

**EXHIBIT D**

**2010 AUDITED ANNUAL FINANCIAL STATEMENTS**

**NEW YORK STATE BRIDGE AUTHORITY**

**Management's Discussion and Analysis,  
Financial Statements and  
Supplementary Information**

**December 31, 2010 and 2009**

**(With Independent Auditors' Report Thereon)**

# NEW YORK STATE BRIDGE AUTHORITY

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

555 INTERNATIONAL DR.  
WILLIAMSVILLE, NY 14221  
(716) 634-0700

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

INDEPENDENT AUDITORS' REPORT

To the Governing Board  
New York State Bridge Authority:

We have audited the accompanying basic financial statements of the New York State Bridge Authority (the Authority) as of and for the years ended December 31, 2010 and 2009 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, 2010 and 2009, 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.

Management's Discussion and Analysis on pages 3 through 8 and the Bridge System Assessments on pages 26 and 27 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Toski, Schaefer & Co., P.C.

Williamsville, New York  
March 4, 2011

## NEW YORK STATE BRIDGE AUTHORITY

### Management's Discussion and Analysis

December 31, 2010

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

#### **FINANCIAL HIGHLIGHTS**

Toll revenue in 2010 totaled \$37.7 million, \$0.6 million above the previous year. Interest income decreased from prior year by \$0.03 million as interest rates continued at historically low levels. A Federal grant of \$0.3 million in other income was obtained for a project to install cameras on Authority facilities.

Total operating expenses of \$39 million increased by \$7.1 million. This 22.3% increase was the result of increased rehabilitation, reconstruction, and bridge repairs of \$5.1 million, employee benefits of \$1.4 million, and electronic toll costs of \$0.3 million.

Net assets at year-end were \$97.6 million, which was \$30.1 million above the prior year. This increase is due to the transfer of the Walkway Over The Hudson to the Authority in December 2010.

#### **BASIC FINANCIAL STATEMENTS**

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

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

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

#### **FINANCIAL STATEMENT ANALYSIS**

##### **Balance Sheets**

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

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

	December 31	
	2010 (In 000's)	2009 (In 000's)
<b>Assets</b>		
Current assets	\$ 42,373	47,099
Noncurrent assets:		
Capital assets	122,409	89,780
Other noncurrent assets	207	248
Total assets	\$ 164,989	137,127
<b>Liabilities</b>		
Current liabilities	10,800	8,972
Noncurrent liabilities:		
General revenue bonds	41,715	47,615
Other noncurrent liabilities	14,888	13,005
Total liabilities	\$ 67,403	69,592
<b>Net assets</b>		
Invested in capital assets	122,409	89,779
Restricted	30,475	35,428
Unrestricted	(55,298)	(57,672)
Total net assets	\$ 97,586	67,535

**Statements of Revenue, Expenses and Changes in Net Assets**

The statements of revenue, expenses and changes in net assets show the effect of income and expenses on the Authority's net assets for the year. These statements are prepared on an accrual basis, meaning revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur. The Authority's statements for 2010 and 2009 are summarized as follows:

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

	December 31	
	2010 (In 000's)	2009 (In 000's)
Operating revenue:		
Toll revenues	\$ 37,669	37,084
Other income	511	88
Total operating revenue	38,180	37,172
Operating expenses:		
Salaries	10,718	10,788
Employee benefits	7,471	6,100
Commercial insurance	1,402	1,219
Rehabilitation, reconstruction and bridge repairs	12,950	7,846
Electronic toll costs	3,165	2,881
Other	3,337	3,079
Total operating expenses	39,043	31,913
Operating gain (loss)	(863)	5,259
Nonoperating revenue (expenses):		
Interest income	414	442
Interest and other	30,500	(2,526)
Total nonoperating revenue (expenses)	30,914	(2,084)
Increase in net assets	30,051	3,175
Net assets at beginning of year	67,535	64,360
Net assets at end of year	\$ 97,586	67,535

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

**Statements of Revenue, Expenses and Changes in Net Assets, Continued**

The cost of operations increased \$7.1 million for the year as rehabilitation, reconstruction, and bridge repairs increased by \$5.1 million primarily due to the painting of a portion of the Newburgh-Beacon Bridge. Employee benefits increased \$1.4 million. This was due primarily to 20 employees utilizing the 2010 retirement incentive resulting in a onetime charge for \$1.0 million. A requirement of the Authority to utilize 2010 retirement incentive program is that it will produce a net savings in the first two years. The Authority projects the program will provide net savings in the first two years and continue to provide additional savings in subsequent years. Increased annual contributions to the retirement system also contributed to higher employee benefit costs. Electronic toll costs increased by \$0.3 million, driven by both increased volume and costs per transaction.

Non-operating revenue is from interest income on investments and the capital addition of the Walkway Over The Hudson. Interest income was slightly lower than 2009 as interest rates on government obligations in which the Authority invests continued at historically low levels. The capital addition is from the Authority accepting ownership on December 21, 2010 of the Walkway Over The Hudson (WOH), a 122 year-old railroad bridge converted into a linear state park. This is a pedestrian only structure which will produce no toll revenues. The New York State Office of Parks, Recreation, and Historic Preservation will be responsible for WOH operations and the maintenance of the deck, and the Authority will be responsible for the maintenance of the structure.

Interest paid on the Authority's outstanding bonds, which totaled \$2.2 million this year, accounted for substantially all of the non-operating expenses.

**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 \$3.2 million provided by operating activities was down \$3.9 million reflecting \$4.8 million in higher payments to suppliers and contractors and offset by \$0.6 million in increased toll revenue.

Principal and interest payments on Authority bonds held steady at \$8.1 million as capital financing results were similar to those in 2009. Cash flows from investing activities resulted in net cash of \$5.0 million, which includes interest earned on investments and net cash resulting from the purchase and sale of investments.

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

**AUTHORITY BUDGET**

The Authority's 2010 budget projected collections of \$37.3 million was \$0.4 million below the actual. An improvement in traffic from the deep recession levels forecasted drove these collection increases. Passenger traffic increased from 2009 by 743,000 vehicles generating \$0.4 million in additional revenue. Commercial traffic increased from 2009 by 37,000 vehicles generating a \$0.1 million increase due to higher usage by five axle trucks. The Authority budgeted Federal grants of \$2.3 million which was \$2.0 million above actual. The progress of the construction for The Port Authority of New York and New Jersey, the entity administering the Federal grant, project fell behind the original projection. The remaining grant funds are expected upon completion of the related projects. Additionally, interest rates on Authority investments continued at historically low levels, interest income of \$414,000 was \$14,000 above forecast.

2010 operating expenses of \$39.0 million came in higher than the Authority's operating and capital improvement plan budget by \$0.4 million due to the 2010 retirement incentive of \$1.0 million. The day-to-day operating budget, which was forecasted at \$24.9 million, came in at \$26.1 million. This included the 2010 retirement incentive program of \$1.0 million that was not budgeted and higher electronic toll costs of \$0.6 million associated with higher EZ-Pass traffic volumes.

The Authority's five year capital plan budgeted \$13.8 million in 2010 whereas actual costs totaled \$13.0 million. The difference resulted from a combination of factors. Approximately \$1.0 million of work was deferred to 2011 or later and the original capital plan excluded costs for the Federal grant project that were funded from the grant. The Federal grant funding \$0.3 million is reflected in other income.

**TOTAL CAPITAL ASSETS AND LONG-TERM DEBT**

As of December 31, 2010, the Authority's investment in capital assets was \$122.4 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, 2010, \$47.6 million of debt remained outstanding and funds were in reserve to retire \$5.9 million bonds on January 1, 2011.

In 2010, Standard & Poor's affirmed the Authority's AA- rating and stable outlook on its outstanding bonds. Moody's Investors Service in 2009 affirmed the Authority's Aa2 bond rating, making it one of only two public toll agencies in the country to achieve such a rating.

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

**MODIFIED APPROACH FOR INFRASTRUCTURE ASSETS**

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

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

**ADDITIONAL INFORMATION**

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

NEW YORK STATE BRIDGE AUTHORITY

Balance Sheets

December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and equivalents	\$ 8,837,391	9,167,088
Investments	31,057,268	35,640,841
Accounts receivable	1,730,188	1,698,807
Prepaid expenses	707,272	551,007
Bond issuance costs	41,347	41,347
Total current assets	<u>42,373,466</u>	<u>47,099,090</u>
Noncurrent assets:		
Bond issuance costs	206,733	248,080
Capital assets, net	38,050,583	5,421,161
Bridge system	84,358,269	84,358,269
Total noncurrent assets	<u>122,615,585</u>	<u>90,027,510</u>
Total assets	<u>\$ 164,989,051</u>	<u>137,126,600</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	1,576,974	1,341,654
Accrued wages, payroll taxes and fringe benefits	1,470,271	410,116
Contracts payable	632,771	228,963
Accrued interest on bonds	1,144,023	1,275,398
Bond premium	76,011	76,011
General revenue bonds, current portion	5,900,000	5,640,000
Total current liabilities	<u>10,800,050</u>	<u>8,972,142</u>
Noncurrent liabilities:		
Accrued fringe benefits	14,508,045	12,548,260
Bond premium	380,057	456,069
General revenue bonds	41,715,000	47,615,000
Total noncurrent liabilities	<u>56,603,102</u>	<u>60,619,329</u>
Net assets:		
Invested in capital assets	122,408,852	89,779,430
Restricted for:		
Debt service	8,165,101	8,427,395
Insurance	8,607,056	9,136,055
Maintenance reserve	13,702,925	17,863,954
Unrestricted (deficiency)	<u>(55,298,035)</u>	<u>(57,671,705)</u>
Total net assets	<u>97,585,899</u>	<u>67,535,129</u>
Commitments and contingencies (note 13)		
Total liabilities and net assets	<u>\$ 164,989,051</u>	<u>137,126,600</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY  
 Statements of Revenue, Expenses and Changes in Net Assets  
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenue:		
Toll revenue	\$ 37,668,652	37,084,176
Other income	511,128	88,142
Total operating revenue	<u>38,179,780</u>	<u>37,172,318</u>
Operating expenses:		
Salaries	10,718,175	10,788,378
Employee benefits	7,471,135	6,099,987
Utilities	677,298	606,150
Insurance	1,401,805	1,218,825
Professional services	530,199	332,183
Supplies and materials	221,922	207,470
Equipment expense	193,109	63,478
Maintenance and repairs	548,099	697,608
Rehabilitation, reconstruction and bridge repairs	12,949,595	7,845,821
Electronic toll costs	3,164,671	2,880,639
Depreciation	612,990	602,044
Other	553,635	570,729
Total operating expenses	<u>39,042,633</u>	<u>31,913,312</u>
Operating income (loss)	<u>(862,853)</u>	<u>5,259,006</u>
Nonoperating revenue (expenses):		
Interest income	413,798	441,882
Capital addition for Walkway Over The Hudson pedestrian bridge	32,758,706	-
Amortization of bond issuance costs	(41,347)	(41,347)
Interest and other expenses	<u>(2,217,534)</u>	<u>(2,484,284)</u>
Total nonoperating revenue (expenses)	<u>30,913,623</u>	<u>(2,083,749)</u>
Increase in net assets	30,050,770	3,175,257
Net assets at beginning of year	<u>67,535,129</u>	<u>64,359,872</u>
Net assets at end of year	<u>\$ 97,585,899</u>	<u>67,535,129</u>

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY  
 Statements of Cash Flows  
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Toll revenue	\$ 37,637,271	37,010,130
Payments to suppliers	(6,470,475)	(6,051,481)
Payments to contractors	(13,286,995)	(8,865,452)
Payments for wages and employee benefits	(15,169,370)	(15,012,810)
Other receipts	511,128	88,142
Net cash provided by operating activities	<u>3,221,559</u>	<u>7,168,529</u>
Cash flows from capital financing activities:		
Purchases of capital assets, net	(483,706)	(1,564,801)
Principal paid on bonds payable	(5,640,000)	(5,390,000)
Interest paid on bonds payable	(2,424,921)	(2,684,835)
Net cash used in capital financing activities	<u>(8,548,627)</u>	<u>(9,639,636)</u>
Cash flows from investing activities:		
Proceeds from sale of investments, net	4,583,573	1,700,137
Interest on investments	413,798	441,882
Net cash provided by investing activities	<u>4,997,371</u>	<u>2,142,019</u>
Net decrease in cash and equivalents	(329,697)	(329,088)
Cash and equivalents at beginning of year	9,167,088	9,496,176
Cash and equivalents at end of year	<u>\$ 8,837,391</u>	<u>9,167,088</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	(862,853)	5,259,006
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	612,990	602,044
Changes in:		
Accounts receivable	(31,381)	(74,046)
Prepaid expenses	(156,265)	28,712
Accounts payable and accrued expenses	235,320	(264,196)
Accrued wages, payroll taxes and fringe benefits	3,019,940	1,875,555
Contracts payable	403,808	(258,546)
Net cash provided by operating activities	<u>\$ 3,221,559</u>	<u>7,168,529</u>
Supplemental schedule of cash flow information - capital addition - Walkway Over The Hudson pedestrian bridge	<u>\$ 32,758,706</u>	<u>-</u>

See accompanying notes to financial statements.

## NEW YORK STATE BRIDGE AUTHORITY

### Notes to Financial Statements

December 31, 2010 and 2009

#### (1) Organization

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

#### (2) Significant Accounting Policies

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

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

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

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

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

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

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

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

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

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

(1) General Fund

(a) Revenue Fund

Established to receive daily 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 Series 1997 Resolution.

(b) Maintenance Reserve Fund

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

(c) Insurance Fund

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

# NEW YORK STATE BRIDGE AUTHORITY

## Notes to Financial Statements, Continued

### (2) Significant Accounting Policies, Continued

#### (b) Cash Deposits and Investments

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

#### (c) Capital Assets

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

Buildings	30 years
Furniture and equipment	3 - 10 years

#### (d) Bridge System

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

#### (e) Real Property

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

# NEW YORK STATE BRIDGE AUTHORITY

## Notes to Financial Statements, Continued

### (2) Significant Accounting Policies, Continued

#### (f) Compensated Absences

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

#### (g) Subsequent Events

The Authority has evaluated events after December 31, 2010, and through March 4, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

#### (h) Operating Revenue

Operating revenues consist principally of toll revenue.

#### (i) Nonoperating Revenue

Nonoperating revenues consist principally of interest income.

#### (j) Operations

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

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

### (3) Cash and Equivalents

The carrying amount of the Authority's deposits with financial institutions at December 31, 2010 amounted to \$8,837,391 and the bank balance was \$9,876,570. The bank balance is collateralized as follows:

Amount issued by FDIC	\$	500,000
Collateral held by a third party in the Authority's name		4,029,484
Collateral held by trustee		<u>7,094,609</u>
	\$	<u>11,624,093</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, 2010 and 2009 are summarized as follows:

<u>Restricted</u>	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Debt Service Fund -				
U.S. Treasury Notes	\$ 8,114,728	8,125,324	8,413,478	8,457,156
Insurance Fund -				
U.S. Treasury Notes	8,607,056	8,848,515	9,135,495	9,286,094
Maintenance Reserve Fund -				
U.S. Treasury Notes	4,589,228	4,598,133	6,149,191	6,125,392
U.S. Treasury Bills	<u>9,746,256</u>	<u>9,746,015</u>	<u>11,942,677</u>	<u>11,942,677</u>
Total maintenance	<u>14,335,484</u>	<u>14,344,148</u>	<u>18,091,868</u>	<u>18,068,069</u>
Total	<u>\$ 31,057,268</u>	<u>31,317,987</u>	<u>35,640,841</u>	<u>35,811,319</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, 2010, 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 Notes	\$ 9,746,015	9,746,015	-
U.S. Treasury Bills	<u>21,571,972</u>	<u>10,730,868</u>	<u>10,841,104</u>
	<u>\$ 31,317,987</u>	<u>20,476,883</u>	<u>10,841,104</u>

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(5) Funds Held For Restricted Purposes

At December 31, 2010 and 2009, funds held for restricted purposes by fund category consisted of the following:

	<u>2010</u>			
	<u>Cash and</u>	<u>United States</u>	<u>Related</u>	<u>Total</u>
	<u>Equivalents</u>	<u>Governmental</u>	<u>Liabilities</u>	
		<u>Securities</u>		
<b>Debt Service Funds:</b>				
Debt service fund	\$ 7,058,820	-	(7,044,023)	14,797
Debt service reserve fund	<u>35,576</u>	<u>8,114,728</u>	<u>-</u>	<u>8,150,304</u>
Fund total	<u>7,094,396</u>	<u>8,114,728</u>	<u>(7,044,023)</u>	<u>8,165,101</u>
<b>Capital Projects Funds:</b>				
Insurance fund	-	8,607,056	-	8,607,056
Maintenance reserve fund	<u>212</u>	<u>14,335,484</u>	<u>(632,771)</u>	<u>13,702,925</u>
Fund total	<u>212</u>	<u>22,942,540</u>	<u>(632,771)</u>	<u>22,309,981</u>
Combined total	\$ <u>7,094,608</u>	<u>31,057,268</u>	<u>(7,676,794)</u>	<u>30,475,082</u>
	<u>2009</u>			
	<u>Cash and</u>	<u>United States</u>	<u>Related</u>	<u>Total</u>
	<u>Equivalents</u>	<u>Governmental</u>	<u>Liabilities</u>	
		<u>Securities</u>		
<b>Debt Service Funds:</b>				
Debt service fund	\$ 6,928,820	-	(6,915,398)	13,422
Debt service reserve fund	<u>495</u>	<u>8,413,478</u>	<u>-</u>	<u>8,413,973</u>
Fund total	<u>6,929,315</u>	<u>8,413,478</u>	<u>(6,915,398)</u>	<u>8,427,395</u>
<b>Capital Projects Funds:</b>				
Insurance fund	560	9,135,495	-	9,136,055
Maintenance reserve fund	<u>1,050</u>	<u>18,091,868</u>	<u>(228,964)</u>	<u>17,863,954</u>
Fund total	<u>1,610</u>	<u>27,227,363</u>	<u>(228,964)</u>	<u>27,000,009</u>
Combined total	\$ <u>6,930,925</u>	<u>35,640,841</u>	<u>(7,144,362)</u>	<u>35,427,404</u>

Cash in the debt service fund at December 31, 2010 and 2009 was on deposit with the paying agent to meet bond and interest payments due on January 1, 2010 and January 1, 2009, respectively.

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(6) Capital Assets

Capital assets at December 31, 2010 and 2009 consist of the following:

	2010				Balance December 31, 2010
	Balance December 31, 2009	Contributed capital assets	Additions	Disposals	
	Walkway Over The Hudson - pedestrian bridge	\$ -	32,758,706	-	
Buildings	8,128,929	-	-	-	8,128,929
Furniture and equipment	<u>5,524,066</u>	<u>80,000</u>	<u>483,706</u>	<u>(6,500)</u>	<u>6,081,272</u>
	13,652,995	32,838,706	483,706	(6,500)	46,968,907
Less accumulated depreciation	<u>(8,231,834)</u>	<u>(80,000)</u>	<u>(612,990)</u>	<u>6,500</u>	<u>(8,918,324)</u>
	<u>\$ 5,421,161</u>	<u>32,758,706</u>	<u>(129,284)</u>	<u>-</u>	<u>38,050,583</u>

	2009				Balance December 31, 2009
	Balance December 31, 2008	Additions	Disposals		
	Buildings	\$ 6,704,266	1,424,663	-	
Furniture and equipment	<u>5,465,941</u>	<u>140,138</u>	<u>(82,013)</u>		<u>5,524,066</u>
	12,170,207	1,564,801	(82,013)		13,652,995
Less accumulated depreciation	<u>(7,711,803)</u>	<u>(602,044)</u>	<u>82,013</u>		<u>(8,231,834)</u>
	<u>\$ 4,458,404</u>	<u>962,757</u>	<u>-</u>		<u>5,421,161</u>

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to \$612,990 and \$602,044, respectively.

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

NEW YORK STATE BRIDGE AUTHORITY

Notes to Financial Statements, Continued

(7) Bridge System

The bridge system consists of five bridges (six spans) spanning the Hudson River together with the related toll plazas and approaches. The bridge system is recorded at cost and consisted of the following at December 31, 2010 and 2009:

<u>Bridge Facility</u>	<u>Opened</u>	<u>2010</u>	<u>2009</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	4,340,871	4,340,871
		<u>\$ 84,358,269</u>	<u>84,358,269</u>

(8) Bond Indebtedness

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

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

Changes in indebtedness for the years ended December 31, 2010 and 2009 are summarized as follows:

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

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(8) Bond Indebtedness, Continued

	2009		
	Balances at December 31, 2008	Retirements	Balances at December 31, 2009
Series 1997	\$ 16,830,000	(3,905,000)	12,925,000
Series 2002	41,815,000	(1,485,000)	40,330,000
	\$ 58,645,000	(5,390,000)	53,255,000

The bonds have serial maturities as of December 31, 2010 as follows:

	Principal	Interest
2011	\$ 5,900,000	2,010,989
2012	6,180,000	1,712,939
2013	6,475,000	1,455,845
2014	6,745,000	1,109,820
2015	7,080,000	756,600
2016 - 2018	15,235,000	387,800
	\$ 47,615,000	7,433,993

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 (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(9) Retirement Plan, Continued

(b) Funding Policies

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

The rates billed by the Comptroller during the year ended December 31, 2010 ranged from 9.1% to 15.3% and during the year ended December 31, 2009 ranged from 7.0% to 9.3%.

The Authority is required to contribute at an actuarially determined rate. The required contribution for the years ended December 31, 2010, 2009 and 2008 amounted to \$1,182,092, \$678,263 and \$879,154, respectively.

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

(c) Early Retirement Incentive

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

(10) Postemployment Benefits

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

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

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(10) Postemployment Benefits, Continued

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, 2010 and 2009 amounted to \$2,110,359 and \$2,075,357, respectively. At December 31, 2010 and 2009, the OPEB liability included in noncurrent accrued fringe benefits was \$13,922,160 and \$11,811,801, respectively. The amount charged to expense was \$3,023,015 and \$2,882,077 for the years ended December 31, 2010 and 2009.

The number of participants as of January 1, 2009 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.

<u>Benefit Obligations and Normal Cost</u>	<u>2010</u>	<u>2009</u>
Actuarial accrued liability (AAL):		
Retired employees	\$ 17,342,514	16,018,242
Active employees	<u>25,894,669</u>	<u>25,311,036</u>
Total	\$ <u>43,237,183</u>	<u>41,329,278</u>
Underfunded actuarial accrued liability (UAAL)	\$ <u>43,237,183</u>	<u>41,329,278</u>
Normal cost at beginning of year	\$ <u>1,061,891</u>	<u>1,035,991</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	1,909,759	1,779,328
Normal costs with interest to end of year	<u>1,162,504</u>	<u>1,132,469</u>
Annual required contribution (ARC)	\$ <u>3,072,263</u>	<u>2,911,797</u>

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(10) Postemployment Benefits, Continued

	<u>2010</u>	<u>2009</u>
<u>Annual OPEB Cost Contribution</u>		
Contribution made by Authority	\$ 912,656	806,720
Contribution as a percentage of required contribution	29.7%	27.7%
<u>Annual OPEB Cost and Net OPEB Obligation</u>		
Annual required contribution	3,072,263	2,911,797
Interest on net OPEB obligation	472,472	389,458
Adjustment to annual required contribution	<u>(521,720)</u>	<u>(419,178)</u>
Annual OPEB cost (expense)	3,023,015	2,882,077
Contribution made on a pay-as-you-go basis	<u>(912,656)</u>	<u>(806,720)</u>
Increase in net OPEB obligation	2,110,359	2,075,357
Net OPEB obligation at beginning of year	<u>11,811,801</u>	<u>9,736,444</u>
Net OPEB obligation at end of year	\$ <u>13,922,160</u>	<u>11,811,801</u>

Actuarial methods and assumptions:

Funding interest rate	4%	4%
2009 medical trend rate	8%/10%	8%/10%
Ultimate trend rate	5%/5%	5%/5%
Year ultimate trend rate rendered	2013/2014	2013/2014
Annual payroll growth rate	2.5%	2.5%
Actuarial cost method	Attained Age	Attained Age
The remaining amortization period at year-end	26 years	27 years

(11) Administrative Services Assessment

Through the Public Authorities Law Section 2975, the State of New York (the State) established a cost recovery of central governmental services to various public authorities. This statute directs the New York State Division of the Budget to determine the amount to be assessed to each public authority. The State Treasurer imposes and collects the assessments which are deposited into the State's general fund. The administrative services assessment for the Authority for the years ended December 31, 2010 and 2009 amounted to \$234,119 and \$312,158, respectively.

NEW YORK STATE BRIDGE AUTHORITY  
Notes to Financial Statements, Continued

(12) Risk Management

The Authority purchases commercial insurance policies in varying amounts for general liability, vehicle liability, damage to fixed assets, and public officials and employee liability coverage. The Authority also pays unemployment claims to the State of New York as incurred. There are no claims relating to the bridge facilities, however, the Authority has funded a reserve of \$8,607,056 at December 31, 2010 in the capital projects fund to meet its deductible should a claim arise.

(13) Commitments and Contingencies

Commitments and contingencies at December 31, 2010 consist of the following:

(a) Bridge Construction

At December 31, 2010, the Authority had contractual commitments outstanding of approximately \$11,328,000 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, 2010

Condition Rating*	Number of Bridges					
	2010		2009		2008	
	Number	%	Number	%	Number	%
New	-	-	-	-	-	-
Minor Deterioration	9	100	9	100%	9	100%
Serious Deterioration	-	-	-	-	-	-
Totally Deteriorated	-	-	-	-	-	-
Total	<u>9</u>	<u>100%</u>	<u>9</u>	<u>100%</u>	<u>9</u>	<u>100%</u>

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

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

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

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

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Estimated	\$ 7,910	11,703	16,360	15,480	15,265
Actual	12,950	7,846	7,910	14,022	8,860

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

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.

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

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

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

555 INTERNATIONAL DR.  
WILLIAMSVILLE, NY 14221  
(716) 634-0700

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

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

To the Governing Board  
New York State Bridge Authority:

We have audited the financial statements of the New York State Bridge Authority (the Authority) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
March 4, 2011

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

555 INTERNATIONAL DR.  
WILLIAMSVILLE, NY 14221  
(716) 634-0700

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

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

To the Governing Board  
New York State Bridge Authority:

We have examined the New York State Bridge Authority's (the Authority) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended December 31, 2010. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2010.

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

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

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
March 4, 2011