

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS AND SCHEDULES
YEARS ENDED JUNE 30, 2007 AND 2006
(WITH INDEPENDENT AUDITORS' REPORT)**

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rhode Island Public Transit Authority

We have audited the accompanying 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, 2007 and June 30, 2006 as listed in the table of contents. These 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 audit.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2007 and 2006 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the financial statements, the Authority received operating assistance including fare subsidies from the State for the fiscal years ending June 30, 2007 and June 30, 2006 in the amount of \$34,108,373 and \$34,840,726. 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 24, 2007 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Boston

Newton

The Management's Discussion and Analysis on Pages 3 – 11 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 the information and express no opinion on it. Our audit was conducted for the purpose of forming an opinion on the basic statements taken as a whole. The other supplementary information on Pages 30 - 40 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.

Providence, Rhode Island
September 24, 2007

A handwritten signature in black ink that reads "Brian, PC". The signature is written in a cursive, flowing style.

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, 2007 and June 30, 2006. 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 for the current year and the prior year. 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 revenue and expenses are accounted for in the ***Statement of Revenues, Expenses and Changes in Net Assets***. This statement reports the current years' and prior years' 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 for the current and prior years'. 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

FY 2007

- The Authority's operating, non-operating revenues and transfers from the state increased by 3.8% or \$3.2 million during FY 2007 compared to FY 2006.
- Operating and non-operating expenses increased by 5.0% or \$4.5 million during FY 2007 as compared to FY 2006.
- Capital contributions decreased \$7.4 million or 56.1% from the previous year.
- Capital assets decreased by \$3.5 million or 3.8% from FY 2006.
- The Authority's total net assets decreased by \$3.2 million or 3.5 % from FY 2006.

FY 2006

- The Authority's operating, non-operating revenues and transfers from the state increased by 11.5% or \$8.5 million during FY 2006 compared to FY 2005.
- Operating and non-operating expenses increased by 8% or \$6.7 million during FY 2006 as compared to FY 2005.
- Capital contributions increased \$6.9 million or 111% from the previous year.
- Capital assets increased by \$3.2 million or 3.5% from FY 2005.
- The Authority's total net assets increased by \$5.6 million or 6.6 % from FY 2005.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets and Liabilities

The following schedule presents the condensed Statement of Net Assets for the fiscal years ended June 30, 2007, 2006 and 2005.

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>
Assets:			
Capital assets	\$89,483,847	\$92,983,339	\$89,815,368
Other assets	20,214,544	17,698,338	14,005,712
TOTAL ASSETS	<u>109,698,391</u>	<u>110,681,677</u>	<u>103,821,080</u>
Liabilities:			
Current Liabilities	12,294,049	9,977,948	9,172,326
Long-term Liabilities	9,625,518	9,769,454	9,304,225
TOTAL LIABILITES	<u>21,919,567</u>	<u>19,747,402</u>	<u>18,476,551</u>
Net assets			
Unrestricted net assets (deficit)	(1,705,023)	(2,049,064)	(4,470,839)
Invested in capital assets	89,483,847	92,983,339	89,815,368
TOTAL NET ASSETS	<u>\$87,778,824</u>	<u>\$90,934,275</u>	<u>\$85,344,529</u>

The majority of the Authority's assets, 82% in FY 2007 and 84% in FY 2006, 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 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, 2007, 2006 and 2005.

	June 30, 2007	June 30, 2006	June 30, 2005
Operating Revenue			
Ritecare program revenue	\$14,305,412	\$13,537,568	\$12,271,204
Passenger Revenue	8,146,010	7,836,747	7,233,533
Ride program revenue	6,959,762	6,857,791	6,762,201
Other operating revenues	2,234,639	1,884,889	1,397,136
Non-operating Revenue			
Grant revenue	16,068,970	13,793,116	12,609,255
Contract revenue	3,701,150	3,757,550	3,713,000
Other non-operating revenue	431,616	277,983	72,258
Transfer in from the State	34,108,373	34,840,726	30,218,664
Total Revenues	<u>85,955,932</u>	<u>82,786,369</u>	<u>74,277,251</u>
Operating Expenses			
Management and General	(18,391,968)	(18,349,537)	(16,849,216)
Operations and Maintenance	(65,281,191)	(61,293,944)	(56,284,567)
Depreciation	(10,536,632)	(10,066,326)	(9,937,330)
Non-operating Expenses			
Debt service	(684,153)	(649,753)	(581,595)
Other non-operating expenses	0	(10,594)	(14,374)
Total Expenses	<u>(94,893,944)</u>	<u>(90,370,154)</u>	<u>(83,667,082)</u>
Net Income (Loss) before Capital Contributions	(8,938,012)	(7,583,785)	(9,389,831)
Capital Contributions	<u>5,782,561</u>	<u>13,173,531</u>	<u>6,241,621</u>
Change in Net Assets	(3,155,451)	5,589,746	(3,148,210)
Total Net Assets- Beginning	<u>90,934,275</u>	<u>85,344,529</u>	<u>88,492,739</u>
Total Net Assets- Ending	<u>\$87,778,824</u>	<u>\$90,934,275</u>	<u>\$85,344,529</u>

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2007

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$91,738,493 for FY 2007 as compared to \$95,959,901 for FY 2006. The FY 2007 revenue reported as operating revenue, non-operating revenue and transfers from the state increased 3.8% or \$3,169,563 over the prior year. This increase was the result of receiving additional passenger revenue through the U-Pass program, additional revenue in support of the RIte Care program and advertising revenue. Revenue received through capital contributions decreased by 56% or \$7.4 million from the prior year. The Authority's operating and non-operating expenses totaled \$94,893,944 for FY 2007 as compared to \$90,370,154 for FY 2006. This reflects an increase of 5.0% or \$4.5 million increase over the prior year. The growth is a result of expense increases in wages, fringe benefits, vehicle parts, and depreciation.

FY 2006

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$95,959,901 for FY 2006 as compared to \$80,518,872 for FY 2005. The FY 2006 revenue reported as operating revenue, non-operating revenue and transfers from the state increased 11.5% or \$8,509,119 over the prior year. This increase was the result of receiving additional passenger revenue from organization sponsored half-price programs and the U-Pass program and additional revenue in support of the RIte Care program. Beginning July 1, 2005, the Authority received an additional penny of gasoline tax that equated to \$4.6 million in additional revenue for FY 2006. Revenue received through capital contributions increased by 111% or \$6.9 million from the prior year. The Authority's operating and non-operating expenses totaled \$90,370,164 for FY 2006 as compared to \$83,667,082 for FY 2005. This reflects an increase of 8% or \$6.7 million increase over the prior year. The growth is a result of expense increases in wages, fringe benefits, fuel, utilities and depreciation. The Authority also incurred approximately \$500,000 in one-time expenses for improvements and repairs to the Newport Gateway Center. Additionally, during FY 2006, the Authority contracted with the State of Rhode Island Department of Transportation to perform repairs to the states vehicles totaling \$550,000.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

The following schedule summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2007, 2006 and 2005.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land,shops,garages and buildings	\$60,158,108	\$60,136,406	\$59,933,845
Revenue equipment	90,725,978	87,834,347	79,686,497
Service Vehicles and garage equipment	3,457,268	3,453,591	3,401,061
Furnitures and fixtures	2,850,846	2,523,645	1,989,446
Management informations systems	2,524,174	2,522,721	2,636,605
Federal grant projects in process	4,499,187	797,404	842,730
	<u>164,215,561</u>	<u>157,268,114</u>	<u>148,490,184</u>
Less accumulated depreciation	<u>(74,731,714)</u>	<u>(64,284,775)</u>	<u>(58,674,816)</u>
Net capital assets	<u>89,483,847</u>	<u>92,983,339</u>	<u>\$89,815,368</u>

FY 2007

At the end of fiscal year 2007, the Authority had \$ 89,483,847 invested in capital assets. This amount represents a \$3.5 million or 3.8% decrease from the last year.

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

- Purchase of 35 Dattco Paratransit Vehicles
- Purchase of 4 Dattco Flex Service Vehicles

During FY 2007, the Authority committed to the purchase and installation of electronic fareboxes to be completed in the Fall of 2007, purchase and installation of the RIdE scheduling software to be completed in the Winter of 2008 and the architecture and design phase of the Paratransit Operations and Support Center to be completed in the Spring of 2008.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2006

At the end of fiscal year 2006, the Authority had \$92,983,339 invested in capital assets. This amount represents a \$3.2 million or 3.5% increase from the last year.

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

- Purchase of 36 Gillig buses
- Purchase of 14 Dattco Paratransit Vehicles
- Construction of Bus Washing System
- Disposal of Radio Communications systems
- Disposal of remaining 1988 and 1990 buses

During FY 2006, the Authority committed to the purchase of 4 Flex vehicles and 35 Paratransit vehicles scheduled for delivery in the Fall/Winter 2006.

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.

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 2008 budget:

- Level of federal funds appropriated for operating and capital purposes. There is an increased level of overall transit funding approved in the SAFETEA-LU act for operating and capital purposes. The FY 2008 budget includes funding for Mobility Management Reimbursement for the first time due to the significant increase on formula funds available.
- State gasoline tax revenue available for operating purposes. For FY 2008, the yield from the gasoline tax is expected to decrease by 2.4% over the previous fiscal year. All but one cent 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.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- ❑ 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 new pass product programs such as the U-Pass program and organization sponsored half-fare programs. 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 68% of the Authority's annual budget. Employee contributions for health care are included in the FY 2008 budget. The Authority's three employee labor contracts have been negotiated and will not expire until June 30, 2009.
- ❑ Costs associated with fuel prices. The Authority consumes 2.5 million gallons of fuel annually. The budgeted fuel cost for FY 2008 decreased 7.7% over the previous fiscal year.
- ❑ Inclusion of expenses and offsetting reimbursement of the State of Rhode Island DOT vehicle maintenance and repair program contracted with the Authority.
- ❑ Americans with Disabilities Act. The cost associated with this unfunded federally mandated program is projected to increase 11% over the prior fiscal year.

The following factors were considered in setting the Authority's FY 2007 budget:

- ❑ Level of federal funds appropriated for operating and capital purposes. There is an increased level of overall transit funding approved in the SAFETEA-LU act for operating and capital purposes. The FY 2007 budget includes funding for ADA services for the first time due to the significant increase on formula funds available.
- ❑ State gasoline tax revenue available for operating purposes. For FY 2007, the yield from the gasoline tax is expected to remain at approximately the same level that was in place over the previous fiscal year. All but one cent 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.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- ❑ 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 new pass product programs such as the U-Pass program and organization sponsored half-fare programs. 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. Employee contributions for health care are included in the FY 2007 budget. The Authority's three employee labor contracts have been negotiated and will not expire until June 30, 2009.
- ❑ Costs associated with increased fuel prices. The Authority consumes 2.5 million gallons of fuel annually. The budgeted fuel cost for FY 2007 increased 18% over the previous fiscal year.
- ❑ Inclusion of expenses and offsetting reimbursement of the State of Rhode Island DOT vehicle maintenance and repair program contracted with the Authority.
- ❑ Americans with Disabilities Act. The cost associated with this unfunded federally mandated program is projected to increase 6% 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

**STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents:		
Operating fund	\$ 2,733,055	\$ 3,092,718
Capital replacement fund	249,149	2,430,644
Paratransit capital fund	887,366	1,114,255
Accident and casualty fund	153,986	139,357
Total cash and cash equivalents	<u>4,023,556</u>	<u>6,776,974</u>
Investments	3,849,315	805,868
Due from primary government	<u>3,719,629</u>	<u>3,457,373</u>
Receivables:		
Accounts	3,837,787	2,385,869
Grants	1,894,572	1,580,412
Total receivables	<u>5,732,359</u>	<u>3,966,281</u>
Inventories, net allowance of \$163,060 and \$440,334, respectively	2,766,162	2,533,612
Prepaid expenses	<u>123,523</u>	<u>158,230</u>
Total current assets	<u>20,214,544</u>	<u>17,698,338</u>
Long-term assets:		
Capital assets, non-depreciable	6,535,984	2,834,201
Capital assets, depreciable net of depreciation	<u>82,947,863</u>	<u>90,149,138</u>
Total long-term assets	<u>89,483,847</u>	<u>92,983,339</u>
TOTAL ASSETS	<u>109,698,391</u>	<u>110,681,677</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	6,901,994	5,175,838
Accrued salaries, wages and vacation pay	4,330,235	3,789,992
Other liabilities	1,061,820	1,000,240
Deferred revenue - other	-	11,878
Total current liabilities	<u>12,294,049</u>	<u>9,977,948</u>
Long-term liabilities:		
Accrued self insured claims	7,429,733	7,603,435
Net pension obligation	1,799,084	1,833,410
Deferred revenue - tokens	396,701	332,609
Total long-term liabilities	<u>9,625,518</u>	<u>9,769,454</u>
Total liabilities	<u>21,919,567</u>	<u>19,747,402</u>
Net assets:		
Unrestricted net deficit	(1,705,023)	(2,049,064)
Invested in capital assets not being depreciated, net	89,483,847	92,983,339
Total net assets	<u>\$ 87,778,824</u>	<u>\$ 90,934,275</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Passenger	\$ 22,451,422	\$ 21,374,315
Paratransit	655,637	595,307
Rental	124,690	121,973
Advertising	416,580	270,417
RIDE	6,959,762	6,857,791
Other	1,037,732	897,191
Total operating revenues	<u>31,645,823</u>	<u>30,116,994</u>
Operating expenses:		
Administration	555,537	720,405
Finance	2,743,533	3,404,523
Operations	54,212,301	51,307,167
Marketing	1,880,410	1,670,142
Human resources	770,135	711,954
Risk management	2,140,186	2,401,902
Planning and scheduling	1,076,458	978,135
Specialized transportation	1,866,492	1,845,550
Paratransit operations	7,663,243	6,710,057
Purchasing	1,243,539	970,931
Flex access	-	255,216
Flex RIPTA	1,180,456	773,868
MIS	735,032	855,711
Ferry	620,831	601,101
RIDE	4,327,987	3,788,469
Centralized Maintenance	1,579,203	1,692,114
Facilities Engineering operations	431,828	400,714
State of Rhode Island - DOT	645,988	555,522
Depreciation	10,536,632	10,066,326
Total operating expenses	<u>94,209,791</u>	<u>89,709,807</u>
Operating loss	<u>(62,563,968)</u>	<u>(59,592,813)</u>
Non-operating revenues (expenses):		
Transfer from State	34,108,373	34,840,726
Grants	16,068,970	13,793,116
Investment income	423,140	277,983
Interest expense	-	(2,972)
Contract revenue	3,701,150	3,757,550
Gain (loss) on disposal of assets	8,476	(7,622)
Debt service	(684,153)	(649,753)
Total non-operating revenues	<u>53,625,956</u>	<u>52,009,028</u>
Loss before transfers and capital contributions	<u>(8,938,012)</u>	<u>(7,583,785)</u>

(CONTINUED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Capital contributions		
Capital contributions	5,782,561	13,173,531
Total capital contributions	<u>5,782,561</u>	<u>13,173,531</u>
Increase (decrease) in net assets	<u>(3,155,451)</u>	<u>5,589,746</u>
Net assets, beginning of the year	<u>90,934,275</u>	<u>85,344,529</u>
Net assets, end of the year	<u>\$ 87,778,824</u>	<u>\$ 90,934,275</u>

(CONCLUDED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers	\$ 30,246,119	\$ 29,763,782
Cash payments to suppliers for goods and services	(82,291,294)	(42,829,615)
Cash payments to employees for services	540,243	(35,951,796)
Net cash used for operating activities	<u>(51,504,932)</u>	<u>(49,017,629)</u>
Cash flows from non-capital financing activities:		
Interest paid on revolving loan	-	(2,972)
Debt service	(684,153)	(649,753)
Operating transfers in	33,846,117	34,675,797
Contract revenue	3,701,150	3,757,550
Net cash provided by non-capital financing activities	<u>36,863,114</u>	<u>37,780,622</u>
Cash flows from capital and related financing activities:		
Proceeds from grants	21,537,371	26,517,396
Acquisition and construction of capital assets	(7,028,664)	(13,241,919)
Net cash provided by capital and related financing activities	<u>14,508,707</u>	<u>13,275,477</u>
Cash flows from investing activities:		
Purchase of investments	(8,016,542)	(1,156,172)
Maturity of investments	4,973,095	573,533
Interest and dividends on investments	423,140	277,983
Net cash used for investing activities	<u>(2,620,307)</u>	<u>(304,656)</u>
Net increase (decrease) in cash and cash equivalents	(2,753,418)	1,733,814
Cash and cash equivalents at beginning of year	<u>6,776,974</u>	<u>5,043,160</u>
Cash and cash equivalents at end of year	<u>\$ 4,023,556</u>	<u>\$ 6,776,974</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (62,563,968)	(59,592,813)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	10,536,632	10,066,326
Decrease in inventory allowance	(277,274)	(103,727)
Changes in assets and liabilities:		
Increase in accounts receivable	(1,451,918)	(396,389)
Decrease (increase) in inventory	44,724	(204,237)
Decrease (increase) in prepaid expenses	34,707	(57,640)
Increase in accounts payable and accrued expenses	2,119,951	1,227,674
Increase in deferred revenue	52,214	43,177
Total adjustments	<u>11,059,036</u>	<u>10,575,184</u>
Net cash used for operating activities	<u>\$ (51,504,932)</u>	<u>\$ (49,017,629)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 1966, 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 1966".

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 unit 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.

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, 2007 AND 2006**

1. 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. 47 – Accounting for Termination Benefits effective for the Authority's fiscal year ending June 30, 2006. This pronouncement had no effect to the Authority's financial statements.

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

- ✓ 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.
- ✓ GASB Statement No. 50 – Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27, effective for the Corporation'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.

Investments

Investments are valued at fair market value.

Materials and Supplies of Inventory

Inventories consist of spare parts, supplies and fuel oil and are stated at the lower of cost (weighted average method) or market.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

1. 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 lives of assets are as follows:

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

Capital assets were defined by the Authority, as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year. As of March 1, 2007, capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year.

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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

1. 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 6.

During the year ended June 30, 2005, the Authority management decided not to renew the excess liability policy, which covered 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, 2007 and 2006 was \$587,298 and \$435,981, respectively.

2. CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying amount of the Authority's deposits, except for petty cash of \$1,100 at June 30, 2007 and 2006 is \$2,839,993 and \$3,196,289, respectively and the bank balance was \$3,896,865 and \$4,846,544, respectively. Of the bank balance, \$100,000 and \$113,874 was insured by federal depository insurance and Securities Investor Protection Corporation and the remaining portions, \$3,796,865 and \$4,732,670 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board as of June 30, 2007 and 2006, respectively.

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, 2007 and June 30, 2006, the Authority's uncollateralized deposits had maturities of less than sixty (60) days and were with an institution that met the minimum capital standards.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

2. CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

The carrying value of deposits for June 30, 2007 and June 30, 2006 are \$2,839,993 and \$3,196,289. Investments of \$1,182,463 and \$3,579,585 and \$1,100 of petty cash, relate to the balance sheet totals for June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Cash deposits	\$2,839,993	\$3,196,289
Add: Petty cash	1,100	1,100
Investments classified as cash equivalents for financial statement purposes ..	<u>1,182,463</u>	<u>3,579,585</u>
Cash and cash equivalents per balance sheet	<u>\$4,023,556</u>	<u>\$6,776,974</u>

At June 30, 2007, the Authority had the following investments classified as cash equivalents:

<u>Description</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Government Money Market Fund	NA	N/A	\$ 249,149
Fidelity Institutional Cash	NA	N/A	887,366
Government Obligations Fund	NA	N/A	21,904
Citizens CD	9/6/07	N/A	<u>24,044</u>
			<u>\$ 1,182,463</u>

At June 30, 2007, the Authority had the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
AIG	11/26/07	N/A	\$ 489,338
American Express	8/2/07	N/A	497,722
Prudential	12/17/07	N/A	487,862
US Treasury Notes	6/30/07	AAA	25,000
National Federal Mortgage Association	7/15/07	AAA	249,923
National Federal Mortgage Association	9/15/07	AAA	498,750
Federal Home Loan Mortgage Corporation	11/16/07	AAA	249,063
US Treasury Notes	12/31/07	AAA	24,936
Federal Home Loan Mortgage Corporation	11/03/09	AAA	495,155
Washington Mutual Inc.	1/15/08	A2/A-	99,436
SLM Corporation	3/17/08	A2/BBB+	98,229
Bear Stearns Companies, Inc.	7/02/08	A1/A+	48,696
Lehman Bros. Holdings, Inc.	8/07/08	A1/A+	48,958
CIT Group, Inc.	8/15/08	A2/A	49,576
Time Warner Entertainment Co., LP	9/01/08	BAA2/BBB	101,822
Dominion Resources, Inc.	12/15/09	BAA2/BBB	49,643
Wells Fargo Bank, NA	2/01/11	AA1/AA+	51,555
GE Capital Corporation	2/15/12	AAA/AAA	50,586
Telecom Italia	1/15/10	BAA2/BBB+	48,065
GE Commercial Paper	9/4/07	AAA	<u>185,000</u>
			<u>\$ 3,849,315</u>

Custodial Credit Risk – Deposits and Investments. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit or investment policy for custodial credit risk.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk. It is the policy of the corporation to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates.

Credit Risk. Government Money Market is not a rated security, as the fund invests in short-term obligations issued by the U.S. Treasury and invests in repurchase agreements and other instruments collateralized or secured by U.S. Treasury obligations. The U.S. Treasury does not directly or indirectly insure or guarantee the performance of the fund. Treasury obligations have historically involved minimal risk of loss if held to maturity. However, fluctuations in market interest rates may cause the value of Treasury obligations in the Fund's portfolio to fluctuate.

Concentration of Credit Risk. The corporation does not have a formal policy that limits the amount that may be invested in any one issuer.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2007:

	<u>Balance</u> <u>7/1/2006</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>6/30/07</u>
Cost:				
Land	\$ 2,036,797	\$ -	\$ -	\$ 2,036,797
Shop, garages and buildings.....	58,099,609	21,704	-	58,121,313
Revenue equipment.....	87,834,347	2,891,631	-	90,725,978
Service vehicles and garage equipment	3,453,591	5,132	889	3,457,834
Furniture and office equipment	2,523,645	356,487	34,605	2,845,527
Management information system.....	2,522,721	67,523	61,319	2,528,925
Total fixed assets	<u>156,470,710</u>	<u>3,342,477</u>	<u>96,813</u>	<u>159,716,374</u>
Federal grant projects in process.....	797,404	3,701,783		4,499,187
Total cost	<u>157,268,114</u>	<u>7,044,260</u>	<u>96,813</u>	<u>164,215,561</u>
Accumulated depreciation:				
Shop, garages and buildings.....	13,762,256	1,911,569	-	15,673,825
Revenue equipment.....	44,001,771	8,169,572	-	52,171,343
Service vehicles and garage equipment	2,735,905	202,598	434	2,938,069
Furniture and office equipment	1,497,582	145,274	28,645	1,614,211
Management information system.....	2,287,261	107,619	60,614	2,334,266
Total accumulated depreciation	<u>64,284,775</u>	<u>10,536,632</u>	<u>89,693</u>	<u>74,731,714</u>
Total property, plant and equipment	<u>\$92,983,339</u>	<u>(3,492,372)</u>	<u>7,120</u>	<u>\$89,483,847</u>

Depreciation expense for the fiscal year ended June 30, 2007 was \$10,536,632.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>6/30/06</u>
Cost:				
Land	\$ 2,036,797	\$ -	\$ -	\$ 2,036,797
Shop, garages and buildings.....	57,897,050	202,559	-	58,099,609
Revenue equipment.....	79,686,497	12,427,777	4,279,927	87,834,347
Service vehicles and garage equipment	3,401,627	57,057	5,093	3,453,591
Furniture and office equipment	1,984,127	576,484	36,966	2,523,645
Management information system.....	2,641,356	76,958	195,593	2,522,721
Total fixed assets	<u>147,647,454</u>	<u>13,340,835</u>	<u>4,517,579</u>	<u>156,470,710</u>
Federal grant projects in process.....	842,730	792,632	837,958	797,404
Total cost	<u>148,490,184</u>	<u>14,133,467</u>	<u>5,355,537</u>	<u>157,268,114</u>
	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>6/30/06</u>
Accumulated depreciation:				
Shop, garages and buildings.....	11,825,757	1,936,499	-	13,762,256
Revenue equipment.....	40,653,269	7,628,175	4,279,673	44,001,771
Service vehicles and garage equipment	2,465,932	221,364	(48,609)	2,735,905
Furniture and office equipment	1,395,764	132,216	30,398	1,497,582
Management information system.....	2,334,094	148,072	194,905	2,287,261
Total accumulated depreciation	<u>58,674,816</u>	<u>10,066,326</u>	<u>4,456,367</u>	<u>64,284,775</u>
Total property, plant and equipment	<u>\$89,815,368</u>	<u>\$4,067,141</u>	<u>\$899,170</u>	<u>\$92,983,339</u>

Depreciation expense for the fiscal year ended June 30, 2006 was \$10,066,326

4. NOTES PAYABLE

The Authority has a \$2,000,000 line of credit with a financial institution for 2007 and 2006. 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% for June 30, 2007 and 2006. No amount was due under this line of credit at June 30, 2007 and June 30, 2006.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

5. 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, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$3,051,512	\$2,578,265
Deposits:		
Capital replacement deposits	471,746	463,107
Local match payments	(569,373)	(74,756)
Interest & dividend earnings	145,626	84,896
Change in market value of securities	-	-
Transfer from operating	-	-
Balance at end of year	<u>\$3,099,511</u>	<u>\$3,051,512</u>
Classified as cash and cash equivalents	249,149	2,430,664
Classified as investments	<u>2,850,362</u>	<u>620,868</u>
Balance at end of year	<u>\$3,099,511</u>	<u>\$3,051,512</u>

6. 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 is as follows:

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$324,357	\$271,897
Deposits:		
Interest earnings on investments	14,629	11,108
Insurance settlement received/(paid)	-	<u>41,352</u>
Balance at end of year	<u>\$338,986</u>	<u>324,357</u>

Assets restricted at June 30, 2007 and 2006 in the accident and casualty fund amounted to \$338,986 and \$324,357, respectively. For fiscal year 2007, \$153,986 is classified as cash and cash equivalents and \$185,000 is classified as investments.

It is the intention of the Authority to build this self-insurance fund to not less than \$5,000,000 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, 2007 and 2006, 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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

6. SELF INSURANCE (Continued)

The activity in the liability for self-insured claims for fiscal year ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Amount of claims liabilities, beginning of year	\$7,603,435	\$7,173,505
Incurred claims.....	721,769	1,586,521
Payments on claims.....	<u>(895,471)</u>	<u>(1,156,591)</u>
Amount of claims liabilities, end of year.....	<u>\$7,429,733</u>	<u>\$7,603,435</u>

Health Care

During fiscal year June 30, 2005, the Authority changed to a self-insured program administered by the State of Rhode Island. The unpaid claims liability at June 30, 2007 and 2006 is recorded as other liabilities in the Statement of Net Assets. The Authority's incurred but not reported claims as of June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims beginning of year.....	\$855,878	\$ 732,500
Incurred claims.....	11,163,504	8,883,363
Payments on claims.....	<u>(11,104,210)</u>	<u>(8,759,985)</u>
Unpaid claims end of year.....	<u>\$ 915,172</u>	<u>\$ 855,878</u>

7. 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 \$5,935,161 at June 30, 2007 and \$2,936,224, at June 30, 2006.

8. POST RETIREMENT BENEFITS

The Authority provides certain health care and life insurance benefits to substantially all retired employees and their spouses. Health care benefits were paid to 407 employees during fiscal years ended June 30, 2007 and 2006, and life insurance benefits were paid to 207 employees during fiscal year ended June 30, 2007 and 204 employees during fiscal year ended June 20, 2006. 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 June 30, 2007 and June 30, 2006 are \$1,870,126 and \$1,431,340, respectively. These benefits are provided as part of the employee's contract.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

9. 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, 2005, the State appropriated a total of six and one quarter cents of dedicated gas tax. For fiscal year ended June 30, 2007, the State appropriated a total of seven and one quarter cents of dedicated gas tax. For the fiscal year ending June 30, 2007 and 2006, the Authority received \$34,108,373 and \$34,840,725, respectively from the dedicated gas tax as operating assistance in support of the transit system. The Authority anticipates receiving approximately \$33,966,250 in fiscal year ended June 30, 2008 from the State.

On August 10, 2005, President Bush signed *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) authorizing federal transportation programs through federal fiscal year 2009. This act maintained the provision allowing for the use of capital funds for preventative maintenance activities and the use of capital funds to cover the costs of providing ADA service, up to a maximum of 10 percent of the annual Section 5307 apportionment.

For fiscal years 2007 and 2006, RIPTA used \$8,562,679 and \$8,224,075, respectively, for preventative maintenance expenses.

10. 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(7), 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, 2007 and 2006, the Authority recorded \$3,701,150 and \$3,757,550, respectively of contract revenue from this agreement. For fiscal year 2007, RIPTA anticipates receiving \$3,701,150 under this agreement.

11. DUE FROM PRIMARY GOVERNMENT

At June 30, 2007 and 2006, the Rhode Island Public Transit Authority is owed \$3,719,629 and \$3,457,373, respectively from the Rhode Island Department of Transportation.

12. NET ASSETS

Net assets represent the difference between assets and liabilities. The net asset amount at June 30, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
<i>Invested in capital assets, net of related debt:</i>		
Net capital assets in service	\$89,483,847	\$92,983,339
<i>Total restricted for capital activity and debt service</i>	<u>89,483,847</u>	<u>92,983,339</u>
<i>Unrestricted (deficit)</i>	<u>(1,705,023)</u>	<u>(2,049,064)</u>
<i>Total net assets</i>	<u>\$87,778,824</u>	<u>\$90,934,275</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

13. 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.

14. PENSION PLANS

Effective January 1, 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. The pension plan eligibility, contributions and benefit provisions are defined in the Rhode Island Public Transit Authority Employee's Pension Plan document. Any changes to these provisions are subject to the collective bargaining process.

Effective January 1, 2007, forty-two Amalgamated Transit Unit 618A employees transferred from the salaried unit to the bargaining unit of the pension plan, pursuant to a collective bargaining agreement. Assets totaling \$1,580,772 were transferred from the salaried unit to the hourly unit and present value of accumulated plan benefits and actuarial accrued liabilities were adjusted accordingly.

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. The plan does not issue a stand-alone financial report.

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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

14. PENSION PLANS (Continued)

Annual Pension Cost and Net Pension Obligation

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

<u>2007</u>	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$4,093,670	\$948,792
Interest on net pension obligation.....	131,436	0
Adjustment to annual required contribution.....	(165,762)	0
Annual pension cost.....	4,059,344	948,792
Contributions made.....	(4,093,670)	(948,792)
Increase (decrease) in net pension obligation.....	(34,326)	0
Net pension obligation, June 30, 2006.....	1,833,410	0
Net pension obligation, June 30, 2007.....	<u>\$1,799,084</u>	<u>\$ 0</u>

<u>2006</u>	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$3,822,702	\$ 1,045,661
Interest on net pension obligation.....	158,994	0
Adjustment to annual required contribution.....	(158,994)	0
Annual pension cost.....	3,822,702	1,045,661
Contributions made.....	(3,822,702)	(1,045,661)
Increase (decrease) in net pension obligation.....	0	0
Net pension obligation, June 30, 2005.....	1,833,410	0
Net pension obligation, June 30, 2006.....	<u>\$1,833,410</u>	<u>\$ 0</u>

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, 2007 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 amortization periods are closed. The remaining amortization period at June 30, 2007 is 23.5 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>
6/30/05	\$3,690,424	49.68%	\$1,833,410
6/30/06	3,822,702	47.98%	1,833,410
6/30/07	4,059,344	44.32%	1,799,084

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

14. PENSION PLANS (Continued)

Salaried Unit

The annual required contribution for the current year was determined as part of the January 1, 2007 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 on a level basis. Amortization periods are closed. The remaining amortization period at June 30, 2007 is 23 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>
6/30/2005	\$975,583	100%	\$-0-
6/30/2006	1,045,661	100%	-0-
6/30/2007	948,792	100%	-0-

Schedule of Funding Progress

Bargaining Unit

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded AAL (UAAL) (2)-(1) (3)</u>	<u>AVA as a Percent of AAL (1)/(2) (4)</u>	<u>Covered Payroll for Active Participants (5)</u>	<u>UAAL as a Percent of Covered Payroll (3)/(5) (6)</u>
Jan 1, 2007	\$33,041,125	\$50,250,369	\$17,219,234	65.74%	\$29,210,919	58.95%
Jan 1, 2006	26,329,994	43,480,559	17,150,565	60.56%	24,091,280	71.19%
Jan 1, 2005	22,854,889	40,219,586	17,364,697	56.83%	23,706,541	73.25%
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%

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, 2007 AND 2006**

14. PENSION PLANS (Continued)

Schedule of Funding Progress (Continued)

Salaried Unit						
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)
January 1, 2007	\$8,584,242	\$14,341,947	\$5,757,705	59.85%	\$4,914,984	117.15%
January 1, 2006	9,075,277	16,848,040	7,772,763	53.87%	7,068,218	109.97%
January 1, 2005	8,230,659	15,688,414	7,457,755	52.46%	6,897,586	108.12%
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%

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

15. 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.

16. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; errors and omissions; workers' compensation claims and self-insured health care. A detail description of the risks associated with the above are described in Notes 1 and 6.

(CONCLUDED)

SUPPLEMENTARY INFORMATION

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF TANGIBLE PROPERTY
JUNE 30, 2007**

	Tangible Property			Rate	Balance 7/1/2006	Accumulated Depreciation			Balance 6/30/2007	Net Book Value 6/30/2007
	Balance 7/1/2006	Additions	Removals			Balance 6/30/2007	Additions	Transfers/ Removals		
Land and land rights	\$ 2,036,797									\$ 2,036,797
Shops, garages and office buildings	56,526,762	21,704		3 1/3%	13,197,819	\$ 1,869,759		\$ 15,067,578	41,480,888	
Tunnels	1,572,845			4%	564,437	41,810		606,247	966,598	
Communication system	5,631,926			10%	1,418,567	561,607		1,980,174	3,651,752	
Revenue equipment - busses	65,583,547	332,765		8 1/3%	30,735,595	5,649,581		36,385,176	29,531,136	
Trolleys	6,729,015			8 1/3%	4,440,688	675,914		5,116,602	1,612,413	
Fare boxes	1,099,868			8 1/3%	1,097,408	2,340		1,099,748	120	
Service cars and equipment	1,699,005			25%	1,571,611	84,930		1,656,541	42,464	
Shops and garage equipment	1,754,020	5,132	889	10-20%	1,164,294	117,668	434	1,281,528	476,735	
Furniture and office equipment	882,084	75,108	34,605	10-20%	701,946	44,064	28,645	717,365	205,222	
Miscellaneous equipment	1,646,880	281,379		5-10%	795,636	101,210		896,846	1,031,413	
Management information systems	2,517,970	67,523	61,319	10-20%	2,287,261	107,619	60,614	2,334,266	189,908	
Leased Paratransit Vans	8,789,991	2,558,866		20%	6,309,513	1,280,130		7,589,643	3,759,214	
Total fixed assets	156,470,710	3,342,477	96,813		64,284,775	10,536,632	89,693	74,731,714	84,984,660	
Federal grant projects in process	797,404	3,701,783							4,499,187	
Total tangible property	\$ 157,268,114	\$ 7,044,260	\$ 96,813		\$ 64,284,775	\$ 10,536,632	\$ 89,693	\$ 74,731,714	\$ 89,483,847	

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

SCHEDULE OF TANGIBLE PROPERTY

JUNE 30, 2006

	Tangible Property			Accumulated Depreciation			Net Book Value 6/30/2006		
	Balance 7/1/2005	Additions	Removals	Balance 6/30/2006	Rate	Balance 7/1/2005		Additions	Transfers/ Removals
Land and land rights	\$ 2,036,797			\$ 2,036,797					\$ 2,036,797
Shops, garages and office buildings	56,324,203	202,559		56,526,762	3 1/3%	\$ 11,303,130	\$ 1,894,689		\$ 13,197,819
Tunnels	1,572,845			1,572,845	4%	522,627	41,810		564,437
Communication system	7,319,148		1,687,222	5,631,926	10%	2,543,404	562,133	1,686,970	1,418,567
Revenue equipment - busses	55,915,162	11,432,694	1,764,309	65,583,547	8 1/3%	27,360,618	5,139,284	1,764,307	30,735,595
Trolleys	6,729,015			6,729,015	8 1/3%	3,764,774	675,914		4,440,688
Fare boxes	1,099,868			1,099,868	8 1/3%	1,092,968	4,440		1,097,408
Service cars and equipment	1,645,415	53,590		1,699,005	25%	1,418,125	99,896	(53,590)	1,571,611
Shops and garage equipment	1,755,646	3,467	5,093	1,754,020	10-20%	1,047,807	121,468	4,981	1,164,294
Furniture and office equipment	885,369	33,681	36,966	882,084	10-20%	689,438	42,906	30,398	701,946
Miscellaneous equipment	1,104,077	542,803		1,646,880	5-10%	706,326	89,310		795,636
Management information systems	2,636,605	76,958	195,593	2,517,970	10-20%	2,334,094	148,072	194,905	2,287,261
Leased Paratransit Vans	8,623,304	995,083	828,396	8,789,991	20%	5,891,505	1,246,404	828,396	6,309,513
Total fixed assets	147,647,454	13,340,835	4,517,579	156,470,710		58,674,816	10,066,326	4,456,367	64,284,775
Federal grant projects in process	842,730	792,632	837,958	797,404					797,404
Total tangible property	\$ 148,490,184	\$ 14,133,467	\$ 5,355,537	\$ 157,268,114		\$ 58,674,816	\$ 10,066,326	\$ 4,456,367	\$ 64,284,775
									\$ 92,983,339

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Administration:		
Salaries	\$ 206,846	\$ 200,068
Fringes	95,096	89,987
Legal	130,150	217,649
Other services	123,445	212,701
Total administration	<u>555,537</u>	<u>720,405</u>
Finance:		
Salaries	453,378	498,241
Fringes	328,444	277,981
Office expense/supplies	28,729	33,179
Utilities	1,497,574	1,549,108
Lease expense	1,127	63,602
Other services	10,768	20,952
Travel	17,035	9,126
Miscellaneous	342,328	875,680
Tickets & Passes	64,150	76,654
Total finance	<u>2,743,533</u>	<u>3,404,523</u>
Operations:		
Salaries	46,544	44,360
Wages - drivers	18,078,506	17,222,075
Wages - other	8,848,179	8,469,142
Fringe benefits	17,360,105	15,798,925
Other services	27,038	13,337
Maintenance agreement	22,163	5,360
Supplies	883,833	1,215,437
Uniforms	132,288	127,607
Hazardous waste disposal	116,869	150,964
Fuel	4,955,237	4,958,143
Antifreeze and lubricants	274,160	159,755
Parts - revenue vehicles	2,542,854	1,945,535
Parts - service vehicles	58,715	37,818
Tires and tubes	572,596	409,779
Major Components	195,420	561,489
Inventory adjustment (recovery)	(45,324)	66,699
Miscellaneous	143,118	120,742
Total operations	<u>54,212,301</u>	<u>51,307,167</u>
Marketing:		
Salaries	777,739	727,562
Fringes	493,831	437,277
Public relations	143,157	81,131
Time tables	190,919	141,915
Advertising	138,667	157,483
Services	48,251	35,392
Miscellaneous	11,377	6,334
Miscellaneous supplies	76,469	83,048
Total marketing	<u>1,880,410</u>	<u>1,670,142</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Human resources:		
Salaries	408,114	385,011
Fringes	266,906	220,884
Miscellaneous	95,115	106,059
Total human resources	<u>770,135</u>	<u>711,954</u>
Risk management:		
Salaries	166,585	162,658
Fringes	103,918	79,946
Office expense/supplies	3,208	3,734
Insurance	163,572	144,973
Settlements	621,165	834,199
Workers' Compensation legal	77,156	71,518
Workers' Compensation medical	102,259	169,713
Workers' Compensation	417,511	488,623
Workers' Compensation - other	94,076	93,986
Judgments	22,467	50,681
Legal	210,239	167,276
Miscellaneous	158,030	134,595
Total risk management	<u>2,140,186</u>	<u>2,401,902</u>
Planning and Scheduling:		
Salaries	584,264	537,955
Fringes	348,126	313,242
Professional services	124,863	117,675
Other services	8,165	4,797
Office expense/supplies	7,059	3,516
Miscellaneous	3,981	950
Total planning and scheduling	<u>1,076,458</u>	<u>978,135</u>
Specialized transportation:		
Salaries	904,151	870,133
Fringe benefits	633,757	576,370
Professional services	10,196	61,728
Other services	33,964	8,549
Temporary help	36,659	12,163
Maintenance Agreement	178,821	198,074
Miscellaneous	68,944	118,533
Total specialized transportation	<u>1,866,492</u>	<u>1,845,550</u>
Paratransit operations:		
Wages – drivers	3,983,256	3,715,775
Wages – other	418,404	406,880
Fuel	873,547	894,213
Fringe benefits	1,886,602	1,333,231
Insurance	370,953	241,631
Supplies	6,791	6,936
Uniforms/Laundry	40,457	37,639
Parts – vehicles	-	16
Inspection/registration fees	2,041	1,963
Training	6,620	4,623
Miscellaneous	74,572	67,150
Total paratransit	<u>7,663,243</u>	<u>6,710,057</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<i>Purchasing:</i>		
Salaries	721,235	652,059
Fringe	456,161	265,010
Supplies	6,893	6,355
Travel	10,020	-
Other services	49,230	47,507
<i>Total purchasing</i>	<u>1,243,539</u>	<u>970,931</u>
<i>Flex Access:</i>		
Salaries	-	134,345
Fringes	-	72,486
Insurance	-	1,463
Supplies	-	545
Vehicle maintenance	-	46,377
<i>Total Flex Access</i>	<u>-</u>	<u>255,216</u>
<i>Flex RIPTA:</i>		
Salaries	608,815	435,508
Fringes	345,670	229,815
Supplies	5,391	3,158
Vehicle Maintenance	216,938	101,581
Miscellaneous	3,642	3,806
<i>Total Flex RIPTA</i>	<u>1,180,456</u>	<u>773,868</u>
<i>MIS:</i>		
Salaries	315,031	317,976
Fringes	178,019	285,881
Services	48,367	57,206
Maintenance Agreements	161,046	178,566
Supplies	32,569	16,082
<i>Total MIS</i>	<u>735,032</u>	<u>855,711</u>
<i>Ferry:</i>		
Professional Services	-	6,808
Contracted Services	449,566	485,351
Advertising	114,555	55,452
Building Lease	56,710	53,490
<i>Total Ferry</i>	<u>620,831</u>	<u>601,101</u>
<i>RIDE</i>		
RIDE Carriers	1,683,245	1,800,399
Taxi RIDE Providers	2,644,742	1,988,070
<i>Total RIDE</i>	<u>4,327,987</u>	<u>3,788,469</u>
<i>Centralized Maintenance:</i>		
Salaries	751,757	790,622
Fringes	374,543	389,029
Services	12,828	9,433
Lubricants	3,786	6,046
Tire Mileage	23,502	26,033
Repair parts	412,787	470,951
<i>Total Centralized Maintenance</i>	<u>1,579,203</u>	<u>1,692,114</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Facilities Engineering Operations:		
Salaries	263,249	256,360
Fringes	164,765	140,599
Miscellaneous	3,814	3,755
Total Facilities Engineering	<u>431,828</u>	<u>400,714</u>
State of Rhode Island - DOT:		
Salaries	246,277	216,662
Fringes	169,105	134,947
Tools	2,404	35,116
Repair parts	228,202	168,797
Total State of Rhode Island - DOT	<u>645,988</u>	<u>555,522</u>
Depreciation:		
Shops, garages and office buildings	1,869,759	1,894,689
Communication system	561,607	562,133
Revenue equipment	5,649,581	5,139,284
Service cars and equipment	84,930	99,896
Shop and garage equipment	117,668	121,468
Furniture and office equipment	44,064	42,906
Trolleys	675,914	675,914
Fare boxes	2,340	4,440
Miscellaneous equipment	101,210	89,310
Tunnel improvements	41,810	41,810
MIS equipment	107,619	148,072
Leased paratransit vans	1,280,130	1,246,404
Total depreciation	<u>10,536,632</u>	<u>10,066,326</u>
TOTAL OPERATING EXPENSES	<u>\$ 94,209,791</u>	<u>\$ 89,709,807</u>

(CONCLUDED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007**

	FUND 01	FUND 02	FUND 04	TOTAL	INTERFUND ELIMINATIONS	TOTAL
Operating revenues:						
Passenger	\$ 22,451,422			\$ 22,451,422		\$ 22,451,422
Paratransit	218,763	\$ 7,417,375		7,636,138	\$ (6,980,501)	655,637
Rental	124,690			124,690		124,690
Advertising	416,580			416,580		416,580
RIDE	1,458,394		\$ 11,384,180	12,842,574	(5,882,812)	6,959,762
Other	1,037,732			1,037,732		1,037,732
Total operating revenues	25,707,581	7,417,375	11,384,180	44,509,136	(12,863,313)	31,645,823
Operating expenses:						
Administrative	555,537			555,537		555,537
Finance	2,743,533			2,743,533		2,743,533
Operations	54,212,301			54,212,301		54,212,301
Marketing	1,880,410			1,880,410		1,880,410
Human resources	770,135			770,135		770,135
Risk management	2,140,186			2,140,186		2,140,186
Planning and scheduling	1,076,458			1,076,458		1,076,458
Specialized transportation	7,749,304			7,749,304	(5,882,812)	1,866,492
Paratransit operations		7,663,243		7,663,243		7,663,243
Purchasing	1,243,539			1,243,539		1,243,539
Flex access	-			-		-
Flex RIPTA	1,180,456			1,180,456		1,180,456
MIS	735,032			735,032		735,032
Ferry	620,831			620,831		620,831
RIDE			11,308,488	11,308,488	(6,980,501)	4,327,987
Centralized Maintenance	1,579,203			1,579,203		1,579,203
Facilities Engineering operations	431,828			431,828		431,828
State of Rhode Island - DOT	645,988			645,988		645,988
Depreciation	10,535,975	657		10,536,632		10,536,632
Total operating expenses	88,100,716	7,663,900	11,308,488	107,073,104	(12,863,313)	94,209,791
Operating income (loss)	(62,393,135)	(246,525)	75,692	(62,563,968)	-	(62,563,968)
Non-operating revenues (expenses):						
Transfer from grants	34,108,373			34,108,373		34,108,373
Grants	16,068,970			16,068,970		16,068,970
Investment income	423,140			423,140		423,140
Interest expense	-			-		-
Contract revenue	3,701,150			3,701,150		3,701,150
Other non-operating revenue	-			-		-
Gain on disposal of assets	8,476			8,476		8,476
Debt service	(684,153)			(684,153)		(684,153)
Total non-operating revenues	53,625,956			53,625,956	-	53,625,956
Gain (loss) before transfers and capital contributions	(8,767,179)	(246,525)	75,692	(8,938,012)	-	(8,938,012)
Capital contributions						
Capital contributions	5,782,561			5,782,561		5,782,561
Total capital contributions	5,782,561			5,782,561		5,782,561
Decrease in net assets	\$ (2,984,618)	\$ (246,525)	\$ 75,692	\$ (3,155,451)	\$ -	\$ (3,155,451)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2006**

	FUND 01	FUND 02	FUND 04	TOTAL	INTERFUND ELIMINATIONS	TOTAL
Operating revenues:						
Passenger	\$ 21,374,315			\$ 21,374,315		\$ 21,374,315
Paratransit	173,768	\$ 7,218,659		7,392,427	\$ (6,797,120)	595,307
Rental	121,973			121,973		121,973
Advertising	270,417			270,417		270,417
RIDE	1,572,384		\$ 10,636,439	12,208,823	(5,351,032)	6,857,791
Other	897,191			897,191		897,191
Total operating revenues	24,410,048	7,218,659	10,636,439	42,265,146	(12,148,152)	30,116,994
Operating expenses:						
Administrative	720,405			720,405		720,405
Finance	3,404,523			3,404,523		3,404,523
Operations	51,307,167			51,307,167		51,307,167
Marketing	1,670,142			1,670,142		1,670,142
Human resources	711,954			711,954		711,954
Risk management	2,401,902			2,401,902		2,401,902
Planning and scheduling	978,135			978,135		978,135
Specialized transportation	7,196,582			7,196,582	(5,351,032)	1,845,550
Paratransit operations		6,710,057		6,710,057		6,710,057
Purchasing	970,931			970,931		970,931
Flex access	255,216			255,216		255,216
Flex RIPTA	773,868			773,868		773,868
MIS	855,711			855,711		855,711
Ferry	601,101			601,101		601,101
RIDE			3,788,469	3,788,469		3,788,469
Centralized Maintenance	1,692,114			1,692,114		1,692,114
Facilities Engineering operations	400,714			400,714		400,714
State of Rhode Island - DOT	555,522			555,522		555,522
Depreciation	10,065,669	657		10,066,326		10,066,326
Total operating expenses	84,561,656	6,710,714	3,788,469	95,060,839	(5,351,032)	89,709,807
Operating income (loss)	(60,151,608)	507,945	6,847,970	(52,795,693)		(59,592,813)
Non-operating revenues (expenses):						
Transfer from grants	34,840,726			34,840,726		34,840,726
Grants	13,793,116			13,793,116		13,793,116
Investment income	277,983			277,983		277,983
Interest expense	(2,972)			(2,972)		(2,972)
Contract revenue	3,757,550			3,757,550		3,757,550
Other non-operating revenue	-			-		-
Loss on disposal of assets	(7,622)			(7,622)		(7,622)
Debt service	(649,753)			(649,753)		(649,753)
Total non-operating revenues	52,009,028			52,009,028	-	52,009,028
Gain (loss) before transfers and capital contributions	(8,142,580)	507,945	6,847,970	(786,665)	-	(7,583,785)
Capital contributions						
Capital contributions	13,173,531			13,173,531		13,173,531
Total capital contributions	13,173,531			13,173,531		13,173,531
Increase in net assets	\$ 5,030,951	\$ 507,945	\$ 6,847,970	\$ 12,386,866	\$ -	\$ 5,589,746

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULES OF TRAVEL AND ENTERTAINMENT
YEAR ENDED JUNE 30, 2007

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
Atwood World Travel	F. Rose	Bus Inspection	453.20
Ramada Inn		Bus Inspection	246.09
Francis Rose		Bus Inspection	180.00
Francis Rose		Bus Inspection	248.13
Bank of America	A. Mosocola	Bus Conference	100.00
Marine Log	H. Kinch	Ferry Conference	695.00
Henry Kinch		Ferry Conference	925.72
Alfred Moscola		Bus Conference	1,506.86
Alfred Moscola		APTA Leg. Conference	1,117.32
Mark Therrien		APTA Leg. Conference	568.01
Bank of America		APTA Leg. Conference	1,150.00
William Barbieri		Comp Training	486.10
Mark Therrien		APTA Leg. Conference	959.28
Alfred Moscola		APTA Leg. Conference	1,168.08
Harriet Holbrook		WTS Meeting	80.00
Bank of America	Various		478.75
Atwood World Travel	Various	Farebox Training	734.37
Best Western Chicago		Farebox Training	1,052.28
Jose Martins		Farebox Training	194.00
Joseph Monti		Farebox Training	194.00
David Ogni		Farebox Training	194.00
Bank of America	Moscola / Scott	Washington	1,150.00
GRAND TOTAL			<u>\$ 13,881.19</u>

(CONCLUDED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULES OF TRAVEL AND ENTERTAINMENT
YEAR ENDED JUNE 30, 2006

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
Doubletree Hotel	M. Therrien	FTA Conference	658.19
Bank of America	M. Therrien	FTA Conference	177.90
Michael Rodgers		Bus Inspection	250.00
Crowne Plaza	M. Rogers	Bus Inspection	565.28
Atwood World Travel	M. Rogers	Bus Inspection	537.30
Mark Therrien		FTA Conference	111.00
Crowne Plaza	E. Murray	Bus Inspection	522.08
Atwood World Travel	E. Murray	Bus Inspection	535.80
Edward M. Murray		Bus Inspection	428.00
Michael Rodgers		Bus Inspection	203.88
Bank of America	Moscola/Harwood	APTA/Bus Conv.	2,134.99
Atwood World Travel	Joseph Monti	Bus Inspection	387.79
Joseph Monti		Bus Inspection	200.00
Crowne Plaza	Joseph Monti	Bus Inspection	378.60
Atwood World Travel	John Braga	Bus Inspection	392.79
John Braga		Bus Inspection	250.00
Crowne Plaza	John Braga	Bus Inspection	514.08
Atwood World Travel	E. Murray	Bus Inspection	130.00
Atwood World Travel	E. Murray	Bus Inspection	405.80
Hampton Inn	E. Murray	Bus Inspection	349.16
Edward M. Murray		Bus Inspection	250.00
Joseph Monti		Bus Inspection	212.72
Marine Log	Henry Kinch	Conference	645.00
Edward M. Murray		Bus Inspection	80.55
Edward M. Murray		Bus Inspection	404.82
Hampton Inn	E. Murray	Bus Inspection	688.38
Edward M. Murray		Bus Inspection	350.00
John Braga		Bus Inspection	345.70
Atwood World Travel	Michael Rodgers	Bus Inspection	481.29
Crowne Plaza	Michael Rodgers	Bus Inspection	530.08
Michael Rodgers		Bus Inspection	250.00
Alfred Moscola		APTA Annual	1,058.00
Atwood World Travel	Arnold Bert	Bus Inspection	435.80
Atwood World Travel	Arnold Bert	Bus Inspection	161.50
Hampton Inn	Arnold Bert	Bus Inspection	1,081.85
Arnold Bert		Bus Inspection	550.00
Michael Rodgers		Bus Inspection	236.42
Edward M. Murray		Bus Inspection	20.00
Arnold Bert		Bus Inspection	778.79
Alfred Moscola		Bus Con Conf.	1,372.60
		SUB-TOTAL	<u>19,066.14</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULES OF TRAVEL AND ENTERTAINMENT
YEAR ENDED JUNE 30, 2006

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
Edward J. Scott		NTI Conference	395.79
Cheryl LeClerc		RTAP	70.00
Douglas Wood		RTAP	70.00
Harriet Holbrook		FTA Seminar	48.25
AnnMarie McMahon		FTA Seminar	134.12
Bank of America	Various	FTA Seminar	1,550.69
Jason Karren		FTA Seminar	68.81
APTA	AJM/AnnMarie/Mark	APTA Leg	1,635.00
Douglas Wood		RTAP Conf.	65.56
Bank of America	A. McMahon	APTA Leg.	204.38
AnnMarie McMahon		APTA Leg.	170.00
Bank of America	Moscola/Therrien	APTA Leg.	792.10
Hotel Washington	Mark Therrien	APTA Leg.	458.00
Hotel Washington	A. McMahon	APTA Leg.	687.00
Alfred Moscola		APTA Leg.	1,450.15
Mark Therrien		Bus Inspection	229.00
Tri-State Conference	D. Dawson	HR Conf.	325.00
Alfred Moscola		Transit Security	803.74
APTA	E. Scott	Paratransit Conf.	525.00
Anaheim Marriott	E. Scott	Paratransit Conf.	736.69
Atwood World Travel	E. Scott	Paratransit Conf.	425.20
NEPTA	T. Denny/D. Brown	Safety Training	90.00
Edward Scott		Paratransit Conf.	200.00
Bank of America	L. Medeiros	FTA/DBE Training	260.20
Douglas Wood		RTAP Conf.	178.00
Society for H. R.	D. Dawson	HR Conf.	1,070.00
Edward Scott		Paratransit Conf.	130.00
Lisa M. Medeiros		FTA/DBE Training	192.00
Omni Jacksonville	L. Medeiros	FTA/DBE Training	674.61
Douglas Wood		CTAA Conf.	1,197.56
Deborah Dawson		HR Conf.	170.00
Grand Hyatt Hotel	D. Dawson	HR Conf.	822.00
Lisa M. Medeiros		FTA/DBE Training	56.58
Atwood World Travel	D. Dawson	HR Conf.	387.10
SUB-TOTAL			16,272.53
GRAND TOTAL \$			35,338.67

(CONCLUDED)