

NEW YORK STATE BRIDGE AUTHORITY
Audited Financial Statements
and Supplementary Information
December 31, 2006 and 2005
(With Independent Auditor's Report thereon)

NEW YORK STATE BRIDGE AUTHORITY

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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 (the Authority) as of December 31, 2006 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 audit. The financial statements of the New York State Bridge Authority as of December 31, 2005 were audited by other auditors whose report dated February 28, 2006 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Bridge Authority as of December 31, 2006, and the changes in its net assets and its cash flows for the year 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 a report dated March 12, 2007 on our consideration of the New York State Bridge Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management's Discussion and Analysis on pages 3 to 7 and Bridge Systems Assessments on pages 22 to 23 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. This information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co., P.C.

Williamsville, New York
March 12, 2007

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis
December 31, 2006

This management's discussion and analysis serves to introduce the other elements of the financial section of this annual report. This includes 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 previous years, the Authority is providing a comparative analysis of certain financial information.

FINANCIAL HIGHLIGHTS

Toll revenue in 2006 amounted to \$39.4 million, virtually the same as the previous year.

Total operating expense of \$31.0 million fell by \$12.6 million as a result of decreased expenditures for rehabilitation, reconstruction and bridge repairs, which totaled \$7.3 million, a decrease of \$12.4 million from 2005.

Net assets at year end were \$63.4 million, which was \$7.4 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 Government 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 necessary to provide a further understanding of the basic financial statements.

Other supplemental 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 Sheets

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 sheets is shown on the following page.

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

	December 31	
	2006 <u>(In 000's)</u>	2005 <u>(In 000's)</u>
Assets		
Current assets:	55,006	54,468
Noncurrent assets		
Capital assets	87,300	85,560
Other noncurrent assets	<u>372</u>	<u>414</u>
Total assets	<u>\$ 142,678</u>	<u>140,442</u>
Liabilities		
Current liabilities:	8,556	9,234
Noncurrent liabilities		
General revenue bonds	63,800	68,735
Other noncurrent liabilities	<u>6,892</u>	<u>6,511</u>
Total liabilities	<u>\$ 79,248</u>	<u>84,480</u>
Net Assets		
Invested in capital assets	87,300	85,560
Restricted	43,603	42,261
Unrestricted	<u>(67,473)</u>	<u>(71,859)</u>
Total net assets	<u>\$ 63,430</u>	<u>55,962</u>

Statements 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 2006 and 2005 are summarized as follows:

	December 31	
	2006 <u>(In 000's)</u>	2005 <u>(In 000's)</u>
Operating revenues:		
Toll revenues	\$ 39,376	39,407
Other income	<u>116</u>	<u>142</u>
Total operating revenues	<u>39,492</u>	<u>39,549</u>

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

	December 31	
	2006 (In 000's)	2005 (In 000's)
Operating expenses:		
Salaries	\$ 11,076	10,705
Employee benefits	4,363	5,012
Commercial insurance	1,830	1,567
Rehabilitation, reconstruction and bridge repairs	7,294	19,710
Electronic toll costs	2,618	2,426
Other	3,808	4,179
Total operating expenses	30,989	43,599
Operating gain (loss)	8,503	(4,050)
Nonoperating revenues (expenses):		
Interest income	2,188	1,537
Interest and other	(3,223)	(3,469)
Total nonoperating revenues (expenses)	(1,035)	(1,932)
Increase (decrease) in net assets	7,468	(5,982)
Net assets at beginning of year	55,962	61,944
Net assets at end of year	\$ 63,430	55,962

Accounting for most of the revenues were toll receipts which, at \$39.4 million, were virtually the same as the previous year. The Authority, in line with traffic consultant estimates, had forecasted a 1.3% toll revenue growth. However, much higher gasoline prices in the last quarter of 2005 continued through 2006 limiting not only discretionary passenger car travel but also commercial traffic.

Operating expenses of \$31.0 million decreased by \$12.6 million as the cost for rehabilitation, reconstruction and bridge repairs fell from \$19.7 million to \$7.3 million. Two Mid-Hudson Bridge projects estimated at \$4.7 million were deferred until 2007.

Salary costs rose \$371,000, for the most part resulting from a 3.10% negotiated raise in the collectively bargained contract covering most employees. Employee benefits include current and retired workers' health insurance costs which fell \$726,000, totaled \$2.3 million, and accounted for much of the decrease in this category. An update of the mortality tables used to calculate retirees' future benefits had added a one time cost of \$738,000 to this expense in 2005.

Nonoperating revenue is derived from interest income on investments, which was up \$651,000 as interest rates on government obligations in which the Authority invests rose through April and remained steady thereafter. Interest paid on outstanding bonds accounted for substantially all of the nonoperating expenses, which totaled \$3.2 million this year.

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

Statements 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 \$7.9 million, as the \$9.2 million in payments made to contractors for capital improvements was down \$10.7 from the previous year. Capital financing activities showed net cash used of \$10.4 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 \$7.7 million, which included investments liquidated to provide the cash used to finance capital projects.

AUTHORITY BUDGET

In October 2005, the Authority adopted a 2006 budget projecting toll revenues at \$39.9 million. At year end 2006, collections totaled \$39.4 million. As previously indicated, much of this shortfall resulted from the effect on traffic of rising fuel costs.

Operating expenses of \$31.0 million for the year were provided for in the Authority's operating and capital improvement plan budgets. These budgets projected expenditures at \$39.0 million. The difference between the budgeted and actual total included the deferral of \$4.7 million in capital projects, as well as the \$1.6 million cost for new infrastructure at the Bear Mountain Bridge. Capital expenditures came in \$6.4 million below the budgeted number.

TOTAL CAPITAL ASSETS AND LONG TERM DEBT

As of December 31, 2006, the Authority's investment in capital assets was \$87.3 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, 2007, \$68.7 million of debt remained outstanding.

In 2005, Standard & Poor's affirmed the Authority's AA- rating and stable outlook on its outstanding bonds. Moody's Investors Service had affirmed its Aa2 rating in 2004.

MODIFIED APPROACH FOR INFRASTRUCTURE ASSETS

The Authority has adopted the modified approach in reporting its infrastructure assets. An alternative to depreciating its 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.

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

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, P.C., measures the ability of each facility to function structurally utilizing a NYSDOT condition rating 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

The 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, New York 12528.

NEW YORK STATE BRIDGE AUTHORITY

Balance Sheets

December 31, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and equivalents	\$ 14,725,847	9,523,446
Investments	37,645,487	43,175,245
Accounts receivable	987,002	946,177
Prepaid expenses	1,606,732	781,873
Bond issuance costs	41,347	41,347
Total current assets	<u>55,006,415</u>	<u>54,468,088</u>
Noncurrent assets:		
Bond issuance costs	372,121	413,468
Capital assets, net	4,384,428	4,210,348
Bridge system	82,915,462	81,349,826
Total noncurrent assets	<u>87,672,011</u>	<u>85,973,642</u>
Total assets	<u>\$ 142,678,426</u>	<u>140,441,730</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities :		
Accounts payable and accrued expenses	1,284,089	1,196,368
Accrued wages, payroll taxes and fringe benefits	554,722	548,264
Contracts payable	78,503	974,438
Accrued interest on bonds	1,628,153	1,748,603
Bond premium	76,011	76,012
General revenue bonds, current portion	4,935,000	4,690,000
Total current liabilities	<u>8,556,478</u>	<u>9,233,685</u>
Noncurrent liabilities:		
Accrued fringe benefits	6,208,202	5,750,689
Bond premium	684,103	760,114
General revenue bonds	63,800,000	68,735,000
Total noncurrent liabilities	<u>70,692,305</u>	<u>75,245,803</u>
Net assets:		
Invested in capital assets	87,299,890	85,560,174
Restricted for:		
Debt service	9,015,069	8,475,658
Insurance	8,210,979	7,777,219
Maintenance reserve	26,376,823	26,008,474
Unrestricted (deficiency)	<u>(67,473,118)</u>	<u>(71,859,283)</u>
Total net assets	<u>63,429,643</u>	<u>55,962,242</u>
Total liabilities and net assets	<u>\$ 142,678,426</u>	<u>140,441,730</u>

See notes to accompanying financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenue:		
Toll revenue	\$ 39,376,001	39,407,446
Other income	<u>115,851</u>	<u>141,383</u>
Total operating revenue	<u>39,491,852</u>	<u>39,548,829</u>
Operating expenses:		
Salaries	11,075,846	10,704,870
Employee benefits	4,362,940	5,011,683
Utilities	645,762	601,219
Insurance	1,829,808	1,566,599
Professional services	637,074	758,160
Supplies and materials	276,462	249,349
Equipment expense	96,971	333,346
Maintenance and repairs	920,638	1,008,203
Rehabilitation, reconstruction and bridge repairs	7,293,971	19,710,446
Electronic toll costs	2,618,399	2,426,126
Depreciation	636,734	658,343
Other	<u>594,189</u>	<u>570,474</u>
Total operating expenses	<u>30,988,794</u>	<u>43,598,818</u>
Operating income (loss)	<u>8,503,058</u>	<u>(4,049,989)</u>
Nonoperating revenue (expenses):		
Interest income	2,187,994	1,537,697
Amortization of bond issuance costs	(41,347)	(41,347)
Interest and other	<u>(3,182,304)</u>	<u>(3,427,695)</u>
Total nonoperating revenue (expenses)	<u>(1,035,657)</u>	<u>(1,931,345)</u>
Increase (decrease) in net assets	7,467,401	(5,981,334)
Net assets at beginning of year	<u>55,962,242</u>	<u>61,943,576</u>
Net assets at end of year	<u>\$ 63,429,643</u>	<u>55,962,242</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Cash Flows
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Toll revenue	\$ 39,335,172	39,397,897
Payments to suppliers	(7,338,835)	(6,466,707)
Payments to contractors	(9,207,517)	(19,893,671)
Payments for wages and employee benefits	(14,974,814)	(14,683,178)
Other receipts	<u>115,859</u>	<u>141,383</u>
Net cash provided by (used in) operating activities	<u>7,929,865</u>	<u>(1,504,276)</u>
Cash flows from capital financing activities:		
Purchases of capital assets, net	(2,376,452)	(2,058,172)
Principal paid on bonds payable	(4,690,000)	(4,495,000)
Interest paid on bonds payable	<u>(3,378,756)</u>	<u>(3,602,931)</u>
Net cash used in capital financing activities	<u>(10,445,208)</u>	<u>(10,156,103)</u>
Cash flows from investing activities:		
Sale of investments, net	5,529,758	11,073,766
Interest on investments	<u>2,187,994</u>	<u>1,537,697</u>
Net cash provided by investing activities	<u>7,717,752</u>	<u>12,611,463</u>
Net increase in cash and equivalents	5,202,409	951,084
Cash and equivalents at beginning of year	<u>9,523,446</u>	<u>8,572,362</u>
Cash and equivalents at end of year	<u>\$ 14,725,855</u>	<u>9,523,446</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	8,503,058	(4,049,989)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	636,734	658,343
Changes in:		
Accounts receivable	(40,825)	511,942
Prepaid expenses	(824,859)	28,637
Accounts payable and accrued expenses	87,721	(323,417)
Accrued wages, payroll taxes and fringe benefits	463,971	1,033,375
Contracts payable	<u>(895,935)</u>	<u>636,833</u>
Net cash provided by (used in) operating activities	<u>\$ 7,929,865</u>	<u>(1,504,276)</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements

December 31, 2006 and 2005

(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 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.

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 toll 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 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) Operating Revenues

Operating revenues consist principally of toll revenue.

(h) Nonoperating Revenue

Nonoperating revenues consist principally of interest income.

(i) 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, 1998, 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 Deposits

The carrying amount of the Authority's deposits with financial institutions at December 31, 2006 was approximately \$14,726,000 and the bank balance was \$14,570,408. The bank balance is collateralized as follows:

Amount issued by FDIC	\$ 200,000
Collateral held by a third party in the Authority's name	3,867,742
Collateral held by trustee	<u>12,599,040</u>
	<u>\$ 16,666,782</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, 2006 and 2005 are summarized as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Debt Service Reserve Fund -				
U.S. Treasury Notes	\$ 8,820,530	8,661,944	8,446,804	8,426,537
Insurance Fund -				
U.S. Treasury Notes	2,371,021	2,329,472	7,746,096	7,696,816
Maintenance Reserve Fund:				
U.S. Treasury Bills	3,273,758	3,252,959	5,376,320	5,376,320
U.S. Treasury Notes	<u>23,180,178</u>	<u>22,934,738</u>	<u>21,606,025</u>	<u>21,554,681</u>
Total	<u>\$ 37,645,487</u>	<u>37,179,113</u>	<u>43,175,245</u>	<u>43,054,354</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, 2006 the Authority's investments and maturities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than one year</u>	<u>1 - 5 years</u>
U.S. Treasury Bills	\$ 3,252,959	3,252,959	-
U.S. Treasury Notes	<u>33,926,154</u>	<u>16,599,252</u>	<u>17,326,902</u>
	<u>\$ 37,179,113</u>	<u>19,852,211</u>	<u>17,326,902</u>

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(5) Funds Held For Restricted Purposes

At December 31, 2006 and 2005, funds held for restricted purposes by fund category consisted of the following:

	2006			
	<u>Cash and Equivalents</u>	<u>United States Governmental Securities</u>	<u>Related Liabilities</u>	<u>Total</u>
Debt Service Funds:				
Debt service fund	\$ 6,557,473	-	(6,363,153)	194,320
Debt service reserve fund	219	8,820,530	-	8,820,749
Fund total	<u>6,557,692</u>	<u>8,820,530</u>	<u>(6,363,153)</u>	<u>9,015,069</u>
Capital Projects Funds:				
Insurance fund	5,839,958	2,371,021	-	8,210,979
Maintenance reserve fund	1,390	26,453,936	(78,503)	26,376,823
Fund total	<u>5,841,348</u>	<u>28,824,957</u>	<u>(78,503)</u>	<u>34,587,802</u>
Combined total	<u>\$ 12,399,040</u>	<u>37,645,487</u>	<u>(6,441,656)</u>	<u>43,602,871</u>
	2005			
	<u>Cash and Equivalents</u>	<u>United States Governmental Securities</u>	<u>Related Liabilities</u>	<u>Total</u>
Debt Service Funds:				
Debt service fund	\$ 6,467,080	-	(6,438,603)	28,477
Debt service reserve fund	377	8,446,804	-	8,447,181
Fund total	<u>6,467,457</u>	<u>8,446,804</u>	<u>(6,438,603)</u>	<u>8,475,658</u>
Capital Projects Funds:				
Insurance fund	31,123	7,746,096	-	7,777,219
Maintenance reserve fund	840	26,982,345	(974,711)	26,008,474
Fund total	<u>31,963</u>	<u>34,728,441</u>	<u>(974,711)</u>	<u>33,785,693</u>
Combined total	<u>\$ 6,499,420</u>	<u>43,175,245</u>	<u>(7,413,314)</u>	<u>42,261,351</u>

Cash in the debt service fund at December 31, 2006 and 2005 was on deposit with the paying agent to meet bond and interest payments due on January 1, 2007 and January 1, 2006, respectively.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(6) Capital Assets

Capital assets at December 31, 2006 and 2005 consist of the following:

	Balance December 31, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2006</u>
Buildings	\$ 6,787,852	17,582	-	6,805,434
Furniture and equipment	<u>4,640,249</u>	<u>793,232</u>	<u>(126,844)</u>	<u>5,306,637</u>
	11,428,101	810,814	(126,844)	12,112,071
Less accumulated depreciation	<u>(7,217,753)</u>	<u>(636,734)</u>	<u>126,844</u>	<u>(7,727,643)</u>
	<u>\$ 4,210,348</u>	<u>174,080</u>	<u>-</u>	<u>4,384,428</u>

Depreciation expense for the years ended December 31, 2006 and 2005 amounted to \$636,734 and \$658,343, respectively.

(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, 2006 and 2005:

<u>Bridge Facility</u>	<u>Year Opened</u>	<u>2006</u>	<u>2005</u>
Rip Van Winkle Bridge	1935	\$ 2,299,147	2,299,147
Kingston-Rhinecliff Bridge	1957	19,990,903	19,990,903
Mid-Hudson Bridge	1930	12,073,503	12,073,503
Newburgh-Beacon Bridge	1963 and 1980	44,223,796	44,223,796
Bear Mountain Bridge	1924	<u>4,328,113</u>	<u>2,762,477</u>
		<u>\$ 82,915,462</u>	<u>81,349,826</u>

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(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 (a) for 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 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, 2006 are summarized as follows:

	<u>Balances at</u> <u>December 31, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances at</u> <u>December 31, 2006</u>
Series 1997	\$ 27,430,000	-	3,340,000	24,090,000
Series 2002	<u>45,995,000</u>	<u>-</u>	<u>1,350,000</u>	<u>44,645,000</u>
	<u>\$ 73,425,000</u>	<u>-</u>	<u>4,690,000</u>	<u>68,735,000</u>

The bonds have serial maturities as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,935,000	3,034,666
2008	5,155,000	2,799,876
2009	5,390,000	2,550,795
2010	5,640,000	2,288,045
2011	5,900,000	2,010,988
2012-2016	26,480,000	5,219,393
2017	<u>15,235,000</u>	<u>193,600</u>
	<u>\$ 68,735,000</u>	<u>18,097,363</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%, 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 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.

(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. 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, 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 years ended December 31, 2006, 2005 and 2004 amounted to \$1,011,957, \$959,231 and \$1,016,887, respectively.

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, Continued

(10) 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 for the years ended December 31, 2006 and 2005 amounted to approximately \$442,000 and \$1,807,000, respectively. At December 31, 2006 and 2005 the liability for retired employees included in noncurrent accrued fringe benefits was approximately \$5,535,000 and \$5,093,000, respectively.

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" which addressed how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. GASB Statement No. 45 requires a systematic, accrual-basis measurement and recognition of postemployment benefit costs over a period that approximates employees' years of service. The provisions of this statement must be implemented for the Authority's year ending December 31, 2007. At December 31, 2006, the amount expected to be recognized by the Authority is not determinable.

(11) 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 \$8,210,979 at December 31, 2006 in the capital projects fund to meet its deductible should a claim arise.

(12) Commitments and Contingencies

Commitments and contingencies at December 31, 2006 consist of the following:

(a) Bridge Construction

At December 31, 2006, the Authority had contractual commitments outstanding of approximately \$7,180,000 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.

NEW YORK STATE BRIDGE AUTHORITY

Bridge System Assessments

December 31, 2006

<u>Condition Rating*</u>	<u>Number of Bridges</u>					
	<u>2006</u>		<u>2005</u>		<u>2004</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
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
Bridge System Assessments, Continued

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Estimated	\$ 15,265	30,926	26,695	28,758	38,809
Actual	8,860	21,371	10,544	17,014	28,404

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

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.

When bid prices were deemed excessive, a \$5.2 million toll plaza rehabilitation at the Newburgh-Beacon Bridge, scheduled in 2004, was put off until 2005. Several other projects were also delayed or deferred that year and savings of \$1.5 million accrued through the competitive bidding process.

In 2005, projects totaling \$7.2 million were postponed for various reasons and competitive bids or project savings on three other jobs came in \$2.5 million under the budgeted figures.

In 2006, higher than expected bid prices were responsible for the postponement of a \$2.0 million Mid-Hudson Bridge maintenance building replacement which also included a municipal water and sewer installation. In addition, at Mid-Hudson a \$2.75 million project for signage and security cameras was delayed until 2007.

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INDEPENDENT AUDITOR'S 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, 2006, and have issued our report thereon dated March 12, 2007. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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, Scheepers & Co., P.C.

Williamsville, New York
March 12, 2007

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES**

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, 2006, and have issued our report thereon dated March 12, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether management has complied with the Investment Guidelines for Public Authorities.

Compliance with the Investment Guidelines for Public Authorities applicable to the Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with Investment Guidelines for Public Authorities. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Authority complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions.

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, Schaefer & Co., P.C.

Williamsville, New York
March 12, 2007