

**City and County of Honolulu
Public Transportation System
Bus and Paratransit Operations**
Financial Statements and Supplemental Schedules
June 30, 2011 and 2010

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
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Report of Independent Auditors

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

We have audited the accompanying statements of net assets of the City and County of Honolulu, Public Transportation System – Bus and Paratransit Operations (“Bus and Paratransit Operations”) as of June 30, 2011 and 2010 and the related statements of revenues, expenses and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Bus and Paratransit Operations. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Bus and Paratransit Operations are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the City and County of Honolulu that is attributable to the transactions of the Bus and Paratransit Operations. They do not purport to, and do not, present fairly the financial position of the City and County of Honolulu as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City and County of Honolulu, Public Transportation System – Bus and Paratransit Operations as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management’s discussion and analysis on pages 3 to 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as of and for the years ended June 30, 2011 and 2010, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accuity LLP

Honolulu, Hawaii
October 28, 2011

City and County of Honolulu

Public Transportation System – Bus and Paratransit Operations

Management’s Discussion and Analysis

June 30, 2011 and 2010

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, 2011. 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 assets increased by \$10.5 million or 6.9% in fiscal year 2011. The term “net assets” refers to the difference between assets and liabilities.
- Operating revenues increased by \$6.0 million or 12.6% over the prior fiscal year.
- Transfers and contributions increased by \$4.7 million or 2.8% over the prior fiscal year.
- Total expenses for the fiscal year 2011 increased by approximately \$11.3 million or 5.5% compared to the prior fiscal year.

Overview of the Financial Statements

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

The statements of revenues, expenses and change in net assets present information showing how TheBus and Handi-Van’s net assets changed during the past two fiscal years. All changes in net assets 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).

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.

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In addition to the basic financial statements and accompanying notes to financial statements, this report also presents the detailed statements of net assets and operations for the separate balances and transactions for TheBus and Handi-Van as of and for the years ended June 30, 2011 and 2010.

Financial Analysis

A condensed summary of the Bus and Paratransit Operations’ net assets at June 30, 2011, 2010, and 2009 is shown below:

Table 1
Condensed Statements of Net Assets
(in thousands of dollars)

	2011	2010	2009
Current and other assets	\$ 35,234	\$ 29,493	\$ 28,942
Restricted assets	1,219	1,114	1,612
Capital assets, net	168,185	160,663	146,450
Total assets	<u>204,638</u>	<u>191,270</u>	<u>177,004</u>
Current liabilities	12,430	10,921	12,347
Noncurrent liabilities	29,122	27,740	23,192
Total liabilities	<u>41,552</u>	<u>38,661</u>	<u>35,539</u>
Net assets			
Invested in capital assets	168,185	160,663	146,450
Unrestricted	<u>(5,099)</u>	<u>(8,054)</u>	<u>(4,985)</u>
Total net assets	<u>\$ 163,086</u>	<u>\$ 152,609</u>	<u>\$ 141,465</u>

The total assets exceed liabilities by approximately \$163.1 million, \$152.6 million, and \$141.5 million at June 30, 2011, 2010, and 2009, respectively. Net assets increased by approximately \$10.5 million or 6.9% from June 30, 2010, and increased by approximately \$11.1 million or 7.9% from June 30, 2009. The largest portion of the Bus and Paratransit Operations’ net assets 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.

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Public Transportation System – Bus and Paratransit Operations
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A summary of operations and changes in net assets for the fiscal years ended June 30, 2011, 2010, and 2009 follows:

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

	2011	2010	2009
Operating revenues	\$ 53,657	\$ 47,638	\$ 44,245
Nonoperating revenues	-	-	10
Total revenues	<u>53,657</u>	<u>47,638</u>	<u>44,255</u>
Depreciation	15,830	16,515	17,017
Other operating expenses	202,060	190,211	189,936
Nonoperating expenses	279	103	22
Total expenses	<u>218,169</u>	<u>206,829</u>	<u>206,975</u>
Loss before transfers and contributions	(164,512)	(159,191)	(162,720)
Transfers and contributions	<u>174,988</u>	<u>170,335</u>	<u>168,788</u>
Change in net assets	<u>\$ 10,476</u>	<u>\$ 11,144</u>	<u>\$ 6,068</u>

The change in net assets 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 assets may serve over time as a useful indicator of the Bus and Paratransit Operations’ financial position.

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Public Transportation System – Bus and Paratransit Operations
Management’s Discussion and Analysis
June 30, 2011 and 2010

Capital Asset and Debt Administration

As of June 30, 2011, the Bus and Paratransit Operations had \$169 million invested in capital assets as shown in Table 3. There was a net increase (additions, deductions and depreciation) of \$7.5 million or 5% and \$14.2 million or 10% for the fiscal years ended June 30, 2011 and 2010, respectively.

Table 3
Capital Assets
(in thousands of dollars)

	2011	2010	2009
Buses	\$ 203,775	\$ 200,146	\$ 181,406
Buildings and improvements	68,401	63,799	63,558
Land improvements	9,270	9,249	-
Shop equipment	27,533	29,337	29,336
Paratransit vans	14,489	13,131	13,414
Automobiles and trucks	2,733	2,489	2,180
Furniture and office equipment	5	31	99
	<u>326,206</u>	<u>318,182</u>	<u>289,993</u>
Less: Accumulated depreciation	<u>213,618</u>	<u>211,929</u>	<u>197,889</u>
	112,588	106,253	92,104
Land	53,985	53,985	53,985
Construction in progress	<u>1,612</u>	<u>425</u>	<u>361</u>
Total	<u>\$ 168,185</u>	<u>\$ 160,663</u>	<u>\$ 146,450</u>

Major capital asset additions and disposals to the public transportation system for the fiscal year ended June 30, 2011, included the following:

- Acquisitions of 34 diesel buses for \$14.7 million.
- Disposals of older buses, Paratransit vans, and equipment with an original cost of \$14.2 million that were fully depreciated.
- Transfer-in of the completed Pearl City Bus Facility site paving from the City and County of Honolulu with a cost of \$4.6 million.
- Acquisitions of 18 Paratransit vans for \$2.1 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. In July 2010, the management agreement between the City and County of Honolulu and OTS was extended. The extension provides for the City and County of Honolulu to pay OTS \$117,130 per quarter beginning with the quarter ended September 30, 2010 until a new management and operations agreement is executed.

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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 Assets
June 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 18,978,572	\$ 14,464,024
Accounts receivable	2,072,745	1,681,624
Parts, supplies and fuel inventories	7,989,635	8,262,094
Advance to Oahu Transit Services, Inc. for accrued expenses	5,376,112	5,085,820
Other assets	817,418	-
Total current assets	<u>35,234,482</u>	<u>29,493,562</u>
Restricted assets held by Oahu Transit Services, Inc.	1,218,403	1,114,096
Capital assets, net	<u>168,184,637</u>	<u>160,662,755</u>
Total assets	<u>\$ 204,637,522</u>	<u>\$ 191,270,413</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 4,039,490	\$ 3,273,310
Reserve for insurance claims payable	6,264,402	6,141,810
Deferred income	2,126,419	1,505,972
Total current liabilities	<u>12,430,311</u>	<u>10,921,092</u>
Noncurrent payable to Oahu Transit Services, Inc.		
Accrued sick leave	8,637,285	8,386,472
Postretirement liability	12,120,642	8,693,785
Reserve for insurance claims payable, noncurrent	8,363,696	10,660,000
Total liabilities	<u>41,551,934</u>	<u>38,661,349</u>
Commitments and contingencies		
Net assets		
Invested in capital assets	168,184,637	160,662,755
Unrestricted	<u>(5,099,049)</u>	<u>(8,053,691)</u>
Total net assets	<u>163,085,588</u>	<u>152,609,064</u>
Total liabilities and net assets	<u>\$ 204,637,522</u>	<u>\$ 191,270,413</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 Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues		
Passenger fares for transit services	\$ 53,336,723	\$ 47,384,041
Nontransportation revenue	<u>320,014</u>	<u>254,141</u>
Total operating revenues	<u>53,656,737</u>	<u>47,638,182</u>
Operating expenses		
Contract services	147,858,890	139,353,663
Fuel and lubricants	19,351,992	16,110,148
Depreciation	15,829,547	16,515,345
Materials and supplies	13,133,437	12,987,541
Insurance	8,449,133	9,864,013
Outside services	7,663,481	6,948,041
State fuel taxes	3,086,784	2,760,711
Utilities, rentals and others	<u>2,515,916</u>	<u>2,187,110</u>
Total operating expenses	<u>217,889,180</u>	<u>206,726,572</u>
Loss from operations	(164,232,443)	(159,088,390)
Nonoperating income (expense)		
Loss on disposal of equipment and parts	(278,600)	(102,784)
Noncapital contributions	<u>21,441,143</u>	<u>21,017,475</u>
Loss before transfers and capital contributions	<u>21,162,543</u>	<u>20,914,691</u>
Loss before transfers and capital contributions	(143,069,900)	(138,173,699)
Transfers	130,937,022	119,283,426
Capital contributions	<u>22,609,402</u>	<u>30,034,259</u>
Change in net assets	10,476,524	11,143,986
Net assets		
Beginning of year	<u>152,609,064</u>	<u>141,465,078</u>
End of year	<u>\$ 163,085,588</u>	<u>\$ 152,609,064</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, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Cash received from passengers	\$ 53,566,123	\$ 46,769,987
Cash paid to suppliers	(102,958,844)	(97,877,371)
Cash paid to reimburse OTS for its employees	<u>(97,624,562)</u>	<u>(90,630,780)</u>
Net cash used in operating activities	<u>(147,017,283)</u>	<u>(141,738,164)</u>
Cash flows from noncapital financing activities		
Transfers and noncapital contributions	<u>152,378,165</u>	<u>140,300,901</u>
Net cash provided by noncapital financing activities	<u>152,378,165</u>	<u>140,300,901</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>(742,027)</u>	<u>(693,391)</u>
Net cash used in capital and related financing activities	<u>(742,027)</u>	<u>(693,391)</u>
Net increase (decrease) in cash and cash equivalents	4,618,855	(2,130,654)
Cash and cash equivalents		
Beginning of year	<u>15,578,120</u>	<u>17,708,774</u>
End of year (including \$1,218,403 and \$1,114,096 of cash and cash equivalents in restricted assets in 2011 and 2010, respectively)	<u>\$ 20,196,975</u>	<u>\$ 15,578,120</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, 2011 and 2010**

	2011	2010
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	\$ (164,232,443)	\$ (159,088,390)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	15,829,547	16,515,345
Loss on disposal of equipment and parts	(278,600)	(102,784)
Changes in assets and liabilities		
Accounts receivable	(391,121)	(215,851)
Parts, supplies and fuel inventories	272,459	110,648
Advance to Oahu Transit Services, Inc. for accrued expenses	(290,292)	(2,079,292)
Other assets	(817,418)	-
Accounts payable	766,180	702,539
Payable to Oahu Transit Services, Inc. for accrued benefits	3,677,670	5,122,020
Reserve for insurance claims payable	(2,173,712)	(2,304,020)
Deferred income	620,447	(398,379)
Net cash used in operating activities	<u>\$ (147,017,283)</u>	<u>\$ (141,738,164)</u>
Supplemental disclosure of noncash capital and related financing activities		
Contribution of capital assets from the City and County of Honolulu	\$ 22,609,402	\$ 30,034,259

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

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Public Transportation System – Bus and Paratransit Operations
Notes to Financial Statements
June 30, 2011 and 2010

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.

OTS is fiscally dependent upon the City, and therefore, the City is financially accountable for OTS, as defined by Governmental Accounting Standards Board Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*.

The collective bargaining agreements between OTS, for its bus and paratransit operations and the Hawaii Teamsters and Allied Workers Union, Local 996, are effective through June 30, 2013 and March 12, 2012, respectively.

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”). In accordance with GASB standards, the City has elected not to apply the Financial Accounting Standards Board (“FASB”) pronouncements on accounting and financial reporting that were issued after November 30, 1989.

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 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.

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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, 2011 and 2010 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:

	Years
Buildings and improvements	31.5 – 40
Land improvements	30
Buses	7 – 12
Paratransit vans	5
All other assets	5 – 15

Vacation and Sick Leave

OTS accrues a liability for compensated absences (vacation and sick leave) as employees earn the rights to those benefits. An accrual is made for services that are already rendered and that are not contingent on a specific event outside the control of the employer and employee. The current portions of accrued vacation and sick leave are included in the advance to Oahu Transit Services, Inc. for accrued expenses balance on the statements of net assets.

Certain OTS employees may elect to redeem a portion of their annual sick leave allowance. Employees who retire and meet certain eligibility requirements may be entitled to a lump sum payment for accumulated sick leave. At the balance sheet date, OTS recorded an estimated sick leave liability to the extent it is probable that benefits will result in annual and/or terminated payments.

Deferred Income

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

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Pension and Postretirement Plans

OTS has a noncontributory single-employer defined benefit pension plan covering eligible nonbargaining unit employees upon their retirement. The benefits are based on age, years of service, and the level of compensation during the five years before retirement. OTS also sponsors a single-employer defined benefit healthcare plan for eligible nonbargaining unit retirees and their spouses.

OTS records annual amounts related to its pension and postretirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, and healthcare cost trend rates. OTS reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends, when it is appropriate to do so. OTS believes that the assumptions utilized in recording its prepaid pension cost and obligation under its pension and postretirement plans, respectively, are reasonable based on its experience and market conditions. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The pension plan may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the prepaid pension cost reported in OTS's separate financial statements.

OTS uses the measurement date of March 1 and June 30 for its pension and postretirement plans, respectively. The annual costs are recognized as employees render the services necessary to earn the pension and postretirement benefits.

Net Assets

Net assets comprise the various net earnings (loss) from operating and nonoperating revenues, expenses, transfers and contributions. Net assets are classified in the following components: invested in capital assets and unrestricted net assets. Invested in capital assets consists of capital assets, net of accumulated depreciation. Unrestricted net assets consist of all other net assets 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 \$250 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,

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this policy provided \$50 million in sublimits for comprehensive damage (other than collision damage) to the vehicles while parked at the Bus and Paratransit Operations facilities.

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 incurred in managing and operating the bus and paratransit systems.

Transfers

The City provides assistance to 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 December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants pronouncements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2011. Management does not expect that this Statement will have a material effect on the Bus and Paratransit Operations financial statements.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation. Such reclassifications had no effect on the net assets and change in net assets as previously reported.

3. Management and Operations Agreement

OTS has an agreement with the City to provide for the management of 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 incurred 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 assets include reimbursements paid to OTS for labor and fringe benefits. The agreement provided for the City to pay OTS an annual management fee of \$468,520 for the fiscal years ended June 30, 2011 and 2010. The current agreement with the City, effective July 2010, provides for the City to pay OTS \$117,130 per quarter beginning with the quarter ended September 30, 2010 until a new management and operations agreement is executed.

The agreement provides that the City furnish, but retain title to, the transit buses, paratransit buses, properties, facilities and equipment used in the transit system.

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4. Cash and Investments

The cash balances reported in the accompanying statements of net assets 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.

5. Restricted Assets Held by OTS

OTS, 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, 2011 and 2010, the restricted assets held by OTS consisted of cash and cash equivalents that were uninsured and uncollateralized.

Restricted assets as of June 30, 2011 and 2010 consisted of the following:

	2011	2010
Cash	\$ 566,876	\$ 330,969
Money market mutual fund	<u>651,527</u>	<u>783,127</u>
	<u>\$ 1,218,403</u>	<u>\$ 1,114,096</u>

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6. Capital Assets

The changes in capital assets were as follows:

	Balance July 1, 2010	Additions	Retirements/ Transfers	Balance June 30, 2011
Buses	\$ 200,146,426	\$ 15,431,244	\$ (11,803,064)	\$ 203,774,606
Buildings and improvements	63,798,860	4,601,922	-	68,400,782
Land improvements	9,248,834	21,354	-	9,270,188
Shop equipment	29,337,107	332,058	(2,136,228)	27,532,937
Paratransit vans	13,130,890	1,430,487	(72,759)	14,488,618
Automobiles and trucks	2,488,959	414,929	(170,595)	2,733,293
Furniture and office equipment	31,378	-	(26,312)	5,066
	<u>318,182,454</u>	<u>22,231,994</u>	<u>(14,208,958)</u>	<u>326,205,490</u>
Less: Accumulated depreciation	<u>(211,929,933)</u>	<u>(15,829,547)</u>	<u>14,141,263</u>	<u>(213,618,217)</u>
	106,252,521	6,402,447	(67,695)	112,587,273
Land	53,985,443	-	-	53,985,443
Construction in progress	424,791	1,573,794	(386,664)	1,611,921
Capital assets, net	<u>\$ 160,662,755</u>	<u>\$ 7,976,241</u>	<u>\$ (454,359)</u>	<u>\$ 168,184,637</u>

	Balance July 1, 2009	Additions	Retirements/ Transfers	Balance June 30, 2010
Buses	\$ 181,406,357	\$ 20,596,362	\$ (1,856,293)	\$ 200,146,426
Buildings and improvements	63,557,664	241,196	-	63,798,860
Land Improvements	-	9,248,834	-	9,248,834
Shop equipment	29,335,974	594,592	(593,459)	29,337,107
Paratransit vans	13,414,151	-	(283,261)	13,130,890
Automobiles and trucks	2,179,822	309,137	-	2,488,959
Furniture and office equipment	98,881	-	(67,503)	31,378
	<u>289,992,849</u>	<u>30,990,121</u>	<u>(2,800,516)</u>	<u>318,182,454</u>
Less: Accumulated depreciation	<u>(197,889,166)</u>	<u>(16,515,345)</u>	<u>2,474,578</u>	<u>(211,929,933)</u>
	92,103,683	14,474,776	(325,938)	106,252,521
Land	53,985,443	-	-	53,985,443
Construction in progress	361,324	234,365	(170,898)	424,791
Capital assets, net	<u>\$ 146,450,450</u>	<u>\$ 14,709,141</u>	<u>\$ (496,836)</u>	<u>\$ 160,662,755</u>

Depreciation expense was \$15,829,547 and \$16,515,345 for the fiscal years ended June 30, 2011 and 2010, respectively.

7. 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 \$1 million which increased to \$3 million effective July 1, 2004, and decreased to \$2 million effective July 1, 2006. The City also has a workers' compensation self-insurance program, which covers OTS claims up to \$300,000 per occurrence for policy periods through June 30, 1995, \$250,000 per occurrence from July 1, 1995 through June 30, 2002 and \$1 million per occurrence effective July 1, 2002. OTS has obtained excess insurance coverage

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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.

Effective April 24, 2000, Oahu Transit Services Insurance Group ("OTSIG"), a wholly owned subsidiary of OTS, was incorporated to operate as a nonprofit captive insurance company. OTSIG was primarily organized to facilitate a loss portfolio transfer of workers' compensation, automobile and general liability claims of the City incurred during specific buyout periods. OTSIG transferred the claims, which has a carrying value of approximately \$8.8 million to a third party reinsurer with a \$15 million aggregate limitation. OTSIG was dissolved in 2008, and the remaining assets were transferred to the trust fund established for the City's self-insurance programs. Management believed the reinsurance policy was adequate to cover all costs associated with the ultimate settlement of these claims. Accordingly, no provision for any liability that resulted from the resolution of these claims was made in the accompanying financial statements.

The amounts payable for claims incurred and claims incurred but not reported for the fiscal years ended June 30, 2011 and 2010, were as follows:

	Balance July 1, 2010	Incurred	Payments	Balance June 30, 2011	Amounts Due Within One Year
Automotive and general liability	\$ 4,350,365	\$ 4,826,132	\$ (5,268,046)	\$ 3,908,451	\$ 1,831,504
Workers' compensation	<u>12,451,445</u>	<u>3,942,944</u>	<u>(5,674,742)</u>	<u>10,719,647</u>	<u>4,432,898</u>
Reserve for insurance claims payable	<u>\$ 16,801,810</u>	<u>\$ 8,769,076</u>	<u>\$ (10,942,788)</u>	<u>\$ 14,628,098</u>	<u>\$ 6,264,402</u>

	Balance July 1, 2009	Incurred	Payments	Balance June 30, 2010	Amounts Due Within One Year
Automotive and general liability	\$ 4,819,000	\$ 5,212,018	\$ (5,680,653)	\$ 4,350,365	\$ 1,746,000
Workers' compensation	<u>14,286,830</u>	<u>4,756,648</u>	<u>(6,592,033)</u>	<u>12,451,445</u>	<u>4,395,810</u>
Reserve for insurance claims payable	<u>\$ 19,105,830</u>	<u>\$ 9,968,666</u>	<u>\$ (12,272,686)</u>	<u>\$ 16,801,810</u>	<u>\$ 6,141,810</u>

The OTS's workers' compensation loss and allocated loss adjustment expense ("ALAE") reserve as of June 30, 2011 for accidents occurring from March 1, 1998 to June 30, 2011 is estimated to be \$10.7 million on an undiscounted basis and \$9.6 million on a discounted basis (discounted at 4.5%). The OTS's liability loss and ALAE reserve as of June 30, 2011 for accidents occurring from January 1, 2000 through June 30, 2011, is estimated to be \$3.9 million on an undiscounted basis and \$3.6 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 account 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.

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8. Employee Benefit Plans

Pension Plans

OTS participates in the Western Conference of Teamsters Pension Plan (“WCT Plan”), a noncontributory cost sharing multiemployer defined benefit pension plan which provides for pension benefits to all bargaining employees at the following rates:

Division	Period	Fixed Rate Per Straight-time Hour
Bus operations	July 1, 2007 to December 31, 2007	\$ 3.50
	January 1, 2008 to February 28, 2009	3.60
	March 1, 2009 to February 28, 2010	3.85
	March 1, 2010 to February 28, 2011	4.10
	March 1, 2011 to February 29, 2012	4.40
Paratransit operations – dispatchers, schedulers, reservationists, maintenance employees, customer service and administrative clerks	January 1, 2007 to December 31, 2007	2.00
	January 1, 2008 to December 31, 2008	2.20
	January 1, 2009 to December 31, 2009	2.35
	January 1, 2010 to December 31, 2010	2.50
	January 1, 2011 to December 31, 2011	2.65
Paratransit operation – operator employees	March 1, 2007 to February 28, 2008	2.00
	March 1, 2008 to February 28, 2009	2.20
	March 1, 2009 to February 28, 2010	2.35
	March 1, 2010 to February 28, 2011	2.50
	March 1, 2011 to February 29, 2012	2.65

In addition, OTS contributes an additional 6.5% of the pension contribution fixed rate per straight-time hour for bargaining employees of the Program for Enhanced Early Retirement. The additional pension contribution for Paratransit operations employees became effective on March 1, 2008.

Pension expense under the multiemployer plan was approximately \$13,926,000, \$13,050,000 and \$12,380,000 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively. The information relating to the relative position of each employer associated with its multiemployer plan with respect to the actuarial present value of accumulated benefits and the net assets available for benefits is not available. The WCT Plan issues a publicly available financial report that includes financial statements and required supplemental information. This report may be obtained by writing to Western Conference of Teamsters Pension Trust Fund Board of Trustees, 2323 Eastlake Avenue East, Seattle, WA 98102-3305.

OTS also has a noncontributory single-employer defined benefit pension plan, which provides eligible nonbargaining unit employees with retirement and disability benefits for past and future services. Pension expense for the plan was approximately \$1,685,000 and \$1,673,000 for the fiscal years ended June 30, 2011 and 2010, respectively.

The following pension information is for disclosure purposes only as this is an OTS plan and is recorded and disclosed in OTS’s separate financial statements.

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OTS's annual pension cost and net prepaid pension cost for the single-employer pension plan at June 30, 2011 and 2010 were as follows:

	2011	2010
Annual required contribution	\$ 1,268,686	\$ 1,290,209
Interest on net pension asset	(899,113)	(827,251)
Adjustment to annual required contribution	<u>1,315,597</u>	<u>1,210,448</u>
Annual pension cost	1,685,170	1,673,406
Less: Contributions made	<u>2,925,000</u>	<u>3,180,000</u>
Increase in net pension cost	1,239,830	1,506,594
Net pension asset		
Beginning of year	<u>13,519,470</u>	<u>12,012,876</u>
End of year	<u>\$ 14,759,300</u>	<u>\$ 13,519,470</u>

The annual required contribution ("ARC") of the single-employer pension plan for the current and prior fiscal years were determined as part of the March 1, 2010 (the most recent actuarial valuation date) and March 1, 2009 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.0% per year. The actuarial value of assets was determined using the market value. The remaining amortization period at June 30, 2011 and 2010 was three years and four years, respectively.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Asset
June 30, 2009	\$ 1,202,399	171%	\$ 12,012,876
June 30, 2010	\$ 1,673,406	190%	\$ 13,519,470
June 30, 2011	\$ 1,685,170	174%	\$ 14,759,300

The following schedule of funding progress, presented as required supplemental information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Required Supplemental Information – Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Entry Age	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2008	\$ 21,485,480	\$ 27,358,059	\$ 5,872,579	79%	\$ 6,255,239	94%
March 1, 2009	\$ 13,719,728	\$ 25,117,582	\$ 11,397,854	55%	\$ 6,844,698	167%
March 1, 2010	\$ 13,353,538	\$ 24,454,782	\$ 11,101,244	55%	\$ 6,932,183	160%

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Postretirement Health Benefit Plans

OTS provides its nonbargaining unit employees with postretirement health benefits. Specifically, Medicare and health insurance premiums for eligible retired employees and their spouses are funded on a pay-as-you-go basis. The cost of insurance premiums paid for the fiscal years ended June 30, 2011, 2010, and 2009, amounted to approximately \$335,000, \$331,000, and \$260,000, respectively. As of June 30, 2011, 51 participants are eligible to receive benefits.

OTS's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table presents the components of OTS's annual OPEB cost for the fiscal years ended June 30, 2011 and 2010, the amount actually contributed to the plan, and change in the net OPEB obligation:

	2011	2010
Annual required contribution	\$ 4,198,277	\$ 3,509,416
Interest on net OPEB obligation	407,555	277,887
Adjustment to annual required contribution	<u>(843,312)</u>	<u>(575,003)</u>
Annual OPEB cost	3,762,520	3,212,300
Contributions made	<u>(334,663)</u>	<u>(330,790)</u>
Increase in net OPEB obligation	3,427,857	2,881,510
Net OPEB obligation		
Beginning of year	<u>9,056,785</u>	<u>6,175,275</u>
End of year	12,484,642	9,056,785
Less: Current portion (included in Advance to Oahu Transit Services, Inc. for accrued expenses)	<u>364,000</u>	<u>363,000</u>
Noncurrent portion due to OTS	<u>\$ 12,120,642</u>	<u>\$ 8,693,785</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2011, 2010, and 2009 were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 3,223,986	8%	\$ 6,175,275
June 30, 2010	\$ 3,212,300	10%	\$ 9,056,785
June 30, 2011	\$ 3,762,520	9%	\$ 12,484,642

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The schedule of funding progress as of June 30, 2011, 2010, and 2009 were as follows:

Required Supplemental Information – Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Entry Age	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ -	\$ 27,223,007	\$ 27,223,007	0%	\$ 8,833,961	308%
June 30, 2010	\$ -	\$ 32,792,784	\$ 32,792,784	0%	\$ 6,343,546	517%
June 30, 2011	\$ -	\$ 18,097,690	\$ 18,097,690	0%	\$ 7,624,449	237%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The June 30, 2011 and 2010 actuarial valuations used the projected unit credit cost method. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected returns on employer investments intended to be used to pay future benefits. The UAAL is being amortized as a level dollar open amortization period. The remaining amortization period at June 30, 2011 and 2010 was 15 years.

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OTS also provides its bargaining unit employees postretirement health benefits under its collective bargaining agreement with the Hawaii Teamsters and Allied Workers Union Local 996. OTS is required to contribute the following amounts per straight-time compensable hour earned on behalf of Bus and Paratransit Operations employees:

Division	Period	Fixed Rate Per Straight-time Hour
Bus operations	July 1, 2007 to February 28, 2009	\$ 0.46
	March 1, 2009 to February 28, 2010	0.51
	March 1, 2010 to February 28, 2011	0.57
	March 1, 2011 to February 29, 2012	0.64
Paratransit operations	July 1, 2006 to December 31, 2007	0.05
	January 1, 2008 to December 31, 2008	0.08
	January 1, 2009 to December 31, 2009	0.11
	January 1, 2010 to December 31, 2010	0.14
	January 1, 2011 to December 31, 2011	0.17

Contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately \$1,714,000, \$1,519,000, and \$1,355,000, respectively.

Sick Leave

OTS employees of the Bus operations are credited with sick leave at rates of 96 or 120 hours annually on March 1, depending on their years of service. OTS Paratransit dispatch/reservations, finance, maintenance, operator employees, and employees not covered by a collective bargaining contract are credited with sick leave at a range of 48 to 120 hours annually on March 1, depending on their years of service. Employees with at least one year of service may elect to redeem 50% of their unused annual sick leave allowance in the form of cash or credit to their deferred compensation plan. Annual sick leave not redeemed is added to the employees' cumulative allowance, which is carried over from year to year with no maximum. Employees who retire and meet certain eligibility requirements may be entitled to a retirement credit for accumulated sick leave, which is to be paid in a lump sum. The value of the retirement credit for employees covered by a collective bargaining agreement and for employees not covered by a collective bargaining agreement is 100% and 50%, respectively, of the employees' straight-time hourly rate multiplied by the number of accumulated sick leave hours. At June 30, 2011 and 2010, sick leave credits are recorded as an estimated liability to the extent it is probable that benefits will result in annual and/or termination payments.

Changes in the accrued sick leave balance as of June 30, 2011 and 2010 are as follows:

	2011	2010
Beginning of year	\$ 9,319,759	\$ 7,559,101
Qualified benefits earned	1,433,038	2,836,624
Payments	<u>(1,096,641)</u>	<u>(1,075,966)</u>
End of year	9,656,156	9,319,759
Less: Current portion (included in Advance to Oahu Transit Services, Inc. for accrued expenses)	<u>1,018,871</u>	<u>933,287</u>
Noncurrent portion due to OTS	<u>\$ 8,637,285</u>	<u>\$ 8,386,472</u>

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Determination of the probable sick leave benefits that will result in termination payments is a significant estimate. It is reasonably possible that one or more future events could result in a material change in the estimated liability to OTS.

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 \$130.9 million and \$119.3 million for the fiscal years ended June 30, 2011 and 2010, respectively. In addition, capital and noncapital contributions for the fiscal years ended June 30, 2011 and 2010 were as follows:

	2011	2010
Federal capital contributions	\$ 6,368,184	\$ 20,535,245
City capital contributions	<u>16,241,218</u>	<u>9,499,014</u>
Total capital contributions	<u>\$ 22,609,402</u>	<u>\$ 30,034,259</u>
FTA preventative maintenance funds	\$ 21,000,000	\$ 21,000,000
Other federal non-operating revenues	164,817	17,475
City non-operating revenues	<u>276,326</u>	<u>-</u>
Noncapital contributions	<u>\$ 21,441,143</u>	<u>\$ 21,017,475</u>

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.

Supplemental Schedules

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Net Assets
June 30, 2011

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Assets					
Current assets					
Cash and cash equivalents	\$ 18,977,972	\$ 600	\$ -	\$ -	\$ 18,978,572
Accounts receivable	2,017,588	55,157	-	-	2,072,745
Parts, supplies and fuel inventories	7,332,892	656,743	-	-	7,989,635
Advance to Oahu Transit Services, Inc. for accrued expenses	4,266,177	1,109,935	-	-	5,376,112
Other assets	817,418	-	-	-	817,418
Intercompany receivable	31,288,136	-	-	31,288,136	-
Total current assets	64,700,183	1,822,435	-	31,288,136	35,234,482
Restricted assets held by Oahu Transit Services, Inc.	1,218,403	-	-	-	1,218,403
Capital assets, net	143,629,953	24,554,684	-	-	168,184,637
Total assets	<u>\$ 209,548,539</u>	<u>\$ 26,377,119</u>	<u>\$ -</u>	<u>\$ 31,288,136</u>	<u>\$ 204,637,522</u>

City and County of Honolulu
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Supplemental Schedule – Detailed Statement of Net Assets
June 30, 2011

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 3,441,789	\$ 597,701	\$ -	\$ -	\$ 4,039,490
Intercompany payables	-	31,288,136	31,288,136	-	-
Reserve for insurance claims payable	6,264,402	-	-	-	6,264,402
Deferred income	2,126,419	-	-	-	2,126,419
Total current liabilities	11,832,610	31,885,837	31,288,136	-	12,430,311
Noncurrent payable to Oahu Transit Services, Inc.					
Accrued sick leave	7,771,474	865,811	-	-	8,637,285
Postretirement liability	11,601,121	519,521	-	-	12,120,642
Reserve for insurance claims payable, noncurrent	8,363,696	-	-	-	8,363,696
Total liabilities	39,568,901	33,271,169	31,288,136	-	41,551,934
Net assets					
Invested in capital assets	143,629,953	24,554,684	-	-	168,184,637
Unrestricted	26,349,685	(31,448,734)	-	-	(5,099,049)
Total net assets	169,979,638	(6,894,050)	-	-	163,085,588
Total liabilities and net assets	\$ 209,548,539	\$ 26,377,119	\$ 31,288,136	\$ -	\$ 204,637,522

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Net Assets
June 30, 2010

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Assets					
Current assets					
Cash and cash equivalents	\$ 14,463,424	\$ 600	\$ -	\$ -	\$ 14,464,024
Accounts receivable	1,679,268	2,356	-	-	1,681,624
Parts, supplies and fuel inventories	7,542,860	719,234	-	-	8,262,094
Advance to Oahu Transit Services, Inc. for accrued expenses	4,347,991	737,829	-	-	5,085,820
Intercompany receivable	27,572,507	-	-	27,572,507	-
Total current assets	55,606,050	1,460,019	-	27,572,507	29,493,562
Restricted assets held by Oahu Transit Services, Inc.	1,114,096	-	-	-	1,114,096
Capital assets, net	135,807,304	24,855,451	-	-	160,662,755
Total assets	<u>\$ 192,527,450</u>	<u>\$ 26,315,470</u>	<u>\$ -</u>	<u>\$ 27,572,507</u>	<u>\$ 191,270,413</u>

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Net Assets
June 30, 2010

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 2,757,887	\$ 515,423	\$ -	\$ -	\$ 3,273,310
Intercompany payables	-	27,572,507	27,572,507	-	-
Reserve for insurance claims payable	6,141,810	-	-	-	6,141,810
Deferred income	1,505,972	-	-	-	1,505,972
Total current liabilities	10,405,669	28,087,930	27,572,507	-	10,921,092
Noncurrent payable to Oahu Transit Services, Inc.					
Accrued sick leave	7,610,755	775,717	-	-	8,386,472
Postretirement liability	8,178,951	514,834	-	-	8,693,785
Reserve for insurance claims payable, noncurrent	10,660,000	-	-	-	10,660,000
Total liabilities	36,855,375	29,378,481	27,572,507	-	38,661,349
Net assets					
Invested in capital assets	135,807,304	24,855,451	-	-	160,662,755
Unrestricted	19,864,771	(27,918,462)	-	-	(8,053,691)
Total net assets	155,672,075	(3,063,011)	-	-	152,609,064
Total liabilities and net assets	\$ 192,527,450	\$ 26,315,470	\$ 27,572,507	\$ -	\$ 191,270,413

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Revenues, Expenses and Change in Net Assets
Year Ended June 30, 2011

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Operating revenues					
Passenger fares for transit services	\$ 51,699,588	\$ 1,637,135	\$ -	\$ -	\$ 53,336,723
Nontransportation revenue	292,021	27,993	-	-	320,014
Total operating revenue	<u>51,991,609</u>	<u>1,665,128</u>	<u>-</u>	<u>-</u>	<u>53,656,737</u>
Operating expenses					
Contract services	124,556,172	23,302,718	-	-	147,858,890
Fuel and lubricants	16,937,419	2,414,573	-	-	19,351,992
Depreciation	13,302,174	2,527,373	-	-	15,829,547
Materials and supplies	11,485,391	1,648,046	-	-	13,133,437
Insurance	6,570,707	1,878,426	-	-	8,449,133
Outside services	4,671,520	2,991,961	-	-	7,663,481
State fuel taxes	2,788,094	298,690	-	-	3,086,784
Utilities, rentals and others	2,241,479	274,437	-	-	2,515,916
Intercompany revenue (expense)	<u>27,572,507</u>	<u>(27,572,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>210,125,463</u>	<u>7,763,717</u>	<u>-</u>	<u>-</u>	<u>217,889,180</u>
Loss from operations	(158,133,854)	(6,098,589)	-	-	(164,232,443)
Nonoperating income (expense)					
Loss on disposal of equipment and parts	(278,600)	-	-	-	(278,600)
Noncapital contributions	<u>21,441,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,441,143</u>
	<u>21,162,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,162,543</u>
Loss before transfers and capital contributions	(136,971,311)	(6,098,589)	-	-	(143,069,900)

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Revenues, Expenses and Change in Net Assets
Year Ended June 30, 2011

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Loss before transfers and capital contributions	(136,971,311)	(6,098,589)	-	-	(143,069,900)
Transfers	130,937,022	-	-	-	130,937,022
Capital contributions	<u>20,341,852</u>	<u>2,267,550</u>	-	-	<u>22,609,402</u>
Change in net assets	14,307,563	(3,831,039)	-	-	10,476,524
Net assets					
Beginning of year	<u>155,672,075</u>	<u>(3,063,011)</u>	-	-	<u>152,609,064</u>
End of year	<u>\$ 169,979,638</u>	<u>\$ (6,894,050)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,085,588</u>

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Revenues, Expenses and Change in Net Assets
Year Ended June 30, 2010

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Operating revenues					
Passenger fares for transit services	\$ 45,874,670	\$ 1,509,371	\$ -	\$ -	\$ 47,384,041
Nontransportation revenue	227,917	26,224	-	-	254,141
Total operating revenues	<u>46,102,587</u>	<u>1,535,595</u>	<u>-</u>	<u>-</u>	<u>47,638,182</u>
Operating expenses					
Contract services	117,781,900	21,571,763	-	-	139,353,663
Depreciation	14,071,374	2,443,971	-	-	16,515,345
Fuel and lubricants	13,969,839	2,140,309	-	-	16,110,148
Materials and supplies	11,312,646	1,674,895	-	-	12,987,541
Insurance	8,745,658	1,118,355	-	-	9,864,013
Outside services	4,454,387	2,493,654	-	-	6,948,041
State fuel taxes	2,551,167	209,544	-	-	2,760,711
Utilities, rentals and others	1,964,130	222,980	-	-	2,187,110
Intercompany revenue (expense)	25,358,768	(25,358,768)	-	-	-
Total operating expenses	<u>200,209,869</u>	<u>6,516,703</u>	<u>-</u>	<u>-</u>	<u>206,726,572</u>
Loss from operations	(154,107,282)	(4,981,108)	-	-	(159,088,390)
Nonoperating income (expense)					
Loss on disposal of equipment and parts	(48,665)	(54,119)	-	-	(102,784)
Noncapital contributions	21,017,475	-	-	-	21,017,475
	<u>20,968,810</u>	<u>(54,119)</u>	<u>-</u>	<u>-</u>	<u>20,914,691</u>
Loss before transfers and capital contributions	(133,138,472)	(5,035,227)	-	-	(138,173,699)

City and County of Honolulu
Public Transportation System – Bus and Paratransit Operations
Supplemental Schedule – Detailed Statement of Revenues, Expenses and Change in Net Assets
Year Ended June 30, 2010

	Bus Operations	Paratransit Operations	Eliminations		Total
			Debit	Credit	
Loss before transfers and capital contributions	(133,138,472)	(5,035,227)	-	-	(138,173,699)
Transfers	119,283,426	-	-	-	119,283,426
Capital contributions	20,650,751	9,383,508	-	-	30,034,259
Change in net assets	6,795,705	4,348,281	-	-	11,143,986
Net assets					
Beginning of year	148,876,370	(7,411,292)	-	-	141,465,078
End of year	<u>\$ 155,672,075</u>	<u>\$ (3,063,011)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,609,064</u>