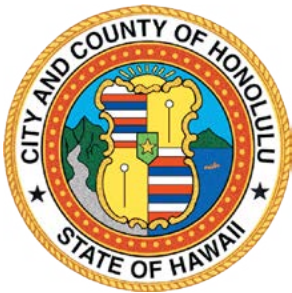




**Office of the City Auditor**



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

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

**Financial Statements and Supplementary Schedules  
June 30, 2019 and 2018**

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

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b>	
<b>Management’s Discussion and Analysis</b> .....	3–7
<b>Financial Statements</b>	
Statements of Net Position	
June 30, 2019 and 2018 .....	8
Statements of Revenues, Expenses and Change in Net Position	
Years Ended June 30, 2019 and 2018 .....	9
Statements of Cash Flows	
Years Ended June 30, 2019 and 2018 .....	10
Notes to Financial Statements	
June 30, 2019 and 2018 .....	11–19
<b>Supplementary Schedules</b>	
Detailed Statement of Net Position	
June 30, 2019 .....	20
Detailed Statement of Net Position	
June 30, 2018 (Restated).....	21
Detailed Statement of Revenues, Expenses and Change in Net Position	
Year Ended June 30, 2019 .....	22
Detailed Statement of Revenues, Expenses and Change in Net Position	
Year Ended June 30, 2018 (Restated) .....	23

## Report of Independent Auditors

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

### Report on the Financial Statements

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 June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the index.

### Management’s Responsibility for the Financial Statements

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

### Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

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, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Adjustments to Prior Period Financial Statements

The financial statements of the Bus and Paratransit Operations as of June 30, 2018 were audited by other auditors whose report dated December 18, 2018 expressed an unmodified opinion on those financial statements. As discussed in Note 11 to the financial statements, the Bus and Paratransit Operations have adjusted their 2018 financial statements to retrospectively apply the change in accounting in GASB Statement No. 83, *Certain Asset Retirement Obligations*. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to retrospectively apply the change in accounting as described in Note 11. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the Bus and Paratransit Operations' 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

### **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, 2019 and 2018, 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.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied 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 audit was 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The supplementary information as of and for the year ended June 30, 2018 was subjected to the auditing procedures applied in the audit of the financial statements as of and for the year ended June 30, 2018 by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the financial statements as of and for the year ended June 30, 2018, as a whole.

The logo for Accuity LLP, featuring the word "Accuity" in a stylized, cursive script followed by "LLP" in a bold, sans-serif font.

Honolulu, Hawaii  
December 12, 2019

# City and County of Honolulu

## Public Transportation System – Bus and Paratransit Operations

### Management’s Discussion and Analysis

#### June 30, 2019 and 2018

---

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 fiscal year ended June 30, 2019. Please read it in conjunction with the Bus and Paratransit Operations’ financial statements, which follows this section.

The City and County of Honolulu 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

- The Bus and Paratransit Operations’ net position decreased by \$6.8 million or 3.5% in fiscal year June 30, 2019. The term “net position” refers to the difference between assets and deferred outflows of resources and liabilities.
- Operating revenues increased by \$0.6 million or 1% over the prior fiscal year.
- Transfers and contributions increased by \$28.1 million or 15% over the prior fiscal year.
- Total expenses for the fiscal year June 30, 2019 increased by approximately \$11.1 million or 4% compared to the prior fiscal year.
- Due to the implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 83, *Certain Asset Retirement Obligations*, during fiscal year 2019, the July 1, 2018 beginning net position has been restated to \$218.1 million.

#### Overview of the Financial Statements

This discussion and analysis is 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.

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 indicate 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 this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis**  
**June 30, 2019 and 2018**

---

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 detailed 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, 2019 and 2018.

**Financial Analysis**

A condensed summary of the Bus and Paratransit Operations’ net position at June 30, 2019, 2018 and 2017 is shown below:

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

	<b>2019</b>	<b>2018</b> <b>Restated</b>	<b>2017</b> <b>Restated</b>
Current and other assets	\$ 22,051	\$ 20,483	\$ 32,370
Restricted assets	964	438	552
Capital assets, net	<u>196,963</u>	<u>205,150</u>	<u>216,610</u>
Total assets	<u>219,978</u>	<u>226,071</u>	<u>249,532</u>
Total deferred outflows of resources	<u>1,259</u>	<u>1,504</u>	<u>1,737</u>
Current liabilities	11,838	11,135	10,661
Noncurrent liabilities	<u>22,808</u>	<u>23,037</u>	<u>22,494</u>
Total liabilities	<u>34,646</u>	<u>34,172</u>	<u>33,155</u>
Net position			
Net investment in capital assets	196,963	205,150	216,610
Unrestricted	<u>(10,372)</u>	<u>(11,747)</u>	<u>1,504</u>
Total net position	<u>\$ 186,591</u>	<u>\$ 193,403</u>	<u>\$ 218,114</u>

The total assets exceed liabilities by approximately \$186.6 million, \$193.4 million and \$218.1 million at June 30, 2019, 2018 and 2017, respectively. Net position decreased by approximately \$6.8 million or 3.5% from June 30, 2018, and approximately \$24.7 million or 11.3% from June 30, 2017. 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.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis**  
**June 30, 2019 and 2018**

---

A summary of operations and change in net position for the fiscal years ended June 30, 2019, 2018 and 2017 follows:

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

	<b>2019</b>	<b>2018 Restated</b>	<b>2017 Restated</b>
Operating revenues	\$ 57,260	\$ 56,669	\$ 53,833
Total revenues	<u>57,260</u>	<u>56,669</u>	<u>53,833</u>
Depreciation	20,714	19,995	18,870
Other operating expenses	259,085	248,718	236,130
Nonoperating expenses	11	310	229
Total expenses	<u>279,810</u>	<u>269,023</u>	<u>255,229</u>
Loss before transfers and contributions	(222,550)	(212,354)	(201,396)
Transfers and contributions	<u>215,738</u>	<u>187,643</u>	<u>203,225</u>
Change in net position	<u>\$ (6,812)</u>	<u>\$ (24,711)</u>	<u>\$ 1,829</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  
June 30, 2019 and 2018**

---

**Capital Asset and Debt Administration**

As of June 30, 2019, the Bus and Paratransit Operations had \$197 million invested in capital assets as shown in Table 3. There was a net decrease (additions, deductions and depreciation) of approximately \$8.2 million or 4% and \$11.5 million or 5% for the fiscal years ended June 30, 2019 and 2018, respectively.

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Buses	\$ 269,956	\$ 265,170	\$ 262,853
Buildings and improvements	85,744	85,758	85,576
Shop and office equipment	29,527	29,503	28,921
Paratransit vans	21,304	21,239	19,663
Automobiles and trucks	3,203	3,321	3,273
	<u>409,734</u>	<u>404,991</u>	<u>400,286</u>
Less: Accumulated depreciation	<u>267,047</u>	<u>254,126</u>	<u>238,416</u>
	142,687	150,865	161,870
Land	53,985	53,985	53,985
Construction in progress	<u>291</u>	<u>300</u>	<u>755</u>
Total	<u>\$ 196,963</u>	<u>\$ 205,150</u>	<u>\$ 216,610</u>

Major capital asset additions and disposals to the public transportation system for the fiscal year ended June 30, 2019, included the following:

- Acquisition of 17 diesel buses for \$12.3 million.
- Disposal of older buses, Paratransit vans, and equipment with an original cost of \$7.8 million.

**Currently Known Facts, Decisions, or Conditions**

Oahu Transit Services, Inc. (“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.

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, 2015 through March 31, 2020.



**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Management’s Discussion and Analysis**  
**June 30, 2019 and 2018**

---

**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.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

---

	2019	2018 Restated
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash and cash equivalents	\$ 10,186,806	\$ 9,183,716
Accounts receivable	1,720,204	1,806,876
Advance to Oahu Transit Services, Inc. for accrued expenses	993,574	675,127
Parts, supplies and fuel inventories	<u>9,150,198</u>	<u>8,818,241</u>
Total current assets	22,050,782	20,483,960
Restricted assets held by Oahu Transit Services, Inc.	963,939	438,353
Capital assets, net	<u>196,962,716</u>	<u>205,149,519</u>
Total assets	<u>219,977,437</u>	<u>226,071,832</u>
Deferred outflows of resources		
Deferred outflows on asset retirement obligation	<u>1,259,162</u>	<u>1,504,026</u>
Total assets and deferred outflows of resources	<u>\$ 221,236,599</u>	<u>\$ 227,575,858</u>
<b>Liabilities and Net Position</b>		
Current liabilities		
Unearned revenue	\$ 1,256,110	\$ 1,205,080
Reserve for insurance claims payable	<u>10,581,569</u>	<u>9,930,280</u>
Total current liabilities	11,837,679	11,135,360
Asset retirement obligation	5,544,556	5,430,520
Reserve for insurance claims payable, noncurrent	<u>17,263,336</u>	<u>17,606,806</u>
Total liabilities	<u>34,645,571</u>	<u>34,172,686</u>
Commitments and contingencies		
Net position		
Net investment in capital assets	196,962,716	205,149,519
Unrestricted	<u>(10,371,688)</u>	<u>(11,746,347)</u>
Total net position	<u>186,591,028</u>	<u>193,403,172</u>
Total liabilities and net position	<u>\$ 221,236,599</u>	<u>\$ 227,575,858</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, 2019 and 2018**

---

	<b>2019</b>	<b>2018</b> <b>Restated</b>
<b>Operating revenues</b>		
Passenger fares for transit services	\$ 56,878,622	\$ 56,321,816
Nontransportation revenue	<u>381,903</u>	<u>347,305</u>
Total operating revenues	<u>57,260,525</u>	<u>56,669,121</u>
<b>Operating expenses</b>		
Contract services	194,692,728	186,223,277
Fuel and lubricants	15,812,785	14,216,090
Insurance	15,294,917	14,934,967
Depreciation	20,714,236	19,994,857
Materials and supplies	15,108,574	14,756,002
Outside services	12,201,322	12,988,482
State fuel taxes	3,062,229	2,996,051
Utilities, rentals and others	<u>2,912,559</u>	<u>2,603,012</u>
Total operating expenses	<u>279,799,350</u>	<u>268,712,738</u>
Loss from operations	(222,538,825)	(212,043,617)
<b>Nonoperating income (expense)</b>		
Noncapital contributions	21,000,000	21,000,000
Loss on disposal of equipment and parts	<u>(11,294)</u>	<u>(310,525)</u>
Total nonoperating income	<u>20,988,706</u>	<u>20,689,475</u>
Loss before transfers and capital contributions	(201,550,119)	(191,354,142)
<b>Transfers</b>	182,419,545	162,188,200
<b>Capital contributions</b>	<u>12,318,430</u>	<u>4,455,221</u>
Change in net position	(6,812,144)	(24,710,721)
<b>Net position</b>		
Beginning of year	<u>193,403,172</u>	<u>218,113,893</u>
End of year	<u>\$ 186,591,028</u>	<u>\$ 193,403,172</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, 2019 and 2018**

	<b>2019</b>	<b>2018</b> <b>Restated</b>
<b>Cash flows from operating activities</b>		
Cash received from passengers	\$ 57,016,324	\$ 56,445,775
Cash paid to suppliers	(150,444,943)	(144,431,668)
Cash paid to reimburse OTS for its employees	<u>(108,253,247)</u>	<u>(102,547,070)</u>
Net cash used in operating activities	<u>(201,681,866)</u>	<u>(190,532,963)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers and noncapital contributions	<u>203,419,545</u>	<u>183,188,200</u>
Net cash provided by noncapital financing activities	<u>203,419,545</u>	<u>183,188,200</u>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	<u>(209,003)</u>	<u>(4,078,993)</u>
Net cash used in capital and related financing activities	<u>(209,003)</u>	<u>(4,078,993)</u>
Net increase (decrease) in cash and cash equivalents	1,528,676	(11,423,756)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>9,622,069</u>	<u>21,045,825</u>
End of year (including \$963,939 and \$438,353 of cash and cash equivalents in restricted assets in 2019 and 2018, respectively)	<u>\$ 11,150,745</u>	<u>\$ 9,622,069</u>
<b>Reconciliation of loss from operations to net cash used in operating activities</b>		
Loss from operations	\$ (222,538,825)	\$ (212,043,617)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	20,714,236	19,994,857
Loss on disposal of equipment and parts	(11,294)	(310,525)
Changes in assets and liabilities		
Accounts receivable and advance to Oahu Transit Services, Inc.	(231,775)	(315,540)
Parts, supplies, fuel inventories, and other current assets	(331,957)	891,964
Deferred outflows on asset retirement obligation	244,864	232,212
Unearned revenue	51,030	252,352
Asset retirement obligation	114,036	85,524
Reserve for insurance claims payable	<u>307,819</u>	<u>679,810</u>
Net cash used in operating activities	<u>\$ (201,681,866)</u>	<u>\$ (190,532,963)</u>
<b>Supplemental disclosure of noncash capital and related financing activities</b>		
Contribution of capital assets from the City and County of Honolulu	\$ 12,318,430	\$ 4,455,221

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, 2019 and 2018**

---

**1. Financial Reporting Entity**

The Department of Transportation Services (“DTS”) 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 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.

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 (“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 system. As a result, OTS is reported as a discretely-presented component unit of the City.

The collective bargaining agreements between OTS, for its Bus operations, and the Hawaii Teamsters and Allied Workers Union, Local 996 (the “Union”), expired on June 30, 2018. A new seven-year agreement from July 1, 2018 through June 30, 2025 was finalized in July 2018. The collective bargaining agreements between OTS, for its Paratransit operations, and the Union, are effective from April 1, 2015 through March 31, 2020, except for administrative clerks and maintenance employees which expired on March 31, 2019. A new one-year agreement from April 1, 2019 through March 21, 2020 was finalized in September 2019 for administrative clerks and maintenance employees.

**2. Summary of Significant Accounting Policies**

The accounting policies of the Bus and Paratransit Operations conform to generally accepted accounting principles 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.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**Use of Estimates**

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

**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 consists 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, 2019 and 2018 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 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

**Unearned Revenue**

Bus vouchers are recognized as revenues upon redemption. Annual and two-year bus passes are deferred until the applicable period has passed.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**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 invested 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 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 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 and vehicles 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 hurricane. In addition, this policy provided \$50 million in sublimits for Garaged Licensed Vehicles, subject to a \$1 million limit for any one vehicle.

**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.

**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.

**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.

**New Accounting Pronouncements**

In November 2016, GASB issued Statement No. 83 ("GASB 83"), *Certain Asset Retirement Obligations* ("ARO"). GASB 83 establishes standards of accounting and financial reporting for certain AROs. The adoption of GASB 83 resulted in approximately \$318,000 restatement of the Public Transportation System's beginning net position for the fiscal year ended June 30, 2018. Refer to Note 7 for more information regarding the Public Transportation System's AROs.

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

In June 2017, GASB issued Statement No. 87 (“GASB 87”), *Leases*. GASB 87 establishes standards of accounting and financial reporting for certain leases. The requirements of this Statement apply to financial statements of all state and local governments. The provisions of GASB 87 are effective for periods beginning after December 15, 2019. Management has determined this Statement will have no effect on the 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 \$469,000 for the fiscal years ended June 30, 2019 and 2018. 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.

In accordance with the aforementioned agreement with OTS and governing ordinances, management believed that the City and 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 Bus and Paratransit Operations’ 2019 and 2018 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 Bus and Paratransit Operations has not recorded a contingent liability.

**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.

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.



**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**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, 2019 and 2018, the restricted assets held by OTS consisted of cash and cash equivalents that were uninsured and uncollateralized.

Restricted assets as of June 30, 2019 and 2018 consisted of the following:

	<b>2019</b>	<b>2018</b>
Cash	\$ 307,325	\$ 430,182
Money market mutual fund	656,614	8,171
	<u>\$ 963,939</u>	<u>\$ 438,353</u>

**6. Capital Assets**

The changes in capital assets were as follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Retirements/ Transfers</b>	<b>Balance June 30, 2019</b>
Buses	\$ 265,169,953	\$ 12,318,430	\$ (7,532,713)	\$ 269,955,670
Buildings and improvements	85,758,275	-	(13,952)	85,744,323
Shop and office equipment	29,502,810	108,882	(84,841)	29,526,851
Paratransit vans	21,238,509	65,936	-	21,304,445
Automobiles and trucks	3,320,943	-	(118,648)	3,202,295
	<u>404,990,490</u>	<u>12,493,248</u>	<u>(7,750,154)</u>	<u>409,733,584</u>
Less: Accumulated depreciation	<u>(254,126,106)</u>	<u>(20,714,236)</u>	<u>7,792,899</u>	<u>(267,047,443)</u>
	150,864,384	(8,220,988)	42,745	142,686,141
Land	53,985,443	-	-	53,985,443
Construction in progress	299,692	-	(8,560)	291,132
Capital assets, net	<u>\$ 205,149,519</u>	<u>\$ (8,220,988)</u>	<u>\$ 34,185</u>	<u>\$ 196,962,716</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements/ Transfers</b>	<b>Balance June 30, 2018</b>
Buses	\$ 262,852,659	\$ 4,431,152	\$ (2,113,858)	\$ 265,169,953
Buildings and improvements	85,576,362	201,367	(19,454)	85,758,275
Shop and office equipment	28,920,554	441,027	141,229	29,502,810
Paratransit vans	19,662,651	3,522,798	(1,946,940)	21,238,509
Automobiles and trucks	<u>3,273,250</u>	<u>-</u>	<u>47,693</u>	<u>3,320,943</u>
	400,285,476	8,596,344	(3,891,330)	404,990,490
Less: Accumulated depreciation	<u>(238,415,582)</u>	<u>(19,994,857)</u>	<u>4,284,333</u>	<u>(254,126,106)</u>
	161,869,894	(11,398,513)	393,003	150,864,384
Land	53,985,443	-	-	53,985,443
Construction in progress	<u>754,825</u>	<u>237,736</u>	<u>(692,869)</u>	<u>299,692</u>
Capital assets, net	<u>\$ 216,610,162</u>	<u>\$ (11,160,777)</u>	<u>\$ (299,866)</u>	<u>\$ 205,149,519</u>

Depreciation expense was \$20,714,236 and \$19,994,857 for the fiscal years ended June 30, 2019 and 2018, respectively.

**7. 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 GASB Statement No. 83, *Certain Asset Retirement Obligations*. Under Statement No. 83, 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 lives ranging from one year to 12 years.

The amounts reported as a liability and deferred outflow of resources at June 30, 2019 and 2018 was determined based on probability-weighted engineering estimates of what it would cost to perform all dismantling and removal tasks. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The changes in ARO’s were as follows:

	<b>Balance June 30, 2019</b>	<b>Balance June 30, 2018</b>
<b>Balance at beginning of year</b>	\$ 5,430,520	\$ 5,344,996
Liabilities incurred	<u>114,036</u>	<u>85,524</u>
<b>Balance at end of year</b>	<u>\$ 5,544,556</u>	<u>\$ 5,430,520</u>

**8. 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 \$2 million effective July 1, 2006. 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, 2019 and 2018**

The amounts payable for claims incurred and claims incurred but not reported for the fiscal years ended June 30, 2019 and 2018, were as follows:

	<b>Balance July 1, 2018</b>	<b>Incurred</b>	<b>Payments</b>	<b>Balance June 30, 2019</b>	<b>Amounts Due Within One Year</b>
Automotive and general liability	\$ 8,871,750	\$ 656,974	\$ (2,966,824)	\$ 6,561,900	\$ 2,674,141
Workers' compensation	<u>18,665,336</u>	<u>11,726,735</u>	<u>(9,109,066)</u>	<u>21,283,005</u>	<u>7,907,428</u>
Reserve for insurance claims payable	<u>\$ 27,537,086</u>	<u>\$ 12,383,709</u>	<u>\$ (12,075,890)</u>	<u>\$ 27,844,905</u>	<u>\$ 10,581,569</u>

	<b>Balance July 1, 2017</b>	<b>Incurred</b>	<b>Payments</b>	<b>Balance June 30, 2018</b>	<b>Amounts Due Within One Year</b>
Automotive and general liability	\$ 8,615,692	\$ 3,437,060	\$ (3,181,002)	\$ 8,871,750	\$ 3,032,707
Workers' compensation	<u>18,241,584</u>	<u>8,359,525</u>	<u>(7,935,773)</u>	<u>18,665,336</u>	<u>6,897,573</u>
Reserve for insurance claims payable	<u>\$ 26,857,276</u>	<u>\$ 11,796,585</u>	<u>\$ (11,116,775)</u>	<u>\$ 27,537,086</u>	<u>\$ 9,930,280</u>

The workers' compensation loss and allocated loss adjustment expense ("ALAE") reserve as of June 30, 2019 for accidents occurring from March 1, 1998 to June 30, 2019 is estimated to be \$21.3 million on an undiscounted basis and \$18.6 million on a discounted basis (discounted at 4.5%). The automotive and general liability loss and ALAE reserve as of June 30, 2019 for accidents occurring from January 1, 2000 through June 30, 2019, is estimated to be \$6.6 million on an undiscounted basis and \$5.9 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.

**9. Transfers and Contributions**

The Bus and Paratransit Operations receives significant support for operations from the City and the Federal Transit Administration ("FTA"). Transfers from the City totaled approximately \$182.4 million and \$162.2 million for the fiscal years ended June 30, 2019 and 2018, respectively. In addition, capital and noncapital contributions for the fiscal years ended June 30, 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
Federal capital contributions	\$ 9,792,329	\$ 3,664,697
City capital contributions	<u>2,526,101</u>	<u>790,524</u>
Total capital contributions	<u>\$ 12,318,430</u>	<u>\$ 4,455,221</u>
FTA preventative maintenance funds	<u>\$ 21,000,000</u>	<u>\$ 21,000,000</u>
Noncapital contributions	<u>\$ 21,000,000</u>	<u>\$ 21,000,000</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**10. 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.

**11. Restatement**

The Public Transportation System adopted GASB Statement No. 83, *Asset Retirement Obligations*, in the current year. As a result, the effect on fiscal year 2018 is as follows:

**Statement of Net Position**

	<b>2018 Previously Presented</b>	<b>Restatement</b>	<b>2018 Restated</b>
<b>Assets and Deferred Outflows of Resources</b>			
Deferred outflows of resources			
Deferred outflows on asset retirement obligation	\$ -	\$ 1,504,026	\$ 1,504,026
Total assets and deferred outflows of resources	<u>\$ 226,071,832</u>	<u>\$ 1,504,026</u>	<u>\$ 227,575,858</u>
<b>Liabilities and Net Position</b>			
Asset retirement obligation, noncurrent	\$ -	\$ 5,430,520	\$ 5,430,520
Total liabilities	<u>28,742,166</u>	<u>5,430,520</u>	<u>34,172,686</u>
Net position			
Unrestricted	<u>(7,819,853)</u>	<u>(3,926,494)</u>	<u>(11,746,347)</u>
Total net position	<u>197,329,666</u>	<u>(3,926,494)</u>	<u>193,403,172</u>
Total liabilities and net position	<u>\$ 226,071,832</u>	<u>\$ 1,504,026</u>	<u>\$ 227,575,858</u>

**Statement of Revenues, Expenses, and Change in Net Position**

	<b>2018 Previously Presented</b>	<b>Restatement</b>	<b>2018 Restated</b>
<b>Operating expenses</b>			
Utilities, rentals and others	\$ 2,285,276	\$ 317,736	\$ 2,603,012
Total operating expenses	<u>268,395,002</u>	<u>317,736</u>	<u>268,712,738</u>
Change in net position	(24,392,985)	(317,736)	(24,710,721)
<b>Net position</b>			
Beginning of year	<u>221,722,651</u>	<u>(3,608,758)</u>	<u>218,113,893</u>
End of year	<u>\$ 197,329,666</u>	<u>\$ (3,926,494)</u>	<u>\$ 193,403,172</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

---

**Statement of Cash Flows**

	<b>2018 Previously Presented</b>	<b>Restatement</b>	<b>2018 Restated</b>
<b>Reconciliation of loss from operations to net cash used in operating activities</b>			
Loss from operations	\$ (211,725,881)	\$ (317,736)	\$ (212,043,617)
Adjustments to reconcile loss from operations to net cash used in operating activities			
Changes in assets and liabilities			
Deferred outflows on asset retirement obligation	-	232,212	232,212
Asset retirement obligation	-	85,524	85,524
Net cash used in operating activities	\$ (190,532,963)	\$ -	\$ (190,532,963)

# **Supplementary Schedules**

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Detailed Statement of Net Position**  
**June 30, 2019**

	Bus Operations	Paratransit Operations	Eliminations	Total
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and cash equivalents	\$ 10,186,206	\$ 600	\$ -	\$ 10,186,806
Accounts receivable	1,707,725	12,479	-	1,720,204
Advance to Oahu Transit Services, Inc. for accrued expenses	993,574	-	-	993,574
Parts, supplies and fuel inventories	8,782,747	367,451	-	9,150,198
Inter-unit receivables	<u>52,030,991</u>	<u>-</u>	<u>(52,030,991)</u>	<u>-</u>
Total current assets	73,701,243	380,530	(52,030,991)	22,050,782
Restricted assets held by Oahu Transit Services, Inc.	963,939	-	-	963,939
Capital assets, net	<u>179,226,507</u>	<u>17,736,209</u>	<u>-</u>	<u>196,962,716</u>
Total assets	<u>253,891,689</u>	<u>18,116,739</u>	<u>(52,030,991)</u>	<u>219,977,437</u>
Deferred outflows of resources				
Deferred outflows on asset retirement obligation	<u>1,259,162</u>	<u>-</u>	<u>-</u>	<u>1,259,162</u>
Total assets and deferred outflows of resources	<u>\$ 255,150,851</u>	<u>\$ 18,116,739</u>	<u>\$ (52,030,991)</u>	<u>\$ 221,236,599</u>
<b>Liabilities and Net Position</b>				
Current liabilities				
Inter-unit payables	\$ -	\$ 52,030,991	\$ (52,030,991)	\$ -
Unearned revenue	1,256,110	-	-	1,256,110
Reserve for insurance claims payable	<u>10,581,569</u>	<u>-</u>	<u>-</u>	<u>10,581,569</u>
Total current liabilities	11,837,679	52,030,991	(52,030,991)	11,837,679
Asset retirement obligation	5,544,556	-	-	5,544,556
Reserve for insurance claims payable, noncurrent	<u>17,263,336</u>	<u>-</u>	<u>-</u>	<u>17,263,336</u>
Total liabilities	34,645,571	52,030,991	(52,030,991)	34,645,571
Net position				
Net investment in capital assets	179,226,507	17,736,209	-	196,962,716
Unrestricted	<u>41,278,773</u>	<u>(51,650,461)</u>	<u>-</u>	<u>(10,371,688)</u>
Total net position	<u>220,505,280</u>	<u>(33,914,252)</u>	<u>-</u>	<u>186,591,028</u>
Total liabilities and net position	<u>\$ 255,150,851</u>	<u>\$ 18,116,739</u>	<u>\$ (52,030,991)</u>	<u>\$ 221,236,599</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Detailed Statement of Net Position**  
**June 30, 2018 (Restated)**

	<b>Bus Operations Restated</b>	<b>Paratransit Operations</b>	<b>Eliminations</b>	<b>Total Restated</b>
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and cash equivalents	\$ 9,183,116	\$ 600	\$ -	\$ 9,183,716
Accounts receivable	1,793,030	13,846	-	1,806,876
Advance to Oahu Transit Services, Inc. for accrued expenses	675,127	-	-	675,127
Parts, supplies and fuel inventories	8,457,721	360,520	-	8,818,241
Inter-unit receivables	49,177,765	-	(49,177,765)	-
Total current assets	<u>69,286,759</u>	<u>374,966</u>	<u>(49,177,765)</u>	<u>20,483,960</u>
Restricted assets held by Oahu Transit Services, Inc.	438,353	-	-	438,353
Capital assets, net	<u>183,650,704</u>	<u>21,498,815</u>	<u>-</u>	<u>205,149,519</u>
Total assets	<u>253,375,816</u>	<u>21,873,781</u>	<u>(49,177,765)</u>	<u>226,071,832</u>
Deferred outflows of resources				
Deferred outflows on asset retirement obligation	<u>1,504,026</u>	<u>-</u>	<u>-</u>	<u>1,504,026</u>
Total assets and deferred outflows of resources	<u>\$ 254,879,842</u>	<u>\$ 21,873,781</u>	<u>\$ (49,177,765)</u>	<u>\$ 227,575,858</u>
<b>Liabilities and Net Position</b>				
Current liabilities				
Inter-unit payables	\$ -	\$ 49,177,765	\$ (49,177,765)	\$ -
Unearned revenue	1,205,080	-	-	1,205,080
Reserve for insurance claims payable	<u>9,930,280</u>	<u>-</u>	<u>-</u>	<u>9,930,280</u>
Total current liabilities	11,135,360	49,177,765	(49,177,765)	11,135,360
Asset retirement obligation	5,430,520	-	-	5,430,520
Reserve for insurance claims payable, noncurrent	<u>17,606,806</u>	<u>-</u>	<u>-</u>	<u>17,606,806</u>
Total liabilities	34,172,686	49,177,765	(49,177,765)	34,172,686
Net position				
Net investment in capital assets	183,650,704	21,498,815	-	205,149,519
Unrestricted	<u>37,056,452</u>	<u>(48,802,799)</u>	<u>-</u>	<u>(11,746,347)</u>
Total net position	<u>220,707,156</u>	<u>(27,303,984)</u>	<u>-</u>	<u>193,403,172</u>
Total liabilities and net position	<u>\$ 254,879,842</u>	<u>\$ 21,873,781</u>	<u>\$ (49,177,765)</u>	<u>\$ 227,575,858</u>



**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Detailed Statement of Revenues, Expenses**  
**and Change in Net Position**  
**Year Ended June 30, 2019**

	Bus Operations	Paratransit Operations	Eliminations	Total
<b>Operating revenues</b>				
Passenger fares for transit services	\$ 54,693,194	\$ 2,185,428	\$ -	\$ 56,878,622
Nontransportation revenue	344,765	37,138	-	381,903
Total operating revenues	<u>55,037,959</u>	<u>2,222,566</u>	<u>-</u>	<u>57,260,525</u>
<b>Operating expenses</b>				
Contract services	156,025,760	38,666,968	-	194,692,728
Fuel and lubricants	13,127,659	2,685,126	-	15,812,785
Insurance	12,648,711	2,646,206	-	15,294,917
Depreciation	16,885,692	3,828,544	-	20,714,236
Materials and supplies	13,710,315	1,398,259	-	15,108,574
Outside services	5,304,652	6,896,670	-	12,201,322
State fuel taxes	2,485,490	576,739	-	3,062,229
Utilities, rentals and others	1,600,472	1,312,087	-	2,912,559
Total operating expenses	<u>221,788,751</u>	<u>58,010,599</u>	<u>-</u>	<u>279,799,350</u>
Loss from operations	(166,750,792)	(55,788,033)	-	(222,538,825)
<b>Nonoperating income (expense)</b>				
Noncapital contributions	21,000,000	-	-	21,000,000
Loss on disposal of equipment and parts	(11,294)	-	-	(11,294)
Total nonoperating income	<u>20,988,706</u>	<u>-</u>	<u>-</u>	<u>20,988,706</u>
Loss before transfers and capital contributions	(145,762,086)	(55,788,033)	-	(201,550,119)
<b>Interfund transfers</b>	(49,177,765)	49,177,765	-	-
<b>Transfers</b>	182,419,545	-	-	182,419,545
<b>Capital contributions</b>	12,318,430	-	-	12,318,430
Change in net position	(201,876)	(6,610,268)	-	(6,812,144)
<b>Net position</b>				
Beginning of year	220,707,156	(27,303,984)	-	193,403,172
End of year	<u>\$ 220,505,280</u>	<u>\$ (33,914,252)</u>	<u>\$ -</u>	<u>\$ 186,591,028</u>

**City and County of Honolulu**  
**Public Transportation System – Bus and Paratransit Operations**  
**Supplementary Schedule – Detailed Statement of Revenues, Expenses**  
**and Change in Net Position**  
**Year Ended June 30, 2018 (Restated)**

	<b>Bus Operations Restated</b>	<b>Paratransit Operations</b>	<b>Eliminations</b>	<b>Total Restated</b>
<b>Operating revenues</b>				
Passenger fares for transit services	\$ 54,147,373	\$ 2,174,443	\$ -	\$ 56,321,816
Nontransportation revenue	<u>314,859</u>	<u>32,446</u>	-	<u>347,305</u>
Total operating revenues	<u>54,462,232</u>	<u>2,206,889</u>	-	<u>56,669,121</u>
<b>Operating expenses</b>				
Contract services	152,501,020	33,722,257	-	186,223,277
Insurance	12,800,162	2,134,805	-	14,934,967
Fuel and lubricants	11,808,495	2,407,595	-	14,216,090
Depreciation	16,522,927	3,471,930	-	19,994,857
Materials and supplies	13,212,124	1,543,878	-	14,756,002
Outside services	5,850,613	7,137,869	-	12,988,482
State fuel taxes	2,449,793	546,258	-	2,996,051
Utilities, rentals and others	<u>2,063,516</u>	<u>539,496</u>	-	<u>2,603,012</u>
Total operating expenses	<u>217,208,650</u>	<u>51,504,088</u>	-	<u>268,712,738</u>
Loss from operations	(162,746,418)	(49,297,199)	-	(212,043,617)
<b>Nonoperating income (expense)</b>				
Noncapital contributions	21,000,000	-	-	21,000,000
Loss on disposal of equipment and parts	<u>(269,695)</u>	<u>(40,830)</u>	-	<u>(310,525)</u>
Total nonoperating income (expense)	<u>20,730,305</u>	<u>(40,830)</u>	-	<u>20,689,475</u>
Loss before transfers and capital contributions	(142,016,113)	(49,338,029)	-	(191,354,142)
<b>Interfund transfers</b>	(45,943,434)	45,943,434	-	-
<b>Transfers</b>	162,188,200	-	-	162,188,200
<b>Capital contributions</b>	<u>4,455,221</u>	-	-	<u>4,455,221</u>
Change in net position	(21,316,126)	(3,394,595)	-	(24,710,721)
<b>Net position</b>				
Beginning of year	<u>242,023,282</u>	<u>(23,909,389)</u>	-	<u>218,113,893</u>
End of year	<u>\$ 220,707,156</u>	<u>\$ (27,303,984)</u>	\$ -	<u>\$ 193,403,172</u>