

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

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**



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

YEAR ENDED JUNE 30, 2015

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying 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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditors' Report (Continued)

Board of Directors  
Rhode Island Turnpike and Bridge Authority

### *Opinion*

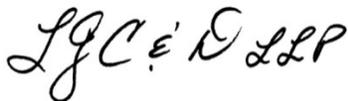
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Turnpike and Bridge Authority, a Component Unit of the State of Rhode Island, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



Providence, Rhode Island  
October 1, 2015

## **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 (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. In June of 2012, the Jamestown Verrazano Bridge and the new Sakonnet River Bridge were turned over to the Authority by the state legislature for the operation and maintenance of the bridge structures and associated parcels of land. Day-to-day operations of the Authority are led by an Executive Director who oversees 65 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, 2015 and for the year then ended, with comparison as deemed appropriate to the previous fiscal year ended June 30, 2014. Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

### **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 Position; a Statement of Revenues, Expenses and Changes in Net Position; 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 Position summarizes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources (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 Position 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 position increased in 2015 by \$11.1 million, or 12%, principally due to an increase in capital assets of approximately \$11.4 million. The \$11.4 million increase in capital assets is attributable to projects underway as part of the Authority's ongoing capital improvement program, which was funded by previously held investments, net of \$10.5 million of depreciation.

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

#### Statements of Net Position

	June 30, 2015		June 30, 2014	
Assets:				
Capital assets (net)	\$ 171,187	71.5%	\$ 159,782	82.9%
Other:				
Investments	57,824	24.1%	23,904	12.4%
Cash and cash equivalents	8,319	3.5%	7,914	4.1%
Other	2,252	0.9%	1,080	0.6%
	68,395	28.5%	32,898	17.2%
Total assets	239,582	100.0%	192,680	100.0%
Liabilities:				
Noncurrent, bonds payable	55,435	23.1%	58,273	30.3%
Other liabilities	77,006	32.2%	38,369	19.8%
Total liabilities	132,441	55.3%	96,642	50.1%
Deferred inflows of resources	56	-	82	-
Net position:				
Net investment in capital assets	80,206	33.5%	74,696	38.8%
Restricted, bond covenants	58,231	24.3%	18,271	9.5%
Unrestricted (deficit)	(31,352)	(13.1%)	2,989	1.6%
Total net position	\$ 107,085	44.7%	\$ 95,956	49.9%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Statements of Revenues, Expenses and Changes in Net Position

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

	2015		2014	
Operating revenues:				
Toll revenues	\$ 19,410	54.8%	\$ 19,299	96.3%
Gas tax revenue	15,357	43.3%	668	3.3%
Grant revenue	173	.5%		
Transponder revenues	395	1.1%		
Statement and bank fees	96	.3%	73	.4%
Total operating revenues	35,431	100.0%	20,040	100.0%
Operating expenses:				
Personnel services	3,668	10.4%	3,908	19.5%
Insurance	1,046	3.0%	904	4.5%
Repairs and maintenance	1,960	5.5%	1,275	6.4%
Other	4,275	12.1%	4,709	23.5%
Transponder expense	171	.5%	335	1.7%
Depreciation	10,543	29.7%	9,846	49.1%
Legal settlement	38	.1%		
Total operating expenses	21,701	61.3%	20,977	104.7%
Operating income (loss)	13,730	38.7%	(937)	(4.7)%
Nonoperating expenses, net	(2,601)	(7.3)%	(5,068)	(25.3)%
Change in net position	11,129	(31.4)%	(6,005)	(30.0)%
Net position, beginning of year	95,956		101,961	
Net position, end of year	\$ 107,085		\$ 95,956	

The Authority had a slight decrease in toll revenues, excluding violation fees, for the year ended June 30, 2015 (FY2015) as a result of a slight decrease in traffic volumes. The E-ZPass customer service center, transaction processing charges and other toll collection expenses totaled \$2,382,033 for FY2015. 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 six-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, 2015, the Authority had 152,915 active accounts with 210,453 active transponders.

In January 2012, the Authority engaged Sanef IT America to develop, install, and maintain a new automated Toll Customer Relationship Management System (Toll CRM) which will be utilized in processing Electronic Toll Collections (ETC) (through E-ZPass) transactions, open and close customer E-ZPass accounts on-line, maintain the account information database, and manage transponder inventory. It will also reconcile toll transactions and aid in the resolution of reciprocity disputes between the Authority and its sister E-ZPass agencies. This contract is valid through June 2019.

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 14 full-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 EMT services provided by the municipalities of Jamestown, Newport, Bristol, and Portsmouth.

In June 2012, the Authority initiated Open Road Tolling (ORT) lanes on the Pell Bridge. These lanes, one east-bound and one west-bound, allow vehicles with an E-ZPass transponder to travel through the toll plaza at normal travel speeds without stopping at a gated toll booth.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Tolls and Operations (Continued)

Beginning July 1, 2014, the State of Rhode Island enacted legislation which provides the Authority 3.5 cents of gasoline tax for every gallon sold in Rhode Island. The Authority recognized approximately \$15.4 million of gas tax revenue during FY2015.

### Operating Results

#### *Pell Bridge Traffic and Revenue Summary*

Traffic and revenue statistics are as follows:

	2015		2014	
<b>Traffic (number of passages)</b>				
Vehicle fares paid with ETC	9,086,583	86.5%	17,101,915	91.5%
Vehicle fares paid with cash	1,412,377	13.5%	1,586,066	8.5%
	10,498,960	100.0%	18,687,981	100.0%
	2015		2014	
<b>Revenue</b>				
Vehicle fares paid with ETC	\$13,680,314	70.5%	\$13,192,073	67.6%
Vehicle fares paid with cash	5,740,506	29.5%	6,326,528	32.4%
	\$19,420,820	100.0%	\$19,518,601	100.0%

Pell Bridge traffic decreased during 2015 compared to the previous year, resulting in a slight decline in revenue.

### 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 Authority’s Board (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 begun implementing these recommendations.

At June 30, 2015, 71% 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 Board bi-annually revises its ten-year Renewal and Replacement Plan. In April 2014, the Board approved an updated 10-year Capital Improvement Plan (CIP).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Engineering and Maintenance (Continued)

During FY2015, 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 CIP, the Board has approved \$229 million towards various bridge and road projects, as follows:

#### 2015 Ten-year Capital Improvement Plan (000's)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Newport Pell totals	\$ 28,008	\$ 16,709	\$ 13,505	\$ 17,004	\$ 15,652	\$ 14,698	\$ 15,341	\$ 6,990	\$ 3,723	\$ 3,099	\$ 134,729
Mount Hope totals	5,941	1,418	3,857	17,010	8,298	459	526	1,068	4,662	6,059	49,298
Sakonnet River Bridge totals	375	666	553	462	479	620	254	462	438	2,182	6,491
Jamestown Bridge totals	1,167	7,985	4,343	1,328	1,691	1,022	1,494	1,328	394	3,155	23,907
Rt. 138 Jamestown connector	1,456	2,509	412	3,302	121	1,226	184	264	194	602	10,270
Facilities totals	704	2,033	383	11	204	36	261	11	11	1,011	4,665
	<u>\$ 37,651</u>	<u>\$ 31,320</u>	<u>\$ 23,053</u>	<u>\$ 39,117</u>	<u>\$ 26,445</u>	<u>\$ 18,061</u>	<u>\$ 18,060</u>	<u>\$ 10,123</u>	<u>\$ 9,422</u>	<u>\$ 16,108</u>	<u>\$ 229,360</u>

### 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.

### Commitments

#### *Toll Lane Implementation and Maintenance Contract*

The Authority has a contract with Telvent Caseta Technologies for ongoing maintenance service related to the electronic toll system E-ZPass. The contract's original term expired on May 1, 2014 and has been extended through April 30, 2016 with an approximate annual cost of \$51,303.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Commitments (Continued)

#### *E-ZPass Customer Service Contract*

Early in fiscal year 2012, the Authority entered into a new service contract with CS IT America, now known as Sanef IT America (Sanef). Sanef was engaged to design, implement, and maintain the Authority's customer relationship database, and the Authority's toll transactions in the travel lanes. The system (Toll CRM) processes all monetary transactions related to the Authority's E-ZPass customer accounts, including toll and violation activity. Toll CRM also processes all toll transactions related to the Electronic Toll Collection System (ETC), sorting and processing them with the Authority's sister E-ZPass agencies. The contract also engages Sanef to provide operation and maintenance services through 2020 at an annual cost of approximately \$481,800.

In March 2015, the Authority amended its contract with Duncan Solutions/Law Enforcement Systems (LES) to provide billing and collection services related to ORT violations. The contract provides for payments to LES of \$100,000 per month through 2016. Additionally, the contract provides for payments of 25% of all amounts collected by LES which are collected 14 days after the date of invoice. The remaining \$1,000,000 will be waived upon the Authority paying its monthly contract fee of \$100,000 through April 30, 2016. Also, the expense for contract fees was reduced from 33% to 25%. The remaining \$1,000,000 is being amortized on a straight-line basis through the term of the agreement and reported as a reduction to contract services expense. At June 30, 2015, \$937,500 is included in accrued expenses.

#### *Construction in progress:*

The Authority has entered into contracts to provide for the maintenance of the bridges. As of June 30, 2015, remaining commitments on these contracts total \$93,945.

The Authority has ongoing contracts, totaling \$39,215,400, for Phase II of the steel repairs and painting on the Claiborne Pell Bridge. As of June 30, 2015, remaining commitments on these contracts total \$13,323,769.

During 2015, the Authority entered into contracts, totaling \$26,750,938, for steel repairs and the placement of the median barrier on the Claiborne Pell Bridge, which is expected to take over a year to complete. As of June 30, 2015, remaining commitments on these contracts total \$21,567,397.

#### *Collective bargaining agreement:*

The Authority has 22 employees under the terms of a contract with the United Service and Allied Workers of Rhode Island, a collective bargaining unit. The contract expires on June 30, 2017.

### Debt Service

At June 30, 2015, 89.4% 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. Principal payments on the revenue bonds during 2015 totaled \$2,720,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Debt Service (Continued)

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 FY2015 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 (State) has authorized the Authority to issue approximately \$68,000,000 of additional revenue bonds. The terms and expected date for such issuance have not yet been determined.

In February 2014, the Authority entered into an agreement with Sovereign Bank for a \$30,000,000 short-term Bond Anticipation Note (BAN), to be used to fund contract work primarily on the Pell Bridge while the Authority prepares to issue the additional authorized bonds.

In November 2014, the Authority entered into a \$60,000,000 Bond Anticipation Note (BAN), the proceeds of which were used to pay off the \$30,000,000 February 2014 BAN, with the remaining amount used to fund continuing contract work, primarily on the Pell Bridge. The BAN bears interest at the thirty-day London InterBank Offered Rate (LIBOR) plus an applicable margin rate based on the Authority's debt rating, payable monthly. The BAN is due in full on February 1, 2016. The Authority intends to refinance the BAN prior to February 1, 2016.

During FY2015, the Authority entered into a \$2,000,000 short-term note with the Rhode Island Department of Transportation (RIDOT) through the RIDOT State Infrastructure Bank to fund other capital projects that have been included in the CIP. To date, the Authority has used \$906,980 of the \$2,000,000 available. This note matures on December 31, 2029.

### Investments

The Authority's investments comprise 24.1% and 12.4% of assets at June 30, 2015 and 2014, respectively, including the proceeds from the sale of the BANS. 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, 2015, 86% of the Authority's investments are in the form of money market mutual funds; U.S. Treasury obligations represent approximately 3%. Approximately 4.5% 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, 2012, and received increases in the employees' premium co-pays each year during the term of the contract. The current contract has been extended to June 30, 2017.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **Insurance Cost-Saving Initiatives (Continued)**

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. In FY2015, the Authority competitively bid the commercial insurance policies. The result was significant savings on the property coverage for the bridges with a three-year premium guarantee, resulting in premiums expense over the three-year period beginning August 1, 2015 remaining essentially flat as compared to the last three years. The Board continues to work to find ways to decrease insurance costs.

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

### **Legislative Developments**

The FY2013 State budget included an article that will allow for the transfer of the Sakonnet River and Jamestown/Verrazano Bridges to the Rhode Island Turnpike and Bridge Authority from the Rhode Island Department of Transportation. The Authority assumed care, custody and control of these new assets in April 2013; however, ownership and title to the bridges and related property remain with the State. Tolls commenced in August 2013 (FY2014) through General Assembly action taken in the FY2015 State budget.

Subsequently, the Rhode Island General Assembly passed the FY2015 State budget, which eliminated the toll on the Sakonnet River Bridge, raised the gas tax and other fees, earmarking \$0.035 of the gas tax to the Authority to fund the additional maintenance costs associated with the addition of the Sakonnet River and Jamestown Verrazano Bridges. The gas tax revenue earned in 2015 was approximately \$15,400,000.

### **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 POSITION – JUNE 30, 2015

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 1,313,477
Accrued interest receivable	50,844
Prepaid expenses	175,068
Inventory	108,991
Restricted:	
Cash and cash equivalents	7,006,217
Investments	49,308,612
Accounts receivable	<u>1,916,049</u>
 Total current assets	 <u>59,879,258</u>

Noncurrent assets:

Investments	7,192,841
Restricted investments, less current portion	1,322,696
Capital assets not being depreciated	406,093
Capital assets being depreciated, net	<u>170,780,615</u>
 Total noncurrent assets	 <u>179,702,245</u>
 Total assets	 <u>239,581,503</u>

(continued)

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

STATEMENT OF NET POSITION – JUNE 30, 2015 (CONTINUED)

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 2,503,459
Accrued interest payable	256,575
Accrued expenses	5,812,457
Electronic toll liability	3,850,211
Bond anticipation notes payable	60,000,000
Current portion of bonds payable	2,855,000
Current portion of note payable, RIDOT	154,408
Legal settlement liability	821,152

Total current liabilities	76,253,262
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Note payable, RIDOT, less current portion	752,572
Bonds payable, less current portion	55,434,922

Total liabilities	132,440,756
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**DEFERRED INFLOWS OF RESOURCES:**

Deferred gain on advance debt refunding	56,072
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Commitments and contingencies (Notes 6, 8 and 9)

**NET POSITION:**

Net investment in capital assets	80,205,552
Restricted, bond covenants	58,230,878
Unrestricted (deficit)	(31,351,755)

Total net position	\$ 107,084,675
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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 POSITION

YEAR ENDED JUNE 30, 2015

Operating revenues:	
Tolls, including violation fees	\$ 19,409,574
Transponder sales	395,025
Gas tax revenue	15,357,429
Grant revenue	172,500
Other fees	<u>95,945</u>
Total operating revenues	<u>35,430,473</u>
Operating expenses:	
Personnel services	3,667,615
Utilities	514,057
Contractual services	2,793,381
Other supplies and expenses	968,050
Insurance	1,045,861
Repairs and maintenance	1,959,923
Transponder expense	171,247
Legal settlement	37,880
Depreciation	<u>10,543,154</u>
Total operating expenses	<u>21,701,168</u>
Operating income	<u>13,729,305</u>
Nonoperating revenues (expenses):	
Interest expense	(3,131,923)
Amortization of bond discount	(17,169)
Investment income, net of trustee fees	360,045
Bond issuance costs	(150,506)
Miscellaneous income	<u>338,735</u>
Total nonoperating revenues (expenses)	<u>(2,600,818)</u>
Change in net position	11,128,487
Net position, beginning of year	<u>95,956,188</u>
Net position, end of year	<u>\$ 107,084,675</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, 2015

Cash flows from operating activities:

Cash received from:

Tolls	\$ 19,551,752
Transponder sales	395,025
Gas tax revenue	14,027,855
Grants	172,500
Other	95,945

Cash payments to:

Suppliers for goods and services	(7,468,028)
Employees for services	<u>(3,877,672)</u>

Net cash provided by operating activities 22,897,377

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(18,415,420)
Principal paid on bonds	(32,720,000)
Principal paid on note payable	(133,334)
Note proceeds	645,390
Interest paid on bonds	(3,131,923)
Bond issuance costs	(150,506)
Bond proceeds	<u>65,000,000</u>

Net cash provided by capital and related financing activities 11,094,207

Cash flows from investing activities:

Proceeds from sales and maturities of investments	70,597,509
Purchases of investments	(104,517,770)
Investment income received	<u>334,010</u>

Net cash used in investing activities (33,586,251)

Net increase in cash and cash equivalents 405,333

Cash and cash equivalents, beginning of year 7,914,361

Cash and cash equivalents, end of year \$ 8,319,694

(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, 2015

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,729,305
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	10,543,154
Miscellaneous income	338,735
Changes in assets and liabilities:	
Accounts receivable	(1,254,645)
Inventory	125,173
Prepaid expenses	(42,125)
Accounts payable	(399,412)
Accrued expenses	(210,057)
Electronic toll liability	67,249
	<hr/>
Net cash provided by operating activities	<u>\$ 22,897,377</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, 2015

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

*Description of business:*

The Rhode Island Turnpike and Bridge Authority (the 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. On April 25, 2013, the State of Rhode Island (the State) transferred custody, control and supervision of the land and improvements for the Jamestown and the Sakonnet River Bridges from the Rhode Island Department of Transportation (RIDOT) to the Authority. Ownership and title of the bridges remains with the State. The Claiborne Pell Bridge, Mount Hope Bridge, Jamestown Verrazano Bridge and Sakonnet River Bridge are collectively referred to herein as the bridges.

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

The Authority is exempt from federal and state income taxes.

*Financial statement presentation, measurement focus and 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 of America 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, and deferred inflows and outflows of resources associated with operations are included on the statement of net position, 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, 2015

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

*Deferred outflows and inflows of resources:*

Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. The Authority had no deferred outflows of resources at June 30, 2015. The Authority's deferred inflows of resources at June 30, 2015 consist of deferred gain on advance debt refunding, determined as the difference between the reacquisition price and net carrying amount of the refunded debt. The deferred gain is being amortized over the life of the 2003 bond (14-1/2 years); amortization is reported as a reduction of interest expense.

*Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

*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 revenues 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, 2015, all investments are reported 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, 2015

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

*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.

*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. 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	5-100 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.

*Accounts receivable:*

Accounts receivable principally consist of tolls due from away agencies, amounts collected by the third-party billing service used by the Authority to collect unpaid tolls and violations from open-road tolling (ORT) and all-electronic tolling (AET) transactions, and gasoline tax receipts.

*Bond discounts and issuance costs:*

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, 2015, bond discounts and accumulated amortization total \$1,043,533 and \$318,455, respectively. Bond discounts, net of accumulated amortization, are presented in the accompanying financial statements as a component of bonds payable.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

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

*Bond discounts and issuance costs (continued):*

Bond issuance costs are expensed as incurred.

*Revenue recognition – 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 using a valid E-ZPass transponder, 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.

*Revenue recognition-violation tolls and fees:*

The Authority provides Open Road Tolling (ORT) lanes which utilize both E-ZPass and automatic plate recognition technology. Customers that use ORT lanes that do not have a valid E-ZPass transponder are charged violation tolls and fees. The Authority uses a third-party billing service to send the invoices for violation tolls and fees to customers. Revenue from violation tolls and fees is recognized as collected.

At June 30, 2015, amounts billed to violators for ORT and AET unpaid violation tolls and fees total \$5,841,041. Amounts not yet billed to violators for AET unpaid violation tolls and fees total \$737,647.

*Revenue recognition-gasoline tax receipts:*

Beginning July 1, 2014, the State enacted legislation which provides the Authority 3.5 cents of gasoline tax for every gallon sold in Rhode Island. Gas tax revenues and related receivables are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, net of estimated tax refunds.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

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

*Investment income:*

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.

*Net position:*

The Authority's net position has been segregated into the following three components:

Net investment in capital assets – represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments or internally by enabling legislation or law

Unrestricted – a residual category for the balance of net position

2. Cash and investments:

The Trust Agreement specifies the permitted investments that may be used by the Authority. In addition, the State 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued):

*Deposits:*

The carrying amount of the Authority's cash and cash equivalents, including restricted amounts, at June 30, 2015 was \$8,319,694 while the bank balance was \$9,011,243. Of the bank balance, \$911,160 was covered by federal depository insurance and \$1,588,086 was held in fully collateralized repurchase agreements. The remaining balance of \$6,511,997 is uncollateralized.

*Investments:*

At June 30, 2015, the Authority's investments, including restricted amounts, consist of the following:

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Money market funds	\$ 49,552,363			
United States Treasury/Agency securities:				
United States Treasury Notes	1,605,377	.0625% to 2.625%	01/15/2017 to 5/15/2045	AAA/AA+
United States CMOs/REMICs	59,349	3.00%	3/25/2040	AAA/AA+
Mortgage-backed securities:				
Treasury Inflation Indexed Bonds	145,931	0.125% to 1.375%	1/15/2020 to 1/15/2023	AAA/AA+
Federal Home Loan Mortgage Corporation	541,732	3.000% to 5.500%	6/01/2026 to 4/01/2044	AAA/AA+
Federal National Mortgage Association	997,971	2.500% to 6.000%	3/01/2023 to 5/01/2045	AAA/AA+
Government National Mortgage Association	297,089	3.000% to 4.500%	1/20/2044 to 4/20/2045	AAA/AA+
Foreign Government/Agency Debentures	100,270	2.000% to 4.000%	6/30/2016 to 10/07/2019	AA2/AA-/A+

(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, 2015

2. Cash and investments (continued):

*Investments (continued):*

	Fair value	Interest rate	Maturity	Rating
Corporate bonds:	\$ 45,082	3.75%	2/12/2045	AAA
	45,099	1.125%	5/16/2017	AA3
	289,763	3.125% to 7.717%	10/15/2016 to 6/15/2045	A3
	424,376	2.000% to 5.650%	10/05/2017 to 7/15/2022	A2
	325,811	2.700% to 6.250%	09/15/2017 to 12/15/2022	A1
	236,906	2.250% to 4.950%	6/12/2017 to 1/23/2025	Baa3
	481,399	3.200% to 6.75%	11/15/2021 to 10/01/2037	Baa2
	716,983	1.800% to 6.550%	1/16/2018 to 9/15/2043	Baa1
Foreign corporate bonds:	70,864	4.50%	1/11/2021	AA2
	70,134	1.25%	6/16/2017	AA-
	51,993	4.88%	1/24/2022	A3
	38,296	4.75%	3/10/2019	A2
	53,556	5.13%	4/27/2020	Baa2
	92,980	5.38%	1/27/2021	Baa1
Municipal bonds:	59,625	1.10%	6/15/2016	A3
	215,705	2.995 to 5.435%	7/1/2020 to 5/15/2045	AA3
	102,028	6.246% to 6.282%	6/1/2035 to 6/15/2042	AA2
	32,711	4.20%	12/1/2021	AA1

(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, 2015

2. Cash and investments (continued):

*Investments (continued):*

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Asset-backed securities	\$ 20,521	0.99%	12/8/2017	AAA
Non-agency CMOs/REMICs	71,290	2.684% to 3.400%	11/15/2044 to 5/15/2045	AAA
Short-term taxable fixed income	<u>1,078,945</u>	N/A	N/A	
Total investments	<u>\$ 57,824,149</u>			

*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 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

2. Cash and investments (continued):

*Investments (continued):*

*Concentration of credit risk:*

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

*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, 2015 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, 2014	Additions	Retirements and disposals	Balance, June 30, 2015
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 156,093	\$ -	\$ 156,093
Licensing fees	250,000			250,000
Total capital assets not being depreciated	250,000	156,093	-	406,093
Capital assets being depreciated:				
Bridges *	204,148,647	20,773,450		224,922,097
Buildings	7,248,380			7,248,380
Land improvements	3,461,911	219,733		3,681,644
Equipment	13,250,191	827,008	(42,050)	14,035,149
Total capital assets being depreciated	228,109,129	21,820,191	(42,050)	249,887,270

(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, 2015

3. Capital assets (continued):

	<u>Balance, June 30, 2014</u>	<u>Additions</u>	<u>Retirements and disposals</u>	<u>Balance, June 30, 2015</u>
Capital assets being depreciated (continued):				
Less accumulated depreciation:				
Bridges *	\$ 58,606,374	\$ 8,110,929	\$ (13,317)	\$ 66,703,986
Buildings	2,930,756	624,270		3,555,026
Land improvements	1,044,322			1,044,322
Equipment	<u>5,995,364</u>	<u>1,807,957</u>		<u>7,803,321</u>
Total accumulated depreciation	<u>68,576,816</u>	<u>10,543,156</u>	<u>(13,317)</u>	<u>79,106,655</u>
Capital assets being depreciated, net	<u>159,532,313</u>	<u>11,277,035</u>	<u>(28,733)</u>	<u>170,780,615</u>
Capital assets, net	<u>\$ 159,782,313</u>	<u>\$ 11,433,128</u>	<u>\$ (28,733)</u>	<u>\$ 171,186,708</u>

\* Mount Hope and Claiborne Pell bridges

At June 30, 2015, capitalized interest included in capital assets totaled \$3,777,324.

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. At June 30, 2015, principal outstanding under the Series 2003A Bonds is \$9,015,000. 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, 2015, 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 bonds 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, 2015, the Authority has in-substance defeased debt of approximately \$9,156,400, 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

4. Bonds payable (continued):

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, 2015, changes in bonds payable consisted of the following:

	Balance, June 30, 2014	Additions	Retirements/ amortization	Balance, June 30, 2015	Amount due in one year
Revenue bonds payable	\$ 61,735,000	\$ -	\$ 2,720,000	\$ 59,015,000	\$ 2,855,000
Bond discounts	(742,246)	17,168		(725,078)	
Total bonds payable	<u>\$ 60,992,754</u>	<u>\$ 17,168</u>	<u>\$ 2,720,000</u>	<u>\$ 58,289,922</u>	<u>\$ 2,855,000</u>

The following represents debt service and sinking fund requirements to maturity as of June 30, 2015:

Fiscal year ending June 30,	Principal	Interest	Total
2016	\$ 2,855,000	\$ 2,779,696	\$ 5,634,696
2017	3,005,000	2,629,936	5,634,936
2018	3,155,000	2,469,903	5,624,903
2019	1,345,000	2,363,863	3,708,863
2020	7,705,000	10,842,028	18,547,028
2021-2025	9,565,000	8,982,888	18,547,888
2025-2030	12,140,000	6,420,497	18,560,497
2031-2035	15,625,000	2,941,319	18,566,319
2036-2040	3,620,000	90,500	3,710,500
	<u>\$ 59,015,000</u>	<u>\$ 39,520,630</u>	<u>\$ 98,535,630</u>

The State has authorized the Authority to issue approximately \$68,000,000 of additional revenue bonds. The terms and expected date for such issuance have not yet been determined.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

5. Notes payable:

In November 2014, the Authority entered into two Bond Anticipation Notes (BANs) in the aggregate amount of \$60,000,000. The BANs bear interest at the thirty-day London InterBank Offered Rate (LIBOR) plus an applicable margin rate based on the Authority's debt rating, payable monthly. The BANs are due in full on February 1, 2016. The Authority intends to refinance the BANs prior to February 1, 2016.

The Authority also entered into a \$2,000,000 note, due in 2029, with Rhode Island Department of Transportation (RIDOT) through the RIDOT State Infrastructure Bank to fund other capital projects that have been included in the Authority's 10-year capital improvement plan. At June 30, 2015, the outstanding balance under the note is \$906,980.

6. Commitments:

Toll Lane Implementation and Maintenance Contract:

The Authority has a contract with Telvent Caseta Technologies for ongoing maintenance service related to the electronic toll system E-ZPass. The contract's original term expired on May 1, 2014 and has been extended through April 30, 2016 with an approximate annual cost of \$51,303.

E-ZPass Customer Service Contract:

Early in fiscal year 2012, the Authority entered into a new service contract with CS IT America, now known as Sanef IT America (Sanef). Sanef was engaged to design, implement, and maintain the Authority's customer relationship database, and the Authority's toll transactions in the travel lanes. The system (Toll CRM) processes all monetary transactions related to the Authority's E-ZPass customer accounts, including toll and violation activity. Toll CRM also processes all toll transactions related to the Electronic Toll Collection System (ETC), sorting and processing them with the Authority's sister E-ZPass agencies. The contract also engages Sanef to provide operation and maintenance services through 2020 at an annual cost of approximately \$481,800.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

6. Commitments (continued):

E-ZPass Customer Service Contract (continued):

During the year ended June 30, 2013, the Authority entered into a contract with Duncan Solutions/Law Enforcement Systems (LES) to perform the noticing and collection effort for toll violations on the Claiborne Pell Bridge. In anticipation of the establishment of all-electronic tolling (AET) and subsequent invoicing and collection of post-paid tolls on the Sakonnet River Bridge, the Authority entered into a partnership with LES to design and construct the toll collection system, including the gantry and the purchase and installation of all necessary cameras, laser-readers and computer equipment. Under the terms of the original agreement, the Authority was to repay LES its original investment of \$3,000,000 over time through fees collected. During the fiscal year ended June 30, 2014, the tolls for the Sakonnet River Bridge were materially modified from the tolls set forth in the agreement through legislative actions passed by the State; specifically, the tolls were initially reduced to \$0.10 per vehicle and later totally eliminated. As a result of this modification, the agreement was renegotiated and, in lieu of a payment of \$3,000,000 to LES over time through fees collected, the Authority was required to make a payment of \$2,000,000, with the remaining \$1,000,000 due and payable. In March 2015, the Authority amended its contract with LES to provide billing and collection services related to ORT violations. The contract provides for payments to LES of \$100,000 per month through 2016. Additionally, the contract provides for payments of 25% of all amounts which are collected by LES 14 days after the date of invoice. The expense for contract fees was also reduced from 33% to 25%. The remaining \$1,000,000 will be waived upon the Authority paying its monthly contract fee of \$100,000 through April 30, 2016; therefore, it is being amortized on a straight-line basis through the term of the agreement and reported as a reduction to contract services expense. At June 30, 2015, \$937,500 is included in accrued expenses.

Construction in progress:

The Authority has entered into contracts to provide for the maintenance of the bridges. As of June 30, 2015, remaining commitments on these contracts total \$93,945.

The Authority has ongoing contracts, totaling \$39,215,400, for Phase II of the steel repairs and painting on the Claiborne Pell Bridge. As of June 30, 2015, remaining commitments on these contracts total \$13,323,769.

During 2015, the Authority entered into contracts, totaling \$26,780,938, for steel repairs and the placement of the median barrier on the Claiborne Pell Bridge, which is expected to take over a year to complete. As of June 30, 2015, remaining commitments on these contracts total \$21,601,469.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

6. Commitments (continued):

Collective bargaining agreement:

The Authority has 22 employees under the terms of a contract with the United Service and Allied Workers of Rhode Island, a collective bargaining unit. The contract expires on June 30, 2017.

7. 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 third-party service providers and the Plan is administered by Meridien. Under the 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 2015 was \$165,116, while the total cost of the matching and supplemental employer contribution for fiscal year 2015 was \$369,269. The Authority contributes 3.4% of the employees' salary to the Plan and also provides an additional match of up to 5% of the employees' salary. The payroll for employees covered by the Plan for fiscal year 2015 was \$1,854,171 and the Authority's total payroll was \$2,951,943. 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.

8. 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, the Authority has not recorded a reserve for such claims at June 30, 2015.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

9. Contingencies:

Construction project:

Upon completion of a construction project in 2010, 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. A settlement has been reached with the contractor for \$950,000, of which the Authority previously recorded a liability for 177,446. The increase in the cost of the construction project was \$772,554.

Class action lawsuit:

The Authority was subject to a class action lawsuit challenging the toll rate structure for certain drivers using E-ZPass. 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. At June 30, 2015, the Authority has recorded a liability for \$821,697 as its best estimate of amounts due to certain customers under the terms of the settlement agreement.

Environmental remediation:

The Authority has begun a site investigation into a potential lead remediation project around the northern approach of the Mount Hope Bridge. This investigation could take up to another six months to complete before any remedial action will take place. The Authority has budgeted up to \$1,000,000 in its capital improvement plan for remediation.



**Independent Auditors' Report on Accompanying Information**

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

Our audit was performed 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 33 through 40 is presented for purposes of additional analysis and is not a required part of the 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "LGCD &amp; LLP". The signature is written in a cursive, flowing style.

Providence, Rhode Island  
October 1, 2015

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, 2015

	<u>Claiborne Pell Bridge</u>
Traffic count (unaudited):	
Vehicle fares paid with ETC	9,086,583
Vehicle fares paid with cash	<u>1,412,377</u>
	<u><u>10,498,960</u></u>
 Toll revenues (audited):	
Vehicle fares paid with ETC	\$ 13,680,314
Vehicle fares paid with cash	<u>5,740,506</u>
	<u><u>\$ 19,420,820</u></u>

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES  
YEAR ENDED JUNE 30, 2015

<u>Date Paid</u>	<u>Check No.</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
7/24/2014	15570	American Express (Earl Croft)	IBBTA Meeting	\$ 1,431
7/31/2014	15624	Int'l. Bridge, Tunnel & Turnpike Assn.	Earl Croft - Sept Meeting	650
7/31/2014	15624	Int'l. Bridge, Tunnel & Turnpike Assn.	Stephen Waluk - Sept Meeting	650
7/31/2014	15627	Kathryn O'Connor	IBTTA Meeting - San Diego, CA	831
8/14/2014	15646	American Express (Earl Croft)	Meeting	387
9/3/2014	15724	Cash	Petty Cash	34
9/9/2014	15740	East Ferry Deli	Board Meeting Coffee	48
9/23/2014	15729	American Express	Trip Delaware River Authority & Registration	1,065
9/23/2014	15755	Eric Offenber	Trip Delaware River Authority & Registration	500
9/23/2014	15746	James E. Swanberg	Trip Delaware River Authority & Registration	274
9/24/2014	15780	James R. Romano	Trip Delaware River Authority & Registration	217
10/1/2014	15807	East Ferry Deli	Board Meeting Coffee	45
10/16/2014	15836	Stephen C. Waluk	IBTTA reimburse to S. Waluk	200
10/17/2014	15853	Kathryn O'Connor	10/8 Business trip	78
10/30/2014	15885	American Express (Earl Croft, Stephen Waluk)	IBTTA Meeting - Austin, TX	3,074
11/5/2014	15887	Cash	Petty Cash	18
11/13/2014	15919	East Ferry Deli	Board Meeting Coffee	45
11/25/2014	payroll check	Eric Offenber	Annapolis Bay Bridge	328
12/9/2014	15974	American Express (Eric Offenber)	Baltimore, MD	434
12/30/2014	16029	American Express (Kathryn Coleman)	Washington, DC	367
1/2/2015	16048	East Ferry Deli	Board Meeting Coffee	45
1/21/2015	16142	Cash	Petty Cash	24
1/21/2015	16151	Newport County Chamber of Com.		2,500
2/3/2015	16173	East Ferry Deli	Board Meeting Coffee	45
2/3/2015	16178	Int'l. Bridge, Tunnel & Turnpike Foundation	N. Parrillo Conf. Attendee	575
2/18/2015	16210	American Express (Kathryn Coleman)	IBTTA Leadership Academy	1,952
3/4/2015	16264	Kathryn Coleman	IBTTA Conf. Expenses	95
3/4/2015	16265	Kathryn O'Connor	IAG Mtg. 2/11	297
3/19/2015	16286	American Express (Kathryn Coleman)	IBTTA Washington, DC	803
4/2/2015	16375	University of Rhode Island	5/14 Meeting - B. Croft	25
4/10/2015	16328	East Ferry Deli	Payables Trx Entry	45
4/14/2015	16347	Cash	Petty Cash	46
4/24/2015	16457	American Express (Earl Croft)	IBTTA Washington, DC	2,424
5/5/2015	16482	East Ferry Deli	Board Meeting Coffee	45
5/21/2015	16515	American Express (Earl Croft)	IBTTA Portland, OR	1,026
6/2/2015	16570	Eric Offenber	IBTTA Meeting	294
6/2/2015	16578	Cash	Petty Cash	88
6/16/2015	16589	East Ferry Deli	Board Meeting Coffee	130
6/16/2015	16594	Kathryn O'Connor	EMC Mtg/IAG	554
6/23/2015	16611	Int'l. Bridge, Tunnel & Turnpike Foundation	E. Offenber	375
6/23/2015	16611	Int'l. Bridge, Tunnel & Turnpike Foundation	J. Romano	575
				<b>\$ 22,639</b>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2015

**Statement of Net Position**

**Attachment B**

**Assets**

Current assets:

Cash and cash equivalents	\$	1,313,477
Investments		
Receivables (Receivables allowance)		50,844

Restricted assets:

Cash and cash equivalents		7,006,217
Investments		49,308,612
Other assets		1,916,049

Due from primary government

Due from other governments

Inventories 108,991

Other assets 175,068

Total current assets		59,879,258
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Noncurrent assets:

Investments		7,192,841
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Receivables  
(Receivables allowance)

Restricted assets:

Cash and cash equivalents		
Investments		1,322,696
Other assets		

Capital assets - nondepreciable 406,093

Capital assets - depreciable (net) 170,780,615

Other assets, net of amortization

Total noncurrent assets		179,702,245
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Total assets		239,581,503
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RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2015

<u>Statement of Net Position (continued)</u>	<u>Attachment B</u>
<b>Liabilities</b>	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 9,393,643
Due to primary government	154,408
Due to (from) other component units	
Due to other governments	
Deferred revenue	
Other liabilities	3,850,211
Current portion of long-term debt	62,855,000
Total current liabilities	<u>76,253,262</u>
Noncurrent liabilities:	
Due to primary government	752,572
Due to other governments	
Deferred revenue	
Notes payable	
Loans payable	
Obligations under capital leases	
Other liabilities	
Compensated absences	
Bonds payable	55,434,922
Total noncurrent liabilities	<u>56,187,494</u>
Total liabilities	<u>132,440,756</u>
<b>Deferred inflows of resources</b>	
Deferred gain on advance debt refunding	<u>56,072</u>
<b>Net position</b>	
Net investment in capital assets	80,205,552
Restricted for:	
Debt	58,230,878
Other	
Other nonexpendable	
Unrestricted (deficit)	(31,351,755)
Total net position	<u><u>\$ 107,084,675</u></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, 2014

<u>Statement of Activities</u>	<u>Attachment C</u>
<b>Expenses</b>	<b>\$ 25,000,766</b>
<b>Program revenues:</b>	
Charges for services	20,073,044
Operating grants and contributions	
Capital grants and contributions	
	<hr/>
Total program revenues	20,073,044
	<hr/>
Net (expenses) revenues	(4,927,722)
	<hr/>
<b>General revenues:</b>	
Gas tax revenue	15,357,429
Interest and investment earnings	360,045
Miscellaneous revenue	338,735
	<hr/>
Total general revenue	16,056,209
	<hr/>
Special items	
Extraordinary items	
	<hr/>
Change in net position	11,128,487
	<hr/>
Total net position - beginning	95,956,188
	<hr/>
Total net position - ending	<u>\$ 107,084,675</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, 2015

Fiscal Year Ending June 30,	<u>Long-Term Debt</u>	<u>Attachment D</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,855,000	\$ 2,779,696	\$ 5,634,696
2017	3,005,000	2,629,936	5,634,936
2018	3,155,000	2,469,903	5,624,903
2019	1,345,000	2,363,863	3,708,863
2020	1,405,000	2,305,200	3,710,200
2021-2025	8,045,000	10,500,978	18,545,978
2026-2030	10,015,000	8,534,737	18,549,737
2031-2035	12,760,000	5,799,641	18,559,641
2036-2040	<u>16,430,000</u>	<u>2,136,625</u>	<u>18,566,625</u>
	<u>\$ 59,015,000</u>	<u>\$ 39,520,579</u>	<u>\$ 98,535,579</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, 2015

**Schedule of Changes in Long-Term Debt**

**Attachment E**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 61,735,000	\$ -	\$ 2,720,000	\$ 59,015,000	\$ 2,855,000	\$ 56,160,000
Net unamortized premium/discount	(742,246)	17,168		(725,078)		(725,078)
Bonds payable	60,992,754	17,168	2,720,000	58,289,922	2,855,000	55,434,922
Notes payable, BAN	25,000,000	5,000,000	30,000,000	-	-	
Notes payable, BANs	-	60,000,000		60,000,000	60,000,000	
Loans payable						-
Obligations under capital leases				-		-
Net OPEB obligation				-		-
Compensated absences				-		-
Due to primary government	394,923	645,390	133,333	906,980	154,408	752,572
Due to other governments and agencies				-		-
Unearned revenue				-		-
Due to component units				-		-
Included in other liabilities:				-		-
Arbitrage rebate				-		-
Pollution remediation				-		-
Items not listed above				-		-
Other liabilities	-	-	-	-	-	-
	<u>\$ 86,387,677</u>	<u>\$ 65,662,558</u>	<u>\$ 32,853,333</u>	<u>\$ 119,196,902</u>	<u>\$ 63,009,408</u>	<u>\$ 56,187,494</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Transportation:		
Passed through Rhode Island Department of Transportation:		
Federal-Aid Highway Program		
Federal Lands Highway Program	97.056	<u>\$ 172,500</u>
Total U.S. Department of Transportation and total expenditures of federal awards		<u><u>\$ 172,500</u></u>



**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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Rhode Island Turnpike and Bridge Authority (the Authority), a component unit of the State of Rhode Island, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a 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. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness.

**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

**Compliance and Other Matters**

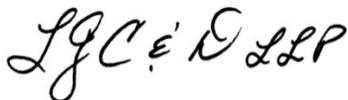
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 Response to Findings**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, Rhode Island  
October 1, 2015

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

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2015

**Recording of Financial Transactions**

*Criteria:*

The Authority is responsible for preparing its financial statements, and designing and implementing internal control over financial reporting to prevent, and correct and detect on a timely basis material errors.

*Condition:*

Certain transactions were not recorded in the Authority's books and records in the period in which the underlying transaction occurred or consistent with the financial elements of the underlying transactions.

*Cause:*

Prior to the year ended June 30, 2015, the Authority replaced its Chief Financial Officer. The transition period extended through the fiscal year-end procedures.

*Effect:*

Significant audit adjustments were required to record transactions, adjust previously recorded amounts, or reclassify the manner in which previously recorded amounts were presented. As a result, audit adjustments were required in the following areas:

- Record accounts payable and accrued expenses for goods and/or services received prior to year-end as a result of the absence of a process to determine whether expenses or other transactions were properly cut-off as of year-end.
- Reclassify as capital assets amounts recorded as expenses which met the Authority's asset capitalization policy, and to record as expenses amounts recorded as a capital asset which were not consistent with the Authority's asset capitalization policy.
- Record as an expense electronic toll commission fees which were recorded as a reduction to the Authority's electronic toll liability.

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, 2015

**Recording of Financial Transactions (Continued)**

*Recommendations:*

We recommend that management design and implement a process which includes a review of transactions occurring shortly after each reporting period to determine whether all transactions were recorded in the proper period, are properly classified, and to adjust previously recorded transactions based on the most recent information available.

We also recommend that a person independent of the person responsible for identifying and recording such transactions review available financial information and approve recorded transactions to determine whether all transactions were properly recorded during the period to which they relate based on the substance of the underlying transaction.

*Management's Response:*

The CFO has instituted new monthly closing procedures which include a review of transactions for each month and reclassification if necessary. This will be completed by a person independent of the person responsible for the original recording of the transactions.