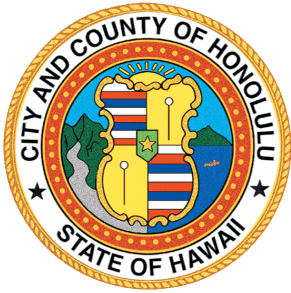




**Office of the City Auditor**



**City and County of  
Honolulu  
State of Hawai`i**

**Report to the Mayor  
and the  
City Council of Honolulu**

**City and County of Honolulu  
Public Transportation System  
Bus and Paratransit Operations**

**Financial Statements and Supplementary Schedules  
June 30, 2023 and 2022**

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Index**

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b>	
<b>Management’s Discussion and Analysis (Unaudited)</b> .....	4–8
<b>Financial Statements</b>	
Statements of Net Position	
June 30, 2023 and 2022.....	9
Statements of Revenues, Expenses, and Change in Net Position	
Years Ended June 30, 2023 and 2022 .....	10
Statements of Cash Flows	
Years Ended June 30, 2023 and 2022 .....	11
Notes to Financial Statements	
June 30, 2023 and 2022.....	12–21
<b>Supplementary Schedules</b>	
Combining Statement of Net Position	
June 30, 2023.....	22
Combining Statement of Net Position	
June 30, 2022.....	23
Combining Statement of Revenues, Expenses, and Change in Net Position	
Year Ended June 30, 2023.....	24
Combining Statement of Revenues, Expenses, and Change in Net Position	
Year Ended June 30, 2022.....	25



## Report of Independent Auditors

To the Chair and Members of the City Council  
City and County of Honolulu

### Opinion

We have audited the accompanying financial statements of the City and County of Honolulu, Public Transportation System – Bus and Paratransit Operations (“Bus and Paratransit Operations”), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the Index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bus and Paratransit Operations as of June 30, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Bus and Paratransit Operations, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bus and Paratransit Operations and do not purport to, and do not present fairly, the financial position of the City and County of Honolulu as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements


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

### Auditors’ Responsibilities for the Audits 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 auditors’ report that includes our opinion. 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 generally accepted 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.

999 Bishop Street  
Suite 2300  
Honolulu, HI 96813

**OFFICE** 808.531.3400  
**FAX** 808.531.3433  
accuityllp.com



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 audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 the Bus and Paratransit Operations' 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 the Bus and Paratransit Operations' 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 4 through 8 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 auditing standards generally accepted in the United States of America, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bus and Paratransit Operations' basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Accuity LLP*

Honolulu, Hawaii  
December 14, 2023

# City and County of Honolulu

## Public Transportation System – Bus and Paratransit Operations

### Management’s Discussion and Analysis (Unaudited)

#### June 30, 2023 and 2022

---

This section of the City and County of Honolulu, Public Transportation System – Bus and Paratransit Operations’ (“Bus and Paratransit Operations”) financial report presents the reader with an introduction and overview of the Bus and Paratransit Operations’ financial performance during the year ended June 30, 2023. Please read it in conjunction with the Bus and Paratransit Operations’ financial statements, which follow this section.

The City and County of Honolulu’s public transportation system plays a vital role in Hawaii’s economy as the primary means of public transportation on the island of Oahu. The Bus Operations unit (“TheBus”) provides regular bus services to the public, and the Paratransit Operations unit (“Handi-Van”) provides van transportation services for those people who cannot readily use the bus services.

#### Financial Highlights

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus infection (“COVID-19”) to be a global pandemic. The City and County of Honolulu deemed TheBus and Handi-Van to be essential services as they provide transportation for the public to meet essential needs.

It has been over three years since the start of the COVID-19 pandemic in March 2020 and the adverse impact on ridership continued to be felt throughout the year ended June 30, 2023. Although COVID-19 related restrictions have been lifted, rebound of ridership has been slow. Current ridership for TheBus and Handi-Van is at approximately 70% and 85%, respectively, of pre-pandemic levels. As of the year ended June 30, 2023, total ridership and total operating revenue increased by 12% and 32%, respectively, over the prior fiscal year, though compared to pre-pandemic averages, both remain down by 40% and 21%, respectively. Oahu Transit Services, Inc. (“OTS”) is optimistic that it will continue to rebound in a positive direction in the coming years but is unable to provide a timeline if and when ridership and revenue will achieve the pre-pandemic levels.

Other financial highlights for the years ended June 30, 2023 and 2022 are as follows:

- The Bus and Paratransit Operations’ net position decreased by \$22.1 million or 8.5% and increased by \$47.4 million or 22.5% during the years ended June 30, 2023 and 2022, respectively. The term “net position” refers to the difference between assets and deferred outflows of resources and liabilities.
- Operating revenues increased by \$11.0 million or 32.8% in fiscal year 2023 compared to an increase of \$7.1 million or 26.7% in fiscal year 2022.
- Transfers and contributions decreased by \$49.5 million or 16.0% in fiscal year 2023 compared to an increase of \$15.7 million or 5.3% in fiscal year 2022.
- Total expenses for the year ended June 30, 2023 increased by approximately \$31.2 million or 10.6% in fiscal year 2023 compared to an increase of \$9.8 million or 3.4% in fiscal year 2022.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to TheBus and Handi-Van’s financial statements, which is comprised of the basic financial statements, notes to the financial statements, and supplementary schedules.

The basic financial statements are designed to provide readers with a broad overview of TheBus and Handi-Van’s finances, in a manner similar to a private-sector business.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2023 and 2022**

---

The statements of net position present information of TheBus and Handi-Van’s assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TheBus and Handi-Van is improving or deteriorating. Net position increases when revenues and subsidies exceed expenses. Increases to assets, without a corresponding increase to liabilities, results in increased net position, which indicates an improved financial position.

The statements of revenues, expenses, and change in net position present information showing how TheBus and Handi-Van’s net position changed during the past two fiscal years. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital financing, and capital financing activities.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes to financial statements, this report also presents the combining statements of net position and operations for the separate balances and transactions for TheBus and Handi-Van as of and for the years ended June 30, 2023 and 2022.

**Financial Analysis**

A condensed summary of the Bus and Paratransit Operations’ net position at June 30, 2023, 2022 and 2021 is shown below:

**Table 1**  
**Condensed Statements of Net Position**  
(in thousands of dollars)

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 108,262	\$ 97,496	\$ 67,984
Restricted assets	4,437	2,774	2,028
Capital assets, net	<u>193,458</u>	<u>205,556</u>	<u>184,184</u>
Total assets	<u>306,157</u>	<u>305,826</u>	<u>254,196</u>
Deferred outflows of resources	<u>913</u>	<u>1,011</u>	<u>983</u>
Total assets and deferred outflows of resources	<u>307,070</u>	<u>306,837</u>	<u>255,179</u>
Current liabilities	22,283	16,491	14,166
Noncurrent liabilities	<u>48,295</u>	<u>31,770</u>	<u>29,865</u>
Total liabilities	<u>70,578</u>	<u>48,261</u>	<u>44,031</u>
Net position			
Net investment in capital assets	193,458	205,556	184,184
Unrestricted	<u>43,034</u>	<u>53,020</u>	<u>26,964</u>
Total net position	<u>\$ 236,492</u>	<u>\$ 258,576</u>	<u>\$ 211,148</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2023 and 2022**

---

The total assets and deferred outflows of resources exceed liabilities by approximately \$236.5 million, \$258.6 million and \$211.1 million at June 30, 2023, 2022 and 2021, respectively. Net position decreased by approximately \$22.1 million or 8.5% from June 30, 2022, and increased \$47.4 million or 22.5% from June 30, 2021. The largest portion of the Bus and Paratransit Operations’ net position represents its investment in capital assets (e.g., buses, paratransit vans, buildings, maintenance equipment, etc.). The Bus and Paratransit Operations use these capital assets to provide services to the users of the public transportation system; consequently, these assets are not available to liquidate liabilities or for future spending.

A summary of operations and change in net position for the years ended June 30, 2023, 2022 and 2021 follows:

**Table 2**  
**Condensed Statements of Revenues, Expenses, and Change in Net Position**  
(in thousands of dollars)

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Operating revenues	\$ 44,628	\$ 33,614	\$ 26,535
Nonoperating revenue	139	-	-
Total revenues	<u>44,767</u>	<u>33,614</u>	<u>26,535</u>
Depreciation	21,386	21,456	21,428
Other operating expenses	304,771	273,486	263,509
Nonoperating expenses	-	9	191
Total expenses	<u>326,157</u>	<u>294,951</u>	<u>285,128</u>
Loss before transfers and contributions	(281,390)	(261,337)	(258,593)
Transfers and contributions	<u>259,305</u>	<u>308,765</u>	<u>293,106</u>
Change in net position	<u>\$ (22,085)</u>	<u>\$ 47,428</u>	<u>\$ 34,513</u>

The change in net position is an indicator of whether the overall fiscal condition of the Bus and Paratransit Operations improved or declined during the fiscal year. The total net position may serve over time as a useful indicator of the Bus and Paratransit Operations’ financial position.



**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2023 and 2022**

---

**Capital Asset and Debt Administration**

As of June 30, 2023, the Bus and Paratransit Operations had \$193.5 million invested in capital assets as shown in Table 3. There was a net decrease (additions, deductions and depreciation) of approximately \$12.1 million or 5.9% for the year ended June 30, 2023 and a net increase of approximately \$21.4 million or 11.6% for the year ended June 30, 2022.

**Table 3**  
**Capital Assets**  
(in thousands of dollars)

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Buses	\$ 281,373	\$ 272,417	\$ 270,933
Buildings and improvements	85,744	85,744	85,744
Shop and office equipment	31,109	30,619	30,079
Paratransit vans	25,619	25,578	27,989
Automobiles and trucks	<u>3,158</u>	<u>3,256</u>	<u>3,277</u>
	427,003	417,614	418,022
Less: Accumulated depreciation	<u>287,691</u>	<u>294,589</u>	<u>288,308</u>
	139,312	123,025	129,714
Land	53,985	53,985	53,985
Construction in progress	<u>161</u>	<u>28,546</u>	<u>485</u>
	<u>\$ 193,458</u>	<u>\$ 205,556</u>	<u>\$ 184,184</u>

Major capital asset additions and disposals to the public transportation system for the year ended June 30, 2023 included the following:

- Acquisition of 14 diesel buses for \$8.4 million.
- Disposal of older buses, paratransit vans, automobiles, trucks, and equipment with an original cost of \$28.3 million.

Major capital asset additions and disposals to the public transportation system for the year ended June 30, 2022 included the following:

- Disposal of older buses, paratransit vans, automobiles, trucks and equipment with an original cost of \$15.2 million.
- Acquisition of 45 buses for \$42.7 million, of which 31 diesel buses for \$28.5 million were included in construction in progress in fiscal year 2022 and placed into service during fiscal year 2023.

**Currently Known Facts, Decisions or Conditions**

OTS manages, operates and maintains the Bus and Paratransit Operations on behalf of the City and County of Honolulu. The management agreement between the City and County of Honolulu and OTS provides for the payment of \$117,130 per quarter beginning with the quarter ended September 30, 2010 until a new management and operations agreement is executed. Efforts to update and renew the agreement have been ongoing with no significant progress. The agreement allows parties to arbitrate disputes through a form of alternative dispute

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2023 and 2022**

---

resolution to resolve stalemate in negotiation. Currently, OTS is uncertain when a new management agreement will be in place.

The collective bargaining agreement between OTS, for its bus operations, and the Hawaii Teamsters and Allied Workers Union, Local 996, is effective from July 1, 2018 through June 2025.

The collective bargaining agreement between OTS, for its paratransit operations, and the Hawaii Teamsters and Allied Workers Union, Local 996, is effective from April 1, 2022 through March 31, 2030.

In 2020, the City and County of Honolulu awarded the HOLO Card service manager contract to Ulu Hi-Tech. The contract also awarded work to subcontractor, Poukihi, who is responsible for HOLO financial accounting and reconciliation services. It is the City’s responsibility to oversee its contractor and subcontractor to ensure accurate and timely reporting of HOLO fare revenues. Effective July 1, 2021, paper passes were no longer available as the City fully transitioned to the HOLO electronic fare card system. HOLO cards can be loaded with money to pay for fares on TheBus and the Handi-Van.

On June 30, 2023, Phase I of the Honolulu rail transit system (“Skyline”) opened, with service from east Kapolei to Aloha Stadium. Rail integration service plans were implemented and OTS expanded on its bus services to accommodate rail riders and get them to their final destination. Riders are able to use their HOLO cards to board both TheBus and Skyline, for the same fare structure.

**Request for Information**

The financial report is designed to provide a general overview of the Bus and Paratransit Operations’ finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the City and County of Honolulu, Department of Transportation Services; 711 Kapiolani Boulevard, Suite 1600; Honolulu, Hawaii 96813.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Statements of Net Position**  
**June 30, 2023 and 2022**

---

	<b>2023</b>	<b>2022</b>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash and cash equivalents	\$ 93,030,042	\$ 81,290,359
Accounts receivable	2,785,774	2,547,172
Advance to Oahu Transit Services, Inc. for accrued expenses	-	962,009
Parts, supplies and fuel inventories	<u>12,446,503</u>	<u>12,695,883</u>
Total current assets	108,262,319	97,495,423
Restricted assets held by Oahu Transit Services, Inc.	4,437,126	2,773,902
Capital assets, net	<u>193,457,642</u>	<u>205,556,371</u>
Total assets	<u>306,157,087</u>	<u>305,825,696</u>
Deferred outflows of resources		
Deferred outflows on asset retirement obligation	<u>912,639</u>	<u>1,011,456</u>
Total assets and deferred outflows of resources	<u>\$ 307,069,726</u>	<u>\$ 306,837,152</u>
<b>Liabilities and Net Position</b>		
Current liabilities		
Payable to Oahu Transit Services, Inc. for accrued expenses	\$ 3,698,943	\$ -
Unearned revenue	2,293,076	2,449,508
Reserve for insurance claims payable	<u>16,290,576</u>	<u>14,041,627</u>
Total current liabilities	22,282,595	16,491,135
Asset retirement obligation	6,406,268	6,274,504
Reserve for insurance claims payable, noncurrent	<u>41,889,158</u>	<u>25,495,260</u>
Total liabilities	<u>70,578,021</u>	<u>48,260,899</u>
Commitments and contingencies		
Net position		
Net investment in capital assets	193,457,642	205,556,371
Unrestricted	<u>43,034,063</u>	<u>53,019,882</u>
Total net position	<u>236,491,705</u>	<u>258,576,253</u>
Total liabilities and net position	<u>\$ 307,069,726</u>	<u>\$ 306,837,152</u>

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

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Statements of Revenues, Expenses, and Change in Net Position**  
**Years Ended June 30, 2023 and 2022**

---

	<b>2023</b>	<b>2022</b>
<b>Operating revenues</b>		
Passenger fares for transit services	\$ 44,188,099	\$ 33,330,236
Nontransportation revenue	<u>440,256</u>	<u>283,671</u>
Total operating revenues	<u>44,628,355</u>	<u>33,613,907</u>
<b>Operating expenses</b>		
Contract services	213,338,558	204,387,340
Insurance	37,289,585	23,130,711
Fuel and lubricants	22,763,082	17,994,890
Depreciation	21,385,537	21,456,058
Materials and supplies	15,602,857	14,217,382
Outside services	9,042,071	7,832,823
Utilities, rentals and others	3,513,801	2,979,380
State fuel taxes	<u>3,221,236</u>	<u>2,943,903</u>
Total operating expenses	<u>326,156,727</u>	<u>294,942,487</u>
Loss from operations	(281,528,372)	(261,328,580)
<b>Nonoperating income (expense)</b>		
Noncapital contributions	112,554,784	112,554,784
Gain (loss) on disposal of equipment and parts	<u>138,972</u>	<u>(8,681)</u>
Total nonoperating income, net	<u>112,693,756</u>	<u>112,546,103</u>
Loss before transfers and capital contributions	(168,834,616)	(148,782,477)
<b>Transfers</b>	138,118,879	153,494,819
<b>Capital contributions</b>	<u>8,631,189</u>	<u>42,715,569</u>
Change in net position	(22,084,548)	47,427,911
<b>Net position</b>		
Beginning of year	<u>258,576,253</u>	<u>211,148,342</u>
End of year	<u>\$ 236,491,705</u>	<u>\$ 258,576,253</u>

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

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

---

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Cash received from passengers	\$ 43,793,065	\$ 33,183,519
Cash paid to suppliers	(168,313,871)	(162,009,661)
Cash paid to reimburse OTS for its employees	(112,094,331)	(107,080,420)
Net cash used in operating activities	<u>(236,615,137)</u>	<u>(235,906,562)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers and noncapital contributions	<u>250,673,663</u>	<u>266,049,603</u>
Net cash provided by noncapital financing activities	<u>250,673,663</u>	<u>266,049,603</u>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	<u>(655,619)</u>	<u>(112,413)</u>
Net cash used in capital and related financing activities	<u>(655,619)</u>	<u>(112,413)</u>
Net increase in cash and cash equivalents	13,402,907	30,030,628
<b>Cash and cash equivalents</b>		
Beginning of year	<u>84,064,261</u>	<u>54,033,633</u>
End of year (including \$4,437,126 and \$2,773,902 of cash and cash equivalents in restricted assets in 2023 and 2022, respectively)	<u>\$ 97,467,168</u>	<u>\$ 84,064,261</u>
 <b>Reconciliation of loss from operations to net cash used in operating activities</b>		
Loss from operations	\$ (281,528,372)	\$ (261,328,580)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	21,385,537	21,456,058
Gain (loss) on disposal of equipment and parts	138,972	(8,681)
Changes in assets and liabilities		
Accounts receivable	(238,602)	(923,314)
Advance/payable to Oahu Transit Services, Inc.	4,660,952	1,127,484
Parts, supplies, fuel inventories, and other current assets	249,380	(430,778)
Deferred outflows on asset retirement obligation	98,817	(28,811)
Unearned revenue	(156,432)	776,597
Asset retirement obligation	131,764	399,496
Reserve for insurance claims payable	18,642,847	3,053,967
Net cash used in operating activities	<u>\$ (236,615,137)</u>	<u>\$ (235,906,562)</u>
 <b>Supplemental disclosure of noncash capital and related financing activities</b>		
Contribution of capital assets from the City and County of Honolulu	\$ 8,631,189	\$ 42,715,569

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

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

**1. Financial Reporting Entity**

The Department of Transportation Services of the City and County of Honolulu (“City”) oversees the operations of the City bus and paratransit systems. As discussed in Note 3, the City selected Oahu Transit Services, Inc. (“OTS”), a nonprofit organization, to manage, operate and maintain the City bus and paratransit systems on behalf of the City. The accompanying financial statements present only the accounts maintained by OTS in managing the City’s Public Transportation System – Bus and Paratransit Operations (“Bus and Paratransit Operations”). Such accounts are included as part of the City’s Public Transportation System’s proprietary fund. The accompanying financial statements are not intended to present fairly the financial position of the City, and the changes in its financial position and cash flows of its proprietary funds, in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Chapter 13 of the Revised Ordinance of the City effectuated the formation of OTS to serve as the transit management services contractor. OTS’s Board of Directors (the “Board”) selects new members to fill vacancies on the Board, subject to City approval. The City may remove any director when the City determines that the removal is required to fulfill the best interest of the bus and paratransit systems. As a result, OTS is reported as a discretely-presented component unit of the City.

The collective bargaining agreement between OTS, for its Bus operations, and the Hawaii Teamsters and Allied Workers Union, Local 996 (the “Union”), covers the period July 1, 2018 through June 30, 2025. The collective bargaining agreement between OTS, for its paratransit operations, and the Hawaii Teamsters and Allied Workers Union, Local 996, is effective from April 1, 2022 through March 31, 2030.

**2. Summary of Significant Accounting Policies**

The accounting policies of the Bus and Paratransit Operations conform to GAAP as applicable to enterprise activities of governmental units as promulgated by the Governmental Accounting Standards Board (“GASB”).

**Basis of Accounting**

The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the City’s bus and paratransit systems. The principal operating revenues are from charges for passenger fares, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

**Cash and Cash Equivalents**

The Bus and Paratransit Operations consider all cash on hand, demand deposits, and short-term investments (including restricted assets) with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**Accounts Receivable**

Accounts receivable consist primarily of amounts due from third parties who purchase transportation services. Accounts are written off when it is determined, after considering economic conditions, business conditions, and collection efforts, that the accounts are uncollectible. Management considers all accounts receivable as of June 30, 2023 and 2022 to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

**Parts, Supplies and Fuel Inventories**

Inventory of parts, supplies and fuel are stated at weighted average cost. Inventories are written off when management determines that such items are obsolete or unusable.

**Capital Assets**

Capital assets include all land, buildings, equipment, right-to-use lease assets, and other elements of the Bus and Paratransit Operations’ infrastructure. Capital assets with an initial, individual cost of \$5,000 or more for equipment and \$100,000 for buildings, structures and infrastructure, and an estimated life of more than one year are capitalized. All acquired property and equipment are recorded at cost. Those assets transferred to the Bus and Paratransit Operations from the various departments or agencies of the City are recorded at the net book value at date of transfer. Upon retirement or disposal of capital assets, the remaining net book value is charged to operations.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives of the assets:

	<b>Years</b>
Buildings and improvements	30 – 40
Buses	7 – 12
Paratransit vans	5
All other assets	5 – 15

**Leases**

The lease liability and an intangible right-to-use lease asset is recorded for any Bus and Paratransit Operations’ lease assets. The Bus and Paratransit Operations has a policy to record lease liability with individual values of \$5,000 or more and a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying assets are not included in the measurement of the lease liability. Lease assets are amortized over the lease term or the life of the asset, whichever is less.

**Subscription-Based Information Technology Arrangements**

The subscription liability and an intangible right-to-use lease asset is recorded for any Bus and Paratransit Operations’ subscription assets. The Bus and Paratransit Operations has a policy to record subscription liability with individual values of \$5,000 or more and a subscription term greater than one year. Variable payments based on future performance of the vendee or usage of the underlying information technology

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

("IT") assets are not included in the measurement of the subscription liability. Subscription assets are amortized over the subscription term or the life of underlying IT asset, whichever is less.

**Unearned Revenue**

The Bus and Paratransit Operations has implemented a prepaid or stored value smart card system called the Holo Card program. A Holo Card holder uses the card to pay for fares on the bus and paratransit systems. Cash received upon purchase of the Holo Card's stored value is recorded as unearned revenue. When the Holo Card holder utilizes the card to pay the ride fare, unearned revenue is recognized as revenue.

**Net Position**

Net position comprises the various net earnings (loss) from operating and nonoperating revenues, expenses, transfers and contributions. Net position is classified in the following components: net investment in capital assets and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Unrestricted net position consists of all other net position not categorized as net investment in capital assets.

When both restricted and unrestricted resources are available for use, generally, it is management's policy to use restricted resources first, then unrestricted resources as they are needed.

**Risk Management**

The Bus and Paratransit Operations are 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 financial statements and the amount of the loss is reasonably estimable.

For the prior and current fiscal years, the City maintained risk property insurance covering all real and personal property of the City, including the structures, equipment, inventory, rolling stock (while in storage), and licensed vehicles while garaged at insured premises owned by the City and provided to OTS to operate and manage the transit system for the City. This master policy provided \$300 million in blanket limits, subject to a general deductible of \$75,000, and various deductibles for the perils of earthquake, flood and named windstorms.

**Revenue and Expenses**

Revenue collected by OTS, except for management fees, is the property of the City and is remitted to a depository controlled by the City. Generally, OTS is reimbursed by the City for all expenses paid by OTS in managing and operating the bus and paratransit systems. Operating revenues and expenses generally result from providing services in connection with the operations of the bus and paratransit systems. The principal operating revenues are from bus and paratransit fares, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Transfers**

The City provides assistance to fund the Bus and Paratransit Operations and OTS through transfers. The source of such funding is subject to the availability of appropriations from the City Council, City and County of Honolulu.



**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

**Contributions**

Contributions from the City for capital assets (primarily buses and vans) and operating subsidies that were funded by federal and local grants are recognized as income when the assets or resources are received.

**Risks and Uncertainties**

Although the restrictions mandated by the State of Hawai'i and City and County of Honolulu in response to the outbreak of the COVID-19 viral infection have been lifted, the operations of the Bus and Paratransit Operations have continued to be adversely affected. The full impact on the operations of the Bus and Paratransit Operations of the COVID-19 outbreak continues to evolve as of the date of this report.

**Reclassifications**

Certain balances in the 2022 financial statements have been reclassified to conform with the 2023 presentation. Those reclassifications had no effect on net position as previously reported.

**New Accounting Pronouncements**

***GASB Statement No. 94***

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to set forth guidance for reporting of public-private and public-public partnership arrangements ("PPPs") and availability payment arrangements. PPPs are partnerships between the government as transferor and another governmental or nongovernmental entity as operator to provide public services while conveying right to operate or use the underlying PPP asset. This provision provides guidance on whether to account for a contract by using this provision's service-concession agreement ("SCA") method or non-SCA, PPP method, or by using Statement No. 87, *Leases*. The Bus and Paratransit Operations adopted GASB Statement No. 94 effective July 1, 2022. The adoption of this Statement did not have a material impact on the Bus and Paratransit Operations' financial statements.

***GASB Statement No. 96***

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this Statement are to define subscription-based information technology arrangements ("SBITA") and establish a model for accounting and reporting in line with Statement No. 87, *Leases*. A SBITA is a contract that conveys the right to use a SBITA vendor's software alone or with underlying IT assets for a period of time in an exchange transaction. Under this Statement, the government is required to recognize a subscription liability and an intangible right-to-use subscription asset, thus enhancing the relevance and consistency of information reported about the government's subscription activities. The Bus and Paratransit Operations adopted GASB Statement No. 96 effective July 1, 2022. The adoption of this Statement did not have a material impact on the Bus and Paratransit Operations' financial statements.

***GASB Statement No. 99***

The GASB issued Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this Statement are effective upon issuance, while other requirements are effective for periods beginning after June 15, 2022, and periods beginning after June 15, 2023. The Bus and Paratransit Operations adopted the applicable requirements under GASB Statement No. 99, effective July 1, 2022. The adoption of the

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

applicable requirements did not have a material impact on the Bus and Paratransit Operations' financial statements. Management has not yet determined the effect of the requirements effective for periods beginning after June 15, 2023 will have on its financial statements.

***GASB Statement No. 100***

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. This Statement is effective for fiscal years beginning after June 15, 2023. Management has not yet determined the effect this Statement will have on its financial statements.

***GASB Statement No. 101***

The GASB issued Statement No. 101, *Compensated Absences*. This statement aims to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for fiscal years beginning after December 15, 2023. Management has not yet determined the effect this Statement will have on its financial statements.

**3. Management and Operations Agreement**

OTS has an agreement with the City to manage the City bus system and the City special transit service ("Paratransit"). OTS provides the employees to operate and manage the bus and paratransit systems. Under the agreement, the City reimburses OTS for operating expenses paid for salaries and wages, employee benefits (including vacation, sick leave, and employee benefit plan costs), professional and consulting fees, materials, supplies and services, and all other operating expenses attributable to the bus and paratransit systems. Contract services reported on the statements of revenues, expenses, and change in net position include reimbursements paid to OTS for labor and fringe benefits. The agreement provided for the City to pay OTS an annual management fee of approximately \$650,000 and \$548,000 for the years ended June 30, 2023 and 2022, respectively. The current agreement with the City provides for the City to pay OTS approximately \$117,000 per quarter beginning with the quarter ended September 30, 2010, until a new management and operations agreement is executed. The current agreement was amended for the City to pay OTS an additional \$181,000 and \$79,000 for the years ended June 30, 2023 and 2022, respectively.

In accordance with the aforementioned agreement with OTS and governing ordinances, management believed that the City and the Bus and Paratransit Operations are liable only for reimbursable employee benefit costs approved by the City's annual budgeting process. Accordingly, the City's and the Bus and Paratransit Operations' 2023 and 2022 financial statements only include costs related to employee benefits which are currently reimbursable. Any long-term liabilities related to OTS's employee benefits have not been recorded in the accompanying financial statements. If the agreement with OTS is cancelled, the City may have a contingent liability related to OTS's long-term employee benefits. However, the City has no plans to do so; therefore, the City and the Bus and Paratransit Operations have not recorded a contingent liability.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

**4. Cash and Investments**

The cash balances reported in the accompanying statements of net position are included in the City’s cash and investment pool. Specific information pertaining to bank and invested balances, classification of credit risk, and interest rate risk is available for only the total cash and investment pool. The risk and fair value disclosures related to the City’s investment pool are included in the City’s Annual Comprehensive Financial Report (“ACFR”), which may be obtained from the Department of Budget and Fiscal Services website: <https://www.honolulu.gov/budget/budget-acfr.html>.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations and other states, cities and counties, mutual funds, and bank repurchase agreements. Investments in repurchase agreements are primarily U.S. government and federal agency securities. The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations avoiding the need to sell securities on the open market prior to maturity. This practice decreases the City’s exposure to risk caused by fluctuation of interest rates.

**5. Restricted Assets Held by OTS**

OTS, the trustor, maintains trust funds for the purpose of maintaining adequate funds for expenses incurred through the City’s workers’ compensation, general and automotive liability self-insurance programs. Pursuant to the trust agreement, the trustee is required to invest the funds in either interest-bearing bonds, notes or obligations of the United States. All income realized from the investments reverts to the trust fund. Upon termination of the trust fund, all assets of the trust fund will be distributed to the City subject to certain limitations as described in the trust agreement. Payments for self-insured workers’ compensation, general and automotive liability claims are made from the trust fund subject to certain limitations as described in the trust agreement.

At June 30, 2023 and 2022, the restricted assets held by OTS consisted of cash and cash equivalents that were uninsured and uncollateralized.

Restricted assets as of June 30, 2023 and 2022 consisted of the following:

	<b>2023</b>	<b>2022</b>
Cash	\$ 376,292	\$ 432,606
Money market mutual fund	<u>4,060,834</u>	<u>2,341,296</u>
	<u>\$ 4,437,126</u>	<u>\$ 2,773,902</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**6. Capital Assets**

The changes in capital assets were as follows:

	<b>Balance</b> <b>July 1, 2022</b>	<b>Additions</b>	<b>Retirements/ Transfers</b>	<b>Balance</b> <b>June 30, 2023</b>
Buses	\$ 272,416,818	\$ 36,959,223	\$ (28,003,435)	\$ 281,372,606
Buildings and improvements	85,744,323	-	-	85,744,323
Shop and office equipment	30,619,282	564,011	(74,244)	31,109,049
Paratransit vans	25,578,067	149,377	(108,081)	25,619,363
Automobiles and trucks	<u>3,255,379</u>	<u>19,985</u>	<u>(117,655)</u>	<u>3,157,709</u>
	417,613,869	37,692,596	(28,303,415)	427,003,050
Less: Accumulated depreciation	<u>(294,589,201)</u>	<u>(21,385,537)</u>	<u>28,283,429</u>	<u>(287,691,309)</u>
	123,024,668	16,307,059	(19,986)	139,311,741
Land	53,985,443	-	-	53,985,443
Construction in progress	<u>28,546,260</u>	<u>160,458</u>	<u>(28,546,260)</u>	<u>160,458</u>
Capital assets, net	<u>\$ 205,556,371</u>	<u>\$ 16,467,517</u>	<u>\$ (28,566,246)</u>	<u>\$ 193,457,642</u>

	<b>Balance</b> <b>July 1, 2021</b>	<b>Additions</b>	<b>Retirements/ Transfers</b>	<b>Balance</b> <b>June 30, 2022</b>
Buses	\$ 270,932,942	\$ 14,169,310	\$ (12,685,434)	\$ 272,416,818
Buildings and improvements	85,744,323	-	-	85,744,323
Shop and office equipment	30,078,678	597,195	(56,591)	30,619,282
Paratransit vans	27,989,229	-	(2,411,162)	25,578,067
Automobiles and trucks	<u>3,276,697</u>	<u>-</u>	<u>(21,318)</u>	<u>3,255,379</u>
	418,021,869	14,766,505	(15,174,505)	417,613,869
Less: Accumulated depreciation	<u>(288,307,648)</u>	<u>(21,456,058)</u>	<u>15,174,505</u>	<u>(294,589,201)</u>
	129,714,221	(6,689,553)	-	123,024,668
Land	53,985,443	-	-	53,985,443
Construction in progress	<u>484,783</u>	<u>28,643,725</u>	<u>(582,248)</u>	<u>28,546,260</u>
Capital assets, net	<u>\$ 184,184,447</u>	<u>\$ 21,954,172</u>	<u>\$ (582,248)</u>	<u>\$ 205,556,371</u>

Depreciation expense approximated \$21,386,000 and \$21,456,000 for the years ended June 30, 2023 and 2022, respectively.

**7. Leases**

On June 1, 2016, TheBus and Paratransit entered into a lease agreement with Michelin North America, Inc. (“Michelin”), for the use of tires in the Bus and Paratransit Operations for a 60-month period. On June 1, 2021, TheBus and Paratransit amended its Michelin agreement extending the term of the lease through May 30, 2024. Additionally, in September 2021, TheBus and Paratransit entered into a lease agreement with Bridgestone Americas Tire Operations, LLC (“Bridgestone”), for the use of tires in the Bus and Paratransit Operations. The term of the Bridgestone contract is for a 60-month period that ends on September 30, 2026. Monthly payments for both lease agreements are variable based on monthly mileage reports submitted to Michelin and Bridgestone by OTS personnel. The variable monthly lease payments were not included in the initial measurement of a lease liability, which had no impact on the

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

Bus and Paratransit Operations’ financial statements. Variable lease expenses approximated \$1,049,000 and \$1,221,000 for the years ended June 30, 2023 and 2022, respectively.

**8. Asset Retirement Obligations**

The Public Transportation System accounts for certain costs associated with the future dismantling and removal of underground storage tanks (“tanks”) in accordance with GAAP. The act of placing the tanks into operation required the Public Transportation System to recognize a liability and corresponding deferred outflow of resources equal to the estimated current cost of activities that state law requires the City to perform upon future retirement of the tanks. The tanks currently have estimated remaining lives ranging from three years to nine years.

The amounts reported as a liability and deferred outflow of resources at June 30, 2023 and 2022 were determined based on probability-weighted engineering estimates of what it would cost to perform all dismantling and removal tasks. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The changes in asset retirement obligations for the years ended June 30, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
<b>Balance at beginning of year</b>	\$ 6,274,504	\$ 5,875,008
Liabilities incurred	<u>131,764</u>	<u>399,496</u>
<b>Balance at end of year</b>	<u>\$ 6,406,268</u>	<u>\$ 6,274,504</u>

As of June 30, 2023, management has no plans to dismantle and remove the underground storage tanks and accordingly, no settlement of all or part of the asset retirement obligation is currently expected to take place.

**9. Reserve for Insurance Claims Payable**

The City sponsors an automotive and general liability self-insurance program for OTS. This self-insurance program is for claims up to \$3 million effective July 1, 2021. The City also has a workers’ compensation self-insurance program, which covers OTS claims up to \$1 million per occurrence effective July 1, 2002. OTS has obtained excess insurance coverage for general liability and automotive claims and workers’ compensation through various insurance companies for amounts in excess of claims covered under the two self-insurance programs.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

The amounts payable for claims incurred and claims incurred but not reported for the years ended June 30, 2023 and 2022 were as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>July 1, 2022</b>	<b>Incurred</b>	<b>Payments</b>	<b>June 30, 2023</b>	<b>Due Within</b>
					<b>One Year</b>
Automotive and general liability	\$ 7,958,911	\$ 9,041,594	\$ (2,132,962)	\$ 14,867,543	\$ 3,373,282
Workers' compensation	<u>31,577,976</u>	<u>28,293,380</u>	<u>(16,559,165)</u>	<u>43,312,191</u>	<u>12,917,294</u>
Reserve for insurance claims payable	<u>\$ 39,536,887</u>	<u>\$ 37,334,974</u>	<u>\$ (18,692,127)</u>	<u>\$ 58,179,734</u>	<u>\$ 16,290,576</u>

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>July 1, 2021</b>	<b>Incurred</b>	<b>Payments</b>	<b>June 30, 2022</b>	<b>Due Within</b>
					<b>One Year</b>
Automotive and general liability	\$ 6,784,443	\$ 3,014,139	\$ (1,839,671)	\$ 7,958,911	\$ 3,426,483
Workers' compensation	<u>29,698,477</u>	<u>15,680,677</u>	<u>(13,801,178)</u>	<u>31,577,976</u>	<u>10,615,144</u>
Reserve for insurance claims payable	<u>\$ 36,482,920</u>	<u>\$ 18,694,816</u>	<u>\$ (15,640,849)</u>	<u>\$ 39,536,887</u>	<u>\$ 14,041,627</u>

The workers' compensation loss and allocated loss adjustment expense ("ALAE") reserve as of June 30, 2023 for accidents occurring from March 1, 1998 to June 30, 2023 is estimated to be \$43.3 million on an undiscounted basis and \$33.2 million on a discounted basis (discounted at 4.5%). The automotive and general liability loss and ALAE reserve as of June 30, 2023 for accidents occurring from January 1, 2000 through June 30, 2023 is estimated to be \$14.9 million on an undiscounted basis and \$13.5 million on a discounted basis (discounted at 4.5%). The actuarially determined reserve estimates are based on data, net of subrogation and salvage and net of excess insurance. They include the third-party administrator fee for workers' compensation.

Determination of a reserve amount for workers' compensation and automotive liability claims is a significant estimate. It is reasonably possible that one or more future events could result in material change in the estimated claim losses in the near term.

**10. Transfers and Contributions**

The Bus and Paratransit Operations receive significant support for operations from the City and the Federal Transit Administration ("FTA"). Transfers from the City totaled approximately \$138.1 million and \$153.5 million for the years ended June 30, 2023 and 2022, respectively. In addition, capital and noncapital contributions for the years ended June 30, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Federal capital contributions	\$ 6,849,872	\$ 22,837,008
City capital contributions	<u>1,781,317</u>	<u>19,878,561</u>
Total capital contributions	<u>\$ 8,631,189</u>	<u>\$ 42,715,569</u>
FTA preventative maintenance funds	\$ -	\$ 21,000,000
Other federal non-operating revenues	<u>112,554,784</u>	<u>91,554,784</u>
Noncapital contributions	<u>\$ 112,554,784</u>	<u>\$ 112,554,784</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

---

**11. Litigation**

OTS and the City are involved in various lawsuits arising from the normal operations of the City Bus and Paratransit Operations. Claims for punitive damages related to certain lawsuits may not be covered by insurance. As provided in the management agreement with the City, the City indemnifies OTS from any and all claims made against OTS and the City for legal liability, damages and injuries where such claims are reasonably related to the providing of mass transportation services.

## **Supplementary Schedules**



**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Combining Statement of Net Position**  
**June 30, 2023**

	<b>Bus Operations</b>	<b>Paratransit Operations</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and cash equivalents	\$ 93,030,042	\$ -	\$ -	\$ 93,030,042
Accounts receivable	2,753,675	32,099	-	2,785,774
Parts, supplies and fuel inventories	12,016,254	430,249	-	12,446,503
Inter-unit receivables	<u>57,017,495</u>	<u>1,142,308</u>	<u>(58,159,803)</u>	<u>-</u>
Total current assets	164,817,466	1,604,656	(58,159,803)	108,262,319
Restricted assets held by Oahu Transit Services, Inc.	4,437,126	-	-	4,437,126
Capital assets, net	<u>176,871,691</u>	<u>16,585,951</u>	<u>-</u>	<u>193,457,642</u>
Total assets	<u>346,126,283</u>	<u>18,190,607</u>	<u>(58,159,803)</u>	<u>306,157,087</u>
Deferred outflows of resources				
Deferred outflows on asset retirement obligation	<u>912,639</u>	<u>-</u>	<u>-</u>	<u>912,639</u>
Total assets and deferred outflows of resources	<u>\$ 347,038,922</u>	<u>\$ 18,190,607</u>	<u>\$ (58,159,803)</u>	<u>\$ 307,069,726</u>
	<b>Bus Operations</b>	<b>Paratransit Operations</b>	<b>Eliminations</b>	<b>Total</b>
<b>Liabilities and Net Position</b>				
Current liabilities				
Payable to Oahu Transit Services, Inc. for accrued expenses	\$ 3,698,943	\$ -	\$ -	\$ 3,698,943
Inter-unit payables	1,142,308	57,017,495	(58,159,803)	-
Unearned revenue	2,293,076	-	-	2,293,076
Reserve for insurance claims payable	<u>16,290,576</u>	<u>-</u>	<u>-</u>	<u>16,290,576</u>
Total current liabilities	23,424,903	57,017,495	(58,159,803)	22,282,595
Asset retirement obligation	6,406,268	-	-	6,406,268
Reserve for insurance claims payable, noncurrent	<u>41,889,158</u>	<u>-</u>	<u>-</u>	<u>41,889,158</u>
Total liabilities	71,720,329	57,017,495	(58,159,803)	70,578,021
Net position				
Net investment in capital assets	176,871,691	16,585,951	-	193,457,642
Unrestricted	<u>98,446,902</u>	<u>(55,412,839)</u>	<u>-</u>	<u>43,034,063</u>
Total net position	<u>275,318,593</u>	<u>(38,826,888)</u>	<u>-</u>	<u>236,491,705</u>
Total liabilities and net position	<u>\$ 347,038,922</u>	<u>\$ 18,190,607</u>	<u>\$ (58,159,803)</u>	<u>\$ 307,069,726</u>

See accompanying report of independent auditors.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Combining Statement of Net Position**  
**June 30, 2022**

	Bus Operations	Paratransit Operations	Eliminations	Total
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and cash equivalents	\$ 81,289,759	\$ 600	\$ -	\$ 81,290,359
Accounts receivable	2,525,231	21,941	-	2,547,172
Advance to Oahu Transit Services, Inc. for accrued expenses	962,009	-	-	962,009
Parts, supplies and fuel inventories	12,274,206	421,677	-	12,695,883
Inter-unit receivables	<u>52,516,530</u>	<u>-</u>	<u>(52,516,530)</u>	<u>-</u>
Total current assets	149,567,735	444,218	(52,516,530)	97,495,423
Restricted assets held by Oahu Transit Services, Inc.	2,773,902	-	-	2,773,902
Capital assets, net	<u>185,585,328</u>	<u>19,971,043</u>	<u>-</u>	<u>205,556,371</u>
Total assets	<u>337,926,965</u>	<u>20,415,261</u>	<u>(52,516,530)</u>	<u>305,825,696</u>
Deferred outflows of resources				
Deferred outflows on asset retirement obligation	<u>1,011,456</u>	<u>-</u>	<u>-</u>	<u>1,011,456</u>
Total assets and deferred outflows				
Total assets and deferred outflows of resources	<u>\$ 338,938,421</u>	<u>\$ 20,415,261</u>	<u>\$ (52,516,530)</u>	<u>\$ 306,837,152</u>
	Bus Operations	Paratransit Operations	Eliminations	Total
<b>Liabilities and Net Position</b>				
Current liabilities				
Inter-unit payables	\$ -	\$ 52,516,530	\$ (52,516,530)	\$ -
Unearned revenue	2,449,508	-	-	2,449,508
Reserve for insurance claims payable	<u>14,041,627</u>	<u>-</u>	<u>-</u>	<u>14,041,627</u>
Total current liabilities	16,491,135	52,516,530	(52,516,530)	16,491,135
Asset retirement obligation	6,274,504	-	-	6,274,504
Reserve for insurance claims payable, noncurrent	<u>25,495,260</u>	<u>-</u>	<u>-</u>	<u>25,495,260</u>
Total liabilities	48,260,899	52,516,530	(52,516,530)	48,260,899
Net position				
Net investment in capital assets	185,585,328	19,971,043	-	205,556,371
Unrestricted	<u>105,092,194</u>	<u>(52,072,312)</u>	<u>-</u>	<u>53,019,882</u>
Total net position	<u>290,677,522</u>	<u>(32,101,269)</u>	<u>-</u>	<u>258,576,253</u>
Total liabilities and net position	<u>\$ 338,938,421</u>	<u>\$ 20,415,261</u>	<u>\$ (52,516,530)</u>	<u>\$ 306,837,152</u>

See accompanying report of independent auditors.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Combining Statement of Revenues, Expenses,**  
**and Change in Net Position**  
**Year Ended June 30, 2023**

	<b>Bus Operations</b>	<b>Paratransit Operations</b>	<b>Total</b>
<b>Operating revenues</b>			
Passenger fares for transit services	\$ 42,289,763	\$ 1,898,336	\$ 44,188,099
Nontransportation revenue	396,458	43,798	440,256
Total operating revenues	<u>42,686,221</u>	<u>1,942,134</u>	<u>44,628,355</u>
<b>Operating expenses</b>			
Contract services	169,530,463	43,808,095	213,338,558
Insurance	33,617,415	3,672,170	37,289,585
Fuel and lubricants	18,877,250	3,885,832	22,763,082
Depreciation	17,693,503	3,692,034	21,385,537
Materials and supplies	14,107,104	1,495,753	15,602,857
Outside services	5,443,676	3,598,395	9,042,071
Utilities, rentals and others	2,948,149	565,652	3,513,801
State fuel taxes	2,605,508	615,728	3,221,236
Total operating expenses	<u>264,823,068</u>	<u>61,333,659</u>	<u>326,156,727</u>
Loss from operations	(222,136,847)	(59,391,525)	(281,528,372)
<b>Nonoperating income</b>			
Noncapital contributions	112,554,784	-	112,554,784
Gain on disposal of equipment and parts	138,972	-	138,972
Total nonoperating income	<u>112,693,756</u>	<u>-</u>	<u>112,693,756</u>
Loss before transfers and capital contributions	(109,443,091)	(59,391,525)	(168,834,616)
<b>Interfund transfers</b>	(52,516,530)	52,516,530	-
<b>Transfers</b>	138,118,879	-	138,118,879
<b>Capital contributions</b>	<u>8,481,813</u>	<u>149,376</u>	<u>8,631,189</u>
Change in net position	(15,358,929)	(6,725,619)	(22,084,548)
<b>Net position</b>			
Beginning of year	<u>290,677,522</u>	<u>(32,101,269)</u>	<u>258,576,253</u>
End of year	<u>\$ 275,318,593</u>	<u>\$ (38,826,888)</u>	<u>\$ 236,491,705</u>

See accompanying report of independent auditors.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Combining Statement of Revenues, Expenses,**  
**and Change in Net Position**  
**Year Ended June 30, 2022**

	<b>Bus Operations</b>	<b>Paratransit Operations</b>	<b>Total</b>
<b>Operating revenues</b>			
Passenger fares for transit services	\$ 31,886,793	\$ 1,443,443	\$ 33,330,236
Nontransportation revenue	254,189	29,482	283,671
Total operating revenues	<u>32,140,982</u>	<u>1,472,925</u>	<u>33,613,907</u>
<b>Operating expenses</b>			
Contract services	162,897,389	41,489,951	204,387,340
Insurance	18,950,447	4,180,264	23,130,711
Depreciation	17,262,315	4,193,743	21,456,058
Fuel and lubricants	14,689,778	3,305,112	17,994,890
Materials and supplies	13,127,685	1,089,697	14,217,382
Outside services	4,950,842	2,881,981	7,832,823
Utilities, rentals and others	2,499,325	480,055	2,979,380
State fuel taxes	2,390,914	552,989	2,943,903
Total operating expenses	<u>236,768,695</u>	<u>58,173,792</u>	<u>294,942,487</u>
Loss from operations	(204,627,713)	(56,700,867)	(261,328,580)
<b>Nonoperating income (expense)</b>			
Noncapital contributions	112,554,784	-	112,554,784
Loss on disposal of equipment and parts	(30)	(8,651)	(8,681)
Total nonoperating income (expense)	<u>112,554,754</u>	<u>(8,651)</u>	<u>112,546,103</u>
Loss before transfers and capital contributions	(92,072,959)	(56,709,518)	(148,782,477)
<b>Interfund transfers</b>	(47,551,013)	47,551,013	-
<b>Transfers</b>	153,494,819	-	153,494,819
<b>Capital contributions</b>	42,715,569	-	42,715,569
Change in net position	56,586,416	(9,158,505)	47,427,911
<b>Net position</b>			
Beginning of year	234,091,106	(22,942,764)	211,148,342
End of year	<u>\$ 290,677,522</u>	<u>\$ (32,101,269)</u>	<u>\$ 258,576,253</u>

See accompanying report of independent auditors.