

NEW YORK STATE BRIDGE AUTHORITY
Management's Discussion and Analysis,
Financial Statements and
Supplementary Information
December 31, 2008 and 2007
(With Independent Auditors' Report thereon)

NEW YORK STATE BRIDGE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Governing Board
New York State Bridge Authority:

We have audited the accompanying basic financial statements of the New York State Bridge Authority (the Authority) as of December 31, 2008 and 2007 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, 2008 and 2007, 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 a report dated February 26, 2009 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 System Assessments on pages 24 to 25 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
February 26, 2009

NEW YORK STATE BRIDGE AUTHORITY

Management's Discussion and Analysis

December 31, 2008

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. The objective of this analysis 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 2008 was \$37.8 million, \$1.5 million below the previous year.

Total operating expense of \$34.5 million fell by \$5.7 million. This was mainly a result of decreased expenditures for rehabilitation, reconstruction and bridge repairs, which totaled \$7.9 million, down \$6.1 million from the previous year.

Net assets at year end were \$64.4 million, which was \$2.2 million above the previous 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 Revenue, 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 sheets present information on the Authority's assets and liabilities, reporting net assets at year end. Increases or decreases in net assets may indicate whether or not an entity's financial position is improving. A condensed summary of the Authority's balance sheets is shown on the following page.

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

| | December 31 | |
|------------------------------|--------------------|--------------------|
| | 2008 (In 000's) | 2007 (In 000's) |
| Assets | | |
| Current assets | \$ 49,083 | 54,232 |
| Noncurrent assets | | |
| Capital assets | 88,817 | 87,910 |
| Other noncurrent assets | 289 | 330 |
| Total assets | \$ 138,189 | 142,472 |
| Liabilities | | |
| Current liabilities | 9,603 | 12,692 |
| Noncurrent liabilities | | |
| General revenue bonds | 53,255 | 58,645 |
| Other noncurrent liabilities | 10,971 | 8,927 |
| Total liabilities | \$ 73,829 | 80,264 |
| Net Assets | | |
| Invested in capital assets | 88,817 | 87,910 |
| Restricted | 36,865 | 38,357 |
| Unrestricted | (61,322) | (64,059) |
| Total net assets | \$ 64,360 | 62,208 |

Statements of Revenue, Expenses and Changes in Net Assets.

The statements of revenue, expenses and changes in net assets shows the effect of income and expenses on the Authority's net assets for the year. These statements are prepared on an accrual basis, meaning revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur. The Authority's statements for 2008 and 2007 are summarized as follows:

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

| | December 31 | |
|---|---------------------------|---------------------------|
| | 2008 <u>(In 000's)</u> | 2007 <u>(In 000's)</u> |
| Operating revenue: | | |
| Toll revenues | \$ 37,759 | 39,306 |
| Other income | <u>90</u> | <u>261</u> |
| Total operating revenue | <u>37,849</u> | <u>39,567</u> |
| Operating expenses: | | |
| Salaries | 11,764 | 11,461 |
| Employee benefits | 6,197 | 6,070 |
| Commercial insurance | 1,535 | 1,692 |
| Rehabilitation, reconstruction and bridge repairs | 7,910 | 14,022 |
| Electronic toll costs | 2,821 | 2,840 |
| Other | <u>4,273</u> | <u>4,139</u> |
| Total operating expenses | <u>34,500</u> | <u>40,224</u> |
| Operating gain (loss) | <u>3,349</u> | <u>(657)</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | 1,445 | 2,399 |
| Interest and other | <u>(2,642)</u> | <u>(2,964)</u> |
| Total nonoperating revenues (expenses) | <u>(1,197)</u> | <u>(565)</u> |
| Increase (decrease) in net assets | 2,152 | (1,222) |
| Net assets at beginning of year | <u>62,208</u> | <u>63,430</u> |
| Net assets at end of year | <u>\$ 64,360</u> | <u>62,208</u> |

The receipts, accounting for virtually all operating revenue, totaled \$37.8 million, posting a \$1.5 million or 3.9% decline. Escalating gasoline prices were responsible for traffic declines beginning in May and the softening economy perpetuated these decreases through year end.

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

Costs of operation decreased \$5.7 million which is explained by the \$6.1 million in reduced outlays for bridge rehabilitation and repairs. In 2007, a two year, \$10.1 million, painting contract at the Rip Van Winkle Bridge was advanced, with expenses totaling \$8.2 million in 2007 and \$1.9 million in 2008. Salaries and employee benefits equaled 52 percent of operating expenses, with increases over 2007 in each of these costs in the 2% range. The Authority realized 9% savings on its commercial insurance program as expenses fell \$157,000. Other expense categories showed numbers similar to the previous year.

Nonoperating revenue is derived from interest income on investments, which was down \$954,000 as interest rates on government obligations in which the Authority invests continued a decline which started in 2007. Year end interest rates were at historical lows as the health of the economy continued to weaken. Interest paid on outstanding bonds accounted for substantially all of the nonoperating expenses, which totaled \$2.7 million this year.

Statements of Cash Flows

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

Net cash of \$2.2 million provided by operating activities was down \$5.0 million reflecting lower toll revenues and \$3.1 million paid in January 2008 for the aforementioned paint contract at the Rip Van Winkle Bridge. Principal and interest payments on Authority bonds held steady at \$8.1 million as capital financing results were similar to those in 2007. Cash flows from investing activities resulted in net cash of \$7.0 million, which includes interest earned on investments and net cash resulting from the purchase and sale of investments.

AUTHORITY BUDGET

The Authority's 2008 budget projected collections of \$39.6 million which was \$1.8 million above the actual result. The combination of rising fuel prices followed by a deepening recession drove commercial traffic down 7.7%, or 341,610 vehicles. This accounted for 76% of the overall toll revenue decline. Steadily declining interest rates, falling to historical lows by year end, reduced interest income which, at \$1.4 million, was \$488,000 below the forecast.

Operating expenses of \$34.5 million are provided for in the Authority's operating and capital improvement plan budgets. The day-to-day operating budget, which was forecasted at \$28.4 million, came in at \$26.6 million. Salaries were \$410,000 under budget as the Authority downsized its staff through attrition. Employee health insurance expense of \$4.3 million fell \$1.2 million below the projection. In 2007, new accounting standards required all public entities to recognize retiree health benefits for current employees. The preliminary projection for this cost was \$3.3 million for 2008, which was used for budgeting purposes. Subsequently, the accrued expense was recalculated at \$2.1 million.

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

The Authority's five year capital plan budgeted \$16.4 million in 2008 whereas actual costs totaled \$7.9 million. The difference resulted from a combination of changes including \$3.5 budgeted for painting in 2008 but expensed in 2007, two projects where the scope of work was reduced by \$2.0 million, four projects which came in \$1.1 million under budget and \$1.3 million of work deferred to 2009 or later.

TOTAL CAPITAL ASSETS AND LONG TERM DEBT

As of December 31, 2008, the Authority's investment in capital assets was \$88.8 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 December 31, 2008, \$58.6 million of debt remained outstanding and funds were in reserve to retire \$5.4 million bonds on January 1, 2009.

In 2008, Standard & Poor's affirmed the Authority's AA - rating and stable outlook on its outstanding bonds. Moody's Investors Service affirmed the Authority's Aa2 bond rating in 2007, making it one of only three public toll agencies in the country to achieve such a rating.

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, 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, 2008 and 2007

| <u>Assets</u> | <u>2008</u> | <u>2007</u> |
|--|-----------------------|---------------------|
| Current assets: | | |
| Cash and equivalents | \$ 9,496,176 | 9,831,982 |
| Investments | 37,340,978 | 42,891,964 |
| Accounts receivable | 1,624,761 | 893,618 |
| Prepaid expenses | 579,719 | 572,901 |
| Bond issuance costs | 41,347 | 41,347 |
| Total current assets | <u>49,082,981</u> | <u>54,231,812</u> |
| Noncurrent assets: | | |
| Bond issuance costs | 289,427 | 330,774 |
| Capital assets, net | 4,458,404 | 3,551,932 |
| Bridge system | 84,358,269 | 84,358,269 |
| Total noncurrent assets | <u>89,106,100</u> | <u>88,240,975</u> |
| Total assets | <u>\$ 138,189,081</u> | <u>142,472,787</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities : | | |
| Accounts payable and accrued expenses | 1,605,850 | 1,382,256 |
| Accrued wages, payroll taxes and fringe benefits | 643,217 | 615,326 |
| Contracts payable | 487,509 | 3,946,392 |
| Accrued interest on bonds | 1,399,938 | 1,517,333 |
| Bond premium | 76,011 | 76,011 |
| General revenue bonds, current portion | 5,390,000 | 5,155,000 |
| Total current liabilities | <u>9,602,525</u> | <u>12,692,318</u> |
| Noncurrent liabilities: | | |
| Accrued fringe benefits | 10,439,604 | 8,319,186 |
| Bond premium | 532,080 | 608,092 |
| General revenue bonds | 53,255,000 | 58,645,000 |
| Total noncurrent liabilities | <u>64,226,684</u> | <u>67,572,278</u> |
| Net assets: | | |
| Invested in capital assets | 88,816,673 | 87,910,201 |
| Restricted for: | | |
| Debt service | 8,322,887 | 8,573,570 |
| Insurance | 8,932,199 | 8,608,653 |
| Maintenance reserve | 19,609,933 | 21,174,773 |
| Unrestricted (deficiency) | <u>(61,321,820)</u> | <u>(64,059,006)</u> |
| Total net assets | <u>64,359,872</u> | <u>62,208,191</u> |
| Total liabilities and net assets | <u>\$ 138,189,081</u> | <u>142,472,787</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, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|----------------------|--------------------|
| Operating revenue: | | |
| Toll revenue | \$ 37,759,365 | 39,305,999 |
| Other income | <u>89,460</u> | <u>261,447</u> |
| Total operating revenue | <u>37,848,825</u> | <u>39,567,446</u> |
| Operating expenses: | | |
| Salaries | 11,763,574 | 11,460,560 |
| Employee benefits | 6,196,557 | 6,069,843 |
| Utilities | 820,821 | 631,336 |
| Insurance | 1,535,800 | 1,692,357 |
| Professional services | 720,849 | 894,681 |
| Supplies and materials | 245,339 | 231,219 |
| Equipment expense | 109,557 | 247,898 |
| Maintenance and repairs | 1,130,587 | 994,218 |
| Rehabilitation, reconstruction and bridge repairs | 7,909,597 | 14,021,956 |
| Electronic toll costs | 2,821,059 | 2,840,024 |
| Depreciation | 507,177 | 549,603 |
| Other | <u>739,153</u> | <u>590,488</u> |
| Total operating expenses | <u>34,500,070</u> | <u>40,224,183</u> |
| Operating income (loss) | <u>3,348,755</u> | <u>(656,737)</u> |
| Nonoperating revenue (expenses): | | |
| Interest income | 1,445,054 | 2,399,170 |
| Insurance recovery | 125,084 | 45,675 |
| Amortization of bond issuance costs | (41,347) | (41,347) |
| Interest and other | <u>(2,725,865)</u> | <u>(2,968,213)</u> |
| Total nonoperating revenue (expenses) | <u>(1,197,074)</u> | <u>(564,715)</u> |
| Increase (decrease) in net assets | 2,151,681 | (1,221,452) |
| Net assets at beginning of year | <u>62,208,191</u> | <u>63,429,643</u> |
| Net assets at end of year | <u>\$ 64,359,872</u> | <u>62,208,191</u> |

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
 Statements of Cash Flows
 Years ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Toll revenue | \$ 37,028,222 | 39,399,383 |
| Payments to suppliers | (6,666,245) | (5,748,108) |
| Payments to contractors | (12,608,624) | (11,396,182) |
| Payments for wages and employee benefits | (15,811,822) | (15,358,815) |
| Other receipts | <u>214,544</u> | <u>307,122</u> |
| Net cash provided by operating activities | <u>2,156,075</u> | <u>7,203,400</u> |
| Cash flows from capital financing activities: | | |
| Purchases of capital assets, net | (1,413,649) | (1,159,914) |
| Principal paid on bonds payable | (5,155,000) | (4,935,000) |
| Interest paid on bonds payable | <u>(2,919,271)</u> | <u>(3,155,044)</u> |
| Net cash used in capital financing activities | <u>(9,487,920)</u> | <u>(9,249,958)</u> |
| Cash flows from investing activities: | | |
| Sale (purchase) of investments, net | 5,550,985 | (5,246,477) |
| Interest on investments | <u>1,445,054</u> | <u>2,399,170</u> |
| Net cash provided by (used in) investing activities | <u>6,996,039</u> | <u>(2,847,307)</u> |
| Net decrease in cash and equivalents | (335,806) | (4,893,865) |
| Cash and equivalents at beginning of year | <u>9,831,982</u> | <u>14,725,847</u> |
| Cash and equivalents at end of year | <u>\$ 9,496,176</u> | <u>9,831,982</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | 3,348,755 | (656,737) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation expense | 507,177 | 549,603 |
| Insurance recovery | 125,084 | 45,675 |
| Changes in: | | |
| Accounts receivable | (731,143) | 93,384 |
| Prepaid expenses | (6,818) | 1,033,831 |
| Accounts payable and accrued expenses | 223,594 | 98,167 |
| Accrued wages, payroll taxes and fringe benefits | 2,148,309 | 2,171,588 |
| Contracts payable | <u>(3,458,883)</u> | <u>3,867,889</u> |
| Net cash provided by operating activities | <u>\$ 2,156,075</u> | <u>7,203,400</u> |

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements

December 31, 2008 and 2007

(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, 1988, between the Authority, the State of New York and the United States Department of Transportation. Consistent with the terms of Section 120(c)(2) of Public Law 100-17 and Section 402 of Title II of Public Law 101-45, the Agreement permits the use of revenues collected at that bridge only for construction and reconstruction, debt service, proper operation and maintenance of the bridges, approach roads and support facilities subject to the jurisdiction of the Authority.

(3) Cash Deposits

The carrying amount of the Authority's deposits with financial institutions at December 31, 2008 was \$9,496,176 and the bank balance was \$9,463,055. The bank balance is collateralized as follows:

| | |
|--|----------------------|
| Amount issued by FDIC | \$ 500,000 |
| Collateral held by a third party in the Authority's name | 3,980,009 |
| Collateral held by trustee | <u>6,801,487</u> |
| | \$ <u>11,281,496</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, 2008 and 2007 are summarized as follows:

| | 2008 | | 2007 | |
|---------------------------|----------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| <u>Unrestricted</u> | | | | |
| Revenue Fund - | | | | |
| U.S. Treasury Bills | \$ - | - | 591,413 | 590,973 |
| <u>Restricted</u> | | | | |
| Debt Service Fund - | | | | |
| U.S. Treasury Notes | 8,312,221 | 8,227,799 | 8,572,750 | 8,321,769 |
| Insurance Fund - | | | | |
| U.S. Treasury Notes | 8,932,007 | 8,928,301 | 8,607,698 | 8,475,524 |
| Maintenance Reserve Fund: | | | | |
| U.S. Treasury Bills | 18,920,437 | 18,800,720 | 2,929,733 | 2,925,728 |
| U.S. Treasury Notes | 1,176,313 | 1,176,313 | 22,190,370 | 21,924,156 |
| Total maintenance | <u>20,096,750</u> | <u>19,977,033</u> | <u>25,120,103</u> | <u>24,849,884</u> |
| Total | <u>\$ 37,340,978</u> | <u>37,133,133</u> | <u>42,891,964</u> | <u>42,238,150</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, 2008, 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 to 5 years</u> |
|------------------------|----------------------|---------------------------|---------------------|
| U.S. Treasury Bills | \$ 1,176,313 | 1,176,313 | - |
| U.S. Treasury Notes | 35,956,820 | 35,956,820 | - |
| | <u>\$ 37,133,133</u> | <u>37,133,133</u> | <u>-</u> |

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(5) Funds Held For Restricted Purposes

At December 31, 2008 and 2007, funds held for restricted purposes by fund category consisted of the following:

| | 2008 | | | |
|---------------------------|---------------------------------|--|--------------------------------|-------------------|
| | <u>Cash and Equivalents</u> | <u>United States Governmental Securities</u> | <u>Related Liabilities</u> | <u>Total</u> |
| Debt Service Funds: | | | | |
| Debt service fund | \$ 6,800,242 | - | (6,789,938) | 10,304 |
| Debt service reserve fund | <u>362</u> | <u>8,312,221</u> | <u>-</u> | <u>8,312,583</u> |
| Fund total | <u>6,800,604</u> | <u>8,312,221</u> | <u>(6,789,938)</u> | <u>8,322,887</u> |
| Capital Projects Funds: | | | | |
| Insurance fund | 192 | 8,932,007 | - | 8,932,199 |
| Maintenance reserve fund | <u>692</u> | <u>20,096,750</u> | <u>(487,509)</u> | <u>19,609,933</u> |
| Fund total | <u>884</u> | <u>29,028,757</u> | <u>(487,509)</u> | <u>28,542,132</u> |
| Combined total | <u>\$ 6,801,488</u> | <u>37,340,978</u> | <u>(7,277,447)</u> | <u>36,865,019</u> |
| | 2007 | | | |
| | <u>Cash and Equivalents</u> | <u>United States Governmental Securities</u> | <u>Related Liabilities</u> | <u>Total</u> |
| Debt Service Funds: | | | | |
| Debt service fund | \$ 6,672,333 | - | (6,672,333) | - |
| Debt service reserve fund | <u>943</u> | <u>8,572,750</u> | <u>(123)</u> | <u>8,573,570</u> |
| Fund total | <u>6,673,276</u> | <u>8,572,750</u> | <u>(6,672,456)</u> | <u>8,573,570</u> |
| Capital Projects Funds: | | | | |
| Insurance fund | 955 | 8,607,698 | - | 8,608,653 |
| Maintenance reserve fund | <u>1,062</u> | <u>25,120,103</u> | <u>(3,946,392)</u> | <u>21,174,773</u> |
| Fund total | <u>2,017</u> | <u>33,727,801</u> | <u>(3,946,392)</u> | <u>29,783,426</u> |
| Combined total | <u>\$ 6,675,293</u> | <u>42,300,551</u> | <u>(10,618,848)</u> | <u>38,356,996</u> |

Cash in the debt service fund at December 31, 2008 and 2007 was on deposit with the paying agent to meet bond and interest payments due on January 1, 2008 and January 1, 2007, respectively.

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(6) Capital Assets

Capital assets at December 31, 2008 and 2007 consist of the following:

| | 2008 | | | |
|-------------------------------|-----------------------------|------------------|------------------|-----------------------------|
| | Balance | | | Balance |
| | December 31, <u>2007</u> | <u>Additions</u> | <u>Disposals</u> | December 31, <u>2008</u> |
| Buildings | \$ 6,437,163 | 342,800 | (75,697) | 6,704,266 |
| Furniture and equipment | <u>4,739,645</u> | <u>1,070,849</u> | <u>(344,553)</u> | <u>5,465,941</u> |
| | 11,176,808 | 1,413,649 | (420,250) | 12,170,207 |
| Less accumulated depreciation | <u>(7,624,876)</u> | <u>(507,177)</u> | <u>420,250</u> | <u>(7,711,803)</u> |
| | <u>\$ 3,551,932</u> | <u>906,472</u> | <u>-</u> | <u>4,458,404</u> |
| | 2007 | | | |
| | Balance | | | Balance |
| | December 31, <u>2006</u> | <u>Additions</u> | <u>Disposals</u> | December 31, <u>2007</u> |
| Buildings | \$ 6,805,434 | - | (368,271) | 6,437,163 |
| Furniture and equipment | <u>5,306,637</u> | <u>332,177</u> | <u>(899,169)</u> | <u>4,739,645</u> |
| | 12,112,071 | 332,177 | (1,267,440) | 11,176,808 |
| Less accumulated depreciation | <u>(7,727,643)</u> | <u>(549,603)</u> | <u>652,370</u> | <u>(7,624,876)</u> |
| | <u>\$ 4,384,428</u> | <u>(217,426)</u> | <u>(615,070)</u> | <u>3,551,932</u> |

Depreciation expense for the years ended December 31, 2008 and 2007 amounted to \$507,177 and \$549,603, 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, 2008 and 2007:

| <u>Bridge Facility</u> | <u>Opened</u> | <u>2008</u> | <u>2007</u> |
|----------------------------|---------------|----------------------|-------------------|
| Rip Van Winkle Bridge | 1935 | \$ 2,299,147 | 2,299,147 |
| Kingston-Rhinecliff Bridge | 1957 | 20,536,609 | 20,536,609 |
| Mid-Hudson Bridge | 1930 | 12,957,846 | 12,957,846 |
| Newburgh-Beacon Bridge | 1963 and 1980 | 44,223,796 | 44,223,796 |
| Bear Mountain Bridge | 1924 | <u>4,340,871</u> | <u>4,340,871</u> |
| | | <u>\$ 84,358,269</u> | <u>84,358,269</u> |

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 consisted of certain reconstruction and rehabilitation projects for the Authority's bridge system. The proceeds were used to (a) fund the debt service reserve fund to the level required by the Bond Resolution and (b) pay the costs of issuance of the Series 2002 Bonds.

Changes in indebtedness for the years ended December 31, 2008 and 2007 are summarized as follows:

| | 2008 | | | |
|-------------|----------------------------------|-----------|------------------|----------------------------------|
| | Balances at December 31, 2007 | Additions | Retirements | Balances at December 31, 2008 |
| Series 1997 | \$ 20,550,000 | - | 3,720,000 | 16,830,000 |
| Series 2002 | <u>43,250,000</u> | <u>-</u> | <u>1,435,000</u> | <u>41,815,000</u> |
| | <u>\$ 63,800,000</u> | <u>-</u> | <u>5,155,000</u> | <u>58,645,000</u> |
| | 2007 | | | |
| | Balances at December 31, 2006 | Additions | Retirements | Balances at December 31, 2007 |
| Series 1997 | \$ 24,090,000 | - | 3,540,000 | 20,550,000 |
| Series 2002 | <u>44,645,000</u> | <u>-</u> | <u>1,395,000</u> | <u>43,250,000</u> |
| | <u>\$ 68,735,000</u> | <u>-</u> | <u>4,935,000</u> | <u>63,800,000</u> |

The bonds have serial maturities as of December 31, 2008 as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-------------|----------------------|-------------------|
| 2009 | \$ 5,390,000 | 2,550,795 |
| 2010 | 5,640,000 | 2,288,045 |
| 2011 | 5,900,000 | 2,010,989 |
| 2012 | 6,180,000 | 1,712,939 |
| 2013 | 6,475,000 | 1,455,845 |
| 2014 - 2017 | <u>29,060,000</u> | <u>2,254,220</u> |
| | <u>\$ 58,645,000</u> | <u>12,272,833</u> |

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(8) Bond Indebtedness, Continued

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.

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

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 after December 31, 2011, 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, 110 State Street, 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, 2008, 2007 and 2006 amounted to \$879,154, \$834,287 and \$1,011,957, 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-Employment Benefits

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

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

The Authority provides certain health care benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees' Retirement System, while working for the Authority. The Authority, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. The increase in the OPEB liability for the years ended December 31, 2008 and 2007 amounted to approximately \$2,073,000 and \$2,128,000, respectively. At December 31, 2008 and 2007, the OPEB liability included in noncurrent accrued fringe benefits was approximately \$9,736,000 and \$7,663,000, respectively. The amount charged to expense was \$2,891,541 and \$2,831,552 for the years ended December 31, 2008 and 2007.

The number of participants as of January 1, 2007 was as follows:

| | |
|------------------------------|------------|
| Active employees | 165 |
| Retired employees | 75 |
| Spouses of retired employees | <u>35</u> |
| Total | <u>275</u> |

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

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(10) Post-Employment Benefits, Continued

| <u>Benefit Obligations and Normal Cost</u> | <u>2008</u> | <u>2007</u> |
|---|----------------------|-------------------|
| Actuarial accrued liability (AAL): | | |
| Retired employees | \$ 15,470,048 | 14,593,841 |
| Active employees | <u>26,300,109</u> | <u>25,103,141</u> |
| Total | \$ <u>41,770,157</u> | <u>39,696,982</u> |
| Underfunded actuarial accrued liability (UAAL) | \$ <u>41,770,157</u> | <u>39,696,982</u> |
| Normal cost at beginning of year | \$ <u>1,106,886</u> | <u>1,079,889</u> |
| <u>Level Dollar Amortization</u> | | |
| Calculation of ARC under projected Unit Credit Method: | | |
| Amortization of UAAL over 30 years with interest to end of year | 1,694,573 | 1,653,242 |
| Normal costs with interest to end of year | <u>1,206,285</u> | <u>1,178,844</u> |
| Annual required contribution (ARC) | \$ <u>2,900,858</u> | <u>2,832,086</u> |
| <u>Annual OPEB Cost Contribution</u> | | |
| Contribution made by Authority | 818,366 | 703,101 |
| Contribution as a percentage of required contribution | 28.2% | 24.8% |
| <u>Annual OPEB Cost and Net OPEB Obligation</u> | | |
| Annual required contribution | 2,900,858 | 2,832,086 |
| Interest on net OPEB obligation | 318,409 | 229,972 |
| Adjustment to annual required contribution | <u>(327,726)</u> | <u>(230,506)</u> |
| Annual OPEB cost (expense) | 2,891,541 | 2,831,552 |
| Contribution made on a pay-as-you-go basis | <u>(818,766)</u> | <u>(703,101)</u> |
| Increase in net OPEB obligation | 2,073,175 | 2,128,451 |
| Net OPEB obligation at beginning of year | <u>7,663,269</u> | <u>5,534,818</u> |
| Net OPEB obligation at end of year | \$ <u>9,736,444</u> | <u>7,663,269</u> |

Actuarial methods and assumptions:

| | |
|--|--------------|
| Funding interest rate | 4.155% |
| 2007 Medical trend rate | 10%/12% |
| 2008 Medical trend rate | 9%/11% |
| Ultimate trend rate | 5%/5% |
| Year Ultimate trend rate rendered | 2012/2013 |
| Annual payroll growth rate | 2.5% |
| Actuarial cost method | Attained Age |
| The remaining amortization period at December 31, 2008 | 28 years |

NEW YORK STATE BRIDGE AUTHORITY
Notes to Financial Statements, Continued

(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 \$8,932,199 at December 31, 2008 in the capital projects fund to meet its deductible should a claim arise.

(12) Commitments and Contingencies

Commitments and contingencies at December 31, 2008 consist of the following:

(a) Bridge Construction

At December 31, 2008, the Authority had contractual commitments outstanding of approximately \$7,878,000 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

Required Supplementary Information -

Bridge System Assessments

December 31, 2008

| Condition Rating* | Number of Bridges | | | | | |
|-----------------------|-------------------|-------------|----------|-------------|----------|-------------|
| | 2008 | | 2007 | | 2006 | |
| | Number | % | Number | % | Number | % |
| New | - | - | - | - | - | - |
| Minor Deterioration | 9 | 100 | 9 | 100% | 9 | 100% |
| Serious Deterioration | - | - | - | - | - | - |
| Totally Deteriorated | - | - | - | - | - | - |
| Total | <u>9</u> | <u>100%</u> | <u>9</u> | <u>100%</u> | <u>9</u> | <u>100%</u> |

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

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

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

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

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

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|
| Estimated | 16,360 | 15,480 | 15,265 | 30,926 | 26,695 |
| Actual | 7,910 | 14,022 | 8,860 | 21,371 | 10,544 |

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

NEW YORK STATE BRIDGE AUTHORITY

Required Supplemental Information - Bridge System Assessments, Continued

In 2004, when bid prices were deemed excessive, a \$5.2 million toll plaza rehabilitation at the Newburgh-Beacon Bridge which was 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 projects 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.

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

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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Governing Board
New York State Bridge Authority:

We have audited the financial statements of the New York State Bridge Authority (the Authority) as of and for the year ended December 31, 2008, and have issued our report thereon dated February 26, 2009. 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, Schaefer & Co., P.C.

Williamsville, New York
February 26, 2009

TOSKI, SCHAEFER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' 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, 2008, and have issued our report thereon dated February 26, 2009.

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
February 26, 2009