

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS AND SCHEDULES
YEARS ENDED JUNE 30, 2006 AND 2005
(WITH INDEPENDENT AUDITORS' REPORT)**

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005**

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Two Charles Street, Providence, RI 02904
401 421 2710 telephone 401 274 5230 facsimile
www.yourcpafirm.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rhode Island Public Transit Authority

We have audited the accompanying financial statements of the Rhode Island Public Transit Authority, a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2006 and June 30, 2005 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.

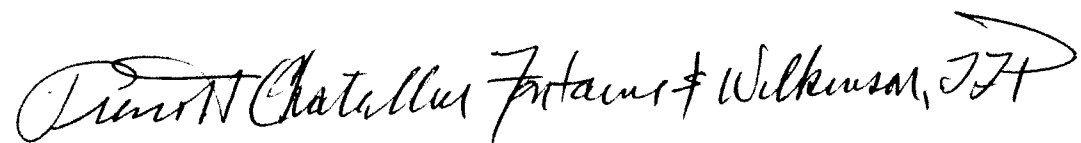
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Public Transit Authority, as of June 30, 2006 and 2005 and the respective changes in financial position and cash flows for the year then ended 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, 2006 and June 30, 2005 in the amount of \$34,840,726 and \$30,218,664. 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 14, 2006 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 – 11 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Our audit was conducted for the purpose of forming an opinion on the basic statements taken as a whole. The other supplementary information on Pages 30 - 41 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 14, 2006

A handwritten signature in black ink that reads "Donald C. Atallah, CPA". The signature is written in a cursive 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 years ended June 30, 2006 and June 30, 2005. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Authority's financial activities based on facts, decisions, and conditions currently facing management.

Understanding the Authority's Financial Statements

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

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

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

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

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

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

FY 2006

- The Authority's operating, non-operating revenues and transfers from the state increased by 11.5% or \$8.5 million during FY 2006 compared to FY 2005.
- Operating and non-operating expenses increased by 8% or \$6.7 million during FY 2006 as compared to FY 2005.
- Capital contributions increased \$6.9 million or 111% from the previous year.
- Capital assets increased by \$3.2 million or 3.5% from FY 2005.
- The Authority's total net assets increased by \$5.6 million or 6.5 % from FY 2005.

FY 2005

- The Authority's operating, non-operating revenues and transfers from the state increased by 5.6% or \$3.9 million during FY 2005 compared to FY 2004.
- Operating and non-operating expenses increased by 3.6% or \$2.9 million during FY 2005 as compared to FY 2004.
- Capital contributions decreased \$2.9 million or 32% from the previous year.
- Capital assets decreased by \$3.7 million or 4% from FY 2004.
- The Authority's total net assets decreased by \$3.1 million or 3.6 % from FY 2004.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets and Liabilities

The following schedule presents the condensed Statement of Net Assets for the fiscal years ended June 30, 2006, 2005 and 2004.

	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>
Assets:			
Capital assets	\$92,983,339	\$89,815,368	\$93,513,750
Other assets	17,698,338	14,005,712	13,388,044
TOTAL ASSETS	<u>110,681,677</u>	<u>103,821,080</u>	<u>106,901,794</u>
Liabilities:			
Current Liabilities	9,977,948	9,172,326	8,965,151
Long-term Liabilities	9,769,454	9,304,225	9,443,904
TOTAL LIABILITES	<u>19,747,402</u>	<u>18,476,551</u>	<u>18,409,055</u>
Net assets			
Unrestricted net assets (deficit)	(2,049,064)	(4,470,839)	(5,021,011)
Invested in capital assets	92,983,339	89,815,368	93,513,750
TOTAL NET ASSETS	<u>\$90,934,275</u>	<u>\$85,344,529</u>	<u>\$88,492,739</u>

The majority of the Authority's assets, 84% in FY 2006 and 86.5% in FY 2005, reflect its investment in capital assets (land, building, revenue vehicles, and equipment). Other assets include cash (including amounts invested in cash equivalent type instruments), accounts receivables from federal and state governments, inventories, prepaid expenses and other receivables. Current liabilities consist of vendor, employee, and benefit payments while long-term liabilities include accrued pension and self-insured claims.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Authority Operations

The following schedule presents the condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2006, 2005 and 2004.

	June 30, 2006	June 30, 2005	June 30, 2004
Operating Revenue			
Ritecare program revenue	\$ 13,537,568	\$ 12,271,204	\$ 6,785,595
Passenger Revenue	7,836,747	7,233,533	7,145,187
RIde program revenue	6,857,791	6,762,201	6,829,146
Other operating revenues	1,884,888	1,397,136	1,191,835
Non-operating Revenue			
Grant revenue	13,793,116	12,609,255	12,735,107
Contract revenue	3,757,550	3,713,000	3,728,800
Other non-operating revenue	277,983	72,258	23,231
Transfer in from the State	34,840,726	30,218,664	31,868,219
Total Revenues	<u>82,786,369</u>	<u>74,277,251</u>	<u>70,307,120</u>
Operating Expenses			
Management and General	(18,349,537)	(16,849,216)	(18,379,625)
Operations and Maintenance	(61,293,944)	(56,284,567)	(52,931,859)
Depreciation	(10,066,326)	(9,937,330)	(9,002,167)
Non-operating Expenses			
Debt service	(649,753)	(581,595)	(387,969)
Other non-operating expenses	(10,594)	(14,374)	(22,819)
Total Expenses	<u>(90,370,154)</u>	<u>(83,667,082)</u>	<u>(80,724,439)</u>
Net Income (Loss) before Capital Contributions	(7,583,785)	(9,389,831)	(10,417,319)
Capital Contributions	<u>13,173,531</u>	<u>6,241,621</u>	<u>9,181,043</u>
Change in Net Assets	5,589,746	(3,148,210)	(1,236,276)
Total Net Assets- Beginning	<u>85,344,529</u>	<u>88,492,739</u>	<u>89,729,015</u>

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2006

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$95,959,900 for FY 2006 as compared to \$80,518,872 for FY 2005. The FY 2006 revenue reported as operating revenue, non-operating revenue and transfers from the state increased 11.5% or \$8,509,119 over the prior year. This increase was the result of receiving additional passenger revenue from organization sponsored half-price programs and the U-Pass program and additional revenue in support of the RIte Care program. Beginning July 1, 2005, the Authority received an additional penny of gasoline tax that equated to \$4.6 million in additional revenue for FY 2006. Revenue received through capital contributions increased by 111% or \$6.9 million from the prior year. The Authority's operating and non-operating expenses totaled \$90,370,154 for FY 2006 as compared to \$83,667,082 for FY 2005. This reflects an increase of 8% or \$6.7 million increase over the prior year. The growth is a result of expense increases in wages, fringe benefits, fuel, utilities and depreciation. The Authority also incurred approximately \$500,000 in one-time expenses for improvements and repairs to the Newport Gateway Center. Additionally, during FY 2006, the Authority contracted with the State of Rhode Island Department of Transportation to perform repairs to the states vehicles totaling \$550,000.

FY 2005

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$80,518,872 for FY 2005 as compared to \$79,488,163 for FY 2004. The FY 2005 revenue reported as operating revenue, non-operating revenue and transfers from the state increased 5.6% or \$3,970,131 over the prior year. This increase was the result of receiving additional passenger revenue through the U-Pass program and additional revenue in support of the RIte Care program. Revenue received through capital contributions decreased by 32% or \$2.9 million from the prior year. The Authority's operating and non-operating expenses totaled \$83,667,082 for FY 2005 as compared to \$80,724,439 for FY 2004. This reflects an increase of 3.6% or \$2.9 million increase over the prior year. The growth is a result of expense increases in wages (retro binding arbitration award), fuel, and depreciation.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

The following schedule summarizes the Authority's capital assets and changes therein, for the years ended June 30, 2006, 2005 and 2004.

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land,shops,garages and buildings	\$60,136,406	\$59,933,845	\$59,869,561
Revenue equipment	87,834,347	79,686,497	81,317,990
Service Vehicles and garage equipment	3,453,591	3,401,061	3,386,842
Furnitures and fixtures	2,523,645	1,989,446	2,015,790
Management informations systems	2,522,721	2,636,605	2,937,844
Federal grant projects in process	797,404	842,730	344,973
	<u>157,268,114</u>	<u>148,490,184</u>	<u>149,873,000</u>
Less accumulated depreciation	<u>(64,284,775)</u>	<u>(58,674,816)</u>	<u>(56,359,250)</u>
Net capital assets	<u>92,983,339</u>	<u>\$89,815,368</u>	<u>\$93,513,750</u>

FY 2006

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

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

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

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2005

At the end of fiscal year 2005, the Authority had \$ 89,815,368 invested in capital assets. This amount represents a \$3.7 million or 4% decrease from the last year.

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

- Purchase of 24 Orion buses
- Disposal of 1988 and 1990 buses
- Disposal of Bonanza bus management information systems

During FY 2005, The Authority committed to the purchase of 36 Gillig buses scheduled for delivery in the Fall/Winter 2005. Additionally the Authority also committed to purchase 14 Paratransit vehicles that are scheduled for delivery in the fall of 2005.

Economic Factors and Next Year's Budget

The Authority's mission is to provide safe, reliable and cost effective transit service with a skilled team of professionals responsive to our customers, the environment, and committed to transit excellence. To accomplish this, the Authority must continuously assess its operational functions, financial capacity and products and services provided.

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 2007 budget:

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- ❑ Revenue from state agencies to subsidize policy driven transit travel programs. This program provides payment for free and reduced rides for senior citizens and the disabled population. Additionally, the Authority provides the transportation benefit for the states RIte Care program.
- ❑ Passenger revenue anticipated which includes increases in new pass product programs such as the U-Pass program and organization sponsored half-fare programs. The U-Pass program allows university students access to all transportation routes by simply displaying their university identification card.
- ❑ Cost increases associated with employee contractual contract and health benefit increases. Employee wages and associated fringe benefits made up approximately 70% of the Authority's annual budget. Employee contributions for health care are included in the FY 2007 budget. The Authority's three employee labor contracts have been negotiated and will not expire until June 30, 2009.
- ❑ Costs associated with increased fuel prices. The Authority consumes 2.5 million gallons of fuel annually. The budgeted fuel cost for FY 2007 increased 18% over the previous fiscal year.
- ❑ Inclusion of expenses and offsetting reimbursement of the State of Rhode Island DOT vehicle repair program contracted with the Authority.
- ❑ Americans with Disabilities Act. The cost associated with this unfunded federally mandated program is projected to increase 6% over the prior fiscal year.

The following factors were considered in setting the Authority's FY 2006 budget:

- ❑ Amount of federal funds appropriated for operating and capital purposes. FY 2003 was the final year of TEA 21, a six-year federal appropriation act, which established guaranteed levels of funding for transit agencies nationwide. New reauthorization levels were approved August 2005 with a current year funding level consistent with that in TEA 21.
- ❑ State gasoline tax revenue available for operating purposes. For FY 2006, the yield from the gasoline tax was expected to remain at approximately the same level that was in place over the previous fiscal year; however the amount of gasoline tax revenue transferred to the Authority was increased by one cent to cover the current operating deficit. All but one cent of the thirty cents of gasoline tax has been distributed for transportation purposes, either to the Authority or to the Rhode Island Department of Transportation.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- ❑ Revenue from state agencies to subsidize policy driven transit travel programs. This program provides payment for free and reduced rides for senior citizens and the disabled population. Additionally, the Authority provides the transportation benefit for the states RIte Care program.
- ❑ Passenger revenue anticipated which includes increases in pass product costs and new pass product programs such as the U-Pass program . The U-Pass program allows university students access to all transportation routes by simply displaying their university identification card.
- ❑ Cost increases associated with employee contract and health benefit increases. Employee wages and associated fringe benefits made up approximately 70% of the Authority's annual budget. FY 2006 budget includes employee co-shares for health insurance for the first time. Two of the Authority's three labor contracts will expire December 31, 2005; negotiations have not begun yet.
- ❑ Costs associated with increased fuel prices. The Authority consumes 2.5 million gallons of fuel annually. The budgeted fuel cost for FY 2006 increased 56% over the previous fiscal year.
- ❑ Americans with Disabilities Act. The cost associated with this unfunded federally mandated program is projected to increase 6% over the prior fiscal year.

Contacting the Authority's Financial Management

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents:		
Operating fund	\$ 3,092,718	\$ 1,314,037
Capital replacement fund	2,430,644	2,355,036
Paratransit capital fund	1,114,255	1,102,190
Accident and casualty fund	139,357	271,897
Total cash and cash equivalents	<u>6,776,974</u>	<u>5,043,160</u>
Investments	805,868	223,229
Due from primary government	<u>3,457,373</u>	<u>3,292,444</u>
Receivables:		
Accounts	2,385,869	1,989,480
Grants	1,580,412	1,131,161
Total receivables	<u>3,966,281</u>	<u>3,120,641</u>
Inventories, net allowance of \$440,334 and \$544,060, respectively	2,533,612	2,225,648
Prepaid expenses	<u>158,230</u>	<u>100,590</u>
Total current assets	<u>17,698,338</u>	<u>14,005,712</u>
Long-term assets:		
Capital assets, non-depreciable	2,834,201	2,879,527
Capital assets, depreciable net of depreciation	90,149,138	86,935,841
Total long-term assets	<u>92,983,339</u>	<u>89,815,368</u>
TOTAL ASSETS	<u>110,681,677</u>	<u>103,821,080</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	5,175,838	4,605,466
Accrued salaries, wages and vacation pay	3,789,992	3,698,396
Other liabilities	1,000,240	864,464
Deferred revenue - other	11,878	4,000
Total current liabilities	<u>9,977,948</u>	<u>9,172,326</u>
Long-term liabilities:		
Accrued self insured claims	7,603,435	7,173,505
Net pension obligation	1,833,410	1,833,410
Deferred revenue - tokens	332,609	297,310
Total long-term liabilities	<u>9,769,454</u>	<u>9,304,225</u>
Total liabilities	<u>19,747,402</u>	<u>18,476,551</u>
Net assets:		
Unrestricted net deficit	(2,049,064)	(4,470,839)
Invested in capital assets not being depreciated, net	92,983,339	89,815,368
Total net assets	<u>\$ 90,934,275</u>	<u>\$ 85,344,529</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Passenger	\$ 21,374,315	\$ 19,504,737
Paratransit	595,307	484,138
Rental	121,973	113,392
Advertising	270,417	360,899
RIDE	6,857,791	6,762,201
Other	897,191	438,707
Total operating revenues	<u>30,116,994</u>	<u>27,664,074</u>
Operating expenses:		
Administration	720,405	560,763
Finance	3,404,523	2,363,268
Operations	51,307,167	47,813,147
Marketing	1,670,142	1,577,699
Human resources	711,954	658,635
Risk management	2,401,902	2,837,954
Planning and scheduling	978,135	1,003,344
Specialized transportation	1,845,550	1,560,467
Paratransit operations	6,710,057	5,997,339
Purchasing	970,931	1,082,951
Flex access	255,216	233,544
Flex RIPTA	773,868	701,029
MIS	855,711	657,489
Ferry	601,101	642,942
RIDE	3,788,469	3,508,671
Centralized Maintenance	1,692,114	1,514,680
Facilities Engineering operations	400,714	395,033
State of Rhode Island - DOT	555,522	24,828
Depreciation	10,066,326	9,937,330
Total operating expenses	<u>89,709,807</u>	<u>83,071,113</u>
Operating loss	<u>(59,592,813)</u>	<u>(55,407,039)</u>
Non-operating revenues (expenses):		
Transfer from State	34,840,726	30,218,664
Grants	13,793,116	12,609,255
Investment income	277,983	65,502
Interest expense	(2,972)	(9,865)
Contract revenue	3,757,550	3,713,000
Other non-operating revenue	0	6,756
Loss on disposal of assets	(7,622)	(4,509)
Debt service	(649,753)	(581,595)
Total non-operating revenues	<u>52,009,028</u>	<u>46,017,208</u>
Loss before transfers and capital contributions	(7,583,785)	(9,389,831)

SEE NOTES TO THE FINANCIAL STATEMENTS.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Capital contributions		
Capital contributions	13,173,531	6,241,621
Total capital contributions	<u>13,173,531</u>	<u>6,241,621</u>
Increase (decrease) in net assets	<u>5,589,746</u>	<u>(3,148,210)</u>
Net assets, beginning of the year	<u>85,344,529</u>	<u>88,492,739</u>
Net assets, end of the year	<u>\$ 90,934,275</u>	<u>\$ 85,344,529</u>

(CONCLUDED)

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>		<u>2005</u>
Cash flows from operating activities:			
Cash received from customers	\$ 29,763,782	\$	27,178,617
Cash payments to suppliers for goods and services	(42,829,615)		(39,295,858)
Cash payments to employees for services	(35,951,796)		(33,683,208)
Net cash used for operating activities	<u>(49,017,629)</u>		<u>(45,800,449)</u>
Cash flows from non-capital financing activities:			
Interest paid on revolving loan	(2,972)		(9,865)
Debt service	(649,753)		(581,595)
Operating transfers in	34,675,797		29,579,682
Contract revenue	3,757,550		3,713,000
Other nonoperating revenues	0		6,756
Net cash provided by non-capital financing activities	<u>37,780,622</u>		<u>32,707,978</u>
Cash flows from capital and related financing activities:			
Proceeds from grants	26,517,396		20,220,760
Acquisition and construction of capital assets	(13,287,245)		(6,243,457)
Net cash provided by capital and related financing activities	<u>13,230,151</u>		<u>13,977,303</u>
Cash flows from investing activities:			
Purchase of investments	(1,156,172)		(223,229)
Maturity of investments	573,533		0
Interest and dividends on investments	277,983		65,502
Net cash used for investing activities	<u>(304,656)</u>		<u>(157,727)</u>
Net increase in cash and cash equivalents	1,688,488		727,105
Cash and cash equivalents at beginning of year	<u>5,043,160</u>		<u>4,316,055</u>
Cash and cash equivalents at end of year	\$ <u>6,731,648</u>	\$	\$ <u>5,043,160</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (59,592,813)		(55,407,039)
Adjustment to reconcile operating loss to net cash used for operating activities:			
Depreciation	10,066,326		9,937,330
Decrease in inventory allowance	(103,727)		(85,940)
Changes in assets and liabilities:			
Increase in accounts receivable	(396,389)		(443,961)
Increase in inventory	(204,237)		(16,148)
Increase (decrease) in prepaid expenses	(57,640)		147,813
Increase in accounts payable and accrued expenses	1,227,674		23,052
Increase in deferred revenue	43,177		44,444
Total adjustments	<u>10,575,184</u>		<u>9,606,590</u>
Net cash used for operating activities	\$ <u>(49,017,629)</u>	\$	\$ <u>(45,800,449)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

On July 1, 1966, the Authority, in accordance with its purpose as stated above, acquired the property and assets of the United Transit Company (owner and operator of the public transportation system in Providence-Pawtucket Metropolitan area of the state) through the issuance of \$3,200,000 of revenue bonds designated "Rhode Island Public Transit Authority Revenue Bonds, Series 1966".

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

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

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

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

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

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

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

Basis of Presentation

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Recently Issued Accounting Standards

The Authority has implemented GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and Insurance recoveries. This pronouncement had no effect to the Authority's financial statements.

The Authority has implemented GASB Statement No. 46 – Net Assets Restricted by Enabling Legislation an amendment of GASB Statement No. 34. This pronouncement had no effect to the Authority's financial statements.

The Authority has implemented GASB Statement No. 47 – Accounting for Termination Benefits effective for the Authority's fiscal year ending June 30, 2006. This pronouncement had no effect to the Authority's financial statements.

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

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Authority's fiscal year ending June 30, 2008.

The impact of this pronouncement on the Authority's financial statements has not been determined.

Federal and State Grants

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

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

Investments

Investments are valued at fair market value.

Materials and Supplies of Inventory

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

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

Capital assets are defined by the Authority, as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year.

Operating Revenues and Expenses

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

Compensated Absences

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

Income Taxes

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

Net Assets

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self Insurance

The Authority is self insured for workers' compensation claims, auto liability and property damage claims. Management believes that the accrual for self insurance claims is adequate to cover the ultimate liability arising from such claims. However, the recorded liability is based upon estimates of final settlement amounts, which may be more or less than the amount ultimately paid. The Authority has established a fund for self insurance as more fully described in Note 6.

During the year ended June 30, 2005, the Authority management decided not to renew the excess liability policy, which covered bodily injury or property damage up to \$5,000,000 per occurrence after a retained limit of \$1,000,000 per occurrence.

Cash and Cash Equivalents

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

Estimates

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

Advertising Costs

It is the Authority's policy to expense advertising costs as incurred. Advertising expense for fiscal years ended June 30, 2006 and 2005 was \$435,981 and \$383,136, respectively.

2. CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying amount of the Authority's deposits, except for petty cash of \$1,100 at June 30, 2006 and 2005 is \$3,196,289 and \$1,312,937, respectively and the bank balance was \$4,846,544 and \$2,211,351, respectively. Of the bank balance, \$113,874 and \$105,475 was insured by federal depository insurance and Securities Investor Protection Corporation and the remaining portions, \$4,732,670 and \$2,105,876 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board as of June 30, 2006 and 2005, respectively.

In accordance with General Laws, Chapter 35-10.1, Rhode Island depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2006 and June 30, 2005, the Authority's uncollateralized deposits had maturities of less than sixty (60) days and were with an institution that met the minimum capital standards.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

2. CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

The carrying value of deposits for June 30, 2006 and June 30, 2005 are \$3,196,289 and \$1,312,937. Investments of \$3,579,585, and \$3,729,123, and \$1,100 of petty cash, relate to the balance sheet totals for June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Cash deposits	\$3,196,289	\$1,312,937
Add: Petty cash	1,100	1,100
Investments classified as cash equivalents for financial statement purposes .	<u>3,579,585</u>	<u>3,729,123</u>
Cash and cash equivalents per balance sheet	<u>\$6,776,974</u>	<u>\$5,043,160</u>

At June 30, 2006, the Authority had the following investments classified as cash equivalents:

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
Government Money Market Fund	NA	\$2,430,644
Fidelity Institutional Cash	NA	1,114,255
Government Obligations Fund	NA	20,812
Citizens CD	9/6/06	<u>13,874</u>
		<u>\$3,579,585</u>

At June 30, 2006, the Authority had the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
National Federal Mortgage Association	7/15/06	\$ 150,000
National Federal Mortgage Association	11/15/06	99,000
National Federal Mortgage Association	1/15/07	199,376
National Federal Mortgage Association	2/15/07	122,617
National Federal Mortgage Association	4/15/07	49,875
General Electric Commercial Paper	9/8/06	<u>185,000</u>
		<u>\$ 805,868</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 corporation to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of June 30, 2006, the Authority's investment in National Federal Mortgage Association was rated AAA by Standard and Poors and Moody's Investor Service. Government Money Market is not a rated security, as the fund invests in short-term obligations issued by the U.S. Treasury and invests in repurchase agreements and other instruments collateralized or secured by U.S. Treasury obligations. The U.S. Treasury does not directly or indirectly insure or guarantee the performance of the fund. Treasury obligations have historically involved minimal risk of loss if held to maturity. However, fluctuations in market interest rates may cause the value of Treasury obligations in the Fund's portfolio to fluctuate.

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2006:

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

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

	Balance <u>7/1/2004</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>6/30/05</u>
Cost:				
Land	\$ 2,036,797	\$ -	\$ -	\$ 2,036,797
Shop, garages and buildings.....	57,832,764	64,589	303	57,897,050
Revenue equipment	81,317,990	5,657,851	7,289,344	79,686,497
Service vehicles and garage equipment	3,386,842	66,474	51,689	3,401,627
Furniture and office equipment	2,015,790	15,011	46,674	1,984,127
Management information system	2,937,844	74,089	370,577	2,641,356
Total fixed assets	<u>149,528,027</u>	<u>5,878,014</u>	<u>7,758,587</u>	<u>147,647,454</u>
Federal grant projects in process.....	344,973	517,828	20,071	842,730
Total cost	<u>149,873,000</u>	<u>6,395,842</u>	<u>7,778,658</u>	<u>148,490,184</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>Balance 7/1/2004</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 6/30/05</u>
Accumulated depreciation:				
Shop, garages and buildings.....	9,907,608	1,918,454	305	11,825,757
Revenue equipment.....	40,423,572	7,437,441	7,207,744	40,653,269
Service vehicles and garage equipment.....	2,148,450	298,547	(18,935)	2,465,932
Furniture and office equipment.....	1,336,118	116,582	56,936	1,395,764
Management information system.....	2,543,502	166,306	375,714	2,334,094
Total accumulated depreciation.....	<u>56,359,250</u>	<u>9,937,330</u>	<u>7,621,764</u>	<u>58,674,816</u>
Total property, plant and equipment.....	<u>\$93,513,750</u>	<u>\$3,541,488</u>	<u>\$156,894</u>	<u>\$89,815,368</u>

Depreciation expense for the fiscal year ended June 30, 2005 was \$9,937,330.

4. NOTES PAYABLE

The Authority has a \$2,000,000 line of credit with a financial institution for 2006 and 2005. 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, 2005 and 2006. No amount was due under this line of credit at June 30, 2006 and June 30, 2005.

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, 2006 and 2005 was as follows:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year.....	\$2,578,265	\$1,695,215
Deposits:		
Capital replacement deposits.....	463,107	454,076
Local match payments.....	(74,756)	(77,855)
Interest earnings.....	84,896	55,829
Transfer from operating.....	-	451,000
Balance at end of year.....	<u>\$3,051,512</u>	<u>\$2,578,265</u>
Classified as cash and cash equivalents.....	2,430,644	2,355,036
Classified as investments.....	620,868	223,229
Balance at end of year.....	<u>\$3,051,512</u>	<u>\$2,578,265</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

6. SELF INSURANCE

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

The activity in the accident and casualty fund is as follows:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year.....	\$271,897	\$671,692
Deposits:		
Interest earnings on investments	11,108	5,898
Insurance settlement received/(paid).....	41,352	(405,693)
Balance at end of year	<u>\$324,357</u>	<u>271,897</u>

Assets restricted at June 30, 2006 and 2005 in the accident and casualty fund amounted to \$324,357 and \$271,897, respectively. For fiscal year 2006, \$139,357 is classified as cash and cash equivalents and \$185,000 is classified as investments.

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

At June 30, 2006 and 2005, 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, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Amount of claims liabilities, beginning of year	\$7,173,505	\$7,357,652
Incurred claims	1,586,521	1,853,724
Payments on claims	(1,156,591)	(2,037,871)
Amount of claims liabilities, end of year	<u>\$7,603,435</u>	<u>\$7,173,505</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, 2006 is recorded as other liabilities in the Statement of Net Assets. The Authority's incurred but not reported claims as of June 30, 2006 are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims beginning of year	\$ 732,500	\$ 0
Incurred claims	8,883,363	1,412,245
Payments on claims	(8,759,985)	(679,745)
Unpaid claims end of year	<u>\$ 855,878</u>	<u>\$ 732,500</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

7. COMMITMENTS AND CONTINGENCIES

Claims and Legal Actions

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

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

Contract Commitments

The Authority is committed under various contracts in the amount of \$2,936,224 at June 30, 2006 and \$12,919,072, at June 30, 2005.

8. POST RETIREMENT BENEFITS

The Authority provides certain health care and life insurance benefits to substantially all retired employees and their spouses. These benefits are provided through a group insurance policy that covers both active and retired employees. The Authority funds these post retirement benefits on a pay as you go basis. Premiums on the policies are merit-rated, based on claims paid during the prior year, and are expensed during the related policy year. The total cost of these benefits for June 30, 2006 and June 30, 2005 are \$1,431,340 and \$1,146,473, respectively. These benefits are provided as part of the employee's contract.

9. OPERATING TRANSFERS

State statute directs the Authority to generate sufficient revenues to pay all costs of operating and maintaining the transit system during each fiscal year. Beginning July 1, 1992, the Authority was not given a fixed appropriation from the State but was allocated the revenue generated from a three-cent dedicated gas tax. For fiscal year ended June 30, 2005, the State appropriated a total of six and one quarter cents of dedicated gas tax. For fiscal year ended June 30, 2006, the State appropriated a total of seven and one quarter cents of dedicated gas tax. For the fiscal year ending June 30, 2006 and 2005, the Authority received \$34,840,725 and \$30,218,664, respectively from the dedicated gas tax as operating assistance in support of the transit system. The Authority anticipates receiving approximately \$34,800,000 in fiscal year ended June 30, 2007 from the State.

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

For fiscal years 2006 and 2005, RIPTA used \$8,224,075 and \$8,165,291, respectively, for preventative maintenance expenses. For the first time, RIPTA anticipates using \$2,100,000 of its FY 2006 apportionment to fund a portion of FY 2007 ADA service costs.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

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, 2006 and 2005, the Authority recorded \$3,757,550 and \$3,713,000, respectively of contract revenue from this agreement. For fiscal year 2006, RIPTA anticipates receiving \$3,792,000 under this agreement.

11. DUE FROM PRIMARY GOVERNMENT

At June 30, 2006 and 2005, the Rhode Island Public Transit Authority is owed \$3,457,373 and \$3,292,444, respectively from the Rhode Island Department of Transportation.

12. NET ASSETS

Net assets represent the difference between assets and liabilities. The net asset amount at June 30, 2006 and 2005 was as follows:

	<u>2006</u>	<u>2005</u>
<i>Invested in capital assets, net of related debt:</i>		
Net capital assets in service	\$92,983,339	\$89,815,368
<i>Total restricted for capital activity and debt service</i>	<u>92,983,339</u>	<u>89,815,368</u>
<i>Unrestricted (deficit)</i>	<u>(2,049,064)</u>	<u>(4,470,839)</u>
<i>Total net assets</i>	<u>\$90,934,275</u>	<u>\$85,344,529</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

***NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005***

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.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

14. PENSION PLANS (Continued)

Annual Pension Cost and Net Pension Obligation

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

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

<u>2005</u>	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$3,691,901	\$ 975,583
Interest on net pension obligation.....	157,518	0
Adjustment to annual required contribution.....	(157,518)	0
Annual pension cost.....	3,690,424	975,583
Contributions made.....	(3,691,900)	(975,583)
Increase (decrease) in net pension obligation.....	(1,476)	0
Net pension obligation, June 30, 2004.....	1,834,886	0
Net pension obligation, June 30, 2005.....	<u>\$1,833,410</u>	<u>\$ 0</u>

Bargaining Unit

This plan was changed to a calendar year plan to conform to the salaried unit plan. The annual required contribution for the current year was determined as part of the January 1, 2006 actuarial valuation. The actuarial assumptions included 8% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using values used by insurance companies plus due and accrued contributions. The unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2006 is 24.5 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$3,521,375	52.11%	\$1,834,886
6/30/05	3,690,424	49.68%	1,833,410
6/30/06	3,822,702	47.98%	1,833,410

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

14. PENSION PLANS (Continued)

Salaried Unit

The annual required contribution for the current year was determined as part of the January 1, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return and projected salary increased of 3% per year. The actuarial value of assets was determined using value used by insurance companies plus due and accrued contributions. The unfunded actuarial accrued liability is being amortized over 30 years on a level basis. The remaining amortization period at June 30, 2006 is 23 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	896,336	100%	\$-0-
6/30/2005	975,583	100%	-0-
6/30/2006	1,045,661	100%	-0-

Schedule of Funding Progress

Bargaining Unit

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Unfunded AAL (UAAL) (2)-(1) (3)</u>	<u>AVA as a Percent of AAL (1)/(2) (4)</u>	<u>Covered Payroll for Active Participants (5)</u>	<u>UAAL as a Percent of Covered Payroll (3)/(5) (6)</u>
Jan 1, 2006	\$26,329,994	\$43,480,559	\$17,150,565	60.56%	\$24,091,280	71.19%
Jan 1, 2005	22,854,889	40,219,586	17,364,697	56.83%	23,706,541	73.25%
Jan 1, 2004	18,496,569	35,584,946	17,088,377	51.98%	24,010,191	71.17%
Jan. 1, 2003	13,557,300	28,988,352	15,431,052	46.77%	21,206,502	72.77%
Jan. 1, 2002	12,668,565	28,252,509	15,583,944	44.84%	21,276,554	73.24%
July 1, 2001	13,040,965	24,910,283	11,869,318	52.35%	20,347,877	58.33%
July 1, 2000	13,237,585	25,212,610	11,975,025	52.50%	17,668,588	67.78%
July 1, 1999	11,042,015	23,042,740	12,000,725	47.92%	15,762,022	76.14%
July 1, 1998	8,846,080	20,713,915	11,867,835	42.71%	15,006,637	79.08%
July 1, 1997	7,062,997	19,610,063	12,547,066	36.02%	14,253,772	88.03%

Additional disclosures for Frozen Attained Age Funding Method:

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

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

14. PENSION PLANS (Continued)

Schedule of Funding Progress (Continued)

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, 2006	\$9,075,277	\$16,848,040	\$7,772,763	53.87%	\$7,068,218	109.97%
January 1, 2005	8,230,659	15,688,414	7,457,755	52.46%	6,897,586	108.12%
January 1, 2004	7,442,204	14,593,295	7,151,091	51.00%	6,604,025	108.28%
January 1, 2003	6,622,670	13,056,167	6,433,497	50.72%	6,437,735	99.93%
January 1, 2002	6,446,196	12,115,911	5,669,715	53.20%	5,522,334	102.67%
January 1, 2001	6,288,035	10,847,671	4,559,636	57.97%	4,481,180	101.75%
January 1, 2000	6,201,287	10,371,393	4,170,106	59.79%	4,048,872	102.99%
January 1, 1999	5,983,551	10,079,376	4,095,825	59.36%	2,784,609	147.09%
January 1, 1998	5,482,866	9,972,748	4,489,882	54.98%	2,397,937	187.24%
January 1, 1997	5,632,235	8,800,328	3,168,093	64.00%	1,676,086	189.02%

Additional disclosures for Entry Age Normal Funding Method:

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

15. PARATRANSIT OPERATIONS

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

16. RISK MANAGEMENT

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

(CONCLUDED)

SUPPLEMENTARY INFORMATION

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF TANGIBLE PROPERTY
JUNE 30, 2006**

	Tangible Property			Rate	Balance 06/30/06	Accumulated Depreciation		Balance 06/30/06	Net Book Value 06/30/06
	Balance 07/01/05	Additions	Removals			Balance 07/01/05	Additions		
Land and land rights	\$ 2,036,797				\$ 2,036,797				\$ 2,036,797
Shops, garages and office buildings	56,324,203	202,559		3 1/3%	56,526,762	1,894,689	\$ 13,197,819	43,328,943	
Tunnels	1,572,845			4%	1,572,845	41,810	564,437	1,008,408	
Communication system	7,319,148	1,687,222		10%	5,631,926	562,133	1,686,970	4,213,359	
Revenue equipment - busses	55,915,162	11,432,694	1,764,309	8 1/3%	65,583,547	5,139,284	1,764,307	34,847,952	
Trolleys	6,729,015			8 1/3%	6,729,015	675,914	4,440,688	2,288,327	
Fare boxes	1,099,868			8 1/3%	1,099,868	4,440	1,097,408	2,460	
Service cars and equipment	1,645,415	53,590		25%	1,699,005	99,896	(53,590)	127,394	
Shops and garage equipment	1,755,646	3,467	5,093	10-20%	1,754,020	121,468	4,981	589,726	
Furniture and office equipment	885,369	33,681	36,966	10-20%	882,084	42,906	30,398	180,138	
Miscellaneous equipment	1,104,077	542,803		5-10%	1,646,880	89,310	795,636	851,244	
Management information systems	2,636,605	76,958	195,593	10-20%	2,517,970	148,072	194,905	230,709	
Leased Paratransit Vans	8,623,304	995,083	828,396	20%	8,789,991	1,246,404	828,396	2,480,478	
Total fixed assets	147,647,454	13,340,835	4,517,579		156,470,710	10,066,326	4,456,367	92,185,935	
Federal grant projects in process	842,730	792,632	837,958		797,404			797,404	
Total tangible property	\$ 148,490,184	\$ 14,133,467	\$ 5,355,537		\$ 157,268,114	\$ 10,066,326	\$ 4,456,367	\$ 64,284,775	\$ 92,983,339

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULE OF TANGIBLE PROPERTY
JUNE 30, 2005**

	Tangible Property			Rate	Accumulated Depreciation		Net Book Value 06/30/05
	Balance 07/01/04	Balance 06/30/05	Balance 07/01/04		Transfers/ Removals	Balance 06/30/05	
Land and land rights	\$ 2,036,797	\$ 2,036,797					\$ 2,036,797
Shops, garages and office buildings	56,259,919	56,324,203	64,589	3 1/3%	\$ 9,426,791	\$ 11,303,130	45,021,073
Tunnels	1,572,845	1,572,845		4%	480,817	522,627	1,050,218
Communication system	7,308,026	7,319,148	13,038	10%	1,982,992	2,543,404	4,775,744
Revenue equipment - busses	57,133,493	55,915,162	6,863,144	8 1/3%	29,285,992	27,360,618	28,554,544
Trolleys	6,729,015	6,729,015		8 1/3%	3,088,860	3,764,774	2,964,241
Fare boxes	1,102,368	1,099,868	2,500	8 1/3%	1,090,235	1,092,968	6,900
Service cars and equipment	1,638,031	1,645,415	48,966	25%	1,227,722	1,418,125	227,290
Shops and garage equipment	1,748,811	1,755,646	17,508	10-20%	920,728	1,047,807	707,839
Furniture and office equipment	916,591	885,369	9,161	10-20%	702,567	689,438	195,931
Miscellaneous equipment	1,099,199	1,104,077	5,850	5-10%	633,551	706,326	397,751
Management information systems	2,937,844	2,636,605	74,089	10-20%	2,543,502	2,334,094	302,511
Leased Paratransit Vans	9,045,088	8,623,304	421,784	20%	4,975,493	421,784	2,731,799
Total fixed assets	149,528,027	147,647,454	7,758,587		56,359,250	58,674,816	88,972,638
Federal grant projects in process	344,973	842,730	517,828		20,071		842,730
Total tangible property	\$ 149,873,000	\$ 148,490,184	\$ 7,778,658		\$ 56,359,250	\$ 58,674,816	\$ 89,815,368

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
Administration:		
Salaries	\$ 200,068	\$ 185,569
Fringes	89,987	100,344
Legal	217,649	188,199
Other services	212,701	86,651
Total administration	<u>720,405</u>	<u>560,763</u>
Finance:		
Salaries	498,241	416,402
Fringes	277,981	203,886
Office expense/supplies	33,179	55,845
Utilities	1,549,108	1,340,882
Lease expense	63,602	16,401
Other services	20,952	25,142
Travel	9,126	10,883
Miscellaneous	875,680	185,842
Tickets & Passes	76,654	107,985
Total finance	<u>3,404,523</u>	<u>2,363,268</u>
Operations:		
Salaries	44,360	64,540
Wages - drivers	17,222,075	16,299,470
Wages - other	8,469,142	8,435,807
Fringe benefits	15,798,925	15,224,588
Other services	13,337	8,112
Maintenance agreement	5,360	8,663
Supplies	1,215,437	789,089
Uniforms	127,607	162,058
Hazardous waste disposal	150,964	154,089
Fuel	4,958,143	3,752,840
Antifreeze and lubricants	159,755	72,714
Parts - revenue vehicles	1,945,535	2,043,674
Parts - service vehicles	37,818	9,443
Tires and tubes	409,779	338,245
Major Components	561,489	549,708
Inventory adjustment (recovery)	66,699	(280,969)
Miscellaneous	120,742	181,076
Total operations	<u>51,307,167</u>	<u>47,813,147</u>
Marketing:		
Salaries	727,562	686,085
Fringes	437,277	425,614
Public relations	81,131	89,921
Time tables	141,915	155,315
Advertising	157,483	101,967
Services	35,392	45,745
Miscellaneous	6,334	22,194
Miscellaneous supplies	83,048	50,858
Total marketing	<u>1,670,142</u>	<u>1,577,699</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
Human resources:		
Salaries	385,011	321,210
Fringes	220,884	225,578
Miscellaneous	106,059	111,847
Total human resources	<u>711,954</u>	<u>658,635</u>
Risk management:		
Salaries	162,658	160,265
Fringes	79,946	93,062
Office expense/supplies	3,734	5,993
Insurance	144,973	378,499
Settlements	834,199	867,293
Workers' Compensation legal	71,518	47,045
Workers' Compensation medical	169,713	263,741
Workers' Compensation	488,623	637,145
Workers' Compensation - other	93,986	85,545
Judgments	50,681	24,747
Legal	167,276	179,043
Miscellaneous	134,595	95,576
Total risk management	<u>2,401,902</u>	<u>2,837,954</u>
Planning and Scheduling:		
Salaries	537,955	570,622
Fringes	313,242	329,727
Professional services	117,675	76,287
Other services	4,797	5,361
Office expense/supplies	3,516	9,102
Miscellaneous	950	12,245
Total planning and scheduling	<u>978,135</u>	<u>1,003,344</u>
Specialized transportation:		
Salaries	870,133	815,995
Fringe benefits	576,370	544,879
Professional services	61,728	7,148
Other services	8,549	11,102
Temporary help	12,163	32,972
Maintenance Agreement	198,074	86,719
Miscellaneous	118,533	61,652
Total specialized transportation	<u>1,845,550</u>	<u>1,560,467</u>
Paratransit operations:		
Wages – drivers	3,715,775	3,229,937
Wages – other	406,880	343,932
Fuel	894,213	692,968
Fringe benefits	1,333,231	1,231,070
Insurance	241,631	369,310
Supplies	6,936	4,298
Uniforms/Laundry	37,639	42,958
Parts – vehicles	16	19,928
Inspection/registration fees	1,963	1,898
Training	4,623	3,242
Miscellaneous	67,150	57,798
Total paratransit	<u>6,710,057</u>	<u>5,997,339</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
Purchasing:		
Salaries	652,059	695,783
Fringe	265,010	341,984
Supplies	6,355	8,794
Other services	47,507	36,390
Total purchasing	<u>970,931</u>	<u>1,082,951</u>
Flex Access:		
Salaries	134,345	122,693
Fringes	72,486	49,509
Insurance	1,463	11,973
Supplies	545	-
Vehicle maintenance	46,377	49,369
Total Flex Access	<u>255,216</u>	<u>233,544</u>
Flex RIPTA:		
Salaries	435,508	396,680
Fringes	229,815	160,443
Supplies	3,158	-
Vehicle Maintenance	101,581	135,034
Miscellaneous	3,806	8,872
Total Flex RIPTA	<u>773,868</u>	<u>701,029</u>
MIS:		
Salaries	317,976	293,873
Fringes	285,881	133,303
Services	57,206	82,514
Maintenance Agreements	178,566	117,476
Supplies	16,082	30,323
Total MIS	<u>855,711</u>	<u>657,489</u>
Ferry:		
Professional Services	6,808	62,730
Contracted Services	485,351	441,872
Advertising	55,452	35,933
Building Lease	53,490	102,407
Total Ferry	<u>601,101</u>	<u>642,942</u>
RIDE		
RIDE Carriers	1,800,399	1,780,332
Taxi RIDE Providers	1,988,070	1,728,339
Total RIDE	<u>3,788,469</u>	<u>3,508,671</u>
Centralized Maintenance:		
Salaries	790,622	716,990
Fringes	389,029	355,053
Services	9,433	11,665
Lubricants	6,046	7,654
Tire Mileage	26,033	-
Repair parts	470,951	423,318
Total Centralized Maintenance	<u>1,692,114</u>	<u>1,514,680</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
Facilities Engineering Operations:		
Salaries	256,360	248,306
Fringes	140,599	144,395
Miscellaneous	3,755	2,332
Total Facilities Engineering	<u>400,714</u>	<u>395,033</u>
State of Rhode Island - DOT:		
Salaries	216,662	-
Fringes	134,947	-
Tools	35,116	-
Repair parts	168,797	24,828
Total State of Rhode Island - DOT	<u>555,522</u>	<u>24,828</u>
Depreciation:		
Shops, garages and office buildings	1,894,689	1,876,644
Communication system	562,133	562,328
Revenue equipment	5,139,284	4,856,170
Service cars and equipment	99,896	161,924
Shop and garage equipment	121,468	136,623
Furniture and office equipment	42,906	42,835
Trolleys	675,914	675,914
Fare boxes	4,440	5,233
Miscellaneous equipment	89,310	73,747
Tunnel improvements	41,810	41,810
MIS equipment	148,072	166,306
Leased paratransit vans	1,246,404	1,337,796
Total depreciation	<u>10,066,326</u>	<u>9,937,330</u>
TOTAL OPERATING EXPENSES	<u>\$ 89,709,807</u>	<u>\$ 83,071,113</u>

(CONCLUDED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

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

	FUND 01	FUND 02	FUND 04	TOTAL	INTERFUND ELIMINATIONS	TOTAL
Operating revenues:						
Passenger	\$ 21,374,315			\$ 21,374,315		\$ 21,374,315
Paratransit	173,768	\$ 7,218,659		7,392,427	\$ (6,797,120)	595,307
Rental	121,973			121,973		121,973
Advertising	270,417			270,417		270,417
RIDE	1,572,384		\$ 10,636,439	12,208,823	(5,351,032)	6,857,791
Other	897,191			897,191		897,191
Total operating revenues	24,410,048	7,218,659	10,636,439	42,265,146	(12,148,152)	30,116,994
Operating expenses:						
Administrative	720,405			720,405		720,405
Finance	3,404,523			3,404,523		3,404,523
Operations	51,307,167			51,307,167		51,307,167
Marketing	1,670,142			1,670,142		1,670,142
Human resources	711,954			711,954		711,954
Risk management	2,401,902			2,401,902		2,401,902
Planning and scheduling	978,135			978,135		978,135
Specialized transportation	7,196,582			7,196,582	(5,351,032)	1,845,550
Paratransit operations		6,710,057		6,710,057		6,710,057
Purchasing	970,931			970,931		970,931
Flex access	255,216			255,216		255,216
Flex RIPTA	773,868			773,868		773,868
MIS	855,711			855,711		855,711
Ferry	601,101			601,101		601,101
RIDE			10,585,589	10,585,589	(6,797,120)	3,788,469
Centralized Maintenance	1,692,114			1,692,114		1,692,114
Facilities Engineering operations	400,714			400,714		400,714
State of Rhode Island - DOT	555,522			555,522		555,522
Depreciation	10,065,669	657		10,066,326		10,066,326
Total operating expenses	84,561,656	6,710,714	10,585,589	101,857,959	(12,148,152)	89,709,807
Operating income (loss)	(60,151,608)	507,945	50,850	(59,592,813)	-	(59,592,813)
Non-operating revenues (expenses):						
Transfer from grants	34,840,726			34,840,726		34,840,726
Grants	13,793,116			13,793,116		13,793,116
Investment income	277,983			277,983		277,983
Interest expense	(2,972)			(2,972)		(2,972)
Contract revenue	3,757,550			3,757,550		3,757,550
Other non-operating revenue	-			-		-
Loss on disposal of assets	(7,622)			(7,622)		(7,622)
Debt service	(649,753)			(649,753)		(649,753)
Total non-operating revenues	52,009,028			52,009,028	-	52,009,028
Gain (loss) before transfers and capital contributions	(8,142,580)	507,945	50,850	(7,583,785)	-	(7,583,785)
Capital contributions						
Capital contributions	13,173,531			13,173,531		13,173,531
Total capital contributions	13,173,531			13,173,531		13,173,531
Increase in net assets	\$ 5,030,951	\$ 507,945	\$ 50,850	\$ 5,589,746	\$ -	\$ 5,589,746

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005**

	FUND 01	FUND 02	FUND 04	TOTAL	INTERFUND ELIMINATIONS	TOTAL
Operating revenues:						
Passenger	\$ 19,504,737			\$ 19,504,737		\$ 19,504,737
Paratransit	117,783	\$ 7,031,172		7,148,955	\$ (6,664,817)	484,138
Rental	113,392			113,392		113,392
Advertising	360,899			360,899		360,899
RIDE	1,424,839		\$ 10,217,892	11,642,731	(4,880,530)	6,762,201
Other	438,707			438,707		438,707
Total operating revenues	21,960,357	7,031,172	10,217,892	39,209,421	(11,545,347)	27,664,074
Operating expenses:						
Administrative	560,763			560,763		560,763
Finance	2,363,268			2,363,268		2,363,268
Operations	47,813,147			47,813,147		47,813,147
Marketing	1,577,699			1,577,699		1,577,699
Human resources	658,635			658,635		658,635
Risk management	2,837,954			2,837,954		2,837,954
Planning and scheduling	1,003,344			1,003,344		1,003,344
Specialized transportation	6,440,997			6,440,997	(4,880,530)	1,560,467
Paratransit operations		5,997,339		5,997,339		5,997,339
Purchasing	1,082,951			1,082,951		1,082,951
Flex access	233,544			233,544		233,544
Flex RIPTA	701,029			701,029		701,029
MIS	657,489			657,489		657,489
Ferry	642,942			642,942		642,942
RIDE			10,173,488	10,173,488	(6,664,817)	3,508,671
Centralized Maintenance	1,514,680			1,514,680		1,514,680
Facilities Engineering operations	395,033			395,033		395,033
State of Rhode Island - DOT	24,828			24,828		24,828
Depreciation	9,936,485	845		9,937,330		9,937,330
Total operating expenses	78,444,788	5,998,184	10,173,488	94,616,460	(11,545,347)	83,071,113
Operating income (loss)	(56,484,431)	1,032,988	44,404	(55,407,039)		(55,407,039)
Non-operating revenues (expenses):						
Transfer from grants	30,218,664			30,218,664		30,218,664
Grants	12,609,255			12,609,255		12,609,255
Investment income	65,502			65,502		65,502
Interest expense	(9,865)			(9,865)		(9,865)
Contract revenue	3,713,000			3,713,000		3,713,000
Other non-operating revenue	6,756			6,756		6,756
Loss on disposal of assets	(4,509)			(4,509)		(4,509)
Debt service	(581,595)			(581,595)		(581,595)
Total non-operating revenues	46,017,208			46,017,208	-	46,017,208
Gain (loss) before transfers and capital contributions	(10,467,223)	1,032,988	44,404	(9,389,831)	-	(9,389,831)
Capital contributions						
Capital contributions	6,241,621			6,241,621		6,241,621
Total capital contributions	6,241,621			6,241,621		6,241,621
Decrease in net assets	\$ (4,225,602)	\$ 1,032,988	\$ 44,404	\$ (3,148,210)	\$ -	\$ (3,148,210)

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

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

(CONTINUED)

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

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

(CONCLUDED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULES OF TRAVEL AND ENTERTAINMENT
YEAR ENDED JUNE 30, 2005

Payee	Travelers Name	Purpose	Amount
Radisson Hotel	M. Rodgers	Bus Inspection	251.36
Michael Rodgers		Bus Inspection	250.00
Holiday Inn Midtown	Ed.B./Brian/Billy	Hastus Training	716.58
Giro, Inc.	Ed.B./Brian/Billy	Hastus Training	690.00
Michael Rodgers		Bus Inspection	55.23
Alfred Moscola		Prisioner Prog.	502.19
William Barbieri		Hastus Training	333.30
William Barbieri		Hastus Training	200.00
Edward Brown		Hastus Training	200.00
Brian Marquis		Hastus Training	200.00
Maureen S.Neira		GFOA Mtg.	20.00
Brian Marquis		Hastus Training	168.96
Bank of America	McMahon/Therrien	APTA-Legislative	233.40
Loew's L'Enfant Hotel	A. Moscola	APTA-Legislative	431.00
Hampton Inn-Haywood	A. Moscola	Bus Inspection	240.30
Alfred Moscola		Bus Inspection	170.00
M. S. Neira, Treasurer	P. Michaud	Express Travel	16.00
Mark Therrien		APTA-Legislative	25.00
Alfred Moscola		APTA-Legislative	644.42
AnnMarie McMahon		APTA-Legislative	113.00
Hampton Inn-Haywood	Bernie/Monti/Mike M.	Bus Inspection	785.70
Bernard Harwood		Bus Inspection	182.00
Joseph Monti		Bus Inspection	182.00
Michael McGrane		Bus Inspection	182.00
Atwood World Travel	Bernie/Monti/Mike M.	Bus Inspection	974.73
Loew's L'Enfant Hotel	A. Moscola	APTA-Legislative	(431.00)
Alfred Moscola		Bus Inspection	123.00
APTA	A. Moscola	Legislative Conf.	545.00
APTA	M. Therrien	Legislative Conf.	545.00
APTA	A. McMahon	Legislative Conf.	545.00
Michael J. McGrane		Bus Inspection	385.11
JW Marriott	A. McMahon	Legislative Conf.	714.48
JW Marriott	M. Therien	Legislative Conf.	476.32
JW Marriott	A. Moscola	Legislative Conf.	952.64
AnnMarie McMahon		Legislative Conf.	170.00
Alfred Moscola		Legislative Conf.	250.00
Mark Therrien		Legislative Conf.	150.00
Greater Prov. Chamber	A. Moscola/H.Kinch	Legislative Lunch	120.00
Bank of America	AM/Moscola/MT	Legislative Conf.	645.69
Alfred Moscola		Legislative Conf.	180.40
Mark Therrien		Legislative Conf.	399.10
SUB-TOTAL			13,537.91

(CONTINUED)

***RHODE ISLAND PUBLIC TRANSIT AUTHORITY
SCHEDULES OF TRAVEL AND ENTERTAINMENT
YEAR ENDED JUNE 30, 2005***

Payee	Travelers Name	Purpose	Amount
AnnMarie McMahon		Legislative Conf.	394.10
Society for HR Mgmt.	D. Dawson	HR Conference	970.00
Thomas Clupny		Training	1,317.47
Atwood World Travel	J. Monti	Bus Inspection	78.00
Atwood World Travel	B. Harwood	Bus Inspection	516.30
Hampton Inn-Haywood	J. Monti	Bus Inspection	295.05
Michael Rodgers		Bus Inspection	200.00
Atwood World Travel	F. Rose	Bus Inspection	379.31
Atwood World Travel	J. Monti	Bus Inspection	568.30
Joseph M. Monti		Bus Inspection	200.00
Hampton Inn-Haywood	J. Monti	Bus Inspection	295.00
Douglas Wood		Conference	598.30
Alfred Moscola		Bus Inspection	398.60
Bank of America	Harwood/Monti	Bus Inspection	565.28
Deborah A. Dawson		HR Conference	975.30
Joseph Monti		Bus Inspection	362.02
Crowne Plaza	Alfred Moscola	Bus Inspection	423.96
Francis T. Rose		Bus Inspection	208.95
Douglas Wood		CTAA Conf.	1,038.20
Deborah A. Dawson		HR Conference	250.00
Atwood World Travel	Alfred Moscola	Bus Inspection	552.90
Francis T. Rose		Bus Inspection	220.00
Hampton Inn-Haywood	Francis T. Rose	Bus Inspection	393.40
Michael Rodgers		Bus Inspection	162.54
Bernard Harwood		Bus Inspection	200.00
Crowne Plaza	Harwood/Monti	Bus Inspection	239.84
Alfred Moscola		Bus Inspection	200.00
Atwood World Travel	M. Rodgers	Bus Inspection	468.30
Hampton Inn-Haywood		Bus Inspection	(295.00)
		SUB-TOTAL	<u>12,176.12</u>
		GRAND TOTAL	<u>\$ 25,714.03</u>

(CONCLUDED)