

New York State Thruway Authority

(A Component Unit of the State of New York)

Financial Statements

December 31, 2014 and 2013

New York State Thruway Authority

(A Component Unit of the State of New York)

Financial Statements

December 31, 2014 and 2013

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Independent Auditor's Report

Members of the Board
New York State Thruway Authority
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Thruway Authority (Authority), a component unit of the State of New York, which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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 Authority as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements

The financial statements of the Authority, as of and for the year ended December 31, 2013, were audited by other auditors whose report dated March 21, 2014, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 and the schedule of funding progress on page 40 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. The 2013 supplementary information was subjected to audit procedures applied in the audit of the basic financial statements by other auditors, and their report dated March 21, 2014, did not express an opinion or provide any assurance on the information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
March 20, 2015



New York State Thruway Authority

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Management's Discussion and Analysis December 31, 2014 and 2013

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, 2014 and 2013. 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.

2014 Financial Highlights

- Toll revenue for the year was \$664.1 million, an increase of \$15.2 million, or 2.3% compared to 2013.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization, were \$424.6 million, an increase of \$5.4 million, or 1.3% compared to 2013.
- Net position as of December 31, 2014 was approximately \$1.41 billion, a decrease of \$166.0 million, or 10.6% compared to December 31, 2013.
- Total capital assets (net of depreciation) as of December 31, 2014 were approximately \$6.17 billion, an increase of \$589.7 million, or 10.6% compared to December 31, 2013.
- Construction of the New NY Bridge continued in 2014, and \$594.4 million was invested in the project during the year.

2013 Financial Highlights

- Toll revenue for the year was \$648.9 million, an increase of \$11.2 million, or 1.8% compared to 2012.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization, were \$419.2 million, a decrease of \$54.3 million, or 11.5% compared to 2012.
- Net position as of December 31, 2013 was approximately \$1.57 billion, a decrease of \$128.6 million, or 7.6% compared to December 31, 2012.
- Total capital assets (net of depreciation) as of December 31, 2013 were approximately \$5.58 billion, an increase of \$631.5 million, or 12.8% compared to December 31, 2012.
- Construction of the New NY Bridge began in 2013, and \$641.0 million was invested in the project during the year.

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.

New York State Thruway Authority

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Management's Discussion and Analysis December 31, 2014 and 2013

Overview of the Financial Statements - Continued

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 accounting principles generally accepted in the United States of America (U.S. 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, 2014 was approximately \$1.41 billion, a 10.6% decrease compared to December 31, 2013 (see Table A-1). In 2014, total assets increased 3.1% to \$7.76 billion, and total liabilities increased 6.6% to \$6.37 billion. The Authority's net position at December 31, 2013 was approximately \$1.57 billion, a 7.6% decrease compared to December 31, 2012. In 2013, total assets increased 30.7% to \$7.52 billion, and total liabilities increased 46.5% to \$5.98 billion.

Table A-1

Net Position

December 31, 2014, 2013, and 2012
(In millions of dollars)

	2014	2013	2012	Percentage Change 2014-2013
Unrestricted current assets	\$ 356.8	\$ 316.4	\$ 313.4	12.8
Restricted current assets	1,228.6	1,624.9	490.6	(24.4)
Capital assets	6,172.2	5,582.5	4,951.0	10.6
Total assets	7,757.6	7,523.8	5,755.0	3.1
Deferred outflows	16.6	23.5	25.5	(29.4)
Current liabilities	605.5	523.1	365.1	15.8
Noncurrent liabilities	5,762.7	5,452.2	3,714.8	5.7
Total liabilities	6,368.2	5,975.3	4,079.9	6.6
Net position				
Net investment in capital assets	1,244.7	1,496.3	1,568.4	(16.8)
Restricted for debt service	271.2	223.6	201.6	21.3
Restricted for capital	134.2	55.1	75.5	143.6
Unrestricted	(244.1)	(203.0)	(144.9)	20.2
Total net position	\$ 1,406.0	\$ 1,572.0	\$ 1,700.6	(10.6)

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Management's Discussion and Analysis December 31, 2014 and 2013

Financial Analysis of the Authority - Continued

Net Position - Continued

Restricted current assets decreased \$396.3 million, or 24.4% compared to 2013. The decrease is due to the use of restricted proceeds generated from the December 2013 issuance of General Revenue Junior Indebtedness Obligations, Series 2013A to fund the New NY Bridge throughout 2014. The decrease was partially offset by the February 2014 issuance of General Revenue Bonds, Series J which generated net proceeds of \$350 million to fund the Authority's capital program excluding the New NY Bridge. More detailed information regarding restricted current assets is presented in Note 4.

Capital assets increased \$589.7 million, or 10.6% compared to 2013. This increase is due to the continuing investment in the New NY Bridge, as well as the Authority's ongoing investment to preserve existing infrastructure on both the Thruway and Canal Systems. More detailed information regarding capital assets is presented in Note 3.

Current liabilities increased \$82.4 million, or 15.8% compared to 2013. This increase is due to an increase in the amount owed for work performed, but not paid for on the New NY Bridge as of December 31, 2014 compared to December 31, 2013; an increase in prepaid deposits from our E-ZPass customers; and an increase in the current amount due for interest and principal on outstanding general revenue bonds and junior indebtedness obligations.

Non-current liabilities increased \$310.5 million, or 5.7% compared to 2013. This increase is primarily due to the issuance of General Revenue Bonds, Series J in February 2014. 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 5 and 8, 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 \$251.6 million, or 16.8% compared to 2013. This decrease is primarily due to depreciation and the continued use of debt proceeds to fund the majority of the Authority's Multi-Year Capital Plan, including the New NY Bridge.

Restricted for debt service increased \$47.6 million, or 21.3% compared to 2013. This increase is due to the issuance of General Revenue Bonds, Series J in February 2014 which required that additional funds be put on deposit in the Senior Debt Service Reserve Fund; an increase in the amount of funds needed to pay principal on the general revenue bonds as of January 1, 2015 compared to January 1, 2014; and timing differences between when funds were provided to the Authority's trustee for debt service.

Restricted for capital increased \$79.1 million, or 143.6%. As of December 31, 2013, the balance of available senior debt proceeds in the Authority's Construction Fund was less than the amount owed to contractors who would normally be paid with senior debt proceeds. This resulted in a deficiency within the Construction Fund that negatively impacted overall restricted for capital as of December 31, 2013. In February 2014, the Authority issued General Revenue Bonds, Series J which generated net proceeds of \$350 million to fund the Authority's capital program excluding the New NY Bridge. The receipt of these net proceeds eliminated the deficiency in the Construction Fund resulting in the increase to restricted for capital as of December 31, 2014.

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Management's Discussion and Analysis December 31, 2014 and 2013

Financial Analysis of the Authority - Continued

Net Position - Continued

Unrestricted deficiency increased by \$41.1 million, or 20.2% compared to 2013. This increase is due primarily to the increase in non-current liabilities related to postemployment health care benefits, as well as the use of proceeds from the issuance of General Revenue Junior Indebtedness Obligations, Series 2013A, to pay interest on these obligations. The increase to the deficiency was partially offset by an increase in revenues on deposit in the unrestricted General Reserve Fund as of December 31, 2014 compared to December 31, 2013.

Changes in Net Position

Net position decreased by \$166 million in 2014 compared to 2013 (see Table A-2). The Authority's total operating revenues for 2014 were \$698.8 million, an increase of \$16 million, or 2.3% compared to 2013. Total operating expenses, including depreciation and amortization, were \$777.3 million, an increase of \$26.3 million, or 3.5% compared to 2013. Net position decreased by \$128.6 million in 2013 compared to 2012. The Authority's total operating revenues for 2013 were \$682.8 million, an increase of \$9.8 million, or 1.5% compared to 2012. Total operating expenses, including depreciation and amortization, were \$751.0 million, a decrease of \$32.5 million, or 4.1% compared to 2012.

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Management's Discussion and Analysis December 31, 2014 and 2013

Financial Analysis of the Authority - Continued

Changes in Net Position - Continued

Table A-2

Changes in Net Position

Years ended December 31, 2014, 2013, and 2012
(In millions of dollars)

	2014	2013	2012	Percentage Change 2014-2013
OPERATING REVENUE				
Tolls	\$ 664.1	\$ 648.9	\$ 637.7	2.3
Concessions	13.6	13.3	13.1	2.3
Other	21.1	20.6	22.2	2.4
Total operating revenue	698.8	682.8	673.0	2.3
OPERATING EXPENSES				
Administrative	19.0	17.8	17.5	6.7
Engineering services	7.7	6.4	6.3	20.3
Maintenance	114.7	112.5	109.2	2.0
Finance and accounts	7.8	8.1	8.5	(3.7)
Operations	43.8	46.2	79.7	(5.2)
General charges	165.7	160.1	186.5	3.5
Canals	65.9	68.1	65.8	(3.2)
Depreciation and amortization	352.7	331.8	310.0	6.3
Total operating expenses	777.3	751.0	783.5	3.5
Operating loss	(78.5)	(68.2)	(110.5)	15.1
NON-OPERATING ITEMS				
Interest expense	(165.0)	(134.7)	(115.5)	22.5
Debt issuance expense	(19.1)	(7.4)	(15.5)	158.1
Non-operating revenue	36.0	37.6	15.0	(4.3)
Net non-operating items	(148.1)	(104.5)	(116.0)	41.7
Loss before capital contributions	(226.6)	(172.7)	(226.5)	31.2
Capital contributions	60.6	44.1	64.2	37.4
CHANGE IN NET POSITION	(166.0)	(128.6)	(162.3)	29.1
NET POSITION, <i>beginning of year</i>	1,572.0	1,700.6	1,862.9	(7.6)
NET POSITION, <i>end of year</i>	\$ 1,406.0	\$ 1,572.0	\$ 1,700.6	(10.6)

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Management's Discussion and Analysis December 31, 2014 and 2013

Financial Analysis of the Authority - Continued

Changes in Net Position - Continued

Toll revenue increased \$15.2 million, or 2.3% compared to 2013. This increase is primarily due to commercial revenues at the Tappan Zee Bridge and Yonkers Barrier being positively impacted by traffic diverting to the Thruway system to avoid construction closures on the George Washington Bridge from June through December 2014. In addition, commercial revenues system-wide were positively impacted by the implementation of an Automated Vehicle Classification system which ensures commercial vehicles using E-ZPass are charged the correct toll rate.

Maintenance expenses increased by \$2.2 million, or 2.0% compared to 2013. This increase is primarily due an increase in bridge repair costs and snow and ice control. The increase was partially offset by a decrease in costs related to maintaining and fueling vehicles and equipment.

Operations expenses decreased by \$2.4 million, or 5.2% compared to 2013. This decrease is primarily due to reduced costs for toll collection.

General charges increased by \$5.6 million, or 3.5% compared to 2013. This increase is primarily due to higher estimated costs for litigation claims filed against the Authority and higher costs for workers' compensation insurance. Also, in 2013, the Authority's allowance for doubtful accounts related to operations was reduced by \$2 million due to a favorable legal settlement to collect fees due from a user of our fiber optic network. This reduction lowered general charges in 2013.

Canal expenses decreased by \$2.2 million, or 3.2% compared to 2013. This decrease is primarily due to a reduction in staffing; and lower costs for storm repairs and railway construction on lands not owned by the Canal Corporation.

Depreciation and amortization increased \$20.9 million, or 6.3% compared to 2013. 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 \$30.3 million, or 22.5% compared to 2013. The increase is primarily due to the issuance of General Revenue Junior Indebtedness Obligations, Series 2013A in December 2013. As a result, 2014 was the first full year in which interest expense was incurred on this obligation.

Debt issuance costs increased \$11.7 million, or 158.1% compared to 2013. This increase is due to the cost of issuance for the General Revenue Bonds, Series J and Series K issued in 2014 exceeding the cost of issuance for the General Revenue Junior Indebtedness Obligations, Series 2013A and General Revenue Bond Anticipation Notes, Series 2013A and Series 2013B issued in 2013.

Capital contributions increased \$16.5 million, or 37.4% compared to 2013. The Thruway Authority and Canal Corporation receive significant capital contributions from several entities. The Federal Highway Administration partially funds certain capital projects on the Thruway system. The United States Department of Homeland Security partially funds the response to certain storm events, as well as the rebuilding of infrastructure damaged in those storms, and the State of New York funds certain canal projects through the Rebuild and Renew New York Transportation Bond Act of 2005. In 2014, funding provided by these entities exceeded funding provided in 2013.

New York State Thruway Authority

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Management's Discussion and Analysis

December 31, 2014 and 2013

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2014, the Authority had invested approximately \$11.11 billion in capital assets, including roads, bridges, canal structures, buildings, land, and equipment. Net of accumulated depreciation, the Authority's capital assets approximated \$6.17 billion (see Table A-3) representing a net increase (including additions, disposals, and depreciation) of approximately \$589.7 million, or 10.6% compared to December 31, 2013.

As of December 31, 2013, the Authority had invested approximately \$10.18 billion in capital assets, including roads, bridges, canal structures, buildings, land, and equipment. Net of accumulated depreciation, the Authority's capital assets approximated \$5.58 billion (see Table A-3) representing a net increase (including additions, disposals, and depreciation) of approximately \$631.4 million, or 12.8% compared to December 31, 2012.

Table A-3

Capital Assets

December 31, 2014, 2013, and 2012
(In millions of dollars)

	2014	2013	2012	Percentage Change 2014-2013
Land and land improvements	\$ 828.2	\$ 827.3	\$ 820.5	0.1
Construction work in progress	1,807.7	1,090.6	677.8	65.8
Thruway System	7,698.9	7,551.2	7,072.3	2.0
Canal System	533.7	482.5	472.7	10.6
Equipment	244.7	230.2	221.5	6.3
Less accumulated depreciation	(4,941.0)	(4,599.3)	(4,313.8)	7.4
Total net capital assets	<u>\$ 6,172.2</u>	<u>\$ 5,582.5</u>	<u>\$ 4,951.0</u>	10.6

In 2014, construction work in progress increased \$717.1 million, as the Authority continued construction of the New NY Bridge and invested \$594.4 million in the project during the year. Significant projects in progress on the Thruway System as of December 31, 2014 include the New NY Bridge, deck replacement and resurfacing of the North Grand Island Bridge, pavement rehabilitation in the I-287 area, bridge rehabilitations over Silver Creek and Walnut Creek, pavement rehabilitation on I-95, the installation of five wind turbines south of Buffalo, and several other pavement and bridge rehabilitations at various locations. Significant projects in progress on the Canal System as of December 31, 2014 include rehabilitation of the Utica Taintor Gate Dam and the Moveable Dam at Lock E-11. The Thruway System's value increased \$147.7 million compared to 2013. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, including pavement rehabilitations between Exits 17 and 18, Exits 47 and 48, and Exits 59 and 60, as well as the resurfacing of the South Grand Island Bridge. The Canal System's value increased \$51.2 million compared to 2013. This increase was primarily due to the completion of the rehabilitation of the Moveable Dam at Lock E-13, rehabilitations in the areas of Locks E-9, E-10, and E-11 which had been damaged to the point of impairment by Tropical Storms Irene and Lee in 2011, and completion of trailways from Pittsford to Fairport and Gryziec Park to Stanwix.

New York State Thruway Authority

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Management's Discussion and Analysis December 31, 2014 and 2013

Capital Assets and Debt Administration - Continued

Capital Assets - Continued

In 2013, construction work in progress increased \$412.8 million, as the Authority began construction of the New NY Bridge and invested \$641 million in the project during the year. Significant projects in progress as of December 31, 2013 include the New NY Bridge, deck replacement, and resurfacing of the Grand Island Bridges, rehabilitation of numerous canal structures that were damaged by Tropical Storms Irene and Lee, and several other pavement and bridge rehabilitations at various locations. The Thruway System's value increased \$478.9 million compared to 2012. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, including re-decking a portion of the existing Tappan Zee Bridge, the reconstruction of the highway between Exits 23 and 24 in Albany, and pavement rehabilitation and bridge painting near Angola.

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.

General Revenue Bonds are issued pursuant to the Authority's General Revenue Bond Resolution adopted August 3, 1992, as amended on January 5, 2007. General revenue bonds will continue to be issued for the purposes of funding the Authority's Multi-Year Capital Plan, exclusive of the New NY Bridge. Junior Indebtedness Obligations are issued pursuant to the Authority's Resolution Authorizing Junior Indebtedness Obligations adopted November 7, 2013. Junior Indebtedness Obligations are subordinate to the senior General Revenue Bonds, and are special obligations of the Authority secured by a pledge of certain funds and accounts established in the Junior Indebtedness Fund. Proceeds from Junior Indebtedness Obligations issued and to be issued will be used solely to fund New NY Bridge project costs until the bridge is substantially complete.

Long-term debt includes general revenue bonds, junior indebtedness obligations, and a revolving loan of varying rates and maturities issued primarily to fund a portion of the Authority's Multi-Year Capital Plan and New NY Bridge project costs. At December 31, 2014, the Authority had approximately \$5.50 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, an increase of \$273.3 million, or 5.2% compared to the amount of general revenue bonds, junior indebtedness obligations, and loans outstanding as of December 31, 2013 (see Table A-4).

In February 2014, the Authority issued General Revenue Bonds, Series J which generated proceeds of \$732.4 million. These proceeds were used to fund a portion of the Multi-Year Capital Plan, refund a portion of General Revenue Bonds, Series F and Series G, and provide for a required deposit to the Senior Debt Service Reserve Fund. These bonds mature in various amounts through January 1, 2044.

In December 2014, the Authority issued General Revenue Bonds, Series K which generated proceeds of \$865.0 million. These proceeds were used to refund a portion of General Revenue Bonds, Series F, Series G, and Series I. These bonds mature in various amounts through January 1, 2032.

Of the \$3.69 billion in general revenue bonds outstanding, approximately \$25.6 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and are rated AA by Standard and Poor's (S&P), and \$834.3 million are insured by National Public Finance Guarantee (formerly MBIA Insurance Corporation, and Financial Guaranty Insurance Company) and are rated AA- by S&P. The remaining general revenue bonds are rated A2 by Moody's and A by S&P. Of the \$1.78 billion in junior indebtedness obligations outstanding, approximately \$45.7 million are insured by Assured Guaranty Municipal Corp and rated A2 by Moody's and AA- by S&P. The remaining Junior Indebtedness Obligations are rated A3 by Moody's and A- by S&P.

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Management's Discussion and Analysis December 31, 2014 and 2013

Capital Assets and Debt Administration - Continued

Debt Administration - Continued

In 2013, the Authority entered into a loan agreement (TIFIA Loan) with the United States Department of Transportation, acting through the Federal Highway Administration. The conditions of the TIFIA Loan preclude the use of general revenue bond proceeds for New NY Bridge project costs; as a result, the Authority created the Junior Resolution to provide for the issuance of junior indebtedness obligations to fund these costs. The TIFIA Loan was secured by a Junior Indebtedness Obligation issued under the Junior Resolution. The proceeds of the TIFIA Loan are expected to be drawn no later than one year after substantial completion of the New NY Bridge, and are expected to be available to pay the initial issuance of Junior Indebtedness Obligations.

In 2012, the Authority 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 prepaid at any time by the Authority without penalty. As of December 31, 2014, the Authority has borrowed \$32 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, 2013, the Authority had approximately \$5.23 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, an increase of \$1.75 billion, or 50.5% from December 31, 2012.

Table A-4
Outstanding Debt
Years ended December 31, 2014 and 2013
(In millions of dollars)

	Year Ended December 31, 2014			
	Beginning Balance	Additions	Reductions	Ending Balance
General revenue bonds	\$ 3,396.9	\$ 1,597.4	\$ (1,303.4)	\$ 3,690.9
Junior indebtedness obligations	1,822.3	-	(41.7)	1,780.6
Revolving loan	11.0	21.0	-	32.0
Total bonds, notes and loans	<u>\$ 5,230.2</u>	<u>\$ 1,618.4</u>	<u>\$ (1,345.1)</u>	<u>\$ 5,503.5</u>
	Year Ended December 31, 2013			
	Beginning Balance	Additions	Reductions	Ending Balance
General revenue bonds	\$ 3,466.4	\$ -	\$ (69.5)	\$ 3,396.9
Junior indebtedness obligations	-	1,823.7	(1.4)	1,822.3
Bond anticipation notes	-	1,201.9	(1,201.9)	-
Revolving loan	9.0	2.0	-	11.0
Total bonds, notes and loans	<u>\$ 3,475.4</u>	<u>\$ 3,027.6</u>	<u>\$ (1,272.8)</u>	<u>\$ 5,230.2</u>

More detailed information about the Authority's debt is presented in Note 5.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2014 and 2013

Capital Assets and Debt Administration - Continued

The New NY 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 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 January 2013, the Authority entered into a \$3.1 billion design-build agreement to construct the New NY Bridge to replace the existing Tappan Zee 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. As of December 31, 2014, \$1.36 billion has been spent on the project life to date, of which \$594.4 million was spent in 2014.

Additional information regarding the New NY Bridge is available at 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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Statements of Net Position (in thousands of dollars)

	December 31,	
	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 255,706	\$ 188,298
Investments	22,454	46,315
Accrued interest receivable	4	133
Receivables, net	52,536	56,236
Material and other supplies	17,035	15,612
Prepaid items	9,060	9,817
Restricted		
Cash and cash equivalents	226,111	335,457
Investments	941,458	1,257,968
Accrued interest receivable	1,197	201
Receivables, net	49,908	28,467
Other	9,982	2,811
Total current assets	<u>1,585,451</u>	<u>1,941,315</u>
NON-CURRENT ASSETS		
Capital assets, not being depreciated	2,635,924	1,917,954
Capital assets, net of accumulated depreciation	<u>3,536,257</u>	<u>3,664,507</u>
Total non-current assets	<u>6,172,181</u>	<u>5,582,461</u>
Total assets	<u>7,757,632</u>	<u>7,523,776</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on bond refunding	<u>16,627</u>	<u>23,489</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	262,160	230,136
Accrued wages and employee benefits	1,702	7,819
Unearned revenue	83,572	64,997
Accrued interest payable	103,420	81,122
Current amount due on bonds, notes, and other long-term liabilities	<u>154,694</u>	<u>138,960</u>
Total current liabilities	<u>605,548</u>	<u>523,034</u>
NON-CURRENT LIABILITIES		
Bonds, notes and loan payable	5,355,893	5,096,890
Other long-term liabilities	<u>406,802</u>	<u>355,326</u>
Total non-current liabilities	<u>5,762,695</u>	<u>5,452,216</u>
Total liabilities	<u>6,368,243</u>	<u>5,975,250</u>
NET POSITION		
Net investment in capital assets	1,244,700	1,496,347
Restricted for		
Debt service	271,174	223,638
Capital	134,177	55,101
Unrestricted (deficit)	<u>(244,035)</u>	<u>(203,071)</u>
Total net position	<u>\$ 1,406,016</u>	<u>\$ 1,572,015</u>

See accompanying Notes to Financial Statements.

New York State Thruway Authority

(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)

	Years Ended December 31,	
	2014	2013
OPERATING REVENUES		
Tolls	\$ 664,079	\$ 648,923
Concessions	13,586	13,322
Other	21,087	20,599
Total operating revenues	<u>698,752</u>	<u>682,844</u>
OPERATING EXPENSES		
Administrative	18,951	17,819
Engineering services	7,708	6,398
Maintenance engineering		
Thruway maintenance	82,140	79,459
Equipment maintenance	32,559	33,050
Finance and accounts	7,790	8,065
Operations		
Traffic and services	7,326	7,631
Toll collection	36,487	38,609
General charges	165,689	160,060
Canals	65,946	68,159
Depreciation and amortization	352,685	331,806
Total operating expenses	<u>777,281</u>	<u>751,056</u>
Operating loss	<u>(78,529)</u>	<u>(68,212)</u>
NON-OPERATING REVENUES AND EXPENSES		
Investment income	614	579
Interest expense	(165,051)	(134,751)
Debt issuance expense	(19,082)	(7,373)
Federal and other aid	35,431	37,037
Net non-operating items	<u>(148,088)</u>	<u>(104,508)</u>
Loss before capital contributions	<u>(226,617)</u>	<u>(172,720)</u>
CAPITAL CONTRIBUTIONS	<u>60,618</u>	<u>44,089</u>
CHANGE IN NET POSITION	<u>(165,999)</u>	<u>(128,631)</u>
NET POSITION, <i>beginning of year</i>	<u>1,572,015</u>	<u>1,700,646</u>
NET POSITION, <i>end of year</i>	<u>\$ 1,406,016</u>	<u>\$ 1,572,015</u>

See accompanying Notes to Financial Statements.

New York State Thruway Authority

(A Component Unit of the State of New York)

Statements of Cash Flows (in thousands of dollars)

	Years Ended December 31,	
	2014	2013
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from toll collections	\$ 684,671	\$ 665,243
Cash received from concession sales	13,605	13,307
Other operating cash receipts	25,278	17,598
Personal service payments	(168,003)	(163,741)
Fringe benefits payments	(105,987)	(109,356)
E-ZPass account management payments	(6,746)	(8,474)
Cash payments to vendors and contractors	(74,048)	(69,070)
	368,770	345,507
CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		
Federal aid and other reimbursements	8,678	17,757
CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	1,618,360	3,027,660
Federal aid and other capital contributions	34,526	40,351
Acquisition/construction of capital assets	(887,710)	(867,825)
Principal paid on capital debt	(1,289,068)	(1,261,795)
Interest and issuance costs paid on capital debt	(238,647)	(166,357)
Proceeds from sale of capital assets	261	322
	(762,278)	772,356
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of investments	(1,587,116)	(1,691,057)
Proceeds from sale and maturities of investments	1,927,387	677,554
Interest and dividends on investments	2,621	1,187
	342,892	(1,012,316)
Net increase (decrease) in cash and cash equivalents	(41,938)	123,304
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	523,755	400,451
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 481,817	\$ 523,755

See accompanying Notes to Financial Statements.

	Years Ended December 31,	
	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (78,529)	\$ (68,212)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	352,685	331,806
Capitalized interest	143	137
Payments made by New York State	25,318	22,572
Net changes in assets and liabilities		
Receivables	5,363	(1,874)
Material and supplies	(1,423)	594
Other assets	757	(750)
Accounts payables and accrued expenses	51,786	52,986
Accrued wages and employee benefits	(5,906)	2,376
Unearned revenue	18,576	5,872
	\$ 368,770	\$ 345,507
RECONCILIATION TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 255,706	\$ 188,298
Restricted cash and cash equivalents	226,111	335,457
	\$ 481,817	\$ 523,755
NON-CASH OPERATING AND CAPITAL ACTIVITIES		
Payments made to vendors by the State of New York	\$ 21,066	\$ 22,681

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. An overview of the more significant accounting policies are described below:

a. Financial Reporting Entity

The New York State Thruway Authority (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 (Canal Corporation), a subsidiary public corporation of the Authority, was created by the New York State Legislature in 1992 to accept jurisdiction and control over the New York State Canal System from New York State (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) was added to the Thruway in 1991, and the Authority is prohibited from imposing any tolls or other charges for the use of the CWE.

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 "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 (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 6.

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 GASB Statement No. 14, as amended by GASB Statement No. 61, 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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. 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 revenue recorded when earned and expenses recorded at the time liabilities are incurred.

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 U.S. GAAP 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.

c. Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid investments with original maturities of three months or less when purchased. All cash deposits and repurchase agreements are fully collateralized or covered by federal deposit insurance.

Investments include financial instruments with original maturities of more than three months and are recorded at amortized cost, which approximates fair value. These investments are not included in cash and cash equivalents in the statements of cash flows.

d. Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Receivables

Receivables consist primarily of receivables from commercial transportation companies and Federal and State governments under various grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. Receivables under grant programs are reported net of an allowance for uncollectible amounts. The allowance for doubtful receivables amounted to \$11,499,000 and \$10,400,000 at December 31, 2014 and 2013, respectively.

f. 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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Unearned Revenue

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

h. 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.

i. Toll Revenues

Toll revenues are stated net of volume and other discounts approximating \$24.6 million and \$23.8 million in 2014 and 2013, respectively.

j. Pensions

Substantially all Authority employees are members of cost sharing, multiple-employer public employee retirement systems. Expenses are based on billings which are paid currently.

k. Other Postemployment Benefits

The Authority recognizes in its financial statements, the financial impact of other 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 8.

l. 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 approximates \$10,320,000 and \$10,109,000 at December 31, 2014 and 2013, respectively, and is classified as a long-term liability.

m. 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 \$51,515,000 and \$11,121,000 for 2014 and 2013, respectively, and were included as an offset of interest expense.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Deferred Outflows of Resources

Deferred outflows, representing the net unamortized loss on refundings for Series F, H, J, and K bonds, amounted to \$16,627,000 and \$23,489,000 at December 31, 2014 and 2013, respectively.

o. Net Position

Net position is classified as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of "restricted net position" or "net investment in capital assets."

p. Capital Contributions

Capital contributions consist primarily of federal, state, and other grants that are provided to fund specific capital projects. These projects are generally within the Authority's Multi-Year Capital Plan but also include unanticipated projects funded by the U.S. Department of Homeland Security - Federal Emergency Management Agency.

q. 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, 2014 and 2013.

r. 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.

s. Non-Exchange Transaction

Section 357-a of the Public Authorities Laws of the State of New York provides that the State shall be responsible for \$24 million in annual costs of goods and services provided to the Authority and that the Authority and the State of New York Division of Budget shall enter into an agreement identifying such costs assumed by the State. Agreements for the years ended December 31, 2014 and 2013 were entered into identifying certain costs associated with E-ZPass account management and workers' compensation benefits up to a yearly maximum of \$24 million.

The Authority has reported \$24 million in operating expenses in the general charges category and \$24 million of non-operating revenue in the Federal and other aid category for both 2014 and 2013.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies – Continued

t. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 20, 2015, the date the financial statements were available to be issued.

Note 2 - Cash and Investments

The Authority's cash and investments as of December 31, 2014 and 2013, were as follows (in thousands):

	Carrying Value	
	2014	2013
Unrestricted		
Cash		
Demand deposits	\$ 91,442	\$ 142,465
Toll change funds	125	126
Total unrestricted cash	<u>91,567</u>	<u>142,591</u>
Cash equivalents		
Government discount notes	21,598	9,177
Government agency notes	11,998	-
Repurchase agreements	43,763	-
U.S. treasury securities	31,277	28,927
Commercial paper	55,503	7,603
Total unrestricted cash equivalents	<u>164,139</u>	<u>45,707</u>
Total unrestricted cash and cash equivalents	<u>\$ 255,706</u>	<u>\$ 188,298</u>
Restricted		
Cash		
Demand deposits	\$ 137,963	\$ 128,948
Other deposits	2,959	3,070
Total restricted cash	<u>140,922</u>	<u>132,018</u>
Cash equivalents		
Government discount notes	1,240	16,745
Repurchase agreements	4,237	-
U.S. treasury securities	35,224	147,836
Commercial paper	44,488	38,858
Total restricted cash equivalents	<u>85,189</u>	<u>203,439</u>
Total restricted cash and cash equivalents	<u>\$ 226,111</u>	<u>\$ 335,457</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 2 - Cash and Investments - Continued

	Carrying Value	
	2014	2013
Investments		
Unrestricted		
Government discount notes	\$ 4,192	-
Government agency notes	-	37,758
Commercial paper	7,307	6,872
U.S. treasury securities	9,998	-
Time deposits	957	1,685
Total unrestricted investments	<u>22,454</u>	<u>46,315</u>
Restricted		
Government discount notes	170,348	266,823
Government agency notes	369,940	387,835
Commercial paper	371,276	369,681
U.S. treasury securities	<u>29,894</u>	<u>233,629</u>
Total restricted investments	<u>941,458</u>	<u>1,257,968</u>
Total unrestricted and restricted investments	<u>\$ 963,912</u>	<u>\$ 1,304,283</u>

At December 31, 2014 and 2013, the fair value of the Authority's cash and investments approximated the carrying value (amortized cost).

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 \$232.4 million and \$274.5 million as of December 31, 2014 and 2013, 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.

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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 2 - Cash and Investments - Continued

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.

The Authority owns approximately \$160 million in U.S. Government and U.S. Government Agency investments at December 31, 2014 that mature in 2016 and 2017. 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.

As of December 31, 2014, the Authority had the following concentrations of investments:

<u>Investments</u>	<u>Credit Exposure Security</u>	<u>% of Total (Rating)</u>
<u>Agency Obligations</u>		
Federal Farm Credit Bank	Aaa/ na/AAA	6.0%
Federal Home Loan Banks	Aaa/ AA+/na	17.8%
Federal Home Loan Mortgage Corporation	Aaa/ AA+/AAA	12.2%
Federal National Mortgage Association	Aaa/ AA+/AAA	11.6%
<u>Commercial Paper</u>		
Chevron Funding	A-1+/P-1/na	11.3%
Exxon Mobil	A-1+/P-1/na	6.0%
ING US Funding LLC	A-1/P-1/na	17.3%

Note 3 - 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:

<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	50,000
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 - 50,000

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 3 - Capital Assets - Continued

The following schedules summarize the capital assets of the Authority and related changes for the years ended December 31, 2014 and 2013 (in thousands):

	December 31, 2013 Balance	Additions	Reductions	December 31, 2014 Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 827,339	\$ 857	\$ (21)	\$ 828,175
Construction in progress	1,090,615	923,461	(206,327)	1,807,749
Total capital assets, not being depreciated	1,917,954	924,318	(206,348)	2,635,924
Capital assets, being depreciated				
Thruway System	7,551,177	152,028	(4,298)	7,698,907
Canal System	482,481	51,235	-	533,716
Equipment	230,185	21,608	(7,111)	244,682
Total capital assets, being depreciated	8,263,843	224,871	(11,409)	8,477,305
Less accumulated depreciation for				
Thruway System	(4,384,512)	(321,787)	4,318	(4,701,981)
Canal System	(72,998)	(9,400)	-	(82,398)
Equipment	(141,826)	(21,441)	6,598	(156,669)
Total accumulated depreciation	(4,599,336)	(352,628)	10,916	(4,941,048)
Net value of capital assets, being depreciated	3,664,507	(127,757)	(493)	3,536,257
Capital assets, net	\$ 5,582,461	\$ 796,561	\$ (206,841)	\$ 6,172,181

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 3 - Capital Assets - Continued

	December 31, 2012 Balance	Additions	Reductions	December 31, 2013 Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 820,481	\$ 6,871	\$ (13)	\$ 827,339
Construction in progress	677,778	921,495	(508,658)	1,090,615
Total capital assets, not being depreciated	1,498,259	928,366	(508,671)	1,917,954
Capital assets, being depreciated				
Thruway System	7,072,266	510,291	(31,380)	7,551,177
Canal System	472,697	9,784	-	482,481
Equipment	221,525	24,272	(15,612)	230,185
Total capital assets, being depreciated	7,766,488	544,347	(46,992)	8,263,843
Less accumulated depreciation for				
Thruway System	(4,112,068)	(303,631)	31,187	(4,384,512)
Canal System	(65,770)	(7,228)	-	(72,998)
Equipment	(135,930)	(20,891)	14,995	(141,826)
Total accumulated depreciation	(4,313,768)	(331,750)	46,182	(4,599,336)
Net value of capital assets, being depreciated	3,452,720	212,597	(810)	3,664,507
Capital assets, net	\$ 4,950,979	\$ 1,140,963	\$ (509,481)	\$ 5,582,461

Depreciation expense related to capital assets was \$352,628,000 and \$331,750,000 for the years ended December 31, 2014 and 2013, respectively.

The Authority incurred \$192.6 in total interest expense in 2014, of which \$24.7 million was capitalized and an additional \$2.9 million was offset against interest earned on the proceeds from various debt issuances. The Authority incurred \$153.3 of total interest expense in 2013, of which \$18.1 was capitalized and an additional \$0.4 million was offset against interest earned on proceeds from various debt issuances.

Note 4 - Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements. The related balances at December 31, 2014 and 2013 are as follows:

Senior Debt Service Fund: Established to receive funds from Authority revenues to make periodic payments of interest and principal. Amounts held in this restricted fund at December 31, 2014 and 2013, were \$153,667,000 and \$143,764,000, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 4 - Restricted Assets - Continued

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, Series F, Series G, Series H, Series I, Series J, and Series K General Reserve Bonds. Amounts held in this restricted fund at December 31, 2014 and 2013, were \$181,077,000 and \$158,060,000, 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. Amounts held in this restricted fund at December 31, 2014 and 2013, were \$225,020,000 and \$17,379,000, 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. Amounts held in this restricted fund at December 31, 2014 and 2013, were \$55,194,000 and \$66,948,000, respectively.

Junior Indebtedness Fund: Established to hold moneys paid into it from the sale of Junior Indebtedness Obligations which are to be used to fund the Facilities Capital Improvement Fund for a portion of the cost of the Authority's New NY Bridge Project as defined in the Junior Indebtedness Bond Resolution and to pay debt service including capitalized interest on the Junior Indebtedness Obligations - Series 2013A through December 31, 2017. Amounts held in this restricted fund at December 31, 2014 and 2013, were \$581,236,000 and \$1,210,990,000 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 certain revenues, debt proceeds, and other monies dedicated to the New NY Bridge. Amounts held in this restricted fund at December 31, 2014 and 2013, were \$29,503,000 and \$24,693,000, respectively.

Commercial Charge Surety Account: Established to receive cash surety deposits from Commercial Charge Account customers which are to be used only if customers do not meet their obligations under their Commercial Charge Account Credit Agreement. Amounts held in this account at December 31, 2014 and 2013, were \$2,960,000 and \$3,070,000, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2014 and 2013

Note 5 - Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2014 and 2013, are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2013 Balance	Additions	Reductions	December 31, 2014 Balance	Due Within One Year
General revenue bonds						
2005 Series F	3/05	\$ 490,680	\$ -	\$ (453,870)	\$ 36,810	\$ 29,870
2005 Series G	9/05	735,605	-	(735,050)	555	555
2007 Series H	10/07	870,140	-	(35,840)	834,300	37,380
2012 Series I	7/12	1,122,560	-	(26,035)	1,096,525	19,795
2014 Series J	2/14	-	677,460	-	677,460	2,500
2014 Series K	12/14	-	743,865	-	743,865	
Unamortized bond premiums		177,921	176,035	(52,565)	301,391	15,788
General revenue bonds and unamortized premiums		<u>3,396,906</u>	<u>1,597,360</u>	<u>(1,303,360)</u>	<u>3,690,906</u>	<u>105,888</u>
Junior indebtedness obligations						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Unamortized bond premiums		222,245	-	(41,685)	180,560	41,685
Junior indebtedness obligations and unamortized premiums		<u>1,822,245</u>	<u>-</u>	<u>(41,685)</u>	<u>1,780,560</u>	<u>41,685</u>
Loan payable	4/12	<u>11,000</u>	<u>21,000</u>	<u>-</u>	<u>32,000</u>	<u>-</u>
Total bonds, loan, and unamortized premiums		<u>\$ 5,230,151</u>	<u>\$ 1,618,360</u>	<u>\$ (1,345,045)</u>	<u>\$ 5,503,466</u>	<u>\$ 147,573</u>
Other long-term liabilities						
Claims liability		\$ 3,250	\$ 5,273	\$ (275)	\$ 8,248	\$ 5,648
Postemployment benefit obligation		345,150	78,561	(30,463)	393,248	-
Compensated absences		10,109	211	-	10,320	-
Environmental remediation obligation		2,516	302	(711)	2,107	1,473
Total other long-term liabilities		<u>\$ 361,025</u>	<u>\$ 84,347</u>	<u>\$ (31,449)</u>	<u>\$ 413,923</u>	<u>7,121</u>
Total classified as current						<u>\$ 154,694</u>

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Notes to Financial Statements December 31, 2014 and 2013

Note 5 - Long-Term Liabilities - Continued

	Date of Issuance	December 31, 2012 Balance	Additions	Reductions	December 31, 2013 Balance	Due Within One Year
General revenue bonds						
2005 Series F	3/05	\$ 517,795	\$ -	\$ (27,115)	\$ 490,680	\$ 28,455
2005 Series G	9/05	736,130	-	(525)	735,605	540
2007 Series H	10/07	904,295	-	(34,155)	870,140	35,840
2012 Series I	7/12	1,122,560	-	-	1,122,560	19,035
Unamortized bond premiums		185,627	-	(7,706)	177,921	7,706
General revenue bonds and unamortized premiums		3,466,407	-	(69,501)	3,396,906	91,576
Junior indebtedness obligations						
Series 2013 A	12/13	-	1,600,000	-	1,600,000	-
Unamortized bond premiums		-	223,730	(1,485)	222,245	41,685
Junior indebtedness obligations and unamortized premiums		-	1,823,730	(1,485)	1,822,245	41,685
Bond Anticipation Notes						
Series 2013A	2/13	-	500,000	(500,000)	-	-
Series 2013B	9/13	-	700,000	(700,000)	-	-
Unamortized Series 2013A premium		-	1,930	(1,930)	-	-
Bond anticipation notes and unamortized premiums		-	1,201,930	(1,201,930)	-	-
Loan payable	4/12	9,000	2,000	-	11,000	-
Total bonds, notes, loan, and unamortized premiums		<u>\$ 3,475,407</u>	<u>\$ 3,027,660</u>	<u>\$ (1,272,916)</u>	<u>\$ 5,230,151</u>	<u>\$ 133,261</u>
Other long-term liabilities						
Claims liability		\$ 900	\$ 2,350	\$ -	\$ 3,250	\$ 3,250
Postemployment benefit obligation		297,691	75,354	(27,895)	345,150	-
Compensated absences		10,963	-	(854)	10,109	-
Environmental remediation obligation		2,619	871	(974)	2,516	2,449
Total other long-term liabilities		<u>312,173</u>	<u>78,575</u>	<u>(29,723)</u>	<u>361,025</u>	<u>5,699</u>
Total classified as current						<u>\$ 138,960</u>

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Notes to Financial Statements December 31, 2014 and 2013

Note 5 - Long-Term Liabilities - Continued

The debt service requirements for the Authority's senior bonds, net of unamortized premiums as of December 31, 2014, are as follows (in thousands):

Due	Principal	Interest	Total
2015	\$ 90,100	\$ 144,965	\$ 235,065
2016	70,920	158,467	229,387
2017	75,145	155,270	230,415
2018	82,815	151,802	234,617
2019	91,155	147,862	239,017
2020 - 2024	640,005	652,720	1,292,725
2025 - 2029	814,740	473,629	1,288,369
2030 - 2034	772,900	260,488	1,033,388
2035 - 2039	452,500	123,661	576,161
2040 - 2044	299,235	26,836	326,071
Unamortized premiums	301,391	-	301,391
	<u>\$ 3,690,906</u>	<u>\$ 2,295,700</u>	<u>\$ 5,986,606</u>

The debt service requirements for the Authority's junior obligations, net of unamortized premiums as of December 31, 2014, are as follows (in thousands):

Due	Principal	Interest	Total
2015	\$ -	\$ 79,517	\$ 79,517
2016	-	79,517	79,517
2017	-	79,517	79,517
2018	-	79,517	79,517
2019	1,600,000	66,264	1,666,264
Unamortized premiums	180,560	-	180,560
	<u>\$ 1,780,560</u>	<u>\$ 384,332</u>	<u>\$ 2,164,892</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 \$18,588,000); (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 Series F Bonds were comprised of both serial and term bonds at issuance, with varying rates and maturities. Amounts outstanding at December 31, 2014, are as follows:

1 Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.80% to 5.00%	2015 - 2017	<u>\$ 36,810</u>

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Notes to Financial Statements December 31, 2014 and 2013

Note 5 - Long-Term Liabilities - Continued

Principal payments under the Series F Serial Bonds began in January 2006. The Series F Bonds maturing on or after January 1, 2016, were called at the option of the Authority, in part, on January 1, 2015 and in part on January 16, 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 were comprised of both Serial Bonds and Term Bonds at issuance, with varying rates and maturities. The amounts outstanding at December 31, 2014, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.75%	2015	\$ 555

Principal payments under the Series G Serial Bonds began in January 2007. The Series G Bonds maturing on or after January 1, 2016, were called in whole at the option of the Authority, in a verified Escrow Fund for the call date of 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.

The Series H Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2014, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	4.0% to 5.0%	2015 - 2030	\$ 624,720
Term Bonds	5.00%	2032	52,765
Term Bonds	5.00%	2037	156,815
			<u>\$ 834,300</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 maturing on or after January 1, 2019, are callable at the option of the Authority, in whole or in part, beginning January 1, 2018, at par plus accrued interest.

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Notes to Financial Statements December 31, 2014 and 2013

Note 5 - Long-Term Liabilities - Continued

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 Plan; (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, 2014, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.0% to 5.0%	2015 - 2032	\$ 530,230
Term Bonds	4.13%	2037	64,570
Term Bonds	5.00%	2037	185,620
Term Bonds	4.13%	2042	70,000
Term Bonds	5.00%	2042	246,105
			<u>\$ 1,096,525</u>

Principal payments under the Series I Serial Bonds began 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.

General Revenue Bonds - Series J: During February 2014, the Authority issued \$677,460,000 in General Revenue Bonds - Series J which provided funds to: (1) fund a portion of the Authority's Multi-Year Capital Plan; (2) provide funds to refund a portion of the Authority's General Revenue Bonds, Series F and General Revenue Bonds, Series G (for a net present value savings of \$19,184,000) (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs.

The Series J Bonds are comprised of both Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2014, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	2.0% to 5.0%	2015 - 2036	\$ 526,940
Term Bonds	5.00%	2041	87,235
Term Bonds	4.63%	2044	63,285
			<u>\$ 677,460</u>

Principal payments under the Series J Serial Bonds begin in 2015. The Series J Term Bonds require sinking fund installments in 2037 through 2044, in amounts ranging from \$15,790,000 to \$22,055,000 annually. The Series J Bonds maturing on or after January 1, 2025, are callable at the option of the Authority, in whole or in part, beginning January 1, 2024, at par plus accrued interest.

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Notes to Financial Statements December 31, 2014 and 2013

Note 5 - Long-Term Liabilities - Continued

General Revenue Bonds - Series K: During December 2014, the Authority issued \$743,865,000 in General Revenue Bonds - Series K which provided funds to: (1) refund a portion of the Authority's General Revenue Bonds, Series F and General Revenue Bonds, Series G and General Revenue Bonds Series I (for a net present value savings of \$101,044,000) and (2) and pay bond issuance costs.

The Series K Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2014, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.0% to 5.0%	2019 - 2032	\$ 743,865

Principal payments under the Series K Serial Bonds begin in 2019. The Series K Bonds maturing on or after January 1, 2026, are callable at the option of the Authority, in whole or in part, beginning January 1, 2025, at par plus accrued interest.

General Revenue Senior Bonds - Revenue Pledge and Security: The General Revenue Bonds (Series F through K) 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, 2014 and 2013, 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 Junior Indebtedness Obligations (JIO) - Series 2013A: During December 2013, the Authority issued \$1,600,000,000 of Series 2013A Junior Indebtedness Obligations to: 1) fund a portion of the cost of the Authority's New NY Bridge Project, a twin span replacement of the Tappan Zee Bridge, (2) provide funds to refinance the principal and interest on the Authority's General Revenue Bond Anticipation Notes, Series 2013B, (3) pay capitalized interest on the Series 2013A Junior Indebtedness Obligations through December 31, 2017, and (4) pay the costs of issuance.

Series 2013A JIO's are term bonds, payable in a single bullet maturity of May 1, 2019, with varying interest rates from 3% to 5% and are not subject to redemption prior to maturity. These obligations are subordinate to the Authority's General Revenue Bonds (Series F through Series K).

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 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, 2014, the outstanding loan amount is \$32,000,000, and during 2014, the interest rates on the loan varied between 0.73% to 0.82% together with a fee on outstanding principal amounts of 0.50%.

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Notes to Financial Statements December 31, 2014 and 2013

Note 6 - 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 and Canal Systems. 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. The Authority did not issue Local Highway and Bridge Service Contract Bonds in 2014. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$596,500,000 and \$753,425,000 at December 31, 2014 and 2013, 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. The Authority did not issue Highway and Bridge Trust Fund Bonds in 2014. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$5,480,995,000 and \$6,254,720,000 at December 31, 2014 and 2013, respectively.

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. The Authority did not issue PIT Revenue Bonds in 2014. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$2,650,470,000 and \$3,047,835,000 at December 31, 2014 and 2013, respectively.

Note 7 - 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.

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Notes to Financial Statements December 31, 2014 and 2013

Note 7 - Retirement Benefits - Continued

The Authority participates in the New York State and Local Employees' Retirement System (ERS) for Authority employees and through December 31, 2012, participated in the Police and Fire Retirement Systems (PFRS) for New York State Police assigned to the Authority. As of 2013, costs associated with State Police assigned to the Thruway were assumed by New York State. 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.

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 between 3 - 6% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The rates billed by the Comptroller for ERS during the year ended December 31, 2014, ranged from 10.9% to 27.7% and during the year ended December 31, 2013, ranged from 11.4% to 28.8%. The PFRS was paid as part of a fringe benefit rate billed to the Authority for the State Police.

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

	ERS	PFRS
2014	\$ 31,404	\$ - *
2013	34,916	- *
2012	33,006	4,028

* State Police pension costs are no longer paid by the Authority.

The Authority's contributions in 2014 and 2013 were equal to 100% of the contributions required for the period.

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Notes to Financial Statements December 31, 2014 and 2013

Note 8 - Other Postemployment Benefits

The Authority reports in its financial statements the financial impact of other postemployment benefits (OPEB), 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, 2014 and 2013 (in thousands):

	2014			2013
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	\$ 1,253,506	\$ 244,709	\$ 1,498,215	\$ 1,469,773
Unfunded accrued liability	937,044	174,154	1,111,198	1,062,343
Annual required contribution (30-year amortization)	66,547	13,593	80,140	76,716
Annual OPEB cost	65,250	13,311	78,561	75,354
Valuation payroll	126,241	22,606	148,847	145,216
Annual OPEB expense (as % of payroll)	51.7%	58.9%	52.8%	51.9%
Expected benefit payment	25,891	4,572	30,463	27,895

Actuarial valuations, the most recent of which was completed as of December 16, 2013, 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 December 31, 2014 and 2013

Note 8 - Other Postemployment Benefits - Continued

(b) Eligibility

To be eligible an employee must (1) retire as a member of the New York State Employees' Retirement System, or be at least 55 years old at time of termination; (2) be enrolled in the New York State Health Insurance Program (NYSHIP) on date of retirement; and (3) complete at least 5 years of service for the retiree and dependent to have coverage while employee is living. Ten years of service are needed for continued dependent coverage upon death of the employee.

(c) Benefit/Cost Sharing

The Authority pays 100% of the premium for coverage of the retired employee and 75% of the additional premium for the dependent coverage. The premium paid by the Authority is based on the Empire Plan, one of the options available to retirees under the NYSHIP. If a retiree elects for another plan offered under the NYSHIP, the retiree is responsible for costs that exceed the amount of the Empire Plan premium.

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

(e) 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 to the plan to satisfy 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, 2014, 2013, and 2012 (in thousands):

	2014	2013	2012
Normal cost	\$ 36,164	\$ 34,673	\$ 29,345
Amortization of unfunded actuarial accrued liability	43,976	42,043	48,870
Interest	-	-	2,503
Annual required contribution (ARC)	80,140	76,716	80,718
Interest on net OPEB obligation	12,080	10,419	9,380
Adjustment to ARC	(13,659)	(11,781)	(11,603)
Annual OPEB cost	78,561	75,354	78,495
Contribution/expected benefit payment	(30,463)	(27,895)	(25,723)
Increase in net OPEB obligation	48,098	47,459	52,772
Net OPEB obligation, <i>beginning of year</i>	345,150	297,691	244,919
Net OPEB obligation, <i>end of year</i>	<u>\$ 393,248</u>	<u>\$ 345,150</u>	<u>\$ 297,691</u>

The annual OPEB costs are recorded in the Authority's 2014 and 2013 statements of revenue, expenses, and changes in net position in the amount of \$78,561,000 and \$75,354,000, 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 statements of net position as a component of other long-term liabilities in the amount of \$393,248,000 and \$345,150,000, at December 31, 2014 and 2013, respectively.

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Notes to Financial Statements December 31, 2014 and 2013

Note 8 - Other Postemployment Benefits - Continued

(e) Funding Policy - Continued

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 through 2014 are as follows (in thousands):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 78,495	32.8%	\$ 297,691
12/31/2013	75,354	37.0%	345,150
12/31/2014	78,561	38.8%	393,248

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

Funding interest rate	3.50%
2014 trend rate (Med/Rx)	7%
Ultimate Medical/Rx cost trend rate	4.3%
Year ultimate trend rate reached	2070
Annual payroll growth rate	2.50%
Actuarial cost method	Entry Age Normal
Remaining amortization period at December 31, 2014	22 years
Amortization method	30 year level percentage of payroll

Note 9 - 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 estimable. If the range of the liability is probable and estimable, the Authority accrues the amount most likely to be paid.

Changes in the Authority's claims liability amounts in years 2012 through 2014 were as follows (in thousands):

	<u>Beginning of Year Liability</u>	<u>Current-Year Claims and Changes in Payments Estimates</u>	<u>Claim Liability Payments</u>	<u>End of Year Liability</u>
2012	\$ 1,706	\$ 186	\$ (992)	\$ 900
2013	900	2,350	-	3,250
2014	3,250	5,273	(275)	8,248

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Note 9 - Contingencies and Commitments - Continued

(a) Claims and Litigation - Continued

In addition, there are claims where liability is not probable, but is possible and estimable. The estimated loss on these claims approximated \$31.5 million at December 31, 2014, none of which has been accrued.

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 or 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 \$12.9 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.

(c) Construction Commitments

At December 31, 2014, 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	\$ 2,345,100
Personal service and miscellaneous	166,900
Canal	<u>72,000</u>
Total	<u>\$ 2,584,000</u>

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Note 9 - Contingencies and Commitments - Continued

(d) Environmental Remediation

At December 31, 2014, 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, 2014. 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.

The Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties. Changes in the Authority's environmental remediation liability amounts in the years 2012 to 2014 were as follows (in thousands):

	Beginning of Year Liability	Current year Estimate Changes	Payments Made	End of Year Liability
2012	\$ 3,607	\$ 538	\$ (1,526)	\$ 2,619
2013	2,619	871	(974)	2,516
2014	2,516	302	(711)	2,107

(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, 2014:

Year	Future Minimum Lease Revenue (in thousands)
2015	\$ 14,200
2016	14,300
2017	12,900
2018	12,500
2019	13,400
Thereafter	11,900
Total	<u>\$ 79,200</u>

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Note 10 - Accounting Standards Issued But Not Yet Implemented

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

Management has not estimated the extent of the potential impact of these statements on the Authority's financial statements.

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Schedule of Funding Progress - Other Postemployment Benefits

(in millions of dollars)

Actuarial Valuation Date	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, 2013	\$ -	\$ 1,111	\$ 1,111	0.0%	\$ 149	745.8%
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%

See accompanying Notes to Financial Statements.