

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**FINANCIAL STATEMENTS AND SCHEDULES  
YEAR ENDED JUNE 30, 2004  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Rhode Island Public Transit Authority

We have audited the accompanying basic financial statements of the Rhode Island Public Transit Authority, a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2004 as listed in the table of contents. These basic financial statements are the responsibility of the Rhode Island Public Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Public Transit Authority, as of June 30, 2004 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the financial statements, the Authority received operating assistance including fare subsidies from the State for the fiscal year ending June 30, 2004 in the amount of \$30,686,644. The amount of such assistance indicates that the Authority may require continued assistance in order to operate at its present level.

In accordance with Government Auditing Standards we have also issued our report dated September 16, 2004 on our consideration of the Rhode Island Public Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The Management's Discussion and Analysis on Pages 3 - 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon. The other supplementary information on Pages 25 - 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Rhode Island Public Transit Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

September 16, 2004

A handwritten signature in cursive script that reads "Prescott Chatellier Fontaine & Wilkerson, LLP". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

## **RHODE ISLAND PUBLIC TRANSIT AUTHORITY** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Rhode Island Public Transit Authority (Authority) provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Authority's financial statements. This narrative provides an overview of the Authority's financial activity for the fiscal year ended June 30, 2004. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Authority's financial activities based on facts, decisions, and conditions currently facing management.

### **Understanding the Authority's Financial Statements**

The Authority is a component unit of the State of Rhode Island and Providence Plantations (State), accounted for as an enterprise fund, which reports all assets and liabilities using the accrual basis of accounting much like a private business entity. In accordance with generally accepted accounting principles, this report consists of a series of financial statements, along with explanatory notes to the financial statements and supplementary schedules.

The financial statements include a Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; Statement of Cash Flows; and notes to the financial statements.

The *Statement of Net Assets* presents the financial position of the Authority on the accrual basis of accounting. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All the current years' revenue and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Assets*. This statement reports the current year's operating revenues and expenses and non-operating revenue and expenses for the Authority.

The *Statement of Cash Flows* provides information about the changes in cash and cash equivalents, resulting from operational, financing and, investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earning event, when an obligation arises, or depreciation of assets.

The financial statements immediately follow this discussion and analysis by management and are designed to highlight the Authority's net assets and changes to those assets resulting from Authority's operations.

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Highlights**

- The Authority's operating, non-operating revenues and transfers from the state increased by 4.1% or \$2.7 million during FY 2004 compared to FY 2003.
- Operating expenses increased by 6.7% or \$5 million as compared to FY 2003.
- Capital contributions increased by \$3.2 million or 52.7% over the previous year.
- The Authority's total assets decreased by \$.5 million or .5 % from FY 2003.

**Assets and Liabilities**

The following schedule presents the condensed Statement of Net Assets for the fiscal years ended June 30, 2004 and 2003.

	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
<b>Assets:</b>		
Capital assets	\$93,513,750	\$93,409,820
Other assets	12,206,469	12,822,166
<b>TOTAL ASSETS</b>	<u>105,720,219</u>	<u>106,231,986</u>
<b>Liabilities:</b>		
Current Liabilities	8,676,217	8,935,811
Long-term Liabilities	9,443,904	7,567,160
<b>TOTAL LIABILITES</b>	<u>18,120,121</u>	<u>16,502,971</u>
<b>Net assets</b>		
Unrestricted net assets (deficit)	(5,913,652)	(3,680,805)
Invested in capital assets	93,513,750	93,409,820
<b>TOTAL NET ASSETS</b>	<u>\$87,600,098</u>	<u>\$89,729,015</u>

The majority of the Authority's assets (89%) reflect its investment in capital assets (land, building, revenue vehicles, equipment). Other assets include cash (including amounts invested in cash equivalent type instruments), accounts receivables from the federal and state governments, inventories prepaid expenses and other receivables. Current liabilities consist of vendor, employee and benefit payments while long-term liabilities include accrued pension and self-insured claims.

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Authority Operations**

The following schedule presents the condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2004 and 2003.

	June 30, 2004	June 30, 2003
Total Operating Revenues	\$21,951,763	\$17,878,368
Total Non-operating Revenue	16,487,138	19,443,868
Transfer in from the State	30,686,644	29,054,641
Total Operating Expenses	(80,024,717)	(74,961,642)
Total Non-operating Expenses	(410,788)	(431,785)
Net Income ( Loss) before Capital Contributions	(11,309,960)	(9,016,550)
Capital Contributions	<u>9,181,043</u>	<u>6,012,830</u>
Change in Net Assets	(2,128,917)	(3,003,720)
Total Net Assets- Beginning	<u>89,729,015</u>	<u>92,732,735</u>
Total Net Assets- Ending	<u>\$87,600,098</u>	<u>\$89,729,015</u>

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$78,306,588 for FY 2004 as compared to \$72,389,707 in FY 2003. The FY 2004 revenue reported as operating revenue, non-operating revenue and transfers from the state increased 4.1% or \$2,748,668 over the prior year. This increase was the result of receiving additional passenger revenue through the U-Pass program and additional revenue in support of the RIte Care program. Revenue received through capital contributions increased by 52.7% or \$3.2 million from the prior year. The Authority's operating and non-operating expenses totaled \$80,435,505 for FY 2004 as compared to \$75,393,427 for FY 2003. This reflects an increase of 6.7% over the prior year. The growth is a result of expense increases in fringe benefits, fuel, Americans with Disability Act program cost, Paratransit operations costs and depreciation

**Capital Assets**

At the end of fiscal year 2004, the Authority had \$ 93,513,750 invested in capital assets. This amount represents a slight increase over the last year. The following schedule summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2004 and 2003.

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Major capital asset events during the current fiscal year include the following:

- Purchase of McKendall Lumber property
- Completion of installation of system-wide radio communication system
- Completion of the 9200 fleet rehabilitation program
- Purchase of revenue vehicles for the Paratransit RIdE Program

	<u>2004</u>	<u>2003</u>
Land,shops,garages and buildings	\$59,869,561	\$56,850,066
Revenue equipment	81,317,990	68,181,626
Service Vehicles and garage equipment	3,386,842	3,058,399
Furniture and fixtures	2,015,790	2,064,522
Management informations systems	2,937,844	2,922,032
Federal grant projects in process	344,973	11,202,689
	<u>149,873,000</u>	<u>144,279,334</u>
Less accumulated depreciation	(56,359,250)	(50,869,514)
Net capital assets	<u>\$93,513,750</u>	<u>\$ 93,409,820</u>

During FY 2004, The Authority committed to the purchase of 24 Orion buses scheduled for delivery in the Spring of 2004. Due to production delays, the buses were delivered during the Summer of 2004 and will be included in the FY 2005 capital purchases. Additionally the Authority is preparing to go out to bid for replacement of Paratransit vehicles for the RIdE program. These vehicles are expected to be delivered by the Summer of 2005.

**Economic Factors and Next Year's Budget**

The Authority's mission is to provide safe, reliable and cost effective transit service with a skilled team of professionals responsive to our customers, the environment, and committed to transit excellence. To accomplish this, the Authority must continuously assess its operational functions, financial capacity and products and services provided. Currently, the State of Rhode Island is projecting a budget deficit that will also affect the Authority's current year budget development.

The Rhode Island Public Expenditure Council (RIPEC) issued a report that focused on the funding crisis facing transportation in Rhode Island. This report makes several recommendations for the current fiscal year as well as suggests some long-term funding solutions.

The following factors were considered in setting the Authority's FY 2005 budget:

- ❑ Service reductions are being planned to close the budget gap of \$1.9 million for FY 2005.
- ❑ Amount of federal funds appropriated for operating and capital purposes. FYE 2003 was the final year of TEA 21, a six-year federal appropriation act, which established guaranteed levels of funding for transit agencies nationwide. As of September 2004 there has been no reauthorization legislation on new appropriation levels and the amount of the federal transit funding guarantees are uncertain at this time.



**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- ❑ State gasoline tax revenue available for operating purposes. For FY 2005, the yield from the gasoline tax is expected to remain at approximately the same level that was in place over the previous fiscal year, however the amount of gasoline tax revenue transferred to the Authority is being reduced in lieu of additional revenue payments from the RIte Care program. All but two cents of the thirty cents of gasoline tax has been distributed for transportation purposes, either to the Authority or to the Rhode Island Department of Transportation.
- ❑ Revenue from state agencies to subsidize policy driven transit travel programs. This program provides payment for free and reduced RIDes for senior citizens and the disabled population. Additionally, the Authority provides the transportation benefit for the states RIte Care program.
- ❑ Passenger revenue anticipated which includes increases in pass product costs and new pass product programs such as the U-Pass program . The U-Pass program allows university students access to all transportation routes by simply displaying their university identification card.
- ❑ Cost increases associated with employee contractual contract and health benefit increases. Employee wages and associated fringe benefits made up approximately 70% of the Authority's annual budget. Two of the Authority's labor contracts have been resolved either through negotiation or through binding arbitration, which includes a retro payment of wages. One labor contract, which expired December 31, 2002, has not been resolved yet.
- ❑ Costs associated with increased fuel prices. The Authority consumes 2.5 million gallons of fuel annually. The budgeted fuel cost for FY 2005 increased 23.6% over the previous fiscal year.
- ❑ Americans with Disability Act. The cost associated with this unfunded federally mandated program is projected to increase 10% over the prior fiscal year.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's financial activity for all those interested in the Authority's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Rhode Island Public Transit Authority, 265 Melrose Street, Providence, Rhode Island, 02907.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

STATEMENT OF NET ASSETS  
JUNE 30, 2004

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<u>ASSETS</u>	
	2004
<b>Current assets:</b>	
<b>Cash and cash equivalents:</b>	
Operating fund	\$ 981,739
Capital replacement fund	1,695,215
Paratransit capital fund	967,409
Accident and casualty fund	671,692
<b>Total cash and cash equivalents</b>	<u>4,316,055</u>
Due from primary government	<u>1,471,887</u>
<b>Receivables:</b>	
Accounts	2,824,783
Grants	1,135,841
<b>Total receivables</b>	<u>3,960,624</u>
Inventories	2,209,500
Prepaid expenses	<u>248,403</u>
<b>Total current assets</b>	<u>12,206,469</u>
Capital assets, net of depreciation	<u>93,513,750</u>
<b>TOTAL ASSETS</b>	<u>105,720,219</u>

LIABILITIES AND NET ASSETS

<b>Current liabilities:</b>	
Accounts payable	5,302,669
Accrued salaries, wages and vacation pay	3,314,715
Other liabilities	53,333
Deferred revenue - other	5,500
<b>Total current liabilities</b>	<u>8,676,217</u>
<b>Long-term liabilities:</b>	
Accrued self insured claims	7,357,652
Accrued pension liabilities	1,834,886
Deferred revenue - tokens	251,366
<b>Total long-term liabilities</b>	<u>9,443,904</u>
<b>Total liabilities</b>	<u>18,120,121</u>
<b>Net assets:</b>	
Unrestricted net deficit	(5,913,652)
Invested in capital assets	93,513,750
<b>Total net assets</b>	<u>\$ 87,600,098</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2004**

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	2004
<b>Operating revenues:</b>	
Passenger	\$ 13,930,782
Paratransit	447,841
Rental	117,218
Advertising	395,372
RIDE	6,829,146
Other	231,404
<b>Total operating revenues</b>	<u>21,951,763</u>
<b>Operating expenses:</b>	
Administration	712,037
Finance	2,482,382
Operations	45,277,835
Marketing	1,328,572
Human resources	688,544
Risk management	4,705,682
Planning and scheduling	1,070,081
Specialized transportation	1,441,103
Paratransit operations	5,089,481
Purchasing	995,935
Flex access	204,165
Flex RIPTA	625,422
MIS	654,725
Ferry	678,082
RIDE	3,103,085
Centralized Maintenance	1,734,956
Facilities Engineering operations	230,463
Depreciation	9,002,167
<b>Total operating expenses</b>	<u>80,024,717</u>
<b>Operating loss</b>	<u>(58,072,954)</u>
<b>Non-operating revenues (expenses):</b>	
Transfer from State	30,686,644
Grants	12,735,107
Investment income	20,395
Interest expense	(17,488)
Contract revenue	3,728,800
Other non-operating revenue	2,836
Loss on disposal of assets	(5,331)
Debt service	(387,969)
<b>Total non-operating revenues</b>	<u>46,762,994</u>
<b>Loss before transfers and capital contributions</b>	(11,309,960)
<b>Capital contributions</b>	
Capital contributions	9,181,043
<b>Total capital contributions</b>	<u>9,181,043</u>
<b>Decrease in net assets</b>	<u>\$ (2,128,917)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2004**

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	2004
<b>Net assets, beginning of year</b>	
Unrestricted net deficit	\$ (3,680,805)
Invested in capital assets	93,409,820
	<u>89,729,015</u>
<b>Net increase (decrease) in net assets</b>	
Unrestricted net assets	(2,232,847)
Invested in capital assets	103,930
	<u>(2,128,917)</u>
<b>Net assets, end of year</b>	
Unrestricted net deficit	(5,913,652)
Invested in capital assets	93,513,750
	<u>\$ 87,600,098</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2004

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	2004
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 21,789,476
Cash payments to suppliers for goods and services	(36,251,463)
Cash payments to employees for services	(32,819,164)
<b>Net cash used for operating activities</b>	<u>(47,281,151)</u>
<b>Cash flows from non-capital financing activities:</b>	
Interest paid on revolving loan	(17,488)
Debt service	(387,969)
Operating transfers in	31,039,029
Contract revenue	3,728,800
Other nonoperating revenues	2,836
<b>Net cash provided by non-capital financing activities</b>	<u>34,365,208</u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from grants	21,655,635
Acquisition and construction of capital assets	(9,111,428)
<b>Net cash provided by capital and related financing activities</b>	<u>12,544,207</u>
<b>Cash flows from investing activities:</b>	
Interest and dividends on investments	20,395
<b>Net cash provided by investing activities</b>	<u>20,395</u>
<b>Net decrease in cash and cash equivalents</b>	(351,341)
<b>Cash and cash equivalents at beginning of year</b>	<u>4,667,396</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,316,055</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (58,072,954)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Depreciation	9,002,167
Increase in allowance for doubtful accounts	505,000
Changes in assets and liabilities:	
Increase in accounts receivable	(711,809)
Increase in inventory	(305,141)
Decrease in prepaid expenses	37,775
Increase in accounts payable and accrued expenses	2,219,289
Increase in deferred revenue	44,522
Total adjustments	<u>10,791,803</u>
<b>Net cash used for operating activities</b>	<u>\$ (47,281,151)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**1. ORGANIZATION**

The Rhode Island Public Transit Authority (the Authority) is a body corporate and politic of the State of Rhode Island and Providence Plantations created by Chapter 210, Public Laws of Rhode Island, 1974, as amended. Its purpose is to take over any mass motor bus transportation system if the system has previously filed a petition to discontinue its service with the State Public Utilities Administrator, and further, if the Authority determines it is in the public interest to continue such service. The Authority has no stockholders.

On July 1, 1976, the Authority, in accordance with its purpose as stated above, acquired the property and assets of the United Transit Company (owner and operator of the public transportation system in Providence-Pawtucket Metropolitan area of the state) through the issuance of \$3,200,000 of revenue bonds designated "Rhode Island Public Transit Authority Revenue Bonds, Series 1976".

The powers of the Authority permit it to pledge its assets to the Federal government or any of its agencies.

On July 18, 1972, the Authority acquired the operating rights over intricate routes in Woonsocket for \$3,500.

On May 2, 1974 the Authority acquired the operating assets of Transit Line, Inc., which serviced the Newport-Middletown urban area, for a total purchase price of \$76,931. Federal and State grants were received for this acquisition.

Legislation in 1977 provided that the Authority "shall be deemed an instrumentality and political subdivision of the State".

On March 9, 1979, the Authority entered into an agreement with ABC Bus Lines, Inc. and acquired certain of the company's operating assets and rights to intrastate routes. The total purchase price of \$185,000 was financed by Federal and State capital grants.

On September 7, 1979, the Authority entered into an agreement with Bonanza Bus Lines, Inc. and acquired certain of the company's operating assets and rights to intrastate routes. The total purchase price of \$175,000 was financed by Federal and State capital grants.

The Authority is a component entity of the State of Rhode Island for financial reporting purposes and as such, the financial statements of the Authority will be included in the State of Rhode Island's Annual Financial Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The basic financial statements of the Authority are maintained in accordance with the principles of proprietary fund accounting utilizing the accrual basis. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

The Corporation has elected not to apply Financial Accounting Standards Boards statements and interpretations, accounting principles, board opinions, and Accounting Research Bulletins of the committee of accounting procedures issued after November 30, 1989.

***Recently Issued Accounting Standards***

The Authority has implemented GASB Statement No. 39 – Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14. The adoption of this Statement did not have an effect on the Authority’s financial statements or results of operations.

The Authority will adopt the following new accounting pronouncements in future years:

- ✓ GASB Statement No. 40 – Deposits and Investment Risk Disclosures, effective for the Authority’s fiscal year ending June 30, 2005.
- ✓ GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, effective for the Authority’s fiscal year ending June 30, 2006.
- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Authority’s fiscal year ending June 30, 2008.

The impact of these pronouncements on the Authority’s financial statements has not been determined.

***Federal and State Grants***

The Federal and State government have made various capital grants available to the Authority for the acquisition of public transit facilities, vehicles and equipment.

Prior to October 1, 2001, Federal operating assistance grants under the Urban Mass Transportation Act of 1974, as amended, were administered through the State of Rhode Island or one of its agencies and are included in operating transfers as the related expenses were incurred. Beginning October 1, 2001, the Authority became the designated grant recipient of all new Federal Transit funds, thereby receiving the federal money directly.

***Materials and Supplies of Inventory***

Inventories consist of spare parts, supplies and fuel oil and are stated at the lower of cost or market.

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**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Depreciation is computed on the straight-line basis using the half-year convention over the estimated useful lives of respective assets. Depreciation expense is not provided for assets under construction. Useful life of assets are as follows:

Buildings and building improvements.....	15-30 years
Buses .....	10-12 years
Other equipment .....	4-20 years

***Operating Revenues and Expenses***

The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation of the Authority. All other revenues and expenses are reported as nonoperating revenues and expenses.

***Compensated Absences***

Vacation expense is accrued when earned by employees and reflects current rate of pay. Sick leave expense is recorded primarily when taken by employees.

***Income Taxes***

Rhode Island Public Transit Authority is exempt from Federal and State income taxes.

***Net Assets***

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net assets not included in the above categories.

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**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Self Insurance***

The Authority is self insured for workers' compensation claims, auto liability and property damage claims. Management believes that the accrual for self insurance claims is adequate to cover the ultimate liability arising from such claims. However, the recorded liability is based upon estimates of final settlement amounts, which may be more or less than the amount ultimately paid. The Authority has established a fund for self insurance as more fully described in Note 7.

The Authority has acquired an excess liability policy. This policy covers for bodily injury or property damage up to \$5,000,000 per occurrence after a retained limit of \$1,000,000 per occurrence.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Advertising Costs***

It is the Authority's policy to expense advertising costs as incurred. Advertising expense for fiscal years ended June 30, 2004 was \$278,509.

**3. CASH DEPOSITS AND INVESTMENTS**

***Cash Deposits***

The carrying amount of the Authority's deposits, except for petty cash of \$1,100 at June 30, 2004 is \$1,974,039 and the bank balance was \$3,510,383. Of the bank balance, \$125,991 was insured by federal depository insurance and Securities Investor Protection Corporation and the remaining portions, \$3,384,392 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board as of June 30, 2004.

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**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**3. CASH DEPOSITS AND INVESTMENTS (Continued)**

**Cash Deposits (Continued)**

In accordance with General Laws, Chapter 35-10.1, Rhode Island depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2004, the Authority's uncollateralized deposits had maturities of less than sixty (60) days and were with an institution that met the minimum capital standards.

**Investments**

The carrying value of deposits of \$1,974,039, investments of \$2,340,916 and \$1,100 of petty cash, relate to the balance sheet totals for June 30, 2004 are as follows:

Cash deposits .....	\$1,974,039
Add: Petty cash .....	1,100
Investments classified as cash equivalents for financial statement purposes .....	<u>2,340,916</u>
Cash and cash equivalents per balance sheet .....	<u>\$4,316,055</u>

**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following at June 30, 2004:

	Balance <u>7/1/2003</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>6/30/04</u>
<b>Cost:</b>				
Land, shop, garages and buildings .....	\$56,850,066	\$3,043,929	\$ 24,434	\$59,869,561
Revenue equipment .....	68,181,626	16,663,664	3,527,300	81,317,990
Service vehicles and garage equipment .....	3,058,399	398,139	69,696	3,386,842
Furniture and office equipment .....	2,064,522	31,997	80,729	2,015,790
Management information system .....	2,922,032	100,674	84,862	2,937,844
<b>Total fixed assets</b> .....	<u>133,076,645</u>	<u>20,238,403</u>	<u>3,787,021</u>	<u>149,528,027</u>
Federal grant projects in process .....	<u>11,202,689</u>	<u>2,791,177</u>	<u>13,648,893</u>	<u>344,973</u>
<b>Total cost</b> .....	<u>144,279,334</u>	<u>23,029,580</u>	<u>17,435,914</u>	<u>149,873,000</u>

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**4. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Balance 7/1/2003	Additions	Removals	Balance 6/30/04
<b>Accumulated depreciation:</b>				
Land, shop, garages and buildings .....	8,044,947	1,867,962	5,301	9,907,608
Revenue equipment .....	37,245,723	6,515,671	3,337,822	40,423,572
Service vehicles and garage equipment .....	1,895,338	318,167	65,055	2,148,450
Furniture and office equipment .....	1,230,604	129,408	23,894	1,336,118
Management information system .....	2,452,902	170,959	80,359	2,543,502
<b>Total accumulated depreciation .....</b>	<u>50,869,514</u>	<u>9,002,167</u>	<u>3,512,431</u>	<u>56,359,250</u>
<b>Total property, plant and equipment .....</b>	<u>\$93,409,820</u>	<u>\$14,027,413</u>	<u>\$13,923,483</u>	<u>\$93,513,750</u>

Depreciation expense for the fiscal year ended June 30, 2004 was \$9,002,167.

**5. NOTES PAYABLE**

The Authority has a \$2,000,000 line of credit with a financial institution. The line of credit is due on demand with interest payable at a floating rate at the financial institution's base rate or fixed rate options at the financial institution's cost of funds plus 2.00%. No amount was due under this line of credit at June 30, 2004.

**6. CAPITAL REPLACEMENT FUNDS**

The Authority established a capital replacement fund for the purpose of meeting capital match requirements of its capital program.

The activity in the capital replacement fund for fiscal years ended June 30, 2004 was as follows:

Balance at beginning of year .....	\$2,231,099
Deposits:	
Capital replacement deposits .....	386,188
Local match payments .....	(499,830)
Interest earnings .....	28,758
Transfer to operating .....	<u>(451,000)</u>
Balance at end of year .....	<u>\$1,695,215</u>

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**7. SELF INSURANCE**

The Authority established an accident and casualty fund as of July 1, 1977 for the purpose of paying all insurance claims and related losses and expenses. This reserve fund is augmented annually by depositing interest income earned on all investments and insurance settlements into the Accident and Casualty fund.

The activity in the accident and casualty fund for fiscal years ended June 30, 2004:

Balance at beginning of year.....	\$619,449
Deposits:	
Interest earnings on investments .....	6,557
Insurance settlement .....	<u>45,686</u>
Balance at end of year .....	<u>\$671,692</u>

Assets restricted at June 30, 2004 in the accident and casualty fund amounted to \$671,692.

It is the intention of the Authority to build this self-insurance fund to not less than \$5,000,000 to provide for excess insurance coverage in the event of a large claim or catastrophe. The Authority, with the concurrence of the Urban Mass Transportation Administration (UMTA) authorized at its meeting on August 25, 1980, the placement of \$250,000 of the accident and casualty fund in a special reserve for Workers' Compensation claims exclusively, to satisfy a requirement of the Rhode Island Department of Labor for an appropriate "bond in kind" for self-insurance under the Workers' Compensation Act. During fiscal year 1990, the State increased the special reserve requirement to \$800,000. For fiscal year 1991, the State revoked the asset special reserve requirement. The Authority transferred \$400,000 from the Workers Compensation Fund to operating fund during fiscal year 1991 as they were no longer required to maintain a reserve.

At June 30, 2004, the Authority obtained an independent evaluation of its self-insurance reserve for losses. The reserve for losses reflects the actuarial determined amount at the 75% confidence level.

The activity in the liability for self-insured claims for fiscal year ended June 30, 2004 are as follows:

Amount of claims liabilities, beginning of year .....	\$5,535,203
Incurred claims.....	3,566,964
Payments on claims .....	<u>(1,744,515)</u>
Amount of claims liabilities, end of year .....	<u>\$7,357,652</u>

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**8. COMMITMENTS AND CONTINGENCIES**

***Claims and Legal Actions***

The Authority is involved in a suit involving the rescinding of a contract by the Authority. The amount of a settlement, if any, is not presently determinable. As a result, no liability has been recorded in the financial statements.

During the ordinary course of its operations, the Authority is a party to various claims, legal actions and complaints. In the opinion of the Authority's management and legal counsel, these matters are not anticipated to have a material financial impact on the Authority.

***Contract Commitments***

The Authority is committed under various contracts in the amount of \$6,235,574 at June 30, 2004.

**9. POST RETIREMENT BENEFITS**

The Authority provides certain health care and life insurance benefits to substantially all retired employees and their spouses. These benefits are provided through a group insurance policy that covers both active and retired employees. The Authority funds these post retirement benefits on a pay as you go basis. Premiums on the policies are merit-rated, based on claims paid during the prior year, and are expensed during the related policy year. The total cost of these benefits for 2004 was \$1,345,408. These benefits are provided as part of the employee's contract.

**10. OPERATING TRANSFERS**

State statute directs the Authority to generate sufficient revenues to pay all costs of operating and maintaining the transit system during each fiscal year. Beginning July 1, 1992, the Authority was not given a fixed appropriation from the State but was allocated the revenue generated from a three-cent dedicated gas tax. For fiscal year ended June 30, 2004, the State appropriated a total of six and one quarter cents of dedicated gas tax. For the fiscal year ending June 30, 2004, the Authority received \$30,686,644 from the dedicated gas tax as operating assistance in support of the transit system. The Authority anticipates receiving approximately \$ 29,875,000 in fiscal year ended June 30, 2005 from the State.

On May 22, 1998, the Congress passed the Transportation Equity Act for the 21st century (TEA 21) authorizing Federal transportation programs for the next six years. This act eliminated Federal funding for operating. However, TEA 21 expanded the definition of capital preventive maintenance allowing the use of federal capital funds to be applied towards preventative maintenance expenses. For fiscal year 2005, RIPTA anticipates using \$7,600,000 of Federal capital funds to offset preventive maintenance costs. Additionally, RIPTA expects to receive \$1,400,000 in Jobs Access/Reverse Commute Federal funds during fiscal year 2005.

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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**11. ELDERLY BUS SERVICE**

Beginning July 1, 1994, the Authority entered into an agreement with the Department of Elderly Affairs, Rhode Island Department of Transportation and the Governor's Commission on the Handicapped. The agreement provides for the Rhode Island Public Transit Authority to receive funds to cover the cost of the fixed route elderly bus service provided in accordance with Rhode Island General Law 39-18-4(g)(1), and to fund paratransit services. The funding source for the above revenue is a portion of the one-cent gasoline tax dedicated to the Department of Elderly Affairs. For the fiscal year ended June 30, 2004, the Authority recorded \$3,782,800 of contract revenue from this agreement. For fiscal year 2005, RIPTA anticipates receiving \$3,776,200 under this agreement.

**12. DUE FROM PRIMARY GOVERNMENT**

At June 30, 2004, the Rhode Island Public Transit Authority is owed \$1,471,887 from the Rhode Island Department of Transportation.

**13. NET ASSETS**

Net assets represent the difference between assets and liabilities. The net asset amount at June 30, 2004 was as follows:

<b><i>Invested in capital assets, net of related debt:</i></b>	
Net capital assets in service .....	<u>\$93,513,750</u>
<b><i>Total restricted for capital activity and debt service .....</i></b>	<u>93,513,750</u>
<b><i>Unrestricted (deficit) .....</i></b>	<u>(5,913,652)</u>
<b><i>Total net assets .....</i></b>	<u>\$87,600,098</u>

**14. DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Authority implemented the Governmental Accounting Standards Board, Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan*. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result deferred compensation investments and the respective liability have been removed from the Authority's basic financial statements.

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**15. PENSION PLANS**

Effective January, 2002, the Authority consolidated its' Bargaining Unit and Salaried Unit single-employer defined benefit pension plans into the Rhode Island Public Transit Authority Employees' Pension Plan. This plan covers all eligible employees. Employees are required to contribute 3% of their base salary to the Plan.

**Plan Description** - The Authority has a funded pension plan for all employees (the Rhode Island Public Transit Authority Employees' Pension Plan), for which eligibility to participate begins immediately upon employment. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of age 62 and 10 years of continuous service. Retired employees are entitled to a monthly retirement benefit for life as stipulated in the plan provisions. The plan also provides death and disability benefits. Employees are required to contribute 3% of their base salary to the plan. The remaining contributions to the plan are made by the Authority.

***Funding Policy***

The Authority funding policy provides for actuarially determined periodic contributions to the plans at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

***Annual Pension Cost and Net Pension Obligation***

The Authority's annual pension cost and net pension obligation for the year ended June 30, 2004 was as follows:

<u>2004</u>	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$3,522,602	\$896,336
Interest on net pension obligation.....	157,767	0
Adjustment to annual required contribution.....	<u>(158,994)</u>	<u>0</u>
Annual pension cost .....	3,521,375	896,336
Contributions made .....	<u>(3,522,602)</u>	<u>(896,336)</u>
Increase (decrease) in net pension obligation.....	(1,227)	0
Net pension obligation, June 30, 2003 .....	<u>1,836,113</u>	<u>0</u>
Net pension obligation, June 30, 2004 .....	<u>\$1,834,886</u>	<u>\$ 0</u>

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**15. PENSION PLANS (Continued)**

***Bargaining Unit***

This plan was changed to a calendar year plan to conform to the salaried unit plan. The annual required contribution for the current year was determined as part of the January 1, 2004 actuarial valuation. The actuarial assumptions included 8% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using values used by insurance companies plus due and accrued contributions. The unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2004 was 26 years.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	2,531,888	72.53%	1,837,247
6/30/03	3,170,065	57.92%	1,836,113
6/30/04	3,521,375	52.11%	1,834,886

***Salaried Unit***

The annual required contribution for the current year was determined as part of the January 1, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return and projected salary increased of 3% per year. The actuarial value of assets was determined using value used by insurance companies plus due and accrued contributions. The unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2004 is 24 years.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2002	731,386	100%	-0-
6/30/2003	795,434	100%	-0-
6/30/2004	896,336	100%	-0-

(CONTINUED)



**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**15. PENSION PLANS (Continued)**

**Schedule of Funding Progress**

<b>Bargaining Unit</b>						
Actuarial Valuation Date	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll for Active Participants (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
Jan 1, 2004	\$18,496,569	\$35,584,946	\$17,088,377	51.98%	\$24,010,191	71.17%
Jan. 1, 2003	13,557,300	\$28,988,352	15,431,052	46.77%	21,206,502	72.77%
Jan. 1, 2002	12,668,565	28,252,509	15,583,944	44.84%	21,276,554	73.24%
July 1, 2001	13,040,965	24,910,283	11,869,318	52.35%	20,347,877	58.33%
July 1, 2000	13,237,585	25,212,610	11,975,025	52.50%	17,668,588	67.78%
July 1, 1999	11,042,015	23,042,740	12,000,725	47.92%	15,762,022	76.14%
July 1, 1998	8,846,080	20,713,915	11,867,835	42.71%	15,006,637	79.08%
July 1, 1997	7,062,997	19,610,063	12,547,066	36.02%	14,253,772	88.03%
July 1, 1996	5,875,074	20,241,153	14,366,079	29.03%	15,167,167	94.72%
July 1, 1995	4,905,921	16,963,725	12,057,804	28.92%	14,905,438	80.90%

Additional disclosures for Frozen Attained Age Funding Method:

- allocation is based on earnings
- aggregation is used in the calculation process
- there are no other methods used to value benefits under the plan

Values for years prior to July 1, 1997 were based on the Entry Age Normal Method, taking into account the benefit structure in effect on the valuation date shown.

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**15. PENSION PLANS (Continued)**

**Schedule of Funding Progress (Continued)**

Actuarial Valuation Date	Salaried Unit					
	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll for Active Participants (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
January 1, 2004	\$7,442,204	\$14,593,295	\$7,151,091	51.00%	\$6,604,025	108.28%
January 1, 2003	6,622,670	13,056,167	6,433,497	50.72%	6,437,735	99.93%
January 1, 2002	6,446,196	12,115,911	5,669,715	53.20%	5,522,334	102.67%
January 1, 2001	6,288,035	10,847,671	4,559,636	57.97%	4,481,180	101.75%
January 1, 2000	6,201,287	10,371,393	4,170,106	59.79%	4,048,872	102.99%
January 1, 1999	5,983,551	10,079,376	4,095,825	59.36%	2,784,609	147.09%
January 1, 1998	5,482,866	9,972,748	4,489,882	54.98%	2,397,937	187.24%
January 1, 1997	5,632,235	8,800,328	3,168,093	64.00%	1,676,086	189.02%
January 1, 1996	3,121,603	2,895,860	(25,743)	107.80%	2,255,834	(10.01%)

Additional disclosures for Entry Age Normal Funding Method:

- allocation is based on earnings
- aggregation is used in the calculation process
- assumed entry age is age at hire; except if hired prior to January 1, 2000, entry age is hire age plus 3, but not later than the age as of January 1, 2000.
- different benefit formulas for various periods of service, but no special procedures are used
- there are no other methods used to value benefits under the plan

**16. PARATRANSIT OPERATIONS**

Beginning June 1, 2003, the Authority was awarded a five-year contract to provide paratransit service in the Providence, Central, Northeast and South County areas. Along with two other carriers, the Authority supplies service as a coordinated paratransit system in the State. RIPTA operates 87 of the 107 runs under the RIDE Program. The transportation needs include trips to meal sites, workshops, adult daycare and medical visits.

(CONCLUDED)

***SUPPLEMENTARY INFORMATION***

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**SCHEDULE OF TANGIBLE PROPERTY  
JUNE 30, 2004**

	Tangible Property			Rate	Accumulated Depreciation			Net Book Value 06/30/04	
	Balance 07/01/03	Additions	Removals		Balance 06/30/04	Rate	Balance 07/01/03		Additions
Land and land rights	\$ 1,637,188	\$ 399,609							\$ 2,036,797
Shops, garages and office buildings	53,640,033	2,644,320	24,434	3 1/3%	\$ 7,605,940	\$ 1,826,152	\$ 5,301	\$ 9,426,791	46,833,128
Tunnels	1,572,845			4%	439,007	41,810		480,817	1,092,028
Communication system	1,706,617	5,603,035	1,626	10%	1,701,849	282,507	1,364	1,982,992	5,325,034
Revenue equipment - busses	50,520,188	8,460,770	1,847,465	8 1/3%	26,643,314	4,299,860	\$ 1,657,182	29,285,992	27,847,501
Trolleys	6,385,564	343,451		8 1/3%	2,430,118	658,742		3,088,860	3,640,155
Fare boxes	1,102,368			8 1/3%	1,083,480	6,755		1,090,235	12,133
Service cars and equipment	1,298,145	339,886		25%	1,051,640	176,082		1,227,722	410,309
Shops and garage equipment	1,760,254	58,253	69,696	10-20%	843,698	142,085	65,055	920,728	828,083
Furniture and office equipment	928,484	31,997	43,890	10-20%	673,448	52,753	23,634	702,567	214,024
Miscellaneous equipment	1,136,038		36,839	5-10%	557,156	76,655	260	633,551	465,648
Management information systems	2,922,032	100,674	84,862	10-20%	2,452,902	170,959	80,359	2,543,502	394,342
Leased Paratransit Vans	8,466,889	2,256,408	1,678,209	20%	5,386,962	1,267,807	1,679,276	4,975,493	4,069,595
Total fixed assets	133,076,645	20,238,403	3,787,021		50,869,514	9,002,167	3,512,431	56,359,250	93,168,777
Federal grant projects in process	11,202,689	2,791,177	13,648,893						344,973
<b>Total tangible property</b>	<b>\$ 144,279,334</b>	<b>\$ 23,029,580</b>	<b>\$ 17,435,914</b>		<b>\$ 50,869,514</b>	<b>\$ 9,002,167</b>	<b>\$ 3,512,431</b>	<b>\$ 56,359,250</b>	<b>\$ 93,513,750</b>

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED JUNE 30, 2004**

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	2004
<b>Administration:</b>	
Salaries	\$ 192,716
Fringes	74,940
Legal	380,780
Supplies	2,816
Professional services	75
Other services	60,710
<b>Total administration</b>	<u>712,037</u>
<b>Finance:</b>	
Salaries	415,775
Fringes	178,366
Office expense/supplies	36,709
Utilities	1,307,810
Lease expense	17,948
Other services	17,461
Travel	13,694
Miscellaneous	393,558
Tickets & Passes	100,047
Maintenance agreement	1,014
<b>Total finance</b>	<u>2,482,382</u>
<b>Operations:</b>	
Salaries	134,218
Wages - drivers	15,467,931
Wages - other	7,886,001
Fringe benefits	14,248,101
Other services	24,499
Maintenance agreement	20,876
Supplies	826,116
Inspection/registration fees	3,290
Uniforms	208,907
Travel	3,355
Hazardous waste disposal	189,697
Fuel	2,836,474
Antifreeze and lubricants	55,716
Parts - revenue vehicles	2,079,368
Parts - service vehicles	45,124
Tires and tubes	321,960
Major Components	341,766
Inventory Adjustment	402,657
Miscellaneous	181,779
<b>Total operations</b>	<u>45,277,835</u>

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(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED JUNE 30, 2004**

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	2004
<b>Marketing:</b>	
Salaries	663,419
Fringes	311,094
Professional services	4,165
Public relations	76,909
Time tables	137,943
Advertising	45,556
Services	30,793
Miscellaneous	3,510
Miscellaneous supplies	55,183
<b>Total marketing</b>	<u>1,328,572</u>
<b>Human resources:</b>	
Salaries	334,071
Fringes	210,490
Miscellaneous	143,983
<b>Total human resources</b>	<u>688,544</u>
<b>Risk management:</b>	
Salaries	174,954
Fringes	73,094
Office expense/supplies	4,563
Insurance	625,209
Settlements	649,090
Workers' Compensation legal	37,909
Workers' Compensation medical	259,575
Workers' Compensation	758,549
Workers' Compensation - other	77,301
Judgments	1,822,449
Legal	171,628
Miscellaneous	51,361
<b>Total risk management</b>	<u>4,705,682</u>
<b>Planning and Scheduling:</b>	
Salaries	523,757
Fringes	244,296
Professional services	174,808
Other services	69,511
Office expense/supplies	27,815
Miscellaneous	29,894
<b>Total planning and scheduling</b>	<u>1,070,081</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED JUNE 30, 2004**

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	<u>2004</u>
<b>Specialized transportation:</b>	
Salaries	743,262
Fringe benefits	511,777
Professional services	8,237
Other services	7,342
Temporary help	4,980
Office expenses/supplies	16,425
ADA functional cons	-
Maintenance Agreement	93,766
Miscellaneous	55,314
<b>Total specialized transportation</b>	<u>1,441,103</u>
<b>Paratransit operations:</b>	
Wages – drivers	3,007,171
Wages – other	318,979
Fuel	449,159
Fringe benefits	877,504
Insurance	316,810
Other services	30
Supplies	7,231
Uniforms/Laundry	45,159
Parts – vehicles	3,937
Lubricants	926
Maintenance	495
Inspection/registration fees	1,848
Training	5,625
Travel	848
Miscellaneous	53,759
<b>Total paratransit</b>	<u>5,089,481</u>
<b>Purchasing:</b>	
Salaries	618,112
Fringe	331,798
Supplies	9,909
Other services	35,904
Travel	212
<b>Total purchasing</b>	<u>995,935</u>
<b>Flex Access:</b>	
Salaries	116,425
Fringes	47,348
Insurance	15,712
Vehicle maintenance	24,680
<b>Total Flex Access</b>	<u>204,165</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED JUNE 30, 2004**

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	<u>2004</u>
<b><i>Flex RIPTA:</i></b>	
Salaries	363,250
Fringes	162,189
Supplies	37
Vehicle Maintenance	98,779
Miscellaneous	1,167
<b><i>Total Flex RIPTA</i></b>	<u>625,422</u>
<b><i>MIS:</i></b>	
Salaries	265,453
Fringes	125,815
Services	98,565
Travel	618
Maintenance Agreements	129,623
Supplies	34,651
<b><i>Total MIS</i></b>	<u>654,725</u>
<b><i>Ferry:</i></b>	
Professional Services	172,491
Contracted Services	346,644
Advertising	17,294
Building Lease	141,653
<b><i>Total Ferry</i></b>	<u>678,082</u>
<b><i>RIDE</i></b>	
RIDE Carriers	1,719,309
Taxi RIDE Providers	1,383,776
<b><i>Total RIDE</i></b>	<u>3,103,085</u>
<b><i>Centralized Maintenance:</i></b>	
Salaries	813,800
Fringes	417,893
Services	14,539
Lubricants	5,992
Repair parts	482,732
<b><i>Total Centralized Maintenance</i></b>	<u>1,734,956</u>

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(CONTINUED)



**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**SCHEDULES OF OPERATING EXPENSES  
YEAR ENDED JUNE 30, 2004**

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	<u>2004</u>
<b>Facilities Engineering Operations:</b>	
Salaries	153,808
Fringes	75,892
Travel	741
Postage	22
<b>Total Facilities Engineering</b>	<u>230,463</u>
<b>Depreciation:</b>	
Shops, garages and office buildings	1,826,152
Communication system	282,507
Revenue equipment	4,299,860
Service cars and equipment	176,082
Shop and garage equipment	142,085
Furniture and office equipment	52,753
Trolleys	658,742
Fare boxes	6,755
Miscellaneous equipment	75,149
Tunnel improvements	41,810
MIS equipment	170,959
Paratransit operations	1,506
Leased paratransit vans	1,267,807
<b>Total depreciation</b>	<u>9,002,167</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 80,024,717</u></u>

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(CONCLUDED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2004**

	<u>FUND 01</u>	<u>FUND 02</u>	<u>FUND 04</u>	<u>TOTAL</u>	<u>INTERFUND ELIMINATIONS</u>	<u>TOTAL</u>
<b>Operating revenues:</b>						
Passenger	\$ 13,930,782			\$ 13,930,782		\$ 13,930,782
Paratransit	109,929	\$ 7,080,408		7,190,337	\$ (6,742,496)	447,841
Rental	117,218			117,218		117,218
Advertising	395,372			395,372		395,372
RIDE	1,610,885		\$ 9,914,866	11,525,751	(4,696,605)	6,829,146
Other	231,404			231,404		231,404
<b>Total operating revenues</b>	<u>16,395,590</u>	<u>7,080,408</u>	<u>9,914,866</u>	<u>33,390,864</u>	<u>(11,439,101)</u>	<u>21,951,763</u>
<b>Operating expenses:</b>						
Administrative	712,037			712,037		712,037
Finance	2,482,382			2,482,382		2,482,382
Operations	45,277,835			45,277,835		45,277,835
Marketing	1,328,572			1,328,572		1,328,572
Human resources	688,544			688,544		688,544
Risk management	4,705,682			4,705,682		4,705,682
Planning and scheduling	1,070,081			1,070,081		1,070,081
Specialized transportation	6,137,708			6,137,708	(4,696,605)	1,441,103
Paratransit operations		5,089,481		5,089,481		5,089,481
Purchasing	995,935			995,935		995,935
Flex access	204,165			204,165		204,165
Flex RIPTA	625,422			625,422		625,422
MIS	654,725			654,725		654,725
Ferry	678,082			678,082		678,082
RIDE			9,845,581	9,845,581	(6,742,496)	3,103,085
Centralized Maintenance	1,734,956			1,734,956		1,734,956
Facilities Engineering operations	230,463			230,463		230,463
Depreciation	9,000,661	1,506		9,002,167		9,002,167
<b>Total operating expenses</b>	<u>76,527,250</u>	<u>5,090,987</u>	<u>9,845,581</u>	<u>91,463,818</u>	<u>(11,439,101)</u>	<u>80,024,717</u>
<b>Operating income (loss)</b>	<u>(60,131,660)</u>	<u>1,989,421</u>	<u>69,285</u>			<u>(58,072,954)</u>
<b>Non-operating revenues (expenses):</b>						
Transfer from grants	30,686,644			30,686,644		30,686,644
Grants	12,735,107			12,735,107		12,735,107
Investment income	20,395			20,395		20,395
Interest expense	(17,488)			(17,488)		(17,488)
Contract revenue	3,728,800			3,728,800		3,728,800
Other non-operating revenue	2,836			2,836		2,836
Loss on disposal of assets	(5,331)			(5,331)		(5,331)
Debt service	(387,969)			(387,969)		(387,969)
<b>Total non-operating revenues</b>	<u>46,762,994</u>			<u>46,762,994</u>		<u>46,762,994</u>
<b>Gain (loss) before transfers and capital contributions</b>	<u>(13,368,666)</u>	<u>1,989,421</u>	<u>69,285</u>	<u>(11,309,960)</u>		<u>(11,309,960)</u>
<b>Capital contributions</b>						
Capital contributions	9,181,043			9,181,043		9,181,043
<b>Total capital contributions</b>	<u>9,181,043</u>			<u>9,181,043</u>		<u>9,181,043</u>
<b>Decrease in net assets</b>	<u>\$ (4,187,623)</u>	<u>\$ 1,989,421</u>	<u>\$ 69,285</u>	<u>\$ (2,128,917)</u>	<u>\$ 0</u>	<u>\$ (2,128,917)</u>

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT**  
**YEAR ENDED JUNE 30, 2004**

<b><u>Payee</u></b>	<b><u>Travelers Name</u></b>	<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Cheryl Leclerc		FTA Project	100.00
Alfred Moscola		Nat'l Gas Fuel	401.00
Vincent Reina		Invent/Cycle	201.00
AnnMarie McMahon		APTA	64.50
Fleet Credit Card	Moscola/McMahon	APTA	335.00
Mark Therrien		APTA	66.00
Thomas Cabral		Re-Align Fund	80.00
Joseph Monti		Re-Align Fund	80.00
Steven Robinson		Re-Align Fund	80.00
Emile Lafleur		Re-Align Fund	80.00
ITS Rhode Island	Mike/Billy/Sheryl	Conference	200.00
ITS Rhode Island	EJS/Jim/Mark	Conference	200.00
Alfred Moscola		BusCon Expo	250.00
Bernard Harwood		BusCon Expo	250.00
LasVegas Hilton	Moscola/Harwood	BusCon Expo	909.06
Fleet Credit Card	Moscola/Harwood	BusCon Expo	303.02
Atwood World Travel	Moscola/Harwood	BusCon Expo	720.00
RI Society of CPA's	M. Neira	Annual Tx Forum	70.00
Bernard Harwood		BusCon Expo	106.50
Alfred Moscola		BusCon Expo	189.50
Mark Therrien		APTA	60.00
AnnMarie McMahon		APTA	60.00
David Pearsall		Seminar	30.96
Fleet Credit Card	McMahon/Therrien	APTA	233.00
Alfred Moscola		APTA	150.00
Renaissance Hotel	Moscola	APTA	364.12
Renaissance Hotel	Therrien	APTA	182.06
Renaissance Hotel	A. McMahon	APTA	182.06
Michael Rodgers		Bus Inspection	50.00
Joseph Monti		Bus Inspection	50.00
John Braga		Bus Inspection	50.00
Bernard Harwood		Bus Inspection	50.00
Alfred Moscola		APTA Leg. Mtg.	165.90
AnnMarie McMahon		APTA Leg. Mtg.	44.00
Bernard Harwood		Bus Inspection	31.40
APTA	Moscola	APTA Leg. Mtg.	545.00
APTA	A. McMahon	APTA Leg. Mtg.	545.00
APTA	M. Therrien	APTA Leg. Mtg.	545.00
Greater Prov. Chamber	Moscola/Kinch	Leg. Luncheon	120.00
Cheryl LeClerc		FTA Conference	90.00
AnnMarie McMahon		APTA Leg.	180.00
		<b>SUB-TOTAL</b>	<b>8,414.08</b>

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT**  
**YEAR ENDED JUNE 30, 2004**

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
Ethnic Business Conf.	K. Mensel	Conference	395.00
APTA	AJM/McCormick	Fare Workshop	900.00
APTA	Neira/E. Scott	Fare Workshop	900.00
R.I. Government Finance	M. Neira	Workshop	15.00
Henry Kinch		FTA Conference	12.00
Fleet Credit Card	McMahon/Therrien	APTA Leg.	353.40
Timothy McCormick		Fare Workshop	124.00
Francis Rose		Bus Inspection	250.00
M.S.Neira, Treasurer	Mensel/Banister	Workshop	22.00
Elizabeth Harvey		NTI Training	54.90
Douglas Wood		NTI Training	18.75
Francis Rose		Bus Inspection	150.00
Francis Rose		Bus Inspection	125.10
Radisson Hotel	F. Rose	Bus Inspection	114.00
Michael Rodgers		Bus Inspection	200.00
Francis Rose		Bus Inspection	200.00
Ramada Inn	Rose/Rodgers	Bus Inspection	147.00
Francis Rose		Bus Inspection	116.85
FTA Refund	A. LeClerc	FTA Conference	(146.70)
Fleet Credit Card	A. LeClerc	FTA Conference	146.70
Hyatt Regency	D. Wood	NTI Conference	309.10
Hyatt Regency	E. Harvey	NTI Conference	309.10
Douglas Wood		NTI Conference	150.00
Elizabeth Harvey		NTI Conference	150.00
Brooklyn Bridge Hotel	M. Neira	APTA Fare Conf.	650.28
Brooklyn Bridge Hotel	E. Scott	APTA Fare Conf.	650.28
Brooklyn Bridge Hotel	T. McCormick	APTA Fare Conf.	650.28
Brooklyn Bridge Hotel	A. Moscola	APTA Fare Conf.	867.04
Timothy McCormick		APTA Fare Conf.	170.00
Edward Scott		APTA Fare Conf.	170.00
Maureen Neira		APTA Fare Conf.	170.00
Alfred Moscola		APTA Fare Conf.	190.00
Cheryl LeClerc		United We Ride	60.00
Francis Rose		Bus Inspection	500.00
Radisson Hotel	F. Rose	Bus Inspection	456.00
Mark Therrien		APTA Leg. Conf.	216.00
Elizabeth Harvey		NTI Conference	204.20
AnnMarie McMahon		APTA Leg. Conf.	63.00
Alfred Moscola		APTA Leg. Conf.	1,157.74
Douglas Wood		NTI Conference	204.20
		<b>SUB-TOTAL</b>	11,395.22

(CONTINUED)

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT**  
**YEAR ENDED JUNE 30, 2004**

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
Radisson Hotel	R.Holt/F. Rose	Bus Inspection	456.00
Raymond Holt		Bus Inspection	500.00
Francis Rose		Bus Inspection	250.00
Francis Rose		Bus Inspection	104.45
Edward Scott		APTA Fare Conf.	82.97
Alfred Moscola		APTA Fare Conf.	108.16
Fleet Credit Card	Al, Mark, RHM,DB	Homeland Sec.	92.00
Radisson Hotel	Rose/Holt	Bus Inspection	122.64
Radisson Hotel	Rose/Holt	Bus Inspection	171.00
Raymond Holt		Bus Inspection	200.00
Francis Rose		Bus Inspection	200.00
URI-Transportation	Moscola, Reina	Seminar	50.00
Mark Therrien		FTA Conference	77.25
Francis T. Rose		Bus Inspection	60.30
Radisson Hotel	Rose/Holt	Bus Inspection	295.48
Raymond Holt		Bus Inspection	250.00
Francis T. Rose		Bus Inspection	250.00
Radisson Hotel	Rodgers/Murray	Bus Inspection	377.04
Michael Rodgers		Bus Inspection	200.00
Michael Rodgers		Bus Inspection	50.00
Hotel Utica	Rodgers/Murray	Bus Inspection	174.20
Edward M. Murray		Bus Inspection	200.00
Edward M. Murray		Bus Inspection	50.00
Francis T. Rose		Bus Inspection	66.30
Michael Rodgers		Bus Inspection	68.60
		<b>SUB-TOTAL</b>	<b>4,456.39</b>
		<b>GRAND TOTAL</b>	<b>\$ 24,265.69</b>

(CONCLUDED)