

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS AND SCHEDULES
YEARS ENDED JUNE 30, 2005 AND 2004
(WITH INDEPENDENT AUDITORS' REPORT)**

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rhode Island Public Transit Authority

We have audited the accompanying financial statements of the Rhode Island Public Transit Authority, a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2005 and June 30, 2004 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 audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Public Transit Authority, as of June 30, 2005 and 2004 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the financial statements, the Authority received operating assistance including fare subsidies from the State for the fiscal year ending June 30, 2005 and June 30, 2004 in the amount of \$30,218,664 and \$31,868,219. 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 2, 2005 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 - 42 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 2, 2005

A handwritten signature in black ink, reading "Russell A. Chastellier Forensic Accountant Wilkerson & Associates, P.C." The signature is written in a cursive style with a large initial 'R' and a stylized 'W' at the end.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Rhode Island Public Transit Authority (Authority) provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Authority's financial statements. This narrative provides an overview of the Authority's financial activity for the fiscal year ended June 30, 2005 and June 30, 2004. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Authority's financial activities based on facts, decisions, and conditions currently facing management.

Understanding the Authority's Financial Statements

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

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

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

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

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

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

FY 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.

FY 2004

- The Authority's operating, non-operating revenues and transfers from the state increased by 5.9% or \$3.9 million during FY 2004 compared to FY 2003.
- Operating and non-operating expenses increased by 7% or \$5 million during FY 2004 as compared to FY 2003.
- Capital contributions increased by \$3.2 million or 52.7% over the previous year.
- The Authority's total net assets decreased by \$1.2 million or 1.4 % from FY 2003.

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, 2005, 2004 and 2003.

	<u>June 30,</u> <u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
Assets:			
Capital assets	\$89,815,368	\$93,513,750	\$93,409,820
Other assets	14,005,712	13,388,044	12,822,166
TOTAL ASSETS	<u>103,821,080</u>	<u>106,901,794</u>	<u>106,231,986</u>
Liabilities:			
Current Liabilities	9,172,326	8,965,151	8,935,811
Long-term Liabilities	9,304,225	9,443,904	7,567,160
TOTAL LIABILITES	<u>18,476,551</u>	<u>18,409,055</u>	<u>16,502,971</u>
Net assets			
Unrestricted net assets (deficit)	(4,470,839)	(5,021,011)	(3,680,805)
Invested in capital assets	89,815,368	93,513,750	93,409,820
TOTAL NET ASSETS	<u>\$85,344,529</u>	<u>\$88,492,739</u>	<u>\$89,729,015</u>

The majority of the Authority's assets; 86.5% in FY 2005 and 87.5% in FY 2004, reflect its investment in capital assets (land, building, revenue vehicles, equipment). Other assets include cash (including amounts invested in cash equivalent type instruments), accounts receivables from federal and state governments, inventories, prepaid expenses and other receivables. Current liabilities consist of vendor, employee and benefit payments while long-term liabilities include accrued pension and self-insured claims.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Authority Operations

The following schedule presents the condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2005, 2004 and 2003.

	June 30, 2005	June 30, 2004	June 30, 2003
Operating Revenue			
Ritecare program revenue	\$12,845,712	\$6,785,595	\$4,270,560
Passenger Revenue	6,659,025	7,145,187	6,785,717
Ride program revenue	6,762,201	6,829,146	2,689,869
Other operating revenues	1,397,136	1,191,835	4,132,222
Non-operating Revenue			
Grant revenue	12,609,255	12,735,107	15,374,875
Contract revenue	3,713,000	3,728,800	3,689,300
Other non-operating revenue	72,258	23,231	379,693
Transfer in from the State	30,218,664	31,868,219	29,054,641
Total Revenues	<u>74,277,251</u>	<u>70,307,120</u>	<u>66,376,877</u>
Operating Expenses			
Management and General	(16,849,216)	(18,379,625)	(20,546,949)
Operations and Maintenance	(56,284,567)	(52,931,859)	(46,737,354)
Depreciation	(9,937,330)	(9,002,167)	(7,677,339)
Non-operating Expenses			
Debt service	(581,595)	(387,969)	(409,379)
Other non-operating expenses	(14,374)	(22,819)	(22,406)
Total Expenses	<u>(83,667,082)</u>	<u>(80,724,439)</u>	<u>(75,393,427)</u>
Net Income (Loss) before Capital Contributions	(9,389,831)	(10,417,319)	(9,016,550)
Capital Contributions	6,241,621	9,181,043	6,012,830
Change in Net Assets	(3,148,210)	(1,236,276)	(3,003,720)
Total Net Assets- Beginning	88,492,739	89,729,015	92,732,735
Total Net Assets- Ending	<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 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.

FY 2004

The Authority's operating revenue, non-operating revenue, transfers from the state and capital contributions total \$79,488,163 for FY 2004 as compared to \$72,389,707 in FY 2003. The FY 2004 revenue reported as operating revenue, non-operating revenue and transfers from the state increased 5.9% or \$3,930,243 over the prior year. This increase was the result of receiving additional passenger revenue through the U-Pass program, additional revenue in support of the RIte Care program and additional gasoline tax subsidy from the State. Revenue received through capital contributions increased by 52.7% or \$3.2 million from the prior year. The Authority's operating and non-operating expenses totaled \$80,724,439 for FY 2004 as compared to \$75,393,427 for FY 2003. This reflects an increase of 7.1% over the prior year. The growth is a result of expense increases in fringe benefits, fuel, Americans with Disability Act program cost, Paratransit operations costs and depreciation.

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, 2005, 2004 and 2003.

	2005	2004	2003
Land, shops, garages and buildings	\$59,933,845	\$59,869,561	\$56,850,066
Revenue equipment	79,686,497	81,317,990	68,181,626
Service Vehicles and garage equipment	3,401,061	3,386,842	3,058,399
Furnitures and fixtures	1,989,446	2,015,790	2,064,522
Management informations systems	2,636,605	2,937,844	2,922,032
Federal grant projects in process	842,730	344,973	11,202,689
	<u>148,490,184</u>	<u>149,873,000</u>	<u>144,279,334</u>
Less accumulated depreciation	(58,674,816)	(56,359,250)	(50,869,514)
Net capital assets	<u>\$89,815,368</u>	<u>\$93,513,750</u>	<u>\$ 93,409,820</u>

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.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2004

At the end of fiscal year 2004, the Authority had \$ 93,513,750 invested in capital assets. This amount represents a slight increase over the last year.

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

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

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

Economic Factors and Next Year's Budget

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

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 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.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- State gasoline tax revenue available for operating purposes. For FY 2006, the yield from the gasoline tax is expected to remain at approximately the same level that was in place over the previous fiscal year, however the amount of gasoline tax revenue transferred to the Authority is being 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.
- Revenue from state agencies to subsidize policy driven transit travel programs. This program provides payment for free and reduced RIDes for senior citizens and the disabled population. Additionally, the Authority provides the transportation benefit for the states RIte Care program.
- Passenger revenue anticipated which includes increases in pass product costs and new pass product programs such as the U-Pass program . The U-Pass program allows university students access to all transportation routes by simply displaying their university identification card.
- Cost increases associated with employee contractual contract and health benefit increases. Employee wages and associated fringe benefits made up approximately 70% of the Authority's annual budget. FY 2006 budget includes an employee co-payment 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 Disability 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 2005 budget:

- Service reductions are being planned to close the budget gap of \$1.9 million for FY 2005.
- Amount of federal funds appropriated for operating and capital purposes. 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. As of September 2004 there has been no reauthorization legislation on new appropriation levels and the amount of the federal transit funding guarantees are uncertain at this time.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Contacting the Authority's Financial Management

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

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents:		
Operating fund	\$ 1,314,037	\$ 981,739
Capital replacement fund	2,355,036	1,695,215
Paratransit capital fund	1,102,190	967,409
Accident and casualty fund	271,897	671,692
Total cash and cash equivalents	<u>5,043,160</u>	<u>4,316,055</u>
Investments	223,229	-
Due from primary government	<u>3,292,444</u>	<u>2,653,462</u>
Receivables:		
Accounts	1,989,480	2,824,783
Grants	1,131,161	1,135,841
Total receivables	<u>3,120,641</u>	<u>3,960,624</u>
Inventories, net allowance of \$549,060 and \$635,000, respectively	2,225,648	2,209,500
Prepaid expenses	<u>100,590</u>	<u>248,403</u>
Total current assets	<u>14,005,712</u>	<u>13,388,044</u>
Long-term assets:		
Capital assets, net of depreciation	<u>89,815,368</u>	<u>93,513,750</u>
Total long-term assets	<u>89,815,368</u>	<u>93,513,750</u>
TOTAL ASSETS	<u>103,821,080</u>	<u>106,901,794</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	4,605,466	5,591,603
Accrued salaries, wages and vacation pay	3,698,396	3,314,715
Other liabilities	864,464	53,333
Deferred revenue - other	4,000	5,500
Total current liabilities	<u>9,172,326</u>	<u>8,965,151</u>
Long-term liabilities:		
Accrued self insured claims	7,173,505	7,357,652
Accrued pension liabilities	1,833,410	1,834,886
Deferred revenue - tokens	297,310	251,366
Total long-term liabilities	<u>9,304,225</u>	<u>9,443,904</u>
Total liabilities	<u>18,476,551</u>	<u>18,409,055</u>
Net assets:		
Unrestricted net deficit	(4,470,839)	(5,021,011)
Invested in capital assets	89,815,368	93,513,750
Total net assets, as restated	<u>\$ 85,344,529</u>	<u>\$ 88,492,739</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, 2005 AND 2004

	2005	2004
Operating revenues:		
Passenger	\$ 19,504,737	\$ 13,930,782
Paratransit	484,138	447,841
Rental	113,392	117,218
Advertising	360,899	395,372
RIDE	6,762,201	6,829,146
Other	438,707	231,404
Total operating revenues	<u>27,664,074</u>	<u>21,951,763</u>
Operating expenses:		
Administration	560,763	712,037
Finance	2,363,268	2,482,382
Operations	47,813,147	45,277,835
Marketing	1,577,699	1,328,572
Human resources	658,635	688,544
Risk management	2,837,954	4,705,682
Planning and scheduling	1,003,344	1,070,081
Specialized transportation	1,560,467	1,441,103
Paratransit operations	5,997,339	5,089,481
Purchasing	1,082,951	995,935
Flex access	233,544	204,165
Flex RIPTA	701,029	625,422
MIS	657,489	654,725
Ferry	642,942	678,082
RIDE	3,508,671	3,392,019
Centralized Maintenance	1,539,508	1,734,956
Facilities Engineering operations	395,033	230,463
Depreciation	9,937,330	9,002,167
Total operating expenses	<u>83,071,113</u>	<u>80,313,651</u>
Operating loss	<u>(55,407,039)</u>	<u>(58,361,888)</u>
Non-operating revenues (expenses):		
Transfer from State	30,218,664	31,868,219
Grants	12,609,255	12,735,107
Investment income	65,502	20,395
Interest expense	(9,865)	(17,488)
Contract revenue	3,713,000	3,728,800
Other non-operating revenue	6,756	2,836
Loss on disposal of assets	(4,509)	(5,331)
Debt service	(581,595)	(387,969)
Total non-operating revenues	<u>46,017,208</u>	<u>47,944,569</u>
Loss before transfers and capital contributions	(9,389,831)	(10,417,319)
Capital contributions		
Capital contributions	6,241,621	9,181,043
Total capital contributions	<u>6,241,621</u>	<u>9,181,043</u>
Decrease in net assets	<u>\$ (3,148,210)</u>	<u>\$ (1,236,276)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Net assets, beginning of year		
Unrestricted net deficit	\$ (5,021,011)	\$ (3,680,805)
Invested in capital assets	<u>93,513,750</u>	<u>93,409,820</u>
	88,492,739	89,729,015
Net increase (decrease) in net assets		
Unrestricted net assets, as restated	550,172	(1,340,206)
Invested in capital assets	<u>(3,698,382)</u>	<u>103,930</u>
	(3,148,210)	(1,236,276)
Net assets, end of year, as restated		
Unrestricted net deficit, as restated	(4,470,839)	(5,021,011)
Invested in capital assets	<u>89,815,368</u>	<u>93,513,750</u>
	<u>\$ 85,344,529</u>	<u>\$ 88,492,739</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 27,178,617	\$ 21,789,476
Cash payments to suppliers for goods and services	(39,295,858)	(36,540,397)
Cash payments to employees for services	(33,683,208)	(32,530,230)
Net cash used for operating activities	<u>(45,800,449)</u>	<u>(47,281,151)</u>
Cash flows from non-capital financing activities:		
Interest paid on revolving loan	(9,865)	(17,488)
Debt service	(581,595)	(387,969)
Operating transfers in	29,579,682	31,039,029
Contract revenue	3,713,000	3,728,800
Other nonoperating revenues	6,756	2,836
Net cash provided by non-capital financing activities	<u>32,707,978</u>	<u>34,365,208</u>
Cash flows from capital and related financing activities:		
Proceeds from grants	20,220,760	21,655,635
Acquisition and construction of capital assets	(6,243,457)	(9,111,428)
Net cash provided by capital and related financing activities	<u>13,977,303</u>	<u>12,544,207</u>
Cash flows from investing activities:		
Purchase of investments	(223,229)	-
Interest and dividends on investments	65,502	20,395
Net cash provided by investing activities	<u>(157,727)</u>	<u>20,395</u>
Net increase (decrease) in cash and cash equivalents	727,105	(351,341)
Cash and cash equivalents at beginning of year	<u>4,316,055</u>	<u>4,667,396</u>
Cash and cash equivalents at end of year	<u>\$ 5,043,160</u>	<u>\$ 4,316,055</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (55,407,039)	(58,361,888)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	9,937,330	9,002,167
Increase (decrease) in allowance for doubtful accounts	(85,940)	505,000
Changes in assets and liabilities:		
Increase in accounts receivable	(443,961)	(711,809)
Increase in inventory	(16,148)	(305,141)
Decrease in prepaid expenses	147,813	37,775
Increase (decrease) in accounts payable and accrued expenses	23,052	2,508,223
Increase in deferred revenue	44,444	44,522
Total adjustments	<u>9,606,590</u>	<u>11,080,737</u>
Net cash used for operating activities	<u>\$ (45,800,449)</u>	<u>\$ (47,281,151)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

1. ORGANIZATION

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Recently Issued Accounting Standards

The Authority has implemented GASB Statement No. 40 – Deposits and Investment Risk Disclosures.

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

- ✓ GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, effective for the Authority's fiscal year ending June 30, 2006.
- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions, effective for the Authority's fiscal year ending June 30, 2008.
- ✓ GASB Statement No. 46 – Net Assets Restricted by Enabling Legislation an amendment of GASB Statement No. 34, effective for the Authority's fiscal year ending June 30, 2006.
- ✓ GASB Statement No. 47 – Accounting for Termination Benefits effective for the Authority's fiscal year ending June 30, 2006.

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

Federal and State Grants

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

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

Investments

Investments are valued at fair market value.

Materials and Supplies of Inventory

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

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

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, 2005 AND 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self Insurance

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

For the year ended June 30, 2004, the Authority acquired an excess liability policy. This policy covers bodily injury or property damage up to \$5,000,000 per occurrence after a retained limit of \$1,000,000 per occurrence. During the year ended June 30, 2005, management decided not to renew the excess liability policy.

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, 2005 and 2004 was \$383,136 and \$278,509.

3. CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying amount of the Authority's deposits, except for petty cash of \$1,100 at June 30, 2005 and 2004 is \$1,312,937 and \$1,974,039, respectively and the bank balance was \$2,211,351 and \$3,510,383, respectively. Of the bank balance, \$105,475 and \$125,991 was insured by federal depository insurance and Securities Investor Protection Corporation and the remaining portions, \$2,105,876 and \$3,384,392 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board as of June 30, 2005 and 2004, 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, 2005 and June 30, 2004, the Authority's uncollateralized deposits had maturities of less than sixty (60) days and were with an institution that met the minimum capital standards.

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

3. CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

The carrying value of deposits for June 30, 2005 and June 30, 2004 are \$1,312,937 and \$1,974,039. Investments of \$3,729,123, and \$2,340,916, and \$1,100 of petty cash, relate to the balance sheet totals for June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Cash deposits	\$1,312,937	\$1,974,039
Add: Petty cash	1,100	1,100
Investments classified as cash equivalents for financial statement purposes .	<u>3,729,123</u>	<u>2,340,916</u>
Cash and cash equivalents per balance sheet	<u>\$5,043,160</u>	<u>\$4,316,055</u>

At June 30, 2005, 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	\$3,694,093
United States Treas Notes	8/31/05	<u>35,030</u>
		<u>\$3,729,123</u>

At June 30, 2005, the Authority had the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
National Federal Mortgage Association	10/15/05	\$ 75,054
National Federal Mortgage Association	1/15/06	99,045
National Federal Mortgage Association	4/15/06	<u>49,130</u>
		<u>\$ 223,229</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, 2005, 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, 2005 AND 2004**

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2005:

	<u>Balance</u> <u>7/1/2004</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>6/30/05</u>
Cost:				
Land, shop, garages and buildings	\$59,869,561	\$ 64,589	\$ 303	\$59,933,847
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>
Accumulated depreciation:				
Land, 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.

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

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

5. NOTES PAYABLE

The Authority has a \$2,000,000 line of credit with a financial institution for 2005 and 2004. 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, 2004 and 2005. No amount was due under this line of credit at June 30, 2005 and June 30, 2004.

6. CAPITAL REPLACEMENT FUNDS

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

The activity in the capital replacement fund for fiscal years ended June 30, 2005 and 2004 was as follows:

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$1,695,215	\$2,231,099
Deposits:		
Capital replacement deposits	454,076	386,188
Local match payments	(77,855)	(499,830)
Interest earnings.....	55,829	28,758
Transfer from (to) operating	451,000	(451,000)
Balance at end of year	<u>\$2,578,265</u>	<u>\$1,695,215</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

7. SELF INSURANCE

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

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

	<u>2005</u>	<u>2004</u>
Balance at beginning of year.....	\$671,692	\$619,449
Deposits:		
Interest earnings on investments	5,898	6,557
Insurance settlement received/(paid).....	(405,693)	45,686
Balance at end of year	<u>\$271,897</u>	<u>\$671,692</u>

Assets restricted at June 30, 2005 and 2004 in the accident and casualty fund amounted to \$271,896 and \$671,692, respectively.

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, 2005 and 2004, the Authority obtained an independent evaluation of its self-insurance reserve for losses. The reserve for losses reflects the actuarial determined amount at the 75% confidence level.

The activity in the liability for self-insured claims for fiscal year ended June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Amount of claims liabilities, beginning of year	\$7,357,652	\$5,535,203
Incurred claims.....	1,853,724	3,566,964
Payments on claims	(2,037,871)	(1,744,515)
Amount of claims liabilities, end of year	<u>\$7,173,505</u>	<u>\$7,357,652</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, 2005 are recorded as other liabilities in the Statement of Net Assets. The Authority's incurred but not reported claims as of June 30, 2005 are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims beginning of year	\$0	\$0
Incurred claims.....	1,412,245	0
Payments on claims	(679,745)	(0)
Unpaid claims end of year.....	<u>\$732,500</u>	<u>\$0</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

8. COMMITMENTS AND CONTINGENCIES

Claims and Legal Actions

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

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

Contract Commitments

The Authority is committed under various contracts in the amount of \$12,919,072 at June 30, 2005 and \$6,235,574 at June 30, 2004.

9. POST RETIREMENT BENEFITS

The Authority provides certain health care and life insurance benefits to substantially all retired employees and their spouses. These benefits are provided through a group insurance policy that covers both active and retired employees. The Authority funds these post retirement benefits on a pay as you go basis. Premiums on the policies are merit-rated, based on claims paid during the prior year, and are expensed during the related policy year. The total cost of these benefits for June 30, 2005 and June 30, 2004 are \$1,146,473 and \$1,365,408, respectively. These benefits are provided as part of the employee's contract.

10. OPERATING TRANSFERS

State statute directs the Authority to generate sufficient revenues to pay all costs of operating and maintaining the transit system during each fiscal year. Beginning July 1, 1992, the Authority was not given a fixed appropriation from the State but was allocated the revenue generated from a three-cent dedicated gas tax. For fiscal year ended June 30, 2005 and 2004, the State appropriated a total of six and one quarter cents of dedicated gas tax. For the fiscal year ending June 30, 2005 and 2004, the Authority received \$30,218,664 and \$31,868,219, respectively from the dedicated gas tax as operating assistance in support of the transit system. The Authority anticipates receiving approximately \$34,510,000 in fiscal year ended June 30, 2006 from the State.

On May 22, 1998, the Congress passed the Transportation Equity Act for the 21st century (TEA 21) authorizing Federal transportation programs for the next six years. This act eliminated Federal funding for operating. However, TEA 21 expanded the definition of capital preventive maintenance allowing the use of federal capital funds to be applied towards preventative maintenance expenses. For fiscal year's 2005 and 2004, RIPTA anticipates using \$8,300,000 and \$7,600,000, respectively of Federal capital funds to offset preventive maintenance costs. Additionally, RIPTA expects to receive \$1,650,000 in Jobs Access/Reverse Commute Federal funds during fiscal year 2006.

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

11. ELDERLY BUS SERVICE

Beginning July 1, 1994, the Authority entered into an agreement with the Department of Elderly Affairs, Rhode Island Department of Transportation and the Governor's Commission on the Handicapped. The agreement provides for the Rhode Island Public Transit Authority to receive funds to cover the cost of the fixed route elderly bus service provided in accordance with Rhode Island General Law 39-18-4(g)(1), and to fund paratransit services. The funding source for the above revenue is a portion of the one-cent gasoline tax dedicated to the Department of Elderly Affairs. For the fiscal year ended June 30, 2005 and 2004, the Authority recorded \$3,713,000 and \$3,728,800, respectively of contract revenue from this agreement. For fiscal year 2005, RIPTA anticipates receiving \$3,760,000 under this agreement.

12. DUE FROM PRIMARY GOVERNMENT

At June 30, 2005 and 2004, the Rhode Island Public Transit Authority is owed \$3,292,444 and \$2,653,462, respectively from the Rhode Island Department of Transportation.

13. NET ASSETS

Net assets represent the difference between assets and liabilities. The net asset amount at June 30, 2005 and 2004 was as follows:

	<u>2005</u>	<u>2004</u>
Invested in capital assets, net of related debt:		
Net capital assets in service	\$89,815,368	\$93,513,750
Total restricted for capital activity and debt service	<u>89,815,368</u>	<u>93,513,750</u>
Unrestricted (deficit)	<u>(4,470,839)</u>	<u>(5,021,011)</u>
Total net assets	<u>\$85,344,529</u>	<u>\$88,492,739</u>

14. RESTATEMENT

The June 30, 2004 unrestricted net assets have been restated to reflect a correction of an error in the reporting of the State Transfer and the reporting of accounts payable.

The following represents the effect of the prior period adjustment on the unrestricted net assets at June 30, 2004:

Unrestricted net assets end of year, as originally stated	\$87,600,098
Recognition of additional State Transfer	1,181,575
Recognition of additional unrecorded accounts payable	<u>(288,934)</u>
Net increase in unrestricted net assets	892,641
Unrestricted net assets end of year, as restated	<u>\$88,492,739</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

15. 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.

16. 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. This plan covers all eligible employees. Employees are required to contribute 3% of their base salary to the Plan.

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

Funding Policy

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

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RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

16. 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>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.....	(158,994)	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>

<u>2004</u>	<u>Bargaining Unit</u>	<u>Salaried Unit</u>
Annual required contribution.....	\$3,522,602	\$896,336
Interest on net pension obligation.....	157,767	0
Adjustment to annual required contribution.....	(158,994)	0
Annual pension cost.....	3,521,375	896,336
Contributions made.....	(3,522,602)	(896,336)
Increase (decrease) in net pension obligation.....	(1,227)	0
Net pension obligation, June 30, 2003.....	1,836,113	0
Net pension obligation, June 30, 2004.....	<u>\$1,834,886</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, 2005 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, 2005 is 25.5 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>
6/30/03	\$3,170,065	57.92%	1,836,113
6/30/04	3,521,375	52.11%	1,834,886
6/30/05	3,690,424	49.68%	1,833,410

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

16. PENSION PLANS (Continued)

Salaried Unit

The annual required contribution for the current year was determined as part of the January 1, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return and projected salary increased of 3% per year. The actuarial value of assets was determined using value used by insurance companies plus due and accrued contributions. The unfunded actuarial accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2005 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>
6/30/2003	795,434	100%	-0-
6/30/2004	896,336	100%	-0-
6/30/2005	975,583	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, 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%
July 1, 1996	5,875,074	20,241,153	14,366,079	29.03%	15,167,167	94.72%

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, 2005 AND 2004**

16. PENSION PLANS (Continued)

Schedule of Funding Progress (Continued)

Actuarial Valuation Date	Salaried Unit					
	Actuarial Value of Assets (AVA) (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1) (3)	AVA as a Percent of AAL (1)/(2) (4)	Covered Payroll for Active Participants (5)	UAAL as a Percent of Covered Payroll (3)/(5) (6)
January 1, 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%
January 1, 1996	3,121,603	2,895,860	(225,743)	107.80%	2,255,834	(10.01%)

Additional disclosures for Entry Age Normal Funding Method:

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

17. 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.

18. 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 2 and 7.

(CONCLUDED)

SUPPLEMENTARY INFORMATION

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

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

	Tangible Property			Rate	Balance 07/01/04	Accumulated Depreciation			Net Book Value 06/30/05
	Balance 07/01/04	Additions	Removals			Balance 06/30/05	Transfers/ Removals	Balance 06/30/05	
Land and land rights	\$ 2,036,797								\$ 2,036,797
Shops, garages and office buildings	56,259,919	64,589	305	3 1/3%	\$ 9,426,791	\$ 1,876,644	\$ 305	\$ 11,303,130	45,021,073
Tunnels	1,572,845			4%	480,817	41,810		522,627	1,050,218
Communication system	7,308,026	13,038	1,916	10%	1,982,992	562,328	1,916	2,543,404	4,775,744
Revenue equipment - busses	57,133,493	5,644,813	6,863,144	8 1/3%	29,285,992	4,856,170	6,781,544	27,360,618	28,554,544
Trolleys	6,729,015			8 1/3%	3,088,860	675,914		3,764,774	2,964,241
Fare boxes	1,102,368		2,500	8 1/3%	1,090,235	5,233	2,500	1,092,968	6,900
Service cars and equipment	1,638,031	48,966	41,582	25%	1,227,722	161,924	(28,479)	1,418,125	227,290
Shops and garage equipment	1,748,811	17,508	10,673	10-20%	920,728	136,623	9,544	1,047,807	707,839
Furniture and office equipment	916,591	9,161	40,383	10-20%	702,567	42,835	55,964	689,438	195,931
Miscellaneous equipment	1,099,199	5,850	972	5-10%	633,551	73,747	972	706,326	397,751
Management information systems	2,937,844	74,089	375,328	10-20%	2,543,502	166,306	375,714	2,334,094	302,511
Leased Paratransit Vans	9,045,088		421,784	20%	4,975,493	1,337,796	421,784	5,891,505	2,731,799
Total fixed assets	149,528,027	5,878,014	7,758,587		56,359,250	9,937,330	7,621,764	58,674,816	88,972,638
Federal grant projects in process	344,973	517,828	20,071		842,730				842,730
Total tangible property	\$ 149,873,000	\$ 6,395,842	\$ 7,778,658		\$ 56,359,250	\$ 9,937,330	\$ 7,621,764	\$ 58,674,816	\$ 89,815,368

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

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

	Tangible Property				Accumulated Depreciation			Net Book Value 06/30/04	
	Balance 07/01/03	Additions	Removals	Balance 06/30/04	Rate	Balance 07/01/03	Additions		Transfers/ Removals
Land and land rights	\$ 1,637,188	\$ 399,609		\$ 2,036,797					\$ 2,036,797
Shops, garages and office buildings	53,640,033	2,644,320	24,434	56,259,919	3 1/3%	7,605,940	1,826,152	\$ 5,301	\$ 9,426,791
Tunnels	1,572,845			1,572,845	4%	439,007	41,810		480,817
Communication system	1,706,617	5,603,035	1,626	7,308,026	10%	1,701,849	282,507	1,364	1,982,992
Revenue equipment - busses	50,520,188	8,460,770	1,847,465	57,133,493	8 1/3%	26,643,314	4,299,860	1,657,182	29,285,992
Trolleys	6,385,564	343,451		6,729,015	8 1/3%	2,430,118	658,742		3,088,860
Fare boxes	1,102,368			1,102,368	8 1/3%	1,083,480	6,755		1,090,235
Service cars and equipment	1,298,145	339,886		1,638,031	25%	1,051,640	176,082		1,227,722
Shops and garage equipment	1,760,254	58,253	69,696	1,748,811	10-20%	843,698	142,085	65,055	920,728
Furniture and office equipment	928,484	31,997	43,890	916,591	10-20%	673,448	52,753	23,634	702,567
Miscellaneous equipment	1,136,038		36,839	1,099,199	5-10%	557,156	76,655	260	633,551
Management information systems	2,922,032	100,674	84,862	2,937,844	10-20%	2,452,902	170,959	80,359	2,543,502
Leased Paratransit Vans	8,466,889	2,256,408	1,678,209	9,045,088	20%	5,386,962	1,267,807	1,679,276	4,975,493
Total fixed assets	133,076,645	20,238,403	3,787,021	149,528,027		50,869,514	9,002,167	3,512,431	56,359,250
Federal grant projects in process	11,202,689	2,791,177	13,648,893	344,973					344,973
Total tangible property	\$ 144,279,334	\$ 23,029,580	\$ 17,435,914	\$ 149,873,000		\$ 50,869,514	\$ 9,002,167	\$ 3,512,431	\$ 56,359,250
									\$ 93,513,750

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
Administration:		
Salaries	\$ 185,569	\$ 192,716
Fringes	100,344	74,940
Legal	188,199	380,780
Other services	86,651	63,601
Total administration	<u>560,763</u>	<u>712,037</u>
Finance:		
Salaries	416,402	415,775
Fringes	203,886	178,366
Office expense/supplies	55,845	36,709
Utilities	1,340,882	1,307,810
Lease expense	16,401	17,948
Other services	25,142	17,461
Travel	10,883	13,694
Miscellaneous	185,842	394,572
Tickets & Passes	107,985	100,047
Total finance	<u>2,363,268</u>	<u>2,482,382</u>
Operations:		
Salaries	64,540	134,218
Wages - drivers	16,299,470	15,467,931
Wages - other	8,435,807	7,886,001
Fringe benefits	15,224,588	14,248,101
Other services	8,112	24,499
Maintenance agreement	8,663	20,876
Supplies	789,089	826,116
Uniforms	162,058	208,907
Hazardous waste disposal	154,089	189,697
Fuel	3,752,840	2,836,474
Antifreeze and lubricants	72,714	55,716
Parts - revenue vehicles	2,043,674	1,915,495
Parts - service vehicles	9,443	45,124
Tires and tubes	338,245	321,960
Major Components	549,708	341,766
Inventory adjustment (recovery)	(280,969)	566,530
Miscellaneous	181,076	188,424
Total operations	<u>47,813,147</u>	<u>45,277,835</u>
Marketing:		
Salaries	686,085	663,419
Fringes	425,614	311,094
Public relations	89,921	76,909
Time tables	155,315	137,943
Advertising	101,967	45,556
Services	45,745	30,793
Miscellaneous	22,194	7,675
Miscellaneous supplies	50,858	55,183
Total marketing	<u>1,577,699</u>	<u>1,328,572</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
Human resources:		
Salaries	321,210	334,071
Fringes	225,578	210,490
Miscellaneous	111,847	143,983
Total human resources	<u>658,635</u>	<u>688,544</u>
Risk management:		
Salaries	160,265	174,954
Fringes	93,062	73,094
Office expense/supplies	5,993	4,563
Insurance	378,499	625,209
Settlements	867,293	649,090
Workers' Compensation legal	47,045	37,909
Workers' Compensation medical	263,741	259,575
Workers' Compensation	637,145	758,549
Workers' Compensation - other	85,545	77,301
Judgments	24,747	1,822,449
Legal	179,043	171,628
Miscellaneous	95,576	51,361
Total risk management	<u>2,837,954</u>	<u>4,705,682</u>
Planning and Scheduling:		
Salaries	570,622	523,757
Fringes	329,727	244,296
Professional services	76,287	174,808
Other services	5,361	69,511
Office expense/supplies	9,102	27,815
Miscellaneous	12,245	29,894
Total planning and scheduling	<u>1,003,344</u>	<u>1,070,081</u>
Specialized transportation:		
Salaries	815,995	743,262
Fringe benefits	544,879	511,777
Professional services	7,148	8,237
Other services	11,102	7,342
Temporary help	32,972	4,980
ADA functional cons	-	-
Maintenance Agreement	86,719	93,766
Miscellaneous	61,652	71,739
Total specialized transportation	<u>1,560,467</u>	<u>1,441,103</u>
Paratransit operations:		
Wages – drivers	3,229,937	3,007,171
Wages – other	343,932	318,979
Fuel	692,968	449,159
Fringe benefits	1,231,070	877,504
Insurance	369,310	316,810
Supplies	4,298	7,231
Uniforms/Laundry	42,958	45,159
Parts – vehicles	19,928	3,937
Inspection/registration fees	1,898	1,848
Training	3,242	5,625
Miscellaneous	57,798	56,058
Total paratransit	<u>5,997,339</u>	<u>5,089,481</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<i>Purchasing:</i>		
Salaries	695,783	618,112
Fringe	341,984	331,798
Supplies	8,794	9,909
Other services	36,390	36,116
<i>Total purchasing</i>	<u>1,082,951</u>	<u>995,935</u>
<i>Flex Access:</i>		
Salaries	122,693	116,425
Fringes	49,509	47,348
Insurance	11,973	15,712
Vehicle maintenance	49,369	24,680
<i>Total Flex Access</i>	<u>233,544</u>	<u>204,165</u>
<i>Flex RIPTA:</i>		
Salaries	396,680	363,250
Fringes	160,443	162,189
Vehicle Maintenance	135,034	98,779
Miscellaneous	8,872	1,204
<i>Total Flex RIPTA</i>	<u>701,029</u>	<u>625,422</u>
<i>MIS:</i>		
Salaries	293,873	265,453
Fringes	133,303	125,815
Services	82,514	99,183
Maintenance Agreements	117,476	129,623
Supplies	30,323	34,651
<i>Total MIS</i>	<u>657,489</u>	<u>654,725</u>
<i>Ferry:</i>		
Professional Services	62,730	172,491
Contracted Services	441,872	346,644
Advertising	35,933	17,294
Building Lease	102,407	141,653
<i>Total Ferry</i>	<u>642,942</u>	<u>678,082</u>
<i>RIDE</i>		
RIDE Carriers	1,780,332	1,879,424
Taxi RIDE Providers	1,728,339	1,512,595
<i>Total RIDE</i>	<u>3,508,671</u>	<u>3,392,019</u>
<i>Centralized Maintenance:</i>		
Salaries	716,990	813,800
Fringes	355,053	417,893
Services	11,665	14,539
Lubricants	7,654	5,992
Repair parts	448,146	482,732
<i>Total Centralized Maintenance</i>	<u>1,539,508</u>	<u>1,734,956</u>

(CONTINUED)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
Facilities Engineering Operations:		
Salaries	248,306	153,808
Fringes	144,395	75,892
Miscellaneous	2,332	763
Total Facilities Engineering	<u>395,033</u>	<u>230,463</u>
Depreciation:		
Shops, garages and office buildings	1,876,644	1,826,152
Communication system	562,328	282,507
Revenue equipment	4,856,170	4,299,860
Service cars and equipment	161,924	176,082
Shop and garage equipment	136,623	142,085
Furniture and office equipment	42,835	52,753
Trolleys	675,914	658,742
Fare boxes	5,233	6,755
Miscellaneous equipment	73,747	75,149
Tunnel improvements	41,810	41,810
MIS equipment	166,306	170,959
Paratransit operations	-	1,506
Leased paratransit vans	1,337,796	1,267,807
Total depreciation	<u>9,937,330</u>	<u>9,002,167</u>
TOTAL OPERATING EXPENSES	<u>\$ 83,071,113</u>	<u>\$ 80,313,651</u>

(CONCLUDED)

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	<u>21,960,357</u>	<u>7,031,172</u>	<u>10,217,892</u>	<u>39,209,421</u>	<u>(11,545,347)</u>	<u>27,664,074</u>
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	1,539,508			1,539,508		1,539,508
Facilities Engineering operations	395,033			395,033		395,033
Depreciation	9,936,485	845		9,937,330		9,937,330
Total operating expenses	<u>78,444,788</u>	<u>5,998,184</u>	<u>10,173,488</u>	<u>94,616,460</u>	<u>(11,545,347)</u>	<u>83,071,113</u>
Operating income (loss)	<u>(56,484,431)</u>	<u>1,032,988</u>	<u>44,404</u>	<u>(55,407,039)</u>		<u>(55,407,039)</u>
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	<u>46,017,208</u>			<u>46,017,208</u>	<u>-</u>	<u>46,017,208</u>
Gain (loss) before transfers and capital contributions	<u>(10,467,223)</u>	<u>1,032,988</u>	<u>44,404</u>	<u>(9,389,831)</u>	<u>-</u>	<u>(9,389,831)</u>
Capital contributions						
Capital contributions	6,241,621			6,241,621		6,241,621
Total capital contributions	<u>6,241,621</u>			<u>6,241,621</u>		<u>6,241,621</u>
Decrease in net assets	<u>\$ (4,225,602)</u>	<u>\$ 1,032,988</u>	<u>\$ 44,404</u>	<u>\$ (3,148,210)</u>	<u>\$ 0</u>	<u>\$ (3,148,210)</u>

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

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

	FUND 01	FUND 02	FUND 04	TOTAL	INTERFUND ELIMINATIONS	TOTAL
Operating revenues:						
Passenger	\$ 13,930,782			\$ 13,930,782		\$ 13,930,782
Paratransit	109,929	\$ 7,080,408		7,190,337	\$ (6,742,496)	447,841
Rental	117,218			117,218		117,218
Advertising	395,372			395,372		395,372
RIDE	1,610,885		\$ 9,914,866	11,525,751	(4,696,605)	6,829,146
Other	231,404			231,404		231,404
Total operating revenues	<u>16,395,590</u>	<u>7,080,408</u>	<u>9,914,866</u>	<u>33,390,864</u>	<u>(11,439,101)</u>	<u>21,951,763</u>
Operating expenses:						
Administrative	712,037			712,037		712,037
Finance	2,482,382			2,482,382		2,482,382
Operations	45,277,835			45,277,835		45,277,835
Marketing	1,328,572			1,328,572		1,328,572
Human resources	688,544			688,544		688,544
Risk management	4,705,682			4,705,682		4,705,682
Planning and scheduling	1,070,081			1,070,081		1,070,081
Specialized transportation	6,137,708			6,137,708	(4,696,605)	1,441,103
Paratransit operations		5,089,481		5,089,481		5,089,481
Purchasing	995,935			995,935		995,935
Flex access	204,165			204,165		204,165
Flex RIPTA	625,422			625,422		625,422
MIS	654,725			654,725		654,725
Ferry	678,082			678,082		678,082
RIDE			10,134,515	10,134,515	(6,742,496)	3,392,019
Centralized Maintenance	1,734,956			1,734,956		1,734,956
Facilities Engineering operations	230,463			230,463		230,463
Depreciation	9,000,661	1,506		9,002,167		9,002,167
Total operating expenses	<u>76,527,250</u>	<u>5,090,987</u>	<u>10,134,515</u>	<u>91,752,752</u>	<u>(11,439,101)</u>	<u>80,313,651</u>
Operating income (loss)	<u>(60,131,660)</u>	<u>1,989,421</u>	<u>(219,649)</u>	<u>(58,361,888)</u>		<u>(58,361,888)</u>
Non-operating revenues (expenses):						
Transfer from grants	31,868,219			31,868,219		31,868,219
Grants	12,735,107			12,735,107		12,735,107
Investment income	20,395			20,395		20,395
Interest expense	(17,488)			(17,488)		(17,488)
Contract revenue	3,728,800			3,728,800		3,728,800
Other non-operating revenue	2,836			2,836		2,836
Loss on disposal of assets	(5,331)			(5,331)		(5,331)
Debt service	(387,969)			(387,969)		(387,969)
Total non-operating revenues	<u>47,944,569</u>			<u>47,944,569</u>	<u>-</u>	<u>47,944,569</u>
Gain (loss) before transfers and capital contributions	<u>(12,187,091)</u>	<u>1,989,421</u>	<u>(219,649)</u>	<u>(10,417,319)</u>	<u>-</u>	<u>(10,417,319)</u>
Capital contributions						
Capital contributions	9,181,043			9,181,043		9,181,043
Total capital contributions	<u>9,181,043</u>			<u>9,181,043</u>		<u>9,181,043</u>
Decrease in net assets	<u>\$ (3,006,048)</u>	<u>\$ 1,989,421</u>	<u>\$ (219,649)</u>	<u>\$ (1,236,276)</u>	<u>\$ -</u>	<u>\$ (1,236,276)</u>

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

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
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

<u>Payee</u>	<u>Travelers Name</u>	<u>Purpose</u>	<u>Amount</u>
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)

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

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

(CONTINUED)

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

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

(CONTINUED)

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

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

(CONCLUDED)