

**RHODE ISLAND TURNPIKE AND  
BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE  
OF RHODE ISLAND)**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**



RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

YEAR ENDED JUNE 30, 2007

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**Independent Auditors' Report**

Board of Directors  
Rhode Island Turnpike and Bridge Authority  
Jamestown, Rhode Island

We have audited the accompanying basic financial statements of the Rhode Island Turnpike and Bridge Authority (the Authority), a Component Unit of the State of Rhode Island, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Turnpike and Bridge Authority, a Component Unit of the State of Rhode Island, as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2007 on our consideration of the Authority's internal control over financial reporting and on 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over 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 assessing the results of our audit.

**Independent Auditors' Report (Continued)**

Board of Directors  
Rhode Island Turnpike and Bridge Authority

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Leffkowitz, Jan. Jankel, Charney & DeGonzal. C.*

September 26, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Rhode Island Turnpike and Bridge Authority (the Authority) is a quasi-public agency created by the Rhode Island General Assembly in 1954 to maintain and operate the Claiborne Pell Bridge, on the west shore of Narragansett Bay and connecting the City of Newport and Town of Jamestown, and the Mount Hope Bridge, on the east shore of the bay and connecting the Towns of Bristol and Portsmouth, Rhode Island. Day-to-day operations of the Authority are led by an Executive Director who oversees 43 employees and reports to a five-member Board of Directors comprised of the Director of Transportation, who is a member ex-officio, and four members appointed by the Governor. For over 50 years, the Authority has been committed to maintaining and operating the Pell and Mount Hope Bridges in a fiscally responsible manner that ensures their physical integrity and longevity.

This discussion and analysis of the Authority's financial position and performance provides information as of June 30, 2007 and for the year then ended, with comparison as deemed appropriate to the previous fiscal year that ended June 30, 2006. Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

During fiscal 2007, there were no significant changes to the Authority's activities, financing structure, accounting methods, or the manner in which activity is recorded and summarized for presentation. In July 2006, the Board of Directors appointed Earl J. Croft, III as the Executive Director.

### **FINANCIAL STATEMENTS COMPOSITION**

The Authority's annual financial statements consist of three parts: management's discussion and analysis, the basic financial statements with note disclosures, and supplementary information.

The basic financial statements report information about the self-supporting activities of the Authority funded primarily by toll revenue. They consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows, all of which are supported by Notes to the Financial Statements.

The financial statements provide indications of the Authority's financial health. The Statement of Net Assets summarizes all of the Authority's assets and liabilities (on the accrual basis of accounting) as of the fiscal year-end date, and indicates which assets can be used for general purposes and which are restricted by bond covenants as to their use. The Statement of Revenues, Expenses and Changes in Net Assets reports revenues earned and expenses incurred during a fiscal year. In addition to reporting cash provided and used by operating activities, the Statement of Cash Flows also reports other cash sources, such as investment income, and other cash uses, such as the purchase of capital additions and the repayment of bond principal and interest obligations.

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, its accounts are classified, for accounting and reporting purposes, into a number of separate funds. These funds, and their purposes, are described in Note 1 to the financial statements.

## 2007 FINANCIAL STATEMENTS AND OPERATIONAL SUMMARIES

### *Activity and Year-End Financial Position*

The Authority's total net assets increased from 2006 by \$5.9 million or 7.7%, which consisted of an increase in total assets of \$4.6 million and a decrease in total liabilities of \$1.3 million. The \$8.8 million increase in capital assets is attributable to projects underway as part of the Authority's ongoing capital improvement program, net of \$2 million of depreciation.

A comparative summary of the Authority's net assets at June 30 is shown below:

#### Statement of Net Assets

A condensed comparative summary of the Authority's net assets is shown below (dollars in thousands):

	June 30, 2007		June 30, 2006	
Assets:				
Capital assets (net)	\$ 78,669	67.9%	\$ 69,870	62.8%
Other:				
Investments	32,968	28.5%	32,426	29.2%
Cash and cash equivalents	3,565	3.1%	8,346	7.5%
Other	617	.5%	567	0.5%
	37,150	32.1%	41,339	37.2%
Total assets	115,819	100.0%	111,209	100.0%
Liabilities:				
Bonds payable	27,838	24.0%	29,819	27.0%
Other liabilities	4,569	4.0%	3,927	3.0%
Total liabilities	32,407	28.0%	33,746	30.0%
Net assets:				
Invested in capital assets, net of related debt	47,828	41.3%	37,600	34.0%
Restricted under bond covenants	6,089	5.2%	8,931	8.0%
Unrestricted	29,495	25.5%	30,932	28.0%
Total net assets	\$ 83,412	72.0%	\$ 77,463	70.0%

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating results are discussed in the *Operating Results* section below. A condensed summary of activity follows (dollars in thousands):

	<u>2007</u>		<u>2006</u>	
Toll revenues	\$ 12,095	100.0%	\$ 12,085	100.0%
Operating expenses:				
Personnel services	1,947	16.1%	1,796	14.9%
Insurance	1,463	12.1%	991	8.2%
Repairs and maintenance	1,104	9.1%	1,035	8.6%
Other	566	4.7%	603	5.0%
Depreciation	2,044	16.9%	1,641	13.5%
Total operating expenses	7,124	58.9%	6,066	50.2%
Operating income	4,971	41.1%	6,019	49.8%
Nonoperating revenue (expenses), net	978	8.1%	(965)	(8.0%)
Change in net assets	5,949	<u>49.2%</u>	5,054	<u>41.8%</u>
Net assets, beginning of year	77,463		72,409	
Net assets, end of year	<u>\$ 83,412</u>		<u>\$ 77,463</u>	

The increase in operating expenses from the prior year is attributable to increases in property insurance and depreciation expense.

Investment income for 2007 was approximately \$2.3 million on a portfolio of approximately \$33 million at year-end. In 2007, the investment income includes an unrealized gain of approximately \$481,000. In 2006, investment income was net of an unrealized loss of approximately \$1.4 million.

### **Tolls and Operations**

The Claiborne Pell Bridge toll schedule is based upon financial obligations of the Authority. Toll rates are set at a level sufficient to fund ongoing operations, debt service (including reserves), capital improvements, and regular maintenance of the Authority's capital assets. Tolls were removed from the Mount Hope Bridge effective May 1, 1998.

## Tolls and Operations (Continued)

The \$1-per-axle cash toll at the Pell Bridge has not been increased since the structure opened to traffic in 1969. Passage for most two-axle vehicles (passenger cars, motorcycles, and two-axle recreational vehicles and light trucks) has always been permitted for \$1 through the use of tokens sold (until 1999) for \$10 per roll of ten. Since 1999, the single-passage fare may effectively be reduced with the purchase of bulk tokens, which may be purchased in groups of 11 for \$10 (which equates to \$.9091 per token/fare) or 60 for \$50 (or \$.8333 per token/fare). Larger quantities are also offered, for the convenience of frequent travelers, at \$.8333 per token/fare.

At the close of each fiscal year, the Authority calculates the average price per fare of its bulk token sales. The average price per token for fiscal 2007 is \$0.90, the same level as the prior year.

The operations department is responsible for the collection of tolls from motorists passing through the Authority's toll plaza in Jamestown, adjacent to the Pell Bridge. The department is headed by a Director of Operations, who is assisted by a number of supervisors in order to operate the facility 24 hours per day, 365 days per year. The department employs approximately 28 full- and part-time toll collectors throughout the year, all of whom are covered under a collective bargaining agreement, as well as non-union casual collectors utilized primarily during the busy tourist season of May 30 through October 12. Supervisors are responsible for the smooth operation of all activity during weekdays, and during nights and weekends are also responsible for reporting to the bridge and all Authority buildings and grounds to investigate unusual occurrences and to maintain a safe environment for motorists. The Rhode Island State Police is summoned when circumstances dictate, and also undertakes routine patrols at the toll plaza and elsewhere adjacent to the bridges, especially during weekend evenings during the summer. This is done in cooperation with local police and EMTC services provided by the municipalities of Jamestown, Newport, Bristol, and Portsmouth.

## Operating Results

### *Pell Bridge Traffic and Revenue Summary*

Traffic and revenue statistics for the current and prior years are as follows:

	<u>2007</u>		<u>2006</u>	
<b>Traffic (number of passages)</b>				
Two-axle vehicle fares paid with tokens **	7,995,770	78.1%	8,042,235	78.4%
Two-axle vehicle fares paid with cash	2,091,046	20.4%	2,063,529	20.1%
All other vehicles *	<u>151,090</u>	<u>1.5%</u>	<u>160,263</u>	<u>1.5%</u>
	<u>10,237,906</u>	<u>100.0%</u>	<u>10,266,027</u>	<u>100.0%</u>

## Operating Results (Continued)

### Pell Bridge Traffic and Revenue Summary (Continued)

	<u>2007</u>		<u>2006</u>	
<b>Revenue</b>				
Two-axle vehicle fares paid with tokens **	\$ 7,318,335	60.5%	\$ 7,363,183	61.0%
Two-axle vehicle fares paid with cash (at \$2 per passage)	4,182,092	34.6%	4,127,058	34.1%
All other vehicles *	594,995	4.9%	594,887	4.9%
	<u>\$ 12,095,422</u>	<u>100.0%</u>	<u>\$ 12,085,128</u>	<u>100.0%</u>

\* Trucks greater than 8,000 lbs. GVW, buses, vehicles towing trailers, vehicles with more than three axles.

\*\* Includes year-end adjustment for unredeemed tokens and tickets (\$122,087 for 2007; \$125,191 for 2006).

Pell Bridge traffic decreased but revenue increased during 2007 as compared to the previous year. There were 10,237,906 vehicular bridge journeys during 2007, a decrease of 28,121 (.3%) from the 2006 level of 10,266,027. Toll revenue increased, however, to \$12,095,422 in 2007, \$10,294 (.09%) over \$12,085,128 of toll revenue recorded during fiscal 2006. Increased revenue is attributed to the increase in the number of two-axle vehicle fares paid with cash at \$2.00 per passage.

### **Engineering and Maintenance**

The engineering and maintenance departments are headed by a Director of Engineering who oversees all capital construction and maintenance activities on behalf of the Authority. In addition, also under the Director of Engineering, separate consulting engineering firms have been engaged to manage projects undertaken on each structure. Each bridge is subjected to an annual inspection, and a more thorough and complete “in-depth” inspection is performed on each structure every five years.

Approximately 68% of the Authority’s assets are capital assets, most notably the two largest suspension bridges in New England, the operation and maintenance of which the Authority has been charged. In order to continue to protect these assets for the foreseeable future, the Authority’s Board of Directors annually revises its 10-year Renewal and Replacement Plan.

### **Capital and Construction Activities**

Under the Renewal and Replacement Plan, \$69.1 million is allocated to the Pell Bridge, with the remaining \$50.2 million going toward Mount Hope Bridge projects. Major capital improvement projects in progress during fiscal 2007 include:

## **Capital and Construction Activities (Continued)**

### **Mount Hope Bridge**

- Continued work on the \$8.9 million project for the rehabilitation and painting of the bridge towers
- Work on the on-call deck maintenance contract
- Annual Inspection

### **Pell Bridge**

- Design and study of West Approach roadway and Structure “E”
- Continued patching and sealing of roadway and painting repairs of steel superstructure
- Commencement of security and electrical system upgrades
- Commencement of the main cable inspection
- Annual Inspection

The Authority has entered into various contracts for ongoing improvements to the bridges and property. As of June 30, 2007, remaining commitments on these contracts approximated \$10,790,000.

## **Maintenance**

During 2007, the Authority continued its preventive maintenance programs for both the Pell and Mount Hope bridges that are designed to ensure the safety, security, and aesthetics of the structures while generating long-term savings to the Authority. As part of this effort, a number of Authority staff have been assigned additional duties including security details, especially during high alert periods; preventive maintenance of bridge bearings; repair of potholes on approach roads; preventive corrosion treatment on bridges; snow removal at the toll plaza; routine inspection on expansion and contraction components of bridges; painting of bridge rails and building interiors; and signage maintenance on bridges.

## **Finance and Accounting**

Finance and accounting functions are headed by a Chief Financial Officer who is responsible for maintaining the Authority’s books and records and for adhering to covenants and other requirements of agreements entered into with bondholders.

## **Debt Service**

Approximately 86% of the Authority’s liabilities are debt service obligations entered into during 2003 when bonds then outstanding, Series 1997, were refinanced. The total 2003 Series A bond issuance raised \$35,765,000. Principal payments are due annually, and interest payments semiannually, until maturity in 2017. The 2003 Series A bonds are not subject to optional redemption prior to maturity.

In accordance with the trust agreement entered into between the Authority and U.S. Bank National Association, the trustee, debt service obligations (monthly deposits of toll revenues made into separate principal, interest, and debt service reserve accounts held by the trustee) were made during 2007 on a timely basis. Compliance with restrictions and covenants stipulated in the trust agreement were monitored during 2007 by the Chief Financial Officer. There are presently no anticipated changes to the Authority’s debt and financing structure.

## **Investments**

Approximately 28.5% of the Authority's assets are investments. Under the trust agreement referenced above, "moneys in all funds and accounts shall be invested by the holder of such Fund or Account as soon as practicable upon receipt in Permitted Investments..." The definition of Permitted Investments includes mostly fixed income securities, and as is evident in the Schedule of Cash and Investments on page 34 through 37, a substantial majority of the Authority's investments (99%) are in the form of U.S. Government agency obligations, most of which have stated maturities between 2012 and 2015.

## **Insurance Cost Savings Initiatives**

Insurance continues to be among the Authority's most significant operating expenses. In January 2005, management and the local collective bargaining unit cooperated in an effort to control health care costs while maintaining the current level of service. The creative approach employed continued to be successful in achieving substantial savings in 2007.

The Authority maintains property and casualty insurance coverage as deemed appropriate in consultation with an insurance industry expert.

During 2007, the Authority received notice that the premium for coverage for the Pell and Mt. Hope Bridges had more than doubled over the prior year as a result of the potential impact of damage from wind or terrorism. The Board of Directors continues to explore alternatives to reduce the cost of insuring the bridges.

## **Community Involvement**

The Authority continues to maintain its relationships with its host communities of Bristol, Jamestown, Newport, and Portsmouth, Rhode Island. The Authority takes an active role with community organizations and continues to make marketing-related sponsorships of cultural and other events in its host municipalities, which it believes contributes directly to increases in bridge traffic, especially from local patrons.

A lease agreement for use of the Mount Hope Bridge's former Gatekeeper's House with Roger Williams University continues to result in a favorable arrangement for both parties. Capital improvements and annual operating and maintenance costs of this facility, which were the responsibility of the Authority, are now assumed by the university, which houses its alumni relations offices in the building.

## **Requests for Information**

This financial report is designed to provide a general overview of the Authority and its finances. Questions about any of the information contained in this report and requests for additional information may be addressed to the Executive Director at: Rhode Island Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS - JUNE 30, 2007

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 1,698,376
Accounts receivable	33,642
Accrued interest receivable	222,876
Prepaid expenses	139,432
Restricted:	
Cash and cash equivalents	1,866,814
Investments	3,550,351
Accounts receivable	39,456
Accrued interest receivable	23,507

Total current assets 7,574,454

Noncurrent assets:

Investments	28,570,003
Restricted investments	848,040
Bond issuance costs, net	157,654
Capital assets not being depreciated	15,100,552
Capital assets being depreciated, net	63,567,923

Total noncurrent assets 108,244,172

Total assets 115,818,626

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS - JUNE 30, 2007 (CONTINUED)

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 3,357,243
Accrued interest payable	106,056
Accrued expenses	377,681
Unredeemed toll coupons and tokens	728,435
Current portion of bonds payable	<u>2,035,000</u>

Total current liabilities 6,604,415

Noncurrent liabilities, bonds payable, less current portion 25,802,607

Total liabilities 32,407,022

Commitment (Note 5)

**NET ASSETS:**

Invested in capital assets, net of related debt	47,827,678
Restricted, bond covenants	6,089,170
Unrestricted	<u>29,494,756</u>

Total net assets \$ 83,411,604

See notes to financial statements.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2007

Toll revenues	<u>\$ 12,095,422</u>
Operating expenses:	
Personnel services	1,946,597
Utilities	125,852
Contractual services	292,701
Other supplies and expenses	148,939
Insurance	1,463,580
Repairs and maintenance of system	1,103,654
Depreciation	<u>2,043,845</u>
Total operating expenses	<u>7,125,168</u>
Operating income	<u>4,970,254</u>
Nonoperating revenues (expenses):	
Interest expense	(1,270,112)
Amortization of bond issuance costs	(14,897)
Amortization of bond discount	(17,172)
Investment income, net of trustee fees	2,274,100
Miscellaneous income	<u>6,340</u>
Total nonoperating revenues (expenses)	<u>978,259</u>
Change in net assets	5,948,513
Net assets, beginning of year	<u>77,463,091</u>
Net assets, end of year	<u><u>\$ 83,411,604</u></u>

See notes to financial statements.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Cash received from tolls	\$ 12,064,003
Cash payments to:	
Suppliers for goods and services	(3,131,599)
Employees for services	<u>(1,899,635)</u>
Net cash provided by operating activities	<u>7,032,769</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,242,728)
Principal paid on bonds	(1,975,000)
Interest paid on bonds	<u>(1,298,441)</u>
Cash used in capital and related financing activities	<u>(13,516,169)</u>
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	1,013,490
Purchase of investments	(1,081,930)
Investment income received	1,765,161
Other nonoperating income	<u>6,340</u>
Net cash provided by investing activities	<u>1,703,061</u>
Net decrease in cash and cash equivalents	(4,780,339)
Cash and cash equivalents, beginning of year	<u>8,345,529</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,565,190</u></u>

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2007

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,970,254
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,043,845
Changes in assets and liabilities:	
Accounts receivable	19,579
Prepaid expenses	(48,458)
Accounts payable	50,985
Accrued expenses	33,929
Unredeemed tolls, coupons and tokens	<u>(37,365)</u>
Net cash provided by operating activities	<u><u>\$ 7,032,769</u></u>

Supplemental disclosure, noncash investing activity:

Investment income received excludes \$480,885 of unrealized gains on investments.

See notes to financial statements.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

1. Description of business and summary of significant accounting policies:

*Description of business:*

The Rhode Island Turnpike and Bridge Authority (Authority) was created in 1954 by the Rhode Island General Assembly as a body corporate and politic, with powers to construct, acquire, maintain, and operate bridge projects as defined by law. The Authority was responsible for the construction of the Claiborne Pell Bridge (formerly the Newport Bridge) which was opened for traffic on June 28, 1969 and has been responsible for the operation and maintenance of the Mount Hope Bridge between Bristol, Rhode Island and Portsmouth, Rhode Island and the Claiborne Pell Bridge between Newport, Rhode Island and Jamestown, Rhode Island since 1964 and 1969, respectively.

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.

The Authority is exempt from federal and state income taxes.

*Basis of accounting:*

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties.

Accounts of the Authority are maintained in compliance with provisions of the Trust Agreement with U.S. Bank National Association dated July 1, 2003, which secured the Authority's revenue bonds. The Trust Agreement requires that the accounting policies of the Authority conform to accounting principles generally accepted in the United States as applied to governmental entities.

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all assets and liabilities associated with operations are included on the statement of net assets, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Authority has elected to apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board statements and interpretations; Accounting Principles Board opinions and Accounting Research Bulletins, unless these pronouncements conflict with or contradict GASB pronouncements.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

1. Description of business and summary of significant accounting policies (continued):

*Basis of presentation:*

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts of the Authority are maintained in accordance with the principles of "Fund Accounting." This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The Authority's basic financial statements are presented as the combined total of all the Authority's funds. Combining supplemental schedules are presented for purposes of additional analysis.

The eight (8) funds used by the Authority are as follows:

*Revenue Bond Fund:*

This fund reflects the Authority's debt service payments on outstanding obligations. The 2003 Debt Service Reserve Fund is a sinking fund for the debt service reserve requirements of the Authority as determined according to the Trust Agreement.

*Construction Fund:*

This fund reflects the cost of constructing the Claiborne Pell Bridge, as well as the Authority's liability for the revenue bonds.

*Revenue Fund:*

All tolls and other revenues derived from the operation and ownership of the bridge are collected by the Authority and deposited daily, as far as practicable, to the credit of the Revenue Fund. The Toll Revenue Fund was created in fiscal 2004 as an extension of the Revenue Fund for the transfer of the Authority's Revenue Fund receipts to the Trustee, U.S. Bank. The transfers are made on a monthly basis and all fund appropriations are made from this account. This account acts as a clearing account; accordingly, there is no separate presentation of the Toll Revenue Fund in the supplemental combining statements.

*Insurance Reserve Fund:*

This fund is a designated fund to meet the deductibles and establish a level of self insurance.

*Operating and Maintenance Fund:*

This fund reflects the operating activities of the Authority.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

1. Description of business and summary of significant accounting policies (continued):

*Basis of presentation (continued)*

*Operating and Maintenance Reserve Fund:*

Amounts in the Operating and Maintenance Reserve Fund are used to pay operating expenses to the extent amounts on deposit in the Operating and Maintenance Fund are not sufficient to pay operating expenses. The Trust Agreement requires the Authority to maintain an amount on deposit equal to one-fifth of operating expenses for the fiscal year as set forth in the annual budget.

*Renewal and Replacement Fund:*

This fund reflects costs of nonannually recurring repair and rehabilitation of the system. The annual operating budget includes an appropriation for current and future system maintenance expenses, reviewed and approved by the consulting engineers.

*General Fund:*

This fund reflects monies available for use after the payment of operating expenses, debt service, and the funding of the required debt service and operation and maintenance reserves, as well as the renewal and replacement reserve requirements. These funds may be used by the Authority for any lawful purpose.

*Operating and nonoperating revenues and expenses:*

Operating revenues and expenses result from providing services for the ongoing operations of the Mount Hope and Claiborne Pell Bridges. The principal operating revenue of the Authority is the collection of toll revenue from the users of the Claiborne Pell Bridge. Operating expenses include all expenses for the ongoing management and maintenance of the bridges. Nonoperating revenues and expenses include all items that do not meet the definition of operating revenue and expenses.

*Cash and cash equivalents:*

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

1. Description of business and summary of significant accounting policies (continued):

*Investments:*

Investments consist of U.S. Treasury and agency obligations, which are guaranteed by the U.S. Government; repurchase agreements, which are collateralized by U.S. Treasury and agency obligations; and certificates of deposit. Investments are recorded at fair value, except for investments meeting the requirements of the “one year option” and nonparticipating interest earning investment contracts (i.e., certificates of deposit) which are recorded at amortized cost. Under the “one year option,” money market investments (i.e., U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less may be recorded at amortized cost.

*Restricted assets:*

Assets have been restricted in accordance with the provisions of the Trust Agreement and are classified as either current or noncurrent based on the maturities of the underlying securities.

*Capital assets:*

All capital assets are stated at cost. The Authority capitalizes substantially all assets acquired with an original cost basis in excess of \$350 and an estimated useful life in excess of 1 year. The cost of the Claiborne Pell Bridge includes engineering, legal, financial, administrative and other costs incident to the construction of the bridge, less income earned on Construction Fund investments during construction. The cost of the Mount Hope Bridge is the amount previously carried on the records of the former Mount Hope Bridge Authority. All capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Bridges and bridge improvements	10-100 years
Buildings and land improvements	8-30 years
Equipment	3-20 years

*Bond issuance costs:*

Bond issuance costs are amortized on a straight-line basis over the life of the related bond (14-½ years). Bond issuance costs and accumulated amortization as of June 30, 2007 total \$216,000 and \$58,346, respectively.

*Bond discount:*

Bond discount is amortized on a straight-line basis over the life of the related bond (14-½ years). Bond discount and accumulated amortization as of June 30, 2007 was \$248,988 and \$67,257, respectively. Bond discount is shown in the accompanying financial statements as a component of long-term debt.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

1. Description of business and summary of significant accounting policies (continued):

*Deferred gain on refunding:*

The deferred gain on refunding is amortized on a straight-line basis over the life of the related bond (14-½ years). Deferred gain on refunding and accumulated amortization as of June 30, 2007 was \$348,464 and \$94,126, respectively. The deferred gain on refunding is shown in the accompanying financial statements as a component of long-term debt and the annual amortization of the deferred gain is reported as a reduction of interest expense.

Unredeemed toll coupons and tokens:

Income recognition on the sale of toll coupons and tokens is deferred until actual use of the coupons and tokens has occurred. The Authority's policy is to recognize as income all coupons and tokens that remain unredeemed for more than 5 years.

*Investment income:*

Income earned on investments is recognized in the fund in which the investments are held. Investment income includes unrealized gains and losses recorded to present investments at fair value.

*Accrued sick and vacation:*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rates of pay. The amount accrued at year-end includes unused vacation and sick leave earned at the employees' current rates of pay, subject to the applicable limitations.

*Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

1. Description of business and summary of significant accounting policies (continued):

*Net assets:*

The Authority's net assets have been segregated into the following three components:

Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Recently issued accounting standards:*

The Authority will adopt GASB Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment 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.

2. Cash and investments:

The Trust Agreement specifies the permitted investments that may be used by the Authority. Further, the State of Rhode Island requires, effective October 1, 1991, that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its federal regulator must be collateralized.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

2. Cash and investments (continued):

*Deposits:*

The carrying amount of the Authority's cash and cash equivalents at June 30, 2007 was \$3,565,990 while the bank balance was \$4,253,697. Of the bank balance, \$100,000 was covered by federal depository insurance; \$1,678,619 was maintained in money market accounts holding U.S. Treasury Securities with an AAAM rating; and \$1,500,000 was held in fully collateralized repurchase agreements. The remaining bank balance of \$975,078 was uninsured and uncollateralized.

*Investments:*

At June 30, 2007, the Authority's investments consisted of the following (additional details are provided on pages 34 to 37 in the accompanying information to basic financial statements):

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
United States Treasury/Agency securities:				
Federal National Mortgage Association	\$ 16,484,842	Various 4%-6.7%	2007-2016	AAA
Federal Home Loan Bank	2,208,197	Various 3%-5%	2007-2013	AAA
Federal Home Loan Mortgage Corp.	14,038,496	Various 4%-5%	2008-2016	AAA
Certificates of deposit:				
Bank of Newport	115,846	2.96%	8/20/2007	Not rated
Newport Fed	121,013	2.52%	8/30/2007	Not rated
Total investments	<u>\$ 32,968,394</u>			

In accordance with the Authority's accounting policy, the Authority included \$236,859 of certificates of deposit as investments due to the fact that the original maturity of the investments was greater than 90 days. At June 30, 2007, the certificates of deposit were covered by federal deposit insurance in the amount of \$200,000, while the balance of \$36,859 was uninsured and uncollateralized.

*Interest rate risk:*

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The majority of the Authority's investments are in government bonds and securities which have interest rates that are fixed for long periods and are subject to more variability in their fair value as a result of future changes in interest rates.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

2. Cash and investments (continued):

*Concentration of credit risk:*

At June 30, 2007, 99% of the Authority's investments were maintained in U.S. Government Securities and Bonds.

*Custodial credit risk:*

Custodial credit risk is the risk that in the event of financial institution failure, the Authority's deposits and/or investments may not be returned. The Authority does not have a deposit or investment policy for custodial credit risk.

3. Capital assets:

	Balance, June 30, 2006	Additions	Retirements and disposals	Balance, June 30, 2007
Capital assets not being depreciated, construction in progress	\$ 9,078,427	\$10,833,706	\$(4,811,581)	\$ 15,100,552
Capital assets being depreciated:				
Bridges	83,121,773	4,811,581		87,933,354
Buildings	2,643,267			2,643,267
Land improvements	308,919			308,919
Equipment	3,385,199	8,520		3,393,719
Total capital assets being depreciated	89,459,158	4,820,101		94,279,259
Less accumulated depreciation:				
Bridges	(25,719,717)	(1,572,542)		(27,292,259)
Buildings	(2,495,940)	(110,042)		(2,605,982)
Land improvements	(111,693)	(29,750)		(141,443)
Equipment	(340,141)	(331,511)		(671,652)
Total accumulated depreciation	(28,667,491)	(2,043,845)		(30,711,336)
Net capital assets being depreciated, net	60,791,667	2,776,256		63,567,923
Capital assets, net	\$69,870,094	\$13,609,962	\$(4,811,581)	\$ 78,668,475

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

4. Long-term debt:

On July 31, 2003, the Authority issued \$35,765,000 of Series 2003 A Taxable Refunding Revenue Bonds as an advance refunding of the Series 1997 Revenue Bonds. The Authority in-substance defeased the Series 1997 refunding bonds by placing \$36,790,521 on deposit with the escrow agent. The amount placed in escrow included a premium paid on the advance payment of the bonds totaling approximately \$679,000. On September 4, 2003, the escrow agent made a principal redemption of the Series 1997 Bonds totaling \$33,970,000. The final principal payment of the Series 1997 Bond was made on December 1, 2003 in the amount of \$1,680,000. Accordingly, as of June 30, 2007, the Authority had no obligations related to the defeased Series 1997 Bonds.

The Series 2003 A Bonds are fixed rate bonds dated July 31, 2003. Interest is payable semi-annually on December 1 and June 1 at interest rates ranging from 1.15% to 5.23%. Principal repayments of the bond are due annually commencing on December 1, 2003 with a final payment due on December 1, 2017. The Series 2003 A Bonds will not be subject to optional redemption prior to maturity but are subject to special mandatory redemption as provided in the Series 2003 A bond agreement. At June 30, 2007, the Authority has in-substance defeased debt of approximately \$29,000,000, representing outstanding bonds related to the 1965, 1965A, 1965B and 1967 bond issues. The proceeds from the Series 1997 Bonds were placed into an irrevocable trust to provide for all future debt service payments on the refunded revenue bonds. The assets of the trust account and the liability for the defeased bonds have not been included in the financial statements of the Authority.

As of June 30, 2007, the balance of long-term debt in the accompanying financial statements included the following:

	Balance, June 30, 2006	Retirements	Balance, June 30, 2007
Series 2003 revenue bonds payable	\$ 29,740,000	\$ 1,975,000	\$ 27,765,000
Deferred amounts, net:			
Gain on refunding	278,372	24,034	254,338
Bond discount	(198,903)	(17,172)	(181,731)
Total bonds payable	\$ 29,819,469	\$ 1,981,862	\$ 27,837,607

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

4. Long-term debt (continued):

The following represents debt service and sinking fund requirements to maturity as of June 30, 2007:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,035,000	\$ 1,240,311	\$ 3,275,311
2009	2,105,000	1,170,064	3,275,064
2010	2,180,000	1,089,446	3,269,446
2011	2,270,000	998,367	3,268,367
2012	2,370,000	896,691	3,266,691
2013-2017	13,650,000	2,613,774	16,263,774
2018	3,155,000	82,503	3,237,503
	<u>\$ 27,765,000</u>	<u>\$ 8,091,156</u>	<u>\$ 35,856,156</u>

5. Construction in progress:

The Authority has entered into various contracts for ongoing improvements to the bridges and property. As of June 30, 2007, remaining commitments on these contracts approximated \$10,790,000.

6. Tax deferred savings incentive plan:

The Authority sponsors an employee tax deferred savings incentive 401(k) plan (the Rhode Island Turnpike & Bridge Authority Retirement Plan established in 1985), available to employees who meet the plan's eligibility requirements. The Plan is a defined contribution plan. The investments held by the plan are managed by John Hancock and the plan is administered by Sentinel Benefits. Under the 401(k) plan, employees may contribute up to 5% of compensation and the Authority provides a matching contribution. The Authority may also make a supplemental contribution such that its total annual contribution does not exceed 10% of employee adjusted net compensation. The 10% limit includes the aggregate of the life insurance costs as well as the 401(k) contribution. The employees' contribution to the plan for fiscal year 2007 was approximately \$92,800, while the total cost of the matching and supplemental employer contribution for the fiscal year 2007 was \$108,000. The payroll for employees covered by the plan for fiscal year 2007 was approximately \$1,258,000 and the Authority's total payroll was approximately \$1,657,000. The trustees of the plan are currently comprised of two members of the Authority's Board of Directors and one employee. The trustees are responsible for establishing or amending the plan's provisions and contributions. The Board of Directors of the Authority must approve all amendments to the plan as the employer sponsor of the plan.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

7. Risk management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded the Authority's coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage. Accordingly, management has estimated the reserve for such claims to be \$- 0 - at June 30, 2007.

8. Deficit net assets:

The Revenue Fund had deficit net assets of \$419,035 at June 30, 2007.



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Principals**

Jerome L. Lefkowitz, CPA  
Stephen M. Garfinkel, CPA  
Frank J. Champi, CPA  
Richard J. DeRienzo, CPA  
Jerrold N. Dorfman, CPA, PFS  
Peter Mezei, CPA  
Stephen W. Geremia, CPA  
Susan R. Johnson, CPA  
Michael E. Criscione, CPA  
John E. Finnerty, Jr., CPA, CVA

**Independent Auditors' Report on Accompanying Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Rhode Island Turnpike and Bridge Authority, a Component Unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 27 to 39 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the portion marked "unaudited" on page 33, upon which we express no opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Lefkowitz, Garfinkel, Champi & DeRienzo P.C.*

September 26, 2007

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2007

ASSETS:	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
Current assets:							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable							
Accrued interest receivable							
Due from other funds							285
Prepaid expenses							
Restricted:							
Cash and cash equivalents	1,205,177	333,895			1,539,072		270,360
Investments			3,550,351		3,550,351		
Accounts receivable							39,456
Accrued interest receivable			17,823		17,823		
	<u>1,205,177</u>	<u>333,895</u>	<u>3,568,174</u>	<u>-</u>	<u>5,107,246</u>	<u>-</u>	<u>310,101</u>
Total current assets							
Noncurrent assets:							
Investments							
Restricted investments							
Bond issuance costs, net				157,654	157,654		
Capital assets:							
Bridges						59,846,700	
Buildings						641,267	
Land improvements							
Equipment							
Construction in progress							
						<u>60,487,967</u>	
Less accumulated depreciation						<u>(24,177,120)</u>	
Capital assets, net						<u>36,310,847</u>	
Total noncurrent assets				<u>157,654</u>	<u>157,654</u>	<u>36,310,847</u>	
Total assets	<u>1,205,177</u>	<u>333,895</u>	<u>3,568,174</u>	<u>157,654</u>	<u>5,264,900</u>	<u>36,310,847</u>	<u>310,101</u>

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2007 (CONTINUED)

	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
<b>ASSETS:</b>						
Current assets:						
Cash and cash equivalents	\$ 19,678	\$ -	\$ 103,432	\$ 50,379	\$ 1,524,887	\$ 1,698,376
Accounts receivable	8,642		25,000			33,642
Accrued interest receivable			219,270		3,606	222,876
Due from other funds	709,221		33,550		686,500	1,429,556
Prepaid expenses	139,432					139,432
Restricted:						
Cash and cash equivalents	11,159	46,223				1,866,814
Investments						3,550,351
Accounts receivable						39,456
Accrued interest receivable		5,684				23,507
<b>Total current assets</b>	<b>888,132</b>	<b>51,907</b>	<b>381,252</b>	<b>50,379</b>	<b>2,214,993</b>	<b>9,004,010</b>
Noncurrent assets:						
Investments			28,570,003			28,570,003
Restricted investments		848,040				848,040
Bond issuance costs, net						157,654
Capital assets:						
Bridges			28,086,654			87,933,354
Buildings			2,002,000			2,643,267
Land improvements			308,919			308,919
Equipment	326,222		3,067,497			3,393,719
Construction in progress			15,100,552			15,100,552
	326,222		48,565,622			109,379,811
Less accumulated depreciation	(254,642)		(6,279,574)			(30,711,336)
<b>Capital assets, net</b>	<b>71,580</b>		<b>42,286,048</b>			<b>78,668,475</b>
<b>Total noncurrent assets</b>	<b>71,580</b>	<b>848,040</b>	<b>70,856,051</b>			<b>108,244,172</b>
<b>Total assets</b>	<b>959,712</b>	<b>899,947</b>	<b>71,237,303</b>	<b>50,379</b>	<b>2,214,993</b>	<b>117,248,182</b>

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2007 (CONTINUED)

	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
<b>LIABILITIES:</b>							
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable		106,056			106,056		
Accrued expenses							
Due to other funds							701
Unredeemed toll coupons and tokens							728,435
Current portion of bonds payable						2,035,000	
Total current liabilities	-	106,056	-	-	106,056	2,035,000	729,136
Noncurrent liabilities, bonds payable, less current portion						25,802,607	
Total liabilities	-	106,056	-	-	106,056	27,837,607	729,136
<b>NET ASSETS:</b>							
Invested in capital assets, net of related debt				157,654	157,654	8,473,240	
Restricted, bond covenants	1,205,177	106,056	3,568,174		4,879,407		309,816
Unrestricted		121,783			121,783		(728,851)
Total net assets	<u>\$ 1,205,177</u>	<u>\$ 227,839</u>	<u>\$ 3,568,174</u>	<u>\$ 157,654</u>	<u>\$ 5,158,844</u>	<u>\$ 8,473,240</u>	<u>\$ (419,035)</u>

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2007 (CONTINUED)

	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 151,931	\$ -	\$ 3,160,844	\$ 44,468	\$ -	\$ 3,357,243
Accrued interest payable						106,056
Accrued expenses	377,681					377,681
Due to other funds	33,855		1,395,000			1,429,556
Unredeemed toll coupons and tokens						728,435
Current portion of bonds payable						2,035,000
	<u>563,467</u>	<u>-</u>	<u>4,555,844</u>	<u>44,468</u>	<u>-</u>	<u>8,033,971</u>
Total current liabilities						8,033,971
Noncurrent liabilities, bonds payable, less current portion						<u>25,802,607</u>
Total liabilities	<u>563,467</u>	<u>-</u>	<u>4,555,844</u>	<u>44,468</u>	<u>-</u>	<u>33,836,578</u>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	71,580		39,125,204			47,827,678
Restricted, bond covenants		899,947				6,089,170
Unrestricted	324,665		27,556,255	5,911	2,214,993	29,494,756
	<u>396,245</u>	<u>899,947</u>	<u>66,681,459</u>	<u>5,911</u>	<u>2,214,993</u>	<u>83,411,604</u>
Total net assets						<u>\$ 83,411,604</u>

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2007

	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
Toll revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,095,422
Operating expenses:							
Personnel services	-	-	-	-	-	-	-
Utilities							
Contractual services							
Other supplies and expenses							
Insurance							
Repairs and maintenance of system							
Depreciation						624,310	
Total operating expenses	-	-	-	-	-	624,310	-
Operating income (loss)	-	-	-	-	-	(624,310)	12,095,422
Nonoperating revenues (expenses):							
Interest expense		(1,294,146)			(1,294,146)	24,034	
Amortization of bond issuance costs				(14,897)	(14,897)		
Amortization of bond discount						(17,172)	
Investment income, net of trustee fees	45,693	16,479	224,078		286,250		153
Miscellaneous income							4,801
Total nonoperating revenues (expenses)	45,693	(1,277,667)	224,078	(14,897)	(1,022,793)	6,862	4,954
Income (loss) before operating transfers	45,693	(1,277,667)	224,078	(14,897)	(1,022,793)	(617,448)	12,100,376
Transfers in (out)	(159,189)	1,393,303	(217,567)		1,016,547	1,975,000	(12,009,150)
Change in net assets	(113,496)	115,636	6,511	(14,897)	(6,246)	1,357,552	91,226
Net assets (deficiency), beginning of year	1,318,673	112,203	3,561,663	172,551	5,165,090	7,115,688	(510,261)
Net assets (deficiency), end of year	<u>\$ 1,205,177</u>	<u>\$ 227,839</u>	<u>\$ 3,568,174</u>	<u>\$ 157,654</u>	<u>\$ 5,158,844</u>	<u>\$ 8,473,240</u>	<u>\$ (419,035)</u>

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2007

	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
Toll revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,095,422
Operating expenses:						
Personnel services	1,946,597	-	-	-	-	1,946,597
Utilities	125,852					125,852
Contractual services	292,701					292,701
Other supplies and expenses	148,939					148,939
Insurance	1,463,580					1,463,580
Repairs and maintenance of system	396,084		353,444	354,126		1,103,654
Depreciation	26,113		1,393,422			2,043,845
Total operating expenses	<u>4,399,866</u>	<u>-</u>	<u>1,746,866</u>	<u>354,126</u>	<u>-</u>	<u>7,125,168</u>
Operating income (loss)	<u>(4,399,866)</u>	<u>-</u>	<u>(1,746,866)</u>	<u>(354,126)</u>	<u>-</u>	<u>4,970,254</u>
Nonoperating revenues (expenses):						
Interest expense						(1,270,112)
Amortization of bond issuance costs						(14,897)
Amortization of bond discount						(17,172)
Investment income, net of trustee fees	555	51,396	1,822,199	25,742	87,805	2,274,100
Miscellaneous income	639		900			6,340
Total nonoperating revenues (expenses)	<u>1,194</u>	<u>51,396</u>	<u>1,823,099</u>	<u>25,742</u>	<u>87,805</u>	<u>978,259</u>
Income (loss) before operating transfers	(4,398,672)	51,396	76,233	(328,384)	87,805	5,948,513
Transfers in (out)	<u>4,942,850</u>		<u>5,433,253</u>	<u>(650,000)</u>	<u>(708,500)</u>	<u>-</u>
Change in net assets	544,178	51,396	5,509,486	(978,384)	(620,695)	5,948,513
Net assets (deficiency), beginning of year	<u>(147,933)</u>	<u>848,551</u>	<u>61,171,973</u>	<u>984,295</u>	<u>2,835,688</u>	<u>77,463,091</u>
Net assets (deficiency), end of year	<u>\$ 396,245</u>	<u>\$ 899,947</u>	<u>\$ 66,681,459</u>	<u>\$ 5,911</u>	<u>\$ 2,214,993</u>	<u>\$ 83,411,604</u>

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAFFIC COUNT AND REVENUES

YEAR ENDED JUNE 30, 2007

	Claiborne Pell Bridge
Traffic count (unaudited):	
Cash, two-axle vehicles (\$2.00)	2,091,046
Tokens, two-axle vehicles (\$.90)	7,995,770
All others	151,090
Total traffic count	10,237,906
Total revenues (audited):	
Two-axle vehicles	\$ 4,182,092
Tokens, two-axle vehicles	7,196,248
All others	594,995
	11,973,335
Add adjustments of liability for unredeemed toll coupons and tokens	122,087
Total revenues	\$ 12,095,422

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF CASH AND INVESTMENTS

YEAR ENDED JUNE 30, 2007

**Restricted cash and cash equivalents:**

**Revenue Refunding Bond Fund - Principal Account**

US Bank - First American Treasury Funds - 100% collateralized \$ 1,205,177

**Revenue Refunding Bond Fund - Interest Account**

US Bank - First American Treasury Funds - 100% collateralized 333,895

**Revenue Fund**

Citizens 266,877

US Bank - First American Treasury Funds - 100% collateralized 3,483

**Operating and Maintenance Fund**

Citizens 11,159

**Operating and Maintenance Reserve Fund**

Merrill Lynch - Money Market Funds 46,223

**Total restricted cash and cash equivalents** 1,866,814

**Restricted investments:**

**Debt Service Reserve Fund**

US Bank:

Federal National Mortgage Association, \$3,618,000, 6.74%, due 11/13/07 3,550,351

**Operating and Maintenance Reserve Fund**

Merrill Lynch:

Federal Home Loan Bank, \$410,000, 3.50%, due 4/29/2009 397,958

Federal Home Loan Bank, \$50,000, 5.25%, due 9/14/2010 49,688

Federal Home Loan Bank, \$418,000, 4.63%, due 5/12/2013 400,394

848,040

**Total restricted investments** 4,398,391

**Total restricted cash, cash equivalents and investments** 6,265,205

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

**Unrestricted cash and cash equivalents:**

**Operating and Maintenance Fund**

Citizens	\$ 17,498	
On hand - petty cash	2,180	
		19,678

**Renewal and Replacement Fund**

Citizens	13,591	
Merrill Lynch - Money Market Fund	89,841	
		103,432

**General Fund**

Citizens		50,379
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**Insurance Reserve Fund**

Citizens		24,887
Collateralized repurchase agreements:		
\$500,000, 4.25%, due July 19, 2007		500,000
\$500,000, 5%, due August 9, 2007		500,000
\$500,000, 5.50%, due August 30, 2007		500,000
		1,524,887

<b>Total unrestricted cash and cash equivalents</b>		1,698,376
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RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

**Unrestricted investments:**

**Renewal and Replacement Fund**

United States Treasury/Agency securities:

Citizens Investment Services:

\$1,100,000	4.00%	due 7/2/2014	\$ 1,009,943
\$2,500,000	5.00%	due 9/26/2016	2,378,125

Merrill Lynch:

\$30,000	3.00%	due 12/28/2007	29,653
\$200,000	various %	due 12/15/2008	199,672
\$99,000	various %	due 1/15/2009	98,813
\$105,000	3.90%	due 9/30/2009	102,179
\$1,000,000	4.00%	due 1/15/2010	971,250
\$450,000	4.00%	due 4/15/2010	435,843
\$170,000	various %	due 7/13/2010	169,788
\$50,000	various %	due 8/19/2010	49,547
\$150,000	5.25%	due 9/14/2010	149,062
\$130,000	4.13%	due 2/24/2011	125,328
\$600,000	4.00%	due 3/24/2011	574,878
\$55,000	4.80%	due 5/5/2011	53,935
\$170,000	5.00%	due 8/15/2011	167,234
\$1,375,000	4.50%	due 9/26/2011	1,331,605
\$50,000	4.00%	due 12/9/2011	47,453
\$1,000,000	4.50%	due 1/13/2012	965,940
\$25,000	4.00%	due 3/15/2012	23,648
\$1,750,000	4.50%	due 6/26/2012	1,682,187
\$350,000	various %	due 9/28/2012	346,500
\$50,000	various %	due 9/15/2012	48,724
\$350,000	various %	due 10/26/2012	346,829
\$900,000	4.00%	due 10/1/2012	844,596
\$1,000,000	various %	due 10/15/2012	973,440
\$945,000	4.50%	due 2/27/2013	902,475
\$700,000	4.00%	due 3/15/2013	652,827
\$150,000	5.25%	due 4/15/2013	147,187
\$75,000	4.25%	due 5/22/2013	70,869
\$1,500,000	4.00%	due 5/15/2013	1,395,390

(continued)

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2007

**Unrestricted investments (continued):**

**Renewal and Replacement Fund (continued)**

United States Treasury/Agency securities (continued):

\$1,000,000	4.50%	due 6/12/2013	\$ 952,500
\$1,000,000	4.35%	due 6/3/2013	945,870
\$110,000	4.35%	due 6/3/2013	104,046
\$75,000	4.25%	due 7/23/2013	70,486
\$100,000	5.00%	due 8/5/2013	97,094
\$1,300,000	5.00%	due 9/15/2013	1,260,532
\$80,000	various %	due 11/29/2013	78,352
\$2,400,000	4.00%	due 12/30/2013	2,216,832
\$500,000	4.50%	due 3/4/2014	472,970
\$725,000	5.00%	due 3/15/2014	701,242
\$1,250,000	4.00%	due 5/15/2014	1,149,262
\$2,800,000	5.00%	due 11/14/2014	2,696,288
\$450,000	5.00%	due 12/15/2014	433,152
\$100,000	5.00%	due 7/30/2015	95,906
\$200,000	5.00%	due 9/15/2015	191,424
\$600,000	5.00%	due 2/26/2016	572,268

**Subtotal United States Treasury/Agency securities** 28,333,144

**Certificates of deposit**

BankNewport, 2.96%, due 8/20/2007	115,846
Newport Fed, 2.52%, due 8/30/2007	121,013

**Subtotal certificates of deposit** 236,859

**Total unrestricted investments** 28,570,003

**Total unrestricted cash, cash equivalents and investments** 30,268,379

**Total restricted and unrestricted cash, cash equivalents and investments** \$ 36,533,584

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2007

Ck. No.	Date	Payee	Purpose	Amount
8103	7/10/2006	East Ferry Deli	Special Meeting 7/10/06	\$ 37
8132	7/18/2006	Richard E. Dragon, CPA	Business Meeting BC, PJ & RD	21
8178	8/3/2006	David Darlington	Business Meeting BC & Directors	105
8180	8/3/2006	East Ferry Deli	Board Meeting	37
Payroll	8/26/2006	John Wadsworth	Mileage	52
8242	9/7/2006	David Darlington	Business Meeting DD & BC	27
8259	9/13/2006	JoAnn Head, Petty Cashier	B/D Special Meeting 6/28/06	37
8271	9/13/2006	East Ferry Deli	Board Meeting	33
8260	9/14/2006	Earl J. Croft, III	Per Diem Dallas TX IBTTA Mtg.	148
8261	9/14/2006	Int'l. Bridge, Tunnel & Turnpike Assn.	Meeting BC & BJ - Dallas TX	2,000
8274	9/15/2006	International Tennis Hall of Fame	Corp. Challenge - P. Janaros	150
8272	9/20/2006	Arthur H. Fletcher	Mileage	200
8305	9/28/2006	Earl J. Croft, III	IBTTA Mtg. Dallas TX 9/18-9/20	1,143
8321	10/11/2006	Hyatt Regency Newport	IBTTA Mtg. 10/22-24	323
8329	10/11/2006	East Ferry Deli	Board Meeting	36
8342	10/18/2006	Richard P. Eannarino	Meeting Consultant for EMS Plan	352
8347	10/18/2006	JoAnn Head, Petty Cashier	BC - Parking Fidelity Mtg.	15
8337	10/19/2006	Int'l. Bridge, Tunnel & Turnpike Assn.	Newport Mtg. 10/22-25 Various	3,375
8400	11/1/2006	East Ferry Deli	Board Meeting	38
GJ	11/16/2006	Int'l. Bridge, Tunnel & Turnpike Assn.	Refund of overpayment	(300)
8417	11/22/2006	David Darlington	Business Meeting DD, BC & BJ	124
8414	11/28/2006	American Express	IBTTA Mtg. Wash. - CC	912
8421	11/28/2006	Peter Janaros	Bridge Eng. Assn. Mtg. 8/28-29	1,381
8434	11/30/2006	Christine H. Callahan	IBTTA Mtg. Wash. - Per Diem	160
8442	12/7/2006	Christine H. Callahan	IBTTA Mtg. Wash	542
8462	12/13/2006	East Ferry Deli	Board Meeting	33
8463	12/13/2006	Arthur H. Fletcher	Mileage	120
8526	1/11/2007	David Darlington	Business Mtgs. 11/22 & 12/1	234
8526	1/23/2007	David Darlington	IBTTA Mtg. 10/22-24	1,167
8548	1/30/2007	Utility Contractors Assn. of RI	DD & BC Meeting	110
8593	2/7/2007	East Ferry Deli	Board Meeting	37
8613	2/28/2007	American Express	Preparedness Plan Meeting	61
8632	3/12/2007	Earl J. Croft, III	Wash. Trip 3/5 & 6	52
8654	3/14/2007	East Ferry Deli	Board Meeting	37
8672	3/18/2007	American Express	Wash. Trip DD, BC, BJ & RE	703
8680	3/31/2007	David Darlington	Wash. Trip	689
8684	4/11/2007	East Ferry Deli	Board Meeting	37
8715	4/24/2007	R I Economic Development Ctr.	R I Tourism Mtg. BC & DD	70
Payroll	4/24/2007	Rebecca Romano	Mileage	13
8720	4/26/2007	JoAnn Head, Petty Cashier	Xmas Party 12/19/06	41

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2007

Ck. No.	Date	Payee	Purpose	Amount
8720	4/26/2007	JoAnn Head, Petty Cashier	Parking	\$ 32
8729	5/2/2007	East Ferry Deli	Board Meeting	37
8738	5/3/2007	URI Transportation Center	BC & PJ 5/16 Meeting	50
8775	5/21/2007	Earl J. Croft, III	IBTTA Mtg. Richmond 5/19 & 20	68
8776	5/22/2007	American Express	Business Mtg. DD & BC	52
8776	5/22/2007	American Express	IBTTA Mtg.	496
8808	6/14/2007	Earl J. Croft, III	Wash. Trip 6/12- & 13	127
Payroll	6/19/2007	Molly Smith	Mileage	37
8835	6/26/2007	East Ferry Deli	Board Meeting	37
8852	6/26/2007	American Express	Mtg. Prior to Jamestown Council Mtg.	60
8852	6/26/2007	American Express	BC Lunch with T. Hogan	21
8852	6/26/2007	American Express	Washington Delegation Trip	550
8853	6/28/2007	JoAnn Head, Petty Cashier	Business Mtg.	32
8853	6/28/2007	JoAnn Head, Petty Cashier	Parking	37
8891	6/28/2007	Arthur H. Fletcher	Mileage	120
Total travel and entertainment expenses				<b><u>\$ 16,108</u></b>



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Principals**

Jerome L. Lefkowitz, CPA  
Stephen M. Garfinkel, CPA  
Frank J. Champi, CPA  
Richard J. DeRienzo, CPA  
Jerrold N. Dorfman, CPA, PFS  
Peter Mezei, CPA  
Stephen W. Geremia, CPA  
Susan R. Johnson, CPA  
Michael E. Criscione, CPA  
John E. Finnerty, Jr., CPA, CVA

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Directors  
Rhode Island Turnpike and Bridge Authority  
Jamestown, Rhode Island

We have audited the financial statements of the Rhode Island Turnpike and Bridge Authority (the Authority), a Component Unit of the State of Rhode Island, as of and for the year ended June 30, 2007 and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying schedule of finding and response as Item 07-1 to be a significant deficiency in internal control over financial reporting.

**Independent Auditors' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards (Continued)**

Board of Directors  
Rhode Island Turnpike and Bridge Authority

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described in the accompanying schedule of finding and response is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Authority in a separate letter dated September 26, 2007.

The Authority's written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management and the State of Rhode Island Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

*Leffkowitz, Jan. Jankel, Charpi & DeGonzal. C.*

September 26, 2007

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDING AND RESPONSE

YEAR ENDED JUNE 30, 2007

Item 07-1:

**Journal Entry Approval**

*Observation:*

Preparation and posting of general journal entries to the general ledger are not required to be reviewed and approved. In addition, anyone with access to the general ledger software is able to post these journal entries. Because there are no controls in place, there is unlimited exposure to errors and or misstatements.

*Recommendation:*

Controls should be developed to ensure that only approved journal entries are posted to the general ledger. All journal entries should be numbered sequentially, accompanied by appropriate supporting documentation and filed in order to facilitate retrieval. Entries should be prepared by the accounting staff for approval of the Chief Financial Officer (CFO) prior to posting. Entries prepared by the CFO should be approved by the Executive Director prior to posting.

*Management's Response:*

Management will implement procedures to review and approve journal entries to ensure that proper controls are in place.