

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Audited Financial Statements

December 31, 2012 and 2011

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
New York State Thruway Authority:

### Report on the Financial Statements

We have audited the basic financial statements of the New York State Thruway Authority (the Authority), a component unit of the State of New York, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinion.

## Opinion

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

## Other Matters

As described in note 2 to the financial statements, the Authority adopted the provisions of 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."

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress - other postemployment benefits on pages 4 through 14 and 45 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 15, 2013, on our consideration of the New York State Thruway 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 described 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 New York State Thruway Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2013 on the New York State Thruway 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 New York State Thruway 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 New York State Thruway Authority's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 15, 2013

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)  
Management's Discussion and Analysis  
December 31, 2012 and 2011

The following discussion and analysis of the New York State Thruway Authority's (Authority) financial performance provides an overview of the Authority's activities for the calendar years ended December 31, 2012 and 2011. Please read it in conjunction with the Authority's financial statements that follow this section. This discussion and analysis is intended to serve as an introduction to the Authority's financial statements which are comprised of the basic financial statements and the notes to the financial statements.

**2012 Financial Highlights**

- Toll revenue for the year was \$637.7 million, an increase of \$3.6 million or 0.6% compared to 2011.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization were \$473.5 million, a decrease of \$8.4 million or 1.7% compared to 2011.
- Net position as of December 31, 2012 was approximately \$1.70 billion, a decrease of \$162.3 million or 8.7% compared to December 31, 2011.
- Total capital assets (net of depreciation) as of December 31, 2012 were approximately \$4.95 billion, an increase of \$80.9 million or 1.7% compared to December 31, 2011.

**2011 Financial Highlights**

- Toll revenue for the year was \$634.1 million, a decrease of \$7.1 million or 1.1% compared to 2010. Tolls were negatively impacted by higher gas prices in 2011, as well as road closures caused by Hurricane Irene and Tropical Storm Lee. Additional information regarding the financial impacts of Hurricane Irene and Tropical Storm Lee are presented in Note 11.
- Total operating expenses for the New York State Thruway, the Canal Corporation and other Authority projects for the year, excluding depreciation and amortization were \$481.8 million, an increase of \$17.8 million or 3.8% compared to 2010.
- Net position as of December 31, 2011 was approximately \$1.86 billion, a decrease of \$195.6 million or 9.5% compared to December 31, 2010.
- Total capital assets (net of depreciation) as of December 31, 2011 were approximately \$4.87 billion, an increase of \$164.8 million or 3.5% compared to December 31, 2010.
- Canal infrastructure assets with a value of \$9.3 million (net of depreciation) were destroyed or significantly damaged by Hurricane Irene and Tropical Storm Lee. These assets have been written down as an Extraordinary Item in 2011.

NEW YORK STATE THRUWAY AUTHORITY  
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Management's Discussion and Analysis

**Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis, the basic financial statements, and the notes to the financial statements.

The financial statements provide summary information about the Authority's overall financial condition, including the Authority's net position and related changes. The notes provide explanation and additional disclosures about the financial statements.

The Authority is considered a special-purpose government engaged in business-type activities and follows financial reporting for enterprise funds. The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

**Financial Analysis of the Authority**

Net Position

The Authority's net position at December 31, 2012 was approximately \$1.70 billion, an 8.7% decrease compared to December 31, 2011 (see Table A-1). Total assets increased 3.2% to \$5.76 billion and total liabilities increased 9.1% to \$4.08 billion. The Authority's net position at December 31, 2011 was approximately \$1.86 billion, a 9.5% decrease compared to December 31, 2010. In 2011, total assets decreased 0.5% to \$5.58 billion and total liabilities increased 4.7% to \$3.74 billion.

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Table A-1  
Net Position  
December 31, 2012, 2011 and 2010  
(In millions of dollars)

	<u>2012</u>	<u>2011*</u>	<u>2010*</u>	Percentage Change <u>2012-2011</u>
Unrestricted current assets	\$ 313.4	292.0	298.3	7.3
Restricted current assets	490.6	414.4	599.7	18.4
Capital assets	<u>4,951.0</u>	<u>4,870.1</u>	<u>4,705.3</u>	<u>1.7</u>
Total assets	<u>5,755.0</u>	<u>5,576.5</u>	<u>5,603.3</u>	<u>3.2</u>
Deferred outflows	<u>25.5</u>	<u>27.5</u>	<u>29.5</u>	<u>(7.3)</u>
Total deferred outflows	<u>25.5</u>	<u>27.5</u>	<u>29.5</u>	<u>(7.3)</u>
Current liabilities	365.1	1,237.4	1,060.6	(70.5)
Noncurrent liabilities	<u>3,714.8</u>	<u>2,503.7</u>	<u>2,513.7</u>	<u>48.4</u>
Total liabilities	<u>4,079.9</u>	<u>3,741.1</u>	<u>3,574.3</u>	<u>9.1</u>
Net position:				
Net investment in capital assets	1,568.4	1,778.5	1,902.6	(11.8)
Restricted for debt service	201.6	144.6	128.2	39.4
Restricted for reserve maintenance	39.0	28.7	65.4	35.9
Restricted for construction	36.5	29.0	26.4	25.9
Unrestricted	<u>(144.9)</u>	<u>(117.9)</u>	<u>(64.1)</u>	<u>22.9</u>
Total net position	<u>\$ 1,700.6</u>	<u>1,862.9</u>	<u>2,058.5</u>	<u>(8.7)</u>

\* As restated for change in accounting principle (see note 2(l)).

Restricted current assets increased \$76.2 million or 18.4% compared to 2011. The increase is primarily due to the issuance of General Revenue Bonds, Series I in July 2012. These bonds were used to refund the General Revenue Bond Anticipation Notes, Series 2011A, provide a required deposit to the Senior Debt Service Reserve Fund and generate \$250 million of net proceeds to fund the Authority's Multi-Year Capital Plan. More detailed information regarding restricted current assets is presented in Note 5.

Capital assets increased \$80.9 or 1.7% compared to 2011. This increase reflects the Authority's ongoing investment to preserve existing infrastructure. More detailed information regarding Capital assets is presented in Note 4.



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Current liabilities decreased \$872.3 million or 70.5% and non-current liabilities increased \$1.2 billion or 48.4% compared to 2011. The shift in liabilities from current to non-current, and the increase in total liabilities are due primarily to the issuance of General Revenue Bonds, Series I mentioned above. These bonds are all non-current liabilities as of December 31, 2012. The General Revenue Bond Anticipation Notes, Series 2011A which matured and were refunded in July 2012, were current liabilities as of December 31, 2011. Non-current liabilities also increased due to the rising liability for unfunded postemployment health care benefits. More detailed information regarding non-current liabilities and postemployment health care benefits is presented in Notes 6 and 9, respectively.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. Net investment in capital assets, decreased \$210.1 million or 11.8% compared to 2011. This decrease is primarily due to the continued use of debt proceeds to fund to majority of the Authority's Multi-Year Capital Plan.

Restricted for debt service increased \$57.0 million or 39.4% compared to 2011. This increase is due to a requirement to deposit additional funds into the Senior Debt Service Reserve Fund as a result of issuing General Revenue Bonds, Series I.

Unrestricted deficiency increased by \$27.0 million or 22.9% compared to 2011. This increase is due primarily to the increase in non-current liabilities related to postemployment health care benefits.

Changes in Net Assets

Net position decreased by \$162.3 million in 2012 compared to 2011 (see Table A-2). The Authority's total operating revenues for 2012 were \$673.0 million, an increase of \$5.5 million or 0.8% compared to 2011. Total operating expenses including depreciation and amortization were \$783.5 million, an increase of \$26.8 million or 3.5% compared to 2011. Net position decreased by \$195.6 million in 2011 compared to 2010. The Authority's total operating revenues for 2011 were \$667.5 million, a decrease of \$6.8 million or 1.0% compared to 2010. Total operating expenses including depreciation and amortization were \$756.7 million, an increase of \$43.2 million or 6.1% compared to 2010.

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Table A-2  
Changes in Net Position  
Years ended December 31, 2012, 2011 and 2010  
(In millions of dollars)

	<u>2012</u>	<u>2011*</u>	<u>2010*</u>	<u>Percentage Change 2012-2011</u>
Operating revenue:				
Tolls	\$ 637.7	634.1	641.2	0.6
Concessions	13.1	12.5	12.7	4.8
Other	<u>22.2</u>	<u>20.9</u>	<u>20.4</u>	<u>6.2</u>
Total operating revenue	<u>673.0</u>	<u>667.5</u>	<u>674.3</u>	<u>0.8</u>
Operating expenses:				
Administrative	17.5	18.3	19.9	(4.4)
Engineering services	6.3	6.6	6.0	(4.5)
Maintenance	109.2	118.4	109.9	(7.8)
Finance and accounts	8.5	8.2	8.5	3.7
Operations	79.7	81.4	84.7	(2.1)
General charges	186.5	181.2	164.8	2.9
Canals	65.8	67.7	61.6	(2.8)
Interstate 84	-	-	8.6	-
Depreciation and amortization	<u>310.0</u>	<u>274.9</u>	<u>249.5</u>	<u>12.8</u>
Total operating expenses	<u>783.5</u>	<u>756.7</u>	<u>713.5</u>	<u>3.5</u>
Operating loss	<u>(110.5)</u>	<u>(89.2)</u>	<u>(39.2)</u>	<u>23.9</u>
Non-operating items:				
Interest expense	(115.5)	(103.2)	(110.4)	11.9
Debt issuance expense	(15.5)	(1.6)	-	868.8
Non-operating revenue	<u>15.0</u>	<u>2.0</u>	<u>23.6</u>	<u>650.0</u>
Net non-operating items	<u>(116.0)</u>	<u>(102.8)</u>	<u>(86.8)</u>	<u>12.8</u>
Loss before capital contributions and other items	(226.5)	(192.0)	(126.0)	18.0
Capital contributions	64.2	5.7	14.7	1,026.3
Special item - retirement incentive	-	-	(13.4)	-
Extraordinary item - 2011 floods	<u>-</u>	<u>(9.3)</u>	<u>-</u>	<u>100.0</u>
Change in net position	(162.3)	(195.6)	(124.7)	(17.0)
Net position, beginning of the year	<u>1,862.9</u>	<u>2,058.5</u>	<u>2,183.2</u>	<u>(9.5)</u>
Net position, end of the year	\$ <u>1,700.6</u>	<u>1,862.9</u>	<u>2,058.5</u>	<u>(8.7)</u>

\* As restated for change in accounting principle (see note 2(1)).

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Toll revenue increased \$3.6 million or 0.6% compared to 2011. This increase is primarily due to milder winter weather in early 2012 compared to 2011.

Maintenance expenses decreased by \$9.2 million or 7.8% compared to 2011. This decrease is primarily due to milder winter weather in 2012 compared to 2011, as well as a reduction in the amount of highway striping and other maintenance work performed by contract.

General charges increased by \$5.3 million or 2.9% compared to 2011. This increase is primarily due to higher pension and health insurance costs. These increases were partially offset by a reduction in environmental remediation costs.

Depreciation and amortization increased \$35.1 million or 12.8% compared to 2011. This increase is primarily due to the Authority's significant investment in bridge and highway improvement projects. Bridge improvement projects include substructure and superstructure repairs, replacement of bridge joints and bridge decks, installation of bridge fencing and bridge painting. Highway improvement projects include pavement rehabilitation, primarily in the form of resurfacing and milling. The Authority's significant investment in these types of projects, which have relatively short useful lives (ten to fifteen years), has resulted in an increase in depreciation expense.

Interest expense increased \$12.3 million or 11.9% compared to 2011. The increase is primarily due to higher interest rates on the General Revenue Bonds, Series I compared to the short-term interest rate on the General Revenue Bond Anticipation Notes, Series 2011A. The Series I bonds have an effective interest rate of 4.1% compared to 0.5% for the 2011A Notes.

Debt issuance costs increased \$13.9 million compared to 2011. This increase is due to the issuance of General Revenue Bonds, Series I in July 2012.

Non-operating revenue increased \$13 million compared to 2011. This increase is primarily due to federal grants related to Hurricane Irene and Tropical Storm Lee. Non-operating revenue also increased as a result of a federal grant to offset the cost of operating the Canal system.

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Management's Discussion and Analysis

Capital contributions increased \$58.5 million compared to 2011. Over the past decade, the Authority has worked in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority to determine how to best address the transportation needs at the New NY Bridge (replacement of the Tappan Zee Bridge). In 2012, the Authority recognized capital contributions totaling \$49.5 million made by the New York State Department of Transportation and the Metropolitan Transportation Authority towards the New NY Bridge project. Additional information regarding the New NY Bridge is presented later in the Management's Discussion and Analysis, as well as Note 12. Capital contributions also increased as a result of federal grants related to Hurricane Irene and Tropical Storm Lee reconstruction efforts.

In 2011, the net book value of Canal assets that were destroyed or significantly damaged by Hurricane Irene and Tropical Storm Lee were written-off as a \$9.3 million Extraordinary Item.

### **Capital Assets and Debt Administration**

#### Capital Assets

As of December 31, 2012, the Authority had invested approximately \$9.26 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$4.95 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$80.9 million or 1.7% compared to December 31, 2011.

As of December 31, 2011, the Authority had invested approximately \$8.88 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at totaled approximately \$4.87 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$164.8 million or 3.5% compared to December 31, 2010.

NEW YORK STATE THRUWAY AUTHORITY  
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Table A-3  
Capital Assets  
December 31, 2012, 2011 and 2010  
(In millions of dollars)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	Percentage Change <u>2012-2011</u>
Land and land improvements	\$ 820.5	818.8	810.6	0.2
Construction work in progress	677.8	477.7	694.4	41.9
Thruway System	7,072.3	6,909.9	6,357.8	2.4
Canal System	472.7	457.7	430.8	3.3
Equipment	221.5	216.6	221.7	2.3
Less accumulated depreciation	(4,313.8)	(4,010.6)	(3,810.0)	7.6
Total net capital assets	\$ <u>4,951.0</u>	<u>4,870.1</u>	<u>4,705.3</u>	<u>1.7</u>

In 2012, construction work in progress increased \$200.1 million, as the Authority continued to invest in infrastructure improvements, as well as the New NY Bridge. Significant projects in progress as of December 31, 2012 include re-decking a portion of the existing Tappan Zee Bridge, the New NY Bridge, pavement rehabilitation and bridge painting near Angola, the Albany Corridor Reconstruction project and several other pavement and bridge rehabilitations at various locations. The Thruway System's value increased \$162.4 million compared to 2011. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, as well as the installation of traffic management equipment. The Canal System's value increased \$15 million compared to 2011. This increase was primarily due to the completion of a painting project at the moveable dam in Tribes Hill and the rehabilitation of miter gates in Seneca Falls and Pittsford.

In 2011, construction work in progress decreased \$216.7 million as the Authority completed several large projects. Significant projects in progress as of December 31, 2011 include re-decking a portion of the existing Tappan Zee Bridge, pavement rehabilitation and bridge painting near Angola, the New NY Bridge, the Albany Corridor Reconstruction project and several other pavement and bridge rehabilitation projects at various locations. The Thruway system's value increased by \$552.1 million compared to 2010. This increase was primarily due to the completion of a number of projects including partial re-decking and other improvements to the Tappan Zee Bridge, re-decking of the South Grand Island Bridge, the full-depth replacement of 15 miles of pavement near Syracuse and numerous multi-million dollar pavement and bridge rehabilitation projects at various locations. The Canal System's value increased \$26.9 million primarily due to the completion of a rehabilitation project on Lock E-6 in Waterford.

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Debt Administration

Bond and note sales must be approved by the Authority's Board, members of which are appointed by the Governor with the advice and consent of the New York State Senate. These sales must comply with rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission. The terms and conditions of Authority bond and note sales must also be approved by the New York State Office of the State Comptroller.

Long-term debt includes general revenue bonds, bond anticipation notes and a revolving loan of varying rates and maturities issued primarily to fund a portion of the cost of the Authority's Multi-Year Capital Plan. At December 31, 2012, the Authority had approximately \$3,475.4 million in general revenue bonds and loans outstanding, an increase of 9.1% compared to the amount of general revenue bonds and bond anticipation notes outstanding as of December 31, 2011 (see Table A-4). Of the \$3,466.4 million in general revenue bonds outstanding, approximately \$736.1 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and rated A1 by Moody's and AA- by Standard and Poor's (S&P). The remaining general revenue bonds are rated A1 by Moody's and A+ by S&P.

During 2012, the Authority issued General Revenue Bonds, Series I which generated proceeds of \$1,223.4 million. These proceeds were used to pay General Revenue Bond Anticipation Notes, Series 2011A totaling \$875.8 million, provide for a required deposit to the Senior Debt Service Reserve Fund and to fund a portion of the Multi-Year Capital Plan. These bonds mature in various amounts through January 1, 2042.

In 2012, the Authority also entered into an agreement with Citibank, N.A. for a revolving loan in an aggregate amount not to exceed \$60 million. The loan matures in 2017 and may be pre-paid at any time by the Authority without penalty. As of December 31, 2012 the Authority has borrowed \$9 million via the revolving loan to reconstruct portions of the Canal System damaged or destroyed by Hurricane Irene and Tropical Storm Lee. The revolving loan is secured in part by a pledge of revenues available in the General Reserve Fund, as well as federal (FEMA) grant funds.

At December 31, 2011, the Authority had approximately \$2,309.8 million in general revenue bonds and \$875.8 million in bond anticipation notes outstanding, an increase of \$127.9 million or 4.2% from December 31, 2010.

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Table A-4  
Outstanding Debt  
Year ended December 31, 2012  
(In millions of dollars)

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>
General revenue bonds	\$ 2,309.8	1,223.4	(66.8)	3,466.4
Bond anticipation notes	875.8	-	(875.8)	-
Revolving loan	<u>-</u>	<u>9.0</u>	<u>-</u>	<u>9.0</u>
Total bonds, notes and loan	\$ <u>3,185.6</u>	<u>1,232.4</u>	<u>(942.6)</u>	<u>3,475.4</u>

Year ended December 31, 2011  
(In millions of dollars)

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>
General revenue bonds	\$ 2,370.7	-	(60.9)	2,309.8
Bond anticipation notes	<u>687.0</u>	<u>882.3</u>	<u>(693.5)</u>	<u>875.8</u>
Total bonds and notes	\$ <u>3,057.7</u>	<u>882.3</u>	<u>(754.4)</u>	<u>3,185.6</u>

More detailed information about the Authority's debt is presented in note 6.

### **The New NY Bridge**

Over the past twenty years the Authority has spent more than \$750 million to maintain and repair the current Tappan Zee Bridge. Over the past decade, in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority, the Authority has conducted alternative analysis, public outreach and environmental studies aimed at how to best address the transportation needs at the Tappan Zee Bridge. Engineering and economic analysis has determined that replacement of the bridge is needed to correct structural deficiencies, address longstanding safety concerns and provide sufficient capacity to serve current usage safely and allow for future economic growth. In 2011, action was taken to expedite environmental reviews and to advance legislation that would allow the Authority to enter into a design-build contract for the New NY Bridge.

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The existing bridge, which was opened to traffic in 1955, has exceeded its useful life and it is estimated that an additional \$1 billion would be required to maintain it for the next ten years. The bridge was designed to carry 100,000 vehicles on a peak day, but traffic volume has grown to 138,000 vehicles per day. In addition, the geometry and configuration of the bridge, including a 3% grade, lack of shoulders and narrow lanes has led to higher accident rates and difficulty in responding to accidents. These factors combined often cause delays and lengthy traffic back-ups.

In January 2013, following an expedited environmental review and procurement process, the Authority entered into a \$3.1 billion design-build agreement to construct the New NY Bridge. It is anticipated that the new bridge will take six years to complete at a total estimated cost of \$3.9 billion. The new bridge will have a 100 year design life and consist of eight general purpose lanes, as well as emergency access lanes and dedicated bus service. It will conform to current seismic, safety and geometric requirements; have adequate shoulders to manage traffic incidents and emergencies; accommodate bike and pedestrian use; and be capable of accommodating commuter rail.

In February 2013, the Authority issued \$500 million of General Revenue Bond Anticipation Notes, Series 2013A to finance the initial mobilization and construction costs of the project. These notes mature on July 31, 2013, with an option to issue an additional \$200 million of notes and extend the maturity to September 30, 2013. The Authority is seeking and has been invited to formally apply for a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund a portion of the project and a full project financing plan will be developed upon final determination of the amount and other terms of the TIFIA loan.

Additional information regarding the New NY Bridge is available at [www.newnybridge.com](http://www.newnybridge.com).

**Contacting the New York State Thruway Authority's Financial Management**

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have questions about this report, or need additional information, contact the New York State Thruway Authority's Department of Finance and Accounts, P.O. Box 189, Albany, New York 12201-0189 or visit our website at [www.thruway.ny.gov](http://www.thruway.ny.gov).



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

	<u>2012</u>	2011 (Restated)
	(In thousands)	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 181,528	190,011
Investments	49,015	30,439
Accrued interest receivable	294	339
Accounts receivable, net	57,343	44,974
Material and other supplies	16,206	18,954
Prepaid items	9,067	7,318
Restricted:		
Cash and cash equivalents	218,923	104,166
Investments	241,764	276,847
Accrued interest receivable	348	31
Accounts receivable, net	28,744	28,909
Other	813	4,406
Total current assets	<u>804,045</u>	<u>706,394</u>
Non-current assets - capital assets, net of accumulated depreciation	<u>4,950,979</u>	<u>4,870,136</u>
Total assets	<u>5,755,024</u>	<u>5,576,530</u>
Deferred outflows - loss on bond refunding	<u>25,486</u>	<u>27,483</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	150,282	163,406
Accrued wages and employee benefits	4,589	8,611
Unearned revenue	59,124	59,820
Accrued interest payable	78,289	62,202
Current amount due on bonds, notes and other long-term liabilities	<u>72,793</u>	<u>943,374</u>
Total current liabilities	<u>365,077</u>	<u>1,237,413</u>
Non-current liabilities:		
Bonds, notes and loan payable	3,405,906	2,246,381
Other long-term liabilities	<u>308,881</u>	<u>257,285</u>
Total non-current liabilities	<u>3,714,787</u>	<u>2,503,666</u>
Total liabilities	<u>4,079,864</u>	<u>3,741,079</u>
Net position:		
Net investment in capital assets	1,568,373	1,778,554
Restricted for:		
Debt service	201,583	144,594
Reserve maintenance	39,014	28,719
Construction	36,538	28,955
Unrestricted (deficiency)	<u>(144,862)</u>	<u>(117,888)</u>
Total net position	<u>\$ 1,700,646</u>	<u>1,862,934</u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)  
Statements of Revenue, Expenses and Changes in Net Position  
Years ended December 31, 2012 and 2011

	<u>2012</u>	2011 (Restated)
	(In thousands)	
Operating revenue:		
Tolls	\$ 637,731	634,090
Concessions	13,090	12,481
Other	<u>22,137</u>	<u>20,944</u>
Total operating revenue	<u>672,958</u>	<u>667,515</u>
Operating expenses:		
Administrative	17,543	18,283
Engineering services	6,346	6,583
Maintenance engineering:		
Thruway maintenance	76,920	85,560
Equipment maintenance	32,305	32,814
Finance and accounts	8,457	8,240
Operations:		
Traffic and services	7,779	7,968
State police	30,984	33,618
Toll collection	40,920	39,827
General charges	186,456	181,249
Canals	65,750	67,661
Interstate 84	-	14
Depreciation and amortization	<u>310,040</u>	<u>274,913</u>
Total operating expenses	<u>783,500</u>	<u>756,730</u>
Operating loss	<u>(110,542)</u>	<u>(89,215)</u>
Non-operating items:		
Interest revenue on investments	647	413
Interest expense	(115,497)	(103,152)
Debt issuance expense	(15,514)	(1,593)
Federal and other aid	<u>14,421</u>	<u>1,585</u>
Net non-operating items	<u>(115,943)</u>	<u>(102,747)</u>
Loss before capital contributions and extraordinary item	(226,485)	(191,962)
Capital contributions	64,197	5,671
Extraordinary item - 2011 floods	<u>-</u>	<u>(9,281)</u>
Change in net position	<u>(162,288)</u>	<u>(195,572)</u>
Net assets, beginning of the year	-	2,091,481
Restatement - note 2(l)	<u>-</u>	<u>(32,975)</u>
Net position, beginning of year, as restated	<u>1,862,934</u>	<u>2,058,506</u>
Net position, end of the year	<u>\$ 1,700,646</u>	<u>1,862,934</u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)  
Statements of Cash Flows  
Years ended December 31, 2012 and 2011

	<u>2012</u>	2011 (Restated)
	(In thousands)	
Cash flows from operating activities:		
Cash received from toll collections	\$ 641,846	631,743
Cash received from concession sales	12,959	12,676
Other operating cash receipts	20,041	17,511
Personal service payments	(168,823)	(170,199)
Fringe benefits payments	(104,892)	(104,618)
E-ZPass account management payments	(25,348)	(26,225)
Cash payments to vendors and contractors	<u>(128,289)</u>	<u>(132,666)</u>
Net cash provided by operating activities	<u>247,494</u>	<u>228,222</u>
Cash flows from non-capital financing activities - federal aid and other reimbursements	<u>3,821</u>	<u>2,720</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	1,232,387	882,272
Federal aid and other capital contributions	58,589	7,491
Acquisition/construction of capital assets	(386,135)	(443,878)
Principal paid on capital debt	(927,130)	(737,185)
Interest paid on capital debt	(140,291)	(135,969)
Proceeds from sale of capital assets	<u>562</u>	<u>719</u>
Net cash used in capital and related financing activities	<u>(162,018)</u>	<u>(426,550)</u>
Cash flows from investing activities:		
Purchase of investments	(464,358)	(621,041)
Proceeds from sale and maturities of investments	480,864	690,490
Interest and dividends on investments	<u>471</u>	<u>485</u>
Net cash provided by investing activities	<u>16,977</u>	<u>69,934</u>
Net increase (decrease) in cash and cash equivalents	106,274	(125,674)
Cash and cash equivalents, beginning of the year	<u>294,177</u>	<u>419,851</u>
Cash and cash equivalents, end of the year	<u>\$ 400,451</u>	<u>294,177</u>

(Continued)

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)  
Statements of Cash Flows, Continued

	<u>2012</u>	2011 ( <u>Restated</u> )
	(In thousands)	
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (110,542)	(89,215)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	310,040	274,913
Capitalized interest	153	172
Net changes in assets and liabilities:		
Receivables	(1,430)	(3,784)
Material and supplies	2,748	(391)
Other assets	(1,750)	(972)
Accounts payables and accrued expenses	53,274	57,062
Accrued wages and employee benefits	(4,304)	(11,857)
Unearned revenue	(695)	2,294
Net cash provided by operating activities	<u>\$ 247,494</u>	<u>228,222</u>
Reconciliation to statements of net position:		
Cash and cash equivalents	181,528	190,011
Restricted cash and cash equivalents	<u>218,923</u>	<u>104,166</u>
Total cash and cash equivalents	<u>\$ 400,451</u>	<u>294,177</u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements

December 31, 2012 and 2011

(1) Financial Reporting Entity

The New York State Thruway Authority (the Authority) is a Public Benefit Corporation created by the New York State Legislature in 1950 to build, operate and maintain the Thruway System. The New York State Canal Corporation (the Canal Corporation), a subsidiary public corporation of the Authority, was created by the New York State Legislature in August 1992 to accept jurisdiction and control over the New York State Canal System from New York State (the State). The Boards of both the Authority and the Canal Corporation each consist of seven members, appointed by the Governor, with the consent of the New York State Senate.

The Authority is responsible for a 570-mile system of highways crossing New York State, the longest toll highway system in the United States. The Authority's 426-mile Thruway mainline connects New York City and Buffalo, the State's two largest cities. Other Thruway sections provide for connections with Connecticut, Massachusetts, Pennsylvania, New Jersey, and to highways that lead to the Midwest and Canada. In accordance with legislation passed by the State Legislature, the Cross-Westchester Expressway (CWE) and I-84 were added to the Thruway in 1991 and 1992, respectively. Under the legislation, the Authority is prohibited from imposing any tolls or other charges for the use of the CWE or I-84. In October 2010, responsibility for I-84 operations, maintenance and policing was transferred back to the State of New York.

The Canal Corporation is responsible for a 524-mile Canal System consisting of the Erie, Champlain, Oswego and Cayuga-Seneca canals. The 1992 legislation, which transferred responsibility for maintenance of the Canal System to the Canal Corporation, also authorized and directed the Authority to assist in the financing of certain transportation related projects and facilities under the category of "Other Authority Projects."

The accounts and activities of the Canal Corporation and the "Other Authority Projects" are included in the financial statements of the Authority. Revenues of the Canal System are credited to the New York State Canal Development Fund (the Fund), created by the 1992 legislation, and held by the State where they are available, subject to appropriation, only for purposes of the Canal System as directed by the Canal Recreationway Commission. The State may, from time to time, also authorize the Authority by statute to undertake additional financing activities to finance primarily non-Authority transportation projects in the State. The Authority is responsible for administering these special bond programs as discussed in note 7.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(1) Financial Reporting Entity, Continued

The accompanying financial statements include the accounts and transactions of the New York State Thruway Authority, the New York State Canal Corporation and the Canal Development Fund, henceforth referred to as the "Authority."

The Authority is a legally and fiscally separate and distinct organization solely responsible for its finances and the credit of the State of New York is not pledged to the operation of the Authority. The Authority is empowered to issue revenue bonds backed solely from Authority revenues. However, under the criteria specified in Government Accounting Standards Board (GASB) Statement No. 14, the Authority is considered a component unit of the State of New York, because the Governor appoints all members of the Authority's Governing Board.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's financial statement presentation is prepared in accordance with the provisions of GASB Statement No. 20 - *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting"*. 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 FASB 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. Also, during 2012, the Authority adopted Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,"* and Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* These Statements provide guidance on presenting deferred outflows, deferred inflows and net position. The more significant accounting policies are described below:

(a) Basis of Accounting

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Accounting, Continued

The principal revenue of the Authority is toll revenue received from patrons. The Authority also recognizes as operating revenue the rental fees received from concessionaires from operating leases on concession property, special hauling fees charged to overweight or oversize vehicles and certain revenue collected from the lease of property. Operating expenses for the Authority include; maintenance, operations, toll collections, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating items.

The New York State Office of the State Comptroller requires that the Authority report in accordance with generally accepted accounting principles as it is a component unit of the State. The Authority's bond resolution, however, requires that certain funds and accounts be established and maintained. The Authority consolidates these funds and accounts for the purpose of providing an enterprise fund presentation in its basic financial statements.

(b) Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance.

Investments include financial instruments with an original maturity of more than three months and are recorded at amortized cost. These investments are not included in cash and cash equivalents in the Statements of Cash Flows.

The Authority manages its investments pursuant to the respective bond resolutions, Public Authorities Law and the Authority's Investment Policy approved annually by the Authority's Board. Permitted investments are defined as obligations in which the State Comptroller may invest pursuant to Section 98(a) of the State Finance Law, including obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers' acceptances and repurchase agreements.

The Authority's investment policy has established criteria that mitigate certain credit risks and interest rate risks. The policy has established investment concentration limits for each of the Authority's investment portfolios. The policy also requires that deposits and investments be held by a third-party custodian who may not otherwise be counter-party to the transactions, and that securities are held in the name of the Authority.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy to address this risk requires the custodian or depository bank to provide collateral in an amount equal to or greater than the amount on deposit, with a third-party custodian in the Authority's name.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)  
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Cash, Cash Equivalents and Investments

Interest rate risk is also addressed in the Authority's policy which requires the purchase of securities with the intention of holding them to maturity and does not limit the term of any investment. It is the Authority's practice to invest funds to the date of the anticipated need of the funds. Consequently, the Authority's investments have maturities of 12 months or less.

(c) Accounts Receivable

Accounts receivable consist primarily of receivables from commercial transportation companies and Federal and State governments under various Federal and State grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. The allowance for doubtful receivables amounted to \$11,550,000 and \$8,750,000 at December 31, 2012 and 2011, respectively.

(d) Materials and Supplies

Materials and supplies are principally valued at weighted average cost. The cost of such items is recognized as an expense when used.

(e) Unearned Revenue

Unearned revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and 2013 and 2012 annual permit revenues collected in 2012 and 2011, respectively.

(f) Restricted Assets

Certain proceeds of the Thruway revenue bonds and notes are restricted by applicable bond covenants for construction or set aside as reserves to ensure repayment of the Authority's bonds. Certain other assets are accumulated and restricted in accordance with the bond resolutions for the purpose of paying interest and principal debt payments that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining reserve funds at required levels. Payments from restricted funds are governed by the bond resolutions and, as such, expenses which do not meet these standards are paid from unrestricted funds.

(g) Toll Revenues

Toll revenues are stated net of volume and other discounts approximating \$22.8 million and \$22.7 million in 2012 and 2011.

(h) Pensions

Substantially all Authority employees, as well as the State Police assigned to the Thruway System, are members of cost sharing multiple-employer public employee retirement systems. Expenses are based on billings which are paid currently.



NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(i) Other Postemployment Benefits

In accordance with GASB Statement No. 45, the Authority recognizes in its financial statements, the financial impact of postemployment benefits, principally employer funded health care costs. The impact on the Authority's financial position and results of operations is more fully disclosed under note 9.

(j) Compensated Absences

Vacation leave accumulates for all full-time employees of the Authority, ranging from 13 to 25 days per year, and any unused amounts up to 30 days are considered vested and paid upon retirement or termination. Authority employees also accumulate sick leave at the rate of 10 to 13 days per year and personal leave credits at the rate of 3 to 5 days per year. Employees may use the accumulated sick and personal leave credits according to the established policy; however, generally no cash is paid for these accumulated credits at the time of retirement or termination. The liability for vested compensated absences has been computed to approximate \$10,963,000 and \$11,246,000 at December 31, 2012 and 2011, respectively, and is classified as a long-term liability.

(k) Bond and Note Premiums

Bond and note premiums are presented as components of bonds payable. The premiums are amortized over the life of the bonds and notes on a method that approximates the effective interest method. Net amortization related to bond and note premiums were approximately \$15,412,000 and \$17,230,000 for 2012 and 2011, respectively, and were included as an offset of interest expense.

(l) Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position - Restatement

For the year ended December 31, 2012, the Authority implemented GASB Statements No. 63 - *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position"* and Statement No. 65 - *"Items Previously Reported as Assets and Liabilities."* Statement No. 63 amends the net asset reporting requirements in Statement No. 34 - *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 65 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 and liabilities.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(l) Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position - Restatement, Continued

The implementation of these standards reduced previously reported net assets as of the beginning of the year ended December 31, 2011 by \$32,975,000 to eliminate unamortized bond and note issuance costs. In addition, 2011 previously reported expenses were increased by \$1,593,000 in notes issuance costs and 2011 amortization expense was reduced by \$2,886,000. This resulted in a reduction of the net assets previously reported at year end December 31, 2011 by \$31,682,000. This restatement has been recorded in the statements of net position, revenue, expenses and changes in net position and cash flows for the year ended December 31, 2011.

(m) Capital Contributions

Capital contributions consist primarily of federal, state and other grants that are provided to fund specific capital projects within the Authority's Multi-Year Capital Plan.

(n) Arbitrage

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability for the years ended December 31, 2012 and 2011.

(o) Income Taxes

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reporting of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(3) Cash and Investments

The Authority's cash and investments as of December 31, 2012 and 2011 were as follows (in thousands):

	<u>2012</u>		<u>2011</u>
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>
	<u>value</u>	<u>value</u>	<u>value</u>
<u>Cash and cash equivalents:</u>			
Unrestricted:			
Cash:			
Demand deposits	\$ 89,568	89,568	94,517
Toll change funds	<u>128</u>	<u>128</u>	<u>124</u>
Total unrestricted cash	<u>89,696</u>	<u>89,696</u>	<u>94,641</u>
Cash equivalents:			
Government discount notes	-	-	-
Repurchase agreements	33,945	34,621	33,310
Commercial paper	<u>57,887</u>	<u>57,872</u>	<u>62,060</u>
Total unrestricted cash equivalents	<u>91,832</u>	<u>92,493</u>	<u>95,370</u>
Total unrestricted cash and cash equivalents	\$ <u>181,528</u>	<u>182,189</u>	<u>190,011</u>
Restricted:			
Cash:			
Demand deposits	\$ 49,168	49,168	9,565
Other deposits	<u>2,988</u>	<u>2,988</u>	<u>3,037</u>
Total restricted cash	<u>52,156</u>	<u>52,156</u>	<u>12,602</u>
Cash equivalents:			
Government discount notes	-	-	-
Repurchase agreements	26,514	27,047	-
U.S. Treasury Securities	<u>140,253</u>	<u>140,241</u>	<u>91,564</u>
Total restricted cash equivalents	<u>166,767</u>	<u>167,288</u>	<u>91,564</u>
Total restricted cash and cash equivalents	\$ <u>218,923</u>	<u>219,444</u>	<u>104,166</u>

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

	<u>2012</u>		<u>2011</u>
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>
	<u>value</u>	<u>value</u>	<u>value</u>
<u>Investments:</u>			
Unrestricted:			
Government discount notes	\$ -	-	3,090
Government agency notes	29,106	29,302	-
Commercial paper	-	-	10,380
U.S. Treasury Securities	3,096	3,096	-
Time deposits	<u>16,813</u>	<u>16,813</u>	<u>16,969</u>
Total unrestricted investments	<u>49,015</u>	<u>49,211</u>	<u>30,439</u>
Restricted:			
Government discount notes	86,272	86,217	146,469
Government agency notes	25,497	25,521	54,664
Commercial paper	57,988	57,983	75,714
U.S. Treasury Securities	<u>72,007</u>	<u>72,376</u>	<u>-</u>
Total restricted investments	<u>241,764</u>	<u>242,097</u>	<u>276,847</u>
Total unrestricted and restricted investments	\$ <u>290,779</u>	<u>291,308</u>	<u>307,286</u>

At December 31, 2011, the fair value of the Authority's cash and investments approximated the carrying value. Fair value is based on readily available market values as of December 31, 2012.

The Authority requires collateral, in the form of federal government obligations or agency instruments guaranteed by the federal government, for all investments in repurchase agreements. The Authority also requires delivery to its trustee/custodian of all securities purchased and collateral for repurchase agreements, regardless of the seller institution. All Authority investment securities are classified as securities acquired by a financial institution for the Authority and held by the Authority's trustee/custodian in the Authority's name. Bank balances, which are comprised of demand and other deposits, approximated \$141,724,000 and \$107,119,000 as of December 31, 2012 and 2011, respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee/custodian in the Authority's name.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

As of December 31, 2012, the Authority had the following concentrations of investments:

<u>Security</u>	<u>Credit Exposure (Rating)</u>	<u>% of Total Investments</u>
<u>Agency Obligations</u>		
Federal Farm Credit Bank	Aaa/ AAA	1.8%
Federal Home Loan Banks	Aaa/ AA+	15.2%
Federal Home Loan Mortgage Corporation	Aaa/ AAA	0.1%
Federal National Mortgage Association	Aaa/ AAA	8.5%
<u>Commercial Paper</u>		
Bank of Nova Scotia NY	A-1/P-1	16.9%
Baker-Huges Inc.	A-1/P-1	1.0%
General Electric Capital Corporation	A-1+/P-1	3.4%
ING US Funding LLC	A-1/P-1	7.1%
Koch Resources LLC	A-1+/P-1	3.1%
Motiva Enterprises LLC	A-1/P-1	4.4%
Nordea North America	A-1+/P-1	4.1%
Rabobank USA Financial Corporation	A-1+/P-1	3.4%
Walt Disney Company	A-1/P-1	3.3%
<u>U.S. Government Securities</u>		
Treasury Notes	Aaa/AA+	13.0%
Treasury Bills	A-1+/P-1	0.6%

(4) Capital Assets

The Authority's capital assets principally include the Thruway System, Canal System and equipment. The Thruway System includes infrastructure assets consisting of bridges, highways, buildings, toll equipment, and intelligent transportation systems. The Canal System includes canal structures and buildings. Equipment includes vehicles, machinery, software systems, and E-ZPass tags.

All capital assets are stated at cost. Capital assets are defined as assets with initial, individual costs exceeding capitalization thresholds of \$5,000 to \$50,000. Depreciation is computed on the straight-line method over the following estimated useful lives:

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

<u>Category</u>	<u>Useful life</u>	<u>Capitalization Threshold</u>
Bridges	45 years	\$ 50,000
Bridge Improvements	15 years	50,000
Highways	30 years	50,000
Highway Improvements	10 years	50,000
Buildings	30 years	20,000
Fiber Optic System	17 years	50,000
Canal Structures	50-100 years	50,000
Canal Improvements	15-30 years	50,000
Equipment	2-12 years	5,000 - 20,000

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2011 to December 31, 2012 (in thousands):

	December 31, 2011 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	December 31, 2012 <u>Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 818,827	1,691	(37)	820,481
Construction in progress	<u>477,740</u>	<u>311,070</u>	<u>(111,032)</u>	<u>677,778</u>
Total capital assets, not being depreciated	<u>1,296,567</u>	<u>312,761</u>	<u>(111,069)</u>	<u>1,498,259</u>
Capital assets, being depreciated:				
Thruway System	6,909,852	162,414	-	7,072,266
Canal System	457,651	15,046	-	472,697
Equipment	<u>216,642</u>	<u>12,712</u>	<u>(7,829)</u>	<u>221,525</u>
Total capital assets, being depreciated	<u>7,584,145</u>	<u>190,172</u>	<u>(7,829)</u>	<u>7,766,488</u>
Less accumulated depreciation for:				
Thruway System	(3,830,089)	(281,979)	-	(4,112,068)
Canal System	(59,376)	(6,394)	-	(65,770)
Equipment	<u>(121,111)</u>	<u>(21,611)</u>	<u>6,792</u>	<u>(135,930)</u>
Total accumulated depreciation	<u>(4,010,576)</u>	<u>(309,984)</u>	<u>6,792</u>	<u>(4,313,768)</u>
Net value of capital assets, being depreciated	<u>3,573,569</u>	<u>(119,812)</u>	<u>(1,037)</u>	<u>3,452,720</u>
Net value of all capital assets	<u>\$ 4,870,136</u>	<u>192,949</u>	<u>(112,106)</u>	<u>4,950,979</u>

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Notes to Financial Statements, Continued

(4) Capital Assets, Continued

Depreciation expense related to capital assets was \$309,984,000 and \$274,857,000 for the years ended December 31, 2012 and 2011, respectively.

(5) Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements. The related balances at December 31, 2012 and 2011 are as follows:

Senior Debt Service Fund: Established to receive funds from Authority revenues to make periodic payments of interest and principal. The amounts held in this restricted fund at December 31, 2012 and 2011 were \$121,656,000 and \$113,355,000, respectively.

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve month period on all outstanding General Revenue Bonds secured by the Senior Debt Service Reserve Fund. The amounts held in this restricted fund at December 31, 2012 and 2011 were \$158,146,000 and \$85,507,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2012 and 2011 were \$160,745,000 and \$183,105,000, respectively.

Reserve Maintenance Fund: Established to hold funds required to be deposited each year into the Reserve Maintenance Fund. Funds held in the Reserve Maintenance Fund can be disbursed for specific costs relating to the "Facilities," as defined in the bond resolution and certain highway and railroad grade crossings. The amounts held in this restricted fund at December 31, 2012 and 2011 were \$39,057,000 and \$29,355,000, respectively.

Facilities Capital Improvement Fund: Established to hold funds determined to be necessary or appropriate by the Authority Board to fund Project Costs of Facilities or to set up reserves to fund such costs. The Authority has elected to use this fund to hold revenue, debt proceeds and other monies dedicated to the New NY Bridge. The amounts held in this restricted fund at December 31, 2012 and 2011 were \$8,000,000 and \$0, respectively.

Commercial Charge Surety Account: Established to receive cash surety deposits from Commercial Charge Account customers which are to be used only if the customer does not meet their obligations under their Commercial Charge Account Credit Agreement. The amount held in the account at December 31, 2012 and 2011 was \$2,988,000 and \$3,037,000, respectively.

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Notes to Financial Statements, Continued

(6) Long Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2012 and 2011 are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2011 Balance	Additions	Reductions	December 31, 2012 Balance	Due Within One Year
General Revenue Bonds:						
2005 Series F	3/05	\$ 543,645	-	(25,850)	517,795	27,115
2005 Series G	9/05	736,635	-	(505)	736,130	525
2007 Series H	10/07	937,025	-	(32,730)	904,295	34,155
2012 Series I	7/12	-	1,122,560	-	1,122,560	-
Unamortized bond premiums		<u>92,506</u>	<u>100,827</u>	<u>(7,706)</u>	<u>185,627</u>	<u>7,706</u>
General revenue bonds, net of unamortized premiums		<u>2,309,811</u>	<u>1,223,387</u>	<u>(66,791)</u>	<u>3,466,407</u>	<u>69,501</u>
Bond Anticipation Notes:						
Series 2011A	7/11	868,045	-	(868,045)	-	-
Unamortized Series 2011A premium		<u>7,706</u>	<u>-</u>	<u>(7,706)</u>	<u>-</u>	<u>-</u>
Total bond anticipation notes and unamortized premium		<u>875,751</u>	<u>-</u>	<u>(875,751)</u>	<u>-</u>	<u>-</u>
Loan payable	4/12	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>-</u>
Total bonds, notes and loan, net of unamortized premiums		<u>\$ 3,185,562</u>	<u>1,232,387</u>	<u>(942,542)</u>	<u>3,475,407</u>	<u>69,501</u>
Other Long-Term Liabilities:						
Claims liability		1,706	186	(992)	900	900
Postemployment benefit obligation		244,919	78,495	(25,723)	297,691	-
Compensated absences		11,246	-	(283)	10,963	-
Environmental remediation obligation		<u>3,607</u>	<u>538</u>	<u>(1,526)</u>	<u>2,619</u>	<u>2,392</u>
Total other long-term liabilities		<u>\$ 261,478</u>	<u>79,219</u>	<u>(28,524)</u>	<u>312,173</u>	<u>3,292</u>
Total classified as current						<u>72,793</u>



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Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

The debt service requirements for the Authority's bonds, net of unamortized premiums as of December 31, 2012 are as follows (in thousands):

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 61,795	156,406	218,201
2014	83,870	154,508	238,378
2015	87,600	150,826	238,426
2016	91,230	146,912	238,142
2017	95,430	142,578	238,008
2018 - 2022	548,695	639,238	1,187,933
2023 - 2027	698,565	485,162	1,183,727
2028 - 2032	890,485	288,794	1,179,279
2033 - 2037	407,005	127,309	534,314
2038 - 2042	316,105	39,406	355,511
Unamortized premiums	<u>185,627</u>	<u>-</u>	<u>185,627</u>
	<u>\$ 3,466,407</u>	<u>2,331,139</u>	<u>5,797,546</u>

General Revenue Bonds - Series F: During March 2005, the Authority issued \$624,570,000 in General Revenue Bonds - Series F which provided funds to: (1) refund \$444,205,000 in outstanding Series B, D, and E Bonds (for a net present value savings of \$18,587,000); (2) refund \$150,000,000 in outstanding General Revenue Bond Anticipation Notes - Series CP-1; (3) provide funds for the Authority's Capital Plan; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs.

The General Revenue Bonds Series F are comprised of both serial and term bonds, with varying rates and maturities. Amounts outstanding at December 31, 2012 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.625% to 5.00%	2013 - 2026	\$ 451,140
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	<u>63,740</u>
			<u>\$ 517,795</u>

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Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

Principal payments under the Series F Serial Bonds began in January 2006. The Series F Term Bonds require sinking fund installments, beginning in the year 2027, through the year 2030, of amounts ranging from \$725,000 to \$31,105,000 annually. The Series F Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2015 at par plus accrued interest.

General Revenue Bonds - Series G: During September 2005, the Authority issued \$738,925,000 in General Revenue Bonds - Series G which provided funds to: (1) retire \$525,000,000 in General Revenue Bond Anticipation Notes - Series CP-2 and 2004A; (2) fund a portion of the Authority's Multi-Year Capital Plan; (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs.

The Series G Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2012 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.50 to 5.25%	2013 - 2029	\$ 323,030
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	<u>244,330</u>
			\$ <u>736,130</u>

Principal payments under the Series G Serial Bonds began in January 2007. The Series G Term Bonds require sinking fund installments, in 2028 and in 2030 through the year 2032, in amounts ranging from \$30,000,000 to \$125,145,000 annually. The Series G Bonds are callable at the option of the Authority, in whole or in part, beginning July 1, 2015 at par, plus accrued interest

General Revenue Bonds - Series H: During October 2007, the Authority issued \$1,008,910,000 in General Revenue Bonds - Series H which provided funds to: (1) refund \$450,045,000 in then outstanding Series E Bonds (for a net present value savings of \$18,429,000); (2) fund a portion of the Authority's Multi-year Capital Plan; (3) make a deposit to the Reserve Maintenance Fund; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs.

NEW YORK STATE THRUWAY AUTHORITY  
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Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

The Series H Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2012 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	4.0% to 5.0%	2013 - 2030	\$ 694,715
Term Bonds	5.0%	2032	52,765
Term Bonds	5.0%	2037	<u>156,815</u>
			<u>\$ 904,295</u>

Principal payments under the Series H Serial Bonds began in January 2009. The Series H Term Bonds require sinking fund installments, beginning in the year 2031, through the year 2037, of amounts ranging from \$25,740,000 to \$34,495,000 annually. The Series H Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2018 at par plus accrued interest.

General Revenue Bonds - Series I: During July 2012, the Authority issued \$1,122,560,000 in General Revenue Bonds - Series I which provided funds to: (1) retire \$868,045,000 in General Revenue Bond Anticipation Notes - Series 2011A; (2) fund a portion of the Authority's 2012 - 2015 Multi-year Capital Program; (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs.

The Series I Bonds are comprised of both Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2012 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	4.0% to 5.0%	2014 - 2032	\$ 556,265
Term Bonds	4.125%	2037	64,570
Term Bonds	5.0%	2037	185,620
Term Bonds	4.125%	2042	70,000
Term Bonds	5.0%	2042	<u>246,105</u>
			<u>\$1,122,560</u>

Principal payments under the Series I Serial Bonds begin in 2014. The Series I Term Bonds require sinking fund installments in 2033 through 2042, in amounts ranging from \$11,865,000 to \$53,920,000 annually. The Series I Bonds maturing on or after January 1, 2023 are callable at the option of the Authority, in whole or in part, beginning January 1, 2022 at par plus accrued interest.

NEW YORK STATE THRUWAY AUTHORITY  
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Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

General Revenue Bonds - Revenue Pledge and Security: The 2005 (Series F), 2005 (Series G), 2007 (Series H) and 2012 (Series I) General Revenue Bonds are all direct obligations of the Authority, secured by a pledge of tolls and other revenue as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12 month period. At both December 31, 2012 and 2011, the Senior Debt Service Reserve Fund, which may be used should amounts in the Senior Debt Service Fund be insufficient to pay debt service payments, was fully funded.

General Revenue Bond Anticipation Notes: During July 2011, the Authority issued \$868,045,000 in General Revenue Bond Anticipation Notes - Series 2011A to provide funds to: (1) retire \$680,610,000 in General Revenue Bond Anticipation Notes - Series 2009A; (2) fund a portion of the Authority's Multi-Year Capital Plan; and (3) pay bond anticipation notes issuance costs. The General Revenue Bond Anticipation Notes - Series 2011A matured on July 12, 2012 and paid an interest rate of 2.0%.

Loan Payable:

During April 2012, the Authority entered into a variable rate Loan Agreement with Citibank, N.A., under which the Bank is providing a revolving line of credit, evidenced by a note, in an aggregate amount not to exceed \$60,000,000. The Note matures in April 2017 and may be pre-paid at any time by the Authority without penalty. The proceeds of the Note, as needed, are to be applied to finance capital projects for the State Canal system arising from tropical storm damage caused in August and September 2011. The Authority's reimbursement obligations under the Note are secured in part by a pledge of revenues available in the General Reserve Fund, which pledge constitutes Subordinated Indebtedness under the Bond Resolution. In addition, grant monies expected to be received from the Federal Emergency Management Agency ("FEMA") for these emergency repairs are also pledged to repay the Note, and such FEMA funds are expected to provide a substantial portion of the proceeds to repay the Note. As of December 31, 2012, the outstanding loan amount is \$9,000,000.

NEW YORK STATE THRUWAY AUTHORITY  
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Notes to Financial Statements, Continued

(7) Special Bond Programs

The Authority's special bond programs, and the related projects and activities, are entirely separate from the Authority's financing, operation, and maintenance of the Thruway System. As such, these special bond programs are not reflected in the accompanying financial statements. The special bond programs require varying debt service payments which are funded under contractual agreements with the State of New York. The obligation of the State to make such payments is subject to, and dependent upon, annual appropriations by the State Legislature. These bond programs, however, result in no cost to the Authority and provide for no lien on Authority revenues or assets.

The following are descriptions of the Authority's special bond programs:

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. In March 2012, the Authority issued \$235,480,000 of Local Highway and Bridge Service Contract Bonds, Series 2012A, to refund \$247,195,000 in previously issued bonds for a present value savings of \$23,347,979 for the State. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$916,265,000 and \$1,075,775,000 at December 31, 2012 and 2011, respectively.

Highway and Bridge Trust Fund Bond Program - The Legislature of the State of New York empowered the Authority to issue Highway and Bridge Trust Fund Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's Multi-Year Highway and Bridge Capital Program. In March, 2012, the Authority issued \$780,495,000 of Highway and Bridge Trust Fund Bonds to fund State Department of Transportation expenditures and to refund \$337,675,000 in previously issued bonds for a net present value savings of \$36,807,110 for the State. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$6,991,450,000 and \$7,122,775,000 at December 31, 2012 and 2011, respectively.

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Notes to Financial Statements, Continued

(7) Special Bond Programs, Continued

State Personal Income Tax Revenue Bonds (Transportation) - The Legislature of the State of New York empowered the Authority to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. In August, 2012, the Authority issued \$523,065,000 of State Personal Income Tax Revenue Bonds to fund qualifying projects, including Metropolitan Transportation Authority facilities, and to refund \$44,660,000 in previously issued bonds for a present value savings of \$5,668,773 for the State. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$3,213,770,000 and \$2,872,245,000 at December 31, 2012 and 2011, respectively.

(8) Retirement Benefits

The Authority provides its retirees certain retirement benefits made available to participating employers by the New York State Retirement and Social Security Laws, including Chapters 1046 and 1047 of the Laws of 1973.

The Authority participates in the New York State and Local Employees' Retirement System (ERS) for Authority employees and the Police and Fire Retirement Systems (PFRS) for New York State Police assigned to the Authority. Both ERS and PFRS are cost-sharing multiple-employer retirement systems that provide retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plans is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of ERS and PFRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and PFRS and for the custody and control of their funds. ERS and PFRS issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244-0001 or online at [www.osc.state.ny.us](http://www.osc.state.ny.us).

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Notes to Financial Statements, Continued

(8) Retirement Benefits, Continued

ERS and PFRS Tiers I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary and Tier VI employees who contribute 3% of their salary in State Fiscal Year 2012-2013. However, beginning April 1, 2013, Tier VI employees will contribute between 3% and 6%, based upon the amount of their annual 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 for ERS during the year ended December 31, 2012 ranged from 10.1% to 25.4% and during the year ended December 31, 2011 ranged from 12.7% to 21.5%. The PFRS is paid as part of a fringe benefit rate billed to the Authority for the State Police. The PFRS benefit rates billed were 13.14% for April through December 2012, 12.03% for April 2011 through March 31, 2012, and 12.78% for January through March 2011.

The approximate required contributions for the current year and two preceding years were as follows (in thousands):

	<u>ERS</u>	<u>PFRS</u>
2012	\$ 33,006	4,028
2011	37,698	3,912
2010	19,940	4,054

The Authority's contributions in 2012 and 2011 were equal to 100% of the contributions required for the period.

(9) Other Postemployment Benefits

The Authority reports its Other Postemployment Benefits (OPEB) in compliance with GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." Statement No. 45 requires governmental entities, including the Authority, to recognize in its financial statements the financial impact of postemployment benefits, principally employer funded health care and death benefits which the Authority provides for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Authority.

The following table summarizes the Authority's valuation of OPEB costs and obligations at December 31, 2012 and 2011 (in thousands):

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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

	2012			2011
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	\$ 1,174,348	227,098	1,401,446	1,350,389
Unfunded accrued liability	889,180	171,889	1,071,069	1,021,341
Annual required contribution (30 year amortization)	67,229	13,489	80,718	76,698
Annual OPEB cost	65,401	13,094	78,495	75,122
Valuation payroll	136,346	24,387	160,733	156,813
Annual OPEB expense (as % of payroll)	48.0%	53.7%	48.8%	47.9%
Expected benefit payment	22,095	3,628	25,723	23,806

Actuarial valuations, the most recent of which was completed as of December 31, 2011, involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost sharing provisions then in effect.

The Authority participates, pursuant to the provisions of Section 163(4) of the New York State Civil Service Law, in the New York State Health Insurance Program (NYSHIP), an Agent Multiple-Employer plan. NYSHIP is administered through the Department of Civil Service and the Authority pays the cost of administration.

NYSHIP does not currently issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The Authority's specific obligation to pay OPEB costs is dependent on the employee's date of hire and labor agreement. Certain retiree costs, described below, are first applied against the value of the retiree's existing sick leave bank balance. A plan summary follows:

(a) Plan Types

Medical - New York State Health Insurance Program which includes participation in various insurance plans and HMO's and which also includes drug coverage. Details may be found in the Summary Program Description of the New York State Health Insurance Program Booklet.

Medicare Part B Reimbursement - The Thruway Authority and Canal Corporation reimburse the retiree and his/her Medicare eligible spouse for the Medicare Part B premium.



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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

(b) Eligibility

At least 55 years old with 5 years of service if date of hire is before April 1, 1975 or 10 years of service if date of hire is after April 1, 1975.

(c) Benefit/Cost Sharing

The Authority contributes 80% - 100% of costs for retirees and 75% - 80% for a retiree's spouse.

(d) Spouse Benefit - Yes

(e) Surviving Spouse Benefit - Coverage continues

(f) Survivor Benefit - \$3,000 payable to retiree's designated beneficiary.

(g) Funding Policy

The obligations of the plan members, employers and other entities are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Authority currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

The following summary schedule presents the Annual OPEB Cost and Net OPEB Obligation for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal cost	\$ 29,345	28,629	25,691
Amortization of unfunded actuarial accrued liability	48,870	45,679	45,443
Interest	<u>2,503</u>	<u>2,390</u>	<u>2,394</u>
Annual required contribution (ARC)	80,718	76,698	73,528
Interest on net OPEB obligation	9,380	7,415	5,731
Adjustment to ARC	<u>(11,603)</u>	<u>(8,991)</u>	<u>(6,343)</u>
Annual OPEB cost	78,495	75,122	72,916
Contribution/expected benefit payment	<u>(25,723)</u>	<u>(23,806)</u>	<u>(22,592)</u>
Increase in net OPEB obligation	52,772	51,316	50,324
Net OPEB obligation at beginning of year	<u>244,919</u>	<u>193,603</u>	<u>143,279</u>
Net OPEB obligation at end of year	<u>\$ 297,691</u>	<u>244,919</u>	<u>193,603</u>

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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

The annual OPEB costs are recorded in the Authority's 2012 and 2011 statements of revenue, expenses, and changes in net position in the amount of \$78,495,000 and \$75,122,000, respectively. The Thruway Authority OPEB costs are recorded as a component of general charges and the Canal Corporation OPEB costs are recorded as a component of Canals. The net OPEB obligation is recorded in the Authority's statement of net position as a component of other long-term liabilities in the amount of \$297,691,000 and \$244,919,000, at December 31, 2012 and 2011, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 through 2012 are as follows (in thousands):

Year Ending	Annual OPEB cost			Cost contributed			Net OPEB obligation		
	Thruway Authority	Canal Corporation	Total	Thruway Authority	Canal Corporation	Total	Thruway Authority	Canal Corporation	Total
12/31/10	\$61,164	11,752	72,916	32.2%	24.9%	31.0%	\$159,365	34,238	193,603
12/31/11	62,610	12,512	75,122	32.8%	26.0%	31.7%	201,417	43,502	244,919
12/31/12	65,401	13,094	78,495	33.8%	27.7%	32.8%	244,723	52,968	297,691

The following are the actuarial methods and assumptions used in calculating the obligations related to the Authority postemployment benefit plan:

Funding interest rate	3.83%
2012 trend rate (Med/Rx)	10%
Ultimate Medical/Rx cost trend rate	5%
Year ultimate trend rate reached	2018
Annual payroll growth rate	2.50%
Actuarial cost method	Attained age
Remaining amortization period at December 31, 2012	24 years
Amortization method	30 year level percentage of payroll

(10) Contingencies and Commitments

(a) Claims and Litigation

The Authority is a party to various legal proceedings, including negligence suits, some of which involve death or serious injury. Many of these actions arise in the normal course of the Authority's operations. The Authority records accruals for claims liability to the extent that management concludes their occurrence is probable and the related damages are estimatable. If the range of the liability is probable and estimatable, the Authority accrues the amount most likely to be paid.

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Notes to Financial Statements, Continued

(10) Contingencies and Commitments

Changes in the Authority's claims liability amounts in years 2010 through 2012 were as follows (in thousands):

	Beginning of Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	End of Year <u>Liability</u>
2010	\$ 1,620	(99)	(1,295)	226
2011	226	1,630	(150)	1,706
2012	1,706	186	(992)	900

In addition, there are claims where liability is not probable, but is possible and estimatable. The range of loss on these claims approximated \$18.9 million to \$44.9 million at December 31, 2012.

Certain other claims cannot be estimated as they involve complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages cannot be determined.

(b) Insurance

Loss of revenues is insured through a use and occupancy policy that covers any interruption in excess of 15 days. Property damage to bridges is insured through various policies from major insurance companies equal to the maximum probable loss from a single occurrence (with deductibles ranging from \$2.5 million to \$5.0 million). In addition, the Authority purchases insurance for workers' compensation benefits and various liability exposures.

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self insured for third party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$8.9 million.

Insurance for the Authority's service area facilities is provided by the concessionaires. The liability related to construction projects, tandem trailer operations, authorized garage operations and similar risk is transferred through contractual indemnification and compliance with Authority insurance requirements.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(10) Contingencies and Commitments, Continued

(c) Construction Commitments

At December 31, 2012, the amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract are as follows:

<u>Project</u>	<u>Commitments (in thousands)</u>
Highway, bridge and facility, construction and design	\$ 203,400
Personal service and miscellaneous	175,500
Canal	<u>42,700</u>
Total	\$ <u>421,600</u>

(d) Environmental Remediation

The Authority has adopted GASB Statement No. 49 - "Accounting and Financial Reporting for Pollution Remediation Obligations." Statement No. 49 requires governmental entities, including the Authority, to disclose the nature and estimated cost for environmental remediation obligations. At December 31, 2012, the Authority recorded in its financial statements a cost estimate for environmental remediation at a number of sites on Thruway Authority and Canal Corporation property. These sites have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs were developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2012. Estimating environmental remediation obligations requires that a number of assumptions be made. Therefore, it is possible that project cost changes due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies and other factors could result in revisions to these estimates.

At December 31, 2012, the Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties, as follows (in thousands):

	Beginning of year <u>liability</u>	<u>Current year</u> Estimate <u>changes</u>	Payments <u>made</u>	End of year <u>liability</u>
2011	\$ 1,940	4,480	(2,813)	3,607
2012	3,607	538	(1,526)	2,619

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(10) Contingencies and Commitments, Continued

(e) Lease Revenue

The Authority has entered into various non-cancelable contracts with concessionaires to provide patron services on the Thruway System. These contracts provide the Authority with concession revenue, including minimum rentals and contingent revenues based on sales volume. The Authority also leases land, used for antennas and fiber optic cable, under various non-cancelable contracts. Concession contract terms generally range from 16 to 25 years, inclusive of renewal options. Radio tower contract terms generally range from 5 to 10 years, with renewal options up to 10 years, and fiber optic contract terms range from 17 to 20 years.

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2012:

<u>Year</u>	Future Minimum Lease Revenue ( <u>in thousands</u> )
2013	\$ 14,200
2014	14,400
2015	14,500
2016	15,000
2017	13,000
Thereafter	<u>35,100</u>
Total	\$ <u>106,200</u>

(11) Extraordinary Item - 2011 Floods

In August and September of 2011, Hurricane Irene and Tropical Storm Lee caused significant damages to the Canal System. This included structural damage to moveable dams, scouring around approach walls, destroyed buildings, massive ground erosion, as well as electrical, dock and other miscellaneous damages. The vast majority of these damages occurred on the Erie Canal between Locks E-8 in Schenectady County and E-13 in Montgomery County. Governmental Accounting Standards Board Statement 42 (GASB 42) defines the accounting and reporting rules related to the impairment of capital assets. In accordance with GASB 42, we identified the Canal assets that were destroyed or significantly damaged by the storms and have written down their net book value by approximately \$9.3 million as an extraordinary item. The estimated cost to repair storm damage on the Canal System is \$104 million. Expenditures through December 31, 2012 and 2011 were \$33.0 million and \$5.8 million, respectively.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(11) Extraordinary Item - 2011 Floods, Continued

These storms also caused damages to the Thruway System; however, no Thruway assets were damaged to the extent of requiring a write down. The estimated cost to repair storm damage on the Thruway System is estimated to be \$9.0 million. Expenditures through December 31, 2012 and 2011 were \$5.8 million and \$3.5 million, respectively.

The Authority has received approval for approximately 75% of the storm damage repair work from the U.S. Department of Homeland Security (FEMA) and the U.S. Department of Transportation.

(12) Subsequent Events

Over the past decade, in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority, the Authority has conducted alternative analysis, public outreach and environmental studies aimed at how to best address the transportation needs at the Tappan Zee Bridge. Engineering and economic analysis has determined that replacement of the bridge is needed to correct structural deficiencies, address longstanding safety concerns and provide sufficient capacity to serve current usage safely and allow for future economic growth. In 2011, action was taken to expedite environmental reviews and to advance legislation that would allow the Authority to enter into a design-build contract for the New NY Bridge.

In January 2013, following an expedited environmental review and procurement process, the Authority entered into a \$3.1 billion design-build agreement to construct the New NY Bridge. It is anticipated that the new bridge will take six years to complete at a total estimated cost of \$3.9 billion.

In February 2013, the Authority issued \$500 million of General Revenue Bond Anticipation Notes, Series 2013A to finance the initial mobilization and construction costs of the project. These notes mature on July 31, 2013, with an option to issue an additional \$200 million of notes and extend the maturity to September 30, 2013. The Authority is seeking and has been invited to formally apply for a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund a portion of the project and a full project financing plan will be developed upon final determination of the amount and other terms of the TIFIA loan.

NEW YORK STATE THRUWAY AUTHORITY  
(A Component Unit of the State of New York)  
Required Supplementary Information

Schedule of Funding Progress  
Other Postemployment Benefits  
(In millions of dollars)

<u>Actuarial Valuation Date</u>	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage covered payroll ((b-a)/c)
December 31, 2011	\$ -	1,021	1,021	0.0%	157	650.3%
December 31, 2009	-	982	982	0.0%	167	588.0%
December 31, 2007	-	985	985	0.0%	160	615.6%

**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**

Members of the Board  
New York State Thruway 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 Thruway 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 15, 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 opinion 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 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 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.

### 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 15, 2013

## INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT PROGRAM COMPLIANCE

Members of the Board  
New York State Thruway Authority:

### Report on Investment Program Compliance

We have audited the New York State Thruway 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; 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, New York State Thruway 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 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 15, 2013