

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

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011



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

YEAR ENDED JUNE 30, 2011

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

YEAR ENDED JUNE 30, 2011

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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, 2011. 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, 2011, 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 29, 2011 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.

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 51 employees and reports to a five-member Board of Directors (Board) 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, 2011 and for the year then ended, with comparison as deemed appropriate to the previous fiscal year ended June 30, 2010. Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

During fiscal 2011 (FY2011), 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.

OVERVIEW OF FINANCIAL STATEMENTS

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 internal accounting purposes, into a number of separate funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL STATEMENTS AND OPERATIONAL SUMMARIES

Activity and Year-End Financial Position

The Authority's total net assets increased from 2010 by \$4.7 million, or 4.9%, which consisted of an increase in total assets of \$5.0 million and an increase in total liabilities of \$.3 million. The increase in net assets is due to an increase in the value of capital assets due to the current construction being performed on the bridges, offset by a decrease in cash and investments. The \$9.9 million increase in capital assets is attributable to projects underway as part of the Authority's ongoing capital improvement program, net of \$4.5 million of depreciation.

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

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
<u>Statements of Net Assets</u>				
Assets:				
Capital assets (net)	\$ 99,354	56.2%	\$ 89,442	52.2%
Other:				
Investments	67,718	38.4%	71,226	42.1%
Cash and cash equivalents	7,545	4.3%	8,531	4.4%
Other	1,810	1.1%	2,175	1.3%
	<u>77,073</u>	<u>43.8%</u>	<u>81,932</u>	<u>47.8%</u>
Total assets	<u>176,427</u>	<u>100.0%</u>	<u>171,374</u>	<u>100.0%</u>
Liabilities:				
Noncurrent, bonds payable	66,089	37.5%	68,439	40.0%
Other liabilities	9,588	5.4%	6,906	4.0%
Total liabilities	<u>75,677</u>	<u>42.9%</u>	<u>75,345</u>	<u>44.0%</u>
Net assets:				
Invested in capital assets, net of related debt	65,782	37.3%	66,573	38.8%
Restricted under bond covenants	11,865	6.7%	14,428	8.4%
Unrestricted	23,103	13.1%	15,028	8.8%
Total net assets	<u>\$ 100,750</u>	<u>57.1%</u>	<u>\$ 96,029</u>	<u>56.0%</u>

Restricted and unrestricted net assets at June 30, 2010 in the table above have been decreased and increased, respectively, by \$45,501 to conform with the current year's net asset categorization.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statements 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):

	2011		2010	
Operating revenues:				
Toll revenues	\$ 18,236	97.2%	\$ 17,218	95.9%
Transponder revenues	433	2.3%	718	4.0%
Statement and bank fees	96	.5%	27	.1%
Total operating revenues	18,765	100.0%	17,963	100.0%
Operating expenses:				
Personnel services	3,054	16.3%	2,687	15.0%
Insurance	907	4.8%	1,270	7.1%
Repairs and maintenance	1,023	5.4%	1,686	9.4%
Other	2,434	13.0%	2,120	11.8%
Transponder expense	431	2.3%	698	3.9%
Environmental remediation			27	.1%
Depreciation	4,508	24.0%	3,758	20.9%
Legal settlement expense	1,200	6.4%		
Total operating expenses	13,557	72.2%	12,246	68.2%
Operating income	5,208	27.8%	5,717	31.8%
Nonoperating revenue, net	(487)	(2.6%)	209	1.2%
Change in net assets	4,721	25.2%	5,926	33.0%
Net assets, beginning of year	96,029		90,103	
Net assets, end of year	\$ 100,750		\$ 96,029	

The Authority had a 5.9% increase in toll revenues as a result of a slight increase in traffic volumes as well as the residual effect of the fare increase put into effect in September 2009. The E-ZPass customer service center, transaction processing charges and other toll collection expenses totaled approximately \$1,342,500. The Authority continually monitors both staffing in the customer service center and the lanes in the toll plaza to ensure the proper level of staff to service its customers.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Tolls and Operations (Continued)

In 2009, a consultant was hired to conduct a traffic and revenue study to determine the amount of revenue required to meet the financial needs of the Authority. As a result, the \$1 per axle cash toll at the Pell Bridge was increased to \$2 per axle in September 2009, the first increase since the structure opened to traffic in 1969. A schedule of proposed future rate increases was also included in that study.

In December 2008, the Authority implemented E-ZPass, the electronic toll collection system. The conversion to E-ZPass was completed in January 2009. The cash rate for passage is \$2 per axle. The rate for a Rhode Island resident with a Rhode Island transponder is \$.83. Through January 2010, 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. This program was replaced in February 2010 with a 6 trip rate of \$5.46 to be completed in 30 days. An unlimited plan for Rhode Island residents was introduced for \$40, to be completed in 30 days. The rate for out-of-state E-ZPass transponders was set at \$1.75 and increased to \$4 on September 2, 2009.

A customer service center, including a walk-in center and a call center, is set up in Jamestown adjacent to the toll plaza where E-ZPass applications are processed, transponders are sold and accounts replenished. Transponders are sold at cost for \$20.95. As of June 30, 2011, the Authority had sold approximately 113,500 transponders.

In September 2008, the Authority entered into a three-year contract with Affiliated Computer Services of Newark, New Jersey to process E-ZPass transactions, open and close accounts online, maintain the account information database, distribute transponders, and resolve disputes between E-ZPass Agencies. This contract has been extended through September 2012.

The operations excluding 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 32 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. With the introduction of E-ZPass, monitors were placed in the lanes to assist motorists encountering problems. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Results

Pell Bridge Traffic and Revenue Summary

Traffic and revenue statistics are as follows:

	2011		2010	
Traffic (number of passages)				
Vehicle fares paid with ETC	8,215,413	82.4%	7,809,579	78.5%
Vehicle fares paid with cash	1,753,248	17.6%	2,141,971	21.5%
	9,968,661	100.0%	9,951,550	100.0%
	2011		2010	
Revenue				
Vehicle fares paid with ETC	\$11,091,837	60.8%	\$10,026,549	58.2%
Vehicle fares paid with cash	7,144,056	39.2%	7,191,854	41.8%
	\$18,235,893	100.0%	\$17,218,403	100.0%

Pell Bridge traffic increased during 2011 by 17,111 passages, or 0.17%, compared to the previous year. Revenue increased by \$1,017,490, a 5.9%, increase that is still reflecting the fare increase implemented in September 2009. With the conversion to electronic toll collection (ETC), vehicle cash fares decreased from 41.8% to 39.2%.

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 has hired a security consultant and has begun implementing these recommendations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Engineering and Maintenance (Continued)

Approximately 56% 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 (Board) bi-annually revises its 10-year Renewal and Replacement Plan. In FY2011, the Board approved an updated 10-year Capital Improvement Plan.

During FY2011, 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 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 Ten-Year Renewal and Replacement Plan, the Board has approved \$161.7 million allocated to the Newport/Pell Bridge, and \$47.8 million toward Mount Hope Bridge projects. Major capital improvement projects in progress during fiscal 2011 included the following:

Mount Hope Bridge

- Tower bases rehabilitation project
- Ongoing on-call maintenance of concrete deck and structural steel components
- Design steel repair and protective coating for the north approach

Newport/Pell Bridge

- Repairs of the center span of the steel superstructure
- Painting of the center span of the steel superstructure
- Continued patching and sealing of roadway
- Construction for the suspended spans
- Design of bridge painting and steel repairs for the approach spans

The Authority has entered into various contracts for ongoing improvements to the bridges and property, including one for approximately \$41 million for painting and steel repairs. This project is ongoing and is scheduled to be completed over a two-year period. The remaining commitment under the contract is approximately \$36,000,000 at June 30, 2011.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Service

At June 30, 2011, approximately 91% of the Authority's liabilities are debt service obligations entered into during 2003 and 2010. 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 April 2010, the Authority sold revenue bonds in the amount of \$50,000,000, which mature in 2039. Principal payments have been deferred until 2017 when the 2003 Series A bonds mature.

In accordance with the trust agreement entered into between the Authority and BNY Mellon, 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 FY2011 on a timely basis. Compliance with restrictions and covenants stipulated in the trust agreement was monitored during the year by the Authority. The State of Rhode Island has authorized the Authority to issue approximately \$68 million of additional revenue bonds. The terms and expected date for such issuance have not yet been determined.

Investments

Approximately 38.4% of the Authority's assets consist of investments at June 30, 2011, including the proceeds from the sale of the bonds. 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 highly-rated fixed-income securities. At June 30, 2011, 70.4% of the Authority's investments are in the form of money market mutual funds; U.S. Treasury obligations represent approximately 16.5% and U.S. Government sponsored asset-backed securities represent approximately 5.8% of total investments. Approximately 4.0% of the Authority's investments are in corporate bonds.

Insurance Cost-Saving 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 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 current contract expired June 30, 2011 and is currently being renegotiated.

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 increased the deductible on the marine insurance on the bridges. Premiums on other policies declined slightly again during FY2011, resulting in a savings in insurance expense. The Board continues to work to find ways to decrease the cost of insurance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 contribute 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. The Authority continues to evaluate its operational and physical needs in Bristol, Rhode Island.

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, 2011

ASSETS:

Current assets:

Cash and cash equivalents	\$ 2,886,629
Accounts receivable	756
Accrued interest receivable	106,512
Prepaid expenses	117,358
Inventory	122,077

Restricted:

Cash and cash equivalents	4,658,627
Investments	11,011,722
Accounts receivable	<u>437,610</u>

Total current assets 19,341,291

Noncurrent assets:

Investments:

Unrestricted	19,540,648
Restricted	37,165,602
Bond issuance costs, net	1,024,949
Capital assets not being depreciated	1,029,645
Capital assets being depreciated, net	<u>98,324,837</u>

Total noncurrent assets 157,085,681

Total assets 176,426,972

(continued)

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

STATEMENT OF NET ASSETS – JUNE 30, 2011 (CONTINUED)

LIABILITIES:

Current liabilities:

Accounts payable	\$ 1,924,807
Accrued interest payable	278,118
Accrued expenses	1,362,986
Electronic toll liability	2,451,919
Current portion of bonds payable	2,370,000
Legal settlement liability	<u>1,200,000</u>

Total current liabilities 9,587,830

Bonds payable, less current portion 66,089,100

Total liabilities 75,676,930

Commitments and contingencies (Notes 5 and 8)

NET ASSETS:

Invested in capital assets, net of related debt	65,782,119
Restricted, bond covenants	11,865,157
Unrestricted	<u>23,102,766</u>

Total net assets \$ 100,750,042

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, 2011

Operating revenues:	
Tolls	\$ 18,235,893
Transponder sales	432,944
Fees	<u>95,957</u>
Total operating revenues	<u>18,764,794</u>
Operating expenses:	
Personnel services	3,053,598
Utilities	138,078
Contractual services	1,806,360
Other supplies and expenses	489,307
Insurance	907,152
Repairs and maintenance of system	1,022,993
Transponder expense	431,422
Settlement expense	1,200,000
Depreciation	<u>4,507,797</u>
Total operating expenses	<u>13,556,707</u>
Operating income	<u>5,208,087</u>
Nonoperating revenues (expenses):	
Interest expense	(1,409,210)
Amortization of bond issuance costs	(51,750)
Amortization of bond discount	(44,029)
Investment income, net of trustee fees	731,077
Miscellaneous income	<u>286,841</u>
Total nonoperating revenues (expenses)	<u>(487,071)</u>
Change in net assets	4,721,016
Net assets, beginning of year	<u>96,029,026</u>
Net assets, end of year	<u><u>\$ 100,750,042</u></u>

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from:	
Tolls	\$ 18,649,058
Transponder sales	528,901
Cash payments to:	
Suppliers for goods and services	(4,139,735)
Employees for services	<u>(2,154,151)</u>
Net cash provided by operating activities	<u>12,884,073</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(14,410,003)
Principal paid on bonds	(2,270,000)
Bond discounts	(14,492)
Interest paid on bonds	<u>(1,433,242)</u>
Cash used in capital and related financing activities	<u>(18,127,737)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	41,897,957
Purchases of investments	(39,215,200)
Investment income received	<u>1,574,974</u>
Net cash provided by investing activities	<u>4,257,731</u>
Net decrease in cash and cash equivalents	(985,933)
Cash and cash equivalents, beginning of year	<u>8,531,189</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,545,256</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, 2011

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,208,087
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,507,797
Miscellaneous income	286,839
Changes in assets and liabilities:	
Accounts receivable	48,985
Inventory	263,823
Prepaid expenses	(13,850)
Accounts payable	118,770
Accrued expenses	2,098,004
Electronic toll liability	<u>365,618</u>
Net cash provided by operating activities	<u><u>\$ 12,884,073</u></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, 2011

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 Claiborne Pell Bridge and the Mount Hope Bridge are collectively referred to herein as the bridges.

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, which 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 the provisions of the Master Indenture of Trust (the Trust Agreement) entered into with the Trustee of the bonds. The Trust Agreement secures the Authority's revenue bonds and 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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

Basis of accounting (continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the accompanying financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Authority has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to this same limitation; however, the Authority has elected not to follow subsequent private-sector guidance.

Operating and nonoperating revenues and expenses:

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

Cash and cash equivalents:

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

Investments:

Investments are recorded at fair value, except for money market investments (for example, U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (for example, certificates of deposit) which are recorded at amortized cost. At June 30, 2011, 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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

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 which have an estimated useful life in excess of one 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 certain 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

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 amortization.

Bond issuance costs:

Bond issuance costs are amortized on a straight-line basis over the life of the related bond (14-½ years and 29-½ years for 2003 and 2010 bond issuances, respectively). At June 30, 2011, bond issuance costs and accumulated amortization total \$1,183,417 and \$158,468, respectively.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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

Bond discounts:

Bond discounts are amortized on a straight-line basis over the life of the related bond (14-½ years and 29-½ years for the 2003 and 2010 bonds, respectively). At June 30, 2011, bond discounts and accumulated amortization total \$1,043,533 and \$169,423, respectively. Bond discounts, net of accumulated amortization, are presented 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 2003 bond (14-½ years). At June 30, 2011, deferred gain on refunding and accumulated amortization was \$348,464 and \$190,255, respectively. The deferred gain on refunding, net of accumulated amortization, is presented 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.

Revenue recognition and E-ZPass:

The Authority uses an automated electronic toll collection system (E-ZPass) which uses transponders to identify vehicles passing through a toll plaza. Upon enrolling in E-ZPass, customers purchase transponders from the Authority. Upon initial enrollment, and subsequently when minimum dollar maintenance requirements are met, customers fund dollars on their transponders. Prepaid toll receipts are recorded by the Authority as an electronic toll liability until the customer completes a toll transaction. Upon completion of a toll transaction by a customer, the Authority records revenue for crossing the Claiborne Pell Bridge or records a liability payable to another state for a vehicle crossing another state's toll plaza using a transponder issued by the Authority, charges the customer's account, and reduces the electronic toll liability. The Authority records revenue and a related receivable from another state for customers crossing the Claiborne Pell Bridge using a transponder issued by another state. Toll charges received in cash for crossing the Claiborne Pell Bridge are recorded as revenue when collected.

Investment income:

Investment income includes unrealized gains and losses recorded to present investments at fair value.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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

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.

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."

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

2. Cash and investments:

The Trust Agreement specifies the permitted investments that may be used by the Authority. In addition, 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, 2011 was \$7,545,256, while the bank balance was \$8,311,299. Of the bank balance, \$5,023,452 was covered by federal depository insurance; and \$1,586,235 was held in fully collateralized repurchase agreements. The remaining balance of \$1,701,612 is uncollateralized.

Investments:

At June 30, 2011, the Authority's investments consisted of the following:

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Money market funds	<u>\$ 47,677,355</u>			
United States Treasury/Agency securities:				
United States Treasury Notes	7,743,315	* 0.5% to 4.625%	3/31/12 to 2/15/40	AAA
United States Treasury Inflation Indexed Bonds	448,373	0.625% to 2.375%	4/15/13 to 1/15/20	AAA
Federal National Mortgage Association	1,028,827	1.0% to 4.375%	4/19/13 to 12/30/14	AAA
Federal Home Loan Mortgage Corporation	1,274,795	0.54% to 3.625%	10/29/12 to 12/22/14	AAA
Federal Farm Credit Bank	<u>661,825</u>	1.0% to 1.7%	3/1/13 to 6/6/14	AAA
	<u>11,157,135</u>			
Corporate bonds:				
	75,030	5.25% to 5.3%	2/8/41 to 5/24/41	AAA
	301,043	4.5% to 6.375%	3/16/15 to 1/21/21	AA3
	165,779	2.0% to 5.625%	6/30/16 to 9/15/2017	AA2
	910,559	4.75% to 7.717%	4/1/13 to 1/27/21	A3
	132,781	4.45% to 6.75%	8/15/12 to 10/1/37	A2
	394,044	5.125% to 6.25%	9/15/14 to 4/15/18	A1
	438,223	4.15% to 6.15%	10/15/13 to 3/1/37	BAA1
	<u>312,278</u>	3.15% to 6.375%	3/1/14 to 2/15/20	BAA2
	<u>2,729,737</u>			

(continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

2. Cash and investments (continued):

Investments (continued):

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Short-term taxable fixed income	<u>\$ 1,494,291</u>			N/A
Municipal and other local government bonds	<u>389,320</u>	1.99% to 7.1%	5/1/13 to 6/15/42	BAA1 to AAA
Asset-backed security trusts:				
Government-sponsored residential MBS trusts:				
Federal National Mortgage Association	2,213,963	4% to 6.5%	12/1/21 to 4/1/41	AAA
Federal Home Loan Mortgage Corporation Passthrough	<u>1,470,365</u> *	4.5% to 6.5%	3/1/21 to 1/1/41	AAA
	<u>3,684,328</u>			
Asset-backed securities	<u>265,660</u>	4.04% to 7.30%	9/15/27 to 7/15/44	AAA
Corporate and commercial mortgage asset-backed trusts	<u>320,146</u>	4.04% to 7.3%	9/15/27 to 7/15/44	A1 to AAA
Total investments	<u><u>\$ 67,717,972</u></u>			

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

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market value interest rates.

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 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:

The Authority does not have an investment policy for concentration of credit risk.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

2. Cash and investments (continued):

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, 2011 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, 2010	Additions	Retirements and disposals	Balance, June 30, 2011
Capital assets not being depreciated:				
Construction in progress	\$ 1,257,015	\$ 11,603,061	\$(12,080,431)	\$ 779,645
Licensing fees	250,000			250,000
	1,507,015	11,603,061	(12,080,431)	1,029,645
Capital assets being depreciated:				
Bridges	119,279,860	14,814,508		134,094,368
Buildings	2,643,267			2,643,267
Land improvements	653,082			653,082
Equipment	5,633,223	87,961	(136,113)	5,585,071
Total capital assets being depreciated	128,209,432	14,902,469	(136,113)	142,975,788
Less accumulated depreciation:				
Bridges	(35,445,447)	(3,903,418)		(39,348,865)
Buildings	(2,635,808)	(7,458)		(2,643,266)
Land improvements	(262,013)	(46,155)		(308,168)
Equipment	(1,931,001)	(550,764)	131,113	(2,350,652)
Total accumulated depreciation	(40,274,269)	(4,507,795)	131,113	(44,650,951)
Capital assets being depreciated, net	87,935,163	10,394,674	(5,000)	98,324,837
Capital assets, net	\$ 89,442,178	\$ 21,997,735	\$(12,085,431)	\$ 99,354,482

At June 30, 2011, capitalized interest included in capital assets totaled approximately \$2,231,000.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

4. Bonds payable:

On July 31, 2003, the Authority issued \$35,765,000 of Series 2003A Taxable Refunding Revenue Bonds as an advance refunding of the Series 1997 Revenue Bonds. The final principal payment of the Series 1997 Bonds was made on December 1, 2003 in the amount of \$1,680,000; accordingly, as of June 30, 2011, the Authority had no obligations related to the defeased Series 1997 Bonds.

The Series 2003A Bonds are fixed-rate bonds bearing interest at rates ranging from 1.15% to 5.23%, payable semi-annually on December 1 and June 1. Principal repayments of the bond are due annually with a final payment due on December 1, 2017. The Series 2003A Bonds will not be subject to optional redemption prior to maturity but are subject to special mandatory redemption as provided in the Series 2003A bond agreement. At June 30, 2011, 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.

On April 8, 2010, the Authority issued \$50,000,000 of Series 2010A Revenue Bonds. The proceeds of the Series 2010A Bonds will be used to finance the renovation, renewal, repair, rehabilitation, retrofitting, upgrading and improvement of the Claiborne Pell Bridge, the Mount Hope Bridge and such other activities as are authorized under the Authority Act authorizing the issuance of the Bonds. The Series 2010A Bonds are fixed-rate bonds bearing interest at rates ranging from 3.5% to 5%, payable semi-annually on December 1 and June 1. Principal repayments of the bonds are due annually commencing on December 1, 2018 with a final payment due on December 1, 2039. The Series 2010A Bonds maturing on or after December 1, 2021 are subject to redemption prior to maturity at the option of the Authority.

During the year ended June 30, 2011, changes in bonds payable consisted of the following:

	Balance, June 30, 2010	Additions	Retirements/ amortization	Balance, June 30, 2011
Revenue bonds payable	\$ 71,445,000	\$ - 0 -	\$ 2,270,000	\$ 69,175,000
Deferred amounts, net:				
Gain on refunding	182,242		24,033	158,209
Bond discounts	(918,139)		(44,030)	(874,109)
Total bonds payable	\$ 70,709,103	\$ - 0 -	\$ 2,250,003	\$ 68,459,100

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

4. Bonds payable (continued):

The following represents debt service and sinking fund requirements to maturity as of June 30, 2011:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,370,000	\$ 3,284,091	\$ 5,654,091
2013	2,475,000	3,171,861	5,646,861
2014	2,595,000	3,049,898	5,644,898
2015	2,720,000	2,919,384	5,639,384
2016	2,855,000	2,779,696	5,634,696
2017-2021	10,385,000	12,002,101	22,387,101
2022-2026	8,395,000	10,153,784	18,548,784
2027-2031	10,490,000	8,058,075	18,548,075
2032-2036	13,425,000	5,138,847	18,563,847
2037-2040	13,465,000	1,388,125	14,853,125
	<u>\$ 69,175,000</u>	<u>\$ 51,945,862</u>	<u>\$ 121,120,862</u>

5. Commitments:

Toll Lane Implementation and Maintenance Contract:

Effective June 17, 2008, the Authority entered into a contract with Telvent Caseta Technologies for implementation of the electronic toll system E-ZPass. The aggregate cost is not to exceed \$1,692,146, which includes 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 three-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, 2011

5. Commitments (continued):

Construction in progress:

In connection with the Series 2010A Bond Issuance, the Authority entered into a contract for improvements to the bridges and property. As of June 30, 2011, remaining commitments on this contract approximated \$35,953,000.

Collective bargaining agreement:

Approximately 28 employees of the Authority are under the terms of a contract with the United Service and Allied Workers of Rhode Island, a collective bargaining unit. The contract expired June 30, 2011; the Authority is currently negotiating a new collective bargaining agreement.

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; the Plan), which is available to employees who meet the Plan's eligibility requirements. The investments held by the Plan, a defined contribution plan, are managed by The Principal and the Plan is administered by Meridien. 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 2011 was approximately \$152,000, while the total cost of the matching and supplemental employer contribution for fiscal year 2011 was approximately \$151,000. The Authority contributes 3.4% of the employee's salary to the Plan and also provides an additional match of up to 5% of the employee's salary. The payroll for employees covered by the Plan for fiscal year 2011 was approximately \$1,731,000 and the Authority's total payroll was approximately \$3,054,000. 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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, 2011.

8. Contingencies:

Construction project:

Upon completion of a construction project, a contractor hired by the Authority submitted a claim for approximately \$2,980,000 for amounts alleged to be owed by the Authority in excess of the original contract amount due to limitations imposed by the Authority and for work required to be performed outside the scope of the original contract. The Authority and its external consulting engineer have disputed the claim in writing, and have not received any additional information from the contractor as a result of submitting a written response to the claim. The Authority is unable to determine the final outcome of this claim. The accompanying financial statements do not include any liability related to this uncertainty.

Class action lawsuit:

The Authority was subject to a class action lawsuit challenging the toll rate structure for certain drivers using EZ-Pass. During 2011, an opinion and order was issued by the court, granting the Authority's request for summary judgment. The parties have negotiated a final settlement which is pending final approval. The accompanying financial statements reflect a liability for \$1,200,000 as the Authority's best estimate of amounts due to certain customers under the terms of the settlement agreement.



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

Independent Auditors' Report on Accompanying Information

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

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 29 to 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, except for the portion marked "unaudited" on page 29, upon which we express no opinion, the information 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 29, 2011

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, 2011

	<u>Claiborne Pell Bridge</u>
Traffic count (unaudited):	
Vehicle fares paid with ETC	8,215,413
Vehicle fares paid with cash	<u>1,753,248</u>
	<u>9,968,661</u>
Toll revenues (audited):	
Vehicle fares paid with ETC	\$ 11,091,837
Vehicle fares paid with cash	<u>7,144,056</u>
	<u>\$ 18,235,893</u>

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, 2011

Check Number	Date Paid	Payee	Purpose	Amount
Payroll	7/13/2010	A. DellaPosta	Mileage	\$ 218
11143	7/19/2010	J.Head – Petty Cash	B . Croft – Pkg. Toll, Cab Fare, Mtgs.	143
11154	7/22/2010	American Express	C. Callahan – ACS trip	124
11216	8/9/2010	IBTTA	B. Croft – Annual Meeting 9/10	625
Payroll	8/10/2010	A.Dellaposta \$139; J. Sullivan \$171	Mileage	310
11254	8/24/2010	American Express	7/16/11 IBTTA Board Mtg. – Buddy Croft	312
11254	8/24/2010	American Express	8/12 IAG Executive Comm. Mtg. – buddy Croft	372
11254	8/24/2010	American Express	9/9-14 IBTTA Annual Mtg. – Buddy Croft	441
Payroll	9/7/2010	J. Sullivan	Mileage	136
11282	9/16/2010	American Express	9/9-14 IBTTA Annual Mtg. – Buddy Croft – Hotel & Meals	1,395
11395	9/30/2010	Spinnakers Café	Board Meeting 9/8/10	19
11423	9/8/2010	A. Fletcher	Mileage	90
Payroll	10/5/2010	A. DellaPosta	Mileage	90
11364	10/14/2010	East Ferry Deli	Board Meeting 10/6/10	42
11376	10/16/2010	American Express	Room Chg. Credited in March	200
Payroll	10/19/2010	J. Sullivan	Mileage	87
11401	11/1/2010	C. Callahan – Petty Cash	B. Croft – Parking \$49; Mtg. re: CFO \$34	83
Payroll	11/16/2010	A. Dellaposta \$101; J. Sullivan \$133	Mileage	234
11443	11/22/2010	American Express	B. Croft – IAG – EZPass Procurement Mtg. 10/26	227
11477	12/8/2010	A. Fletcher	Mileage	105
Payroll	12/14/2010	J. Sullivan	Mileage	144
11486	12/22/2010	American Express	B. Croft – IAG – EZPass Mtg. 12/14	265
11527	1/5/2011	Greater Prov. Chamber of Commerce	B.Croft – 2/9/11 Luncheon	60
Payroll	1/11/2011	A. DellaPosta	Mileage	135
11541	1/16/2011	J. Head – Petty Cash	Pkg. – B. Croft \$30; C. Callahan \$10; N. Parrillo \$46	86
11575	1/25/2011	East Ferry Deli	Board Meeting 1/25/11	42
11588	1/31/2011	IBTTA	B.Croft – 3/7-8/11 Meeting	575
11590	1/16/2011	American Express	Buddy Croft – Air Fare/ Car rental cancelled reused at another time – IBTTA	492
11640	3/3/2011	IBTTA	D. Darlington – 3/7-8/11 Meeting	575
11644	2/28/2011	American Express	B. Croft – IBTTA Legislation Conf. 3/7	443
11659	3/2/2011	Greater Prov. Chamber of Commerce	B. Croft & D. Darlington – 4/18/11 Breakfast	80
11680	3/24/2011	American Express	B. Croft & D. Darlington – IBTTA Leg. Conf. \$1,583	1,383
11686	3/9/2011	East Ferry Deli	Board Meeting 3/9/11	42
Payroll	4/5/2011	A. DellaPosta	Mileage	118
11706	4/11/2011	Jamestown Chamber of Commerce	B. Croft – 4/14 Breakfast	15
11707	4/11/2011	Greater Prov. Chamber of Commerce	B. Croft – 5/3 Luncheon	60
11729	4/12/2011	Newport County Chamber of Commerce	B. Croft – 5/9 Breakfast	25
11741	4/18/2011	R I Government Finance Office	5/12 Meeting – N.Parrillo	20
11745	4/21/2011	N. E. Parrillo – Petty Cash	B. Croft – Pkg. \$114; N. Parrillo Pkg. \$27	141
11747	4/28/2011	D. Darlington	To replace staledated checks #8242 & #8417	151
11748	4/29/2011	D. Darlington	Fitch Ratings Meeting	673
11753	4/10/2011	American Express	B. Croft – IBTTA B/D Mtg. 4/7	318
11788	5/18/2011	R I Government Finance Office	6/23 Meeting – N.Parrillo	35
11817	5/24/2011	American Express	B. Croft – Port Authority NY-NJ Operations 4/19	169
11865	6/28/2011	American Express	B. Croft, A. Fletcher, S. Waluk – IBTTA 7/17/11	892
11879	6/28/2011	A. Fletcher	Mileage	138
Payroll	6/28/2011	A. DellaPosta	Mileage	116
				\$ 12,446

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, 2011

Statement of Net Assets

Attachment B

Assets

Current assets:	
Cash and cash equivalents	\$ 2,886,629
Investments	
Receivables	107,268
(Receivables allowance)	
Restricted assets:	
Cash and cash equivalents	4,658,627
Investments	11,011,722
Other assets	437,610
Due from primary government	
Due from other governments	
Inventories	122,077
Other assets	117,358
Total current assets	19,341,291
Noncurrent assets:	
Investments	19,540,648
Receivables	
(Receivables allowance)	
Restricted assets:	
Cash and cash equivalents	
Investments	37,165,602
Other assets	
Capital assets - nondepreciable	1,029,645
Capital assets - depreciable (net)	98,324,837
Other assets, net of amortization	1,024,949
Total noncurrent assets	157,085,681
Total assets	176,426,972

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, 2011

<u>Statement of Net Assets (continued)</u>	<u>Attachment B</u>
Liabilities	
Current liabilities:	
Cash overdraft	\$ 241,580
Accounts payable	3,324,331
Due to primary government	
Due to (from) other component units	
Due to other governments	
Deferred revenue	
Other liabilities	3,651,919
Current portion of long-term debt	2,370,000
Total current liabilities	<u>9,587,830</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	66,089,100
Total noncurrent liabilities	<u>66,089,100</u>
Total liabilities	<u>75,676,930</u>
Net assets	
Invested in capital assets, net of related debt	65,782,119
Restricted for:	
Debt	11,865,157
Other	
Other nonexpendable	
Unrestricted	23,102,766
Total net assets	<u>\$ 100,750,042</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, 2011

<u>Statement of Changes in Net Assets</u>	<u>Attachment C</u>
Operating revenues:	
Charges for services	\$ 18,235,893
Interest income on loans	
Interest on investments	
Net increase (decrease) in fair value of investments	
Other operating income	528,901
Total operating revenues	<u>18,764,794</u>
Operating expenses:	
Personnel services	3,053,598
Supplies, materials, and services	4,795,312
Interest expense	
Legal settlement	1,200,000
Depreciation, depletion and amortization	4,507,797
Other operating expenses	
Total operating expenses	<u>13,556,707</u>
Operating income (loss)	<u>5,208,087</u>
Nonoperating revenues (expenses):	
Interest revenue	731,077
Grants	
Payments from primary government	
Gain (loss) on sale of property	
Interest expense	(1,409,210)
Payments (to) from other component units	
Net increase (decrease) in fair value of investments	
Other nonoperating revenue (expenses)	191,062
Total nonoperating revenue (expenses)	<u>(487,071)</u>
Income (loss) before contributions	4,721,016
Capital contributions	
Special items	
Legal settlement	
Extraordinary items	
Change in net assets	<u>4,721,016</u>
Total net assets - beginning	96,029,026
Total net assets - ending	<u>\$ 100,750,042</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, 2011

Fiscal Year Ending June 30, 2011	<u>Long-Term Debt</u>	<u>Attachment D</u>	
	Principal	Interest	Total
2012	\$ 2,370,000	\$ 3,284,091	\$ 5,654,091
2013	2,475,000	3,171,861	5,646,861
2014	2,595,000	3,049,898	5,644,898
2015	2,720,000	2,919,384	5,639,384
2016	2,855,000	2,779,696	5,634,696
2017-2021	10,385,000	12,002,101	22,387,101
2022-2026	8,395,000	10,153,784	18,548,784
2027-2031	10,490,000	8,058,075	18,548,075
2032-2036	13,425,000	5,138,847	18,563,847
2037-2040	13,465,000	1,388,125	14,853,125
	<u>\$ 69,175,000</u>	<u>\$ 51,945,862</u>	<u>\$ 121,120,862</u>



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, 2011, and have issued our report thereon dated September 29, 2011. 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

Management of the Authority is responsible for establishing and maintaining effective internal control and 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**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)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as Items 2011-1 through 2011-4, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 findings 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 others within the entity, 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.

DeKraatz, Jan. Jankel, Campi & DeGuzio, P.C.

September 29, 2011

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

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

Item 2011-1 Wire Transfer Authorization and Bank Reconciliations

Observation:

As noted during the prior year audit, the CFO has the authority to initiate, process, and record in the general ledger a wire transfer from the Authority's operating cash accounts. A person independent of the CFO does not review and authorize the wire transfer transaction before it is executed by the bank. Also, the CFO prepares the Authority's bank reconciliations; however, a person independent of the CFO does not review and approve the bank reconciliations.

Recommendation:

We understand that the Authority's Board of Directors and Executive Director review monthly financial reports prepared by the CFO. However, to strengthen existing internal control over financial reporting we recommend that the Authority:

- Implement a process with its banks to require that the bank call one of several authorized representatives, other than the CFO (for example, the Executive Director, Chairperson of the Board of Directors), to verify and authorize the wire transfer request initiated by the CFO before the wire transfer is executed.
- Assign to a person independent of the CFO the function of preparing the month-end reconciliation of each bank and investment account, and comparing the reconciled bank and investment account balances to the respective balances reported in the general ledger.

Management's Response:

Management will implement appropriate procedures to strengthen internal controls.

Item 2011-2 Reconciliation of Investments

Observation:

As part of our audit procedures, we requested confirmation of the dollar amount of investments at year-end from entities holding the Authority's investments. As a result of the confirmation process, we noted that the confirmed dollar amount of certain investments at year-end did not agree to amounts recorded in the general ledger. We proposed and management reviewed, approved, and accepted an audit adjustment to record certain investment activities not previously recorded.

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, 2010

Item 2011-2 Reconciliation of Investments (Continued)

Recommendation:

We recommend that a person independent of the person posting investment activity in the Authority's general ledger prepare a detailed investment reconciliation for each investment account at the end of each month, and compare the reconciled balance to the amount recorded in the general ledger to determine whether all transactions occurring within all investment accounts have been recorded completely and accurately.

Management's Response:

Since year-end, the reconciliation process has been changed to reflect the reporting of investments in the general ledger to property reflect what is reported by the bank.

Item 2011-3 Reconciliation of Toll Revenue and Related Activities

Observation:

The Authority receives monthly reports from ACS summarizing, among other information, the dollar amount of toll activities resulting from the use of the E-ZPass system. Information reported in the monthly reports produced by and received from ACS is used to record certain toll activities in the Authority's general ledger, including, but not limited to, recording toll revenue earned during the month, the electronic toll liability (prepaid toll payments received from customers) at the end of each month, and amounts due to other states at the end of each month as a result of passengers using a Rhode Island transponder to pay tolls when traveling in other states. During our audit, we noted that certain amounts summarized and reported by ACS did not agree to amounts reported in the general ledger. We proposed and management reviewed, approved and accepted audit adjustments to reconcile toll revenue, the electronic toll liability and amounts payable to other states.

Recommendation:

We recommend that a person independent of the person recording toll-related financial activity in the Authority's general ledger reconcile recorded amounts to the amounts summarized and reported by ACS at the end of each month and investigate and correct any differences on a timely basis.

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, 2010

Item 2011-3 Reconciliation of Toll Revenue and Related Activities (Continued)

Management's Response:

Since year-end, the monthly reports received from ACS are incorporated into the monthly closing and reconciliation process.

Item 2011-4 Cut-off and Classification of Construction Costs

Observation:

During our audit, we noted that the Authority did not record estimated liabilities for construction work completed from the date through which work was complete as reported on the last certified AIA document (or similar document) through the year-end date.

Recommendation:

We recommend that the CFO and the Chief Engineer work cooperatively to estimate liabilities for construction work completed from the date through which work was complete as reported on the latest certified AIA document through each month-end date so that construction-related costs are appropriately capitalized, and construction-related liabilities are recognized in the period incurred.

Management's Response:

Since the year-end, the CFO has made an effort to ensure that the Chief Engineer is processing invoices timely.