

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis,
Financial Statements and
Supplementary Information
December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)

NEW YORK STATE BRIDGE AUTHORITY

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 7
Financial Statements:	
Balance Sheets	8
Statements of Revenue, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 24
Required Supplementary Information - Bridge System Assessments	25 - 26
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 <u>Government Auditing Standards</u>	27 - 28
Independent Auditors' Report on Investment Compliance	29

* * * * *

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD, STE 115
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT

To the Governing Board
New York State Bridge Authority:

We have audited the accompanying basic financial statements of the New York State Bridge Authority (the Authority) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. 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 audits.

We conducted our audits 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 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 audits provide 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 New York State Bridge Authority as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2012 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, grants 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and bridge system assessments on pages 3 through 7 and 25 and 26 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 the financial reporting for placing the basic 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 1, 2012

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis
December 31, 2011

The management's discussion and analysis serves to introduce the other elements of the financial section of this annual report. Included are the basic financial statements, notes to the financial statements and other supplementary financial information. The objective of this analysis is to enhance the understandability and usefulness of the external financial reports. As in previous years, the New York State Bridge Authority (the Authority) is providing a comparative analysis of certain financial information.

FINANCIAL HIGHLIGHTS

Toll revenue in 2011 totaled \$37.2 million, \$0.4 million below the previous year and \$0.2 million above 2009. Other income was \$2.9 million, an increase of \$2.4 million over prior year due to a Federal grant, changes to overweight fees, advertising on Authority's facilities and leasing fiber optic cables across bridges.

Total operating expenses of \$42.7 million increased by \$3.7 million. This 9.4% increase was the result of increased rehabilitation, reconstruction and bridge repairs of \$2.4 million and depreciation of \$1.8 million.

Net assets at December 31, 2011 were \$93.4 million, which was \$4.2 million below the prior year.

BASIC FINANCIAL STATEMENTS

The Authority's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Government Accounting Standards Board. These statements are designed to afford an overview of the Authority's finances and consist of the balance sheets, statements of revenue, expenses and changes in net assets and the statements of cash flows.

The notes to the financial statements include additional information necessary to provide a further understanding of the basic financial statements.

Other supplemental financial information serves to give the reader additional knowledge with regard to the condition of the bridge system and capital improvement expenditures.

FINANCIAL STATEMENT ANALYSIS

Balance Sheets

The balance sheets present information on the Authority's assets and liabilities, reporting net assets at year-end. Increases or decreases in net assets may indicate whether or not an entity's financial position is improving. A condensed summary of the Authority's balance sheets is shown on the following pages.

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis, Continued

	December 31	
	2011 (In 000's)	2010 (In 000's)
Assets		
Current assets	\$ 33,366	42,373
Noncurrent assets:		
Capital assets	120,731	122,409
Other noncurrent assets	583	207
Total assets	\$ 154,680	164,989
Liabilities		
Current liabilities	9,003	10,800
Noncurrent liabilities:		
General revenue bonds	32,410	41,715
Other noncurrent liabilities	19,884	14,888
Total liabilities	61,297	67,403
Net assets		
Invested in capital assets	120,731	122,409
Restricted	20,525	30,475
Unrestricted	(47,873)	(55,298)
Total net assets	93,383	97,586
Total liabilities and net assets	\$ 154,680	164,989

Statements of Revenue, Expenses and Changes in Net Assets

The statements of revenue, expenses and changes in net assets show the effect of income and expenses on the Authority's net assets for the year. These statements are prepared on an accrual basis, meaning revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur. The Authority's statements for 2011 and 2010 are summarized as follows:

	December 31	
	2011 (In 000's)	2010 (In 000's)
Operating revenue:		
Toll revenues	\$ 37,242	37,669
Other income	2,882	511
Total operating revenue	40,124	38,180
Operating expenses:		
Salaries	10,128	10,718
Employee benefits	6,985	7,471
Commercial insurance	1,535	1,402
Rehabilitation, reconstruction and bridge repairs	15,304	12,950
Electronic toll costs	3,224	3,165
Other	5,546	3,337
Total operating expenses	42,722	39,043
Operating loss	(2,598)	(863)

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis, Continued

	December 31	
	2011	2010
	(In 000's)	(In 000's)
Nonoperating revenue (expenses):		
Interest income	\$ 377	414
Interest expense and other	<u>(1,982)</u>	<u>30,500</u>
Total nonoperating revenue (expenses)	<u>(1,605)</u>	<u>30,914</u>
Increase (decrease) in net assets	(4,203)	30,051
Net assets at beginning of year	<u>97,586</u>	<u>67,535</u>
Net assets at end of year	\$ <u>93,383</u>	<u>97,586</u>

Toll receipts, accounting for the majority of operating revenue, totaled \$37.2 million, a decrease of \$0.4 million. As the economy continued to struggle with the rise in fuel prices during the middle of 2011, the traffic volumes and revenue declined in both passenger and commercial categories. Passenger car volumes declined by 1.3% and revenue by 1.4%. Commercial volumes declined by 0.8% and revenue by 1.8%. Although volumes for passenger were down more than commercial, the higher tolled commercial traffic contributed equally to passenger cars to the \$0.4 million reduction in revenue.

The cost of operations increased \$3.7 million for the year as depreciation increased by \$1.8 million and rehabilitation, reconstruction and bridge repairs increased by \$2.4 million due mainly to the Walkway Over The Hudson. Salaries and employee benefits decreased \$0.6 million and \$0.5 million, respectively. This was due primarily to 20 employees utilizing the 2010 retirement incentive with the majority of the positions not being replaced. Professional services increased by \$0.3 million attributed to the rotation of bridge inspections.

Non-operating revenue is from interest income on investments. Interest income was slightly lower, \$0.04 million, than 2010 as interest rates on government obligations in which the Authority invests continued at historically low levels.

Interest paid on the Authority's outstanding bonds, which totaled approximately \$2.0 million this year, accounted for substantially all of the non-operating expenses. The Authority refinanced its General Revenue Bonds, Series 2002 (the "Series 2002 Bonds") in December 2011 and will make the last payment on its General Revenue Bonds, Series 1997 and Series 2002 bonds on January 1, 2012.

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis, Continued

Statements of Cash Flows

The statements of cash flows present information on the major sources and uses of cash during the year, showing net cash provided or used in operating, capital financing and investing activities.

Net cash of \$0.1 million provided by operating activities was down \$3.1 million. This reflected \$4.4 million in higher payments to suppliers and contractors and \$0.7 million in higher payments for wages and employee benefits. The increase in other receipts of \$2.4 million reduced the outflow.

Principal and interest payments on Authority bonds increased as a result of the refinancing in 2011 and the final payment on the 1997 series bonds. Cash flows from investing activities resulted in net cash of \$12.8 million, which includes interest earned on investments and net cash resulting from the purchase and sale of investments.

The supplemental disclosure of non-cash activity is the result of the refinancing of the Authority's Series 2002 bonds. The Authority issued its General Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds") in an amount of \$32.4 million to refund \$35.5 million of the outstanding Series 2002 bonds, resulting in a \$3.3 million net present value savings. The final maturity of the Series 2011 bonds was not extended and remains January 1, 2017.

AUTHORITY BUDGET

The Authority's 2011 budget projected collections of \$38.0 million, a \$0.4 million increase over 2010. Budget revenue was \$0.8 million above the actual. Reductions as compared to prior year in both passenger and commercial traffic drove the collection decrease. Overall traffic decreased from 2010 by 692,000 vehicles generating \$0.4 million in reduced revenue. Commercial traffic decreased from 2010 by 30,000 vehicles generating a \$0.2 million decrease. The Authority budgeted Federal grants of \$2.6 million which was \$0.1 million above actual. The progress of the construction of The Port Authority of New York and New Jersey, the entity administering the Federal grant, project has extended into 2012. The remaining grant funds are expected upon completion of the related projects. Additionally, interest rates on Authority investments continued at historically low levels, interest income of \$0.4 million was materially consistent with the budget.

2011 operating expenses of \$42.7 million came in lower than the Authority's operating and capital improvement plan budget by \$5 million due to deferring some capital program projects and retirements from the 2010 retirement incentive that were not anticipated. The day-to-day operating budget, which was forecasted at \$26.8 million, came in at \$27.4 million. This included the \$1.6 million in depreciation for the Walkway Over The Hudson that was not budgeted. Operating reductions compared to budget were primarily the result of the 2010 retirement incentive for the employees who elected to take the incentive after the 2011 budget was finalized.

NEW YORK STATE BRIDGE AUTHORITY
Balance Sheets
December 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and equivalents	\$ 11,243,793	8,837,391
Investments	18,633,058	31,057,268
Accounts receivable	1,729,921	1,730,188
Prepaid expenses	1,625,195	707,272
Bond issuance costs	134,310	41,347
Total current assets	<u>33,366,277</u>	<u>42,373,466</u>
Noncurrent assets:		
Bond issuance costs	583,411	206,733
Capital assets, net	36,372,403	38,050,583
Bridge system	84,358,269	84,358,269
Total noncurrent assets	<u>121,314,083</u>	<u>122,615,585</u>
Total assets	<u>\$ 154,680,360</u>	<u>164,989,051</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	1,572,097	1,576,974
Accrued wages, payroll taxes and fringe benefits	362,363	1,470,271
Contracts payable	603,359	632,771
Accrued interest on bonds	149,025	1,144,023
Bond premium	136,025	76,011
General revenue bonds, current portion	6,180,000	5,900,000
Total current liabilities	<u>9,002,869</u>	<u>10,800,050</u>
Noncurrent liabilities:		
Accrued fringe benefits	16,810,699	14,508,045
Bond premium	3,074,123	380,057
General revenue bonds	32,410,000	41,715,000
Total noncurrent liabilities	<u>52,294,822</u>	<u>56,603,102</u>
Net assets:		
Invested in capital assets	120,730,672	122,408,852
Restricted for:		
Debt service	7,552,154	8,165,101
Insurance	8,908,911	8,607,056
Maintenance reserve	4,064,414	13,702,925
Unrestricted (deficiency)	<u>(47,873,482)</u>	<u>(55,298,035)</u>
Total net assets	<u>93,382,669</u>	<u>97,585,899</u>
Commitments and contingencies (note 13)		
Total liabilities and net assets	<u>\$ 154,680,360</u>	<u>164,989,051</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue:		
Toll revenue	\$ 37,241,713	37,668,652
Other income	<u>2,881,895</u>	<u>511,128</u>
Total operating revenue	<u>40,123,608</u>	<u>38,179,780</u>
Operating expenses:		
Salaries	10,127,816	10,718,175
Employee benefits	6,984,566	7,471,135
Utilities	682,404	677,298
Insurance	1,534,904	1,401,805
Professional services	818,790	530,199
Supplies and materials	197,794	221,922
Equipment expense	353,601	193,109
Maintenance and repairs	566,944	548,099
Rehabilitation, reconstruction and bridge repairs	15,303,580	12,949,595
Electronic toll costs	3,223,906	3,164,671
Depreciation	2,416,480	612,990
Other	<u>511,117</u>	<u>553,635</u>
Total operating expenses	<u>42,721,902</u>	<u>39,042,633</u>
Operating loss	<u>(2,598,294)</u>	<u>(862,853)</u>
Nonoperating revenue (expenses):		
Interest income	376,888	413,798
Capital addition for Walkway Over The Hudson pedestrian bridge	-	32,758,706
Amortization of bond issuance costs	(41,347)	(41,347)
Interest and other expenses	<u>(1,940,477)</u>	<u>(2,217,534)</u>
Total nonoperating revenue (expenses)	<u>(1,604,936)</u>	<u>30,913,623</u>
Increase (decrease) in net assets	(4,203,230)	30,050,770
Net assets at beginning of year	<u>97,585,899</u>	<u>67,535,129</u>
Net assets at end of year	<u>\$ 93,382,669</u>	<u>97,585,899</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
 Statements of Cash Flows
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Toll revenue	\$ 37,241,980	37,637,271
Payments to suppliers	(7,891,715)	(6,470,475)
Payments to contractors	(16,253,537)	(13,286,995)
Payments for wages and employee benefits	(15,917,636)	(15,169,370)
Other receipts	<u>2,881,895</u>	<u>511,128</u>
Net cash provided by operating activities	<u>60,987</u>	<u>3,221,559</u>
Cash flows from capital financing activities:		
Purchases of capital assets, net	(738,300)	(483,706)
Principal paid on bonds payable	(5,988,176)	(5,640,000)
Interest paid on bonds payable	(3,011,486)	(2,424,921)
Bond issuance costs paid	<u>(717,721)</u>	<u>-</u>
Net cash used in capital financing activities	<u>(10,455,683)</u>	<u>(8,548,627)</u>
Cash flows from investing activities:		
Proceeds from sale of investments, net	12,424,210	4,583,573
Interest on investments	<u>376,888</u>	<u>413,798</u>
Net cash provided by investing activities	<u>12,801,098</u>	<u>4,997,371</u>
Net increase (decrease) in cash and equivalents	2,406,402	(329,697)
Cash and equivalents at beginning of year	<u>8,837,391</u>	<u>9,167,088</u>
Cash and equivalents at end of year	<u>\$ 11,243,793</u>	<u>8,837,391</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	(2,598,294)	(862,853)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	2,416,480	612,990
Changes in:		
Accounts receivable	267	(31,381)
Prepaid expenses	(917,923)	(156,265)
Accounts payable and accrued expenses	(4,877)	235,320
Accrued wages, payroll taxes and fringe benefits	1,194,746	3,019,940
Contracts payable	<u>(29,412)</u>	<u>403,808</u>
Net cash provided by operating activities	<u>\$ 60,987</u>	<u>3,221,559</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements

December 31, 2011 and 2010

(1) Organization

The New York State Bridge Authority (Authority) is a Public Benefit Corporation created in 1932 and existing pursuant to Title 2, of Article 3 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York (the Act). The Act provides that the Authority shall continue its corporate existence and operate and maintain its bridge facilities so long as it shall have bonds or other obligations outstanding and until its existence shall be terminated by law. The Authority, which currently operates and maintains the Rip Van Winkle, Kingston-Rhinecliff, Mid-Hudson, Newburgh-Beacon, and Bear Mountain bridges crossing over the Hudson River, consists of a seven member Board appointed by the Governor with the advice and consent of the Senate. Since the Authority has no component units or potential component units, the accompanying financial statements include only the accounts of the Authority. The Authority's financial statements are included in the New York State Comprehensive Annual Financial Report.

(2) Significant Accounting Policies

(a) Basis of Presentation, Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Authority's reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The operations of the Authority are reported under the business-type activities model and, as such, are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Within this measurement focus, all assets and liabilities associated with operations are included on the balance sheets with revenues recorded when earned and expenses recorded at the time the liabilities are incurred. The business-type activities model requires the Authority to include a balance sheet, a statement of revenue, expenses and changes in net assets and a statement of cash flows. The statements require the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets - This component of net assets consists of capital assets, net of accumulated depreciation, reduced (as applicable) by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(a) Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

Restricted Net Assets - This component of net assets consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets".

For internal accounting and reporting, the accounts of the Authority are maintained in conformity with fund accounting. Fund accounting facilitates the observance of statutory limitations and restrictions on the use of resources.

The following funds were established by the Authority in compliance with Article V, Section 5.02 of the General Revenue Bond Resolution ("Series 1997 Resolution") adopted December 19, 1996. These funds are grouped by fund type in accordance with generally accepted accounting principles for governmental entities. All monies are to be transferred to such funds in accordance with terms outlined below, and held in depository by the designated Trustee, with the exception of the operating fund.

(1) General Fund

(a) Revenue Fund

Established to receive daily tolls and make payments to the designated funds in accordance with the terms outlined below.

(b) Operating Fund

Established to make payments from amounts received from the revenue fund, as may be required for the reasonable and necessary operating expenditures of the Authority. Amounts to be maintained in the operating fund are limited to the amounts not more than sufficient to provide for reasonable and necessary operating expenditures for the remainder of the current month and ensuing two months.

(c) General Fund

Established to hold monies not required by other Authority designated funds, for any other lawful corporate purpose of the Authority.

(2) Debt Service Funds

(a) Debt Service Fund

Established to make principal and interest payments to the Trustee or paying agent required by the Series 1997 Resolution, from amounts received from the revenue fund.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(a) Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

(2) Debt Service Funds, Continued

(b) Debt Service Reserve Fund

Established to receive payments from the revenue fund to the extent necessary to make the amount in such fund, as of the date of the calculation, equal to the maximum amount of principal and interest due to be paid on bonds then outstanding in the then current or any future fiscal year to which the calculation relates, excluding interest to be paid from monies held in the debt service fund.

(c) Subordinated Indebtedness Fund

Established to issue evidences of indebtedness payable out of, and which may be secured by a pledge of, such amounts in the subordinated indebtedness fund or general fund as may from time to time be available for the purpose of payment thereof.

(d) Rebate Fund

Established to hold monies for rebates of certain investment earnings.

(3) Capital Projects Fund

(a) Construction Fund

Established to hold monies paid into it from the sale of bonds to pay for costs of "The Project" or any "Additional Projects" as defined in the Series 1997 Resolution. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms of the Series 1997 Resolution.

(b) Maintenance Reserve Fund

Established to make payments from amounts received from the revenue fund, for the cost of construction of additions, improvements or betterments to, or reconstruction of Authority bridge facilities, renewals or replacements of Authority facilities and for the purchase of major or extraordinary vehicles and equipment necessary to operate and/or maintain the Authority bridge facilities.

(c) Insurance Fund

Established to receive payments from the revenue fund to the extent that, together with multi-risk insurance, it shall provide for the adequate protection against the physical loss or damage of a bridge facility. Additionally, the Authority may pay into a separate account in this fund, amounts sufficient to provide coverage, in addition to, or instead of, such commercial insurance policies required by the Series 1997 Resolution.

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(b) Cash Deposits and Investments

The Authority is limited under its investment guidelines to the investment of funds in obligations of the United States of America (United States Government Securities), the State of New York or certificates of deposit. All cash and funds invested in certificates of deposit in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York, with a market value, combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the trustee may also be secured by obligations guaranteed by the United States of America. Investments, consisting principally of U.S. Treasury obligations and certificates of deposit with a remaining maturity of one year or less at the time of purchase, are stated at cost plus accrued interest.

(c) Capital Assets

Capital assets include buildings and furniture and equipment. Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

Buildings	30 years
Furniture and equipment	3 - 10 years

(d) Bridge System

The bridge system consists of five bridges (6 spans) spanning the Hudson River together with the related toll plazas and approaches. The bridge system is reported at historical cost. The Authority uses the modified approach to account for the bridge system. Under the modified approach expenditures for additions and improvements to eligible infrastructure assets, which increase capacity or efficiency of the assets rather than preserve their lives, are capitalized. All other expenditures, including preservation costs, are expensed in the period incurred and the bridge system is not depreciated. The Authority performs condition assessments on the bridge system, makes annual estimates of the outlay necessary to maintain and preserve the assets at predetermined condition levels and documents that the assets are being maintained at the predetermined condition level.

(e) Real Property

Real property utilized by the Authority is held in the name of the State of New York. The Authority has, however, the right to possess and, with the approval of the Commissioner of Transportation, to sell, lease, exchange, or otherwise dispose of any property or rights therein, not necessary for its corporate purpose.

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(f) Compensated Absences

In conformity with pronouncements of the Government Accounting Standards Board, the Authority accrues vacation and other benefits as earned by its employees.

(g) Subsequent Events

The Authority has evaluated events after December 31, 2011, and through March 1, 2012, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(h) Operating Revenue

Operating revenues consist principally of toll revenue.

(i) Nonoperating Revenue

Nonoperating revenues consist principally of interest income.

(j) Operations

Provisions of the Series 1997 Resolution require that revenue in excess of expenses for operation and maintenance of the bridge system be used first for the payment of interest and principal on outstanding bonds, then for debt service reserve, subordinated indebtedness (if any), insurance, maintenance reserve, construction and finally general fund requirements. It also requires that expenses for operation and maintenance of the bridge system shall not include any provisions for depreciation of the bridge facilities or equipment, or any principal payment on bonds outstanding or any other debt obligation of the Authority.

The Authority's right to operate and collect tolls for the use of the Newburgh-Beacon Bridge is governed in part by an agreement dated December 15, 1988, between the Authority, the State of New York and the United States Department of Transportation. Consistent with the terms of Section 120(c)(2) of Public Law 100-17 and Section 402 of Title II of Public Law 101-45, the Agreement permits the use of revenues collected at that bridge only for construction and reconstruction, debt service, proper operation and maintenance of the bridges, approach roads and support facilities subject to the jurisdiction of the Authority.

(3) Cash and Equivalents

The carrying amount of the Authority's deposits with financial institutions at December 31, 2011 amounted to \$11,243,793 and the bank balance was \$12,200,512. The bank balance is collateralized as follows:

Amount issued by FDIC	\$ 500,000
Collateral held by a third party in the Authority's name	4,273,527
Collateral held by trustee	<u>8,824,805</u>
	\$ <u>13,598,332</u>

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(4) Investments

The cost and market value of investments (United States Government Securities) held by the Authority as of December 31, 2011 and 2010 are summarized as follows:

<u>Restricted</u>	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Debt Service Fund -				
U.S. Treasury Notes	\$ 682,467	667,000	-	-
Debt Service Reserve Fund -				
U.S. Treasury Notes	7,362,963	7,354,181	8,114,728	8,125,324
Insurance Fund -				
U.S. Treasury Notes	8,654,083	9,389,421	8,607,056	8,848,515
Maintenance Reserve Fund -				
U.S. Treasury Notes	1,933,545	1,923,342	4,589,228	4,598,133
U.S. Treasury Bills	-	-	9,746,256	9,746,015
Total maintenance	<u>1,933,545</u>	<u>1,923,342</u>	<u>14,335,484</u>	<u>14,344,148</u>
Total	\$ <u>18,633,058</u>	<u>19,333,944</u>	<u>31,057,268</u>	<u>31,317,987</u>

All Authority investment securities are classified as securities acquired by a financial institution for a governmental entity held by the financial institution's trust department in the entity's name. At December 31, 2011, the Authority's investments and maturities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	Less than <u>one year</u>	<u>1 to 5 years</u>
U.S. Treasury Notes	\$ <u>19,333,944</u>	<u>6,169,286</u>	<u>13,164,658</u>

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis, Continued

The Authority's five year capital plan budgeted \$18.9 million in 2011 whereas actual costs totaled \$15.3 million. The difference resulted from a combination of factors. Approximately \$3.2 million of work was deferred to 2012 or later. Note that the original capital plan excluded costs for the Federal grant project that were funded from the grant. The Federal grant funding \$2.5 million is reflected in other income.

TOTAL CAPITAL ASSETS AND LONG-TERM DEBT

As of December 31, 2011, the Authority's investment in capital assets was \$120.7 million. Capital assets include bridges, roads, buildings and equipment. In order to fund the commitment to its program of rehabilitation and improvement of the bridge facilities, in March 2002, the Authority issued \$50 million General Revenue Bonds having a final maturity on January 1, 2017. In December 2011, the Authority refunded these bonds and issued its \$32.4 million Series 2011 bonds with a final maturity on January 1, 2017. All Authority revenue is pledged to repay these bonds and the outstanding Series 1997 bonds. As of December 31, 2011, \$38.6 million of debt remained outstanding and funds were in reserve to retire \$6.2 million in bonds on January 1, 2012.

In 2011, Standard & Poor's affirmed the Authority's AA- rating and stable outlook on its outstanding bonds. Moody's Investors Service in 2011 downgraded the Authority's Aa2 bond rating to Aa3.

MODIFIED APPROACH FOR INFRASTRUCTURE ASSETS

The Authority has adopted the modified approach in reporting its infrastructure assets. An alternative to depreciating its bridge facilities, this approach requires the Authority to maintain its infrastructure at a certain measurable standard and report the associated cost as preservation (rehabilitation, reconstruction and bridge repair) expenses.

The condition of the Authority's bridge facilities is determined through annual inspections performed in accordance with New York State Department of Transportation (NYSDOT) requirements and Federal Highway Administration guidelines. The yearly inspections by the Authority's consulting engineers, Modjeski & Masters, Inc., measures the ability of each facility to function structurally utilizing a NYSDOT condition rating ranging between 1 and 7. The Authority's policy is to keep the overall condition rating of each bridge at a 5, meaning the facility shows minor deterioration but is functioning as originally designed.

ADDITIONAL INFORMATION

This report is compiled for the use of the Authority's bondholders, the investment community and members of the public interested in the Authority's affairs. Questions with regard to this financial report or requests for additional information may be addressed to the Treasurer, New York State Bridge Authority, P.O. Box 1010, Highland, NY 12528.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(6) Capital Assets

Capital assets at December 31, 2011 and 2010 consist of the following:

	2011				
	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2011</u>	
Walkway Over The Hudson - pedestrian bridge	\$ 32,758,706	-	-	32,758,706	
Buildings	8,128,929	-	-	8,128,929	
Furniture and equipment	<u>6,081,272</u>	<u>738,300</u>	<u>(243,162)</u>	<u>6,576,410</u>	
	46,968,907	738,300	(243,162)	47,464,045	
Less accumulated depreciation	<u>(8,918,324)</u>	<u>(2,416,480)</u>	<u>243,162</u>	<u>(11,091,642)</u>	
	<u>\$ 38,050,583</u>	<u>(1,678,180)</u>	<u>-</u>	<u>36,372,403</u>	
	2010				
	Balance December 31, <u>2009</u>	Contributed capital assets	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2010</u>
Walkway Over The Hudson - pedestrian bridge	\$ -	32,758,706	-	-	32,758,706
Buildings	8,128,929	-	-	-	8,128,929
Furniture and equipment	<u>5,524,066</u>	<u>80,000</u>	<u>483,706</u>	<u>(6,500)</u>	<u>6,081,272</u>
	13,652,995	32,838,706	483,706	(6,500)	46,968,907
Less accumulated depreciation	<u>(8,231,834)</u>	<u>(80,000)</u>	<u>(612,990)</u>	<u>6,500</u>	<u>(8,918,324)</u>
	<u>\$ 5,421,161</u>	<u>32,758,706</u>	<u>(129,284)</u>	<u>-</u>	<u>38,050,583</u>

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$2,416,480 and \$612,990, respectively.

In 2010, the pedestrian bridge known as the Walkway Over The Hudson was transferred to the Authority at a historical cost of \$32,758,706. Additionally, the Authority received fully depreciated equipment of \$80,000.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(7) Bridge System

The bridge system consists of five bridges (six spans) spanning the Hudson River together with the related toll plazas and approaches. The bridge system is recorded at cost and consisted of the following at December 31, 2011 and 2010:

<u>Bridge Facility</u>	<u>Opened</u>	<u>2011</u>	<u>2010</u>
Rip Van Winkle Bridge	1935	\$ 2,299,147	2,299,147
Kingston-Rhinecliff Bridge	1957	20,536,609	20,536,609
Mid-Hudson Bridge	1930	12,957,846	12,957,846
Newburgh-Beacon Bridge	1963 and 1980	44,223,796	44,223,796
Bear Mountain Bridge	1924	<u>4,340,871</u>	<u>4,340,871</u>
		<u>\$ 84,358,269</u>	<u>84,358,269</u>

(8) Bond Indebtedness

On January 22, 1997, the Authority issued \$49,015,000 of General Revenue Bonds (Series 1997) in the open market in order to provide funds for (a) the costs of providing for the payment at or in advance of maturity (defeasement) of the Outstanding Series 1989 Bridge System Revenue Bonds (Series 1989) and the Series 1992 Bridge System Revenue Bonds (Series 1992) of the Authority, (b) to finance a portion of the costs of the 1997 Project, which consists of certain reconstruction and rehabilitation projects for the Authority's bridge system, (c) to fund the debt service reserve fund to the level required by the resolution and (d) to pay the costs of issuance of the Series 1997 Bonds.

On March 7, 2002, the Authority issued \$50,000,000 of General Revenue Bonds (Series 2002) in the open market in order to provide funds to finance a portion of the costs of the 2002 Project, which consisted of certain reconstruction and rehabilitation projects for the Authority's bridge system. The proceeds were used to (a) fund the debt service reserve fund to the level required by the bond resolution and (b) pay the costs of issuance of the Series 2002 Bonds.

On December 15, 2011, the Authority issued \$32,410,000 in General Revenue Bonds (Series 2011) with an average interest rate of 2.6% to advance refund \$35,535,000 of outstanding Series 2002 Bonds with an average interest rate of 3.4%. The net proceeds of \$36,472,358 were deposited in a trust with an agent to provide for future debt service payments on the bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$3.3 million.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(8) Bond Indebtedness, Continued

The Authority recorded a net unamortized premium as a result of this defeasance as follows:

Premium received	\$ 3,036,824
Deferred gain on defeasement	<u>173,324</u>
Total unamortized premium	\$ <u>3,210,148</u>

Changes in indebtedness for the years ended December 31, 2011 and 2010 are summarized as follows:

	2011			Balances at December 31, 2011
	Balances at December 31, 2010	Retirements	Refunding	
Series 1997	\$ 8,825,000	(4,305,000)	-	4,520,000
Series 2002	38,790,000	(1,595,000)	(35,535,000)	1,660,000
Series 2011	<u>-</u>	<u>-</u>	<u>32,410,000</u>	<u>32,410,000</u>
	<u>\$ 47,615,000</u>	<u>(5,900,000)</u>	<u>(3,125,000)</u>	<u>38,590,000</u>

	2010			Balances at December 31, 2010
	Balances at December 31, 2009	Retirements		
Series 1997	\$ 12,925,000	(4,100,000)		8,825,000
Series 2002	<u>40,330,000</u>	<u>(1,540,000)</u>		<u>38,790,000</u>
	<u>\$ 53,255,000</u>	<u>(5,640,000)</u>		<u>47,615,000</u>

The bonds have serial maturities as of December 31, 2011 as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 6,180,000	149,025
2013	6,065,000	1,255,840
2014	6,245,000	1,081,100
2015	6,435,000	893,750
2016	6,690,000	636,350
2017	<u>6,975,000</u>	<u>348,750</u>
	<u>\$ 38,590,000</u>	<u>4,364,815</u>

The Series 2011 Bonds, which bear interest at rates ranging from 2% to 5%, the Series 2002 Bonds which bear interest at rates ranging from 3% to 5%, and the Series 1997 Bonds, which bear interest at rates ranging from 5% to 6%, are general obligations of the Authority and are payable from and secured by a pledge of all monies or revenues of the Authority, including tolls and other revenues derived from the operations of the Authority's bridge facilities.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(8) Bond Indebtedness, Continued

The Series 2011 Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at the redemption price of par plus accrued interest to the redemption date.

The Series 1997 Bonds maturing on or after January 1, 2008 are subject to redemption prior to maturity, at the option of the Authority, at prices ranging from 100% to 102% of the principal amount plus accrued interest to the redemption date.

(9) Retirement Plan

(a) Plan Description

The New York State Employees' Retirement System (System) provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

(b) Funding Policies

The System is noncontributory except for employees with less than 10 years of service who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The rates billed by the Comptroller during the year ended December 31, 2011 ranged from 12.7% to 19.7% and during the year ended December 31, 2010 ranged from 9.1% to 15.3%.

The Authority is required to contribute at an actuarially determined rate. The required contribution for the years ended December 31, 2011, 2010 and 2009 amounted to \$2,234,373, \$1,182,092 and \$678,263, respectively.

The Authority's contributions made to the System were equal to 100% of the contributions required for each year.

(c) Early Retirement Incentive

Chapter 105 of the Laws 2010 established a two-part retirement incentive program for certain public employees participating in the System. The Authority adopted the program and allowed all employees the option to retire early. Twenty employees of the Authority elected early retirement under this program, with a cost of \$982,086.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(10) Postemployment Benefits

The Authority implemented the accounting and disclosure requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB) effective for its fiscal year beginning January 1, 2007. The Authority previously recorded a liability for retiree health benefits for only those who had retired, and not for active employees, as required by Statement No. 45.

Plan Description - The Authority provides continuation of medical coverage to employees that retire at age 55 with five years of service if hired before April 1, 1975 or ten years of service if hired after April 1, 1975. For employees with a date of retirement before April 1, 1983 and at least five years of service, the Authority contributes 100% of costs for employees and 75% for an employee's spouse. For employees with a date of retirement after April 1, 1983 and at least ten years of service, the Authority contributes 90% for employees and 75% for an employee's spouse.

The Authority provides certain health care benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees' Retirement System, while working for the Authority. The Authority, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. The increase in the OPEB liability for the years ended December 31, 2011 and 2010 amounted to \$2,222,523 and \$2,110,359, respectively. At December 31, 2011 and 2010, the OPEB liability included in noncurrent accrued fringe benefits was \$16,144,683 and \$13,922,160, respectively. The amount charged to expense was \$3,134,555 and \$3,023,015 for the years ended December 31, 2011 and 2010.

The number of participants as of January 1, 2011 was as follows:

Active employees	124
Retired employees	<u>99</u>
Total	<u>223</u>

Funding Policy - The Authority currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

<u>Benefit Obligations and Normal Cost</u>	<u>2011</u>	<u>2010</u>
Actuarial accrued liability (AAL):		
Retired employees	\$ 18,405,799	17,342,514
Active employees	<u>26,201,695</u>	<u>25,894,669</u>
Total	\$ <u>44,607,494</u>	<u>43,237,183</u>
Underfunded actuarial accrued liability (UAAL)	\$ <u>44,607,494</u>	<u>43,237,183</u>
Normal cost	\$ <u>1,158,374</u>	<u>1,061,891</u>

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(10) Postemployment Benefits, Continued

	<u>2011</u>	<u>2010</u>
<u>Level Dollar Amortization</u>		
Calculation of ARC under projected Unit Credit Method:		
Amortization of UAAL over 30 years with interest to end of year	\$ 1,982,606	1,909,759
Normal costs with interest to end of year	<u>1,261,208</u>	<u>1,162,504</u>
Annual required contribution (ARC)	\$ <u>3,243,814</u>	<u>3,072,263</u>
<u>Annual OPEB Cost Contribution</u>		
Contribution made by Authority	912,032	912,656
Contribution as a percentage of required contribution	28.1%	29.7%
<u>Annual OPEB Cost and Net OPEB Obligation</u>		
Annual required contribution	3,243,814	3,072,263
Interest on net OPEB obligation	533,219	472,472
Adjustment to annual required contribution	<u>(642,478)</u>	<u>(521,720)</u>
Annual OPEB cost (expense)	3,134,555	3,023,015
Contribution made on a pay-as-you-go basis	<u>(912,032)</u>	<u>(912,656)</u>
Increase in net OPEB obligation	2,222,523	2,110,359
Net OPEB obligation at beginning of year	<u>13,922,160</u>	<u>11,811,801</u>
Net OPEB obligation at end of year	\$ <u>16,144,683</u>	<u>13,922,160</u>
Actuarial methods and assumptions:		
Funding interest rate	3.83%	4%
2011 medical trend rate	10%	8%/10%
Ultimate trend rate	5%	5%/5%
Year ultimate trend rate reached	2018	2018
Annual payroll growth rate	2.5%	2.5%
Actuarial cost method	Attained Age	Attained Age
The remaining amortization period at year-end	25 years	26 years

(11) Administrative Services Assessment

Through the Public Authorities Law Section 2975, the State of New York (the State) established a cost recovery of central governmental services to various public authorities. This statute directs the New York State Division of the Budget to determine the amount to be assessed to each public authority. The State Treasurer imposes and collects the assessments which are deposited into the State's general fund. The administrative services assessment for the Authority for the years ended December 31, 2011 and 2010 amounted to \$255,402 and \$234,119, respectively.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(12) Risk Management

The Authority purchases commercial insurance policies in varying amounts for general liability, vehicle liability, damage to fixed assets, and public officials and employee liability coverage. The Authority also pays unemployment claims to the State of New York as incurred. There are no claims relating to the bridge facilities, however, the Authority has funded a reserve of \$8,908,911 at December 31, 2011 in the capital projects fund to meet its deductible should a claim arise.

(13) Commitments and Contingencies

Commitments and contingencies at December 31, 2011 consist of the following:

(a) Bridge Construction

At December 31, 2011, the Authority had contractual commitments outstanding of approximately \$1,616,000 for bridge rehabilitation and repairs on several of its bridge facilities.

(b) Contingencies

The Authority is a defendant in lawsuits. While the outcome of these lawsuits or other proceedings against the Authority cannot be predicted with certainty, the Authority does not expect that these matters will have a material adverse effect on its financial position.

(14) Noncash Investing and Financing Activities

Noncash transactions excluded from the accompanying statements of cash flows for the years ended December 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Issuance of 2011 Series Bonds, including premium of \$3,036,824, for advance refunding of 2002 Series Bonds (with a principal balance of \$35,535,000).	\$ <u>35,446,824</u>	<u> -</u>
Contribution of Walkway Over the Hudson pedestrian bridge.	\$ <u> -</u>	<u>32,758,706</u>

NEW YORK STATE BRIDGE AUTHORITY

Required Supplementary Information -

Bridge System Assessments

December 31, 2011

Condition Rating*	Number of Bridges					
	2011		2010		2009	
	Number	%	Number	%	Number	%
New	-	-	-	-	-	-
Minor Deterioration	9	100%	9	100%	9	100%
Serious Deterioration	-	-	-	-	-	-
Totally Deteriorated	-	-	-	-	-	-
Total	<u>9</u>	<u>100%</u>	<u>9</u>	<u>100%</u>	<u>9</u>	<u>100%</u>

*The condition of the Authority's bridge system is determined using annual inspection procedures. The inspections are conducted in accordance with New York State Department of Transportation (NYSDOT) requirements and Federal Highway Administration Guidelines. The NYSDOT bridge condition rating, which is an assessment of the ability to function structurally, is determined during biennial inspections using a numerical condition scale ranging from 1.0 (totally deteriorated) to 7.0 (new condition). The complete NYSDOT numerical rating scale is as follows:

- 1 - Totally deteriorated, or in failed condition.
- 2 - Used to shade between ratings 1 and 3.
- 3 - Serious deterioration, or not functioning as originally designed.
- 4 - Used to shade between 3 and 5.
- 5 - Minor deterioration, but functioning as originally designed.
- 6 - Used to shade between 5 and 7.
- 7 - New condition, no deterioration.

The number of bridges included in the annual inspection process includes the six spans crossing the Hudson River and three overpasses.

It is the Authority's policy to keep the overall condition number of each bridge at a condition rating of at least 5.0. Presently, all bridges are inspected annually with three bridges receiving the more thorough biennial inspections and three receiving maintenance inspections.

NEW YORK STATE BRIDGE AUTHORITY
 Required Supplemental Information -
 Bridge System Assessments, Continued

Estimated-to-Actual Capital Improvement Expenditures in (\$000's):

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Estimated	\$ 18,934	13,758	11,703	16,360	15,480
Actual	15,304	12,950	7,846	7,910	14,022

Significant variations between the estimated, or budgeted, and actual costs of capital improvements are noted in each year.

In 2007, the \$2.0 million Mid-Hudson Bridge maintenance building replacement including municipal water and sewer installation was separated into two projects. The water and sewer installation was completed for \$.8 million and the maintenance building replacement was scheduled for 2008.

In 2008, \$3.5 million budgeted for bridge painting at Rip Van Winkle was expended late in 2007. At the Newburgh-Beacon Bridge, the scope of a deck overlay and joint modification project was reduced by \$1.2 million and \$750,000 for replacement of variable message signs carried over into 2009. Also, four other projects came in \$1.1 million under budget and \$1.3 million of work was deferred to 2009 or later.

In 2009, several projects totaling \$2.3 million were deferred to 2010 or later. In addition, equipment purchases were \$0.7 under budget and \$0.6 million of the Mid-Hudson Bridge main cable inspection costs carried over to 2010.

In 2010, several projects totaling \$1.0 million were deferred to 2011 or later. Estimated capital improvements were initially projected as net of federal grants to fund projects. The Authority reported federal funds receivable totaling \$0.3 million for 2010 as other income while the cost was reported as capital improvement expenditures.

In 2011, several projects totaling \$3.2 million were deferred to 2012 or later. Estimated capital improvements were initially projected as net of federal grants to fund projects. The Authority reported federal funds receivable totaling \$0.6 million for 2011 as other income while the cost was reported as capital improvement expenditures.

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD, STE 115
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

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

To the Governing Board
New York State Bridge Authority:

We have audited the financial statements of the New York State Bridge Authority (the Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 1, 2012. 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.

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 Authority'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 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Authority's Governing Board, management and appropriate officials of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 1, 2012

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD, STE 115
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

To the Governing Board
New York State Bridge Authority:

We have examined the New York State Bridge Authority's (the Authority) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended December 31, 2011. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2011.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Authority's Governing Board, management and the appropriate officials of the State of New York, and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 1, 2012