

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

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009



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

YEAR ENDED JUNE 30, 2009

CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic financial statements:	
Statement of net assets	11-12
Statement of revenues, expenses and changes in net assets	13
Statement of cash flows	14-15
Notes to financial statements	16-28
Independent Auditors' Report on Accompanying Information	29
Accompanying information to basic financial statements:	
Combining statement of net assets	30-33
Combining statement of revenues, expenses and changes in net assets	34-35
Schedule of traffic count and revenues	36
Schedule of cash and investments	37-42
Schedule of travel and entertainment expenses	43-45

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

YEAR ENDED JUNE 30, 2009

CONTENTS (CONTINUED)

	Page
Accompanying information to basic financial statements (continued):	
State of Rhode Island required format:	
Attachment B Statement of Net Assets	46-47
Attachment C Statement of Changes in Net Assets	48
Attachment D Long-Term Debt	49
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	50-51
Schedule of findings and responses	52-56



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

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, 2009. 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, 2009, 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 23, 2009 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 10 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, Charpi & DeGonzal. C.

September 23, 2009

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 (the Bay) which connects the City of Newport and Town of Jamestown, and the Mount Hope Bridge, on the east shore of the bay which connects 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, 2009 and for the year then ended, with comparison as deemed appropriate to the previous fiscal year that ended June 30, 2008. Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

During fiscal 2009 (FY2009), there were no significant changes to the Authority's financing structure, accounting methods, or the manner in which activity is recorded and summarized for presentation.

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.

2009 FINANCIAL STATEMENTS AND OPERATIONAL SUMMARIES

Activity and Year-End Financial Position

The Authority's total net assets increased from 2008 by \$2.1 million or 2.3%, which consisted of a decrease in total assets of \$1.3 million and a decrease in total liabilities of \$3.4 million. The \$2.4 million increase in capital assets is attributable to projects underway as part of the Authority's ongoing capital improvement program, net of \$3.4 million of depreciation. Converting investment funds in the Renewal and Replacement Fund account to cash in order to fund capital projects contributed to the decrease in total assets.

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, 2009		June 30, 2008	
Assets:				
Capital assets (net)	\$ 88,213	74.8%	\$ 85,804	72.0%
Other:				
Investments	18,771	15.9%	26,423	22.2%
Cash and cash equivalents	10,001	8.5%	6,474	5.4%
Other	923	.8%	520	.4%
	29,695	25.2%	33,417	28.0%
Total assets	117,908	100.0%	119,221	100.0%
Liabilities:				
Bonds payable	23,684	20.1%	25,796	21.6%
Other liabilities	4,121	3.5%	5,390	4.6%
Total liabilities	27,805	23.6%	31,186	26.2%
Net assets:				
Invested in capital assets, net of related debt	62,835	53.3%	57,597	48.3%
Restricted under bond covenants	8,219	7.0%	6,359	5.3%
Unrestricted	19,049	16.1%	24,079	20.2%
Total net assets	\$ 90,103	76.4%	\$ 88,035	73.8%

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>2009</u>		<u>2008</u>	
Operating revenues:				
Toll revenues	\$ 12,547	94.4%	\$ 12,040	100.0%
Transponder revenues	742	5.6%		
	<u>13,289</u>	<u>100.0%</u>	<u>12,040</u>	<u>100.0%</u>
Total operating revenues				
Operating expenses:				
Personnel services	2,548	19.2%	1,918	15.9%
Insurance	1,254	9.4%	1,281	10.7%
Repairs and maintenance	2,134	16.1%	741	6.2%
Other	1,485	11.1%	499	4.1%
Transponder expense	1,290	9.7%		
Environmental remediation	(491)	(3.7%)	400	3.3%
Depreciation	3,419	25.8%	2,399	19.9%
	<u>11,639</u>	<u>87.6%</u>	<u>7,238</u>	<u>60.1%</u>
Total operating expenses				
Operating income	1,650	12.4%	4,802	39.9%
Nonoperating revenue, net	418	3.2%	1,121	9.3%
	<u>2,068</u>	<u>15.6%</u>	5,923	<u>49.2%</u>
Change in net assets				
Net assets, beginning of year	<u>88,035</u>		<u>82,112</u>	
Net assets, end of year	<u>\$ 90,103</u>		<u>\$ 88,035</u>	

The Authority incurred a significant amount of expenses during the E-ZPass set-up and implementation. The customer service set-up, transaction processing charges and other toll collection expenses totaled approximately \$747,000. There was a 3.3% increase in personnel costs related to staffing the customer service center and monitoring the lanes in the toll plaza. The Authority continually monitors personnel to ensure the proper level of staff to service its customers. By selling transponders below cost to encourage people to enroll in the E-ZPass program, the Authority incurred a net operating expense of approximately \$548,000. The costs incurred in the environmental remediation projects were significantly less than estimated, resulting in a \$491,000 increase in net assets.

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. Until 1999, passage for two-axle vehicles (passenger cars, motorcycles, and two-axle recreational vehicles and light trucks) was permitted for \$1 through the use of tokens sold for \$10 per roll of ten. In 1999, the single-passage fare was reduced with the purchase of bulk tokens, which could be purchased in groups of 11 for \$10 (which equated to \$.9091 per token/fare) or 60 for \$50 (or \$.8333 per token/fare).

In December 2008, the Authority began the implementation of the electronic toll collection system, E-ZPass. The conversion to E-ZPass was completed in January 2009 and tokens were no longer accepted for passage. The cash rate for passage remained \$1 per axle. The rate for a Rhode Island resident with a Rhode Island transponder was set at \$.83. A commuter rate for out-of-state residents with a Rhode Island transponder was established at \$.91 if they made 31 trips in a 30-day period. All others pay \$1.75.

A redemption program for unused tokens and tickets was established and tokens can be redeemed by check at the rate of \$.83 per token or for a credit to a Rhode Island E-ZPass account at the rate of \$.91. Tickets can be redeemed for their face value either by check or credit to an account.

A customer service center, including a walk-in center and a call center, was set up in Jamestown adjacent to the toll plaza where E-ZPass applications are processed, transponders are sold and accounts replenished. A satellite office was open at the Tourist and Convention Center in Newport from January through May. Customer service agents were scheduled to accept applications at various locations on Aquidneck Island during November and December 2008.

Although the cost to the Authority of each transponder is \$20.95, the initial selling price was \$10 for the first transponder, \$15 for the second transponder and \$20.95 for the third and fourth, with a limit of 4 transponders per individual account, but unlimited to businesses. In addition, Rhode Island residents having an out-of-state E-ZPass account and purchasing a Rhode Island transponder were given a \$10 credit toward their prepaid tolls. In June, the discount program was discontinued and all transponders are sold for \$20.95. As of June 30, 2009, the Authority had sold 60,129 transponders.

The Authority entered into a three-year renewable contract with Affiliated Computer Services of Newark, New Jersey to process E-ZPass transactions, open and close accounts, maintain the account information database, distribute transponders, resolve disputes and receive and post prepaid revenue

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 33 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>2009</u>		<u>2008</u>	
Traffic (number of passages)				
Vehicle fares paid with tickets, tokens or ETC	7,333,433	73.7%	8,102,676	79.6%
Two-axle vehicle fares paid with cash	<u>2,620,377</u>	<u>26.3%</u>	<u>2,081,389</u>	<u>20.4%</u>
	<u>9,953,810</u>	<u>100.0%</u>	<u>10,184,065</u>	<u>100.0%</u>
	<u>2009</u>		<u>2008</u>	
Revenue				
Vehicle fares paid with tickets, tokens or ETC	\$ 7,305,748	58.2%	\$ 7,879,315	65.4%
Two-axle vehicle fares paid with cash (at \$2 per passage)	<u>5,240,754</u>	<u>41.8%</u>	<u>4,160,708</u>	<u>34.6%</u>
	<u>\$12,546,502</u>	<u>100.0%</u>	<u>\$12,040,023</u>	<u>100.0%</u>

Pell Bridge traffic decreased during 2009 and revenue increased as compared to the previous year. Vehicular bridge passages decreased by 230,255 (2.3%), however, toll revenue increased by \$506,478 (4.2%). With the conversion to electronic toll collection, two-axle vehicle cash fares represented 41.8% of revenue as compared to the prior year of 34.6%. The significant increase in two-axle vehicle cash revenue can be attributed in part to token users who have not established an E-ZPass account and past violators who must now stop and pay the toll in order to pass through the gate. The previous violation rate with tokens of between 2% and 4% translated to approximately \$250,000 to \$480,000 a year in lost revenue annually.

Engineering and Maintenance

The head of the engineering department is a Director of Engineering who oversees all capital construction activities on behalf of the Authority. In addition, under the Director of Engineering, separate consulting engineering firms, including on-call contracting 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 two years.

The Board hired a nationally recognized firm to conduct a risk management study to evaluate the Authority’s procedures to avoid, prepare for and respond to natural and manmade concerns. The firm made recommendations to improve the safety and security of the bridges; the Authority will begin implementing these recommendations in 2010.

Engineering and Maintenance (Continued)

Approximately 75% 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 bi-annually revises its 10-year Renewal and Replacement Plan.

During FY2009, the Authority continued its preventive maintenance programs for both the Pell and Mount Hope bridges, which are designed to ensure the safety, security, and aesthetics of the structures while generating long-term savings for 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; lawn maintenance, routine inspection on expansion and contraction components of bridges; painting of bridge rails and building interiors; and signage maintenance on bridges.

Capital and Construction Activities

Under the current Renewal and Replacement Plan, \$69.1 million is allocated to the Newport/Pell Bridge, with the remaining \$50.2 million going toward Mount Hope Bridge projects. Major capital improvement projects in progress during fiscal 2009 included the following:

Mount Hope Bridge

- Tower bases rehabilitation project
- Ongoing on-call deck maintenance
- Access hatches replacement

Newport/Pell Bridge

- Continued patching and sealing of roadway and painting repairs of steel superstructure
- Installation of electronic toll collection system (E-ZPass)
- Design of bridge painting and steel repairs

The Authority has entered into various contracts for ongoing improvements to the bridges and property. As of June 30, 2009, remaining commitments on these contracts approximated \$4.2 million.

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 85% 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 FY2009 on a timely basis. Compliance with restrictions and covenants stipulated in the trust agreement was monitored during year by the Chief Financial Officer. Included in the State of Rhode Island's fiscal year 2010 Capital Budget is \$50 million of revenue bonds to be issued by the Authority supported by toll increases. The terms of issuance and expected date for such have not yet been determined.

Investments

Approximately 15.9% 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 37 through 42, a substantial majority of the Authority's investments (64%) are in the form of U.S. Treasury/Agency obligations, most of which have stated maturities between 2010 and 2014. Approximately 16% of the Authority's investments are in corporate bonds and 17% are in U.S. Government agency asset-backed securities with maturities between 2021 to 2038.

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 2008 and 2009. The Authority entered into a three-year contract with the union, effective July 1, 2008, and received increases in the employees' premium co-pays each year during the term of the contract.

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

In fiscal year 2008, in order to contain the cost of insuring the bridges, the Board of Directors increased the deductible and prepaid 25% of the FY2009 premium to lock in a favorable rate on the marine insurance on the bridges. Premiums on other policies declined slightly resulting in a savings to the insurance expense. The Board continues to work to find ways to decrease the cost of insurance.

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 an increase 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 previously the responsibility of the Authority, have been 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, 2009

ASSETS:

Current assets:

Cash and cash equivalents	\$ 5,042,576
Accounts receivable	717
Accrued interest receivable	308
Inventory	412,677
Prepaid expenses	116,748

Restricted:

Cash and cash equivalents	4,957,908
Investments	3,617,284
Accounts receivable	247,494
Accrued interest receivable	17,823

Total current assets	14,413,535
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Noncurrent assets:

Investments	15,153,445
Bond issuance costs, net	127,860
Capital assets not being depreciated	3,117,339
Capital assets being depreciated, net	85,095,937

Total noncurrent assets	103,494,581
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Total assets	117,908,116
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RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS - JUNE 30, 2009 (CONTINUED)

LIABILITIES:

Current liabilities:

Accounts payable	\$ 2,138,962
Accrued interest payable	100,665
Accrued expenses	373,345
Prepaid and unredeemed tolls and tokens	1,508,582
Current portion of bonds payable	<u>2,180,000</u>

Total current liabilities 6,301,554

Bonds payable, less current portion 21,503,887

Total liabilities 27,805,441

Commitments (Note 5)

NET ASSETS:

Invested in capital assets, net of related debt	62,835,146
Restricted, bond covenants	8,219,195
Unrestricted	<u>19,048,334</u>

Total net assets \$ 90,102,675

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, 2009

Operating revenues:	
Tolls	\$ 12,546,502
Transponder sales	742,153
	13,288,655
Operating expenses:	
Personnel services	2,547,860
Utilities	148,406
Contractual services	1,138,424
Other supplies and expenses	198,199
Insurance	1,253,495
Repairs and maintenance of system	2,134,447
Transponder expense	1,290,275
Environmental remediation	(491,470)
Depreciation	3,418,857
	11,638,493
Operating income	1,650,162
Nonoperating revenues (expenses):	
Interest expense	(1,146,034)
Amortization of bond issuance costs	(14,897)
Amortization of bond discount	(17,172)
Investment income, net of trustee fees	1,502,012
Miscellaneous income	94,096
	418,005
Change in net assets	2,068,167
Net assets, beginning of year	88,034,508
Net assets, end of year	\$ 90,102,675

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, 2009

Cash flows from operating activities:	
Cash receipts from:	
Tolls	\$ 13,306,724
Transponder sales	742,153
Other	94,096
Cash payments to:	
Suppliers for goods and services	(7,826,112)
Employees for services	<u>(2,556,645)</u>
Net cash provided by operating activities	<u>3,760,216</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(6,167,963)
Principal paid on bonds	(2,105,000)
Interest paid on bonds	<u>(1,170,064)</u>
Cash used in capital and related financing activities	<u>(9,443,027)</u>
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	28,655,390
Purchase of investments	(20,504,574)
Investment income received	<u>1,058,766</u>
Net cash provided by investing activities	<u>9,209,582</u>
Net increase in cash and cash equivalents	3,526,771
Cash and cash equivalents, beginning of year	<u>6,473,713</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,000,484</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, 2009

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,650,162
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,418,857
Miscellaneous income	94,096
Changes in assets and liabilities:	
Accounts receivable	(197,328)
Inventory	(412,677)
Prepaid expenses	136,528
Accounts payable	(38,561)
Accrued expenses	(1,710,146)
Prepaid and unredeemed tolls and tokens	<u>819,285</u>
Net cash provided by operating activities	<u>\$ 3,760,216</u>

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, 2009

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 private-sector guidance issued on or before November 30, 1989, 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, 2009

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 nine (9) 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.

ETC Fund:

This fund, the Electronic Toll Collection Fund, reflects the Authority's electronic toll collecting transactions, including revenues, collections, payments and settlements. Similar to the Toll Revenue Fund, receipts are transferred to U.S. Bank and then appropriated back to various funds.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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

Basis of presentation (continued):

Insurance Reserve Fund:

This fund is a designated fund to help meet the deductibles and establish a level of self insurance. The Authority's deductible on the bridges' insurance policy equals 4% of the policy coverage.

Operating and Maintenance Fund:

This fund reflects the operating activities of the Authority.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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

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.

Investments:

Investments consist of U.S. Treasury and agency obligations, which are guaranteed by the U.S. Government; corporate bonds; repurchase agreements, which are collateralized by U.S. Treasury and agency obligations; and asset-backed securities. 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. At June 30, 2009, all investments are reported at fair value.

Restricted assets:

Certain 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. In addition, cash collected from customers and recorded as prepaid tolls in the accompanying financial statements has been classified as restricted.

Inventory:

Inventory consists of E-ZPass transponders valued at cost using the first-in, first-out (FIFO) method.

Capital assets:

All capital assets are stated at cost. The Authority capitalizes substantially all assets acquired with an original cost basis in excess of \$10,000 for equipment and \$25,000 for bridge and building improvements 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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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

Intangible assets:

Intangible assets, reported within capital assets, are comprised of licensing fees that do not expire unless certain contractual obligations are broken and are therefore reported at cost with no depreciation.

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, 2009 were \$216,000 and \$88,140, 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, 2009 were \$248,988 and \$101,601, respectively. Bond discount is shown in the accompanying financial statements as a component of long-term debt.

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, 2009 were \$348,464 and \$142,190, 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.

E-ZPass:

During 2009, the Authority replaced its token and ticket system of toll collection with E-ZPass, an automated toll collection system. Upon enrolling in E-ZPass, participants establish prepaid toll accounts. These prepaid toll receipts are recorded by the Authority as deferred revenue until the customer completes a toll transaction, at which time, revenue is recorded and the customer's account is charged. Vehicle transponders, which serve to identify the vehicles passing through the toll plazas, are purchased by the Authority and distributed to customers upon their enrollment in the program. Since June 1, 2009, the price customers are charged for transponders approximately equals the Authority's cost. Prior to June 1, 2009, transponders were sold at a discount.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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

Unredeemed toll coupons and tokens:

Income recognition on the sales of toll coupons and tokens is deferred until actual use of the coupons and tokens occurs. Since E-ZPass, the Authority has been redeeming coupons and tokens from customers for either cash or credit to customer accounts and will continue doing so for an undetermined period of time. At June 30, 2009, the recorded balance for unredeemed coupons and tokens totaling \$102,000 reflects management's estimate of future coupon and token redemptions.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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

Net assets (continued):

Restricted net assets - Consists of net assets with constraints placed on their 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.”

2. Cash and investments:

The Trust Agreement specifies the permitted investments that may be used by the Authority. Further, effective October 1, 1991, the State of Rhode Island requires 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.

Deposits:

The carrying amount of the Authority’s cash and cash equivalents at June 30, 2009 was \$10,000,484, while the bank balance was \$9,969,021. Of the bank balance, \$2,941,233 was covered by federal depository insurance; \$5,447,788 was maintained in money market accounts holding U.S. Treasury Securities with an AAA rating; and \$1,580,000 was held in fully collateralized repurchase agreements.

Investments:

At June 30, 2009, the Authority’s investments consisted of the following (additional details are provided on pages 37 to 42 in the accompanying information to the basic financial statements):

	<u>Fair value</u>		<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
United States Treasury/Agency securities:					
United States Treasury Notes	\$ 6,859,465	*	1.375%-5.125%	2010-2016	AAA
United States Treasury Inflation Indexed Bonds	290,272		1.375%-5.75%	2017-2027	AAA
Federal National Mortgage Association	437,815		1.75%-2.5%	2011-2014	AAA
Federal Home Loan Bank	3,725,159	*	4.875%-6.16%	2010-2012	AAA
Federal Home Loan Mortgage Corporation	304,908		2.0%-3.0%	2012-2014	AAA
Federal Farm Credit Bank	410,223		2.125% -3.875%	2011-2012	AAA
	<u>12,027,842</u>				

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

2. Cash and investments (continued):

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
State bonds	\$ 27,418	7.55%	2039	A2
Corporate bonds:	956,240	2.1%-6.250%	2012-2013	AAA
	93,275	4.5%-5.375%	2011-2013	AA3
	292,493	5.625%-7.9%	2018-2037	AA2
	618,329	4.75%-6.125%	2011-2018	A3
	474,361	5.75%-7.75%	2011-2039	A2
	92,717	5.5%-7.0%	2016-2026	A1
	292,360	5.4%-8.25%	2011-2019	BAA2
	<u>223,472</u>	5.3%-6.150%	2014-2037	BAA1
	<u>3,043,247</u>			
Asset-backed security trusts:				
Government agency asset-backed trusts:				
Federal National Mortgage Association Passthru	2,886,778 *	4.0%-6.5%	2021- 2038	N/A
Federal Home Loan Mortgage Corporation Passthru	<u>341,056</u>	4.5%-7.0%	2021-2038	N/A
	<u>3,227,834</u>			
Corporate asset-backed trusts	<u>444,388</u>	5.05%-5.84%	2012-2051	AAA
Total investments	<u>\$ 18,770,729</u>			

* Investments in one issuer greater than 5% of all investments.

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.

Concentration of credit risk:

At June 30, 2009, 64% of the Authority's investments were maintained in U.S. Government Securities and Bonds and 17% were held in asset-backed securities of government agencies.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

2. Cash and investments (continued):

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. At June 30, 2009 and for the year then ended, all of the Authority's investments were direct investments not subject to custodial credit risk.

3. Capital assets:

	Balance, June 30, 2008	Additions	Retirements and disposals	Balance, June 30, 2009
Capital assets not being depreciated:				
Construction in progress	\$ 2,677,284	\$ 6,114,653	\$ (5,924,598)	\$ 2,867,339
Licensing fees	- 0 -	250,000		250,000
	<u>2,677,284</u>	<u>6,364,653</u>	<u>(5,924,598)</u>	<u>3,117,339</u>
Capital assets being depreciated:				
Bridges	109,652,628	3,056,244	- 0 -	112,708,872
Buildings	2,643,267			2,643,267
Land improvements	308,919	344,163		653,082
Equipment	3,619,498	1,987,474		5,606,972
	<u>116,224,312</u>	<u>5,387,881</u>	<u>- 0 -</u>	<u>121,612,193</u>
Less accumulated depreciation:				
Bridges	(29,315,639)	(2,985,083)	- 0 -	(32,300,722)
Buildings	(2,615,924)	(9,942)		(2,625,866)
Land improvements	(171,193)	(39,666)		(210,859)
Equipment	(994,643)	(384,166)		(1,378,809)
	<u>(33,097,399)</u>	<u>(3,418,857)</u>	<u>- 0 -</u>	<u>(36,516,256)</u>
Net capital assets being depreciated, net	<u>83,126,913</u>	<u>1,969,024</u>	<u>- 0 -</u>	<u>85,095,937</u>
Capital assets, net	<u>\$ 85,804,197</u>	<u>\$ 8,333,677</u>	<u>\$ (5,924,598)</u>	<u>\$88,213,276</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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, 2009, 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, 2009, the Authority has in-substance defeased debt of approximately \$32,300,000, 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.

During the year ended June 30, 2009, changes in long-term debt consisted of the following:

	Balance, June 30, 2008	Retirements	Balance, June 30, 2009
Series 2003 revenue bonds payable	\$ 25,730,000	\$ 2,105,000	\$ 23,625,000
Deferred amounts, net:			
Gain on refunding	230,306	24,032	206,274
Bond discount	(164,559)	(17,172)	(147,387)
Total bonds payable	<u>\$ 25,795,747</u>	<u>\$ 2,111,860</u>	<u>\$ 23,683,887</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

4. Long-term debt (continued):

The following represents debt service and sinking fund requirements to maturity as of June 30, 2009:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,475,000	784,461	3,259,461
2014	2,595,000	662,498	3,257,498
2015-2018	<u>11,735,000</u>	<u>1,249,318</u>	<u>12,984,318</u>
	<u>\$ 23,625,000</u>	<u>\$ 5,680,781</u>	<u>\$ 29,305,781</u>

5. Commitments:

Toll Lane Implementation and Maintenance Contract:

Effective June 17, 2008, the Authority entered into a contract with Caseta Technologies for implementation of the electronic toll system, E-ZPass. The aggregate cost was not to exceed \$1,692,146 and included all hardware, software, set-up and training costs. The contract includes ongoing maintenance service through May 1, 2012.

E-ZPass Customer Service Contract:

Effective September 23, 2008, the Authority entered into a 3-year contract with Affiliated Computer Services of Newark, New Jersey to process E-ZPass transactions. The contract, based on traffic flow, includes options to extend and a tiered fee schedule for services. Services include:

- Maintaining the account information database
- Resolving disputes
- Debiting accounts based upon toll revenue charged to account holders
- Processing toll lane violations, including administrative violations
- Marketing

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

5. Commitments (continued):

Construction in progress:

The Authority has entered into various contracts for ongoing improvements to the bridges and property. As of June 30, 2009, remaining commitments on these contracts approximated \$4,170,000.

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 2009 was approximately \$115,000, while the total cost of the matching and supplemental employer contribution for fiscal year 2009 was approximately \$120,000. The payroll for employees covered by the Plan for fiscal year 2009 was approximately \$1,460,000 and the Authority's total payroll was approximately \$2,160,000. 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.

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 not recorded a reserve for such claims at June 30, 2009.

8. Deficit net assets:

The Revenue Fund and General Fund had deficit net assets of (\$66,482) and (\$8,358), respectively, at June 30, 2009.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Environmental remediation:

In 2008, the Authority recorded, as a prior period adjustment, an estimated liability of \$1,300,000 for environmental remediation at the Mount Hope Bridge. During 2009, expenditures incurred totaled approximately \$1,072,000 with an estimated \$40,000 remaining balance accrued at June 30, 2009.

Also in 2008, the Authority recorded an additional estimated environmental remediation liability of \$400,000 to manage lead-impacted soil at the Pell Bridge in Jamestown. Expenditures incurred during 2009 approximated \$96,000. Management does not anticipate any further costs associated with the remediation.

The changes in the estimate of costs associated with these remediation projects is reflected as an increase in net assets of \$491,470 for the year ended June 30, 2009.



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

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 30 to 49 is presented for purposes of additional analysis and is not a required part 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 36, 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 23, 2009

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2009

	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
ASSETS:							
Current assets:							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable							
Accrued interest receivable							
Due from other funds							368
Inventory							
Prepaid expenses							
Restricted:							
Cash and cash equivalents	961,527	469,384			1,430,911		141,547
Investments			3,617,284		3,617,284		
Accounts receivable							42,682
Accrued interest receivable			17,823		17,823		
	<u>961,527</u>	<u>469,384</u>	<u>3,635,107</u>	<u>-</u>	<u>5,066,018</u>	<u>-</u>	<u>184,597</u>
Total current assets							
Noncurrent assets:							
Investments							
Bond issuance costs, net				127,860	127,860		
Capital assets:							
Bridges						59,846,700	
Buildings						641,267	
Land improvements							
Equipment							
Licensing fees							
Construction in progress							
						60,487,967	
Less accumulated depreciation						(25,425,740)	
						<u>35,062,227</u>	
Net capital assets							
				<u>127,860</u>	<u>127,860</u>	<u>35,062,227</u>	
Total noncurrent assets							
	<u>961,527</u>	<u>469,384</u>	<u>3,635,107</u>	<u>127,860</u>	<u>5,193,878</u>	<u>35,062,227</u>	<u>184,597</u>
Total assets							

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2009 (CONTINUED)

	ETC Fund	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
ASSETS:							
Current assets:							
Cash and cash equivalents	\$ -	\$ 172,825	\$ -	\$ 3,284,196	\$ 1,655	\$ 1,583,900	\$ 5,042,576
Accounts receivable		717					717
Accrued interest receivable						308	308
Due from other funds	295,461	709,936		28,019		686,500	1,720,284
Inventory				412,677			412,677
Prepaid expenses		116,748					116,748
Restricted:							
Cash and cash equivalents	2,402,842	6,853	975,755				4,957,908
Investments							3,617,284
Accounts receivable	204,812						247,494
Accrued interest receivable							17,823
Total current assets	2,903,115	1,007,079	975,755	3,724,892	1,655	2,270,708	16,133,819
Noncurrent assets:							
Investments				15,153,445			15,153,445
Bond issuance costs, net							127,860
Capital assets:							
Bridges				52,862,171			112,708,871
Buildings				2,002,000			2,643,267
Land improvements				653,082			653,082
Equipment		489,809		5,117,163			5,606,972
Licensing fees				250,000			250,000
Construction in progress				2,867,339			2,867,339
		489,809		63,751,755			124,729,531
Less accumulated depreciation		(301,067)		(10,789,448)			(36,516,255)
Net capital assets		188,742		52,962,307			88,213,276
Total noncurrent assets		188,742		68,115,752			103,494,581
Total assets	2,903,115	1,195,821	975,755	71,840,644	1,655	2,270,708	119,628,400

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2009 (CONTINUED)

	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
LIABILITIES:							
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,471
Accrued interest payable		100,665			100,665		
Accrued expense							
Due to other funds							140,608
Prepaid and unredeemed tolls and tokens							102,000
Current portion of bonds payable						2,180,000	
Total current liabilities	-	100,665	-	-	100,665	2,180,000	251,079
Bonds payable, less current portion						21,503,887	
Total liabilities	-	100,665	-	-	100,665	23,683,887	251,079
NET ASSETS:							
Invested in capital assets, net of related debt						11,378,340	
Restricted, bond covenants	961,527	100,665	3,635,107		4,697,299		82,229
Unrestricted		268,054		127,860	395,914		(148,711)
Total net assets	<u>\$ 961,527</u>	<u>\$ 368,719</u>	<u>\$ 3,635,107</u>	<u>\$ 127,860</u>	<u>\$ 5,093,213</u>	<u>\$ 11,378,340</u>	<u>\$ (66,482)</u>

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2009 (CONTINUED)

	ETC Fund	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
LIABILITIES:							
Current liabilities:							
Accounts payable	\$ 143,742	\$ 282,493	\$ -	\$ 1,694,243	\$ 10,013	\$ -	\$ 2,138,962
Accrued interest payable							100,665
Accrued expenses		373,345					373,345
Due to other funds		184,676		1,395,000			1,720,284
Prepaid and unredeemed tolls and tokens	1,406,582						1,508,582
Current portion of bonds payable							2,180,000
Total current liabilities	1,550,324	840,514	-	3,089,243	10,013	-	8,021,838
Bonds payable, less current portion							21,503,887
Total liabilities	1,550,324	840,514	-	3,089,243	10,013	-	29,525,725
NET ASSETS:							
Invested in capital assets, net of related debt		188,742		51,268,064			62,835,146
Restricted, bond covenants	2,463,912		975,755				8,219,195
Unrestricted	(1,111,121)	166,565		17,483,337	(8,358)	2,270,708	19,048,334
Total net assets	\$ 1,352,791	\$ 355,307	\$ 975,755	\$ 68,751,401	\$ (8,358)	\$ 2,270,708	\$ 90,102,675

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, 2009						
	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
Operating revenues:							
Tolls	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,341,531
Transponder sales							
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,341,531</u>
Operating expenses:							
Personnel services	-	-	-	-	-	-	-
Utilities							
Contractual services							
Other supplies and expenses							
Insurance							
Repairs and maintenance of system							
Transponder expense							
Environmental remediation							
Depreciation						624,310	
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,310</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(624,310)</u>	<u>9,341,531</u>
Nonoperating revenues (expenses):							
Interest expense		(1,170,066)			(1,170,066)	24,032	
Amortization of bond issuance costs				(14,897)	(14,897)		
Amortization of bond discount						(17,172)	
Investment income, net of trustee fees	6,064	1,918	252,074		260,056		(58)
Miscellaneous income							4,869
Total nonoperating revenues (expenses)	<u>6,064</u>	<u>(1,168,148)</u>	<u>252,074</u>	<u>(14,897)</u>	<u>(924,907)</u>	<u>6,860</u>	<u>4,811</u>
Income (loss) before operating transfers	6,064	(1,168,148)	252,074	(14,897)	(924,907)	(617,450)	9,346,342
Transfers in (out)	(494,997)	1,183,709	(216,256)		472,456	2,105,000	(8,970,190)
Change in net assets	(488,933)	15,561	35,818	(14,897)	(452,451)	1,487,550	376,152
Net assets (deficiency), beginning of year	<u>1,450,460</u>	<u>353,158</u>	<u>3,599,289</u>	<u>142,757</u>	<u>5,545,664</u>	<u>9,890,790</u>	<u>(442,634)</u>
Net assets (deficiency), end of year	<u>\$ 961,527</u>	<u>\$ 368,719</u>	<u>\$ 3,635,107</u>	<u>\$ 127,860</u>	<u>\$ 5,093,213</u>	<u>\$ 11,378,340</u>	<u>\$ (66,482)</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, 2009						
	ETC Fund	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
Operating revenues:							
Toll revenues	\$ 3,204,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,546,502
Transponder revenues	742,153						742,153
Total operating revenues	<u>3,947,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,288,655</u>
Operating expenses:							
Personnel services	-	2,547,860	-			-	2,547,860
Utilities		148,406					148,406
Contractual services		1,138,424					1,138,424
Other supplies and expenses		198,199					198,199
Insurance		1,253,495					1,253,495
Repairs and maintenance of system		452,618		1,641,392	40,437		2,134,447
Transponder expense				1,290,275			1,290,275
Environmental remediation				(491,470)			(491,470)
Depreciation		38,605		2,755,942			3,418,857
Total operating expenses	<u>-</u>	<u>5,777,607</u>	<u>-</u>	<u>5,196,139</u>	<u>40,437</u>	<u>-</u>	<u>11,638,493</u>
Operating income (loss)	<u>3,947,124</u>	<u>(5,777,607)</u>	<u>-</u>	<u>(5,196,139)</u>	<u>(40,437)</u>	<u>-</u>	<u>1,650,162</u>
Nonoperating revenues (expenses):							
Interest expense	-				-		(1,146,034)
Amortization of bond issuance costs							(14,897)
Amortization of bond discount							(17,172)
Investment income, net of trustee fees			14,485	1,208,345		19,184	1,502,012
Miscellaneous income		561		88,666			94,096
Total nonoperating revenues (expenses)	<u>-</u>	<u>561</u>	<u>14,485</u>	<u>1,297,011</u>	<u>-</u>	<u>19,184</u>	<u>418,005</u>
Income (loss) before operating transfers	3,947,124	(5,777,046)	14,485	(3,899,128)	(40,437)	19,184	2,068,167
Transfers in (out)	<u>(2,594,333)</u>	<u>5,389,345</u>		<u>3,567,722</u>	<u>30,000</u>		<u>-</u>
Change in net assets	1,352,791	(387,701)	14,485	(331,406)	(10,437)	19,184	2,068,167
Net assets (deficiency), beginning of year	<u>-</u>	<u>743,008</u>	<u>961,270</u>	<u>69,082,807</u>	<u>2,079</u>	<u>2,251,524</u>	<u>88,034,508</u>
Net assets (deficiency), end of year	<u>\$ 1,352,791</u>	<u>\$ 355,307</u>	<u>\$ 975,755</u>	<u>\$ 68,751,401</u>	<u>\$ (8,358)</u>	<u>\$ 2,270,708</u>	<u>\$ 90,102,675</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, 2009

	<u>Claiborne Pell Bridge</u>
Traffic count (unaudited):	
Two-axle vehicle fares paid with cash	2,620,377
Vehicle fares paid with tokens, tickets and ETC	<u>7,333,433</u>
	<u>9,953,810</u>
Toll revenues (audited):	
Two-axle vehicle fares paid with cash	\$ 5,240,754
Vehicle fares paid with tokens, tickets and ETC	<u>7,305,748</u>
Total toll revenues	<u>\$ 12,546,502</u>

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

SCHEDULE OF CASH AND INVESTMENTS

JUNE 30, 2009

Restricted cash and cash equivalents:

Revenue Refunding Bond Fund - Principal Account

US Bank - First American Treasury Funds - 100% collateralized \$ 961,527

Revenue Refunding Bond Fund - Interest Account

US Bank - First American Treasury Funds - 100% collateralized 469,384

Revenue Fund

Citizens Bank 137,942

US Bank - First American Treasury Funds - 100% collateralized 3,605

ETC Fund

Bank of America 2,402,842

Operating and Maintenance Fund

Citizens Bank 6,853

Operating and Maintenance Reserve Fund

BNY Mellon - Money Market Funds 975,755

Total restricted cash and cash equivalents 4,957,908

Restricted investments:

Debt Service Reserve Fund

US Bank:
Federal Home Loan, \$3,618,000, 6.16%, due 9/29/09 3,617,284

Total restricted investments 3,617,284

Total restricted cash, cash equivalents and investments 8,575,192

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2009

Unrestricted cash and cash equivalents:

Operating and Maintenance Fund

Citizens Bank	\$ 169,405
On hand - petty cash	3,420
	<hr/>
	172,825
	<hr/>

Renewal and Replacement Fund

Bank Newport - Money Market Fund	86,928
Citizens Bank	159,751
BNY Mellon - Money Market Fund	3,037,517
	<hr/>
	3,284,196
	<hr/>

General Fund

Citizens Bank	1,655
	<hr/>

Insurance Reserve Fund

Citizens Bank	3,900
Collateralized repurchase agreements:	
\$525,000, 5%, due August 6, 2009	525,000
\$525,000, 5%, due August 27, 2009	525,000
\$530,000, 5%, due July 16, 2009	530,000
	<hr/>
	1,583,900
	<hr/>

Total unrestricted cash and cash equivalents

5,042,576

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2009

Unrestricted investments:

Renewal and Replacement Fund

BNY Mellon Short-Term Portfolio

United States Treasury/Agency Securities:

440,000	1.750% due	3/31/2010 US Treasury Note	\$	444,228
140,000	4.500% due	5/15/2010 US Treasury Note		144,862
385,000	2.750% due	7/31/2010 US Treasury Note		394,009
320,000	5.750% due	8/15/2010 US Treasury Note		338,426
315,000	4.125% due	8/15/2010 US Treasury Note		327,515
410,000	4.500% due	11/15/2010 US Treasury Note		431,254
360,000	4.375% due	12/15/2010 US Treasury Note		378,828
360,000	4.250% due	1/15/2011 US Treasury Note		378,648
360,000	4.625% due	8/31/2011 US Treasury Note		385,988
415,000	4.625% due	2/29/2012 US Treasury Note		449,723
200,000	1.375% due	5/15/2012 US Treasury Note		198,876
20,000	4.000% due	11/15/2012 US Treasury Note		21,436
100,000	3.000% due	3/3/2011 Federal Farm Credit Bank		103,219
5,000	2.625% due	4/21/2011 Federal Farm Credit Bank		5,130
100,000	3.875% due	8/25/2011 Federal Farm Credit Bank		105,188
130,000	2.250% due	4/24/2012 Federal Farm Credit Bank		131,463
65,000	2.125% due	6/18/2012 Federal Farm Credit Bank		65,224
100,000	4.875% due	11/18/2011 Federal Home Loan Banks		107,875
140,000	2.125% due	3/23/2012 Federal Home Loan Mortgage Corp		141,268
70,000	1.750% due	3/23/2011 Federal National Mortgage Assn		70,657
170,000	2.500% due	2/17/2012 Federal National Mortgage Assn		170,532

Corporate bonds:

130,000	3.125% due	12/1/2011 JPMorgan Chase & Co		134,479
115,000	3.000% due	12/9/2011 General Elec Cap Corp		118,640
115,000	3.250% due	12/9/2011 Regions Bank		119,321
70,000	3.000% due	12/9/2011 Wells Fargo & Company		72,334
115,000	3.125% due	6/15/2012 Bank of America Corp		118,605
95,000	3.250% due	6/15/2012 Goldman Sachs Grp Inc		98,315
120,000	3.200% due	6/15/2012 Key Bank Na		124,052

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2009

Unrestricted investments (continued):

Renewal and Replacement Fund (continued)

BNY Mellon Intermediate Portfolio

United States Treasury/Agency Securities:

230,000	4.000% due	8/31/2009	United States Treasury Note	\$	231,419
1,765,000	4.250% due	1/15/2011	United States Treasury Note		1,856,427
315,000	4.625% due	8/31/2011	United States Treasury Note		337,740
180,000	4.625% due	2/29/2012	United States Treasury Note		195,061
140,000	4.000% due	11/15/2012	United States Treasury Note		150,052
55,000	4.250% due	8/15/2013	United States Treasury Note		59,464
85,000	5.125% due	5/15/2016	United States Treasury Note		95,333
40,000	3.250% due	5/31/2016	United States Treasury Note		40,175
100,444	5.750% due	1/15/2017	United States Treasury Inflation Indexed Bonds		104,808
84,047	1.375% due	7/15/2018	United States Treasury Inflation Indexed Bonds		81,474
100,444	2.375% due	1/15/2027	United States Treasury Inflation Indexed Bonds		103,991
40,000	2.000% due	4/27/2012	Federal Home Loan Mortgage Corp		39,984
125,000	3.000% due	4/21/2014	Federal Home Loan Mortgage Corp		123,655
200,000	2.500% due	5/15/2014	Federal National Mortgage Assn		196,626

State bonds:

30,000.00	7.550% due	4/1/2039	California ST		27,418
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Corporate bonds:

45,000	7.750% due	8/1/2010	Axa Finl Inc		45,124
40,000	4.500% due	10/28/2010	Bear Stearns Co. Inc.		40,912
75,000	5.750% due	6/15/2011	Aetna Inc		78,409
55,000	5.750% due	6/15/2011	Intl Lease Finance Corp		45,609
95,000	7.000% due	3/15/2012	Deere John Cap Corp NT DTD		104,325
55,000	5.400% due	3/15/2012	Intuit Inc		55,536
100,000	2.100% due	4/30/2012	Bank of America Corp		100,152
50,000	5.750% due	5/1/2012	Simon Property Group LP		50,802
45,000	5.875% due	8/15/2012	SBC Communications Inc		48,296
50,000	5.375% due	10/1/2012	JP Morgan Chase & Co		52,364
50,000	5.500% due	4/1/2013	Diageo Finance Bv		52,567
50,439	6.250% due	4/15/2013	Tsy Infl IX N/B		49,840
50,000	5.300% due	10/15/2013	Crh America Inc		46,569
50,000	6.375% due	3/1/2014	Rogers Wireless Inc		53,593
75,000	4.750% due	4/1/2014	Morgan Stanley Global		70,844
120,000	5.000% due	6/30/2015	Hsbc Finance Corp		111,816
75,000	5.500% due	1/15/2016	Johnson Controls Inc		69,544
50,000	5.500% due	2/22/2016	Cisco Systems Inc		52,970
100,000	5.900% due	3/15/2016	Comcast Corp		103,442
100,000	5.750% due	8/15/2016	Bank of America Corp		86,767
110,000	5.625% due	9/15/2017	General Elec Cap Corp		105,276
100,000	6.125% due	11/21/2017	Citigroup Inc		87,676
20,000	5.170% due	1/1/2018	Aep Texas Central Trans		20,502

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2009

Unrestricted investments (continued):

Renewal and Replacement Fund (continued)

BNY Mellon Intermediate Portfolio (continued)

Corporate bonds:

80,000	5.500% due	2/15/2018 Verizon Communications	\$ 79,449
70,000	5.750% due	4/15/2018 Oracle Corp	73,839
85,000	7.900% due	11/1/2018 Pepsico Inc	103,411
50,000	7.717% due	2/15/2019 Met Life Glob Funding I	53,482
50,000	5.650% due	2/15/2019 General Mills Inc	52,258
60,000	8.250% due	4/1/2019 Time Warner Cable Inc	68,077
35,000	7.000% due	10/30/2025 International Business Machs Corp	39,745
25,000	6.150% due	3/1/2037 News America Inc	21,203
75,000	6.500% due	8/15/2037 Wal-Mart Stores Inc	83,806
50,000	6.500% due	9/1/2037 AT&T Inc	49,593
45,000	6.750% due	10/1/2037 Goldman Sachs Grp Inc	40,005
55,000	6.125% due	7/15/2038 United Technologies Corp	59,698

Asset-backed security trusts:

17,183	4.500% due	3/1/2021 Federal Home Loan Mortgage Corp Gold Passthru	17,703
42,821	5.000% due	6/1/2028 Federal Home Loan Mortgage Corp Gold Passthru	43,953
41,581	5.000% due	7/1/2028 Federal Home Loan Mortgage Corp Gold Passthru	42,681
26,842	5.500% due	6/1/2034 Federal Home Loan Mortgage Corp Gold Passthru	27,828
44,782	7.000% due	8/1/2036 Federal Home Loan Mortgage Corp Gold Passthru	48,237
45,053	Adj due	4/1/2037 Federal Home Loan Mortgage Corp Gold Passthru	47,500
109,410	5.500% due	1/1/2038 Federal Home Loan Mortgage Corp Gold Passthru	113,153
33,007	5.000% due	3/1/2021 Federal National Mortgage Assn Passthru CTF Pool	34,459
79,102	4.000% due	4/1/2024 Federal National Mortgage Assn Passthru CTF Pool	79,234
105,720	6.000% due	9/1/2034 Federal National Mortgage Assn Passthru CTF Pool	111,173
339,460	5.500% due	7/1/2035 Federal National Mortgage Assn Passthru CTF Pool	351,708
369,352	5.500% due	10/1/2035 Federal National Mortgage Assn Passthru CTF Pool	382,678
78,015	4.500% due	1/1/2036 Federal National Mortgage Assn Passthru CTF Pool	78,197
32,365	5.000% due	2/1/2036 Federal National Mortgage Assn Passthru CTF Pool	33,067
66,483	5.500% due	4/1/2036 Federal National Mortgage Assn Passthru CTF Pool	68,881
17,530	6.000% due	9/1/2036 Federal National Mortgage Assn Passthru CTF Pool	18,434
39,971	6.500% due	10/1/2036 Federal National Mortgage Assn Passthru CTF Pool	42,639
44,113	Adj due	5/1/2037 Federal National Mortgage Assn Passthru CTF Pool	46,264
46,543	6.500% due	8/1/2037 Federal National Mortgage Assn Passthru CTF Pool	49,635
65,871	6.000% due	10/1/2037 Federal National Mortgage Assn Passthru CTF Pool	68,940
343,010	6.000% due	12/1/2037 Federal National Mortgage Assn Passthru CTF Pool	360,984
51,101	6.500% due	12/1/2037 Federal National Mortgage Assn Passthru CTF Pool	54,496
128,167	5.500% due	2/1/2038 Federal National Mortgage Assn Passthru CTF Pool	132,483
95,904	5.500% due	3/1/2038 Federal National Mortgage Assn Passthru CTF Pool	99,134
204,478	6.500% due	4/1/2038 Federal National Mortgage Assn Passthru CTF Pool	218,049

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, 2009

Unrestricted investments (continued):

Renewal and Replacement Fund (continued)

BNY Mellon Intermediate Portfolio (continued)

Asset-backed security trusts (continued):

392,437	5.000% due	4/15/2038	Federal National Mortgage Assn Passthru CTF Pool	\$	400,961
244,330	6.000% due	6/1/2038	Federal National Mortgage Assn Passthru CTF Pool		255,363
60,000	5.110% due	10/25/2006	Honda Auto Receivables Owner Trust		61,576
8,717	5.750% due	6/15/2012	Harley-Davidson Motorcycle Trust		8,863
68,704	5.100% due	7/16/2012	Nissan Auto Lease Trust Passthru CTF		68,730
40,000	5.210% due	6/15/2013	Harley-Davidson Motorcycle Trust		40,922
50,000	5.330% due	11/19/2013	Household Automotive Trust		49,664
62,689	5.050% due	4/20/2014	Cit Equipment Collateral Passthru		63,060
90,000	5.840% due	7/15/2044	LB Commercial Conduit Mortgage Trust		83,695
45,000	5.448% due	1/15/2049	Credit Suisse Mortgage Capital		41,477
30,000	5.331% due	3/12/2051	Merrill Lynch/Countrywide Commercial		26,401

Total unrestricted investments 15,153,445

Total unrestricted cash, cash equivalents and investments 20,196,021

Total cash, cash equivalents and investments \$ 28,771,213

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, 2009

Check Number	Date Paid	Payee	Purpose	Amount
9588	07/09/08	Spinnakers Café	7/9/08 Board Meeting	\$ 33
Payroll	07/15/08	M. Smith	Mileage	9
Payroll	07/15/08	C. Callahan	Mileage	33
9593	07/29/08	JoAnn Head	B. Croft Parking & Lunch	40
9603	08/16/08	American Express	Train Fare: B. Croft & C. Callahan	450
9658	08/06/08	Spinnakers Café	8/6/08 Board Meeting	31
9673	08/16/08	American Express	Travel - IBTTA Meeting	725
9711	09/23/08	American Express	Travel - B. Croft - Philadelphia	318
Payroll	09/23/08	A. DellaPosta	Mileage	161
9755	10/07/08	Newport County C of C	10/27 Luncheon - B. Croft	25
Payroll	10/07/08	A. DellaPosta	Mileage	175
Payroll	10/07/08	J. Sullivan	Mileage	186
9779	10/27/08	American Express	B. Croft - Baltimore Trip	366
9790	10/16/08	A. Fletcher	Mileage	105
9830	11/05/08	East Ferry Deli	9/24 & 11/5 Board Meeting	76
Payroll	11/18/08	A. DellaPosta	Mileage	88
9852	11/28/08	American Express	B. Croft - Parking	10
9852	11/28/08	American Express	C. Callahan Texas trip re: E-Z Pass	743
9852	11/28/08	American Express	M. Hillier Texas trip re: E-Z Pass	743
Payroll	12/02/08	J. Sepulveda	Mileage	47
Payroll	12/02/08	S. Schroer	Mileage	60
9883	12/03/08	J. Head - Petty Cash	MADD Event 11/25	124
9883	12/03/08	J. Head - Petty Cash	E-Z Pass workers - VJ Day	26
9893	12/09/08	C. Callahan	Texas trip - re: E-Z Pass expenses	737
9893	12/09/08	M. Hillier	Texas trip - re: E-Z Pass expenses	664
9897	12/10/08	East Ferry Deli	12/10/08 Board Meeting	37
9899	12/10/08	A. Fletcher	Mileage	105

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2009

Check Number	Date Paid	Payee	Purpose	Amount
9917	12/16/08	American Express	N Y trip - Train & Cabs - B. Croft	\$ 254
Payroll	12/16/08	A. DellaPosta	Mileage	89
9975	12/22/08	Spinnakers Café	E-Z Pass Meeting	34
10000	01/07/09	East Ferry Deli	1/14 Board Meeting	37
Payroll	01/13/09	J. Sullivan	Mileage	196
10028	01/17/09	American Express	B. Croft Air Fare \$239 & Hyatt \$86	325
10028	01/17/08	American Express	K. O'Connor - Air Fare	496
Payroll	02/24/09	K. Fullerton	Mileage	48
Payroll	02/24/09	K. Leber	Mileage	47
10029	02/06/09	Grtr. Prov. Chamber of C.	D. Darlington 2/11 Luncheon	60
Payroll	02/10/09	J. Sullivan	Mileage	222
10036	02/20/08	Grtr. Prov. Chamber of C.	B. Croft 3/30 Congressional Breakfast	40
10040	02/16/09	American Express	B. Croft - IBTTA Meeting 1/21 - 23	352
10076	02/28/09	R.I. Services Coffee Plus		123
10082	02/28/08	T's Catering		450
Payroll	03/10/09	K. Fullerton	Mileage	92
Payroll	03/10/09	K. Leber	Mileage	102
Payroll	03/10/09	J. Sullivan	Mileage	199
Payroll	03/24/09	K. Fullerton	Mileage	45
Payroll	03/24/09	K. Leber	Mileage	53
10160	04/03/09	R. I. Economic Development	B. Croft - 5/13/ Luncheon	40
10161	04/06/09	J. Head - Petty Cash	Training Meeting 12/12	56
10161	04/06/09	J. Head - Petty Cash	Training Meeting 12/15	33
10161	04/06/09	J. Head - Petty Cash	B. Croft - Cab Fares	40
10161	04/06/09	J. Head - Petty Cash	B. Croft - Parking	26
10161	04/06/09	J. Head - Petty Cash	Coffee An - T & R Interviews	24
10201	04/06/09	McQuade's Marketplace	Lunch - T & R Interviews	46

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2009

Check Number	Date Paid	Payee	Purpose	Amount
Payroll	04/07/09	K. Fullerton	Mileage	\$ 88
Payroll	04/07/09	K. Leber	Mileage	99
Payroll	04/07/09	J. Sullivan	Mileage	209
Payroll	04/21/09	K. Fullerton	Mileage	97
Payroll	04/21/09	K. Leber	Mileage	108
10180	04/23/09	American Express	B. Croft - Philadelphia Trip 4/09	391
10191	04/23/09	East Ferry Deli	3/11 Board Meeting	37
10191	04/23/09	East Ferry Deli	4/15 Board Meeting	37
10174	04/27/09	Newport County C of C	B. Croft - 5/8 Meeting	25
Payroll	5/5/2009	K. Fullerton	Mileage	50
Payroll	05/05/09	K. Leber	Mileage	56
Payroll	05/05/09	J. Sullivan	Mileage	243
10232	05/06/09	East Ferry Deli	5/6 Board Meeting	43
10260	05/31/09	American Express	B. Croft - Florida Air Fare & Parking	280
Payroll	06/02/09	K. Fullerton	Mileage	198
Payroll	06/02/09	K. Leber	Mileage	158
Payroll	06/02/09	J. Sullivan	Mileage	238
Payroll	06/02/09	A. DellaPosta	Mileage	133
10301	06/02/09	A. Fletcher	Mileage	198
Payroll	06/16/09	K. Fullerton	Mileage	98
Payroll	06/16/09	K. Leber	Mileage	81
10293	06/17/09	N.E. Consortium of State	B. Croft - 7/30 & 31 Conference	295
Payroll	06/30/09	K. Fullerton	Mileage	91
Payroll	06/30/09	K. Leber	Mileage	80
				\$ 12,979

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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2009

<u>Statement of Net Assets</u>	<u>Attachment B</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,042,576
Investments	
Receivables	1,025
(Receivables allowance)	
Restricted assets:	
Cash and cash equivalents	4,957,908
Investments	3,617,284
Other assets	265,317
Due from primary government	
Due from other governments	
Inventories	412,677
Other assets	116,748
Total current assets	<u>14,413,535</u>
Noncurrent assets:	
Investments	15,153,445
Receivables	
(Receivables allowance)	
Restricted assets:	
Cash and cash equivalents	
Investments	
Other assets	
Capital assets - nondepreciable	3,117,339
Capital assets - depreciable (net)	85,095,937
Other assets, net of amortization	127,860
Total noncurrent assets	<u>103,494,581</u>
Total assets	<u>117,908,116</u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2009

<u>Statement of Net Assets (continued)</u>	<u>Attachment B</u>
Liabilities	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 2,138,962
Due to primary government	
Due to (from) other component units	
Due to other governments	
Deferred revenue	1,508,582
Other liabilities	474,010
Current portion of long-term debt	2,180,000
Total current liabilities	<u>6,301,554</u>
Noncurrent liabilities:	
Due to primary government	
Due to other governments	
Deferred revenue	
Notes payable	
Loans payable	
Obligations under capital leases	
Other liabilities	
Compensated absences	
Bonds payable	21,503,887
Total noncurrent liabilities	<u>21,503,887</u>
Total liabilities	<u>27,805,441</u>
Net assets	
Invested in capital assets, net of related debt	62,835,146
Restricted for:	
Debt	8,219,195
Other	
Other nonexpendable	
Unrestricted	19,048,334
Total net assets	<u>\$ 90,102,675</u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2009

<u>Statement of Changes in Net Assets</u>	<u>Attachment C</u>
Operating revenues:	
Charges for services	\$ 12,546,502
Interest income on loans	
Interest on investments	
Net increase (decrease) in fair value of investments	
Other operating income	742,153
Total operating revenues	<u>13,288,655</u>
Operating expenses:	
Personal services	2,547,860
Supplies, materials, and services	5,671,776
Interest expense	
Grants, scholarships and contract programs	
Depreciation, depletion and amortization	3,418,857
Other operating expenses	
Total operating expenses	<u>11,638,493</u>
Operating income (loss)	<u>1,650,162</u>
Nonoperating revenues (expenses):	
Interest revenue	1,001,416
Grants	
Payments from primary government	
Gain (loss) on sale of property	
Interest expense	(1,146,034)
Payments (to) from other component units	
Net increase (decrease) in fair value of investments	500,596
Other nonoperating revenue (expenses)	62,027
Total nonoperating revenue (expenses)	<u>418,005</u>
Income (loss) before contributions	2,068,167
Capital contributions	
Special items	
Extraordinary items	
Change in net assets	<u>2,068,167</u>
Total net assets - beginning	88,034,508
Total net assets - ending	<u>\$ 90,102,675</u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2009

	<u>Long-Term Debt</u>	<u>Attachment D</u>
Fiscal Year Ending June 30, 2009	Principal	Interest
2010	\$ 2,180,000	\$ 1,089,446
2011	2,270,000	998,367
2012	2,370,000	896,691
2013	2,475,000	784,461
2014	2,595,000	662,498
2015 - 2018	11,735,000	1,249,318
	\$ 23,625,000	\$ 5,680,781



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

**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, 2009 and have issued our report thereon dated September 23, 2009. 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies 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, of the significant deficiencies described in the accompanying schedule of findings and responses we consider Items 09-01, 09-02 and 09-03 to be material weaknesses.

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.

The Authority's responses to the significant deficiencies identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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 these specified parties.

Leffkowitz, Jan. Jankel, Charney & DeGuzman, P.C.

September 23, 2009

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

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2009

Item 09-1 Financial Reporting Close Process

Observation:

The annual financial close process relating to the preparation of the Authority's financial statements was not effective in the timely preparation of accurate financial statements that comply with accounting principles generally accepted in the United States (U.S. GAAP). Several corrections to the Authority's general ledger account balances and subsidiary records and schedules resulted in proposed audit adjustments that were material to the financial statements. We also noted a lack of timely recording of revenue and cash transactions resulting from the implementation of the E-ZPass system which became operative in January 2009. This affected many general ledger accounts and caused delays in the audit process.

Recommendation:

We recommend that the Authority evaluate the adequacy of its financial close process, the capabilities of its finance department personnel and controls surrounding the timely recording of financial information, including the preparation of complete and accurate financial statements in accordance with U.S. GAAP. Performing regular account reconciliations, accurately recording activities in the general ledger monthly, and timely review of financial information and financial statements by a capable individual will assist in the timely and accurate preparation of both monthly and year-end financial statements and provide the Board of Directors with reliable monthly financial information. In addition, maintaining schedules with a financial statement focus will facilitate the relatively quick turnaround required for the annual year-end financial statement submission to the State.

Management's Response:

With the introduction of E-ZPass, the customer service center became an added responsibility of the finance department and the finance assistant became the customer service center supervisor. In addition to hiring a number of temporary employees, the administrative staff, including the finance staff, was required to take on additional responsibilities to meet the volume of applications and processing necessary to get the program up and running. The result being that for a period of time, routine day-to-day tasks, such as collector audits were not being performed in a timely manner. A further complication was bugs in the software program that were only recently resolved by Caseta in spite of the continued requests to resolve this situation. The CFO and CSC supervisor were provided limited financial report training by Affiliated Computer Services (ACS) when E-ZPass was introduced and the CFO was not given access to the web-based report software, Actuate, until mid-February following a trip to Newark. The trip to Newark for training consisted of an explanation of reports, but no hands-on instruction of the software. Communication over the telephone was very difficult because it was hard to understand the employees with English as a second language.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2009

Item 09-1 Financial Reporting Close Process (Continued)

Management's Response (Continued):

Although the finance office was performing its usual reconciliations with all other accounts and reviewing monthly financial information, it was difficult to reconcile the EZ-Pass accounts as the reports provided by ACS didn't reconcile with bank statements, Caseta reports or the CFO's reports. A request for a meeting with ACS was made in mid-July and it wasn't until the week before the audit was scheduled that the ACS staff finally met with the CFO to clarify questions and information that she had sought answers to in the prior months. With limited time to properly prepare for the audit and no assistant, the closing process was difficult. With the implementation of electronic toll collection, the Authority's operation has changed and based on these changes and the results of the audit and we are in the process of reorganizing the finance staff, including the CFO's position.

Item 09-2 Accounting for and Recording Capital Assets

Observation:

It has historically been the Authority's policy to capitalize (record as an asset) expenditures related to contracted projects in a Construction in Progress account, a non-depreciating account. The Authority generally had not begun depreciating such expenditures or reviewed them against appropriate capitalization criteria until the contract had expired, all work had been completed (including inspections) and final payments (including retainage) had been made. However, as brought to the Authority's attention last year, some of the contracts extend over a multi-year period, during which time much of the work is, in fact, substantially complete and being used by the Authority and its customers or is of such a nature that it does not meet capitalization criteria. U.S. GAAP requires placing into service and depreciating such assets once substantially complete. In addition, we noted capitalized expenditures related to bridge inspections and studies which do not qualify to be capitalized as defined by U.S. GAAP and which should be expensed.

Recommendation:

We recommend that the Authority reclassify from construction in progress to the capital asset accounts any contract expenditures that have been placed in service, whether or not the contract is completed or all payments have been made thereon. Furthermore, depreciation of such capital expenditures should begin once the asset is placed in service. Expenditures that do not meet capitalization criteria should be expensed as incurred in accordance with the accrual basis of accounting. Enhanced communication between engineering and the finance department will facilitate the timely recording of capital and non-capital activity. Inquiries should be made by finance personnel upon the inception of a contracted project to determine if the related expenditures will meet the criteria of a capital asset and, if so, the useful life over which the asset will be amortized. In addition, inquiries should be made towards the end of reporting periods regarding the status of construction projects to ensure appropriate financial recording and reporting.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2009

Item 09-2 Accounting for and Recording Capital Assets (Continued)

Management's Response:

It has not been the practice of the Authority in the past to capitalize either bridge inspections or studies as evidenced by the expense of the risk management study and the fiscal integrity study this fiscal year. It has been the past practice, however, to include the design phase of a capital project in CIP. The design phase develops the specifications for the work before any major project is put out to bid. If for any reason a project were not to go forward the cost of design would be expensed. The degree of completion was not raised as an issue until last year's audit when the Mount Hope on-call expense and the Pell Bridge main cable inspection expense were capitalized by an auditor proposed adjustment which we accepted. The additional expenses incurred during this year were added to the capitalization schedule. The Pell Bridge on-call expense was not included in last year's adjustment despite the fact that two years of the three-year contract were completed.

Item 09-3 Toll Collections and E-ZPass System

Observation:

With the implementation of the E-ZPass automated toll collection system, the Authority contracted with ACS to perform transaction processing and recording. Under this contract, ACS summarizes key financial accounting and reporting information. It is critical that the Authority's management and finance personnel evaluate the controls with which ACS processes these transactions and summarizes data in the form of monthly and ad hoc reports. It is equally important for the Authority to implement controls to analyze reported data from ACS and reconcile such to its own reports and schedules. Otherwise, the Authority will be relying solely on ACS and will not be able to identify errors or potential fraud.

We noted that the Authority has not assessed the integrity of internal controls in place at ACS. Furthermore, the Authority did not obtain a copy of the SAS 70 report from ACS related to New Hampshire's system (which appears somewhat similar to Rhode Island's) until August 2009 and, as a result, the recommended user controls for the E-ZPass system were not implemented timely. It appears that the information necessary to timely and properly record E-ZPass transactions is provided by ACS.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2009

Item 09-3 Toll Collections and E-ZPass System (Continued)

Recommendation:

We recommend that the Authority ensure that a SAS 70 audit is performed over ACS's internal controls and that this report cover at least six months of the Authority's fiscal year. This report should be evaluated and a determination should be made as to whether the Authority will rely upon ACS's transaction processing and summarized information by implementing the appropriate user controls recommended by the SAS 70 auditors. In addition, the Authority should design and implement its own processes and internal controls, which will likely include controls over the physical safeguarding of electronic toll collection equipment, transponders, hardware and software which may not be covered by the SAS 70 report. In the event that the Authority chooses not to obtain a SAS 70 report, we recommend that controls be designed utilizing the Telvent information system to corroborate the information provided by ACS and that any discrepancies be reconciled prior to recording of ACS recommended entries. Any differences between ACS and Telvent should be investigated before the Authority posts revenue to its general ledger.

Management's Response:

Now that a better understanding of ACS's reports has been achieved, appropriate reconciliations will be performed and reports devised. In addition, the CFO is working with ACS to gain access to a report at the end of each month that will allow for an accurate reconciliation between the ACS and Caseta data. The auditors agreed to accept New Hampshire's SAS 70 and it was forwarded to them as soon as it was received. In future years, it will be incumbent upon the Authority's Board to determine whether they will require their own SAS 70 or rely on someone else's. At the present time, the Authority's electronic toll collection equipment, hardware and software is protected by a backup generator and the transponders are kept in a secure location and accounted for by a daily inventory.

Item 09-4 Equity Reconciliation and Account Analyses

Observation:

The June 30, 2009 general ledger that was provided to the auditors had not been adequately reviewed; for example, the net asset balance was different from the prior year's financial statement net assets balance. The auditors were able to locate the cause and proposed an adjustment to correct the Authority's net asset balance.

In the prior year, the Authority provided a reserve for remediation of certain environmental issues that had come to its attention. At June 30, 2009, although inquiries had been made, a review had not been performed as to whether the remediation reserve was adequate for future costs to be incurred or if, in fact, the remediation had been satisfactorily completed. As a result, the unadjusted reserve remained on the general ledger. Such inquiries and review should have been performed prior to the commencement of the audit.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2009

Item 09-4 Equity Reconciliation and Account Analyses (Continued)

Recommendation:

We recommend that Authority personnel gain a better understanding of the accounting software and reconcile the Authority's net assets annually before significant other transactions are posted to the general ledger. Furthermore, we recommend that all accruals and reserves from prior years be investigated to determine whether such amounts should remain outstanding or removed from the general ledger.

Management's Response:

Both of the items sited are unusual occurrences and it is unlikely they will need to be addressed in the future. With our reorganization, it is managements intention to provide valid accruals and reserves.