3-15-0005-64		173,388
3-15-0005-65		2,729
3-15-0005-67		498,750
3-15-0005-68		1,463,353
3-15-0005-70		152,883
3-15-0005-72		642,225
3-15-0005-73		473,235
3-15-0005-75		900,000
3-15-0005-76		59,867
3-15-0005-77		571,384
3-15-0005-79		1,028
3-15-0005-80		211,195
3-15-0005-82		1,341,964
3-15-0005-83		33,858
3-15-0005-85		1,424,541
3-15-0006-24		4,766,089
3-15-0006-26		4,721,642
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Subtotal (forward)		25,544,435

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**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION—AIRPORTS DIVISION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:		
Federal Aviation Administration—Airport Improvement Program:	20.106	
(Subtotal forwarded)		\$25,544,435
3-15-0006-33		501,991
3-15-0006-34		35,562
3-15-0006-35		4,922
3-15-0006-37		1,306
3-15-0006-38		38,437
3-15-0006-39		3,197
3-15-0008-22		549,392
3-15-0008-23		2,321
3-15-0008-24		1,874
3-15-0011-08		776,714
3-15-0011-11		11,663
3-15-0012-09		2,888
3-15-0013-21		2,847,383
3-15-0013-26		512,775
3-15-0013-29		797,253
3-15-0013-32		241
3-15-0013-33		51,081
3-15-0013-34		908
3-15-0014-02		413,265
3-15-0014-03		89,100
3-15-0014-05		586,186
3-15-0014-06		2,566
3-15-0014-07		2,566
DTFA08-02-C-50328		8,615
DTFA08-03-C-50370		<u>471,454</u>
TOTAL EXPENDITURES		<u>\$33,258,095</u>

See note to schedule of expenditures of federal awards.

(Concluded)

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION—AIRPORTS DIVISION**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Airports Division and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION—AIRPORTS DIVISION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006**

Part I—Summary of Auditors' Results

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No reportable condition in internal control over financial reporting was identified.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No reportable condition in internal control over compliance with requirements applicable to the major federal award program was identified.
5. The independent auditors' report on compliance with requirements applicable to the major federal award program expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The Airports Division's major program was CFDA 20.106, Federal Aviation Administration – Airport Improvement Program.
8. A threshold of \$997,743 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
9. The Airports Division did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II—Financial Statement Findings Section

No matters are reportable.

Part III—Federal Award Findings and Questioned Cost Section

No matters are reportable.

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