

NEW YORK STATE BRIDGE AUTHORITY

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended December 31, 2004 and 2003

INDEPENDENT AUDITOR'S 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 (Authority) as of and for the years ended December 31, 2004 and 2003 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, 2004 and 2003, 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 17, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 2 through 4 and bridge system assessments on page 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

UHY LLP

Poughkeepsie, New York
March 17, 2005

New York State Bridge Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

This management discussion and analysis serves to introduce the other elements of the financial section of this annual report which are the basic financial statements, notes to the financial statements and other supplementary financial information. Beginning with the report for the year ended December 31, 2002, the Authority observed several new Governmental Accounting Standards Board pronouncements, which established new accounting and financial reporting standards. The objective of these standards is to enhance the understandability and usefulness of the external financial reports. As in 2003, the Authority is providing a comparative analysis of certain financial information.

FINANCIAL HIGHLIGHTS

2004 toll revenues were \$39.8 million, a 2.1 percent increase over the previous year.

Total operating expenses stood at \$32.7 million as higher costs for employee salaries and benefits were offset by a significant reduction in expenditures for rehabilitation, reconstruction and bridge repairs.

Capital improvement expenditures totaled \$10.5 million, a decrease of \$6.5 million from 2003.

Net assets at year end were \$61.9 million, which was \$4.3 million above the prior year.

BASIC FINANCIAL STATEMENTS

The Authority's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. These statements are designed to afford an overview of the Authority's finances and consist of the Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

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

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

FINANCIAL STATEMENT ANALYSIS

Balance Sheet

The balance sheet presents 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 sheet is shown below.

	2004 (In 000's)	2003 (In 000's)
<u>Assets</u>		
Current Assets	\$ 65,131	\$ 65,249
Non-current Assets		
Capital assets	84,160	84,730
Other non-current assets	<u>455</u>	<u>496</u>
Total assets	<u>\$ 149,746</u>	<u>\$150,475</u>

Liabilities

Current liabilities	\$ 9,011	\$ 9,777
Non-current liabilities		
General revenue bonds	73,425	77,920
Other non-current liabilities	<u>5,367</u>	<u>5,169</u>
Total liabilities	<u>\$87,803</u>	<u>\$92,866</u>

Net Assets

Invested in capital assets	\$84,160	\$84,730
Unrestricted	<u>(22,216)</u>	<u>(27,122)</u>
Total net assets	<u>\$61,944</u>	<u>\$57,608</u>

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets shows the effect of income and expenses on the Authority's net assets for the year. This statement is 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 2004 and 2003 are summarized as follows:

	2004 (In 000's)	2003 (In 000's)
Operating revenues		
Toll revenues	\$39,787	\$38,971
Other income	<u>209</u>	<u>355</u>
Total operating revenues	<u>\$39,996</u>	<u>\$39,326</u>
Operating expenses		
Salaries	\$10,447	\$10,088
Employee benefits	3,874	3,152
Commercial insurance	1,687	1,760
Rehabilitation, reconstruction and bridge repairs	10,544	17,014
Electronic toll costs	2,402	2,259
Other	<u>3,771</u>	<u>4,261</u>
Total operating expenses	<u>\$32,725</u>	<u>\$38,534</u>
Operating gain (loss)	\$ 7,271	\$ 792
Nonoperating revenues (expenses)		
Interest income	\$ 732	\$ 623
Interest and other	<u>(3,667)</u>	<u>(3,858)</u>
Total nonoperating expenses	<u>\$ (2,935)</u>	<u>\$ (3,235)</u>
Increase (decrease) in net assets	\$ 4,336	\$(2,443)
Net assets, beginning of year	<u>57,608</u>	<u>60,051</u>
Net assets, end of year	<u>\$61,944</u>	<u>\$ 57,608</u>

Accounting for most of the revenues were toll receipts which rose 2.1 percent and totaled \$39.8 million.

Operating expenses of \$32.7 million decreased as the cost for rehabilitation, reconstruction and bridge repairs fell from \$17.0 million to \$10.5 million. Salary costs rose \$359,000, for the most part resulting from a 2.5 percent negotiated raise which was accrued from April 2004. Employee benefits include current workers' pension costs which rose tenfold, totaled \$868,000 and accounted for much of the increase in this category.

Nonoperating revenue is derived from interest income on investments which was up \$109,000 as interest rates on the government obligations and certificates of deposit in which the Authority investments showed a steady rise beginning in May. Interest paid on outstanding bonds accounts for substantially all of the nonoperating expenses and totaled \$3.7 million this year.

Statement of Cash Flows

The statement of cash flows presents 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 provided by operating activities was \$7.8 million as the \$11.4 million in payments made to contractors for capital improvements was down \$8.3 million from the previous year. Capital financing activities showed net cash used of \$8.2 million this year. This, for the most part, was the principal and interest payments on the outstanding debt. Cash flows from investing activities resulted in net cash of \$150,000, which is used to finance capital projects.

AUTHORITY BUDGET

In October 2003, the Authority adopted a 2004 budget projecting toll revenues at \$39.5 million and, at year end, collections totaled \$40.0 million. Much of this increase resulted from the effect on traffic of mild winter weather in the first quarter of 2004 compared with more severe conditions over the same period the previous year.

Operating expenses, which totaled \$32.7 million for the year, were provided for in the Authority's operating and capital improvement plan budgets. These budgets projected expenditures at \$49.4 million. The significant difference between the budgeted and actual total was occasioned by the deferral, to 2005, of several capital projects, as well as competitive bid savings on others. As such, capital expenditures came in \$16.1 million below the budgeted number.

CAPITAL ASSETS AND LONG TERM DEBT

As of December 31, 2004, the Authority's investment in capital assets was \$84.2 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. All Authority revenue is pledged to repay these bonds and the outstanding Series 1997 issue. As of January 1, 2005, \$73.4 million of debt remained outstanding.

In September, Moody's Investors Service affirmed the Authority's Aa2 rating and stable outlook on its outstanding bonds. Standard & Poor's has issued an AA- rating on the Authority's debt.

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
Balance Sheets

	December 31,	
	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,572,362	\$ 8,785,581
Investments	54,249,011	53,666,830
Accounts receivable	1,458,119	2,111,972
Prepaid expenses	810,510	642,832
Bond issuance costs	41,347	41,347
	<u>65,131,349</u>	<u>65,248,562</u>
NONCURRENT ASSETS		
Bond issuance costs	454,815	496,162
Capital assets, net	4,520,819	5,092,389
Bridge system	79,639,526	79,637,525
	<u>84,615,160</u>	<u>85,226,076</u>
Total noncurrent assets	<u>\$ 149,746,509</u>	<u>\$ 150,474,638</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,519,785	\$ 2,080,675
Accrued wages, payroll taxes and fringe benefits	734,375	271,117
Deferred revenue from sale of scrip	-	74,503
Contracts payable	337,605	1,026,905
Accrued interest on bonds	1,847,828	1,942,703
Bond premium	76,011	76,011
General revenue bonds, current portion	4,495,000	4,305,000
	<u>9,010,604</u>	<u>9,776,914</u>
Total current liabilities	<u>9,010,604</u>	<u>9,776,914</u>
NONCURRENT LIABILITIES		
Accrued fringe benefits	4,531,203	4,257,182
Bond premium	836,126	912,137
General revenue bonds	73,425,000	77,920,000
	<u>78,792,329</u>	<u>83,089,319</u>
Total noncurrent liabilities	<u>78,792,329</u>	<u>83,089,319</u>
NET ASSETS		
Invested in capital assets	84,160,345	84,729,915
Unrestricted (deficiency)	(22,216,769)	(27,121,510)
	<u>61,943,576</u>	<u>57,608,405</u>
Total net assets	<u>61,943,576</u>	<u>57,608,405</u>
Total liabilities and net assets	<u>\$ 149,746,509</u>	<u>\$ 150,474,638</u>

See notes to financial statements.

New York State Bridge Authority
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2004	2003
OPERATING REVENUES		
Toll revenue	\$ 39,786,436	\$ 38,970,649
Other income	209,167	355,297
Total operating revenues	<u>39,995,603</u>	<u>39,325,946</u>
OPERATING EXPENSES		
Salaries	10,447,238	10,087,598
Employee benefits	3,874,093	3,152,034
Utilities	508,986	526,658
Insurance	1,687,458	1,759,917
Professional services	750,839	848,710
Supplies and materials	265,823	253,096
Equipment expense	103,676	525,575
Maintenance and repairs	897,403	938,337
Rehabilitation, reconstruction and bridge repairs	10,544,418	17,014,107
Electronic toll costs	2,401,996	2,258,914
Depreciation	662,095	744,691
Other	581,062	424,278
Total operating expenses	<u>32,725,087</u>	<u>38,533,915</u>
Operating income	<u>7,270,516</u>	<u>792,031</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	732,147	622,674
Amortization of bond issuance costs	(41,347)	(41,347)
Interest and other	<u>(3,626,145)</u>	<u>(3,815,895)</u>
Total nonoperating expenses	<u>(2,935,345)</u>	<u>(3,234,568)</u>
Increase (decrease) in net assets	4,335,171	(2,442,537)
Net assets, beginning of year as restated	<u>57,608,405</u>	<u>60,050,942</u>
Net assets, end of year	<u>\$ 61,943,576</u>	<u>\$ 57,608,405</u>

See notes to financial statements.

New York State Bridge Authority
STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Toll revenue	\$ 39,560,349	\$ 39,030,433
Payments to suppliers	(6,896,731)	(5,049,076)
Payments to contractors	(11,382,857)	(19,681,386)
Payments for wages and employee benefits	(13,584,052)	(12,686,989)
Other receipts	134,664	280,794
	<u>7,831,373</u>	<u>1,893,776</u>
Net cash provided by operating activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(92,526)	(395,265)
Principal paid on bonds payable	(4,305,000)	(4,300,000)
Interest paid on bonds payable	(3,797,032)	(3,985,257)
	<u>(8,194,558)</u>	<u>(8,680,522)</u>
Net cash used in capital financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase (sale) of investments, net	(582,181)	5,895,308
Interest on investments	732,147	622,674
	<u>149,966</u>	<u>6,517,982</u>
Net cash provided by investing activities		
Net decrease in cash	(213,219)	(268,764)
Cash, beginning	<u>8,785,581</u>	<u>9,054,345</u>
Cash, ending	<u>\$ 8,572,362</u>	<u>\$ 8,785,581</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 7,270,516	\$ 792,031
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	662,095	744,691
Changes in assets and liabilities:		
Accounts receivable	653,853	(1,341,647)
Prepaid expenses	(167,677)	(49,291)
Accounts payable and accrued expenses	(560,890)	1,099,788
Accrued wages, payroll taxes and fringe benefits	737,279	552,643
Contracts payable	(689,300)	170,064
Deferred revenue	(74,503)	(74,503)
	<u>\$ 7,831,373</u>	<u>\$ 1,893,776</u>
Net cash provided by operating activities		

See notes to financial statements.

New York State Bridge Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 five 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.

Summary of Significant Accounting Policies

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 generally accepted accounting principles 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 sheet with revenues recorded when earned and expenses recorded at the time liabilities are incurred. The business-type activities model requires the Authority to include a balance sheet, a statement of revenues, 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.

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.

New York State Bridge Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

A. General fund

Revenue fund: Established to receive daily toll revenues and make payments to the designated funds in accordance with the terms outlined below.

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.

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

B. Debt service funds

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.

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.

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.

Rebate fund: Established to hold monies for rebates of certain investment earnings.

C. Capital projects fund

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 Resolution.

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.

New York State Bridge Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

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 only 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.

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

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.

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

December 31, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Compensated absences

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

Operating revenues

Operating revenues consist principally of toll revenue.

Nonoperating revenues

Nonoperating revenues consist principally of interest income.

Operations

Provisions of the Series 1997 Resolution require that revenues 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.

NOTE 2 - CASH DEPOSITS

The carrying amount of the Authority's deposits with financial institutions at December 31, 2004 was approximately \$2,212,000 (combined with cash on hand and included in the caption cash and cash equivalents in the balance sheet) and the bank balance was \$2,930,990. The bank balance is collateralized as follows:

Amount issued by FDIC	\$ 100,000
Collateral held by a third party in the Authority's name	2,821,198
Collateral pledged by the financial institution in the Authority's name	9,792
	<u>\$ 2,930,990</u>

New York State Bridge Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 3 - INVESTMENTS

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

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Revenue Fund				
U.S. Treasury Bills	\$ 707,439	\$ 707,439	\$ -	\$ -
Debt Service Fund				
U.S. Treasury Notes	\$ -	\$ -	\$ 68,650	\$ 68,266
U.S. Treasury Bills	\$ -	\$ -	\$ -	\$ -
Debt Service Reserve Fund				
U.S. Treasury Bills	\$ 8,210,508	\$ 8,339,941	\$ 8,206,318	\$ 8,206,318
Construction Fund				
U.S. Treasury Bills	\$ -	\$ -	\$ -	\$ -
Insurance Fund				
U.S. Treasury Bills	\$ 6,892,627	\$ 6,892,627	\$ 6,811,862	\$ 6,811,862
Maintenance Reserve Fund				
U.S. Treasury Bills	\$ 38,438,437	\$ 39,414,027	\$ 38,580,000	\$ 38,580,000
Total	\$ 54,249,011	\$ 55,354,034	\$ 53,666,830	\$ 53,666,446

In accordance with Governmental Accounting Standards Board Statement No. 3, 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.

NOTE 4 - FUNDS HELD FOR DESIGNATED PURPOSES

At December 31 funds held for designated purposes by fund category consisted of the following:

	<u>2004</u>			<u>2003</u>		
	<u>Cash and Cash Equivalents</u>	<u>United States Government Securities</u>	<u>Total</u>	<u>Cash and Cash Equivalents</u>	<u>United States Government Securities</u>	<u>Total</u>
Debt Service Funds						
Debt service fund	\$ 6,349,134	\$ -	\$ 6,349,134	\$ 6,248,677	\$ 68,650	\$ 6,317,327
Debt service reserve fund	2,426	8,210,508	8,212,934	31	8,206,318	8,206,349
Fund total	6,351,560	8,210,508	14,562,068	6,248,708	8,274,968	14,523,676
Capital Project Funds						
Construction fund	-	-	-	-	-	-
Insurance fund	576	6,892,627	6,893,203	483	6,811,862	6,812,345
Maintenance reserve fund	484	38,438,437	38,438,921	914	38,580,000	38,580,914
Fund total	1,060	45,331,064	45,332,124	1,397	45,391,862	45,393,259
Combined total	\$ 6,352,620	\$ 53,541,572	\$ 59,894,192	\$ 6,250,105	\$ 53,666,830	\$ 59,916,935

Cash in the debt service fund at December 31, 2004 and 2003 was on deposit with the paying agent to meet bond and interest payments due on January 1, 2005 and January 1, 2004, respectively.

New York State Bridge Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following at December 31:

	Balance December 31, 2003	Additions	Disposals	Balance December 31, 2004
Buildings	\$ 6,787,852	\$ -	\$ -	\$ 6,787,852
Furniture and equipment	4,714,825	90,525	35,824	4,769,526
	11,502,677	90,525	35,824	11,557,378
Less: accumulated depreciation	6,410,288	662,095	35,824	7,036,559
	<u>\$ 5,092,389</u>	<u>\$ (571,570)</u>	<u>\$ -</u>	<u>\$ 4,520,819</u>

Depreciation expense for the year ended December 31, 2004 was approximately \$662,095 (\$744,691 in 2003).

NOTE 6 - BRIDGE SYSTEM

The bridge system consisted of the following at December 31, 2004 and 2003:

Bridge Facility	Year Opened	
Rip Van Winkle Bridge	1935	\$ 2,299,147
Kingston-Rhinecliff Bridge	1957	19,291,603
Mid-Hudson Bridge	1930	12,073,503
Newburgh-Beacon Bridge	1963 and 1980	43,212,796
Bear Mountain Bridge	1924	2,762,477
		<u>\$ 79,639,526</u>

NOTE 7 - 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 (a) for the costs of providing for the payment at or in advance of maturity (defease) 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 consists of certain reconstruction and rehabilitation projects for the Authority's Bridge System. The proceeds will also be 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.

Changes in indebtedness for the year ended December 31, 2004 are summarized as follows:

	Balance at December 31, 2003	Additions	Retire- ments	Balance at December 31, 2004
Series 1997	\$ 33,640,000	\$ -	\$ 3,030,000	\$ 30,610,000
Series 2002	48,585,000	-	1,275,000	47,310,000
	<u>\$ 82,225,000</u>	<u>\$ -</u>	<u>\$ 4,305,000</u>	<u>\$ 77,920,000</u>

New York State Bridge Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 7 - BOND INDEBTEDNESS

The bonds have serial maturities as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,495,000	\$ 3,497,206
2006	4,690,000	3,256,306
2007	4,935,000	3,034,666
2008	5,155,000	2,799,876
2009	5,390,000	2,550,795
2010-2014	30,940,000	8,567,638
2015-2017	<u>22,315,000</u>	<u>1,144,400</u>
	<u>\$ 77,920,000</u>	<u>\$ 24,850,887</u>

The Series 1997 Bonds, which bear interest ranging from 5% to 6%, and the Series 2002 Bonds which bear interest ranging from 3% to 5.0%, 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.

The Series 1997 Bonds maturing on or after January 1, 2008 are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at any time on or after January 1, 2007, at prices ranging from 100% to 102% of the principal amount plus accrued interest to the redemption date.

The Series 2002 Bonds maturing on or after January 1, 2013 are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at any time on or after January 1, 2012, at the redemption price of par plus accrued interest to the redemption date.

NOTE 8 - 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. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

B. Funding Policies

The System is contributory (3%) except for employees who joined the System before July 27, 1976. Employees who joined the System after July 27, 1976 and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. For the New York State and Local Employees' Retirement System, 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 to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The required contribution for the year ended December 31, 2004 was \$1,016,887; \$382,184 for the year ended December 31, 2003; and none for December 31, 2002.

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

New York State Bridge Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 9 - POST RETIREMENT HEALTH CARE BENEFITS

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. Total expenditures charged to operations were approximately \$904,000 in 2004 (\$1,121,600 in 2003). At December 31, 2004, the liability for retired employees included in noncurrent accrued fringe benefits was approximately \$3,910,000 (\$3,588,000 in 2003).

NOTE 10 - 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 approximately \$6,893,000 in the capital projects fund to meet its deductible should a claim arise.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Bridge construction

At December 31, 2004, the Authority had contractual commitments outstanding of approximately \$19.8 million for bridge rehabilitation and repairs on several of its bridge facilities.

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.

Required Supplementary Information

New York State Bridge Authority
BRIDGE SYSTEM ASSESSMENTS
Year Ended December 31, 2004

Condition Rating *	Number of Bridges					
	2004		2003		2002	
	Number	%	Number	%	Number	%
New	-	-	-	-	-	-
Minor Deterioration	9	100%	9	100%	9	100%
Serious Deterioration	-	-	-	-	-	-
Totally Deteriorated	-	-	-	-	-	-
Total	9	100%	9	100%	9	100%

*The condition of the Authority's bridge system is determined using its annual inspection procedures. The Inspections were 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, uses 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. Presently, all bridges are inspected annually with three bridges receiving biennial inspections and three receiving maintenance inspections.

	Estimated-to-Actual Capital Improvement Expenditures in (\$000's)				
	2004	2003	2002	2001	2000
Estimated	26,695	28,758	38,809	35,963	39,265
Actual	10,544	17,014	28,404	34,531	21,745

Significant variations between the estimated, or budgeted, and actual costs of capital improvements are noted in 2000, 2002, 2003 and 2004.

In 2000, \$11 million was budgeted for the first year of a three year, \$30 million project to rehabilitate and replace the deck on the Kingston-Rhinecliff Bridge. However, the project began slowly and costs came in at \$6.2 million. In addition, approximately \$11 million for various projects originally scheduled for this year was moved to 2001, or came in under budget.

The \$10.4 million estimated to actual difference in 2002 was the result of several projects that were either started late in the year, delayed, or completed under budget.

In 2003, several projects that would not interfere with the safe and reliable operation of the bridges were deferred to 2004 or beyond. Other projects realized savings of \$1.5 million which reduced the cost below that which was budgeted.

This year, a \$5.2 million toll plaza rehabilitation at the Newburgh-Beacon Bridge was put off until 2005, when bid prices were deemed excessive. Several other projects were also delayed or deferred until 2005 and savings of \$1.5 million accrued through the competitive bidding process.