

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

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**



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

YEAR ENDED JUNE 30, 2008

CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic financial statements:	
Statement of net assets	11-12
Statement of revenues, expenses and changes in net assets	13
Statement of cash flows	14-15
Notes to financial statements	16-27
Independent Auditors' Report on Accompanying Information	28
Accompanying information to basic financial statements:	
Combining statement of net assets	29-32
Combining statement of revenues, expenses and changes in net assets	33-34
Schedule of traffic count and revenues	35
Schedule of cash and investments	36-41
Schedule of travel and entertainment expenses	42-43
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	44-45
Schedule of findings and responses	46-47



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, 2008. 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, 2008, 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, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Independent Auditors' Report (Continued)**

Board of Directors  
Rhode Island Turnpike and Bridge Authority

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

September 29, 2008

## **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 which connects the City of Newport and Town of Jamestown, and the Mount Hope Bridge, on the east shore of the bay which connects the Towns of Bristol and Portsmouth, Rhode Island. Day-to-day operations of the Authority are led by an Executive Director who oversees 43 employees and reports to a five-member Board of Directors comprised of the Director of Transportation, who is a member ex-officio, and four members appointed by the Governor. For over 50 years, the Authority has been committed to maintaining and operating the Pell and Mount Hope Bridges in a fiscally responsible manner that ensures their physical integrity and longevity.

This discussion and analysis of the Authority's financial position and performance provides information as of June 30, 2008 and for the year then ended, with comparison as deemed appropriate to the previous fiscal year that ended June 30, 2007. Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

During fiscal 2008, there were no significant changes to the Authority's activities, financing structure, accounting methods, or the manner in which activity is recorded and summarized for presentation.

### **FINANCIAL STATEMENTS COMPOSITION**

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

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

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

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

## 2008 FINANCIAL STATEMENTS AND OPERATIONAL SUMMARIES

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

The Authority's total net assets increased from 2007 by \$5.9 million or 7.2%, which consisted of an increase in total assets of \$3.4 million and a decrease in total liabilities of \$2.5 million. The \$7.1 million increase in capital assets is attributable to projects underway as part of the Authority's ongoing capital improvement program, net of \$2.4 million of depreciation.

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

#### Statement of Net Assets

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

	June 30, 2008		June 30, 2007 (Restated)	
<b>Assets:</b>				
Capital assets (net)	\$ 85,804	72.0%	\$ 78,669	67.9%
<b>Other:</b>				
Investments	26,423	22.2%	32,968	28.5%
Cash and cash equivalents	6,474	5.4%	3,565	3.1%
Other	520	.4%	617	.5%
	33,417	28.0%	37,150	32.1%
Total assets	119,221	100.0%	115,819	100.0%
<b>Liabilities:</b>				
Bonds payable	25,796	21.6%	27,838	24.0%
Other liabilities	5,390	4.6%	5,869	5.1%
Total liabilities	31,186	26.2%	33,707	29.1%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	57,597	48.3%	47,828	41.3%
Restricted under bond covenants	6,359	5.3%	6,089	5.3%
Unrestricted	24,079	20.2%	28,195	24.3%
Total net assets	\$ 88,035	73.8%	\$ 82,112	70.9%

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

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

	2008		2007 (Restated)	
	\$		\$	
Toll revenues	12,040	100.0%	12,095	100.0%
Operating expenses:				
Personnel services	1,918	15.9%	1,947	16.1%
Insurance	1,281	10.7%	1,463	12.1%
Repairs and maintenance	741	6.2%	1,104	9.1%
Other	499	4.1%	566	4.7%
Environmental remediation	400	3.3%		
Depreciation	2,399	19.9%	2,044	16.9%
Total operating expenses	7,238	60.1%	7,124	58.9%
Operating income	4,802	39.9%	4,971	41.1%
Nonoperating revenue, net	1,121	9.3%	978	8.1%
Change in net assets	5,923	49.2%	5,949	49.2%
Net assets, beginning of year:				
As previously reported	82,112		77,463	
Prior period adjustment			(1,300)	
As restated	82,112		76,163	
Net assets, end of year	\$ 88,035		\$ 82,112	

The increase in operating expenses from the prior year is attributable to increases in environmental remediation offset by decreases in insurance and repairs and maintenance.

Net investment income for 2008, included in net operating revenue, was approximately \$2.3 million on a portfolio of approximately \$26 million at year-end. In 2008, investment income includes net gains of approximately \$1.3 million. In 2007, investment income includes net gains of approximately \$74,000.

Net assets at July 1, 2007 has been restated to reflect the effects of recording a prior period adjustment for environmental remediation liabilities that should have been recorded in 2006.

### **Tolls and Operations**

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

## Tolls and Operations (Continued)

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

At the close of each fiscal year, the Authority calculates the average price per fare of its bulk token sales. The average price per token for fiscal 2008 is \$0.90, the same level as the prior year.

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

## Operating Results

### *Pell Bridge Traffic and Revenue Summary*

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

	<u>2008</u>		<u>2007</u>	
<b>Traffic (number of passages)</b>				
Two-axle vehicle fares paid with tokens **	7,948,571	78.1%	7,995,770	78.1%
Two-axle vehicle fares paid with cash	2,081,389	20.4%	2,091,046	20.4%
All other vehicles *	<u>154,105</u>	<u>1.5%</u>	<u>151,090</u>	<u>1.5%</u>
	<u>10,184,065</u>	<u>100.0%</u>	<u>10,237,906</u>	<u>100.0%</u>



## Operating Results (Continued)

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

<b>Revenue</b>	<u>2008</u>		<u>2007</u>	
Two-axle vehicle fares paid with tokens **	\$ 7,301,186	60.6%	\$ 7,318,335	60.5%
Two-axle vehicle fares paid with cash (at \$2 per passage)	4,160,708	34.6%	4,182,092	34.6%
All other vehicles *	<u>578,129</u>	<u>4.8%</u>	<u>594,995</u>	<u>4.9%</u>
	<u>\$12,040,023</u>	<u>100.0%</u>	<u>\$12,095,422</u>	<u>100.0%</u>

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

\*\* Includes year-end adjustment for unredeemed tokens and tickets (\$147,472 for 2008; \$122,087 for 2007).

Pell Bridge traffic and revenue decreased during 2008 as compared to the previous year. Vehicular bridge journeys decreased by 53,841 (.5%) and toll revenue decreased by \$55,399 (.5%).

### **Engineering and Maintenance**

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

Approximately 72% of the Authority’s assets are capital assets, most notably the two largest suspension bridges in New England, the operation and maintenance of which the Authority has been charged. In order to continue to protect these assets for the foreseeable future, the Authority’s Board of Directors annually revises its 10-year Renewal and Replacement Plan.

### **Capital and Construction Activities**

Under the current Renewal and Replacement Plan, \$69.1 million is allocated to the Pell Bridge, with the remaining \$50.2 million going toward Mount Hope Bridge projects. Major capital improvement projects in progress during fiscal 2008 include:

#### **Mount Hope Bridge**

- Substantial completion of the \$8.9 million project for the rehabilitation and painting of the bridge towers
- Substantial completion of the on-call deck maintenance contract
- Annual inspection

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

### **Pell Bridge**

- Design and study of West Approach roadway and Structure “E”
- Continued patching and sealing of roadway and painting repairs of steel superstructure
- Substantial completion of security and electrical system upgrades
- Substantial completion of the main cable inspection
- Annual inspection
- Commencement of the consensus from tokens to E-Z Pass

The Authority has entered into various contracts for ongoing improvements to the bridges and property. As of June 30, 2008, remaining commitments on these contracts approximated \$3,540,000.

### **Maintenance**

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

### **Finance and Accounting**

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

### **Debt Service**

Approximately 82.7% of the Authority’s liabilities are debt service obligations entered into during 2003 when bonds then outstanding, Series 1997, were refinanced. The total 2003 Series A bond issuance raised \$35,765,000. Principal payments are due annually, and interest payments semiannually, until maturity in 2017. The 2003 Series A bonds are not subject to optional redemption prior to maturity.

In accordance with the trust agreement entered into between the Authority and U.S. Bank National Association, the trustee, debt service obligations (monthly deposits of toll revenues made into separate principal, interest, and debt service reserve accounts held by the trustee) were made during 2008 on a timely basis. Compliance with restrictions and covenants stipulated in the trust agreement were monitored during 2008 by the Chief Financial Officer. There are presently no anticipated changes to the Authority’s debt and financing structure.

## **Investments**

Approximately 22.2% of the Authority's assets are investments. Under the trust agreement referenced above, "moneys in all funds and accounts shall be invested by the holder of such Fund or Account as soon as practicable upon receipt in Permitted Investments..." The definition of Permitted Investments includes mostly fixed income securities, and as is evident in the Schedule of Cash and Investments on page 35 through 40, a substantial majority of the Authority's investments (77%) are in the form of U.S. Treasury/Agency obligations, most of which have stated maturities between 2010 and 2027. Approximately 13% of the Authority's investments are in U.S. Government agency asset-backed securities with maturities between 2019 to 2038.

In 2008, the Authority issued an RFP for investment services; six firms responded to the request. After careful evaluation by a selection committee and upon their recommendation, the Board of Directors hired BNY Mellon to manage the Authority's investments. BNY Mellon developed an intermediate and long-term investing strategy for the Authority's portfolio.

## **Insurance Cost Savings Initiatives**

Insurance continues to be among the Authority's most significant operating expenses. In January 2005, management and the local collective bargaining unit cooperated in an effort to control health care costs while maintaining the current level of service. The creative approach employed continued to be successful in achieving substantial savings in 2007 and 2008.

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

During 2007, the Authority received notice that the premium for coverage for the Pell and Mt. Hope Bridges had more than doubled over the prior year as a result of the potential impact of damage from wind or terrorism. In 2008, in order to contain the cost of insuring the bridges, the Board of Directors increased the deductible and prepaid 25% of the 2009 premium to lock in a favorable rate.

## **Community Involvement**

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

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

## **Requests for Information**

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

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

STATEMENT OF NET ASSETS - JUNE 30, 2008

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 3,819,763
Accounts receivable	2,078
Accrued interest receivable	55,644
Prepaid expenses	253,276
Restricted:	
Cash and cash equivalents	2,653,950
Investments	3,581,466
Accounts receivable	48,805
Accrued interest receivable	17,823

Total current assets 10,432,805

Noncurrent assets:

Investments	22,423,413
Restricted investments	418,084
Bond issuance costs, net	142,757
Capital assets not being depreciated	2,677,284
Capital assets being depreciated, net	83,126,913

Total noncurrent assets 108,788,451

Total assets 119,221,256

(continued)

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

STATEMENT OF NET ASSETS - JUNE 30, 2008 (CONTINUED)

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 2,517,550
Accrued interest payable	100,663
Accrued expenses:	
Environmental remediation	1,700,000
Other	383,491
Unredeemed toll coupons and tokens	689,297
Current portion of bonds payable	<u>2,105,000</u>

Total current liabilities 7,496,001

Bonds payable, less current portion 23,690,747

Total liabilities 31,186,748

**NET ASSETS:**

Invested in capital assets, net of related debt	57,596,702
Restricted, bond covenants	6,358,938
Unrestricted	<u>24,078,868</u>

Total net assets \$ 88,034,508

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, 2008

Toll revenues	<u>\$ 12,040,023</u>
Operating expenses:	
Personnel services	1,918,103
Utilities	132,483
Contractual services	275,531
Other supplies and expenses	91,177
Insurance	1,281,111
Repairs and maintenance of system	740,816
Environmental remediation	400,000
Depreciation	<u>2,398,583</u>
Total operating expenses	<u>7,237,804</u>
Operating income	<u>4,802,219</u>
Nonoperating revenues (expenses):	
Interest expense	(1,210,886)
Amortization of costs of issuance	(14,897)
Amortization of bond discount	(17,172)
Investment income, net of trustee fees	2,335,425
Miscellaneous income	<u>28,215</u>
Total nonoperating revenues (expenses)	<u>1,120,685</u>
Change in net assets	<u>5,922,904</u>
Net assets (deficiency), beginning of year:	
As previously reported	83,411,604
Prior period adjustment (Note 9)	<u>(1,300,000)</u>
As restated	<u>82,111,604</u>
Net assets, end of year	<u><u>\$ 88,034,508</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, 2008

Cash flows from operating activities:	
Cash received from tolls	\$ 11,991,536
Cash received, other	28,215
Cash payments to:	
Suppliers for goods and services	(2,708,103)
Employees for services	<u>(1,898,185)</u>
Net cash provided by operating activities	<u>7,413,463</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,283,401)
Principal paid on bonds	(2,035,000)
Interest paid on bonds	<u>(1,240,311)</u>
Cash used in capital and related financing activities	<u>(13,558,712)</u>
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	25,627,393
Purchase of investments	(17,746,573)
Investment income received	<u>1,172,952</u>
Net cash provided by investing activities	<u>9,053,772</u>
Net increase in cash and cash equivalents	2,908,523
Cash and cash equivalents, beginning of year	<u>3,565,190</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,473,713</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, 2008

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,802,219
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,398,583
Miscellaneous income	28,215
Changes in assets and liabilities:	
Accounts receivable	22,215
Prepaid expenses	(113,844)
Accounts payable	(90,597)
Accrued expenses	405,810
Unredeemed tolls, coupons and tokens	<u>(39,138)</u>
Net cash provided by operating activities	<u><u>\$ 7,413,463</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, 2008

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

*Description of business:*

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

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

The Authority is exempt from federal and state income taxes.

*Basis of accounting:*

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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

*Basis of presentation:*

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

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

*Revenue Bond Fund:*

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

*Construction Fund:*

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

*Revenue Fund:*

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

*Insurance Reserve Fund:*

This fund is a designated fund to help meet the deductibles and establish a level of self insurance. During fiscal year 2008, the insurance policy on the bridges was restructured, increasing the Authority's deductible to an amount equal to 4% of the policy coverage.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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

*Basis of presentation (continued):*

*Operating and Maintenance Fund:*

This fund reflects the operating activities of the Authority.

*Operating and Maintenance Reserve Fund:*

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

*Renewal and Replacement Fund:*

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

*General Fund:*

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

*Operating and nonoperating revenues and expenses:*

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

*Cash and cash equivalents:*

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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

*Investments:*

Investments consist of U.S. Treasury and agency obligations, which are guaranteed by the U.S. Government; corporate bonds; repurchase agreements, which are collateralized by U.S. Treasury and agency obligations; and asset-backed securities. Investments are recorded at fair value, except for investments meeting the requirements of the “one year option” and nonparticipating interest-earning investment contracts (i.e., certificates of deposit) which are recorded at amortized cost. Under the “one year option,” money market investments (i.e., U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less may be recorded at amortized cost. At June 30, 2008, all investments are reported at fair value.

*Restricted assets:*

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

*Capital assets:*

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

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

*Bond issuance costs:*

Bond issuance costs are amortized on a straight-line basis over the life of the related bond (14-½ years). Bond issuance costs and accumulated amortization as of June 30, 2008 were \$216,000 and \$73,243, 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, 2008

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

*Bond discount:*

Bond discount is amortized on a straight-line basis over the life of the related bond (14-½ years). Bond discount and accumulated amortization as of June 30, 2008 were \$248,988 and \$84,429, respectively. Bond discount is shown in the accompanying financial statements as a component of long-term debt.

*Deferred gain on refunding:*

The deferred gain on refunding is amortized on a straight-line basis over the life of the related bond (14-½ years). Deferred gain on refunding and accumulated amortization as of June 30, 2008 were \$348,464 and \$118,158, respectively. The deferred gain on refunding is shown in the accompanying financial statements as a component of long-term debt and the annual amortization of the deferred gain is reported as a reduction of interest expense.

*Unredeemed toll coupons and tokens:*

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

*Investment income:*

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

*Accrued sick and vacation:*

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

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

*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."

2. Cash and investments:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

2. Cash and investments (continued):

*Deposits:*

The carrying amount of the Authority's cash and cash equivalents at June 30, 2008 was \$6,473,713 while the bank balance was \$6,828,883. Of the bank balance, \$105,015 was covered by federal depository insurance; \$4,445,121 was maintained in money market accounts holding U.S. Treasury Securities with an AAA rating; and \$1,500,000 was held in fully collateralized repurchase agreements. The remaining bank balance of \$778,747 was uninsured and uncollateralized.

*Investments:*

At June 30, 2008, the Authority's investments consisted of the following (additional details are provided on pages 35 to 40 in the accompanying information to the basic financial statements):

	<u>Fair value</u>		<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
United States Treasury/Agency securities:					
United States Treasury Notes	\$ 6,550,495 *		3.5-6.25%	2010-2023	AAA
United States Treasury Inflation Indexed Bonds	215,590		2.38%	2017-2027	AAA
Federal National Mortgage Association	3,709,856 *		4-5%	2011-2016	AAA
Federal Home Loan Bank	4,878,591 *		2.375-6.16%	2008-2013	AAA
Federal Home Loan Mortgage Corp.	4,434,278 *		4-5%	2012-2015	AAA
Federal Farm Credit Bank	<u>668,763</u>		2.65-3.75%	2011	AAA
	<u>20,457,573</u>				
Corporate bonds:					
	176,120		5-6.5%	2012-2037	AA2
	304,881		5-6.125%	2015-2017	AA3
	248,720		4.75-7%	2011-2037	A1
	321,086		5.75-7.75%	2010-2038	A2
	277,911		5.5-5.75%	2011-2018	A3
	250,084		4.5-6.95%	2010-2037	BAA1
	<u>184,299</u>		5.4-7.3%	2012-2038	BAA2
	<u>1,763,101</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, 2008

2. Cash and investments (continued):

*Investments (continued):*

	Fair value	Interest rate	Maturity	Rating
Asset-backed security trusts:				
Government agency asset-backed trusts:				
Federal Home Loan Mortgage Corp.	\$ 277,290	4.5-7.3%	2021-2037	N/A
Federal National Mortgage Association	2,607,899 *	5-6.5%	2019-2038	N/A
Government National Mortgage Association	561,655	5-5.65%	2038	N/A
	3,446,844			
Corporate asset-backed trusts	755,445	4.1-5.875%	2009-2051	AAA
	4,202,289			
Total investments	\$ 26,422,963			

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

*Interest rate risk:*

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

*Concentration of credit risk:*

At June 30, 2008, 77% of the Authority's investments were maintained in U.S. Government Securities and Bonds and 13% were held in asset-backed securities of government agencies.

*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, 2008 and for the year then ended, all of the Authority's investments were direct investments not subject to custodial 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, 2008

3. Capital assets:

	Balance, June 30, 2007	Additions	Retirements and disposals	Balance, June 30, 2008
Capital assets not being depreciated, construction in progress	\$ 15,100,552	\$ 9,396,551	\$(21,819,819)	\$ 2,677,284
Capital assets being depreciated:				
Bridges	87,933,354	21,719,274		109,652,628
Buildings	2,643,267			2,643,267
Land improvements	308,919			308,919
Equipment	3,393,719	238,299	(12,520)	3,619,498
Total capital assets being depreciated	94,279,259	21,957,573	(12,520)	116,224,312
Less accumulated depreciation:				
Bridges	(27,292,259)	(2,023,380)		(29,315,639)
Buildings	(2,605,982)	(9,942)		(2,615,924)
Land improvements	(141,443)	(29,750)		(171,193)
Equipment	(671,652)	(335,511)	12,520	(994,643)
Total accumulated depreciation	(30,711,336)	(2,398,583)	12,520	(33,097,399)
Net capital assets being depreciated, net	63,567,923	19,558,990	- 0 -	83,126,913
Capital assets, net	\$ 78,668,475	\$28,955,541	\$(21,819,819)	\$ 85,804,197

4. Long-term debt:

On July 31, 2003, the Authority issued \$35,765,000 of Series 2003 A Taxable Refunding Revenue Bonds as an advance refunding of the Series 1997 Revenue Bonds. The Authority in-substance defeased the Series 1997 refunding bonds by placing \$36,790,521 on deposit with the escrow agent. The amount placed in escrow included a premium paid on the advance payment of the bonds totaling approximately \$679,000. On September 4, 2003, the escrow agent made a principal redemption of the Series 1997 Bonds totaling \$33,970,000. The final principal payment of the Series 1997 Bond was made on December 1, 2003 in the amount of \$1,680,000. Accordingly, as of June 30, 2008, the Authority had no obligations related to the defeased Series 1997 Bonds.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

4. Long-term debt (continued):

The Series 2003 A Bonds are fixed rate bonds dated July 31, 2003. Interest is payable semi-annually on December 1 and June 1 at interest rates ranging from 1.15% to 5.23%. Principal repayments of the bond are due annually commencing on December 1, 2003 with a final payment due on December 1, 2017. The Series 2003 A Bonds will not be subject to optional redemption prior to maturity but are subject to special mandatory redemption as provided in the Series 2003 A bond agreement. At June 30, 2008, 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.

As of June 30, 2008, the balance of long-term debt in the accompanying financial statements included the following:

	Balance, June 30, 2007	Retirements	Balance, June 30, 2008
Series 2003 revenue bonds payable	\$ 27,765,000	\$ 2,035,000	\$ 25,730,000
Deferred amounts, net:			
Gain on refunding	254,338	24,032	230,306
Bond discount	(181,731)	(17,172)	(164,559)
Total bonds payable	\$ 27,837,607	\$ 2,041,860	\$ 25,795,747

The following represents debt service and sinking fund requirements to maturity as of June 30, 2008:

Fiscal year ending June 30,	Principal	Interest	Total
2009	\$ 2,105,000	\$ 1,170,064	\$ 3,275,064
2010	2,180,000	1,089,446	3,269,446
2011	2,270,000	998,367	3,268,367
2012	2,370,000	896,691	3,266,691
2013	2,475,000	784,461	3,259,461
2014-2018	14,330,000	1,911,816	16,241,816
	\$ 25,730,000	\$ 6,850,845	\$ 32,580,845

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

5. Construction in progress:

The Authority has entered into various contracts for ongoing improvements to the bridges and property. As of June 30, 2008, remaining commitments on these contracts approximated \$3,540,000.

6. Tax deferred savings incentive plan:

The Authority sponsors an employee tax-deferred savings incentive 401(k) plan (the Rhode Island Turnpike & Bridge Authority Retirement Plan established in 1985), available to employees who meet the plan's eligibility requirements. The Plan is a defined contribution plan. The investments held by the plan are managed by John Hancock and the plan is administered by Sentinel Benefits. Under the 401(k) plan, employees may contribute up to 5% of compensation and the Authority provides a matching contribution. The Authority may also make a supplemental contribution such that its total annual contribution does not exceed 10% of employee adjusted net compensation. The 10% limit includes the aggregate of the life insurance costs as well as the 401(k) contribution. The employees' contribution to the plan for fiscal year 2008 was approximately \$107,000, while the total cost of the matching and supplemental employer contribution for the fiscal year 2008 was approximately \$111,600. The payroll for employees covered by the plan for fiscal year 2008 was approximately \$1,550,000 and the Authority's total payroll was approximately \$1,642,000. The trustees of the plan are currently comprised of two members of the Authority's Board of Directors and one employee. The trustees are responsible for establishing or amending the plan's provisions and contributions. The Board of Directors of the Authority must approve all amendments to the plan as the employer sponsor of the plan.

7. Risk management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded the Authority's coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage. Accordingly, management has estimated the reserve for such claims to be \$- 0 - at June 30, 2008.

During 2008, the Authority reduced its property insurance expense by approximately 20% by increasing its deductible from \$500,000 to \$10,000,000.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

8. Deficit net assets:

The Revenue Fund had deficit net assets of (\$442,634) at June 30, 2008.

9. Prior period adjustment and environmental remediation:

The Authority has recorded a prior period adjustment to decrease net assets by \$1,300,000 to record a liability for environmental remediation at the Mount Hope Bridge. The liability should have been recorded in 2006. The correction had no effect on the change in net assets for the fiscal year ended June 30, 2007.

In 2008, the Authority recorded an estimated additional environmental remediation liability of \$400,000 to manage lead impacted soil at the Pell Bridge in Jamestown. The Authority estimates the cost of remediation to range between \$350,000 to \$450,000.



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

### **Independent Auditors' Report on Accompanying Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Rhode Island Turnpike and Bridge Authority, a Component Unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 29 to 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the portion marked "unaudited" on page 34, upon which we express no opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

September 29, 2008

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2008

	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
<b>ASSETS:</b>							
Current assets:							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable							
Accrued interest receivable							
Due from other funds							368
Prepaid expenses							
Restricted:							
Cash and cash equivalents	1,450,460	453,821			1,904,281		198,451
Investments			3,581,466		3,581,466		
Accounts receivable							48,805
Accrued interest receivable			17,823		17,823		
<b>Total current assets</b>	<b>1,450,460</b>	<b>453,821</b>	<b>3,599,289</b>	<b>-</b>	<b>5,503,570</b>	<b>-</b>	<b>247,624</b>
Noncurrent assets:							
Investments							
Restricted investments							
Bond issuance costs, net				142,757	142,757		
Capital assets:							
Bridges						59,846,700	
Buildings						641,267	
Land improvements							
Equipment							
Construction in progress							
Less accumulated depreciation						60,487,967 (24,801,430)	
<b>Net capital assets</b>						<b>35,686,537</b>	
<b>Total noncurrent assets</b>				<b>142,757</b>	<b>142,757</b>	<b>35,686,537</b>	
<b>Total assets</b>	<b>1,450,460</b>	<b>453,821</b>	<b>3,599,289</b>	<b>142,757</b>	<b>5,646,327</b>	<b>35,686,537</b>	<b>247,624</b>

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2008 (CONTINUED)

	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
<b>ASSETS:</b>						
Current assets:						
Cash and cash equivalents	\$ 98,667	\$ -	\$ 2,154,381	\$ 2,933	\$ 1,563,782	\$ 3,819,763
Accounts receivable	1,403		675			2,078
Accrued interest receivable			54,402		1,242	55,644
Due from other funds	709,494		28,019		686,500	1,424,381
Prepaid expenses	253,276					253,276
Restricted:						
Cash and cash equivalents	8,032	543,186				2,653,950
Investments						3,581,466
Accounts receivable						48,805
Accrued interest receivable						17,823
Total current assets	<u>1,070,872</u>	<u>543,186</u>	<u>2,237,477</u>	<u>2,933</u>	<u>2,251,524</u>	<u>11,857,186</u>
Noncurrent assets:						
Investments			<u>22,423,413</u>			<u>22,423,413</u>
Restricted investments		<u>418,084</u>				<u>418,084</u>
Bond issuance costs, net						<u>142,757</u>
Capital assets:						
Bridges			49,805,928			109,652,628
Buildings			2,002,000			2,643,267
Land improvements			308,919			308,919
Equipment	451,457		3,168,041			3,619,498
Construction in progress			<u>2,677,284</u>			<u>2,677,284</u>
	451,457	-	57,962,172			118,901,596
Less accumulated depreciation	<u>(262,462)</u>		<u>(8,033,507)</u>			<u>(33,097,399)</u>
Net capital assets	<u>188,995</u>	<u>-</u>	<u>49,928,665</u>			<u>85,804,197</u>
Total noncurrent assets	<u>188,995</u>	<u>418,084</u>	<u>72,352,078</u>			<u>108,788,451</u>
Total assets	<u>1,259,867</u>	<u>961,270</u>	<u>74,589,555</u>	<u>2,933</u>	<u>2,251,524</u>	<u>120,645,637</u>

(continued)



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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2008 (CONTINUED)

	<u>Principal Account</u>	<u>Interest Account</u>	<u>Debt Service Reserve Fund</u>	<u>Cost of Issuance Account</u>	<u>Subtotal Revenue Bond Fund</u>	<u>Construction Fund</u>	<u>Revenue Fund</u>
<b>LIABILITIES:</b>							
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable		100,663			100,663		
Accrued expenses:							
Environmental remediation							
Other							961
Due to other funds							689,297
Unredeemed toll coupons and tokens							
Current portion of bonds payable						2,105,000	
	-	100,663	-	-	100,663	2,105,000	690,258
Bonds payable, less current portion						23,690,747	
	-	100,663	-	-	100,663	25,795,747	690,258
<b>NET ASSETS:</b>							
Invested in capital assets, net of related debt						9,890,790	
Restricted, bond covenants	1,450,460	100,663	3,599,289		5,150,412		247,256
Unrestricted		252,495		142,757	395,252		(689,890)
	\$ 1,450,460	\$ 353,158	\$ 3,599,289	\$ 142,757	\$ 5,545,664	\$ 9,890,790	\$ (442,634)

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2008 (CONTINUED)

	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 104,948	\$ -	\$ 2,411,748	\$ 854	\$ -	\$ 2,517,550
Accrued interest payable						100,663
Accrued expenses:						
Environmental remediation			1,700,000			1,700,000
Other	383,491					383,491
Due to other funds	28,420		1,395,000			1,424,381
Unredeemed toll coupons and tokens						689,297
Current portion of bonds payable						2,105,000
	<u>516,859</u>	<u>-</u>	<u>5,506,748</u>	<u>854</u>	<u>-</u>	<u>8,920,382</u>
Total current liabilities						8,920,382
Bonds payable, less current portion						<u>23,690,747</u>
Total liabilities	<u>516,859</u>	<u>-</u>	<u>5,506,748</u>	<u>854</u>	<u>-</u>	<u>32,611,129</u>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	188,995		47,516,917			57,596,702
Restricted, bond covenants		961,270				6,358,938
Unrestricted	554,013		21,565,890	2,079	2,251,524	24,078,868
Total net assets	<u>\$ 743,008</u>	<u>\$ 961,270</u>	<u>\$ 69,082,807</u>	<u>\$ 2,079</u>	<u>\$ 2,251,524</u>	<u>\$ 88,034,508</u>

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

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	YEAR ENDED JUNE 30, 2008						
	Principal Account	Interest Account	Debt Service Reserve Fund	Cost of Issuance Account	Subtotal Revenue Bond Fund	Construction Fund	Revenue Fund
Toll revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,040,023
Operating expenses:							
Personnel services	-	-	-	-	-	-	-
Utilities							
Contractual services							
Other supplies and expenses							
Insurance							
Repairs and maintenance of system							
Environmental remediation							
Depreciation						624,310	
Total operating expenses	-	-	-	-	-	624,310	-
Operating income (loss)	-	-	-	-	-	(624,310)	12,040,023
Nonoperating revenues (expenses):							
Interest expense		(1,234,918)			(1,234,918)	24,032	
Amortization of costs of issuance				(14,897)	(14,897)		
Amortization of bond discount						(17,172)	
Investment income, net of trustee fees	34,862	13,812	248,675		297,349		106
Miscellaneous income							10,728
Total nonoperating revenues (expenses)	34,862	(1,221,106)	248,675	(14,897)	(952,466)	6,860	10,834
Income (loss) before operating transfers	34,862	(1,221,106)	248,675	(14,897)	(952,466)	(617,450)	12,050,857
Transfers in (out)	210,421	1,346,425	(217,560)		1,339,286	2,035,000	(12,074,456)
Change in net assets	245,283	125,319	31,115	(14,897)	386,820	1,417,550	(23,599)
Net assets (deficiency), beginning of year:							
As previously reported	1,205,177	227,839	3,568,174	157,654	5,158,844	8,473,240	(419,035)
Prior period adjustment to correct error							
As restated	1,205,177	227,839	3,568,174	157,654	5,158,844	8,473,240	(419,035)
Net assets (deficiency), end of year	\$ 1,450,460	\$ 353,158	\$ 3,599,289	\$ 142,757	\$ 5,545,664	\$ 9,890,790	\$ (442,634)

(continued)

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

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

YEAR ENDED JUNE 30, 2008

	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
Toll revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,040,023
Operating expenses:						
Personnel services	1,918,103	-			-	1,918,103
Utilities	132,483					132,483
Contractual services	275,531					275,531
Other supplies and expenses	91,177					91,177
Insurance	1,281,111					1,281,111
Repairs and maintenance of system	399,427		187,557	153,832		740,816
Environmental remediation			400,000			400,000
Depreciation	20,340		1,753,933			2,398,583
Total operating expenses	4,118,172	-	2,341,490	153,832	-	7,237,804
Operating income (loss)	(4,118,172)	-	(2,341,490)	(153,832)	-	4,802,219
Nonoperating revenues (expenses):						
Interest expense				-		(1,210,886)
Amortization of costs of issuance						(14,897)
Amortization of bond discount						(17,172)
Investment income, net of trustee fees		61,323	1,940,116		36,531	2,335,425
Miscellaneous income	9,331		8,156			28,215
Total nonoperating revenues (expenses)	9,331	61,323	1,948,272	-	36,531	1,120,685
Income (loss) before operating transfers	(4,108,841)	61,323	(393,218)	(153,832)	36,531	5,922,904
Transfers in (out)	4,455,604		4,094,566	150,000		-
Change in net assets	346,763	61,323	3,701,348	(3,832)	36,531	5,922,904
Net assets (deficiency), beginning of year:						
As previously reported	396,245	899,947	66,681,459	5,911	2,214,993	83,411,604
Prior period adjustment			(1,300,000)			(1,300,000)
As restated	396,245	899,947	65,381,459	5,911	2,214,993	82,111,604
Net assets (deficiency), end of year	\$ 743,008	\$ 961,270	\$ 69,082,807	\$ 2,079	\$ 2,251,524	\$ 88,034,508

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, 2008

	<u>Claiborne Pell Bridge</u>
Traffic count (unaudited):	
Cash, two axle vehicles \$2.00	2,081,389
Tokens, two axle vehicles (\$.90)	7,948,571
All others	<u>154,105</u>
Total traffic count	<u><u>10,184,065</u></u>
Total revenues (audited):	
Two axle vehicles	\$ 4,160,708
Tokens, two axle vehicles	7,153,714
All others	<u>578,129</u>
	11,892,551
Add adjustments of liability for unredeemed toll coupons and tokens	<u>147,472</u>
Total revenues	<u><u>\$ 12,040,023</u></u>

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

SCHEDULE OF CASH AND INVESTMENTS

YEAR ENDED JUNE 30, 2008

**Restricted cash and cash equivalents:**

**Revenue Refunding Bond Fund - Principal Account**

US Bank - First American Treasury Funds - 100% collateralized \$ 1,450,460

**Revenue Refunding Bond Fund - Interest Account**

US Bank - First American Treasury Funds - 100% collateralized 453,821

**Revenue Fund**

Citizens Bank 194,862

US Bank - First American Treasury Funds - 100% collateralized 3,589

**Operating and Maintenance Fund**

Citizens Bank 8,032

**Operating and Maintenance Reserve Fund**

BNY Mellon - Money Market Funds 543,186

**Total restricted cash and cash equivalents** 2,653,950

**Restricted investments:**

**Debt Service Reserve Fund**

US Bank:

Federal Home Loan Banks, \$3,618,000, 6.16%, due 11/28/08 3,581,466

**Operating and Maintenance Reserve Fund**

BNY Mellon:

Federal Home Loan Mortgage Corp., \$418,000, 4.63%, due 5/12/13 418,084

**Total restricted investments** 3,999,550

**Total restricted cash, cash equivalents and investments** 6,653,500

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**Unrestricted cash and cash equivalents:**

**Operating and Maintenance Fund**

Citizens Bank	\$ 96,487
On hand - petty cash	<u>2,180</u>
	<u>98,667</u>

**Renewal and Replacement Fund**

Bank Newport - Money Market Fund	5,018
Citizens Bank	155,348
BNY Mellon - Money Market Fund	<u>1,994,015</u>
	<u>2,154,381</u>

**General Fund**

Citizens Bank	<u>2,933</u>
---------------	--------------

**Insurance Reserve Fund**

Citizens Bank	63,782
Collateralized repurchase agreements	
\$500,000, 5%, due August 28, 2008	500,000
\$500,000, 5%, due August 7, 2008	500,000
\$500,000, 5%, due August 7, 2008	<u>500,000</u>
	<u>1,563,782</u>

**Total unrestricted cash and cash equivalents**

3,819,763

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**Unrestricted investments:**

**Renewal and Replacement Fund**

Citizens Investment Services:

United States Treasury/Agency Securities:

\$1,100,000	4.00% due	7/2/2014	Federal National Mortgage Association	\$ 1,073,875
2,500,000	5.00% due	9/26/2016	Federal National Mortgage Association	2,485,950

BNY Mellon - intermediate portfolio:

United States Treasury/Agency Securities:

495,000	3.625% due	1/15/2010	United States Treasury Note	504,360
735,000	3.50% due	2/15/2010	United States Treasury Note	747,407
1,010,000	4.50% due	5/15/2010	United States Treasury Note	1,045,582
1,190,000	4.50% due	11/15/2010	United States Treasury Note	1,238,814
1,115,000	4.25% due	1/15/2011	United States Treasury Note	1,156,991
895,000	4.625% due	8/31/2011	United States Treasury Note	938,354
50,000	4.00% due	12/9/2011	Federal National Mortgage Association	50,000
100,000	5.00% due	7/30/2015	Federal National Mortgage Association	100,031
1,000,000	4.50% due	6/12/2013	Federal Home Loan Bank	1,001,250
300,000	2.375% due	4/30/2010	Federal Home Loan Bank	295,875
1,110,000	4.35% due	6/3/2013	Federal Home Loan Mortgage Corporation	1,108,723
25,000	4.00% due	3/15/2012	Federal Home Loan Mortgage Corporation	24,958
355,000	3.00% due	3/3/2011	Federal Farm Credit Bank	350,673
125,000	2.625% due	4/21/2011	Federal Farm Credit Bank	121,993
195,000	3.75% due	8/25/2011	Federal Farm Credit Bank	196,098

BNY Mellon - long-term portfolio:

United States Treasury/Agency Securities:

105,000	4.00% due	11/15/2012	United States Treasury Note	108,527
200,000	4.25% due	8/15/2013	United States Treasury Note	208,656
225,000	5.125% due	5/15/2016	United States Treasury Note	245,320
300,000	4.75% due	8/15/2017	United States Treasury Note	317,814
15,000	3.875% due	5/15/2018	United States Treasury Note	14,875
20,000	6.25% due	8/15/2023	United States Treasury Note	23,795
101,179	2.375% due	1/15/2017	United States Treasury Inflation Indexed Bonds	109,518
101,179	2.375% due	1/15/2027	United States Treasury Inflation Indexed Bonds	106,072
165,000	5.00% due	9/15/2015	Federal Home Loan Mortgage Corporation	165,033



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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**Unrestricted investments (continued):**

**Renewal and Replacement Fund (continued)**

BNY Mellon - long-term portfolio (continued):

United States Treasury/Agency Securities:

750,000	4.00% due	5/15/2013	Federal Home Loan Mortgage Corporation	\$ 741,667
1,275,000	4.00% due	12/30/2013	Federal Home Loan Mortgage Corporation	1,250,660
725,000	5.00% due	3/15/2014	Federal Home Loan Mortgage Corporation	725,152

Corporate bonds:

45,000	7.75% due	8/1/2010	Axa Finl Inc. Sr NT	47,445
40,000	4.50% due	10/28/2010	Bear Stearns Co. Inc.	39,500
25,000	5.25% due	1/15/2011	Johnson Controls Inc.	25,282
45,000	6.95% due	3/2/2011	Erp Operating LP	46,148
50,000	5.75% due	6/15/2011	Aetna Inc.	51,716
55,000	5.75% due	6/15/2011	Intl Lease Finance Corp.	51,212
50,000	6.875% due	9/30/2011	Devon Fing Corp U L C Nt	53,068
50,000	7.00% due	3/15/2012	Deere John Cap Corp. NT	53,777
55,000	5.40% due	3/15/2012	Intuit Inc.	54,495
50,000	5.75% due	5/1/2012	Simon Property Group LP	49,999
45,000	5.875% due	8/15/2012	SBC Communications Inc.	46,284
50,000	5.375% due	10/1/2012	JP Morgan Cahse & Co.	50,150
55,000	5.40% due	3/7/2013	Cit Group Inc.	41,817
50,000	5.50% due	4/1/2013	Diageo Finance Bv	50,624
50,000	5.30% due	10/15/2013	Crh America Inc.	46,534
75,000	4.75% due	4/1/2014	Morgan Stanley Global	68,342
120,000	5.00% due	6/30/2015	Hsbc Finance Corp.	113,426
50,000	5.50% due	1/15/2016	Johnson Controls Inc.	47,968
50,000	5.50% due	2/22/2016	Cisco Systems Inc.	50,445
75,000	5.90% due	3/15/2016	Comcast Corp.	73,282
100,000	5.75% due	8/15/2016	Bank of America Corp.	95,485
100,000	6.125% due	11/21/2017	Citigroup Inc.	95,970
55,000	5.50% due	2/15/2018	Verizon Communications	52,322
70,000	5.75% due	4/15/2018	Oracle Corp.	69,940
50,000	5.00% due	6/1/2018	Pepsico Inc.	48,783
35,000	7.00% due	10/30/2025	International Business Machs Corp Debenture	37,557
30,000	6.50% due	11/15/2036	Time Warner Inc.	26,706

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**Unrestricted investments (continued):**

**Renewal and Replacement Fund (continued)**

BNY Mellon - long-term portfolio (continued):

Corporate bonds (continued):

25,000	6.15%	due	3/1/2037	News America Inc.	\$	23,018
75,000	6.50%	due	8/15/2037	Wal-Mart Stores Inc.		77,186
50,000	6.50%	due	9/1/2037	AT&T Inc.		48,391
45,000	6.75%	due	10/1/2037	Goldman Sachs Grp Inc.		41,164
30,000	7.30%	due	7/1/2038	Time Warner Cable Inc.		29,816
55,000	6.125%	due	7/15/2038	United Technologies Corp.		55,249

Asset-backed security trusts:

60,473	Adj	due	4/1/2037	Federal Home Loan Mortgage Corp.		61,447
128,970		4.50% due	3/1/2021	Federal Home Loan Mortgage Corp. Gold		125,440
32,061		5.50% due	6/1/2034	Federal Home Loan Mortgage Corp. Gold		31,706
55,929		7.00% due	8/1/2036	Federal Home Loan Mortgage Corp. Gold		58,697
41,195		5.00% due	3/1/2021	Federal Natl Mtg Assn Passthru CTF Pool		41,040
21,256		5.00% due	11/1/2019	Federal Natl Mtg Assn Passthru CTF Pool		21,176
132,955		6.00% due	9/1/2034	Federal Natl Mtg Assn Passthru CTF Pool		134,656
58,329	Adj	due	3/1/2035	Federal Natl Mtg Assn Passthru CTF Pool		58,700
1,310	Adj	due	3/1/2035	Federal Natl Mtg Assn Passthru CTF Pool		1,324
403,337		5.50% due	7/1/2035	Federal Natl Mtg Assn Passthru CTF Pool		398,792
29,780	Fltg	due	9/1/2035	Federal Natl Mtg Assn Passthru CTF Pool		29,941
428,750		5.50% due	10/1/2035	Federal Natl Mtg Assn Passthru CTF Pool		423,918
45,940	Fltg	due	10/1/2035	Federal Natl Mtg Assn Passthru CTF Pool		46,266
34,498		6.50% due	10/1/2036	Federal Natl Mtg Assn Passthru CTF Pool		35,565
1,245		5.744% due	5/1/2037	Federal Natl Mtg Assn Passthru CTF Pool		1,265
107,949		6.50% due	8/1/2037	Federal Natl Mtg Assn Passthru CTF Pool		111,264
77,085		6.00% due	10/1/2037	Federal Natl Mtg Assn Passthru CTF Pool		77,862
390,759		6.00% due	12/1/2037	Federal Natl Mtg Assn Passthru CTF Pool		397,136
54,384		6.50% due	12/1/2037	Federal Natl Mtg Assn Passthru CTF Pool		56,054
149,360		5.50% due	2/1/2038	Federal Natl Mtg Assn Passthru CTF Pool		147,397
103,638		5.50% due	3/1/2038	Federal Natl Mtg Assn Passthru CTF Pool		102,276
232,558		6.50% due	4/1/2038	Federal Natl Mtg Assn Passthru CTF Pool		239,676
281,000		6.00% due	6/1/2038	Federal Natl Mtg Assn Passthru CTF Pool		283,591

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2008

**Unrestricted investments (continued):**

**Renewal and Replacment Reserve Fund (continued)**

BNY Mellon - long-term portfolio (continued):

Asset-backed security trusts:

115,652	6.50% due	4/15/2038	Government National Mortgage Assn.	\$ 119,613
455,432	5.00% due	4/15/2038	Government National Mortgage Assn. 1	442,042
20,405	5.03% due	10/15/2009	Capital Auto Receivables Asset Trust	20,476
59,922	4.10% due	6/25/2010	Caterpillar Financial Asset Trust	59,986
65,000	5.875% due	2/15/2012	General Elec Cap Corp Medium Term Nts	67,436
60,000	5.11% due	4/15/2012	Honda Auto Receivables Owner Trust	60,921
12,721	4.29% due	6/15/2012	Cnh Equipment Trust	12,745
16,717	4.41% due	6/15/2012	Harley-Davidson Motorcycle Trust	16,843
70,000	5.10% due	7/16/2012	Nissan Auto Lease Trust	71,133
40,000	5.21% due	6/15/2013	Harley-Davidson Motorcycle Trust	40,744
50,000	5.33% due	11/19/2013	Household Automotive Trust	49,268
65,000	5.05% due	4/20/2014	Cit Equipment Collateral	65,371
20,000	5.17% due	1/1/2018	Aep Texas Central Trans	19,286
200,000	5.84% due	7/15/2044	LB Commercial Conduit Mortgage Trust	197,904
45,000	5.478% due	1/15/2049	Credit Suisse Mortgage Capital	44,105
30,000	5.331% due	3/12/2051	Merrill Lynch/Countrywide Commercial Mortgage	29,227

**Total unrestricted investments** 22,423,413

**Total unrestricted cash, cash equivalents and investments** 26,243,176

**Total cash, cash equivalents and investments** \$ 32,896,676

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, 2008

Check No.	Date	Payee	Purpose	Amount
8894	7/16/07	IBTTA	Meeting 7/16/07 B.Croft & M. Hillier	\$ 1,500
8903	7/18/07	United Contractors Assn.	Foursome 7/30/07 29 <sup>th</sup> Golf Tournament	800
8904	7/19/07	Japan-American Society	Table 7/20/07 Governor's Gala	1,500
P/R	7/31/07	K. Coleman	Mileage	21
8941	8/6/07	Jamestown Chamber	8 Tickets Light at the Light	520
8952	8/14/07	Int'l Tennis Hall of Fame	1 Ticket Tennis Challenge	150
8968	8/28/07	American Express	B. Croft – IBTTA – Boston	68
8971	8/28/07	David Darlington	Various luncheons	448
8973	8/28/07	Int'l Tennis Hall of Fame	Dinner	250
P/R	8/28/07	M. Smith	Mileage	43
9003	9/11/07	JoAnn Head	Parking \$6; Lunches \$64	70
9012	9/11/07	Preservation Society	Foursome 9/10/07 7th Golf Outing	2,000
P/R	9/11/07	K. Coleman	Mileage	14
9022	9/12/07	A. Fletcher	Mileage	175
9023	9/24/07	American Express	Luncheons	208
9075	10/9/07	URI	P. Janaros meeting	50
9085	10/24/07	American Express	Meeting re: E-Z Pass	274
9110	10/31/07	NE-Canada Business Co.	Conference 11/2 B. Croft	360
9119	11/6/07	David Darlington	Parking 11/2/07	30
9121	11/6/07	East Ferry Deli	Lunches for all day interviews re: Prof. Eng.	80
9137	11/19/07	East Ferry Deli	B/D meeting 11/7/07	38
9149	11/29/07	American Express	C. Callahan – Meeting – Philadelphia	234
P/R	11/20/07	C. Callahan	Mileage	29
9194	12/26/07	East Ferry Deli	B/D Meeting 12/12/07	47
9198	12/26/07	A. Fletcher	Mileage	175

(continued)

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2008

Check No.	Date	Payee	Purpose	Amount
9203	12/26/07	McQuade's Market	Christmas Luncheon	\$ 90
9245	1/24/08	Earl J. Croft	IBTTA meeting	110
9248	1/24/08	East Ferry Deli	B/D Meeting 1/9/08	39
9251	1/24/08	JoAnn Head	Parking \$23; Lunches \$40	63
9271	2/5/08	American Express	B. Croft – IBTTA meeting – Arizona	778
9295	2/28/08	American Express	B. Croft Travel	653
9308	2/28/08	East Ferry Deli	B/D Meeting 2/6/08	38
9308	2/28/08	East Ferry Deli	E-Z Pass Pre-bid meeting 2/14/08	46
9342	3/11/08	Prov. Chamber	Breakfast – B. Croft	40
9353	3/20/08	East Ferry Deli	B /D Meeting 3/12/08	38
9362	3/27/08	American Express	B. Croft Travel – Washington	455
9379	4/15/08	David Darlington	Travel – Washington	1,033
9382	4/15/08	East Ferry Deli	E-Z Pass Interviews	34
9389	4/15/08	Newport Chamber	B. Croft – Breakfast Mtg.	25
9394	4/15/08	Prov. Chamber	Luncheon	60
9395	4/15/08	R. I. Tourism	B. Croft- Luncheon Mtg.,	40
9403	4/24/08	American Express	B. Croft – Travel – Washington	471
9422	5/7/08	Newport Chamber	D. Darlington – Breakfast Mtg.	25
9450	5/7/08	JoAnn Head	Lunches \$102; Parking & Cabs \$87	189
9478	6/3/08	American Express	B. Croft Travel	553
9484	6/4/08	East Ferry Deli	Spec. B/D Meeting 5/23/08	38
9519	6/23/08	American Express	B. Croft – IBTTA meeting 6/1- 3	265
9578	6/30/08	David Darlington	Meeting 5/5 with Caseta	124
9580	6/30/08	A. Fletcher	Mileage	91
P/R	6/30/08	M. Smith	Mileage	15
Total travel and entertainment expenses				<u>\$ 14,397</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, 2008 and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as Items 08-1 and 08-2 to be significant deficiencies in internal control over financial reporting.

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

Board of Directors  
Rhode Island Turnpike and Bridge Authority

Internal Control over Financial Reporting (Continued)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the accompanying schedule of findings and responses, we consider Item 08-2 to be a material weakness.

Compliance and Other Matters

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

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

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

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

September 29, 2008

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

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2008

Item 08-1:

**Recording of Capital Assets and Related Depreciation**

*Observation:*

It has historically been the Authority's policy to capitalize, i.e., record as an asset, expenditures related to contracted projects in a Construction in Progress account, a non-depreciating account. Depreciation of such expenditures does not begin until the contract has expired, all work has been completed (including inspections) and final payments have been made. However, some of the contracts extend over a four year period, during which time some of the work done is in fact substantially complete and being used by the Authority and its customers. An example of this would be a multi-year on call road repair contract. As a result, substantially completed projects are not being depreciated in accordance with GAAP, which requires placing into service such assets once substantially complete. Therefore, depreciation expense has been understated.

*Recommendation:*

We recommend that the Authority begin depreciating the aforementioned assets once such assets are substantially complete. Enhanced communication between the engineering and finance departments will facilitate this. In addition, inquiries should be made by finance personnel towards the end of reporting periods regarding the status of construction projects to ensure appropriate financial recording and reporting.

We also noted that the Authority's policy is to capitalize all expenditures greater than \$350. The Government Finance Officers Association recommends a minimum threshold of \$5,000 in its *Recommended Practice Establishing Appropriate Capitalization Thresholds for Capital Assets* dated February 24, 2006. Considering the magnitude of the Authority's assets, we suggest a threshold of \$10,000 for equipment expenditures and \$25,000 for bridge and building improvements with expenditures below the thresholds being expensed as incurred.

*Management's Response*

Management concurs with the finding and will implement the recommendation for the year ending June 30, 2009.



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, 2008

Item 08-2:

**Material Liabilities Related to Remediation were not Recorded in a Prior Period and the Current Period**

*Observation:*

In the course of our audit procedures, we discovered that a material liability for environmental remediation was not recorded in 2006, causing both the 2006 and 2007 financial statements to be materially misstated. In addition, a remediation liability that became known in the current year was not recorded. Generally accepted accounting principles require loss contingencies to be recorded if they are probable and reasonably estimable.

*Recommendation:*

We recommend that the Authority establish procedures to ensure that accounting personnel review all legal invoices as well as discuss potential liabilities with the Board, senior management and the senior engineering staff in order to identify all potential contingent liabilities and document their conclusions regarding if and when a liability should be recorded or disclosed in the Authority's financial statements.

*Management's Response*

Management will establish procedures to identify potential liabilities immediately.