

RITBA
EMMA notice January 31
January 31, 2017

On January 24, 2017, the Rhode Island Turnpike and Bridge Authority (“RITBA” or the “Authority”) became aware of an error in the Audited Financial Statements for the Fiscal Year Ending June 30, 2016 (“FYE 2016”). The error related to an overstatement of the FYE 2016 Net Investment in Capital Assets component of net position by \$126,757,334 and the FYE 2016 Restricted component of net position by \$6,591,555, and a corresponding understatement in the FYE 2016 Unrestricted Net Assets component of net position by \$133,348,889. The FYE 2016 Total Net Position of the Authority was stated correctly.

Please see unaudited restated Net Position below:

Component of Net Position	As Originally Reported	As Restated
Net invested in capital assets	\$195,424,304.00	\$68,666,970.00
Restricted	41,944,293.00	35,352,738.00
Unrestricted (deficit)	(120,610,889.00)	12,738,000.00
Total Net Position	\$116,757,708.00	\$116,757,708.00

The Authority is restating the FYE 2016 Financial Statements which will be posted as soon as they are final.

RITBA

EMMA Notice February 2, 2017

On January 24, 2017, the Rhode Island Turnpike and Bridge Authority (“RITBA” or the “Authority”) became aware of an error in the Audited Financial Statements for the Fiscal Year Ending June 30, 2016 (“FYE 2016”). The error related to an overstatement of the FYE 2016 Net Investment in Capital Assets component of net position by \$126,757,334 and the FYE 2016 Restricted component of net position by \$6,591,555, and a corresponding understatement in the FYE 2016 Unrestricted Net Assets component of net position by \$133,348,889. The FYE 2016 Total Net Position of the Authority was stated correctly.

The Authority has caused to be prepared Restated FYE 2016 Financial Statements, which were posted on EMMA on February 2, 2017.

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

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016



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

YEAR ENDED JUNE 30, 2016

CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-11
Basic financial statements:	
Statement of net position	12-13
Statement of revenues, expenses and changes in net position	14
Statement of cash flows	15-16
Notes to financial statements	17-32
Independent Auditors' Report on Accompanying Information	33
Accompanying information to basic financial statements:	
Schedule of traffic count and revenues	34
Schedule of travel and entertainment expenses	35-36
State of Rhode Island required format:	
Attachment B Statement of Net Position	37-38
Attachment C Statement of Changes in Net Position	39
Attachment D Long-Term Debt	40
Attachment E Schedule of Changes in Long-Term Debt	41
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	42-43



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Turnpike and Bridge Authority (the Authority), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report (Continued)

Board of Directors
Rhode Island Turnpike and Bridge Authority

Opinion

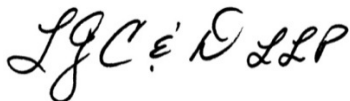
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Turnpike and Bridge Authority, a Component Unit of the State of Rhode Island, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



Providence, Rhode Island
September 26, 2016
February 1, 2017, Note 9

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rhode Island Turnpike and Bridge Authority (the Authority) is a quasi-public agency created by the Rhode Island General Assembly in 1954 to maintain and operate the Claiborne Pell Bridge (Pell Bridge) on the west shore of Narragansett Bay (the Bay), which connects the City of Newport and Town of Jamestown, Rhode Island, and the Mount Hope Bridge on the east shore of the Bay, which connects the Towns of Bristol and Portsmouth, Rhode Island. In June 2012, the Jamestown Verrazano Bridge and the new Sakonnet River Bridge were turned over to the Authority by the state legislature for the operation and maintenance of the bridge structures and associated parcels of land. Day-to-day operations of the Authority are led by an Executive Director who oversees 112 employees and reports to a five-member Board of Directors (Board) comprised of the Director of Transportation, who is a member ex-officio, and four members appointed by the Governor. For over 50 years, the Authority has been committed to maintaining and operating the Pell and Mount Hope Bridges in a fiscally responsible manner that ensures their physical integrity and longevity.

This discussion and analysis of the Authority's financial position and performance provides information as of June 30, 2016 and for the year then ended (FY2016), with comparison as deemed appropriate to the previous fiscal year ended June 30, 2015 (FY2015). Readers are encouraged to utilize this document in conjunction with their review of the Authority's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, its accounts are classified, for internal accounting purposes, into a number of separate funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL STATEMENTS AND OPERATIONAL SUMMARIES

Activity and Year-End Financial Position

The Authority's total net position increased in 2016 by \$9.7 million, or 9.2%, principally due to an increase in assets of approximately \$83 million and an increase in total liabilities of approximately \$73 million. Capital assets, net of depreciation, increased by \$24.5 million, which was funded by proceeds from bonds payable; increases were part of the Authority's ongoing capital improvement program (CIP). A comparative summary of the Authority's net position is shown below (dollars in thousands):

Statements of Net Position

	June 30, 2016		June 30, 2015	
Assets:				
Capital assets (net)	\$ 195,674	60.7%	\$ 171,187	71.5%
Other:				
Investments	99,070	30.7%	57,824	24.1%
Cash and cash equivalents	25,324	7.9%	8,319	3.5%
Other	2,525	0.8%	2,252	0.9%
	126,919	39.3%	68,395	28.5%
Total assets	322,593	100.0%	239,582	100.0%
Liabilities:				
Noncurrent, bonds payable	184,292	57.1%	55,435	23.1%
Other liabilities	21,514	6.7%	77,006	32.2%
Total liabilities	205,805	63.8%	132,441	55.3%
Deferred inflows of resources	30	-	56	-
Net position:				
Net invested in capital assets	68,667	60.6%	80,206	33.5%
Restricted	35,353	13.0%	58,231	24.3%
Unrestricted (deficit)	12,738	(37.4%)	(31,352)	(13.1%)
Total net position	\$ 116,758	36.2%	\$ 107,085	44.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statements of Revenues, Expenses and Changes in Net Position

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

	2016		2015	
Operating revenues:				
Toll revenues	\$ 20,357	55.7%	\$ 19,410	54.8%
Gas tax revenue	15,701	42.9%	15,357	43.3%
Grant revenue	0	.0%	173	.5%
Transponder revenues	425	1.2%	395	1.1%
Statement and bank fees	90	.2%	96	.3%
Total operating revenues	36,573	100.0%	35,431	100.0%
Operating expenses:				
Personnel services	4,206	11.5%	3,668	10.4%
Insurance	1,093	3.0%	1,046	3.0%
Repairs and maintenance	955	2.6%	1,960	5.5%
Other	3,469	9.5%	4,275	12.1%
Transponder expense	164	.4%	171	.5%
Depreciation	12,968	35.5%	10,543	29.7%
Legal settlement			38	.1%
Total operating expenses	22,855	62.5%	21,701	61.3%
Operating income	13,718	37.5%	13,730	38.7%
Nonoperating expenses, net	(4,009)	(11.0)%	(2,601)	(7.3)%
Change in net position	9,709	<u>(26.5)%</u>	11,129	<u>(31.4)%</u>
Net position, beginning of year	107,085		95,956	
Transfer out	(36)			
Net position, end of year	<u>\$ 116,758</u>		<u>\$ 107,085</u>	

The Authority had an increase in toll revenues (including violations) for FY2016 of approximately \$947,000 due to increased traffic, principally comprised of an increase of toll revenue of approximately \$893,000 and an increase in violations collections of \$54,000. The E-ZPass related expenses, which include expenses related to the customer service center, transaction processing charges and other E-ZPass toll collection expenses, totaled \$2,525,000 for FY2016. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

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

In December 2008, the Authority implemented E-ZPass, the electronic toll collection system. The conversion to E-ZPass was completed in January 2009. The cash rate for passage is \$2 per axle. The rate for a Rhode Island resident with a Rhode Island transponder is \$.83. Through January 2010, a commuter rate for out-of-state residents with a Rhode Island transponder was established at \$.91 if they made 31 trips in a 30-day period. This program was replaced in February 2010 with a six-trip rate of \$5.46 to be completed in 30 days. An unlimited plan for Rhode Island residents was introduced for \$40, to be completed in 30 days. The rate for out-of-state E-ZPass transponders was set at \$1.75 and increased to \$4 on September 2, 2009.

A customer service center, including a walk-in center and a call center, is set up in Jamestown adjacent to the toll plaza where E-ZPass applications are processed, transponders are sold and accounts replenished. Transponders are sold at cost for \$20.95. As of June 30, 2016, the Authority had 163,132 active accounts with 225,641 active transponders.

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

The operations department is responsible for the collection of tolls from motorists passing through the Authority's toll plaza in Jamestown, adjacent to the Pell Bridge. The department is headed by a Director of Operations, who is assisted by a number of supervisors in order to operate the facility 24 hours per day, 365 days per year. The department employs approximately 14 full-time toll collectors throughout the year, all of whom are covered under a collective bargaining agreement. The department also employs approximately 15 non-union casual collectors utilized primarily during the busy tourist season of May 30 through October 12. With the introduction of E-ZPass, monitors were placed in the lanes to assist motorists encountering problems. Supervisors are responsible for the smooth operation of all activity during weekdays, and during nights and weekends are also responsible for reporting to the bridge and all Authority buildings and grounds to investigate unusual occurrences and to maintain a safe environment for motorists. The Rhode Island State Police is summoned when circumstances dictate, and also undertakes routine patrols at the toll plaza and elsewhere adjacent to the bridges, especially during weekend evenings during the summer. This is done in cooperation with local police and EMT services provided by the municipalities of Jamestown, Newport, Bristol, and Portsmouth.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Tolls and Operations (Continued)

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

Beginning July 1, 2014, the State of Rhode Island enacted legislation which provides the Authority 3.5 cents of gasoline tax for every gallon sold in Rhode Island. The Authority recognized approximately \$15.7 million of gas tax revenue during FY2016.

Operating Results

Pell Bridge Traffic and Revenue Summary

Traffic and revenue statistics are as follows:

	2016		2015	
Traffic (number of passages)				
Vehicle fares paid with ETC	9,366,535	86.3%	8,950,231	86.4%
Vehicle fares paid with cash	1,488,060	13.7%	1,412,377	13.6%
	<u>10,854,595</u>	<u>100.0%</u>	<u>10,362,608</u>	<u>100.0%</u>
Revenue				
Vehicle fares paid with ETC	\$13,353,732	68.9%	\$12,745,184	69.0%
Vehicle fares paid with cash	6,018,280	31.1%	5,726,137	31.0%
	<u>\$19,372,012</u>	<u>100.0%</u>	<u>\$18,471,321</u>	<u>100.0%</u>

Pell Bridge traffic increased during 2016 compared to the previous year, resulting in a slight increase in revenue.

Engineering and Maintenance

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Engineering and Maintenance (Continued)

At June 30, 2016, 60.7% of the Authority’s assets are capital assets, most notably the two largest suspension bridges in New England, the operation and maintenance of which the Authority has been charged. In order to continue to protect these assets for the foreseeable future, the Board bi-annually revises its ten-year Renewal and Replacement Plan. In June 2016, the Board approved an updated 10-year Capital Improvement Plan (CIP).

During FY2016, the Authority continued its preventive maintenance programs for both the Pell and Mount Hope Bridges, which are designed to ensure the safety, security, and aesthetics of the structures while generating long-term savings for the Authority. As part of this effort, a number of Authority staff have been assigned additional duties, including preventive maintenance of bridge bearings; repair of potholes on approach roads; preventive corrosion treatment on bridges; snow removal at the toll plaza; lawn maintenance, routine inspection on expansion and contraction components of bridges; painting of bridge rails and building interiors; and signage maintenance on bridges.

Capital and Construction Activities

Under the CIP, the Board has approved \$223 million towards various bridge and road projects, as follows:

2016 Ten-year Capital Improvement Plan (000’s)

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total
Newport Pell totals	\$ 22,498	\$ 6,824	\$ 5,925	\$ 15,223	\$ 21,253	\$ 16,282	\$ 1,415	\$ 1,855	\$ 12,325	\$ 12,435	\$ 116,035
Mount Hope totals	10,633	7,507	505	828	3,202	1,739	12,316	1,207	4,850	9,027	51,814
Sakonnet River Bridge totals	4,123	287	437	576	2,454	2,630	1,813	649	597	499	14,065
Jamestown Bridge totals	1,304	6,280	2,201	7,104	1,789	2,684	802	2,814	500	1,150	26,628
Rt. 138 Jamestown connector	374	3,196	691	249	143	152	454	1,149	276	285	6,969
Facilities totals	313	1,381	1,183	21	635	21	378	3,875	21	78	7,906
	<u>\$ 39,245</u>	<u>\$ 25,475</u>	<u>\$ 10,942</u>	<u>\$ 24,001</u>	<u>\$ 29,476</u>	<u>\$ 23,508</u>	<u>\$ 17,178</u>	<u>\$ 11,549</u>	<u>\$ 18,569</u>	<u>\$ 23,474</u>	<u>\$ 223,417</u>

Cost-Saving Initiatives

As part of the Authority’s ongoing cost-saving and efficiency efforts, an “In-House Painting Program” is being developed which will move selected painting projects, as well as “touch up” painting that was previously performed by outside contractors, to the Authority’s staff. The program, which includes both increasing staff and training existing staff, is scheduled to begin in fiscal year 2017. Savings from the program are not yet included in the 10-year CIP above.

Insurance continues to be among the Authority’s most significant operating expenses. In January 2005, management and the local collective bargaining unit cooperated in an effort to control health care costs while maintaining the current level of service. The Authority entered into a three-year contract with the union, effective July 1, 2014, and received increases in the employees’ premium co-pays each year during the term of the contract. The current contract expires on June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Cost-Saving Initiatives (Continued)

The Authority maintains property and casualty insurance coverage as deemed appropriate in consultation with an insurance industry expert. In fiscal year 2008, in order to contain the cost of insuring the bridges, the Board increased the deductible on the marine insurance on the bridges. In FY2016, the Authority competitively bid the commercial insurance policies. The Authority expects significant savings on both property and liability policies beginning in fiscal year 2017. The Board continues to work to find ways to decrease insurance costs.

Commitments

The Authority has ongoing contracts for Phase II of the steel repairs and painting on the Claiborne Pell Bridge. As of June 30, 2016, remaining commitments on these contracts total \$98,023.

The Authority also has contracts for steel repairs and the placement of the median barrier on the Claiborne Pell Bridge. As of June 30, 2016, remaining commitments on these contracts total \$8,605,470.

Contingencies:

A contractor hired by the Authority (the Prime Contractor) submitted a pass-through claim to the Authority on behalf of a subcontractor engaged by the Prime Contractor in which the subcontractor is claiming additional compensation of approximately \$8,100,000 for cleaning and painting the Newport Pell Bridge as a result of the Prime Contractor's performance. The Authority vigorously disputes the matter and denies any liability to the Prime Contractor and subcontractor. At this early stage, the Authority and its legal counsel have determined that it is not possible to fully evaluate the matter, including 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.

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

Finance and Accounting

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

Debt Service

At June 30, 2016, the Authority's debt service consists of bond obligations entered into during 2003, 2010 and 2016. The 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. Principal payments on the 2003 Series A bonds during 2016 totaled \$2,855,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Service (Continued)

The 2010 Series A Revenue bonds were sold by the Authority in the amount of \$50,000,000, and mature in 2039. Principal payments have been deferred until December 2018.

In February 2016, with the approval of the State of Rhode Island (State), the Authority issued 2016 the Series A Motor Fuel Tax Revenue Bond (2016 Bond) in the amount of \$117,590,000. The 2016 Bond was sold at a premium of \$16,333,064 with total proceeds of \$134,223,064, \$60,000,000 of which was used to pay off a \$60,000,000 Bond Anticipation Note (BAN) entered into in February 2014. The remaining proceeds are to be used to fund the updated CIP. Principal payments are due annually, and interest payments semiannually, commencing October 2016, until maturity in 2040.

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 FY2016 on a timely basis. Compliance with restrictions and covenants stipulated in the trust agreement was monitored during the year by the Authority.

During FY2015, the Authority entered into a \$2,000,000 short-term note with the Rhode Island Department of Transportation (RIDOT) through the RIDOT State Infrastructure Bank to fund other capital projects that have been included in the CIP. This note was paid in full in December 2015.

Investments

The Authority's investments comprise 30.7% and 24.1% of assets at June 30, 2016 and 2015, respectively. Under the trust agreement referenced above, "moneys in all funds and accounts shall be invested by the holder of such Fund or Account as soon as practicable upon receipt in Permitted Investments..." The definition of Permitted Investments includes mostly highly-rated fixed-income securities. At June 30, 2016, 92% of the Authority's investments are in the form of money market mutual funds; U.S. Treasury obligations represent approximately 1.1%. Approximately 3.1% of the Authority's investments are in corporate bonds.

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 occasionally to make marketing-related sponsorships of cultural and other events in its host municipalities, which it believes contribute directly to an increase in bridge traffic, especially from local patrons.

A lease agreement for use of the Mount Hope Bridge's former Gatekeeper's House with Roger Williams University continues to result in a favorable arrangement for both parties. The Authority continues to evaluate its operational and physical needs in Bristol, Rhode Island.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Legislative Developments

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

Subsequently, the Rhode Island General Assembly passed the FY2015 State budget, which eliminated the toll on the Sakonnet River Bridge, raised the gas tax and other fees, earmarking \$0.035 of the gas tax to the Authority to fund the additional maintenance costs associated with the addition of the Sakonnet River and Jamestown Verrazano Bridges. Legislation passed in June 2016 for FY2017 continues the gas tax at \$0.035 per gallon. The annual estimated revenue expected from the gas tax in FY2017 is approximately \$15.7 million.

Requests for Information

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

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

STATEMENT OF NET POSITION – JUNE 30, 2016

ASSETS:

Current assets:

Cash and cash equivalents	\$ 13,197,753
Accrued interest receivable	51,958
Prepaid expenses	114,080
Inventory	64,304
Restricted:	
Cash and cash equivalents	12,125,823
Investments	27,524,239
Accounts receivable	<u>2,294,231</u>
 Total current assets	 <u>55,372,388</u>

Noncurrent assets:

Investments	7,458,098
Restricted investments, less current portion	64,087,831
Capital assets not being depreciated	757,409
Capital assets being depreciated, net	<u>194,916,895</u>
 Total noncurrent assets	 <u>267,220,233</u>
 Total assets	 <u>322,592,621</u>

(continued)

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

STATEMENT OF NET POSITION – JUNE 30, 2016 (CONTINUED)

LIABILITIES:

Current liabilities:

Accounts payable	\$ 3,575,011
Accrued interest payable	2,397,235
Accrued expenses	6,357,630
Electronic toll liability	4,372,973
Current portion of bonds payable	<u>4,810,000</u>

Total current liabilities 21,512,849

Bonds payable, less current portion 184,292,027

Total liabilities 205,804,876

DEFERRED INFLOWS OF RESOURCES:

Deferred gain on advance debt refunding 30,037

Commitments and contingencies (Notes 5, 7 and 8)

NET POSITION:

Net invested in capital assets	68,666,970
Restricted	35,352,738
Unrestricted	<u>12,738,000</u>

Total net position \$ 116,757,708

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

Operating revenues:	
Tolls, including violation fees	\$ 20,357,220
Transponder sales	424,599
Gas tax revenue	15,701,231
Other fees	<u>89,997</u>
Total operating revenues	<u>36,573,047</u>
Operating expenses:	
Personnel services	4,205,532
Utilities	431,090
Contractual services	2,203,227
Other supplies and expenses	833,271
Insurance	1,093,060
Repairs and maintenance	955,413
Transponder expense	164,467
Depreciation	<u>12,968,380</u>
Total operating expenses	<u>22,854,440</u>
Operating income	<u>13,718,607</u>
Nonoperating revenues (expenses):	
Interest expense	(4,192,207)
Amortization of bond premium	273,128
Amortization of bond discount	(17,169)
Investment income, net of trustee fees	696,755
Bond issuance costs	(911,006)
Miscellaneous income	<u>141,073</u>
Total nonoperating revenues (expenses)	<u>(4,009,426)</u>
Change in net position	9,709,181
Transfer out	(36,148)
Net position, beginning of year	<u>107,084,675</u>
Net position, end of year	<u><u>\$ 116,757,708</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, 2016

Cash flows from operating activities:	
Cash received from:	
Tolls	\$ 20,621,682
Transponder sales	424,599
Gas tax revenue	15,581,349
Other	89,997
Cash payments to:	
Suppliers for goods and services	(5,600,014)
Events	(36,148)
Employees for services	<u>(2,536,127)</u>
Net cash provided by operating activities	<u>28,545,338</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(36,022,914)
Principal paid on bonds	(62,855,000)
Principal paid on note payable	(906,980)
Bond proceeds	133,923,064
Interest paid on bonds	(4,465,335)
Bond issuance costs	<u>(937,041)</u>
Net cash provided by capital and related financing activities	<u>28,735,794</u>
Cash flows from investing activities:	
Purchases of investments	(137,241,941)
Investment income received	<u>695,641</u>
Net cash used in investing activities	<u>(40,277,250)</u>
Net increase in cash and cash equivalents	17,003,882
Cash and cash equivalents, beginning of year	<u>8,319,694</u>
Cash and cash equivalents, end of year	<u>\$ 25,323,576</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, 2016

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,718,607
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,968,380
Miscellaneous income	141,073
Changes in assets and liabilities:	
Accounts receivable	(378,182)
Inventory	44,687
Prepaid expenses	60,988
Accounts payable	(166,234)
Accrued expenses	1,669,405
Events	(36,148)
Electronic toll liability	522,762
	<hr/>
Net cash provided by operating activities	<u><u>\$ 28,545,338</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, 2016

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

Description of business:

The Rhode Island Turnpike and Bridge Authority (the Authority) was created in 1954 by the Rhode Island General Assembly as a body corporate and politic, with powers to construct, acquire, maintain, and operate bridge projects as defined by law. The Authority was responsible for the construction of the Claiborne Pell Bridge (formerly the Newport Bridge), which was opened for traffic on June 28, 1969, and has been responsible for the operation and maintenance of the Mount Hope Bridge between Bristol, Rhode Island and Portsmouth, Rhode Island and the Claiborne Pell Bridge between Newport, Rhode Island and Jamestown, Rhode Island since 1964 and 1969, respectively. On April 25, 2013, the State of Rhode Island (the State) transferred custody, control and supervision of the land and improvements for the Jamestown Verrazano Bridge and the Sakonnet River Bridge from the Rhode Island Department of Transportation (RIDOT) to the Authority. Ownership and title of the bridges remains with the State. The Claiborne Pell Bridge, Mount Hope Bridge, Jamestown Verrazano Bridge and Sakonnet River Bridge are collectively referred to herein as the bridges.

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

The Authority is exempt from federal and state income taxes.

Financial statement presentation, measurement focus and basis of accounting:

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

Accounts of the Authority are maintained in compliance with the provisions of the Master Indenture of Trust (the Trust Agreement) entered into with the Trustee of the bonds. The Trust Agreement secures the Authority's revenue bonds and requires that the accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applied to governmental entities.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

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

Recent accounting pronouncement:

Effective for the fiscal year ended June 30, 2016, the Authority adopted the provisions of Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application* (GASB 72). GASB 72 describes how fair value should be defined and measured, the use of various valuation techniques, and the disclosures required to be made in the financial statements. The adoption of GASB 72 had no effect on the Authority's financial position at June 30, 2016 or its changes in financial position for the year then ended.

Deferred outflows and inflows of resources:

Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. The Authority had no deferred outflows of resources at June 30, 2016. The Authority's deferred inflows of resources at June 30, 2016 consist of deferred gain on advance debt refunding, determined as the difference between the reacquisition price and net carrying amount of the refunded debt. The deferred gain is being amortized over the life of the 2003 bond (14-1/2 years); amortization is reported as a reduction of interest expense.

Use of estimates:

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

Fair value measurements:

Accounting guidance pertaining to fair value measurements provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs that are not corroborated by market data

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

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

Operating and nonoperating revenues and expenses:

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

Cash and cash equivalents:

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

Investments:

Investments are recorded at fair value using Level 1 inputs, 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, 2016, all investments are reported at fair value.

Restricted assets:

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

Inventory:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

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

Capital assets:

All capital assets are stated at cost. The Authority capitalizes substantially all assets acquired with an original cost basis in excess of \$10,000 for equipment and \$25,000 for bridge and building improvements which have an estimated useful life in excess of one year. The cost of the Claiborne Pell Bridge includes engineering, legal, financial, administrative and other costs incident to the construction of the bridge, less income earned on certain investments during construction. All capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Bridges and bridge improvements	5-100 years
Buildings and land improvements	8-30 years
Equipment	3-20 years

Intangible assets:

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

Accounts receivable:

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

Bond discounts, premiums and issuance costs:

Bond discounts are amortized on a straight-line basis over the life of the related bond (14-½ years and 29-½ years for the 2003 and 2010 bonds, respectively. At June 30, 2016, bond discounts and accumulated amortization total \$1,043,533 and \$335,624, respectively.

Bond premiums are amortized on a straight-line basis over the life of the related bond (25 years for the 2016 Gas Tax Revenue Bond). At June 30, 2016, bond premiums and accumulated amortization total \$16,333,064 and \$290,297, respectively.

Bond discounts and bond premiums, net of accumulated amortization, are presented in the accompanying financial statements as a component of bonds payable.

Bond issuance costs are expensed as 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, 2016

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

Revenue recognition – E-ZPass:

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

Toll charges received in cash for crossing the Claiborne Pell Bridge are recorded as revenue when collected.

Revenue recognition — violation tolls and fees:

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

At June 30, 2016, amounts billed to violators for ORT and AET unpaid violation tolls and fees total \$7,726,377. Amounts not yet billed to violators for AET unpaid violation tolls and fees total \$552,286.

Revenue recognition — gasoline tax receipts:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

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

Investment income:

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

Accrued sick and vacation:

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

Net position:

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

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

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

Unrestricted – a residual category for the balance of net position

2. Cash and investments:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

2. Cash and investments (continued):

Deposits:

The carrying amount of the Authority's cash and cash equivalents at June 30, 2016, including restricted amounts, was \$25,323,576 while the bank balance was \$25,313,528. Of the bank balance, \$974,844 was covered by federal depository insurance and \$15,806,922 was held in fully collateralized repurchase agreements. The remaining balance of \$8,531,762 is uncollateralized.

Investments:

At June 30, 2016, the Authority's investments, including restricted amounts, consist of the following:

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Money market funds	\$ 91,389,879			
United States Treasury/Agency securities:				
United States Treasury Notes	1,067,273	.0625% to 3.000%	01/15/2017 to 8/15/2045	AAA/AA+
United States CMOs/REMICs	51,696	3.000%	3/25/2040	AAA/AA+
Mortgage-backed securities:				
Treasury Inflation Indexed Bonds	300,822	0.125% to 1.375%	1/15/2020 to 1/15/2023	AAA/AA+
Federal Home Loan Mortgage Corporation	313,237	3.000% to 5.500%	6/01/2026 to 4/01/2044	AAA/AA+
Federal National Mortgage Association	1,343,711	2.500% to 6.000%	3/01/2023 to 5/01/2045	AAA/AA+
Government National Mortgage Association	459,780	3.000% to 4.500%	1/20/2044 to 4/20/2045	AAA/AA+
Foreign Government/Agency Debentures	54,438	4.000%	10/07/2019	AA2/AA-/A+

(continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

2. Cash and investments (continued):

Investments (continued):

	Fair value	Interest rate	Maturity	Rating
Corporate bonds:	\$ 81,297	1.708% to 3.75%	2/12/2045 to 3/1/2019	AAA
	45,432	1.550%	7/13/2018	AA3
	40,541	1.750%	5/24/2019	AA2
	32,684	4.375%	5/13/2045	AA1
	299,768	3.125% to 7.717%	2/15/2019 to 11/17/2045	A3
	292,810	2.000% to 5.650%	10/05/2017 to 5/8/2022	A2
	327,549	2.250% to 6.250%	09/15/2017 to 12/15/2022	A1
	296,384	2.800% to 4.800%	6/15/2020 to 4/1/2026	Baa3
	679,848	1.800% to 6.750%	6/12/2017 to 10/01/2037	Baa2
	939,050	2.500% to 6.550%	9/14/2018 to 9/15/2043	Baa1
Foreign corporate bonds:	72,220	4.500%	1/11/2021	AA2
	70,087	1.250%	6/16/2017	AA-
	38,017	4.750%	3/10/2019	A2
	110,708	2.750% to 4.875%	3/26/2020 to 1/24/2022	Baa3
	93,826	5.134%	4/27/2020	Baa2
Municipal bonds:	82,170	2.805%	7/1/2019	A3
	147,845	2.995% to 4.131%	7/1/2020 to 5/15/2045	AA3
	104,196	6.246% to 6.264%	6/1/2035 to 6/15/2042	AA2
	33,589	4.20%	12/1/2021	AA1

(continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

2. Cash and investments (continued):

Investments (continued):

	<u>Fair value</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Rating</u>
Non-agency CMOs/REMICs	\$ 79,121	2.684% to 3.400%	11/15/2044 to 5/15/2045	AAA
Short-term taxable fixed income	<u>222,190</u>	N/A	N/A	
Total investments	<u><u>\$ 99,070,168</u></u>			

Interest rate risk:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

2. Cash and investments (continued):

Investments (continued):

Concentration of credit risk:

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

Custodial credit risk:

Custodial credit risk is the risk that in the event of financial institution failure, the Authority's deposits and/or investments may not be returned. The Authority does not have a deposit or investment policy for custodial credit risk. At June 30, 2016 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, 2015	Additions	Retirements and disposals	Balance, June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 156,093	\$ 507,409	\$ (156,093)	\$ 507,409
Licensing fees	250,000			250,000
Total capital assets not being depreciated	406,093	507,409	(156,093)	757,409
Capital assets being depreciated:				
Bridges *	224,922,097	31,186,586	-	256,108,683
Buildings	7,248,380	567,197		7,815,577
Land improvements	3,681,644	1,808,439		5,490,083
Equipment	14,035,149	3,542,438		17,577,587
Total capital assets being depreciated	249,887,270	37,104,660	-	286,991,930

(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, 2016

3. Capital assets (continued):

	<u>Balance, June 30, 2015</u>	<u>Additions</u>	<u>Retirements and disposals</u>	<u>Balance, June 30, 2016</u>
Capital assets being depreciated (continued):				
Less accumulated depreciation:				
Bridges *	\$ 66,703,986	\$ 10,426,069	\$ -	\$ 77,130,055
Buildings	3,555,026	642,379		4,197,405
Land improvements	1,044,322	21,581		1,065,903
Equipment	<u>7,803,321</u>	<u>1,878,351</u>		<u>9,681,672</u>
Total accumulated depreciation	<u>79,106,655</u>	<u>12,968,380</u>	<u>-</u>	<u>92,075,035</u>
Capital assets being depreciated, net	<u>170,780,615</u>	<u>24,136,280</u>	<u>-</u>	<u>194,916,895</u>
Capital assets, net	<u>\$ 171,186,708</u>	<u>\$ 24,643,689</u>	<u>\$ (156,093)</u>	<u>\$ 195,674,304</u>

* Mount Hope and Claiborne Pell bridges

At June 30, 2016, capitalized interest included in capital assets totaled \$4,783,416.

4. Bonds payable:

On July 31, 2003, the Authority issued \$35,765,000 of Series 2003A Taxable Refunding Revenue Bonds (Series 2003A Bonds) as an advance refunding of the Series 1997 Revenue Bonds. At June 30, 2016, principal outstanding under the Series 2003A Bonds is \$6,160,000. 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, 2016, the Authority had no obligations related to the defeased Series 1997 Bonds.

The Series 2003A Bonds are fixed-rate bonds bearing interest at rates ranging from 1.15% to 5.23%, payable semi-annually on December 1 and June 1. Principal repayments of the bonds are due annually with a final payment due on December 1, 2017. The Series 2003A Bonds will not be subject to optional redemption prior to maturity but are subject to special mandatory redemption as provided in the Series 2003A bond agreement. At June 30, 2016, the Authority has in-substance defeased debt of approximately \$6,254,894, representing outstanding bonds related to the 1965, 1965A, 1965B and 1967 bond issues. The proceeds from the Series 1997 Bonds were placed into an irrevocable trust to provide for all future debt service payments on the refunded revenue bonds. The assets of the trust account and the liability for the defeased bonds have not been included in the financial statements of the Authority.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

4. Bonds payable (continued):

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

In February 2016, with the approval of the State, the Authority issued 2016 Series A Motor Fuel Tax Revenue Bonds (2016 Bonds) in the amount of \$117,590,000. The 2016 Bonds were sold at a premium of \$16,333,064 with total proceeds of \$134,223,064, of which \$60,000,000 was used to pay off a \$60,000,000 Bond Anticipation Note (BAN) entered into in February 2014. The remaining proceeds are to be used to fund future capital renovations and repairs. The Series 2016 Bonds are fixed-rate bonds bearing interest at rates ranging from 3% to 5%, payable semi-annually on October 1 and April 1. Principal payments are due annually, and interest payments semiannually commencing October 2016, until maturity in 2040.

During the year ended June 30, 2016, changes in bonds payable consisted of the following:

	Balance, June 30, 2015	Additions	Retirements/ amortization	Balance, June 30, 2016	Amount due in one year
Revenue bonds payable	\$ 59,015,000	\$ 117,590,000	\$ 2,855,000	\$173,750,000	\$ 4,810,000
Bond premium (discounts)	(725,078)	16,350,233	273,128	15,352,027	
Total bonds payable	<u>\$ 58,289,922</u>	<u>\$ 133,940,233</u>	<u>\$ 3,128,128</u>	<u>\$189,102,027</u>	<u>\$ 4,810,000</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, 2016

4. Bonds payable (continued):

The following represents debt service and sinking fund requirements to maturity as of June 30, 2016:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,810,000	\$ 8,848,661	\$ 13,658,661
2018	5,920,000	7,728,428	13,648,428
2019	4,225,000	7,510,063	11,735,063
2020	4,385,000	7,348,600	11,733,600
2021	4,595,000	7,139,000	11,734,000
2022-2025	26,245,000	32,433,584	58,678,584
2026-2031	32,960,000	25,708,700	58,668,700
2032-2036	41,600,000	17,095,547	58,695,547
2037-2041	49,010,000	5,973,550	54,983,550
	<u>\$ 173,750,000</u>	<u>\$ 119,786,133</u>	<u>\$ 293,536,133</u>

5. Commitments:

Toll Lane Implementation and Maintenance Contract:

The Authority has a contract with Telvent Caseta Technologies for ongoing maintenance service related to the electronic toll system E-ZPass. The contract's original term expired on May 1, 2014 and has been extended through November 30, 2019 with an approximate annual cost of \$163,000 beginning November 2016.

E-ZPass Customer Service Contract:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

5. Commitments (continued):

E-ZPass Customer Service Contract (continued):

During the year ended June 30, 2013, the Authority entered into a contract with Duncan Solutions/Law Enforcement Systems (LES) to perform the noticing and collection effort for toll violations on the Claiborne Pell Bridge. In anticipation of the establishment of all-electronic tolling (AET) and subsequent invoicing and collection of post-paid tolls on the Sakonnet River Bridge, the Authority entered into a partnership with LES to design and construct the toll collection system, including the gantry and the purchase and installation of all necessary cameras, laser-readers and computer equipment. Under the terms of the original agreement, the Authority was to repay LES its original investment of \$3,000,000 over time through fees collected. During the fiscal year ended June 30, 2014, the tolls for the Sakonnet River Bridge were materially modified from the tolls set forth in the agreement through legislative actions passed by the State; specifically, the tolls were initially reduced to \$0.10 per vehicle and later totally eliminated. As a result of this modification, the agreement was renegotiated and, in lieu of a payment of \$3,000,000 to LES over time through fees collected, the Authority was required to make a payment of \$2,000,000, with the remaining \$1,000,000 due and payable. In March 2015, the Authority amended its contract with LES to provide billing and collection services related to ORT violations. The contract provides for payments to LES of \$100,000 per month through 2016. Additionally, the contract provides for payments of 25% of all amounts which are collected by LES 14 days after the date of invoice. The expense for contract fees was also reduced from 33% to 25%. The remaining \$1,000,000 will be waived upon the Authority paying its monthly contract fee of \$100,000 through September 30, 2016; therefore, it is being amortized on a straight-line basis through the term of the agreement and reported as a reduction to contract services expense. At June 30, 2016, \$187,000 is included in accrued expenses.

Construction in progress:

The Authority has ongoing contracts for Phase II of the steel repairs and painting on the Claiborne Pell Bridge. As of June 30, 2016, remaining commitments on these contracts total \$98,023.

The Authority also has contracts for steel repairs and the placement of the median barrier on the Claiborne Pell Bridge. As of June 30, 2016, remaining commitments on these contracts total \$8,605,470.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

5. Commitments (continued):

Collective bargaining agreement:

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

6. Tax deferred savings incentive plan:

The Authority sponsors an employee tax-deferred savings incentive 401(k) plan (the Rhode Island Turnpike & Bridge Authority Retirement Plan established in 1985; the Plan), which is available to employees who meet the Plan's eligibility requirements. The investments held by the Plan, a defined contribution plan, are managed by third-party service providers and the Plan is administered by Meridien. Under the Plan, employees may contribute up to 5% of compensation and the Authority provides a matching contribution. The Authority may also make a supplemental contribution such that its total annual contribution does not exceed 10% of employee adjusted net compensation. The 10% limit includes the aggregate of the life insurance costs as well as the 401(k) contribution. The employees' contribution to the Plan for fiscal year 2016 was \$182,062, while the total cost of the matching and supplemental employer contribution for fiscal year 2016 was \$176,358. The Authority contributes 3.4% of the employees' salary to the Plan and also provides an additional match of up to 5% of the employees' salary. The payroll for employees covered by the Plan for fiscal year 2016 was \$2,351,118 and the Authority's total payroll was \$3,365,390. 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.

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, the Authority has not recorded a reserve for such claims at June 30, 2016.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

8. Contingencies:

A contractor hired by the Authority (the Prime Contractor) submitted a pass-through claim to the Authority on behalf of a subcontractor engaged by the Prime Contractor in which the subcontractor is claiming additional compensation of approximately \$8,100,000 for cleaning and painting the Newport Pell Bridge as a result of the Prime Contractor's performance. The Authority vigorously disputes the matter and denies any liability to the Prime Contractor and subcontractor. At this early stage, the Authority and its legal counsel have determined that it is not possible to fully evaluate the matter, including 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.

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

9. Restatement of components of net position:

Management has determined that the components of net position at June 30, 2016, were incorrectly reported. The originally reported amount of net position invested in capital assets was not reduced by the amount of outstanding bond obligations, net of unused debt proceeds and reserves funded by debt proceeds, and certain other amounts. Also, the originally reported amount of restricted net position included reserves funded by debt proceeds which should have been considered in the determination of the amount of net position invested in capital assets. The correction of this error had no effect on the amount of total net position at June 30, 2016, or on the change in net position for the year ended June 30, 2016, as originally reported.

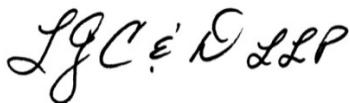
At June 30, 2016, the components of net position are as follows:

Component of net position	As originally reported	As restated
Net invested in capital assets	\$ 195,424,304	\$ 68,666,970
Restricted	41,944,293	35,352,738
Unrestricted (deficit)	(120,610,889)	12,738,000
 Total net position	 <u>\$ 116,757,708</u>	 <u>\$ 116,757,708</u>

Independent Auditors' Report on Accompanying Information

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Rhode Island Turnpike and Bridge Authority, a component unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 34 through 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Providence, Rhode Island
September 26, 2016
February 1, 2017 with respect to
supplementary information on Page 38

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, 2016

	<u>Claiborne Pell Bridge</u>
Traffic count (unaudited):	
Vehicle fares paid with ETC	9,366,535
Vehicle fares paid with cash	<u>1,488,060</u>
	<u><u>10,854,595</u></u>
Toll revenues (audited):	
Vehicle fares paid with ETC	\$ 13,353,732
Vehicle fares paid with cash	<u>6,018,280</u>
	<u><u>\$ 19,372,012</u></u>

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2016

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
7/1/2015	Earl Croft	IBTTA Conference, Miami	\$ 506
7/1/2015	Eric Offenber	IBTTA Conference, Dublin	979
7/1/2015	Stephen Waluk	IBTTA Conference, Dublin	917
7/1/2015	J Romano, Eric Offenber	IBTTA Maintenance Conference, Olahoma City	776
7/1/2015	M Bonsignor	IBTTA Conference, Dublin	425
7/17/2015	East Ferry Deli	Board Meeting Supplies	36
7/17/2015	Kathryn O'Connor	All Electronic Tolling Meeting, IBTTA	734
7/17/2015	Michael Bonsignore	IBTTA Dublin	780
7/28/2015	Kathryn O'Connor	IBTTA Conference, Miami	868
7/28/2015	Stephen Waluk	IBTTA Conference, Dublin	650
7/28/2015	Eric Offenber	IBTTA Conference, Dublin	425
7/28/2015	Kathryn Coleman	IBTTA Conference, Dublin	425
7/28/2015	Croft, O'Connor	IBTTA Conference, Miami	56
7/28/2015	Earl Croft	IBTTA Conference, Miami	402
7/31/2015	Earl Croft	Lunch and Parking IBTTA	36
8/18/2015	East Ferry Deli	Board Meeting Supplies	36
8/18/2015	McQuade's Marketplace	Office Water	6
8/28/2015	Kathryn Coleman	IBTTA Dublin	913
8/28/2015	Bus Service	IBTTA Dublin	33
9/3/2015	Michael Bonsignore	Taxi fare in Dublin	25
9/23/2015	Earl Croft	Travel Lunch, IBTTA Dublin	7
9/23/2015	Earl Croft	Taxi Dublin IBTTA	15
9/23/2015	Earl Croft	Travel Lunch, IBTTA Dublin	13
9/23/2015	Earl Croft	AirFare IBTTA Dublin	921
9/23/2015	Croft, Waluk, O'Connor, Coleman, Offenber	Hotel IBTTA, Dublin	3,398
9/23/2015	Earl Croft	Cab fare Ireland Meeting	104
9/23/2015	Marianne Durgin	Interoperability Mtg.	129
9/23/2015	Marianne Durgin	Office Water	4
10/7/2015	East Ferry Deli	Board Meeting Supplies	45
10/23/2015	Earl Croft	Travel Insurance, IBTTA	25
10/23/2015	Earl Croft	IBTTA Conference, Washington, DC	554
10/23/2015	East Ferry Deli	Board Meeting Supplies	45
11/4/2015	East Ferry Deli	Board Meeting Supplies	49
12/2/2015	Earl Croft	IBTTA, Miami	253
12/10/2015	M. Durgin	Board Meeting Supplies	10
12/10/2015	S. Clarke	In house meeting supplies	32
12/10/2015	Earl Croft	Airport Parking	3
12/18/2015	Earl Croft	IBTTA, Washington, DC Professional Development	438
12/18/2015	Earl Croft	IBTTA, Miami	238
12/18/2015	Kathryn O'Connor	All Electronic Tolling Meeting, IBTTA Travel Expense	131
1/7/2016	East Ferry Deli	Board Meeting Supplies	39
2/1/2016	Earl Croft	IBTTA Conference, Washington, DC	436
2/1/2016	Kathryn Coleman, Kathryn O'Connor	IBTTA Conference, Washington, DC	71
2/1/2016	Kathryn O'Connor	Duncan & Sanef Mtg	263
2/2/2016	East Ferry Deli	Board Meeting Supplies	39
2/2/2016	Eric Offenber	Ireland Parking	100
2/2/2016	McQuade's Marketplace	Office Water	6
2/15/2016	M. Durgin	Board Meeting Supplies	3
2/15/2016	M. Durgin	Board Meeting Supplies	16

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, 2016

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
2/15/2016	Kathryn Coleman	In House meeting supplies	\$ 6
2/23/2016	Earl Croft	Interoperability Meeting	226
2/23/2016	M Bonsignor	Review of Toll Plaza Configuration Meeting, TX	620
2/23/2016	Michael Bonsignore	Meals-Ireland	77
3/11/2016	East Ferry Deli	Board Meeting Supplies	39
3/17/2016	Kathryn Coleman	IBTTA Conference, Washington, DC	575
3/24/2016	Kathryn Coleman	IBTTA Conference, Washington, DC	358
3/24/2016	M Bonsignor	Review of Toll Plaza Configuration Meeting, TX	415
3/24/2016	Earl Croft	IBTTA Conference, Washington, DC	1,378
3/24/2016	Kathryn Coleman	IBTTA Conference, Washington, DC	637
3/24/2016	James Toner	Rope Access Safety Training Lodging Reimbursement	684
4/19/2016	East Ferry Deli	Board Meeting Supplies	39
4/22/2016	Earl Croft	IBTTA Conference, Washington, DC	312
4/22/2016	M. Durgin	Board Meeting Supplies	33
5/12/2016	James Toner	Rope Access Safety Training	147
5/26/2016	Kathryn O'Connor	IBTTA Conference, Washington, DC	661
5/26/2016	Earl Croft	IBTTA Conference, Washington, DC	109
6/13/2016	East Ferry Deli	Board Meeting Supplies	39
6/17/2016	Kathryn O'Connor	EMC Mtg.	167
6/21/2016	Eric Offenber	IBTTA Conference, Nova Scotia	677
6/21/2016	Kathryn Coleman	IBTTA Summit, Boston	620
6/21/2016	Ryan Stinson	IBTTA Summit, Boston	610
6/21/2016	Kathryn O'Connor	IBTTA Summit, Boston	575
6/28/2016	Kathryn O'Connor	I-95 Corridor Coalition & NCC	77
6/30/2016	Eric Offenber	IBTTA Conference, Nova Scotia	1,455
			<u><u>\$ 26,951</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2016

Statement of Net Position

Attachment B

Assets

Current assets:

Cash and cash equivalents	\$ 13,197,753
Receivables	51,958
(Receivables allowance)	

Restricted assets:

Cash and cash equivalents	12,125,823
Investments	27,524,239
Other assets	786,034
Due from primary government	1,508,197
Due from other governments	
Inventories	64,304
Other assets	114,080

Total current assets	55,372,388
----------------------	------------

Noncurrent assets:

Investments	7,458,098
Receivables	
(Receivables allowance)	

Restricted assets:

Cash and cash equivalents	
Investments	64,087,831
Other assets	

Capital assets - nondepreciable	757,409
---------------------------------	---------

Capital assets - depreciable (net)	194,916,895
------------------------------------	-------------

Other assets, net of amortization

Total noncurrent assets	267,220,233
-------------------------	-------------

Total assets	322,592,621
--------------	-------------

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

JUNE 30, 2016

<u>Statement of Net Position (continued)</u>	<u>Attachment B</u>
Liabilities	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 12,329,876
Due to primary government	
Due to (from) other component units	
Due to other governments	
Deferred revenue	
Other liabilities	4,372,973
Current portion of long-term debt	4,810,000
Total current liabilities	21,512,849
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	184,292,027
Total noncurrent liabilities	184,292,027
Total liabilities	205,804,876
Deferred inflows of resources	
Deferred gain on advance debt refunding	30,037
Net position	
Net invested in capital assets	68,666,970
Restricted for:	
Debt	35,352,738
Other	
Other nonexpendable	
Unrestricted	12,738,000
Total net position	\$ 116,757,708

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, 2016

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ 27,737,842
Program revenues:	
Charges for services	20,871,816
Operating grants and contributions	
Capital grants and contributions	
Total program revenues	<u>20,871,816</u>
Net (expenses) revenues	<u>(6,866,026)</u>
General revenues:	
Gas tax revenue	15,701,231
Interest and investment earnings	696,755
Miscellaneous revenue	141,073
Total general revenue	<u>16,539,059</u>
Special items	
Extraordinary items	
Change in net position	<u>9,673,033</u>
Total net position - beginning	<u>107,084,675</u>
Total net position - ending	<u><u>\$ 116,757,708</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2016

Fiscal Year Ending June 30,	<u>Long-Term Debt</u>	<u>Attachment D</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,810,000	\$ 8,848,661	\$ 13,658,661
2018	5,920,000	7,728,428	13,648,428
2019	4,225,000	7,510,063	11,735,063
2020	4,385,000	7,348,600	11,733,600
2021	4,595,000	7,139,000	11,734,000
2022-2026	26,245,000	32,433,584	58,678,584
2027-2031	32,960,000	25,708,700	58,668,700
2032-2036	41,600,000	17,095,547	58,695,547
2037-2041	<u>49,010,000</u>	<u>5,973,550</u>	<u>54,983,550</u>
	<u>\$ 173,750,000</u>	<u>\$ 119,786,133</u>	<u>\$ 293,536,133</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, 2016

Schedule of Changes in Long-Term Debt

Attachment E

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 59,015,000	\$ 117,590,000	\$ 2,855,000	\$ 173,750,000	\$ 4,810,000	\$ 168,940,000
Net unamortized premium/discount	(725,078)	16,350,233	273,128	15,352,027		15,352,027
Bonds payable	58,289,922	133,940,233	3,128,128	189,102,027	4,810,000	184,292,027
Notes payable, BAN					-	-
Notes payable, BANs	60,000,000		60,000,000	-		
Loans payable						-
Obligations under capital leases				-		-
Net OPEB obligation				-		-
Compensated absences				-		-
Due to primary government	906,980	-	906,980	-		-
Due to other governments and agencies				-		-
Unearned revenue				-		-
Due to component units				-		-
Included in other liabilities:				-		-
Arbitrage rebate				-		-
Pollution remediation				-		-
Items not listed above				-		-
Other liabilities	-	-	-	-	-	-
	<u>\$ 119,196,902</u>	<u>\$ 133,940,233</u>	<u>\$ 64,035,108</u>	<u>\$ 189,102,027</u>	<u>\$ 4,810,000</u>	<u>\$ 184,292,027</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Rhode Island Turnpike and Bridge Authority (the Authority), a component unit of the State of Rhode Island, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2016, February 1, 2017 for Note 9.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

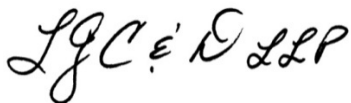
Board of Directors
Rhode Island Turnpike and Bridge Authority

Compliance and Other Matters

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

Purpose of This Report

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



Providence, Rhode Island
September 26, 2016