NEW YORK STATE BRIDGE AUTHORITY

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

December 31, 2012 and 2011

(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:

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Bridge Authority (the Authority), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities," during 2012.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, bridge system assessments on pages 26 and 27 and the schedule of funding progress for other postemployment benefits on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2013 on 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. The purpose of that report is to provide an opinion as to the Authority's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 21, 2013

NEW YORK STATE BRIDGE AUTHORITY

Management's Discussion and Analysis

December 31, 2012

The management 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 2012 totaled $53.8 million, $16.6 million above 2011 and $16.1 million above 2010. Other income was $1.8 million, a decrease of $1.1 million over prior year.

Total operating expenses of $48.8 million increased by $6.1 million. This 14.3% increase was primarily the result of increased rehabilitation, reconstruction, and bridge repairs of $5.4 million.

Net position at year end was $96.1 million, which was $3.4 million above the prior year.

BASIC FINANCIAL STATEMENTS

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

Statements of Net Position

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

Statements of Revenues, Expenses and Changes in Net Position

Toll receipts, accounting for the majority of operating revenue, totaled $53.8 million, an increase of $16.6 million. On January 30, 2012 the Authority implemented a new toll schedule, the first increase in tolls since February 5, 2000, which was primarily responsible for 44.5% increase in revenues. Traffic volumes were largely flat with an increase of 0.43% as the economy continued to struggle. Traffic volume increased in the first half of 2012 and was offset by decreases from the second half. Increases in passenger vehicles were partially offset with reductions in commercial vehicles. Passenger car volumes increased by 0.64% and revenue by 42.0%. Commercial volumes declined by 2.62% and revenues increased by 50.2%. With the revised toll schedule primarily responsible for the $16.6 million increase in revenue the passenger category contributed $10.9 million and the commercial category $5.7 million.

The cost of operations increased $6.1 million for the year as rehabilitation, reconstruction, and bridge repairs increased by $5.4 million due mainly to the increased activities at the Mid-Hudson Bridge and the Walkway Over The Hudson. Salaries increased by $0.4 million due mainly to the compensation increases in April 2011 being in place for the full calendar year of 2012, and to a lesser degree, contractually obligated longevity and step increases. Employee benefits increased by $0.5 million due to the increase in employee pension costs. Electronic toll costs increased due to increased utilization of E-ZPass driven in part from the 2012 toll schedule revision. This revision provided for a differential between cash and E-ZPass for the first time in the history of the Authority.

Non-operating revenue is from interest income on investments and arbitrage rebate. Interest income was $0.5 million, $0.1 million above prior year as the Authority invested proceeds of the 2012 series bonds. Interest rates on government obligations in which the Authority invests along with a short time horizon for investments maturities to pay for construction expenditures kept interest income low. The arbitrage rebate was related to the Authority's Series 1997, expensed in 2001 and paid in 2002.

Non-operating expenses consisted primarily of interest and bond issuance costs. Interest paid on the Authority's outstanding bonds totaled approximately $3.0 million this year. $1.0 million increase reflecting the issuance of the Series 2012 bonds. Bond issuance costs of $1.4 million were also attributable to the Series 2012 bonds. The Authority refinanced its General Revenue Bonds, Series 2002 (the "Series 2002 Bonds") in December 2011 with the Series 2011 and made the last payment on its General Revenue Bonds, Series 1997 and Series 2002 Bonds on January 1, 2012. In April 2012, the Authority issued the Series 2012 General Revenue Bonds to support the Capital Program.

Statements of Cash Flows

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

Net cash of $12.1 million provided by operating activities was up $12.0 million. This reflected $16.3 million in higher cash receipts from the revised toll schedule put in place January 30, 2012. Payments to suppliers and contractors were $3.5 million higher as payments for rehabilitation, reconstruction, and bridge repairs increased by $5.4 million year over year. The decrease in other receipts of $1.1 million is associated with the reduction of activities surrounding a previously awarded and largely completed Federal Grant.

Net cash from financing activities generated $94.8 million, a change of $105.2 million more cash than prior year as a result of the proceeds from the Series 2012 debt issue. Principal and interest payments on Authority bonds decreased with the refinancing in 2011 and the April issuance of the Series 2012 bonds.

Cash flows from investing activities resulted in net cash outflow of $102.5 million, which includes interest earned on investments and net cash resulting from the purchase and sale of investments. The outflow represents the Series 2012 proceeds being invested during 2012 as those proceeds will not be expended until the completion of construction for the applicable projects.

AUTHORITY BUDGET

The Authority's 2012 budget projected collections of $52.4 million, a $15.2 million increase over 2011. Actual revenue exceeded the budget projections by $1.4 million. Increased passenger volume offset by reductions in commercial traffic drove the revenue increase. Overall traffic increased from 2011 by 248,000 vehicles, passenger traffic increased 349,000 vehicles and commercial traffic decreased by 100,000. The net increase combined with the transitions between programs utilizing E-ZPass and commuter discounts associated with the toll schedule revision generated the $1.4 million increase in revenue. The Authority budgeted Federal Grants of $1.7 million which was $0.3 million above actual. The Authority received additional funding in 2012 under Federal Grant, administered by The Port Authority of New York and New Jersey, and construction has extended into 2013. The remaining grant funds are expected upon completion of the related projects. Additionally, interest rates on Authority investments continued at historically low levels, interest income of $0.5 million was higher than budget as proceeds from the Series 2012 bonds have been invested as the Authority worked toward awarding contracts associated with the capital program.

2012 operating expenses of $48.8 million came in $8.4 million higher as the Authority accelerated the paint project at the Newburgh-Beacon Bridge. The day-to-day operating budget, which was forecasted at $29 million, came in at $28.1 million. Operating reductions compared to budget were primarily in maintenance and repairs, $0.5 million, and were the result of several factors including the mild winter where snow related expenditures were $140 thousand below budget, equipment utilization credited from the capital program was greater than budgeted at $140 thousand, and vehicle related repairs and fuel cost were less than budget by $50 thousand. In addition, utilities were $150 thousand below budget, commercial insurance was $160 thousand below budget after an insurance bidding for bridge property and loss of revenue, and equipment was $200 thousand below budget as Federal Grant activities extended into 2013. Offsetting those reductions the electronic toll costs exceeded budget by $220 thousand as increased E-ZPass utilization resulted from the toll schedule revision where an E-ZPass discount was included.

The Authority's five year capital plan budgeted $11.4 million in 2012 whereas actual costs totaled $20.7 million. The difference resulted primarily from the acceleration from 2015 of the painting project at the Newburgh-Beacon Bridge.

TOTAL CAPITAL ASSETS AND LONG TERM DEBT

As of December 31, 2012, the Authority's investment in capital assets was $118.8 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. In December 2011, the Authority refunded these bonds and issued its $32.4 million Series 2011 Bonds with a final maturity on January 1, 2017. In April 2012, the Authority issued $90.3 million General Revenue Bonds, the Series 2012 Bonds, to support the capital program. All Authority revenue is pledged to repay these bonds. As of December 31, 2012, $122.7 million of debt remained outstanding and funds were in reserve to retire $6.1 million bonds on January 1, 2013.

In 2012, Standard & Poor's assigned an AA- long-term rating to the Series 2012 General Revenue Bonds and affirmed the Authority's AA- rating and stable outlook on its outstanding bonds. Moody's Investors Service in 2012 assigned a Aa3 rating to the Series 2012 General Revenue Bonds and affirmed the rating the Aa3 parity bond rating with a stable outlook.

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 faculties 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 vehicular 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, New York 12528.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Net Position
December 31, 2012 and 2011

Assets:	2012	2011
Current assets:		
Cash and equivalents	$ 15,510,558	11,243,793
Investments	121,622,184	18,633,058
Accounts receivable	2,096,938	1,729,921
Prepaid expenses	1,830,980	1,625,195
Total current assets	141,060,660	33,231,967
Noncurrent assets:		
Capital assets, net	34,483,855	36,372,403
Bridge system	84,358,269	84,358,269
Total noncurrent assets	118,842,124	120,730,672
Total assets	259,902,784	153,962,639
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	1,688,706	1,572,097
Accrued wages, payroll taxes and fringe benefits	548,680	362,363
Contracts payable	1,379,579	603,359
Accrued interest on bonds	3,191,667	149,025
General revenue bonds, current portion, net	7,256,435	6,316,025
Total current liabilities	14,065,067	9,002,869
Noncurrent liabilities:		
Accrued fringe benefits	19,082,639	16,810,699
General revenue bonds, net	130,672,618	35,484,123
Total noncurrent liabilities	149,755,257	52,294,822
Commitments and contingencies (note 13)		
Total liabilities	163,820,324	61,297,691
Net position (deficit):		
Invested in capital assets	118,842,124	120,730,672
Restricted for:		
Debt service	17,403,570	7,552,154
Insurance	8,961,358	8,908,911
Construction	85,937,047	-
Maintenance reserve	16,455,267	4,064,414
Unrestricted (deficit)	(151,516,906)	(48,591,203)
Total net position	$ 96,082,460	92,664,948

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2012 and 2011

	2012	2011
Operating revenue:		
Toll revenue	$ 53,822,280	37,241,713
Other income	1,788,765	2,881,895
Total operating revenue	55,611,045	40,123,608
Operating expenses:		
Salaries	10,491,705	10,127,816
Employee benefits	7,494,913	6,984,566
Utilities	645,891	682,404
Insurance	1,441,433	1,534,904
Professional services	582,407	818,790
Supplies and materials	211,861	197,794
Equipment expense	175,598	353,601
Maintenance and repairs	427,471	566,944
Rehabilitation, reconstruction and bridge repairs	20,678,431	15,303,580
Electronic toll costs	3,637,355	3,223,906
Depreciation	2,486,866	2,416,480
Other	549,364	511,117
Total operating expenses	48,823,295	42,721,902
Operating gain (loss)	6,787,750	(2,598,294)
Nonoperating revenue (expenses):		
Interest income	449,730	376,888
Arbitrage rebate	471,857	-
Bond issuance costs	(1,364,364)	-
Interest and other expenses	(2,927,461)	(1,940,477)
Total nonoperating revenue (expenses)	(3,370,238)	(1,563,589)
Increase (decrease) in net position	3,417,512	(4,161,883)
Net position:		
Beginning of year, as previously stated	92,664,948	97,585,899
Restatement	-	(759,068)
Beginning of the year, as restated	92,664,948	96,826,831
End of year	$ 96,082,460	92,664,948

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Cash Flows
Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Toll revenue	$ 53,455,263	37,241,980
Payments to suppliers	(7,157,487)	(7,891,715)
Payments to contractors	(20,505,280)	(16,253,537)
Payments for wages and employee benefits	(15,528,362)	(15,917,636)
Other receipts	1,788,766	2,881,895
Net cash provided by operating activities	12,052,900	60,987
Cash flows from capital financing activities:		
Proceeds from issuance of debt	103,310,639	-
Purchases of capital assets, net	(598,317)	(738,300)
Principal paid on bonds payable	(7,181,734)	(5,988,176)
Interest paid on bonds payable	115,180	(3,011,486)
Bond issuance costs paid	(1,364,363)	(717,721)
Other receipts	471,856	-
Net cash provided by (used in) capital financing activities	94,753,261	(10,455,683)
Cash flows from investing activities:		
Proceeds from sale of investments, net	(102,989,126)	12,424,210
Interest on investments	449,730	376,888
Net cash provided by (used in) investing activities	(102,539,396)	12,801,098
Net increase in cash and equivalents	4,266,765	2,406,402
Cash and equivalents at beginning of year	11,243,793	8,837,391
Cash and equivalents at end of year	$ 15,510,558	11,243,793
Reconciliation of operating gain (loss) to net cash provided by operating activities:		
Operating gain (loss)	6,787,750	(2,598,294)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:		
Depreciation expense	2,486,866	2,416,480
Changes in:		
Accounts receivable	(367,017)	267
Prepaid expenses	(205,785)	(917,923)
Accounts payable and accrued expenses	116,609	(4,877)
Accrued wages, payroll taxes and fringe benefits	2,458,257	1,194,746
Contracts payable	776,220	(29,412)
Net cash provided by operating activities	$ 12,052,900	60,987

See accompanying notes to financial statements.

(1) Organization

The New York State Bridge Authority (the 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 Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Beginning in 2012, the Authority adopted the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

For the year ended December 31, 2012 the Authority implemented GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement amends the net asset reporting requirements in GASB Statement No. 34. - "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows or resources into the definitions of the required components of the residual measure and by renaming that measure as net positions, rather than net assets.

For the year ended December 31, 2012, the Authority implemented GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

(2) Significant Accounting Policies, Continued

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

The implementation of these standards required restatement of the Authority's net position at the beginning of the year ended December 31, 2011. The effect of the restatement is to reduce beginning net position in the year ended December 31, 2011 by $759,068 to reflect expensing of bond issuance costs of $717,721 and elimination of 2011 amortization expense of $41,347, all of which are recorded within the statements of net position and statements of revenue, expenses and changes in net position.

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, and deferred inflows and outflows of resources associated with operations are included on the statement of net position 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 statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows. The statements require the classification of net position 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 position consists of capital assets, net of accumulated depreciation, reduced (as applicable) by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

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

(1) General Fund

(a) Revenue Fund

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

(2) Significant Accounting Policies, Continued

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

(1) General Fund, Continued

(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.

(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.

(2) Significant Accounting Policies, Continued

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

(3) Capital Projects Fund, Continued

(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.

(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

(2) Significant Accounting Policies, Continued

(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.

(f) Compensated Absences

In conformity with pronouncements of the Governmental 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, 2012, and through March 21, 2013, 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.

(2) Significant Accounting Policies, Continued

(j) Operations, Continued

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, 2012 amounted to $15,510,558 and the bank balance was $15,388,163. The bank balance is collateralized/secured as follows:

Amount insured by FDIC	$ 500,000
Collateral held by a third party in the Authority's name	3,949,770
Fiduciary funds held by trustee	12,706,172
	$ 17,155,942

(4) Investments

The cost and market value of investments (United States Government Securities) held by the Authority as of December 31, 2012 and 2011 are summarized as follows:

	2012		2011	
Restricted	Cost	Market	Cost	Market
Debt Service Fund -				
U.S. Treasury Notes	$ -	-	682,467	667,000
Debt Service Reserve Fund -				
U.S. Treasury Notes	8,179,072	8,217,485	7,362,963	7,354,181
Insurance Fund -				
U.S. Treasury Notes	8,687,634	9,671,238	8,654,083	9,389,421
Maintenance Reserve Fund -				
U.S. Treasury Notes	17,555,356	17,551,206	1,933,545	1,923,342
Revenue Fund -				
U.S. Treasury Notes	999,857	999,857	-	-
Construction Fund -				
U.S. Treasury Notes	86,200,265	85,904,753	-	-
Total	$ 121,622,184	122,344,539	18,633,058	19,333,944

(4) Investments, Continued

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, 2012, the Authority's investments and maturities were as follows:

Investment Type	Fair Value	Less than one year	1 to 5 years
U.S. Treasury Notes	$ 122,872,539	70,391,597	52,480,942

(5) Funds Held For Restricted Purposes

At December 31, 2012 and 2011, funds held for restricted purposes by fund category consisted of the following:

	2012			
	Cash and Equivalents	United States Governmental Securities	Related Liabilities	Total
Debt Service Funds:				
Debt service fund	$ 9,262,739	-	(3,191,667)	6,071,072
Debt service reserve fund	3,153,426	8,179,072	-	11,332,498
Fund total	12,416,165	8,179,072	(3,191,667)	17,403,570
Capital Projects Funds:				
Insurance fund	273,724	8,687,634	-	8,961,358
Construction fund	635	86,200,265	(263,853)	85,937,047
Maintenance reserve fund	15,638	17,555,356	(1,115,727)	16,455,267
Fund total	289,997	112,443,255	(1,379,580)	111,353,672
Combined total	$ 12,706,162	120,622,327	(4,571,247)	128,757,242

	2011			
	Cash and Equivalents	United States Governmental Securities	Related Liabilities	Total
Debt Service Funds:				
Debt service fund	$ 5,835,514	682,467	(6,329,025)	188,956
Debt service reserve fund	235	7,362,963	-	7,363,198
Fund total	5,835,749	8,045,430	(6,329,025)	7,552,154
Capital Projects Funds:				
Insurance fund	254,828	8,654,083	-	8,908,911
Maintenance reserve fund	2,734,228	1,933,545	(603,359)	4,064,414
Fund total	2,989,056	10,587,628	(603,359)	12,973,325
Combined total	$ 8,824,805	18,633,058	(6,932,384)	20,525,479

(5) Funds Held For Restricted Purposes, Continued

Cash in the debt service fund at December 31, 2012 and 2011 was on deposit with the paying agent to meet bond and interest payments due on January 1, 2013 and January 1, 2012, respectively.

(6) Capital Assets

Capital assets at December 31, 2012 and 2011 consist of the following:

	2012			
	Balance December 31, 2011	Additions	Disposals	Balance December 31, 2012
Walkway Over The Hudson - pedestrian bridge	$ 32,758,706	-	-	32,758,706
Buildings	8,128,929	-	-	8,128,929
Furniture and equipment	6,576,410	598,318	-	7,174,728
	47,464,045	598,318	-	48,062,363
Less accumulated depreciation	(11,091,642)	(2,486,866)	-	(13,578,508)
	$ 36,372,403	(1,888,548)	-	34,483,855

	2011			
	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Walkway Over The Hudson - pedestrian bridge	$ 32,758,706	-	-	32,758,706
Buildings	8,128,929	-	-	8,128,929
Furniture and equipment	6,081,272	738,300	(243,162)	6,576,410
	46,968,907	738,300	(243,162)	47,464,045
Less accumulated depreciation	(8,918,324)	(2,416,480)	243,162	(11,091,642)
	$ 38,050,583	(1,678,180)	-	36,372,403

Depreciation expense for the years ended December 31, 2012 and 2011 amounted to $2,486,866 and $2,416,480, 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.

(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, 2012 and 2011:

Bridge Facility	Opened	2012	2011
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
		$ 84,358,269	84,358,269

(8) Bond Indebtedness

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

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

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

(8) Bond Indebtedness, Continued

On May 22, 2012, the Authority issued $90,325,000 in General Revenue Bonds (Series 2012) in the open market in order to provide funds to finance a portion of the costs of the 2012 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 2012 bonds.

Changes in indebtedness for the years ended December 31, 2012 and 2011 are summarized as follows:

	2012				
	Balances at December 31, 2011	Additions	Deductions	Balances at December 31, 2012	Due within one year
Series 1997	$ 4,520,000	-	(4,520,000)	-	-
Series 2002	1,660,000	-	(1,660,000)	-	-
Series 2011	32,410,000	-	-	32,410,000	6,065,000
Series 2012	-	90,325,000	-	90,325,000	-
Subtotal	38,590,000	90,325,000	(6,180,000)	122,735,000	6,065,000
Unamortized bond premium	3,210,148	12,985,639	(1,001,734)	15,194,053	1,191,435
Total revenue bonds	$ 41,800,148	103,310,639	(7,181,734)	137,929,053	7,256,435

	2011				
	Balances at December 31, 2010	Additions	Deductions	Balances at December 31, 2011	Due within one year
Series 1997	$ 8,825,000	-	(4,305,000)	4,520,000	-
Series 2002	38,790,000	(35,535,000)	(1,595,000)	1,660,000	-
Series 2011	-	32,410,000	-	32,410,000	6,180,000
Subtotal	47,615,000	(3,125,000)	(5,900,000)	38,590,000	6,180,000
Unamortized bond premium	3,210,148	-	-	3,210,148	136,025
Total revenue bonds	$ 50,825,148	(3,125,000)	(5,900,000)	41,800,148	6,316,025

(8) Bond Indebtedness, Continued

The bonds have serial maturities as of December 31, 2012 as follows:

	Principal	Interest
2013	$ 6,065,000	11,814,507
2014	6,390,000	11,276,050
2015	6,580,000	11,275,075
2016	6,845,000	11,278,175
2017	7,135,000	11,275,850
2018 - 2022	40,340,000	55,380,700
2023 - 2027	49,380,000	55,097,350
	122,735,000	167,397,707
Plus: unamortized bond premium	15,194,053	-
	$ 137,929,053	167,397,707

The Series 2012 and 2011 Bonds, which bear interest at rates ranging from 2% 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 2012 Bonds maturing on or after January 1, 2023 are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at any time on or after January 1, 2022, at the redemption price of par plus accrued interest to the redemption date. The Bonds are subject to optional redemption on any date prior to maturity at the option of the Authority, as a whole or in part at the Make-Whole Redemption Price.

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

(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.

(9) Retirement Plan, Continued

(b) Funding Policies

The System is noncontributory except for employees who joined the ERS after July 27, 1976 and prior to January 1, 2010, who have less than ten years of service or membership, are required to contribute 3% of their salary throughout their active membership. Employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Under the authority of the NYSRSSL, the Comptroller annual certifies the actuarially determined rates expressed used in computing the employer's contributions based on salaries paid during the Systems; fiscal year ended March 31. The required contributions for the current year end two preceding years were:

December 31, 2010	$ 1,182,092
December 31, 2011	2,234,373
December 31, 2012	1,796,856

The rates billed by the Comptroller during the year ended December 31, 2012 ranged from 10.1% to 23.2% and during the year ended December 31, 2011 ranged from 12.7% to 19.7%.

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 GASB 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.

(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, 2012 and 2011 amounted to $2,274,896 and $2,222,523, respectively. At December 31, 2012 and 2011, the OPEB liability included in noncurrent accrued fringe benefits was $18,419,579 and $16,144,683, respectively. The amount charged to expense was $3,274,024 and $3,134,555 for the years ended December 31, 2012 and 2011.

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

Active employees	124
Retired employees	99
Total	223

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.

Benefit Obligations and Normal Cost	2012	2011
Actuarial accrued liability (AAL):		
Retired employees	$ 19,330,311	18,405,799
Active employees	40,475,503	26,201,695
Total	$ 59,805,814	44,607,494
Underfunded actuarial accrued liability (UAAL)	$ 59,805,814	44,607,494
Normal cost	$ 1,187,333	1,158,374
Level Dollar Amortization		
Calculation of ARC under projected Unit Credit Method:		
Amortization of UAAL over 30 years with interest to end of year	$ 2,125,299	1,982,606
Normal costs with interest to end of year	1,295,074	1,261,208
Annual required contribution (ARC)	$ 3,420,373	3,243,814

(10) Postemployment Benefits, Continued

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	3,420,373	3,243,814
Interest on net OPEB obligation	618,341	533,219
Adjustment to annual required contribution	(764,690)	(642,478)
Annual OPEB cost (expense)	3,274,024	3,134,555
Contribution made on a pay-as-you-go basis	(999,128)	(912,032)
Increase in net OPEB obligation	2,274,896	2,222,523
Net OPEB obligation at beginning of year	16,144,683	13,922,160
Net OPEB obligation at end of year	$ 18,419,579	16,144,683

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	$ 3,420,373	3,274,024	999,128	30.5%	18,419,579
12/31/11	3,243,814	3,134,555	912,032	29.1%	16,144683
12/31/10	3,072,263	3,023,015	912,656	30.2%	13,922,160

Actuarial methods and assumptions:

Funding interest rate	3.83%	3.83%
2011 medical trend rate	10%	10%
Ultimate trend rate	5%	5%
Year ultimate trend rate reached	2018	2018
Annual payroll growth rate	2.5%	2.5%
Actuarial cost method	Attained Age	Attained Age
The remaining amortization period at year-end	24 years	25 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, 2012 and 2011 amounted to $276,686 and $255,402, respectively.

(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 as incurred. There are no claims relating to the bridge facilities, however, the Authority has funded a reserve of $8,961,358 at December 31, 2012 in the capital projects fund to meet its deductible should a claim arise.

(13) Commitments and Contingencies

Commitments and contingencies at December 31, 2012 consist of the following:

(a) Bridge Construction

At December 31, 2012, the Authority had contractual commitments outstanding of approximately $21,339,000 for bridge rehabilitation and repairs on several of its bridge facilities.

(b) Contingencies

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

(14) Noncash Investing and Financing Activities

Noncash transactions excluded from the accompanying statements of cash flows for the years ended December 2012 and 2011 are as follows:

	2012	2011
Issuance of 2012 Series Bonds, including premium of $12,985,639 for capital projects (with a principal balance of $90,325,000)	$ 103,310,639	-
Issuance of 2011 Series Bonds, including premium of $3,036,824, for advance refunding of 2002 Series Bonds (with a principal balance of $35,535,000).	$ -	35,446,824

NEW YORK STATE BRIDGE AUTHORITY

Required Supplementary Information -

Bridge System Assessments

December 31, 2012

	Number of Bridges					
	2012		2011		2010	
Condition Rating*	Number	%	Number	%	Number	%
New	-	-	-	-	-	-
Minor Deterioration	9	0%	9	100%	9	100%
Serious Deterioration	-	-	-	-	-	-
Totally Deteriorated	-	-	-	-	-	-
Total	9	0%	9	100%	9	100%

*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):

	2012	2011	2010	2009	2008
Estimated	$ 18,316	18,934	13,758	11,703	16,360
Actual	20,678	15,304	12,950	7,846	7,910

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

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

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

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

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

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

In 2012, capital improvements exceeded projections primarily as a result of two projects. The first project was to paint a section of the Newburgh-Beacon Bridge. The project schedule was accelerated. More progress was made in 2012 that pulled $1.8 million into 2012 from subsequent years in the capital program. The second project related to Mid-Hudson Bridge where deck and joint repair exceeded budget by $1.0 million. This was the result of more extensive repairs being required than had been originally anticipated.

NEW YORK STATE BRIDGE AUTHORITY

Required Supplementary Information

Scheduling of Funding Progress for Other Postemployment Benefits (OPEB)

December 31, 2012

The schedule of funding progress presents the results of OPEB valuations for the past three years. All determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

For Year Ended	Valuation Date	Actual Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Ratio UAAL to Budget Covered Payroll
12/31/12	1/1/2011	$ -	$ 59,805,814	$ 59,805,814	0.0%	N/A	N/A
12/31/11	1/1/2011	$ -	$ 44,607,494	$ 44,607,494	0.0%	N/A	N/A
12/31/10	1/11/2009	$ -	$ 43,237,183	$ 43,237,183	0.0%	$ 7,634,010	566.38%

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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, in accordance with the 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, the financial statements of the New York State Bridge Authority (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 oaf 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 21, 2013

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INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT PROGRAM COMPLIANCE

To the Governing Board
New York State Bridge Authority:

We have audited the New York State Bridge Authority's (the Authority) compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended December 31, 2012.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Authority's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Investment Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 21, 2013