

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
(A Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS AND SCHEDULES
FISCAL YEAR ENDED JUNE 30, 2009
(WITH INDEPENDENT AUDITORS' REPORT)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 8
Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes In Net Assets.....	10-11
Statement of Cash Flows	12
Notes to Financial Statements	13 - 26
Required Supplemental Schedules:	
Schedule of Funding Progress.....	27
Schedule B – Statement of Net Assets.....	28
Schedule C – Statement of Changes in Net Assets	29
Supplementary Information:	
Schedule of Tangible Property.....	30
Schedule of Operating Expenses.....	31 - 34
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	35
Schedule of Travel and Entertainment.....	36

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 and for the year ended June 30, 2009 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 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, 2009 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 9 to the financial statements, the Authority received operating assistance including fare subsidies from the State for the fiscal year ending June 30, 2009 in the amount of \$33,613,398. 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 30, 2009 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

Providence

The Management's Discussion and Analysis on Pages 3 – 8 and schedule of funding progress on page 27 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Schedule B on page 28 and Schedule C on page 29 are not a required part of the basic financial statements but are supplementary information required by the State of Rhode Island. 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 - 36 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 30, 2009

A handwritten signature in black ink, appearing to read "Brown, OC". The signature is written in a cursive, flowing style with a large, sweeping flourish at the end.

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, 2009. 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. 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' 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 year. 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 2.7% or \$2.5 million during FY 2009 compared to FY 2008.
- Operating and non-operating expenses decreased by 2.3% or \$2.5 million during FY 2009 as compared to FY 2008.
- Capital contributions increased \$16.5 million or 403.3% from the previous year.
- Capital assets increased by \$11.3 million or 13.5% from FY 2008.
- The Authority's total net assets increased by \$6.9 million or 10.1 % from FY 2008.

Assets and Liabilities

The following schedule presents the condensed Statements of Net Assets for the fiscal years ended June 30, 2009 and 2008 (restated).

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u> <u>(Restated)</u>
Assets:		
Capital assets	\$94,922,266	\$83,635,672
Other assets	<u>20,573,089</u>	<u>18,169,413</u>
TOTAL ASSETS	<u>115,495,355</u>	<u>101,805,085</u>
Liabilities:		
Current liabilities	14,161,257	12,918,227
Long-term liabilities	<u>26,793,735</u>	<u>21,212,404</u>
TOTAL LIABILITES	<u>40,954,992</u>	<u>34,130,631</u>
Net assets		
Unrestricted net assets (deficit)	(12,442,776)	(8,413,735)
Invested in capital assets	<u>86,983,139</u>	<u>76,088,189</u>
TOTAL NET ASSETS	<u>\$74,540,363</u>	<u>\$67,674,454</u>

The majority of the Authority's assets (82%) reflect its investment in capital assets (land, building, revenue vehicles, equipment). The increase in net assets totaling \$6.9 million demonstrates that the financial position of the Authority is improving. 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, government, employee, and benefit payments while long-

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

term liabilities include accrued pension, self-insured claims, and a liability of \$12.1 million associated with implementing GASB #45, Other Post-employment benefits effective FY 2008.

Authority Operations

The following schedule presents the condensed Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2009 and 2008 (restated).

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u> (Restated)
Operating Revenue		
Ritecare program revenue	\$11,786,285	\$14,308,536
Passenger revenue	12,257,891	9,171,949
Ride program revenue	6,563,964	6,878,903
Other operating revenues	3,401,612	2,283,774
Non-operating Revenue		
Grant revenue	21,181,376	20,601,873
Contract revenue	3,476,000	3,582,650
Other non-operating revenue	104,475	382,190
Transfer in from the State	<u>33,613,398</u>	<u>32,724,644</u>
Total Revenues	<u>92,385,001</u>	<u>89,934,519</u>
Operating Expenses		
Management and general	(20,446,631)	(20,118,600)
Operations and maintenance	(74,824,385)	(77,192,216)
Depreciation	(9,814,455)	(10,632,983)
Non-operating Expenses		
Debt service	(693,341)	(675,239)
Other non-operating expenses	<u>(397,678)</u>	<u>(68,763)</u>
Total Expenses	<u>(106,176,490)</u>	<u>(108,687,801)</u>
Net Loss before Capital Contributions	(13,791,489)	(18,753,282)
Capital Contributions	<u>20,657,398</u>	<u>4,104,084</u>
Change in Net Assets	6,865,909	(14,649,198)
Total Net Assets- Beginning	<u>67,674,454</u>	<u>82,323,652</u>
Total Net Assets- Ending	<u>\$74,540,363</u>	<u>\$67,674,454</u>

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$113,042,399. The revenue reported as operating revenue, non-operating revenue and transfers from the state increased 2.7% or \$2,450,482 over the prior year. This increase was the result of receiving additional passenger revenue through several organizations and corporations offering participants and employees half-price fare products as well as through the U-Pass program. The Authority's operating and non-operating expenses total \$ 106,176,490. This reflects a decrease of 2.3% or \$2,511,311 less than the prior year. The decrease is largely in the area of fuel, fringe benefits and depreciation.

Capital Assets

The following schedule summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2009 and 2008.

	2009	2008
Land, shops, garages and buildings	\$60,267,237	\$60,267,237
Revenue equipment	91,147,351	91,035,512
Service vehicles and garage equipment	3,696,017	3,699,867
Furniture and fixtures	3,760,944	3,282,669
Management information systems	2,647,684	2,631,386
Federal grant projects in process	21,901,664	4,411,466
	183,420,897	165,328,137
Less accumulated depreciation	(88,498,631)	(81,692,465)
Net capital assets	\$94,922,266	\$83,635,672

At the end of fiscal year 2009, the Authority had \$ 94,922,266 invested in capital assets. This amount represents an increase of 13.5% or \$11.3 million from the last year.

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

- Installed Ride scheduling software and paratransit vehicle mobile data computers
- Purchase 31 Paratransit vehicles
- Purchase 13 Flex vehicles
- Disposal of 10 fixed route, 5 Paratransit and 5 Flex vehicles
- Began construction of the Paratransit Operations and Support Center.

During FY 2009, the Authority has committed to the completion of the Paratransit Operations and Support Center, to the purchase of 24 fixed route vehicles in the winter of 2009 and 31 Paratransit vehicles during the Spring of 2010. Additionally RIPTA has committed to finalizing the installation of the interactive voice response systems for the Ride program.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2010 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 2009 budget includes funding for mobility management reimbursement, ADA reimbursement, preventive maintenance, Jobs Access/Reverse Commute and rural operating assistance.
- State gasoline tax revenue available for operating purposes. For FY 2010, the yield set at the Revenue Estimating Conference for the gasoline tax is expected to remain the consistent with the previous fiscal year. During the FY 2009 Legislative session, the General Assembly increased the gasoline tax by 2 cents and dedicated the amount to RIPTA. Additionally, The Governor's FY 2009 Supplemental Budget allocated half of the 1 cent UST fee to RIPTA. In total RIPTA now receives 9.25 of the 32 cent gasoline tax and .5 of the 1 cent UST fee annually.
- 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 swiping their university identification card.
- The Authority's three employee labor contracts expire June 30, 2009. Negotiations are in process. The FY 2010 budget does not include any associated labor cost or savings. Employee wages and associated fringe benefits (less employee contributions) make up approximately 69% of the Authority's annual budget.
- Costs associated with fuel prices. The Authority consumes 2.7 million gallons of fuel annually. The budgeted fuel cost for FY 2010 has been locked-in at \$2.366 per gallon, a decrease in the cost of 6% from the previous fiscal year.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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 4.7% 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, 2009**

ASSETS

Current assets:

Cash and cash equivalents:

Operating fund	\$ 4,015,254
Capital replacement fund	435,735
Paratransit capital fund	719,597
Accident and casualty fund	134,826
Total cash and cash equivalents	<u>5,305,412</u>

Investments 3,291,462

Due from primary government 3,750,580

Receivables:

Accounts	1,633,944
Grants	3,628,022
Total receivables	<u>5,261,966</u>

Inventories, net allowance of \$39,048 2,834,103

Prepaid expenses 129,566

Total current assets **20,573,089**

Long-term assets:

Capital assets, non-depreciable 24,047,588

Capital assets, depreciable net of depreciation 70,874,678

Total long-term assets **94,922,266**

TOTAL ASSETS **115,495,355**

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable 7,421,126

Accrued salaries, wages and vacation pay 5,196,500

Other liabilities 1,095,868

Deferred revenue - other 930

Due to primary government 446,833

Total current liabilities **14,161,257**

Long-term liabilities:

Accrued self insured claims 5,435,636

Net pension obligation 1,799,084

Net OPEB obligation 12,066,721

Due to primary government 7,492,294

Total long-term liabilities **26,793,735**

Total liabilities **40,954,992**

Net assets:

Unrestricted net deficit (12,442,776)

Invested in capital assets, net 86,983,139

Total net assets **\$ 74,540,363**

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009**

Operating revenues:	
Passenger	\$ 24,044,176
Paratransit	809,024
Rental	127,418
Advertising	497,887
RIDE	6,563,964
Other	1,967,283
Total operating revenues	<u>34,009,752</u>
Operating expenses:	
Administration	612,889
Finance	3,546,753
Operations	62,621,671
Marketing	1,992,280
Human resources	775,889
Risk management	2,811,779
Planning and scheduling	1,795,816
Specialized transportation	2,194,668
Paratransit operations	8,315,993
Purchasing	1,354,314
Flex RIPTA	1,549,183
MIS	861,059
Ferry	386,042
RIDE	3,662,446
Centralized Maintenance	1,738,311
Facilities Engineering operations	452,696
State of Rhode Island - DOT	599,227
Depreciation	9,814,455
Total operating expenses	<u>105,085,471</u>
Operating loss	<u>(71,075,719)</u>
Non-operating revenues (expenses):	
Transfer from State	33,613,398
Grants	21,181,376
Investment income	104,475
Contract revenue	3,476,000
Loss on disposal of assets	(397,678)
Debt service	(693,341)
Total non-operating revenues	<u>57,284,230</u>
Loss before transfers and capital contributions	(13,791,489)

(CONTINUED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSET
YEAR ENDED JUNE 30, 2009**

Capital contributions	
Capital contributions	<u>20,657,398</u>
Total capital contributions	<u>20,657,398</u>
Increase in net assets	<u>6,865,909</u>
Net assets, beginning of the year as restated	<u>67,674,454</u>
Net assets, end of the year	<u>\$ 74,540,363</u>

(CONCLUDED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF CASH FLOWS
JUNE 30, 2009**

Cash flows from operating activities:	
Cash received from customers	\$ 35,222,341
Cash payments to suppliers for goods and services	(19,230,144)
Cash payments to employees for services	(69,724,705)
Net cash used for operating activities	<u>(53,732,508)</u>
Cash flows from non-capital financing activities:	
Debt service	(301,697)
Operating transfers in	34,028,537
Contract revenue	3,476,000
Net cash provided by non-capital financing activities	<u>37,202,840</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	39,821,520
Acquisition and construction of capital assets	(21,498,727)
Net cash provided by capital and related financing activities	<u>18,322,793</u>
Cash flows from investing activities:	
Purchase of investments	(8,609,297)
Maturity of investments	7,256,202
Interest and dividends on investments	104,475
Net cash used for investing activities	<u>(1,248,620)</u>
Net increase in cash and cash equivalents	544,505
Cash and cash equivalents at beginning of year	<u>4,760,907</u>
Cash and cash equivalents at end of year	<u>\$ 5,305,412</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (71,075,719)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Depreciation	9,814,455
Decrease in inventory allowance	(3,063)
Changes in assets and liabilities:	
Decrease in accounts receivable	1,216,445
Increase in inventory	(103,230)
Increase in prepaid expenses	(14,113)
Increase in accounts payable and accrued expenses	1,590,783
Deferred revenue	(3,856)
Increase in OPEB liability	4,845,790
Total adjustments	<u>17,343,211</u>
Net cash used for operating activities	<u>\$ (53,732,508)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 1964, 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.

The Authority 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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

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

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Corporation's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Corporation's fiscal year ending June 30, 2010.

The impact of these pronouncements on the Corporation'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.

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 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.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

It is the Authority's policy to expense advertising costs as incurred. Advertising expense for fiscal year ended June 30, 2009 was \$444,320.

Restatement

Net assets at June 30, 2008 has been restated to reflect a correction of an error in the reporting of the accident and casualty reserve. As a result, accrued self insurance claims at June 30, 2008 have been decreased by \$2,092,311.

Additionally, net assets at June 30, 2008 have been restated to reflect a change in accounting related to payments for debt service to the State. As a result, due to primary government at June 30, 2008 has been increased by \$7,547,483.

The following comprise the restatements resulting from the corrections of errors and changes in accounting policies in the amounts reported at June 30, 2008:

Net assets end of year, as originally reported	\$73,129,626
Overstatement of accrued self insurance claims	2,092,311
Understatement of due to primary government.....	<u>(7,547,483)</u>
Net assets end of year, as restated	<u>\$ 67,674,454</u>

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, 2009 is \$4,125,966 and the bank balance was \$4,849,745. Of the bank balance, \$554,814 was insured by federal depository insurance and Securities Investor Protection Corporation and the remaining portion, \$4,294,931, was collateralized with securities not in the Authority's name as defined by the Governmental Accounting Standards Board as of June 30, 2009.

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, 2009, 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, 2009**

2. CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

The carrying value of deposits for June 30, 2009 is \$4,125,966. Investments of \$1,178,346, and \$1,100 of petty cash, relate to the balance sheet totals for June 30, 2009 as follows:

Cash deposits	\$4,125,966
Add: Petty cash	1,100
Investments classified as cash equivalents for financial statement purposes.	<u>1,178,346</u>
Cash and cash equivalents per balance sheet	<u>\$5,305,412</u>

At June 30, 2009, 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	On demand	See below	\$ 435,735
Fidelity Institutional Cash	On demand	Aa2	719,598
Government Obligations Fund	On demand	AAA	23,013
			<u>\$1,178,346</u>

At June 30, 2009, the Authority had the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Certificate of Deposit	6/30/10	N/A	\$ 219,846
National Federal Mortgage Association	4/9/10 – 8/15/10	AAA	767,972
Federal Home Loan Banks	7/16/10	AAA	256,328
Federal Home Loan Mortgage Corporation	11/23/10 – 1/7/11	AAA	560,671
US Treasury Notes	8/31/10 – 2/28/11	AAA	<u>1,486,645</u>
			<u>\$3,291,462</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.

Interest Rate Risk. It is the policy of the Authority 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. As of June 30, 2009, the Authority's investment in National Federal Mortgage Association was rated AAA by Standard and Poors and Moody's Investor Service. Government Money Market Fund 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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2009:

	Balance <u>7/1/08</u>	Additions	Transfers & <u>Removals</u>	Balance <u>6/30/09</u>
Cost:				
Land	\$ 2,145,924	\$ -	\$ -	\$ 2,145,924
Shop, garages and buildings.....	58,121,313	-	-	58,121,313
Revenue equipment.....	91,035,512	3,464,304	3,352,465	91,147,351
Service vehicles and garage equipment.....	3,699,867	-	3,850	3,696,017
Furniture and office equipment.....	3,282,669	481,702	3,427	3,760,944
Management information system.....	<u>2,631,386</u>	<u>62,523</u>	<u>46,225</u>	<u>2,647,684</u>
Total fixed assets	160,916,671	4,008,529	3,405,967	161,519,233
Federal grant projects in process.....	4,411,466	17,953,470	463,272	21,901,664
Total cost	<u>165,328,137</u>	<u>21,961,999</u>	<u>3,869,239</u>	<u>183,420,897</u>
Accumulated depreciation:				
Shop, garages and buildings.....	17,584,486	1,910,605	-	19,495,091
Revenue equipment.....	56,939,962	7,434,856	2,957,953	61,416,865
Service vehicles and garage equipment.....	3,056,601	182,034	2,310	3,236,325
Furniture and office equipment.....	1,763,253	191,776	2,803	1,952,226
Management information system.....	<u>2,348,163</u>	<u>95,184</u>	<u>45,223</u>	<u>2,398,124</u>
Total accumulated depreciation	<u>81,692,465</u>	<u>9,814,455</u>	<u>3,008,289</u>	<u>88,498,631</u>
Total property, plant and equipment	<u>\$83,635,672</u>	<u>\$12,147,544</u>	<u>\$860,950</u>	<u>\$94,922,266</u>

Depreciation expense for the fiscal year ended June 30, 2009 was \$9,814,455.

4. NOTES PAYABLE

The Authority has a \$2,000,000 line of credit with a financial institution for 2009. 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, 2009. No amount was due under this line of credit at June 30, 2009.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 year ended June 30, 2009 was as follows:

Balance at beginning of year	\$3,112,501
Deposits:	
Capital replacement deposits	294,831
Local match payments	(40,792)
Interest & dividend earnings	83,509
Change in market value of securities	-
Transfer from operating	-
Balance at end of year	<u>\$3,450,049</u>
Classified as cash and cash equivalents	435,735
Classified as investments	<u>3,014,314</u>
Balance at end of year	<u>\$3,450,049</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 was as follows:

Balance at beginning of year	\$350,994
Deposits:	
Interest earnings on investments	<u>3,678</u>
Balance at end of year	<u>\$354,672</u>

Assets restricted at June 30, 2009 in the accident and casualty fund amounted to \$354,672. For fiscal year 2009, \$134,826 is classified as cash and cash equivalents and \$219,846 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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

6. SELF INSURANCE (Continued)

At June 30, 2009, 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, 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u> <u>(as restated)</u>
Amount of claims liabilities, beginning of year, as restated	\$5,321,289	\$5,337,422
Incurred claims.....	1,992,642	1,442,170
Payments on claims.....	<u>(1,878,295)</u>	<u>(1,458,303)</u>
Amount of claims liabilities, end of year.....	<u>\$5,435,636</u>	<u>\$5,321,289</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, 2009 is recorded as other liabilities in the Statement of Net Assets. The Authority's incurred but not reported claims as of June 30, 2009 were as follows:

Unpaid claims beginning of year.....	\$ 931,690
Incurred claims.....	11,504,925
Payments on claims.....	<u>(11,475,404)</u>
Unpaid claims end of year.....	<u>\$ 961,211</u>

7. COMMITMENTS AND CONTINGENCIES

Claims and Legal Actions

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 \$34,545,047 at June 30, 2009.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. POST RETIREMENT BENEFITS

Plan Description

The Authority's Post-Employment Medical Benefit Plan is a single-employer defined benefit postretirement health and life insurance program that is administered through the State of Rhode Island's carrier. The Authority provides lifetime health care and life insurance benefits to substantially all retired employees and their spouses. Health care benefits were paid to 424 employees during fiscal year June 30, 2009 and life insurance benefits were paid to 215 employees during fiscal year ended June 2009. These benefits are provided through a group insurance policy that covers both active and retired employees. Any changes to these provisions are subject to the Authority's approval. The plan does not issue a separate report.

Funding Policy

The Authority funding policy provides for actuarially determined periodic contributions to the plans at rates that, increase gradually over time so that sufficient assets will be available to pay benefits when due. Any changes to these provisions are subject to the Authority's approval. For employees retiring on or before July 1, 2006, the Authority contributes the full premium for the retired plan member and their spouse. For employees retiring after July 1, 2006, covered spouses contribute per month for coverage until age 65 and surviving spouses contribute 50% of the health care premium. The annual OPEB cost was determined as part of the July 1, 2008 actuarial valuation using the projected unit credit funding method (with service proration). The actuarial assumptions included a 3.566% discount rate and the 1983 Group Annuity Table.

The Authority adopted GASB 45 during fiscal year ended June 30, 2008. The available trend information is presented below.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$6,364,241	23.8%	\$12,066,721
6/30/2008	\$9,089,144	20.5%	\$7,220,931
6/30/2007	N/A	N/A	N/A

The Authority's annual OPEB cost and net OPEB obligation for the year ended June 30, 2009 was as follows:

Annual required contribution	\$6,431,454
Interest on net OPEB obligation.....	260,085
Adjustment to annual required contribution	<u>(327,298)</u>
Annual OPEB cost (expense)	6,364,241
Contributions made.....	<u>(1,518,451)</u>
Increase in net OPEB obligation.....	4,845,790
Net OPEB obligation-beginning of year	<u>7,220,931</u>
Net OPEB obligation-end of year.....	<u>\$12,066,721</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

8. POST RETIREMENT BENEFITS (Continued)

Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

<u>Actuarial Valuation Date</u>	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 (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
07/01/08	N/A	\$57,018,308	\$57,018,308	N/A	\$35,714,749	159.6%

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Annual Required Contribution for fiscal year 2009 was determined based on the July 1, 2008 valuation. The annual required contribution was determined using the individual entry age funding method. The unfunded actuarial liability (UAAL) is amortized over a period of 30 years using the level dollar thirty year open amortization basis. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL is being amortized over the remainder of an open 30-year period.

The individual entry-age actuarial funding method is used to determine the annual required contribution amounts and the annual net OPEB obligation. Under this funding method, projected benefits are assumed to accrue on a level annual basis from date of hire to the expected retirement date. Normal cost for a participant is the present value of the projected benefit which accrues in the current plan year. Normal cost for the plan is the sum of the normal costs for all participants. The actuarial assumptions include a 3.566% discount rate and an annual healthcare cost trend of 9% progressively declining to 4.5% after 6 years. In the July 1, 2008 valuation the health care cost trend assumption was changed to a rate of 9% progressively declining to 4.5% after 6 years, the discount rate of 3.566% and the use of the 1994 Group Annuity Table. Other changes in assumptions between the 2007 and the 2008 valuations include changes in the post-65 plan election ratio for future retiree and current retirees under 65, aging assumptions, and administration fees. These assumptions changes were made to better reflect current expectations of future experience.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009, the State appropriated a total of seven and one quarter cents of dedicated gas tax. For the fiscal year ending June 30, 2009, the Authority received \$33,613,398 from the dedicated gas tax as operating assistance in support of the transit system. Beginning fiscal year 2010, the Authority has been allocated nine and quarter cents of dedicated gas tax and a half cent of gas tax from the Underground Storage Tank Fund. The Authority anticipates receiving approximately \$42,900,000 in fiscal year ended June 30, 2010 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 year 2009, RIPTA used \$10,445,643 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, 2009, the Authority recorded \$3,476,000 of contract revenue from this agreement. For fiscal year 2010, the General Assembly approved the transfer of all elderly transportation from the Department of Elderly Affairs to the Department of Human Services. For fiscal year 2010, RIPTA anticipates receiving \$3,476,000 under this agreement.

11. DUE FROM PRIMARY GOVERNMENT

At June 30, 2009, the Rhode Island Public Transit Authority is owed \$3,750,580 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, 2009 was as follows:

<i>Invested in capital assets, net of related debt:</i>	
Net capital assets in service, net of related debt.....	<u>\$86,983,139</u>
<i>Total restricted for capital activity and debt service....</i>	<u>86,983,139</u>
<i>Unrestricted (deficit).....</i>	<u>(12,442,776)</u>
<i>Total net assets.....</i>	<u>\$74,540,363</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

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, 2009 was as follows:

	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$6,177,156	\$ 1,060,904
Interest on net pension obligation.....	152,329	0
Adjustment to annual required contribution.....	<u>(152,329)</u>	<u>0</u>
Annual pension cost.....	6,177,156	1,060,904
Contributions made.....	<u>(6,177,156)</u>	<u>(1,060,904)</u>
Increase (decrease) in net pension obligation.....	0	0
Net pension obligation, June 30, 2008.....	1,799,084	0
Net pension obligation, June 30, 2009.....	<u>\$1,799,084</u>	<u>\$ 0</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

14. PENSION PLANS (Continued)

Bargaining Unit

The annual required contribution for the current year was determined as part of the January 1, 2009 actuarial valuation. The actuarial assumptions included 8% investment rate of return from June 30, 2008 to December 31, 2008 and a 7.5% investment rate of return effective January 1, 2009, 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 on a level closed basis. The remaining amortization period at June 30, 2009 is 30.0 years.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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>
6/30/07	4,059,344	100.86%	1,799,084
6/30/08	4,738,675	100.00%	1,799,084
6/30/09	6,117,156	100.00%	1,799,084

Salaried Unit

The annual required contribution for the current year was determined as part of the January 1, 2008. The actuarial assumptions included 7% investment rate of return from June 30, 2008 to December 31, 2008 and a 7.5% investment rate of return effective January 1, 2009, increases 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 closed basis. The remaining amortization period at June 30, 2009 is 30 years. Effective January 1, 2008, the actuarial cost method was changed from the entry age normal method to the frozen attained age method and the mortality table was changed from the 1971 group annuity mortality table to the RP-2000 combined healthy mortality table.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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>
6/30/2007	948,792	100%	-0-
6/30/2008	960,956	100%	-0-
6/30/2009	1,060,904	100%	-0-

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

14. PENSION PLANS (Continued)

Schedule of Funding Progress

Bargaining 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)
Jan 1, 2009	\$34,390,148	\$61,408,539	\$27,018,391	56.00%	\$30,223,316	89.40%

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, 2009	\$9,341,618	\$14,294,858	\$4,953,240	65.35%	\$5,260,992	94.15%

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. The provider contracts have been extended until September 30, 2009.

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 FUNDING PROGRESS
JUNE 30, 2009**

Required supplementary information

Rhode Island Public Transit Authority's schedule of funding progress is as follows:

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, 2009	\$ 9,341,618	\$ 14,294,858	\$ 4,953,240	65.35%	\$ 5,260,992	94.15%
January 1, 2008	9,225,518	15,184,097	5,958,579	60.76%	5,507,617	108.19%
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%

Bargaining Unit

January 1, 2009	\$ 34,390,148	\$ 61,408,539	\$ 27,018,391	56.00%	\$ 30,223,316	89.40%
January 1, 2008	38,102,478	61,341,381	23,238,903	62.12%	30,204,278	76.94%
January 1, 2007	33,041,125	50,250,369	17,209,244	65.75%	29,210,919	58.91%
January 1, 2006	26,329,994	43,480,559	17,150,565	60.56%	24,091,280	71.19%
January 1, 2005	22,854,889	40,219,586	17,364,697	56.83%	23,706,541	73.25%
January 1, 2004	18,496,569	35,584,946	17,088,377	51.98%	24,010,191	71.17%
January 1, 2003	13,557,300	28,988,352	15,431,052	46.77%	21,206,502	72.77%
January 1, 2002	12,668,565	28,252,509	15,583,944	44.84%	21,276,554	73.24%
January 1, 2001	13,040,965	24,910,283	11,869,318	52.35%	20,347,877	58.33%
January 1, 2000	13,237,585	25,212,610	11,975,025	52.50%	17,668,588	67.78%

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 this plan

Postemployment Medical Benefit Plan

July 1, 2008	N/A	\$ 57,018,308	\$ 57,018,308	N/A	\$ 35,714,749	159.6%
July 1, 2007	N/A	69,005,181	69,005,181	N/A	33,456,402	206.3%

SEE INDEPENDENT AUDITOR'S REPORT

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

SCHEDULE B

ASSETS

Current Assets	
Cash and cash Equivalents	\$ 5,305,412
Investments	3,291,462
Receivables	5,261,966
Due from primary government	3,750,580
Inventories	2,834,103
Other assets	129,566
Total current assets	20,573,089
Noncurrent Assets	
Capital assets, non-depreciable	24,047,588
Capital assets, depreciable (net)	70,874,678
Total noncurrent assets	94,922,266
Total assets	115,495,355

LIABILITIES

Current Liabilities	
Accounts payable	7,421,126
Due to primary government	446,833
Deferred revenue	930
Other liabilities	6,292,368
Total current liabilities	14,161,257
Noncurrent Liabilities	
Due to primary government	7,492,294
Net OPEB obligation	12,066,721
Other liabilities	7,234,720
Total noncurrent liabilities	26,793,735
Total liabilities	40,954,992

NET ASSETS

Invested in capital assets, net of related debt	86,983,139
Unrestricted	(12,442,776)
Total net assets	\$ 74,540,363

SEE INDEPENDENT AUDITOR'S REPORT

**RHODE ISLAND PUBLIC TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2009**

SCHEDULE C

Operating revenues	
Charges for services	\$ 32,042,469
Other operating income	1,967,283
	<hr/>
Total operating revenues	34,009,752
	<hr/>
Operating expenses	
Personnel	70,050,587
Supplies, materials and services	20,793,797
Depreciation, depletion and amortization	9,814,455
Other operating expenses	4,426,632
	<hr/>
Total operating expenses	105,085,471
	<hr/>
Nonoperating revenues (expenses)	
Interest revenue	104,475
Grants	21,181,376
Payments from primary government	33,613,398
Loss on sale of property	(397,678)
Interest expense	(693,341)
Other nonoperating revenue	3,476,000
	<hr/>
Total nonoperating revenue	57,284,230
	<hr/>
Loss before contributions	(13,791,489)
	<hr/>
Capital contributions	20,657,398
	<hr/>
Change in net assets	6,865,909
	<hr/>
Total net assets - beginning as restated	67,674,454
	<hr/>
Total net assets - ending	\$ 74,540,363
	<hr/> <hr/>

SEE INDEPENDENT AUDITOR'S REPORT

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF TANGIBLE PROPERTY
JUNE 30, 2009**

	Tangible Property				Rate	Accumulated Depreciation				Net Book Value 6/30/2009
	Balance 7/1/2008	Additions	Removals	Balance 6/30/2009		Balance 7/1/2008	Additions	Transfers/ Removals	Balance 6/30/2009	
Land and land rights	\$ 2,145,924			\$ 2,145,924					\$ 2,145,924	
Shops, garages and office buildings	56,548,468			56,548,468	3 1/3%	\$ 16,936,429	\$ 1,868,795	\$ 18,805,224	37,743,244	
Tunnels	1,572,845			1,572,845	4%	648,057	41,810	689,867	882,978	
Communication system	5,649,037			5,649,037	10%	2,543,004	564,052	3,107,056	2,541,981	
Revenue equipment - busses	65,346,226	\$ 1,115,457	\$ 3,025,835	63,435,848	8 1/3%	41,523,330	4,873,698	\$ 2,631,323	43,765,705	19,670,143
Trolleys	6,729,015			6,729,015	8 1/3%	5,792,516	502,684	6,295,200	433,815	
Fare boxes	4,008,100			4,008,100	8 1/3%	292,369	323,107	615,476	3,392,624	
Service cars and equipment	1,941,604			1,941,604	25%	1,663,416	79,483	1,742,899	198,705	
Shops and garage equipment	1,758,263		3,850	1,754,413	10-20%	1,393,185	102,551	2,310	1,493,426	260,987
Furniture and office equipmer	919,968	8,544	3,427	925,085	10-20%	757,730	40,578	2,803	795,505	129,580
Miscellaneous equipment	2,362,701	473,158		2,835,859	5-10%	1,005,523	151,198		1,156,721	1,679,138
Management information systems	2,631,386	62,523	46,225	2,647,684	10-20%	2,348,163	95,184	45,223	2,398,124	249,560
Leased Paratransit Vans	9,303,134	2,348,847	326,630	11,325,351	20%	6,788,743	1,171,315	326,630	7,633,428	3,691,923
Total fixed assets	160,916,671	4,008,529	3,405,967	161,519,233		81,692,465	9,814,455	3,008,289	88,498,631	73,020,602
Federal grant projects in process	4,411,466	17,953,470	463,272	21,901,664						21,901,664
Total tangible property	\$ 165,328,137	\$ 21,961,999	\$ 3,869,239	\$ 183,420,897		\$ 81,692,465	\$ 9,814,455	\$ 3,008,289	\$ 88,498,631	\$ 94,922,266

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2009**

Administration:

Salaries	\$ 208,926
Fringes	132,184
Legal	214,272
Other services	57,507
Total administration	612,889

Finance:

Salaries	487,100
Fringes	345,960
Office expense/supplies	22,895
Utilities	1,776,846
Lease expense	784
Other services	40,676
Travel	13,533
Miscellaneous	720,258
Tickets & passes	138,701
Total finance	3,546,753

Operations:

Salaries	48,258
Wages - drivers	19,443,343
Wages - other	8,956,875
Fringe benefits	22,945,897
Other services	15,012
Maintenance agreement	18,885
Supplies	571,899
Uniforms	167,390
Hazardous waste disposal	94,505
Fuel	5,817,836
Antifreeze and lubricants	336,839
Parts - revenue vehicles	2,991,183
Parts - service vehicles	86,242
Tires and tubes	595,903
Major components	406,030
Inventory adjustment (recovery)	(39,311)
Miscellaneous	164,885
Total operations	62,621,671

Marketing:

Salaries	817,810
Fringes	655,772
Public relations	44,488
Time tables	264,935
Advertising	98,643
Services	51,875
Miscellaneous	36,394
Miscellaneous supplies	22,363
Total marketing	1,992,280

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2009**

Human resources:

Salaries	360,560
Fringes	313,582
Miscellaneous	101,747
Total human resources	775,889

Risk management:

Salaries	169,839
Fringes	135,876
Office expense/supplies	3,184
Insurance	172,219
Settlements	1,012,104
Workers' compensation legal	71,569
Workers' compensation medical	233,709
Workers' compensation	535,086
Workers' compensation - other	99,396
Legal	225,700
Miscellaneous	153,097
Total risk management	2,811,779

Planning and Scheduling:

Salaries	659,739
Fringes	505,941
Professional services	611,121
Other services	11,894
Office expense/supplies	6,061
Miscellaneous	1,060
Total planning and scheduling	1,795,816

Specialized transportation:

Salaries	933,265
Fringe benefits	777,025
Professional services	9,087
Other services	8,570
Temporary help	117,155
Maintenance agreement	229,413
Miscellaneous	120,153
Total specialized transportation	2,194,668

Paratransit operations:

Wages – drivers	4,214,347
Wages – other	430,427
Fuel	1,008,622
Fringe benefits	2,193,283
Insurance	379,391
Supplies	3,218
Uniforms/laundry	26,733
Inspection/registration fees	1,703
Training	2,963
Miscellaneous	55,306
Total paratransit	8,315,993

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2009**

Purchasing:	
Salaries	710,212
Fringe	585,945
Supplies	5,370
Travel	2,838
Other services	49,949
Total purchasing	<u>1,354,314</u>
Flex RIPTA:	
Salaries	751,095
Fringes	557,256
Supplies	5,220
Vehicle maintenance	224,320
Miscellaneous	11,292
Total Flex RIPTA	<u>1,549,183</u>
MIS:	
Salaries	332,672
Fringes	235,371
Services	25,422
Maintenance agreements	197,312
Supplies	69,173
Travel	1,109
Total MIS	<u>861,059</u>
Ferry:	
Contracted services	298,484
Advertising	36,548
Building lease	51,010
Total Ferry	<u>386,042</u>
RIDE	
RIDE carriers	1,756,861
Taxi RIDE providers	1,905,585
Total RIDE	<u>3,662,446</u>
Centralized Maintenance:	
Salaries	712,896
Fringes	551,833
Services	24,300
Lubricants	49,813
Tire mileage	24,151
Repair parts	375,318
Total Centralized Maintenance	<u>1,738,311</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2009**

Facilities Engineering Operations:

Salaries	250,328
Fringes	202,337
Miscellaneous	31
<i>Total Facilities Engineering</i>	<u>452,696</u>

State of Rhode Island - DOT:

Salaries	234,871
Fringes	189,762
Repair parts	174,594
<i>Total State of Rhode Island - DOT</i>	<u>599,227</u>

Depreciation:

Shops, garages and office buildings	1,868,071
Communication system	564,052
Revenue equipment	4,874,027
Service cars and equipment	79,483
Shop and garage equipment	102,523
Furniture and office equipment	51,988
Trolleys	502,684
Fare boxes	323,107
Miscellaneous equipment	141,188
Tunnel improvements	41,810
MIS equipment	94,207
Leased paratransit vans	1,171,315
<i>Total depreciation</i>	<u>9,814,455</u>

TOTAL OPERATING EXPENSES

\$ 105,085,471

(CONCLUDED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009**

	<u>FUND 01</u>	<u>FUND 02</u>	<u>FUND 04</u>	<u>TOTAL</u>	<u>INTERFUND ELIMINATIONS</u>	<u>TOTAL</u>
Operating revenues:						
Passenger	\$ 24,044,176			\$ 24,044,176		\$ 24,044,176
Paratransit	278,762	\$ 7,926,839		8,205,601	\$ (7,396,577)	809,024
Rental	127,418			127,418		127,418
Advertising	497,887			497,887		497,887
RIDE	1,705,553		\$ 11,128,311	12,833,864	(6,269,900)	6,563,964
Other	1,967,283			1,967,283		1,967,283
Total operating revenues	<u>28,621,079</u>	<u>7,926,839</u>	<u>11,128,311</u>	<u>47,676,229</u>	<u>(13,666,477)</u>	<u>34,009,752</u>
Operating expenses:						
Administrative	612,889			612,889		612,889
Finance	3,546,753			3,546,753		3,546,753
Operations	62,621,671			62,621,671		62,621,671
Marketing	1,992,280			1,992,280		1,992,280
Human resources	775,889			775,889		775,889
Risk management	2,811,779			2,811,779		2,811,779
Planning and scheduling	1,795,816			1,795,816		1,795,816
Specialized transportation	8,464,568			8,464,568	(6,269,900)	2,194,668
Paratransit operations		8,315,993		8,315,993		8,315,993
Purchasing	1,354,314			1,354,314		1,354,314
Flex RIPTA	1,549,183			1,549,183		1,549,183
MIS	861,059			861,059		861,059
Ferry	386,042			386,042		386,042
RIDE			11,059,023	11,059,023	(7,396,577)	3,662,446
Centralized Maintenance	1,738,311			1,738,311		1,738,311
Facilities Engineering operations	452,696			452,696		452,696
State of Rhode Island - DOT	599,227			599,227		599,227
Depreciation	9,814,127	328		9,814,455		9,814,455
Total operating expenses	<u>99,376,604</u>	<u>8,316,321</u>	<u>11,059,023</u>	<u>118,751,948</u>	<u>(13,666,477)</u>	<u>105,085,471</u>
Operating income (loss)	<u>(70,755,525)</u>	<u>(389,482)</u>	<u>69,288</u>	<u>(71,075,719)</u>	<u>-</u>	<u>(71,075,719)</u>
Non-operating revenues (expenses):						
Transfer from grants	33,613,398			33,613,398		33,613,398
Grants	21,181,376			21,181,376		21,181,376
Investment income	104,475			104,475		104,475
Contract revenue	3,476,000			3,476,000		3,476,000
Loss on disposal of assets	(397,678)			(397,678)		(397,678)
Debt service	(693,341)			(693,341)		(693,341)
Total non-operating revenues	<u>57,284,230</u>	<u>-</u>	<u>-</u>	<u>57,284,230</u>	<u>-</u>	<u>57,284,230</u>
Gain (loss) before transfers and capital contributions	<u>(13,471,295)</u>	<u>(389,482)</u>	<u>69,288</u>	<u>(13,791,489)</u>	<u>-</u>	<u>(13,791,489)</u>
Capital contributions						
Capital contributions	20,657,398			20,657,398		20,657,398
Total capital contributions	<u>20,657,398</u>	<u>-</u>	<u>-</u>	<u>20,657,398</u>	<u>-</u>	<u>20,657,398</u>
Increase (decrease) in net assets	<u>\$ 7,186,103</u>	<u>\$ (389,482)</u>	<u>\$ 69,288</u>	<u>\$ 6,865,909</u>	<u>\$ -</u>	<u>\$ 6,865,909</u>

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULE OF TRAVEL AND ENTERTAINMENT

YEAR ENDED JUNE 30, 2009

<u>Travelers</u> <u>Name</u>	<u>Purpose</u>	<u>Amount</u>
L Picchione/H Holbrook	State Public Transit Partnership Conference	750.00
M Rodgers	Bus Inspection	264.88
M Rodgers	Bus Inspection	250.00
A Moscola	APTA Annual Meeting	2,597.55
A Moscola	APTA Annual Meeting	585.00
M Therrien	APTA Legislative Meeting	299.00
A Moscola	Performance Workshop	75.00
H Kinch	Ferry Seminar	1,170.32
M Therrien	APTA Annual Meeting	360.86
R Mencarini	NEPTA Meeting	70.20
A Moscola	APTA Annual Meeting	1,121.98
R Mencarini	NEPTA Meeting	83.60
H Holbrook	Triennial Review Workshop	55.00
A Moscola	NEPTA	37.00
A Moscola	APTA Legislative Conference	1,470.95
R Mencarini	NEPTA	94.15
M Therrien	APTA Legislative Conference	139.20
M Therrien	APTA Conference	767.80
A Moscola	APTA Conference	1,875.00
M Neira	NESGFOA Conference	61.60
L Picchione	FTA Region 1 Annual Meeting	101.15
L Hanson	DBE Training	275.40
L Hanson	DBE Training	409.59
E Scott	NEPTA	19.00
E Scott	NEPTA	11.00
A Moscola	APTA Annual Meeting	600.00
F Rose	Bus Inspection	600.00
F Rose	Bus Inspection	2,692.82
H Holbrook	State Program Management Conference	967.15

GRAND TOTAL **\$ 17,805.20**