

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

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010



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

YEAR ENDED JUNE 30, 2010

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

YEAR ENDED JUNE 30, 2010

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

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the Rhode Island Turnpike and Bridge Authority (the Authority), a Component Unit of the State of Rhode Island, as of and for the year ended June 30, 2010. 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, 2010, 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, 2010 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.

Lefkowitz, Jan. Jankel, Charpi & DeGonzal. C.

September 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rhode Island Turnpike and Bridge Authority (the Authority) is a quasi-public agency created by the Rhode Island General Assembly in 1954 to maintain and operate the Claiborne Pell Bridge, on the west shore of Narragansett Bay (the Bay) which connects the City of Newport and Town of Jamestown, and the Mount Hope Bridge, on the east shore of the Bay which connects the Towns of Bristol and Portsmouth, Rhode Island. Day-to-day operations of the Authority are led by an Executive Director who oversees 51 employees and reports to a five-member Board of Directors 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, 2010 and for the year then ended, with comparison as deemed appropriate to the previous fiscal year that ended June 30, 2009. Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

During fiscal 2010 (FY2010), there were no significant changes to the Authority's financing structure, accounting methods, or the manner in which activity is recorded and summarized for presentation.

FINANCIAL STATEMENTS COMPOSITION

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL STATEMENTS AND OPERATIONAL SUMMARIES

Activity and Year-End Financial Position

The Authority's total net assets increased from 2009 by \$5.9 million or 6.6%, which consisted of an increase in total assets of \$53.5 million and an increase in total liabilities of \$47.5 million. The increase in both assets and liabilities can be attributed to the 2010 Series A bonds sold in April. The \$1.2 million increase in capital assets is attributable to projects underway as part of the Authority's ongoing capital improvement program, net of \$3.8 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, 2010		June 30, 2009	
Assets:				
Capital assets (net)	\$ 89,442	52.2%	\$ 88,213	74.8%
Other:				
Investments	71,226	42.1%	18,771	15.9%
Cash and cash equivalents	8,531	4.4%	10,001	8.5%
Other	2,175	1.3%	923	.8%
	81,932	47.8%	29,695	25.2%
Total assets	171,374	100.0%	117,908	100.0%
Liabilities:				
Bonds payable	70,709	41.3%	23,684	20.1%
Other liabilities	4,636	2.7%	4,121	3.5%
Total liabilities	75,345	44.0%	27,805	23.6%
Net assets:				
Invested in capital assets, net of related debt	66,573	38.8%	62,835	53.3%
Restricted under bond covenants	59,929	35.0%	8,219	7.0%
Unrestricted	(30,473)	(17.8%)	19,049	16.1%
Total net assets	\$ 96,029	56.0%	\$ 90,103	76.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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):

	2010		2009	
Operating revenues:				
Toll revenues	\$ 17,218	95.9%	\$ 12,547	94.4%
Transponder revenues	718	4.0%	742	5.6%
Statement and bank fees	27	.1%		
Total operating revenues	17,963	100.0%	13,289	100.0%
Operating expenses:				
Personnel services	2,687	15.0%	2,548	19.2%
Insurance	1,270	7.1%	1,254	9.4%
Repairs and maintenance	1,686	9.4%	2,134	16.1%
Other	2,120	11.8%	1,485	11.1%
Transponder expense	698	3.9%	1,290	9.7%
Environmental remediation	27	.1%	(491)	(3.7%)
Depreciation	3,758	20.9%	3,419	25.8%
Total operating expenses	12,246	68.2%	11,639	87.6%
Operating income	5,717	31.8%	1,650	12.4%
Nonoperating revenue, net	209	1.2%	418	3.2%
Change in net assets	5,926	33.0%	2,068	15.6%
Net assets, beginning of year	90,103		88,035	
Net assets, end of year	\$ 96,029		\$ 90,103	

The Authority had a 37.2% increase in toll revenues as a result of a fare increase in September. The E-ZPass customer service center, transaction processing charges and other toll collection expenses totaled approximately \$1,339,000. 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)

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. Consequently, the \$1 per axle cash toll at the Pell Bridge was increased to \$2 per axle on September 8, 2009, the first increase since the structure opened to traffic in 1969.

In December 2008, the Authority began the implementation of an electronic toll collection system, E-ZPass. The conversion to E-ZPass was completed in January 2009 and tokens are no longer accepted for passage. The cash rate for passage remains \$1 per axle. The rate for a Rhode Island resident with a Rhode Island transponder was set at \$.83. A commuter rate for out-of-state residents with a Rhode Island transponder was established at \$.91 if they made 31 trips in a 30-day period. This program was replaced in February 2010 with a 6 trip rate of \$5.46 to be completed in 30 days. An unlimited plan for Rhode Island residents was introduced for \$40 to be completed in 30 days. The rate for out-of-state E-ZPass transponders was \$1.75 and increased to \$4 on September 2, 2009.

A redemption program for unused tokens and tickets was established and tokens were redeemed by check at the rate of \$.83 per token or for a credit to a Rhode Island E-ZPass account at the rate of \$.91. On May 15, 2010, the redemption program for tokens ceased. Tickets continued to be redeemed at their face value either by check or credit to an account.

A customer service center, including a walk-in center and a call center, was set up in Jamestown adjacent to the toll plaza where E-ZPass applications are processed, transponders are sold and accounts replenished.

On June 1, 2009, the discount program for transponders was discontinued and they are now sold at cost for \$20.95. As of June 30, 2010, the Authority had sold 94,452 transponders.

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

The operations department is responsible for the collection of tolls from motorists passing through the Authority's toll plaza in Jamestown, adjacent to the Pell Bridge. The department is headed by a Director of Operations, who is assisted by a number of supervisors in order to operate the facility 24 hours per day, 365 days per year. The department employs approximately 33 full and part-time toll collectors throughout the year, all of whom are covered under a collective bargaining agreement, as well as non-union casual collectors utilized primarily during the busy tourist season of May 30 through October 12. With the introduction of E-ZPass, monitors were placed in the lanes to assist motorists encountering problems. Supervisors are responsible for the smooth operation of all activity during weekdays, and during nights and weekends are also responsible for reporting to the bridge and all Authority buildings and grounds to investigate unusual occurrences and to maintain a safe environment for motorists. The Rhode Island State Police is summoned when circumstances dictate, and also undertakes routine patrols at the toll plaza and elsewhere adjacent to the bridges, especially during weekend evenings during the summer. This is done in cooperation with local police and EMTC services provided by the municipalities of Jamestown, Newport, Bristol, and Portsmouth.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Results

Pell Bridge Traffic and Revenue Summary

Traffic and revenue statistics are as follows:

	2010		2009	
Traffic (number of passages)				
Vehicle fares paid with ETC (tickets and tokens in 2009)	7,809,579	78.5%	7,333,433	73.7%
Vehicle fares paid with cash	2,141,971	21.5%	2,620,377	26.3%
	9,951,550	100.0%	9,953,810	100.0%
Revenue				
Vehicle fares paid with ETC (tickets and tokens in 2009)	\$ 10,026,549	58.2%	\$ 7,305,748	58.2%
Vehicle fares paid with cash	7,191,854	41.8%	5,240,754	41.8%
	\$ 17,218,403	100.0%	\$ 12,546,502	100.0%

Pell Bridge traffic decreased during 2010 by 2,260 passages or .02% compared to the previous year. Revenue, however, increased by \$4,545,450 (36.2%) as a result of the fare increase in September 2009. With the conversion to electronic toll collection, vehicle cash fares over the past two years have remained consistent at approximately 41%. In the past, the violation rate with tokens was estimated to be between 2% and 4%, which translated to approximately \$250,000 to \$480,000 in lost revenue annually. With the use of gates at the toll plaza, the fare must be paid in order to gain passage.

Engineering and Maintenance

The head of the engineering department is a Director of Engineering who oversees all capital construction activities on behalf of the Authority. In addition, under the Director of Engineering, separate consulting engineering firms, including on-call contracting firms, have been engaged to manage projects undertaken on each structure. Each bridge is subjected to an annual inspection, and a more thorough and complete "in-depth" inspection is performed on each structure every two years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Engineering and Maintenance (Continued)

Approximately 52% of the Authority's assets are capital assets, most notably the two largest suspension bridges in New England, the operation and maintenance of which the Authority has been charged. In order to continue to protect these assets for the foreseeable future, the Authority's Board of Directors bi-annually revises its 10-year Renewal and Replacement Plan. In FY2010, the Board approved the first five years of the updated proposed plan.

During FY2010, the Authority continued its preventive maintenance programs for both the Pell and Mount Hope Bridges, which are designed to ensure the safety, security, and aesthetics of the structures while generating long-term savings for the Authority. As part of this effort, a number of Authority staff have been assigned additional duties including preventive maintenance of bridge bearings; repair of potholes on approach roads; preventive corrosion treatment on bridges; snow removal at the toll plaza; lawn maintenance, routine inspection on expansion and contraction components of bridges; painting of bridge rails and building interiors; and signage maintenance on bridges.

Capital and Construction Activities

Under the current Ten-Year Renewal and Replacement Plan, the Board has approved \$161.7 million allocated to the Newport/Pell Bridge, and \$47.8 million toward Mount Hope Bridge projects. Major capital improvement projects in progress during fiscal 2010 included the following:

Mount Hope Bridge

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

Newport/Pell Bridge

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

The Authority has entered into various contracts for ongoing improvements to the bridges and property. The Authority has entered into a contract with Abhe and Svoboda for \$41 million for painting and steel repairs. The project is scheduled to be completed over a two-year period.

Finance and Accounting

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Service

At June 30, 2010, approximately 94% 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. These 2010 Series A bonds are for a period of 30 years. Principal payments have been deferred until 2017 when the 2003 Series A bonds mature.

In accordance with the trust agreement entered into between the Authority and BNY Mellon, the trustee, debt service obligations (monthly deposits of toll revenues made into separate principal, interest, and debt service reserve accounts held by the trustee) were made during FY2010 on a timely basis. Compliance with restrictions and covenants stipulated in the trust agreement was monitored during the year by the Chief Financial Officer. The State of Rhode Island authorized the Authority to issue \$67 million of revenue bonds. The terms of issuance and expected date for such have not yet been determined.

Investments

Approximately 42% of the Authority's assets are in investments at June 30, 2010, including the proceeds from the sale of the bonds. Under the trust agreement referenced above, "moneys in all funds and accounts shall be invested by the holder of such Fund or Account as soon as practicable upon receipt in Permitted Investments..." The definition of Permitted Investments includes mostly fixed-income securities and, as is evident in the Schedule of Cash and Investments on pages 38 through 42, a substantial majority of the Authority's investments (72%) are in the form of Money Market Mutual funds. Approximately 6% of the Authority's investments are in corporate bonds. U.S. Treasury obligations represent approximately 11% and U.S. Government sponsored asset-backed securities represent approximately 11% of total investments.

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 creative approach employed continued to be successful in achieving substantial savings in 2009 and 2010. The Authority entered into a three-year contract with the union, effective July 1, 2008, and received increases in the employees' premium co-pays each year during the term of the contract.

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

In fiscal year 2008, in order to contain the cost of insuring the bridges, the Board of Directors increased the deductible on the marine insurance on the bridges. Premiums on other policies declined slightly during FY2010, resulting in a savings in insurance expense. The Board continues to work to find ways to decrease the cost of insurance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Community Involvement

The Authority continues to maintain its relationships with its host communities of Bristol, Jamestown, Newport, and Portsmouth, Rhode Island. The Authority takes an active role with community organizations and continues to make marketing-related sponsorships of cultural and other events in its host municipalities, which it believes 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. The Authority continues to evaluate its operational and physical needs in Bristol, Rhode Island.

Requests for Information

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

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

STATEMENT OF NET ASSETS – JUNE 30, 2010

ASSETS:

Current assets:

Cash and cash equivalents	\$ 3,199,549
Accounts receivable	2,194
Accrued interest receivable	125,582
Prepaid expenses	103,503
Inventory	385,900

Restricted:

Cash and cash equivalents	5,331,640
Investments	54,634,641
Accounts receivable	<u>485,157</u>

Total current assets 64,268,166

Noncurrent assets:

Investments	16,590,918
Bond issuance costs, net	1,072,305
Capital assets not being depreciated	1,507,015
Capital assets being depreciated, net	<u>87,935,163</u>

Total noncurrent assets 107,105,401

Total assets 171,373,567

(continued)

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

STATEMENT OF NET ASSETS – JUNE 30, 2010 (CONTINUED)

LIABILITIES:

Current liabilities:

Accounts payable	\$ 1,806,037
Accrued interest payable	351,073
Accrued expenses	392,027
Electronic toll liability	2,086,301
Current portion of bonds payable	<u>2,270,000</u>

Total current liabilities 6,905,438

Bonds payable, less current portion 68,439,103

Total liabilities 75,344,541

Contingencies (Note 9)

NET ASSETS (DEFICIENCY):

Invested in capital assets, net of related debt	66,573,283
Restricted, bond covenants	59,929,226
Unrestricted	<u>(30,473,483)</u>

Total net assets \$ 96,029,026

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, 2010

Operating revenues:	
Tolls	\$ 17,218,403
Transponder sales	717,727
Fees	<u>26,778</u>
Total operating revenues	<u>17,962,908</u>
Operating expenses:	
Personnel services	2,686,699
Utilities	142,033
Contractual services	1,779,622
Other supplies and expenses	198,754
Insurance	1,269,657
Repairs and maintenance of system	1,685,757
Transponder expense	698,224
Environmental remediation	27,205
Depreciation	<u>3,758,013</u>
Total operating expenses	<u>12,245,964</u>
Operating income	<u>5,716,944</u>
Nonoperating revenues (expenses):	
Interest expense	(1,058,291)
Amortization of costs of bond issuance	(22,971)
Amortization of bond discount	(23,793)
Investment income, net of trustee fees	1,304,162
Miscellaneous income	<u>10,300</u>
Total nonoperating revenues (expenses)	<u>209,407</u>
Change in net assets	5,926,351
Net assets, beginning of year	<u>90,102,675</u>
Net assets, end of year	<u><u>\$ 96,029,026</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, 2010

Cash flows from operating activities:	
Cash received from:	
Tolls	\$ 17,558,459
Transponder sales	717,727
Other	26,783
Cash payments to:	
Suppliers for goods and services	(6,065,271)
Employees for services	<u>(2,179,944)</u>
Net cash provided by operating activities	<u>10,057,754</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(5,244,445)
Bond issuance costs	(967,416)
Principal paid on bonds	(2,180,000)
Bond proceeds	50,000,000
Purchase of investments to fund capital activities	(49,205,654)
Bond discounts	(794,545)
Interest paid on bonds	<u>(1,082,325)</u>
Net cash used in capital and related financing activities	<u>(9,474,385)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	14,801,770
Purchases of investments	(17,903,972)
Investment income received	<u>1,049,538</u>
Net cash used in investing activities	<u>(2,052,664)</u>
Net decrease in cash and cash equivalents	(1,469,295)
Cash and cash equivalents, beginning of year	<u>10,000,484</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,531,189</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, 2010

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,716,944
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,758,013
Miscellaneous income	10,002
Changes in assets and liabilities:	
Accounts receivable	(239,140)
Inventory	26,777
Prepaid expenses	13,245
Accounts payable	175,308
Accrued expenses	18,881
Prepaid and unredeemed tolls and tokens	<u>577,724</u>
Net cash provided by operating activities	<u><u>\$ 10,057,754</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, 2010

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

Description of business:

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

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

The Authority is exempt from federal and state income taxes.

Basis of accounting:

The Authority engages only in business-type activities. 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 the provisions of the Master Indenture of Trust (the Trust Agreement) entered into with the Trustee of the bonds. The Trust Agreement secures the Authority's revenue bonds and requires that the accounting policies of the Authority conform to accounting principles generally accepted in the United States as applied to governmental entities.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

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

Basis of accounting (continued):

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Authority has elected to apply all applicable GASB pronouncements, as well as private-sector guidance issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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 individual funds specified in the Trust Agreement and used by the Authority are as follows:

Revenue Bond Fund:

This fund reflects the Authority's debt service payments on outstanding obligations related to its bond issues. The 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, subsequent capitalized improvements to the bridges funded with bond proceeds, bond proceeds to be used to fund future capitalized improvements to the bridges, and the Authority's liability for the revenue 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, 2010

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

Basis of presentation (continued):

Revenue Fund:

All tolls, other than those recorded in the Electronic Toll Collection (ETC) Fund, and other revenues derived from the operation and ownership of the Claiborne Pell 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. The transfers are made on a monthly basis and all fund appropriations are made from this account. This account acts as a clearing account; accordingly, there is no separate presentation of the Toll Revenue Fund in the supplemental combining statements.

ETC Fund:

This fund reflects the Authority's electronic toll collecting transactions, including revenues, collections, payments and settlements.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

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

Basis of presentation (continued):

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.

Insurance Reserve Fund:

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

Operating and nonoperating revenues and expenses:

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

Cash and cash equivalents:

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

Investments:

Investments consist of U.S. Treasury and agency obligations, which are guaranteed by the U.S. Government; corporate bonds; and asset-backed securities. 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, 2010, 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, 2010

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

Inventory:

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

Capital assets:

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

Intangible assets:

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

Bond issuance costs:

Bond issuance costs are amortized on a straight-line basis over the life of the related bond (14-½ years and 29-½ years for 2003 and 2010 bond issuances, respectively). At June 30, 2010, bond issuance costs and accumulated amortization total \$1,183,416 and \$111,111, 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, 2010

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

Bond discounts:

Bond discounts are amortized on a straight-line basis over the life of the related bond (14-½ years and 29-½ years for the 2003 and 2010 bonds, respectively). At June 30, 2010, bond discounts and accumulated amortization total \$1,043,533 and \$125,394, respectively. Bond discounts are presented in the accompanying financial statements as a component of long-term debt.

Deferred gain on refunding:

The deferred gain on refunding is amortized on a straight-line basis over the life of the 2003 bond (14-½ years). At June 30, 2010, deferred gain on refunding and accumulated amortization were \$348,464 and \$166,222, respectively. The deferred gain on refunding is presented in the accompanying financial statements as a component of long-term debt and the annual amortization of the deferred gain is reported as a reduction of interest expense.

Revenue recognition and E-ZPass:

During 2009, the Authority replaced its token and ticket system of toll collection with E-ZPass, an automated toll collection system which uses transponders to identify vehicles passing through a toll plaza. Upon enrolling in E-ZPass, customers purchase transponders from the Authority. Upon initial enrollment, and subsequently when minimum dollar maintenance requirements are met, customers fund dollars on their transponders. Prepaid toll receipts are recorded by the Authority as an electronic toll liability until the customer completes a toll transaction. Upon completion of a toll transaction by a customer, the Authority records revenue for crossing the Claiborne Pell Bridge or records a liability payable to another state for a vehicle crossing another state's toll plaza using a transponder issued by the Authority, charges the customer's account, and reduces the electronic toll liability. The Authority records revenue and a related receivable from another state for customers crossing the Claiborne Pell Bridge using a transponder issued by another state. Toll charges received in cash for crossing the Claiborne Pell Bridge are recorded as revenue when collected.

Unredeemed toll coupons and tokens:

Since the implementation of E-ZPass through May 15, 2010, the Authority redeemed previously issued coupons and tokens from customers for either cash or credit to customer accounts.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

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

Investment income:

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

Accrued sick and vacation:

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

Use of estimates:

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

Net assets:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

2. Cash and investments:

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

Deposits:

The carrying amount of the Authority's cash and cash equivalents at June 30, 2010 was \$8,531,189, while the bank balance was \$8,191,717. Of the bank balance, \$6,254,213 was covered by federal depository insurance; and \$1,055,000 was held in fully collateralized repurchase agreements. The remaining balance is uncollateralized.

Investments:

At June 30, 2010, the Authority's investments consisted of the following:

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Money market funds	<u>\$ 51,019,536</u> *			
United States Treasury/Agency securities:				
United States Treasury Notes	5,704,766 *	1% to 8.75%	12/15/10 to 5/15/20	AAA
United States Treasury Inflation Indexed Bonds	594,520	1.38% to 6.25%	4/15/13 to 2/15/40	AAA
Federal National Mortgage Association	537,445	1.125% to 4.375%	7/30/12 to 12/10/14	AAA
Federal Home Loan Bank	351,233	1.625% to 3.625%	3/20/13 to 10/18/13	AAA
Federal Home Loan Mortgage Corporation	581,090	1.125% to 2%	3/2/12 to 6/28/13	AAA
Federal Farm Credit Bank	305,373	2.125% to 3%	4/24/12 to 9/22/14	AAA
Federal Agricultural Mortgage Corp.	<u>113,196</u>	2.10%	8/10/2012	AAA
	<u>8,187,623</u>			
Corporate bonds:				
	1,142,874	3.156% to 6.663%	12/1/11 to 9/10/47	AAA
	215,935	4.5% to 5%	3/16/15 to 1/15/20	AA3
	117,571	5.63%	9/15/2017	AA2
	733,543	4.75% to 7.717%	4/1/13 to 2/1/20	A3
	440,342	5.75% to 7.75%	8/1/10 to 10/1/37	A2
	308,358	3.625% to 7%	8/1/12 to 10/30/25	A1
	306,585	4.125% to 8.25%	3/1/14 to 4/1/19	BAA2

(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, 2010

2. Cash and investments (continued):

Investments (continued):

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Corporate bonds (continued):	\$ 547,575	3.375% to 6.15%	3/15/12 to 3/1/37	BAA1
	<u>327,546</u>	6% to 7.202%	10/15/32 to 7/15/38	N/A
	<u>4,140,329</u>			
Municipal and other local government bonds	<u>294,242</u>	3.457% to 7.3%	1/1/15 to 10/1/39	A1, AA1
Asset-backed security trusts:				
Government-sponsored residential MBS trusts:				
Federal National Mortgage Association	2,583,752	4% to 6.5%	3/1/21 to 5/1/40	N/A
Federal Home Loan Mortgage Corporation Passthrough	<u>4,588,538</u> *	4.5% to 6.5%	3/1/21 to 12/1/39	N/A
	<u>7,172,290</u>			
Corporate and commercial mortgage asset-backed trusts	<u>411,539</u>	2.62% to 6.51%	6/15/12 to 7/15/44	AAA
Total investments	<u>\$ 71,225,559</u>			

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

Interest rate risk:

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The majority of the Authority's investments 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, 2010, 11% of the Authority's investments were maintained in U.S. Government Securities, 10% were held in asset-backed securities of government agencies and 6% were held in corporate bonds. The Authority does not have an investment policy for concentration of credit risk.

RHODE ISLAND TURNPIKE AND BRIDGE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

2. Cash and investments (continued):

Investments (continued):

Custodial credit risk:

Custodial credit risk is the risk that in the event of financial institution failure, the Authority's deposits and/or investments may not be returned. The Authority does not have a deposit or investment policy for custodial credit risk. At June 30, 2010 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, 2009	Additions	Retirements and disposals	Balance, June 30, 2010
Capital assets not being depreciated:				
Construction in progress	\$ 2,867,339	\$ 4,987,934	\$ (6,598,258)	\$ 1,257,015
Licensing fees	250,000			250,000
	3,117,339	4,987,934	(6,598,258)	1,507,015
Capital assets being depreciated:				
Bridges	112,708,872	6,570,988	- 0 -	119,279,860
Buildings	2,643,267			2,643,267
Land improvements	653,082			653,082
Equipment	5,606,972	26,251		5,633,223
	121,612,193	6,597,239	- 0 -	128,209,432
Less accumulated depreciation:				
Bridges	(32,300,722)	(3,144,725)	- 0 -	(35,445,447)
Buildings	(2,625,866)	(9,942)		(2,635,808)
Land improvements	(210,859)	(51,154)		(262,013)
Equipment	(1,378,809)	(552,192)		(1,931,001)
	(36,516,256)	(3,758,013)	- 0 -	(40,274,269)
Capital assets being depreciated, net	85,095,937	2,839,226	- 0 -	87,935,163
Capital assets, net	\$ 88,213,276	\$ 7,827,160	\$ (6,598,258)	\$ 89,442,178

For the year ended June 30, 2010, the Authority capitalized approximately \$257,000 of interest within construction in progress.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

4. Long-term debt:

On July 31, 2003, the Authority issued \$35,765,000 of Series 2003A Taxable Refunding Revenue Bonds as an advance refunding of the Series 1997 Revenue Bonds. The 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 Bonds was made on December 1, 2003 in the amount of \$1,680,000. Accordingly, as of June 30, 2010, the Authority had no obligations related to the defeased Series 1997 Bonds.

The Series 2003A Bonds are fixed-rate bonds bearing interest, at rates ranging from 1.15% to 5.23%, payable semi-annually on December 1 and June 1. Principal repayments of the bond are due annually with a final payment due on December 1, 2017. The Series 2003A Bonds will not be subject to optional redemption prior to maturity but are subject to special mandatory redemption as provided in the Series 2003A bond agreement. At June 30, 2010, the Authority has in-substance defeased debt of approximately \$32,300,000, representing outstanding bonds related to the 1965, 1965A, 1965B and 1967 bond issues. The proceeds from the Series 1997 Bonds were placed into an irrevocable trust to provide for all future debt service payments on the refunded revenue bonds. The assets of the trust account and the liability for the defeased bonds have not been included in the financial statements of the Authority.

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

During the year ended June 30, 2010, changes in long-term debt consisted of the following:

	Balance, June 30, 2009	Additions	Retirements/ amortization	Balance, June 30, 2010
Revenue bonds payable	\$ 23,625,000	\$ 50,000,000	\$ 2,180,000	\$ 71,445,000
Deferred amounts, net:				
Gain on refunding	206,274		24,032	182,242
Bond discounts	(147,387)	(794,545)	(23,793)	(918,139)
Total bonds payable	<u>\$ 23,683,887</u>	<u>\$ 49,205,455</u>	<u>\$ 2,180,239</u>	<u>\$ 70,709,103</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

4. Long-term debt (continued):

The following represents debt service and sinking fund requirements to maturity as of June 30, 2010:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,270,000	\$ 3,737,245	\$ 6,007,245
2012	2,370,000	3,284,091	5,654,091
2013	2,475,000	3,171,861	5,646,861
2014	2,595,000	3,049,898	5,644,898
2015	2,720,000	2,919,384	5,639,384
2016-2020	11,765,000	12,548,597	24,313,597
2021-2025	8,045,000	10,500,978	18,545,978
2026-2030	10,015,000	8,534,788	18,549,788
2031-2035	12,760,000	5,799,641	18,559,641
2036-2040	16,430,000	2,136,624	18,566,624
	<u>\$ 71,445,000</u>	<u>\$ 55,683,107</u>	<u>\$ 127,128,107</u>

5. Commitments:

Toll Lane Implementation and Maintenance Contract:

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

E-ZPass Customer Service Contract:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

5. Commitments (continued):

Construction in progress:

In connection with the Series 2010A Bond Issuance, the Authority entered into a contract for improvements to the bridges and property. As of June 30, 2010, remaining commitments on this contract approximated \$41,363,000.

Collective bargaining unit:

Approximately 28 employees of the Authority are under the terms of a contract with the United Service and Allied Workers of Rhode Island, a collective bargaining unit. The contract expires June 30, 2011.

6. Tax deferred savings incentive plan:

The Authority sponsors an employee tax-deferred savings incentive 401(k) plan (the Rhode Island Turnpike & Bridge Authority Retirement Plan established in 1985; the Plan), 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 2010 was approximately \$147,000, while the total cost of the matching and supplemental employer contribution for fiscal year 2010 was approximately \$133,000. The payroll for employees covered by the Plan for fiscal year 2010 was approximately \$1,625,000 and the Authority's total payroll was approximately \$2,320,000. The trustees of the Plan are currently comprised of two members of the Authority's Board of Directors and one employee. The trustees are responsible for establishing or amending the Plan's provisions and contributions. The Board of Directors of the Authority must approve all amendments to the Plan as the employer sponsor of the Plan.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Risk management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded the Authority's coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage. Accordingly, management has not recorded a reserve for such claims at June 30, 2010.

8. Deficit net assets:

The 2003A Interest Account had deficit net assets of (\$6,313) at June 30, 2010.

9. Contingencies:

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

The Authority is subject to a class action lawsuit challenging the toll rate structure for certain drivers using EZ-Pass. The Authority and its legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. The accompanying financial statements do not include any liability related to this uncertainty.



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 31 to 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, except for the portion marked "unaudited" on page 37, upon which we express no opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Lefkowitz, Garfinkel, Champi & DeRienzo P.C.

September 29, 2010

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2010

	2003A Principal Account	2003A Interest Account	2003A Debt Service Reserve Fund	2003A Cost of Issuance Account	Subtotal 2003A Revenue Bond Fund	2010A Principal Account	2010A Interest Account	2010A Debt Service Reserve Fund	2010A Cost of Issuance Account	Subtotal 2010A Revenue Bond Fund
ASSETS:										
Current assets:										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable										
Accrued interest receivable										
Due from other funds										
Prepaid expenses										
Inventory										
Restricted:										
Cash and cash equivalents					-					
Investments	1,325,364	87,232	3,723,965		5,136,561		257,824	3,715,250	20,166	3,993,240
Accounts receivable										
Total current assets	<u>1,325,364</u>	<u>87,232</u>	<u>3,723,965</u>	<u>-</u>	<u>5,136,561</u>	<u>-</u>	<u>257,824</u>	<u>3,715,250</u>	<u>20,166</u>	<u>3,993,240</u>
Noncurrent assets:										
Investments										
Restricted investments										
Bond issuance costs, net				112,963	112,963				959,342	959,342
Capital assets:										
Bridges										
Buildings										
Land improvements										
Equipment										
Licensing fees										
Construction in progress										
Less accumulated depreciation										
Net capital assets										
Total noncurrent assets				<u>112,963</u>	<u>112,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>959,342</u>	<u>959,342</u>
Total assets	<u>1,325,364</u>	<u>87,232</u>	<u>3,723,965</u>	<u>112,963</u>	<u>5,249,524</u>	<u>-</u>	<u>257,824</u>	<u>3,715,250</u>	<u>979,508</u>	<u>4,952,582</u>

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2010 (CONTINUED)

	Construction Fund	Revenue Fund	ETC Fund	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total All Funds
ASSETS:									
Current assets:									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ (129,773)	\$ -	\$ 1,742,617	\$ 1,607	\$ 1,585,098	\$ 3,199,549
Accounts receivable				2,194					2,194
Accrued interest receivable						125,548		34	125,582
Due from other funds		368	295,593	710,093		28,019		686,500	1,720,573
Prepaid expenses				103,503					103,503
Inventory						385,900			385,900
Restricted:									
Cash and cash equivalents		590,967	3,753,414	11,638	975,621				5,331,640
Investments	45,501,235	3,605							54,634,641
Accounts receivable		45,339	439,818						485,157
Total current assets	45,501,235	640,279	4,488,825	697,655	975,621	2,282,084	1,607	2,271,632	65,988,739
Noncurrent assets:									
Investments						16,590,918			16,590,918
Restricted investments									-
Bond issuance costs, net									1,072,305
Capital assets:									
Bridges	59,846,700					59,433,160			119,279,860
Buildings	641,267					2,002,000			2,643,267
Land improvements						653,082			653,082
Equipment				516,060		5,117,163			5,633,223
Licensing fees						250,000			250,000
Construction in progress						1,257,015			1,257,015
Less accumulated depreciation	60,487,967			516,060		68,712,420			129,716,447
	(26,050,050)			(337,234)		(13,886,985)			(40,274,269)
Net capital assets	34,437,917			178,826		54,825,435			89,442,178
Total noncurrent assets	34,437,917			178,826		71,416,353			107,105,401
Total assets	79,939,152	640,279	4,488,825	876,481	975,621	73,698,437	1,607	2,271,632	173,094,140

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2010 (CONTINUED)

	2003A Principal Account	2003A Interest Account	2003A Debt Service Reserve Fund	2003A Cost of Issuance Account	Subtotal 2003A Revenue Bond Fund	2010A Principal Account	2010A Interest Account	2010A Debt Service Reserve Fund	2010A Cost of Issuance Account	Subtotal 2010A Revenue Bond Fund
LIABILITIES:										
Current liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 18,639	\$ 18,639
Accrued interest payable		93,543			93,543		257,530			257,530
Accrued expenses										
Due to other funds										
Electronic toll liability										
Current portion of bonds payable										
Total current liabilities	-	93,543	-	-	93,543	-	257,530		18,639	276,169
Bonds payable, less current portion										
Total liabilities	-	93,543	-	-	93,543	-	257,530		18,639	276,169
NET ASSETS:										
Invested in capital assets, net of related debt										
Restricted, bond covenants	1,325,364	93,543	3,723,965		5,142,872	-	294	3,715,250	20,166	3,735,710
Unrestricted		(99,854)		112,963	13,109				940,703	940,703
Total net assets	<u>\$ 1,325,364</u>	<u>\$ (6,311)</u>	<u>\$ 3,723,965</u>	<u>\$ 112,963</u>	<u>\$ 5,155,981</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 3,715,250</u>	<u>\$ 960,869</u>	<u>\$ 4,676,413</u>

(continued)

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

COMBINING STATEMENT OF NET ASSETS - JUNE 30, 2010 (CONTINUED)

	Construction Fund	Revenue Fund	ETC Fund	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total All Funds
LIABILITIES:									
Current liabilities:									
Accounts payable	\$ -	\$ 408	\$ 255,176	\$ 159,946	\$ -	\$ 1,371,868	\$ -	\$ -	\$ 1,806,037
Accrued interest payable									351,073
Accrued expenses				392,027					392,027
Due to other funds		140,765		184,808		1,395,000			1,720,573
Electronic tol liability		574	2,085,727						2,086,301
Current portion of bonds payable	<u>2,270,000</u>								<u>2,270,000</u>
Total current liabilities	2,270,000	141,747	2,340,903	736,781	-	2,766,868	-	-	8,626,011
Bonds payable, less current portion	<u>68,439,103</u>								<u>68,439,103</u>
Total liabilities	<u>70,709,103</u>	<u>141,747</u>	<u>2,340,903</u>	<u>736,781</u>	<u>-</u>	<u>2,766,868</u>	<u>-</u>	<u>-</u>	<u>77,065,114</u>
NET ASSETS:									
Invested in capital assets, net of related debt	12,940,890			178,826		53,453,567			66,573,283
Restricted, bond covenants	45,501,235	635,732	3,938,056		975,621				59,929,226
Unrestricted	<u>(49,212,076)</u>	<u>(137,200)</u>	<u>(1,790,134)</u>	<u>(39,126)</u>		<u>17,478,002</u>	<u>1,607</u>	<u>2,271,632</u>	<u>(30,473,483)</u>
Total net assets	<u>\$ 9,230,049</u>	<u>\$ 498,532</u>	<u>\$ 2,147,922</u>	<u>\$ 139,700</u>	<u>\$ 975,621</u>	<u>\$ 70,931,569</u>	<u>\$ 1,607</u>	<u>\$ 2,271,632</u>	<u>\$ 96,029,026</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, 2010

	2003A Principal Account	2003A Interest Account	2003A Debt Service Reserve Fund	2003A Cost of Issuance Account	Subtotal 2003A Revenue Bond Fund	2010A Principal Account	2010A Interest Account	2010A Debt Service Reserve Fund	2010A Cost of Issuance Account	Subtotal 2010A Revenue Bond Fund
Operating revenues:										
Tolls	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transponder sales										
Statement and bank fees										
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:										
Personnel services	-	-	-	-	-	-	-	-	-	-
Utilities										
Contractual services										
Other supplies and expenses										
Insurance										
Repairs and maintenance of system										
Transponder expense										
Environmental remediation										
Depreciation										-
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating revenues (expenses):										
Interest expense	-	(1,082,323)			(1,082,323)	-	-			
Amortization of costs of issuance				(14,897)	(14,897)				(8,074)	(8,074)
Amortization of bond discount										
Investment income, net of trustee fees			196,985		196,985			294		294
Miscellaneous income										
Total nonoperating revenues (expenses)	<u>-</u>	<u>(1,082,323)</u>	<u>196,985</u>	<u>(14,897)</u>	<u>(900,235)</u>	<u>-</u>	<u>-</u>	<u>294</u>	<u>(8,074)</u>	<u>(7,780)</u>
Income (loss) before operating transfers	<u>-</u>	<u>(1,082,323)</u>	<u>196,985</u>	<u>(14,897)</u>	<u>(900,235)</u>	<u>-</u>	<u>-</u>	<u>294</u>	<u>(8,074)</u>	<u>(7,780)</u>
Transfers in (out)	<u>363,837</u>	<u>707,293</u>	<u>(108,127)</u>		<u>963,003</u>		<u>294</u>	<u>3,714,956</u>	<u>968,943</u>	<u>4,684,193</u>
Change in net assets	<u>363,837</u>	<u>(375,030)</u>	<u>88,858</u>	<u>(14,897)</u>	<u>62,768</u>	<u>-</u>	<u>294</u>	<u>3,715,250</u>	<u>960,869</u>	<u>4,676,413</u>
Net assets (deficiency), beginning of year	<u>961,527</u>	<u>368,719</u>	<u>3,635,107</u>	<u>127,860</u>	<u>5,093,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets (deficiency), end of year	<u>\$ 1,325,364</u>	<u>\$ (6,311)</u>	<u>\$ 3,723,965</u>	<u>\$ 112,963</u>	<u>\$ 5,155,981</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 3,715,250</u>	<u>\$ 960,869</u>	<u>\$ 4,676,413</u>

(continued)

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

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

YEAR ENDED JUNE 30, 2010

	Construction Fund	Revenue Fund	ETC Fund	Operating and Maintenance Fund	Operating and Maintenance Reserve Fund	Renewal and Replacement Fund	General Fund	Insurance Reserve Fund	Total all funds
Operating revenues:									
Toll revenues	\$ -	\$ 7,180,990	\$ 10,037,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,218,403
Transponder revenues			717,727						717,727
Statement and bank fees			26,778						26,778
Total operating revenues	-	7,180,990	10,781,918	-	-	-	-	-	17,962,908
Operating expenses:									
Personnel services	-	-		2,686,699	-			-	2,686,699
Utilities				142,033					142,033
Contractual services			221,179	1,558,443					1,779,622
Other supplies and expenses				198,754					198,754
Insurance				1,269,657					1,269,657
Repairs and maintenance of system				599,718		1,081,505	4,534		1,685,757
Transponder expense						698,224			698,224
Environmental remediation						27,205			27,205
Depreciation	624,310			36,167		3,097,536			3,758,013
Total operating expenses	624,310	-	221,179	6,491,471	-	4,904,470	4,534	-	12,245,964
Operating income (loss)	(624,310)	7,180,990	10,560,739	(6,491,471)	-	(4,904,470)	(4,534)	-	5,716,944
Nonoperating revenues (expenses):									
Interest expense	24,032						-		(1,058,291)
Amortization of costs of issuance									(22,971)
Amortization of bond discount	(23,793)								(23,793)
Investment income, net of trustee fees	3,601	(2,616)	12		(134)	1,105,096		924	1,304,162
Miscellaneous income		4,800		199		5,302	(1)		10,300
Total nonoperating revenues (expenses)	3,840	2,184	12	199	(134)	1,110,398	(1)	924	209,407
Income (loss) before operating transfers	(620,470)	7,183,174	10,560,751	(6,491,272)	(134)	(3,794,072)	(4,535)	924	5,926,351
Transfers in (out)	(1,527,821)	(6,618,160)	(9,765,620)	6,275,665		5,974,240	14,500		0
Change in net assets	(2,148,291)	565,014	795,131	(215,607)	(134)	2,180,168	9,965	924	5,926,351
Net assets (deficiency), beginning of year	11,378,340	(66,482)	1,352,791	355,307	975,755	68,751,401	(8,358)	2,270,708	90,102,675
Net assets (deficiency), end of year	\$ 9,230,049	\$ 498,532	\$ 2,147,922	\$ 139,700	\$ 975,621	\$ 70,931,569	\$ 1,607	\$ 2,271,632	\$ 96,029,026

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, 2010

	<u>Claiborne Pell Bridge</u>
Traffic count (unaudited):	
Vehicle fares paid with ETC	7,809,579
Vehicle fares paid with cash	<u>2,141,971</u>
	<u>9,951,550</u>
Toll revenues (audited):	
Vehicle fares paid with ETC	\$ 10,026,549
Vehicle fares paid with cash	<u>7,191,854</u>
Total Toll Revenues	<u>\$ 17,218,403</u>

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

SCHEDULE OF CASH AND INVESTMENTS

JUNE 30, 2010

Restricted cash and cash equivalents:

Revenue Fund	
Citizens Bank	\$ 590,967
ETC Fund	
Bank of America	3,753,414
Operating and Maintenance Fund - Health Benefits Account	
Citizens Bank	11,638
Operating and Maintenance Reserve Fund	
BNY Mellon - Money Market Funds	975,621
Total restricted cash and cash equivalents	5,331,640

Restricted investments:

2010A Revenue Bond Fund - Construction Account	45,501,235
2003A Revenue Refunding Bond Fund - Principal Account	
BNY Mellon - Fidelity Instl Prime	1,325,364
2003A Revenue Refunding Bond Fund - Interest Account	
BNY Mellon - Fidelity Instl Prime	87,232
2010A Revenue Bond Fund - Interest Account	
BNY Mellon - Fidelity Instl Prime	257,824
2003A Debt Service Reserve Fund	
BNY Mellon - Fidelity Instl Prime	3,723,965
2010A Debt Service Reserve Fund	
BNY Mellon - Fidelity Instl Prime	3,715,250
Operating and Maintenance Reserve Account	
BNY Fidelity Instl Prime	20,166
Revenue Fund	
BNY Fidelity Instl Prime	3,605
Total restricted investments	54,634,641
Total restricted cash, cash equivalents and investments	59,966,281

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2010

Unrestricted cash and cash equivalents:

Operating and Maintenance Fund

Citizens Bank	\$ (132,994)
On hand - petty cash	<u>3,221</u>
	<u>(129,773)</u>

Renewal and Replacement Fund

Bank Newport - Money Market Fund	87,745
Citizens Bank	1,052,467
BNY Mellon - Money Market Fund	<u>602,405</u>
	<u>1,742,617</u>

General Fund

Citizens Bank	<u>1,607</u>
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Insurance Reserve Fund

Citizens Bank	530,098
Collateralized repurchase agreements	
\$525,000, 5%, due July 8, 2010	525,000
\$530,000, 5%, due July 29, 2010	<u>530,000</u>
	<u>1,585,098</u>

Total unrestricted cash and cash equivalents

3,199,549

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2010

Unrestricted investments:

BNY Mellon Short-Term Portfolio

United States Treasury/Agency Securities:

415,000	4.625% due	2/29/2012	United States Treasury Note	\$	443,241
170,000	4.500% due	11/15/2010	United States Treasury Note		172,703
90,000	2.500% due	3/31/2013	United States Treasury Note		94,078
360,000	4.375% due	12/15/2010	United States Treasury Note		366,822
5,000	1.125% due	6/30/2011	United States Treasury Note		5,036
10,000	1.000% due	12/31/2011	United States Treasury Note		10,073
15,000	1.125% due	6/15/2013	United States Treasury Note		15,060
20,000	1.375% due	5/15/2013	United States Treasury Note		20,244
30,000	1.750% due	4/15/2013	United States Treasury Note		30,682
80,000	1.125% due	12/15/2012	United States Treasury Note		80,656
90,000	1.375% due	2/15/2013	United States Treasury Note		91,182
95,000	1.375% due	1/15/2010	United States Treasury Note		96,277
100,000	1.375% due	10/15/2012	United States Treasury Note		101,484
200,000	1.375% due	5/15/2012	United States Treasury Note		202,938
220,000	1.750% due	8/15/2012	United States Treasury Note		225,104
250,000	8.750% due	2/28/2011	United States Treasury Note		250,967
250,000	8.750% due	3/31/2011	United States Treasury Note		251,055
360,000	4.250% due	1/15/2011	United States Treasury Note		367,732
460,000	4.625% due	8/31/2011	United States Treasury Note		482,333
330,000	4.000% due	11/15/2012	United States Treasury Notes		355,446
40,000	2.100% due	8/10/2012	Federal Agricultural Mortgage Corp		41,162
65,000	2.125% due	6/18/2012	Federal Farm Credit Bank		66,747
130,000	2.250% due	4/24/2012	Federal Farm Credit Bank		133,657
135,000	1.625% due	3/20/2013	Federal Home Loan Bank		136,983
95,000	1.125% due	7/27/2012	Federal Home Loan Mortgage Corp		95,683
95,000	1.875% due	3/8/2013	Federal Home Loan Mortgage Corp		95,746
105,000	1.625% due	6/28/2013	Federal Home Loan Mortgage Corp		106,053
135,000	1.125% due	3/2/2012	Federal Home Loan Mortgage Corp		135,138
140,000	2.125% due	3/23/2012	Federal Home Loan Mortgage Corp		143,457
80,000	2.050% due	4/26/2013	Federal National Mortgage Assn		80,850
95,000	1.125% due	7/30/2012	Federal National Mortgage Assn		95,623
95,000	2.000% due	6/24/2013	Federal National Mortgage Assn		96,010

Corporate bonds:

115,000	3.125% due	6/15/2012	Bank of America Corp		120,098
115,000	3.000% due	12/9/2011	General Elec Cap Corp		118,795
95,000	3.250% due	6/15/2012	Goldman Sachs Group Inc		99,477
130,000	3.125% due	12/1/2011	JP Morgan Chase & Co		134,486
120,000	3.200% due	6/15/2012	Key Bank Na		125,540
115,000	3.250% due	12/9/2011	Regions Bank		119,186
70,000	3.000% due	12/9/2011	Wells Fargo & Company		72,351

BNY Mellon Intermediate Term Portfolio

United States Treasury/Agency Securities:

210,000	4.500% due	4/30/2012	United States Treasury Note		225,200
40,000	1.375% due	10/15/2012	United States Treasury Note		40,594
45,000	1.125% due	12/15/2012	United States Treasury Note		45,369
185,000	1.750% due	4/15/2013	United States Treasury Note		189,205
35,000	1.375% due	5/15/2013	United States Treasury Note		35,427
350,000	3.625% due	2/15/2020	United States Treasury Note		369,796
25,000	3.500% due	5/15/2020	United States Treasury Note		26,164
595,000	4.000% due	11/15/2012	United States Treasury Notes		640,880
265,000	4.250% due	8/15/2013	United States Treasury Notes		291,190
50,000	4.625% due	2/29/2012	United States Treasury Notes		53,403
65,000	5.125% due	5/15/2016	United States Treasury Notes		75,852
45,000	4.750% due	5/31/2012	United States Treasury Notes		48,575
105,000	4.625% due	2/15/2040	United States Treasury Bond		118,026
102,694.05	2.375% due	1/15/2017	US Treasury Inflation Indexed Bonds		113,372
55,326.15	5.000% due	4/15/2015	US Treasury Inflation Indexed Bonds		56,056
85,929.05	1.375% due	7/15/2018	US Treasury Inflation Indexed Bonds		89,058
50,404.50	1.375% due	1/15/2020	US Treasury Inflation Indexed Bonds		51,613
102,694.05	2.375% due	1/15/2027	US Treasury Inflation Indexed Bonds		113,766
51,568.50	6.250% due	4/15/2013	US Treasury Inflation Indexed Bond		52,628

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2010

Unrestricted investments (continued):

BNY Mellon Intermediate Term Portfolio (continued)

United States Treasury/Agency Securities (continued):

80,000	2.000% due	9/28/2012	Federal National Mortgage Assn	\$	80,275
40,000	3.000% due	9/16/2014	Federal National Mortgage Assn		41,975
60,000	2.625% due	12/10/2014	Federal National Mortgage Assn		60,563
24,925.40	5.000% due	3/1/2021	Federal National Mortgage Assn		26,809
153,429.32	4.500% due	6/1/2023	Federal National Mortgage Assn		162,316
125,292.37	5.000% due	7/1/2023	Federal National Mortgage Assn		133,857
71,815.61	4.000% due	4/1/2024	Federal National Mortgage Assn		74,799
88,578.38	4.500% due	7/1/2024	Federal National Mortgage Assn		93,626
42,289.03	4.000% due	9/1/2024	Federal National Mortgage Assn		44,046
53,148.33	4.000% due	1/1/2025	Federal National Mortgage Assn		55,307
81,765.74	6.000% due	9/1/2034	Federal National Mortgage Assn		89,704
20,619.95	4.500% due	1/1/2036	Federal National Mortgage Assn		21,587
49,076.78	5.500% due	4/1/2036	Federal National Mortgage Assn		52,807
100,254.21	6.500% due	10/1/2036	Federal National Mortgage Assn		110,113
21,758.32	due	5/1/2037	Federal National Mortgage Assn		23,411
28,065.82	6.500% due	8/1/2037	Federal National Mortgage Assn		30,842
59,940.93	6.500% due	10/1/2037	Federal National Mortgage Assn		65,836
43,769.55	6.000% due	10/1/2037	Federal National Mortgage Assn		47,554
254,135.14	6.000% due	12/1/2037	Federal National Mortgage Assn		278,077
4,589.34	6.500% due	12/1/2037	Federal National Mortgage Assn		5,034
112,339.12	5.500% due	2/1/2038	Federal National Mortgage Assn		120,748
81,266.60	5.500% due	3/1/2038	Federal National Mortgage Assn		87,349
11,279.97	5.500% due	6/1/2038	Federal National Mortgage Assn		12,124
169,711.43	6.000% due	6/1/2038	Federal National Mortgage Assn		183,999
72,495.20	6.500% due	1/1/2039	Federal National Mortgage Assn		79,511
171,304.50	4.500% due	4/1/2039	Federal National Mortgage Assn		177,867
47,619	4.500% due	6/1/2039	Federal National Mortgage Assn		49,443
170,738.42	5.000% due	9/1/2039	Federal National Mortgage Assn		181,106
47,977.14	5.000% due	10/1/2039	Federal National Mortgage Assn		50,835
96,104.25	5.000% due	12/1/2039	Federal National Mortgage Assn		101,829
52,278.93	4.500% due	3/1/2040	Federal National Mortgage Assn		56,358
64,854.62	4.500% due	5/1/2040	Federal National Mortgage Assn		67,329
75,000	4.375% due	7/17/2013	Federal National Mortgage Assn		82,148
98,827.28	5.500% due	3/25/2030	Federal National Mortgage Assn REMIC		99,528
200,000	362.500% due	10/18/2013	Federal Home Loan Bank		214,250
5,000	2.000% due	9/28/2012	Federal Home Loan Mortgage Corp		5,014
14,885.84	due	4/1/2037	Federal Home Loan Mortgage Corp		15,911
100,000	3.000% due	9/22/2014	Federal Farm Credit Bank		104,969
70,000	2.100% due	8/10/2012	Federal Agricultural Mortgage Corp		72,034

Asset-backed security trusts

12,509.11	4.500% due	3/1/2021	Federal Home Loan Mortgage Corp	Gold	13,316
72,943.72	5.000% due	4/1/2022	Federal Home Loan Mortgage Corp	Gold	78,090
32,871.36	5.000% due	6/1/2028	Federal Home Loan Mortgage Corp	Gold	34,928
31,820.72	5.000% due	7/1/2028	Federal Home Loan Mortgage Corp	Gold	33,811
22,364.13	5.000% due	5/1/2029	Federal Home Loan Mortgage Corp	Gold	23,722
57,433.43	5.500% due	1/1/2038	Federal Home Loan Mortgage Corp	Gold	61,754
150,067.27	5.500% due	12/1/2038	Federal Home Loan Mortgage Corp	Gold	161,229
107,931.15	6.500% due	4/1/2039	Federal Home Loan Mortgage Corp	Gold	118,512
81,204.52	6.500% due	4/1/2039	Federal Home Loan Mortgage Corp	Gold	89,165
71,041.64	6.000% due	6/1/2039	Federal Home Loan Mortgage Corp	Gold	77,240
53,567.35	4.500% due	7/1/2039	Federal Home Loan Mortgage Corp	Gold	55,570
198,426.52	5.000% due	12/1/2039	Federal Home Loan Mortgage Corp	Gold	210,185
2,999.89	4.410% due	6/15/2012	Harley-Davidson Motorcycle Trust		3,005
34,278.76	5.210% due	6/15/2013	Harley-Davidson Motorcycle Trust		35,230
165,000	2.620% due	3/15/2014	Harley-Davidson Motorcycle Trust		167,784
50,000	5.330% due	11/19/2013	Household Automotive Trust		51,277
80,000	5.840% due	7/15/2044	LB Commercial Conduit Mortgage Trust		83,759
56,769.16	6.510% due	12/15/2026	LB-UBS Commercial Mortgage Trust		57,160
13,314.44	4.064% due	9/15/2027	LB-UBS Commercial Mortgage Trust		13,325

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

SCHEDULE OF CASH AND INVESTMENTS (CONTINUED)

JUNE 30, 2010

Unrestricted investments (continued):

Corporate bonds			
55,000	5.170% due	1/1/2020 Aep Texas Central Transition Funding	\$ 62,345
50,000	5.800% due	2/15/2019 AT&T Inc	56,292
105,000	7.750% due	8/1/2010 Axa Finl Inc	105,481
20,000	5.165% due	9/10/2047 Banc of America Commercial Mortgage	20,175
100,000	5.750% due	8/15/2016 Bank of America Corp	103,597
100,000	5.000% due	9/22/2016 Barclays Bank PLC	102,575
60,000	4.565% due	7/11/2042 Bear Stearns Coml Mtg Secs Inc	60,871
75,000	6.250% due	9/15/2017 Blackrock Inc	85,971
77,110.63	7.319% due	10/15/2032 Chase Commercial Mortgage Securities	77,171
50,000	5.500% due	2/22/2016 Cisco Systems Inc	57,600
100,000	6.125% due	11/21/2017 Citigroup Inc	104,431
100,000	5.900% due	3/15/2016 Comcast Corp	112,695
50,000	5.300% due	10/15/2013 Crh America Inc	53,749
15,430.86	5.017% due	8/15/2038 Cs First Boston Mortgage Securities	15,440
95,000	7.000% due	3/15/2012 Deere John Cao Corp NT DTD	104,319
50,000	5.500% due	4/1/2013 Diageo Finance Bv	54,968
4,957.73	7.202% due	10/15/2032 First Union National Bank Commerical	4,958
29,392.38	6.663% due	1/12/2043 First Union National Bank Commerical	29,919
40,000	due	7/10/2039 GE Capital Commercial Mortgage Corp	41,050
110,000	5.625% due	9/15/2017 General Elec Cap Corp	117,571
50,000	5.650% due	2/15/2019 General Mills Inc	56,814
75,000	due	4/15/2034 GMAC Commercial Mortgage Securities	76,166
30,000	6.790% due	4/15/2034 GMAC Commercial Mortgage Securities	31,141
40,000	3.625% due	8/1/2012 Goldman Sachs Group Inc	40,748
45,000	6.750% due	10/1/2037 Goldman Sachs Group Inc	44,115
33,574.36	5.017% due	7/15/2038 Government National Mortgage Assn	36,652
120,000	5.000% due	6/30/2015 HSBC Finance Corp	125,208
35,000	7.000% due	10/30/2025 International Business Machs Corp	44,004
100,000	5.400% due	3/15/2012 Intuit Inc	106,162
55,000	5.500% due	1/15/2016 Johnson Controls Inc	60,963
75,000	5.125% due	9/15/2014 JP Morgan Chase & Co	80,035
98,405.64	6.429% due	4/15/2035 JP Morgan Chase Commercial Mortgage Securities Corp Passthru CTF	101,457
65,000	5.500% due	2/9/2016 Kraft Foods Inc	68,606
50,000	7.717% due	2/15/2019 Met Life Glob Funding I	59,511
75,000	4.750% due	4/1/2014 Morgan Stanley Global	75,129
25,000	6.150% due	3/1/2037 News America Inc	26,073
50,000	4.800% due	6/28/2013 Nyse Euronext	54,076
70,000	5.750% due	4/15/2018 Oracle Corp	81,037
55,000	4.500% due	1/15/2020 Pepsico Inc	58,637
45,000	4.750% due	9/17/2015 Prudential Financial Inc	46,459
71,535.03	6.605% due	5/10/2034 Prudential Mortgage Capital Funding	73,189
50,000	6.375% due	3/1/2014 Rogers Wireless Inc	56,769
55,000	4.875% due	3/16/2015 Royal Bank of Scotland PLC	54,723
45,000	5.875% due	8/15/2012 SBC Communications Inc	49,099
65,000	5.650% due	2/1/2020 Simon Property Group LP	68,839
50,000	4.150% due	2/1/2014 TD Ameritrade Holding Corp	51,889
55,000	1.949% due	1/15/2015 Telefonica Emisiones Sau	57,616
60,000	8.250% due	4/1/2019 Time Warner Cable Inc	73,788
80,000	3.375% due	10/15/2015 Tyco International Finance	82,577
80,000	5.500% due	2/15/2018 Verizon Communications	87,785
50,000	5.243% due	7/15/2042 Wachovia Bank Commercial Mortgage	49,952
State bonds			
55,000	4.421% due	1/1/2015 Illinois ST	55,180
40,000	3.547% due	8/1/2017 Washington ST	40,626
75,000	4.000% due	10/7/2019 Ontario (Province Of)	77,441
115,000	7.300% due	10/1/2039 California ST	120,994
			<hr/>
			16,590,918
Total unrestricted cash, cash equivalents and investments			<hr/>
			19,790,467
Total cash, cash equivalents and investments			<hr/>
			\$ 79,756,748

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, 2010

Check Number	Date Paid	Payee	Purpose	Amount
Payroll	07/14/09	K. Fullerton	Mileage	\$ 46
Payroll	07/14/09	L. Leber	Mileage	52
Payroll	07/14/09	C. Callahan	Mileage	140
Payroll	07/14/09	A. DellaPosta	Mileage	173
Payroll	07/14/09	J. Sullivan	Mileage	475
10393	07/28/09	American Express	B. Croft- Denver Trip	693
Payroll	07/28/09	K. Leber	Mileage	58
Payroll	08/12/09	K. Leber	Mileage	53
Payroll	08/12/09	K. Fullerton	Mileage	102
Payroll	08/12/09	A. DellaPosta	Mileage	127
10470	09/03/09	American Express	B. Croft - Denver Trip	550
10470	09/03/09	American Express	B. Croft - IBTTA Annual Meeting	1,044
10470	09/03/09	American Express	B. Croft - Providence Parking	30
Payroll	08/25/09	J. Sullivan	Mileage	305
Payroll	09/08/09	A. DellaPosta	Mileage	133
10509	09/22/09	A. Fletcher	Mileage	209
10524	09/22/09	American Express	B. Croft - IBTTA Annual Meeting	193
10513	09/22/09	Newport County Chamber	B. Croft 10/15 Luncheon	25
Payroll	09/22/09	J. Sullivan	Mileage	249
Payroll	09/22/09	K. Leber	Mileage	55
10557	10/15/09	Spinnakers Café	Board Meetings 7/8, 8/12 & 9/9	145
10572	09/30/09	American Express	B. Croft - IBTTA Annual Meeting	743
10572	11/03/09	American Express	B. Croft - New Jersey Trip	144
Payroll	10/06/09	K. Fullerton	Mileage	29
Payroll	10/20/09	K. Leber	Mileage	52
Payroll	10/20/09	J. Sullivan	Mileage	260
Payroll	11/03/09	A. DellaPosta	Mileage	138
Payroll	11/17/09	J. Sullivan	Mileage	239
Payroll	11/17/09	K. Fullerton	Mileage	24
Payroll	11/17/09	K. Leber	Mileage	55
Payroll	12/01/09	K. Fullerton	Mileage	23
10690	12/17/09	East Ferry Deli	Interviews - Investment Banking	43
10691	12/09/09	A. Fletcher	Mileage	148
10673	12/14/09	J. Head - Petty Cash	B. Croft - Misc. Travel Expense	184
Payroll	12/15/09	K. Fullerton	Mileage	23
Payroll	12/15/09	K. Leber	Mileage	159

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, 2010

Check Number	Date Paid	Payee	Purpose	Amount
10707	12/29/09	American Express	Meeting re: Sakonnet Budget	\$ 86
10707	12/29/09	American Express	B. Croft - New York Trip	183
10716	12/29/09	McQuade's Marketplace	Soda	23
Payroll	12/29/09	J. Sullivan	Mileage	211
Payroll	12/29/09	K. Leber	Mileage	112
Check Rec'd.	12/31/09	IBTTA	Refund for Meeting Not Attended	(775)
10729	12/31/09	J. Head - Petty Cash	B. Croft - Parking Prov. Meeting	9
10748	01/12/10	McQuade's Marketplace	Soda	22
Payroll	01/12/10	K. Leber	Mileage	152
10775	01/28/10	East Ferry Deli	Board Meetings 11/4, 12/9 & 1/13	126
Payroll	01/26/10	K. Leber	Mileage	28
10800	02/02/10	Grtr. Prov. Chamber	B. Croft 2/10 Luncheon	60
10815	02/17/10	East Ferry Deli	Board Meeting 2/3/10	41
10836	03/01/10	American Express	B. Croft - Pennsylvania Trip	213
10836	03/01/10	American Express	Meeting with Bond Holders	643
10805	02/17/10	IBTTA	3/22-23 Washington Conference	575
10838	03/01/10	Grtr. Prov. Chamber	4/5 Breakfast Meeting	40
10854	03/09/10	Jamestown Chamber	3/35 Breakfast	15
Payroll	03/09/10	A. DellaPosta	Mileage	85
10890	03/25/10	East Ferry Deli	Board Meeting 3/10/10	41
10922	04/13/10	American Express	B. Croft Baltimore Trip	16
10929	04/13/10	David Darlington	3/22-23 Washington Conference	363
10943	04/13/10	Newport County Chamber	B. Croft 4/29 Breakfast	25
10943	04/13/10	Newport County Chamber	B. Croft 5/7 Breakfast	25
10949	04/13/10	RI Economic Dev. Corp.	B. Croft 5/12 Luncheon	40
10970	04/28/10	East Ferry Deli	Board Meeting 4/14	41
10970	04/28/10	East Ferry Deli	New Hampshire E-Z Pass Meeting	64
10991	05/03/10	American Express	3/22-23 Washington Conference B. Croft & D. Darlington	1,140
11018	05/26/10	East Ferry Deli	Board Meeting 5/5	41
11043	05/27/10	American Express	B. Croft - IBTTA Boston Meeting	575
Payroll	06/01/10	J. Sullivan	Mileage	180
Payroll	06/15/10	A. DellaPosta	Mileage	173
11090	06/22/10	East Ferry Deli	Board Meeting 6/9/10	41
11092	06/22/10	Arthur Fletcher	Mileage	135
11099	06/22/10	American Express	B. Croft - IBTTA May & July Mtgs.	306
Payroll	06/29/10	J. Sullivan	Mileage	204
				\$ 12,380

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, 2010

Statement of Net Assets

Attachment B

Assets

Current assets:	
Cash and cash equivalents	\$ 3,199,549
Investments	
Receivables	127,776
(Receivables allowance)	
Restricted assets:	
Cash and cash equivalents	5,331,640
Investments	54,634,641
Other assets	485,157
Due from primary government	
Due from other governments	
Inventories	385,900
Other assets	103,503
Total current assets	64,268,166
Noncurrent assets:	
Investments	16,590,918
Receivables	
(Receivables allowance)	
Restricted assets:	
Cash and cash equivalents	
Investments	
Other assets	
Capital assets - nondepreciable	1,507,015
Capital assets - depreciable (net)	87,935,163
Other assets, net of amortization	1,072,305
Total noncurrent assets	107,105,401
Total assets	171,373,567

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, 2010

<u>Statement of Net Assets (continued)</u>	<u>Attachment B</u>
Liabilities	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 2,549,137
Due to primary government	
Due to (from) other component units	
Due to other governments	
Deferred revenue	
Other liabilities	2,086,301
Current portion of long-term debt	2,270,000
Total current liabilities	<u>6,905,438</u>
Noncurrent liabilities:	
Due to primary government	
Due to other governments	
Deferred revenue	
Notes payable	
Loans payable	
Obligations under capital leases	
Other liabilities	
Compensated absences	
Bonds payable	68,439,103
Total noncurrent liabilities	<u>68,439,103</u>
Total liabilities	<u>75,344,541</u>
Net assets	
Invested in capital assets, net of related debt	66,573,283
Restricted for:	
Debt	59,929,226
Other	
Other nonexpendable	
Unrestricted	(30,473,483)
Total net assets	<u>\$ 96,029,026</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, 2010

<u>Statement of Changes in Net Assets</u>	<u>Attachment C</u>
Operating revenues:	
Charges for services	\$ 17,218,403
Interest income on loans	
Interest on investments	
Net increase (decrease) in fair value of investments	
Other operating income	744,505
Total operating revenues	<u>17,962,908</u>
Operating expenses:	
Personal services	2,686,699
Supplies, materials, and services	5,801,252
Interest expense	
Grants, scholarships and contract programs	
Depreciation, depletion and amortization	3,758,013
Other operating expenses	
Total operating expenses	<u>12,245,964</u>
Operating income (loss)	<u>5,716,944</u>
Nonoperating revenues (expenses):	
Interest revenue	1,304,160
Grants	
Payments from primary government	
Gain (loss) on sale of property	
Interest expense	(1,058,291)
Payments (to) from other component units	
Net increase (decrease) in fair value of investments	
Other nonoperating revenue (expenses)	(36,462)
Total nonoperating revenue (expenses)	<u>209,407</u>
Income (loss) before contributions	5,926,351
Capital contributions	
Special items	
Extraordinary items	
Change in net assets	<u>5,926,351</u>
Total net assets - beginning	90,102,675
Total net assets - ending	<u>\$ 96,029,026</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, 2010

	<u>Long Term Debt</u>	<u>Attachment D</u>	
Fiscal Year Ending <u>June 30, 2010</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,270,000	\$ 3,737,245	\$ 6,007,245
2012	2,370,000	3,284,091	5,654,091
2013	2,475,000	3,171,861	5,646,861
2014	2,595,000	3,049,898	5,644,898
2015	2,720,000	2,919,384	5,639,384
2016 - 2020	11,765,000	12,548,597	24,313,597
2021 - 2025	8,045,000	10,500,978	18,545,978
2026 - 2030	10,015,000	8,534,788	18,549,788
2031 - 2035	12,760,000	5,799,641	18,559,641
2036 - 2040	16,430,000	2,136,624	18,566,624
	<u>\$ 71,445,000</u>	<u>\$ 55,683,107</u>	<u>\$ 127,128,107</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, 2010, and have issued our report thereon dated September 29, 2010. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as Items 2010-1 and 2010-2, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2010

Item 2010-1 Wire Transfer Authorization and Bank Reconciliations

Observation:

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

Recommendation:

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

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

Management's Response:

Management will implement appropriate procedures to strengthen internal controls.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2010

Item 2010-2 Audit Adjustments

Observation:

During our audit, we proposed and management reviewed, approved, and accepted audit adjustments including, among others, an adjustment to record capitalized interest related to interest expense incurred on a bond obligation issued to fund construction costs.

Recommendation:

When events occur or transactions are executed that are different in nature from the Authority's normal transaction processing, we recommend that the Authority determine whether there are any accounting principles generally accepted in the United States that are required to be implemented to record the substance of such events or transactions.

Management's Response:

Management will comply with the suggestion.