

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

**FINANCIAL STATEMENTS AND SCHEDULES
FISCAL YEAR ENDED JUNE 30, 2010
(WITH INDEPENDENT AUDITORS' REPORT)**

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITORS' 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, 2010 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, 2010 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, 2010 in the amount of \$41,788,014. 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, 2010 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.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. Schedules B and C on pages 27 and 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules B and C have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 30, 2010

Braver, PC

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, 2010. 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 year's' operating revenues and expenses, and non-operating revenue and expenses and capital contributions for the Authority.

The *Statement of Cash Flows* provides information about the changes in cash and cash equivalents, resulting from operating, financing and, investing activities for the current 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 net assets resulting from the 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 2.6% or \$2.4 million during FY 2010 compared to FY 2009.
- Operating and non-operating expenses increased by .1% or \$.2 million during FY 2010 compared to FY 2009.
- Capital contributions increased \$4.5 million or 21.8% from compared to FY 2009.
- Capital assets increased by \$18.9 million or 19.9% from FY 2009.
- The Authority's total net assets increased by \$13.6 million or 18.2 % from FY 2009.

Assets and Liabilities

The following schedule presents the condensed Statement of Net Assets as of June 30, 2010 and 2009.

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Assets:		
Capital assets	\$113,810,934	\$94,922,266
Other assets	<u>20,803,447</u>	<u>20,573,089</u>
TOTAL ASSETS	<u>134,614,381</u>	<u>115,495,355</u>
Liabilities:		
Current liabilities	13,549,821	14,161,257
Long-term liabilities	<u>32,927,227</u>	<u>26,793,735</u>
TOTAL LIABILITES	<u>46,477,048</u>	<u>40,954,992</u>
Net assets		
Unrestricted net assets (deficit)	(16,512,606)	(12,442,776)
Invested in capital assets	<u>104,649,939</u>	<u>86,983,139</u>
TOTAL NET ASSETS	<u>\$88,137,333</u>	<u>\$74,540,363</u>

The majority of the Authority's assets (84.5%) reflect its investment in capital assets (land, buildings, revenue vehicles and equipment). The increase in net assets totaling \$13.6 million demonstrates that the financial position of the Authority is improving. Other assets include cash (including amounts invested in cash equivalent 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-term liabilities include accrued pension, self-insured claims, and a liability of \$17.0 million

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

associated with implementing GASB #45, Other Post-Employment Benefits effective FY 2008.

Authority Operations

The following schedule presents the condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2010 and 2009.

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Operating Revenue		
Ritecare program revenue	\$6,139,975	\$11,786,285
Passenger revenue	11,908,966	12,257,891
Ride program revenue	6,157,915	6,563,964
Other operating revenues	3,490,143	3,401,612
 Non-operating Revenue		
Grant revenue	21,853,994	21,181,376
Contract revenue	3,382,654	3,476,000
Other non-operating revenue	41,817	104,475
 Transfer in from the State	<u>41,788,014</u>	<u>33,613,398</u>
Total Revenues	<u>94,763,478</u>	<u>92,385,001</u>
 Operating Expenses		
Management and general	(20,104,716)	(20,446,631)
Operations and maintenance	(76,158,471)	(74,824,385)
Depreciation	(9,484,280)	(9,814,455)
 Non-operating Expenses		
Debt service	(386,869)	(693,341)
Other non-operating expenses	(197,970)	(397,678)
Total Expenses	<u>(106,332,306)</u>	<u>(106,176,490)</u>
 Net Income (Loss) before Capital Contributions	(11,568,829)	(13,791,489)
Capital Contributions	<u>25,165,798</u>	<u>20,657,398</u>
 Change in Net Assets	13,596,969	6,865,909
Total Net Assets- Beginning	<u>74,540,363</u>	<u>67,674,454</u>
Total Net Assets- Ending	<u>\$88,137,333</u>	<u>\$74,540,363</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$119,929,275. The revenue reported as operating revenue, non-operating revenue and transfers from the state increased 2.6% or \$2,378,476 over the prior year. This increase was the result of receiving additional gas tax from the state in lieu of RIticare program revenue. The Authority's operating and non-operating expenses total \$106,332,306. This reflects an increase of .1% or \$155,816 over the prior year.

Capital Assets

The following schedule summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Land, shops, garages and buildings	\$60,296,337	\$60,267,237
Revenue equipment	86,311,544	91,147,351
Service vehicles and garage equipment	4,643,683	3,696,017
Furniture and fixtures	3,924,279	3,760,944
Management information systems	4,675,672	2,647,684
Federal grant projects in process	38,665,311	21,901,664
	<u>198,516,826</u>	<u>183,420,897</u>
Less accumulated depreciation	<u>(84,705,892)</u>	<u>(88,498,631)</u>
Net capital assets	<u>\$113,810,934</u>	<u>\$94,922,266</u>

At the end of fiscal year 2010, the Authority had \$ 113,810,934 invested in capital assets. This amount represents an increase of 19.9% or \$18.9 million from the prior year.

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

- Substantial completion of the Paratransit Operations and Support Facility
- Purchase of several shop equipment vehicles (backhoe, sweepers, front loaders, maintenance and pick-up trucks)
- Ride program scheduling software

During FY 2011, the Authority has committed to the completion of the Paratransit Operations and Support Facility, to the purchase of 10 Hybrid Trolleys, 10 clean diesel and 53 Hybrid fixed route vehicles as well as 44 Paratransit vehicles during the winter of 2011.

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

committed to transit excellence. To accomplish this, the Authority must continuously assess its operational functions, financial capacity and products and services provided.

The following factors were considered in setting the Authority's FY 2011 budget:

- Level of federal funds appropriated for operating and capital purposes. The current transit funding authorization act, SAFETEA-LU expired 10/1/09. A new transportation funding act has not yet been approved. Federal funding continues under the existing act via a federal continuing resolution until 12/31/10. The FY 2011 budget includes funding for mobility management reimbursement, ADA reimbursement, preventive maintenance, Jobs Access/Reverse Commute and rural operating assistance.
- Additional federal funds received. The Authority received \$37 million in 100% federal stimulus funds (ARRA) during the fiscal year. Ten percent of the ARRA funds can be used as operating assistance. The Authority has included \$3.7 million in FY 2011 as operating assistance.
- State gasoline tax revenue available for operating purposes. For FY 2011, the yield determined by the State of RI Department of Revenue for the gasoline tax is expected to increase slightly from the previous fiscal year. During the FY 2010, the Authority received an additional 2 cents of dedicated gasoline tax and an additional .5 cent UST fee. 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, a program which was reduced significantly during FY 2010.
- Passenger revenue includes a fare increase of the base fare from \$1.75 to \$2.00 and associated increases to all other fare media effective September 1, 2010. The Authority has also introduced a new fare product, ECO Pass, geared towards businesses who contribute towards their employee's transportation.
- The Authority's three employee labor contracts expired June 30, 2009. Interest arbitration with Amalgamated Transit Union is in process. The FY 2011 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 2011 has been budgeted at \$2.60 per gallon, an increase of 9.9% from the previous fiscal year where the Authority was under a lock-in contract price of \$2.366 per gallon. The current fiscal year lock-in price is greater than the budgeted price per gallon. The Authority will continue

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

purchasing fuel at a daily market price until such time as the lock-in price is cost beneficial to the Authority.

- 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 7.5% 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, 705 Elmwood Avenue, Providence, Rhode Island, 02907.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS

	<u>2010</u>
Current assets:	
Cash and cash equivalents:	
Operating fund	\$ 2,393,735
Capital replacement fund	1,064,410
Paratransit capital fund	905,919
Accident and casualty fund	135,280
Total cash and cash equivalents	<u>4,499,344</u>
Investments	3,778,112
Due from primary government	<u>6,541,003</u>
Receivables:	
Accounts	1,095,651
Grants	1,983,539
Total receivables	<u>3,079,190</u>
Inventories, net allowance of \$35,071	2,759,680
Prepaid expenses	<u>146,118</u>
Total current assets	<u>20,803,447</u>
Long-term assets:	
Capital assets, non-depreciable	40,811,235
Capital assets, depreciable net of depreciation	72,999,699
Total long-term assets	<u>113,810,934</u>
TOTAL ASSETS	<u>134,614,381</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	6,452,615
Accrued salaries, wages and vacation pay	5,268,859
Other liabilities	1,049,842
Deferred revenue - other	100,369
Due to primary government	678,136
Total current liabilities	<u>13,549,821</u>
Long-term liabilities:	
Accrued self insured claims	5,618,401
Net pension obligation	1,799,084
Net OPEB obligation	17,026,883
Due to primary government	8,482,859
Total long-term liabilities	<u>32,927,227</u>
Total liabilities	<u>46,477,048</u>
Net assets:	
Unrestricted net deficit	(16,512,606)
Invested in capital assets, net	104,649,939
Total net assets	<u>\$ 88,137,333</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
Operating revenues:	
Passenger	\$ 18,048,941
Paratransit	1,729,495
Rental	151,171
Advertising	554,516
RIDE	6,157,915
Other	1,054,961
Total operating revenues	<u>27,696,999</u>
Operating expenses:	
Administration	745,630
Finance	2,542,358
Operations	62,886,241
Marketing	2,053,360
Human resources	820,430
Risk management	2,959,890
Planning and scheduling	1,731,730
Specialized transportation	2,209,427
Paratransit operations	8,820,120
Purchasing	1,458,570
Flex RIPTA	1,661,692
MIS	785,047
Ferry	50,251
RIDE	4,328,300
Centralized Maintenance	2,178,137
Facilities Engineering operations	419,723
State of Rhode Island - DOT	612,281
Depreciation	9,484,280
Total operating expenses	<u>105,747,467</u>
Operating loss	<u>(78,050,468)</u>
Non-operating revenues (expenses):	
Transfer from State	41,788,014
Grants	21,853,994
Investment income	41,817
Contract revenue	3,382,654
Loss on disposal of assets	(197,970)
Debt service	(386,869)
Total non-operating revenues	<u>66,481,640</u>
Loss before transfers and capital contributions	(11,568,828)

(CONTINUED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
Capital contributions	
Capital contributions	25,165,798
Total capital contributions	<u>25,165,798</u>
Increase in net assets	<u>13,596,970</u>
Net assets, beginning of year	<u>74,540,363</u>
Net assets, end of the year	<u>\$ 88,137,333</u>

(CONCLUDED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 28,334,731
Cash payments to suppliers for goods and services	(20,335,038)
Cash payments to employees for services	(71,669,529)
<i>Net cash used for operating activities</i>	<u>(63,669,836)</u>
<i>Cash flows from non-capital financing activities:</i>	
Debt service	834,999
Operating transfers in	38,997,591
Contract revenue	3,382,654
<i>Net cash provided by non-capital financing activities</i>	<u>43,215,244</u>
<i>Cash flows from capital and related financing activities:</i>	
Proceeds from grants	48,664,275
Acquisition and construction of capital assets	(28,570,918)
<i>Net cash provided by capital and related financing activities</i>	<u>20,093,357</u>
<i>Cash flows from investing activities:</i>	
Purchase of investments	(8,609,297)
Maturity of investments	8,122,647
Interest and dividends on investments	41,817
<i>Net cash used for investing activities</i>	<u>(444,833)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(806,068)
<i>Cash and cash equivalents at beginning of year</i>	<u>5,305,412</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 4,499,344</u>
<i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (78,050,468)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Depreciation	9,484,280
Decrease in inventory allowance	(3,063)
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	538,293
Decrease (Increase) in inventory	77,486
Increase in prepaid expenses	(16,552)
Increase (decrease) in accounts payable and accrued expenses	(759,413)
Increase (decrease) in deferred revenue	99,439
Increase in OPEB liability	4,960,162
Total adjustments	<u>14,380,632</u>
<i>Net cash used for operating activities</i>	<u>\$ (63,669,836)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Corporation's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Authority's fiscal year ending June 30, 2011.

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, 2010**

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, 2010**

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, 2010 was \$345,774.

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, 2010 was \$2,527,915 and the bank balance was \$3,538,912. Of the bank balance, \$517,910 was insured by federal depository insurance and Securities Investor Protection Corporation and the remaining portion, \$3,021,002 was collateralized with securities not in the Authority's name as defined by the Governmental Accounting Standards Board as of June 30, 2010.

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, 2010, the Authority's uncollateralized deposits had maturities of less than sixty (60) days and were with an institution that met the minimum capital standards.

Investments

The carrying value of deposits for June 30, 2010 is \$2,527,915. Investments of \$1,970,329, and \$1,100 of petty cash, relate to the balance sheet totals for June 30, 2010 as follows:

Cash deposits	\$2,527,915
Add: Petty cash	1,100
Investments classified as cash equivalents for financial statement purposes.	<u>1,970,329</u>
Cash and cash equivalents per balance sheet	<u>\$4,499,344</u>

At June 30, 2010, 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	\$1,064,410
Fidelity Institutional Cash	On demand	Aa2	905,919
			<u>\$1,970,329</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. CASH DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2010, the Authority had the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Certificate of Deposit	6/27/2011	N/A	\$ 222,535
National Federal Mortgage Association	8/15/10 – 5/7/13	AAA	707,095
Federal Home Loan Banks	7/16/10	AAA	250,313
Federal Home Loan Mortgage Corporation	11/23/10 – 4/15/13	AAA	808,558
US Treasury Notes	8/31/10 – 3/15/13	AAA	<u>1,789,611</u>
			<u>\$3,778,112</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, 2010, 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.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2010:

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Transfers &</u> <u>Removals</u>	<u>Balance</u> <u>6/30/10</u>
Cost:				
Land	\$ 2,145,924	\$ -	\$ -	\$ 2,145,924
Shop, garages and buildings.....	58,121,313	29,100	-	58,150,413
Revenue equipment.....	91,147,351	8,412,632	13,248,439	86,311,544
Service vehicles and garage equipment	3,696,017	1,222,291	274,625	4,643,683
Furniture and office equipment	3,760,944	176,825	13,490	3,924,279
Management information system.....	2,647,684	2,046,390	18,402	4,675,672
Total fixed assets	161,519,233	11,887,238	13,554,956	159,851,515
Federal grant projects in process.....	21,901,664	18,851,352	2,087,705	38,665,311
Total cost	183,420,897	30,738,590	15,642,661	198,516,826

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Accumulated depreciation:

Shop, garages and buildings.....	19,495,091	1,911,776	-	21,406,867
Revenue equipment.....	61,416,865	6,649,609	13,052,223	55,014,251
Service vehicles and garage equipment.....	3,236,325	285,130	194,658	3,326,797
Furniture and office equipment.....	1,952,226	224,365	12,548	2,164,043
Management information system.....	<u>2,398,124</u>	<u>413,400</u>	<u>17,590</u>	<u>2,793,934</u>
Total accumulated depreciation.....	88,498,631	9,484,280	13,277,019	84,705,892

Total property, plant and equipment..... \$94,922,266 \$21,254,310 \$2,365,642 \$113,810,934

Depreciation expense for the fiscal year ended June 30, 2010 was \$9,484,280.

4. NOTES PAYABLE

The Authority has a \$2,000,000 line of credit with a financial institution for 2010. 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, 2010. No amount was due under this line of credit at June 30, 2010.

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, 2010 was as follows:

Balance at beginning of year.....	\$3,450,049
Deposits:	
Capital replacement deposits.....	316,905
Local match payments.....	(192,832)
Interest & dividend earnings.....	33,352
Change in market value of securities.....	-
Transfer from operating.....	-
Balance at end of year.....	<u>\$3,607,474</u>
Classified as cash and cash equivalents.....	\$1,064,410
Classified as investments.....	<u>2,543,064</u>
Balance classified as investments.....	<u>\$3,607,474</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 for fiscal years ended June 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year.....	\$354,672	\$350,994
Deposits:		
Interest earnings on investments.....	<u>3,143</u>	<u>3,678</u>
Balance at end of year.....	<u>\$357,815</u>	<u>\$354,672</u>

Assets restricted at June 30, 2010 and 2009 in the accident and casualty fund amounted to \$357,815 and \$354,672, respectively. For fiscal years 2010 and 2009, \$135,280 and \$134,826, respectively, is classified as cash and cash equivalents and \$222,535 and \$219,846, respectively, 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, 2010 and 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, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Amount of claims liabilities, beginning of year.....	\$5,435,636	\$5,321,289
Incurred claims.....	2,335,120	1,992,642
Payments on claims.....	<u>(2,152,355)</u>	<u>(1,878,295)</u>
Amount of claims liabilities, end of year.....	<u>\$5,618,401</u>	<u>\$5,435,636</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, 2010 and 2009 is recorded as other liabilities in the Statement of Net Assets. The Authority's incurred but not reported claims as of June 30, 2010 was as follows:

	<u>2010</u>	<u>2009</u>
Unpaid claims beginning of year.....	\$ 961,211	\$ 931,690
Incurred claims.....	12,377,385	11,504,925
Payments on claims.....	<u>(12,421,717)</u>	<u>(11,475,404)</u>
Unpaid claims end of year.....	<u>\$ 916,879</u>	<u>\$ 961,211</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 \$46,239,624 at June 30, 2010.

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 437 employees during fiscal year ended June 30, 2010 and life insurance benefits were paid to 225 employees during fiscal year ended June 2010. 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, 2009 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>
6/30/2010	\$6,920,782	28.3%	\$17,026,883
6/30/2009	\$6,364,241	23.8%	\$12,066,721
6/30/2008	\$9,089,144	20.5%	\$ 7,220,931

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. POST RETIREMENT BENEFITS (Continued)

The Authority's annual OPEB cost and net OPEB obligation for the year ended June 30, 2010 was as follows:

Annual required contribution	\$7,152,002
Interest on net OPEB obligation.....	430,299
Adjustment to annual required contribution	<u>(661,519)</u>
Annual OPEB cost (expense)	6,920,782
Contributions made.....	<u>(1,960,620)</u>
Increase in net OPEB obligation.....	4,960,162
Net OPEB obligation-beginning of year	<u>12,066,721</u>
Net OPEB obligation-end of year.....	<u>\$17,026,883</u>

Schedule of Funding Progress

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

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 (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
07/01/10	N/A	\$62,392,160	\$62,392,160	N/A	\$36,209,202	172.3%

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 2010 was determined based on the July 1, 2009 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 Authority makes contributions to the plan on a pay-as-you-go basis. The Board of Directors of the Authority has the authority to establish and/or amend the plan's provisions and the plan's contribution rates.

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. Changes in assumptions between the 2008 and the 2009 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, 2010**

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, 2010, the State appropriated a total of nine and one quarter cents of dedicated gas tax and a half cent of gas tax from the Underground Storage Tank Fund. For fiscal years ending June 30, 2010, the Authority received \$41,788,014 from the dedicated gas tax as operating assistance in support of the transit system. Beginning fiscal year 2011, 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 \$41,047,500 in fiscal year ended June 30, 2011 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 2010, RIPTA used \$10,574,118 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 Human Services. For the fiscal year ended June 30, 2010, the Authority recorded \$3,382,654 of contract revenue from this agreement. For fiscal year 2011, RIPTA anticipates receiving \$3,325,900 under this agreement.

11. DUE FROM/TO PRIMARY GOVERNMENT

At June 30, 2010, the Rhode Island Public Transit Authority is owed \$6,541,003 from the State of Rhode Island.

At June 30, 2010, the Rhode Island Public Transit Authority owes \$9,160,995 to the State of Rhode Island related to payments for debt service to the State.

12. NET ASSETS

Net assets represent the difference between assets and liabilities. The net asset amount at June 30, 2010 was as follows:

Invested in capital assets, net of related debt:	
Net capital assets in service, net of related debt.....	\$104,649,939
Total restricted for capital activity and debt service ...	104,649,939
Unrestricted (deficit)	(16,512,606)
Total net assets	<u>\$88,137,333</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 was as follows:

	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$6,768,493	\$ 975,399
Interest on net pension obligation.....	146,788	0
Adjustment to annual required contribution.....	<u>(146,788)</u>	0
Annual pension cost.....	6,768,493	975,399
Contributions made	<u>(6,768,493)</u>	<u>(975,399)</u>
Increase (decrease) in net pension obligation.....	0	0
Net pension obligation, June 30, 2009	<u>1,799,084</u>	0
Net pension obligation, June 30, 2010	<u>\$1,799,084</u>	<u>\$ 0</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

14. PENSION PLANS (Continued)

Bargaining Unit

The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation. The actuarial assumptions included 8% investment rate of return from June 30, 2009 to December 31, 2009 and a 7.5% investment rate of return effective January 1, 2010, 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, 2010 is 29.0 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>
6/30/08	4,738,675	100.00%	1,799,084
6/30/09	6,117,156	100.00%	1,799,084
6/30/10	6,768,493	100.00%	1,799,084

Salaried Unit

The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation. The actuarial assumptions included 7% investment rate of return from June 30, 2009 to December 31, 2009 and a 7.5% investment rate of return effective January 1, 2010, 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, 2010 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>
6/30/2008	960,956	100%	-0-
6/30/2009	1,060,904	100%	-0-
6/30/2010	975,399	100%	-0-

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

14. PENSION PLANS (Continued)

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, 2010	\$45,904,451	\$72,504,411	\$26,599,960	63.31%	\$30,270,456	87.87%

Salaried 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>
January 1, 2010	\$11,016,648	\$15,845,292	\$4,828,644	69.53%	\$5,068,303	95.27%

15. PARATRANSIT OPERATIONS

Beginning June 1, 2009, the Authority was awarded a two-year contract with three one-year renewal options 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)

REQUIRED SUPPLEMENTARY INFORMATION

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2010**

Required supplementary information

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

Salaried 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>
January 1, 2010	\$ 11,016,648	\$ 15,845,292	\$ 4,828,644	69.53%	\$ 5,068,303	95.27%
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%	6,804,025	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, 2010	\$ 45,904,451	\$ 72,504,411	\$ 26,599,960	63.31%	\$ 30,270,456	87.87%
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, 2010	N/A	\$ 62,392,160	\$ 62,392,160	N/A	\$ 36,209,202	172.3%
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 AUDITORS' REPORT

SUPPLEMENTARY INFORMATION

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

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS	SCHEDULE B
Current Assets	
Cash and cash equivalents	\$ 4,499,344
Investments	3,778,112
Receivables	3,079,190
Due from primary government	6,541,003
Inventories	2,759,680
Other assets	146,118
Total current assets	<u>20,803,447</u>
Noncurrent Assets	
Capital assets, non-depreciable	40,811,235
Capital assets, depreciable (net)	72,999,699
Total noncurrent assets	<u>113,810,934</u>
Total assets	<u>134,614,381</u>
LIABILITIES	
Current Liabilities	
Accounts payable	6,452,615
Due to primary government	678,136
Deferred revenue	100,369
Other liabilities	6,318,701
Total current liabilities	<u>13,549,821</u>
Noncurrent Liabilities	
Due to primary government	8,482,859
Net OPEB obligation	17,026,883
Other liabilities	7,417,485
Total noncurrent liabilities	<u>32,927,227</u>
Total liabilities	<u>46,477,048</u>
NET ASSETS	
Invested in capital assets, net of related debt	104,649,939
Unrestricted	<u>(16,512,606)</u>
Total net assets	<u>\$ 88,137,333</u>

SEE INDEPENDENT AUDITORS' REPORT

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

**STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

SCHEDULE C

Operating revenues	
Charges for services	\$ 26,642,038
Other operating income	1,054,961
	<hr/>
Total operating revenues	27,696,999
Operating expenses	
Personnel	72,060,006
Supplies, materials and services	20,275,857
Depreciation, depletion and amortization	9,484,280
Other operating expenses	3,927,324
	<hr/>
Total operating expenses	105,747,467
Nonoperating revenues (expenses)	
Interest revenue	41,817
Grants	21,853,994
Payments from primary government	41,788,014
Loss on sale of property	(197,970)
Interest expense	(386,869)
Other nonoperating revenue	3,382,654
	<hr/>
Total nonoperating revenue	66,481,640
	<hr/>
Loss before contributions	(11,568,828)
	<hr/>
Capital contributions	25,165,798
	<hr/>
Change in net assets	13,596,970
	<hr/>
Total net assets - beginning	74,540,363
	<hr/>
Total net assets - ending	\$ 88,137,333
	<hr/>

SEE INDEPENDENT AUDITORS' REPORT

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULE OF TANGIBLE PROPERTY
JUNE 30, 2010

	Tangible Property				Accumulated Depreciation		Net Book Value 6/30/2010		
	Balance 7/1/2009	Additions	Removals	Balance 6/30/2010	Rate	Balance 7/1/2009		Additions	Transfers/ Removals
Land and land rights	\$ 2,145,924			\$ 2,145,924					\$ 2,145,924
Shops, garages and office buildings	56,548,468	29,100		56,577,568	3 1/3%	\$ 18,805,224	\$ 1,869,966		\$ 20,675,190
Tunnels	1,572,845			1,572,845	4%	689,867	41,810		731,677
Communication system	5,649,037			5,649,037	10%	3,107,056	564,052		3,671,108
Revenue equipment - busses	63,435,848	\$ 8,412,632	\$ 9,174,523	62,673,957	8 1/3%	43,765,705	4,334,138	\$ 8,978,307	39,121,536
Trolleys	6,729,015		2,027,402	4,701,613	8 1/3%	6,295,200	247,753	2,027,402	4,515,551
Fare boxes	4,008,100			4,008,100	8 1/3%	615,476	323,107		938,583
Service cars and equipment	1,941,604	900,654	194,659	2,647,599	25%	1,742,899	179,684	142,681	1,779,902
Shops and garage equipment	1,754,413	321,637	79,966	1,996,084	10-20%	1,493,426	105,446	51,977	1,546,895
Furniture and office equipment	925,085	23,528	13,490	935,123	10-20%	795,505	39,231	12,548	822,188
Miscellaneous equipment	2,835,859	153,297		2,989,156	5-10%	1,156,721	185,134		1,341,855
Management information systems	2,647,684	2,046,390	18,402	4,675,672	10-20%	2,398,124	413,400	17,590	2,793,934
Leased Paratransit Vans	11,325,351	-	2,046,514	9,278,837	20%	7,633,428	1,180,559	2,046,514	6,767,473
Total fixed assets	161,519,233	11,887,238	13,554,956	159,851,515		88,498,631	9,484,280	13,277,019	84,705,892
Federal grant projects in process	21,901,664	18,851,352	2,087,705	38,665,311					38,665,311
Total tangible property	\$ 183,420,897	\$ 30,738,590	\$ 15,642,661	\$ 198,516,826		\$ 88,498,631	\$ 9,484,280	\$ 13,277,019	\$ 84,705,892
									\$ 113,810,934

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
Administration:	
Salaries	\$ 203,804
Fringes	136,575
Legal	337,168
Other services	68,283
Total administration	<u>745,630</u>
Finance:	
Salaries	475,291
Fringes	363,822
Office expense/supplies	17,616
Utilities	1,342,624
Lease expense	4,014
Other services	37,555
Travel	13,623
Miscellaneous	184,936
Tickets & passes	102,877
Total finance	<u>2,542,358</u>
Operations:	
Salaries	48,580
Wages - drivers	19,045,957
Wages - other	9,054,743
Fringe benefits	23,895,250
Other services	5,730
Maintenance agreement	14,788
Supplies	663,843
Uniforms	102,757
Hazardous waste disposal	134,496
Fuel	5,227,325
Antifreeze and lubricants	317,295
Parts - revenue vehicles	3,267,353
Parts - service vehicles	56,621
Tires and tubes	581,030
Major components	250,234
Inventory adjustment (recovery)	58,293
Miscellaneous	161,946
Total operations	<u>62,886,241</u>
Marketing:	
Salaries	845,939
Fringes	728,150
Public relations	50,578
Time tables	205,625
Advertising	81,531
Services	47,440
Miscellaneous	33,544
Miscellaneous supplies	60,553
Total marketing	<u>2,053,360</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
Human resources:	
Salaries	399,765
Fringes	354,459
Miscellaneous	66,206
Total human resources	<u>820,430</u>
Risk management:	
Salaries	172,953
Fringes	144,980
Office expense/supplies	3,654
Insurance	193,842
Settlements	1,206,935
Workers' compensation legal	45,458
Workers' compensation medical	204,204
Workers' compensation	445,960
Workers' compensation - other	118,939
Legal	259,704
Miscellaneous	163,261
Total risk management	<u>2,959,890</u>
Planning and Scheduling:	
Salaries	596,135
Fringes	472,971
Professional services	642,992
Other services	7,884
Office expense/supplies	4,972
Miscellaneous	6,776
Total planning and scheduling	<u>1,731,730</u>
Specialized transportation:	
Salaries	974,655
Fringe benefits	863,548
Professional services	11,530
Other services	3,760
Temporary help	11,120
Maintenance agreement	236,543
Miscellaneous	108,271
Total specialized transportation	<u>2,209,427</u>
Paratransit operations:	
Wages – drivers	4,129,328
Wages – other	416,236
Fuel	907,423
Fringe benefits	2,514,714
Pension	318,119
Insurance	447,882
Supplies	2,323
Uniforms/laundry	29,571
Inspection/registration fees	1,547
Training	2,118
Miscellaneous	50,859
Total paratransit	<u>8,820,120</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
<i>Purchasing:</i>	
Salaries	749,641
Fringe	646,286
Supplies	10,148
Travel	812
Temporary Help	1,097
Other services	50,586
<i>Total purchasing</i>	<u>1,458,570</u>
<i>Flex RIPTA:</i>	
Salaries	787,897
Fringes	650,884
Supplies	4,599
Vehicle maintenance	206,390
Miscellaneous	11,922
<i>Total Flex RIPTA</i>	<u>1,661,692</u>
<i>MIS:</i>	
Salaries	326,154
Fringes	256,307
Services	32,390
Maintenance agreements	144,036
Supplies	25,891
Travel	269
<i>Total MIS</i>	<u>785,047</u>
<i>Ferry:</i>	
Contracted services	13,329
Advertising	-
Building lease	36,922
<i>Total Ferry</i>	<u>50,251</u>
<i>RIDE</i>	
RIDE carriers	1,694,948
Taxi RIDE providers	2,633,352
<i>Total RIDE</i>	<u>4,328,300</u>
<i>Centralized Maintenance:</i>	
Salaries	841,224
Fringes	767,902
Services	22,658
Lubricants	70,998
Tire mileage	28,740
Repair parts	446,615
<i>Total Centralized Maintenance</i>	<u>2,178,137</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2010**

	<u>2010</u>
<i>Facilities Engineering Operations:</i>	
Salaries	222,781
Fringes	193,726
Miscellaneous	3,216
<i>Total Facilities Engineering</i>	<u>419,723</u>
<i>State of Rhode Island - DOT:</i>	
Salaries	249,405
Fringes	212,025
Repair parts	150,851
<i>Total State of Rhode Island - DOT</i>	<u>612,281</u>
<i>Depreciation:</i>	
Shops, garages and office buildings	1,869,241
Communication system	564,052
Revenue equipment	4,334,138
Service cars and equipment	171,688
Shop and garage equipment	113,443
Furniture and office equipment	50,504
Trolleys	247,753
Fare boxes	323,107
Miscellaneous equipment	164,391
Tunnel improvements	41,810
MIS equipment	423,594
Leased paratransit vans	1,180,559
<i>Total depreciation</i>	<u>9,484,280</u>
<i>TOTAL OPERATING EXPENSES</i>	<u>\$ 105,747,467</u>

(CONCLUDED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

	<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	\$ 18,048,941			\$ 18,048,941		\$ 18,048,941
Paratransit	272,051	\$ 8,029,728		8,301,779	\$ (6,572,284)	1,729,495
Rental	151,171			151,171		151,171
Advertising	554,516			554,516		554,516
RIDE	1,731,766		\$ 11,886,423	13,618,189	(7,460,274)	6,157,915
Other	1,054,961			1,054,961		1,054,961
Total operating revenues	<u>21,813,408</u>	<u>8,029,728</u>	<u>11,886,423</u>	<u>41,729,557</u>	<u>(14,032,558)</u>	<u>27,696,999</u>
Operating expenses:						
Administrative	745,630			745,630		745,630
Finance	2,542,358			2,542,358		2,542,358
Operations	62,886,241			62,886,241		62,886,241
Marketing	2,053,360			2,053,360		2,053,360
Human resources	820,430			820,430		820,430
Risk management	2,959,890			2,959,890		2,959,890
Planning and scheduling	1,731,730			1,731,730		1,731,730
Specialized transportation	8,781,711			8,781,711	(6,572,284)	2,209,427
Paratransit operations		8,820,120		8,820,120		8,820,120
Purchasing	1,458,570			1,458,570		1,458,570
Flex RIPTA	1,661,692			1,661,692		1,661,692
MIS	785,047			785,047		785,047
Ferry	50,251			50,251		50,251
RIDE			11,788,574	11,788,574	(7,460,274)	4,328,300
Centralized Maintenance	2,178,137			2,178,137		2,178,137
Facilities Engineering operations	419,723			419,723		419,723
State of Rhode Island - DOT	612,281			612,281		612,281
Depreciation	9,484,280			9,484,280		9,484,280
Total operating expenses	<u>99,171,331</u>	<u>8,820,120</u>	<u>11,788,574</u>	<u>119,780,025</u>	<u>(14,032,558)</u>	<u>105,747,467</u>
Operating Income (loss)	<u>(77,357,925)</u>	<u>(790,392)</u>	<u>97,849</u>	<u>(78,050,468)</u>	<u>-</u>	<u>(78,050,468)</u>
Non-operating revenues (expenses):						
Transfer from grants	41,788,014			41,788,014		41,788,014
Grants	21,853,994			21,853,994		21,853,994
Investment income	41,817			41,817		41,817
Contract revenue	3,382,654			3,382,654		3,382,654
Loss on disposal of assets	(197,970)			(197,970)		(197,970)
Debt service	(386,869)			(386,869)		(386,869)
Total non-operating revenues	<u>66,481,640</u>	<u>-</u>	<u>-</u>	<u>66,481,640</u>	<u>-</u>	<u>66,481,640</u>
Gain (loss) before transfers and capital contributions	<u>(10,876,285)</u>	<u>(790,392)</u>	<u>97,849</u>	<u>(11,568,828)</u>	<u>-</u>	<u>(11,568,828)</u>
Capital contributions						
Capital contributions	25,165,798			25,165,798		25,165,798
Total capital contributions	<u>25,165,798</u>	<u>-</u>	<u>-</u>	<u>25,165,798</u>	<u>-</u>	<u>25,165,798</u>
Increase (decrease) in net assets	<u>\$ 14,289,513</u>	<u>\$ (790,392)</u>	<u>\$ 97,849</u>	<u>\$ 13,596,970</u>	<u>\$ -</u>	<u>\$ 13,596,970</u>

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULE OF TRAVEL AND ENTERTAINMENT

YEAR ENDED JUNE 30, 2010

<u>Travelers</u>		<u>Amount</u>
<u>Name</u>	<u>Purpose</u>	
F Rose	Bus Inspection	600.00
F Rose	Bus Inspection	2,692.82
H Holbrook	State Program Management Conference	967.15
A Moscola	APTA Nominating Committee	931.02
F Rose	Bus Inspection	250.00
S Drainville	Bus Inspection	250.00
A Moscola	APTA Conference	1,537.22
M Rodgers	Bus Inspection	250.00
F Rose	Bus Inspection	919.81
A Pettine	Rail Conference	460.00
D Wood	Routematch Training	961.44
S Drainville	Bus Inspection	44.00
J Monti	Bus Inspection	250.00
M Rodgers	Bus Inspection	543.26
S Drainville	Bus Inspection	250.00
J Monti	Bus Inspection	562.44
S Drainville	Bus Inspection	809.97
N Ayala	FTA - State Management Review Workshop	66.00
L Picchione	FTA - State Management Review Workshop	66.00
A Moscola	APTA Conference	625.00
M Therrien	APTA Conference	625.00
M McGrane	Bus Inspection	800.72
J Monti	Bus Inspection	800.72
A Moscola	Bus Inspection	800.72
J Monti	Bus Inspection	664.00
A Moscola	Bus Inspection	838.77
A Moscola	APTA Conference	2,181.70
M Therrien	Meeting Mass HST Office	36.00
R Mancarini	NEPTA Board Meeting	30.50
D Wood	Routematch Conference	880.90
M Therrien	APTA Conference	1,320.11
R Mancarini	FTA Conference	61.00

GRAND TOTAL

\$ 22,076.27