

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

Audited Financial Statements

December 31, 2011 and 2010

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

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INDEPENDENT AUDITORS' REPORT

Members of the Board
New York State Thruway Authority:

We have audited the accompanying basic financial statements of the New York State Thruway Authority (the Authority), a component unit of the State of New York, as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Thruway Authority as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 12, 2012

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2011 and 2010

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, 2011 and 2010. 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.

2011 Financial Highlights

- Toll revenue for the year was \$634.1 million, a decrease of \$7.1 million or 1.1% compared to 2010. Tolls were negatively impacted by higher gas prices in 2011, as well as road closures caused by Hurricane Irene and Tropical Storm Lee. Additional information regarding the financial impacts of Hurricane Irene and Tropical Storm Lee are presented in Note 11.
- Total operating expenses for the New York State Thruway, the Canal Corporation and other Authority projects for the year, excluding depreciation and amortization were \$481.8 million, an increase of \$17.9 million or 3.9% compared to 2010.
- Total net assets as of December 31, 2011 were approximately \$1.89 billion, a decrease of \$196.9 million or 9.4 % compared to December 31, 2010.
- Total capital assets (net of depreciation) as of December 31, 2011 were approximately \$4.87 billion, an increase of \$164.8 million or 3.5% compared to December 31, 2010.
- Canal infrastructure assets with a value of \$9.3 million (net of depreciation) were destroyed or significantly damaged by Hurricane Irene and Tropical Storm Lee. These assets have been written down as an Extraordinary Item in 2011.

2010 Financial Highlights

- Toll revenue for the year was \$641.2 million, an increase of \$29.6 million or 4.8% compared to 2009. This increase is primarily due to toll adjustments implemented in 2010.
- Total operating expenses for the New York State Thruway, the Canal Corporation, Interstate 84 and other Authority projects for the year, excluding depreciation and amortization were \$463.9 million, an increase of \$1.1 million or 0.2% compared to 2009.
- Total net assets as of December 31, 2010 were approximately \$2.09 billion, a decrease of \$127.3 million or 5.7% compared to December 31, 2009.
- Total capital assets (net of depreciation) as of December 31, 2010 were approximately \$4.71 billion, an increase of \$150.2 million or 3.3% compared to December 31, 2009.

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Management's Discussion and Analysis

Overview of the Financial Statements

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

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

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

Financial Analysis of the Authority

Net Assets

The Authority's total net assets at December 31, 2011 (see Table A-1) were approximately \$1.89 billion, a 9.4% decrease compared to December 31, 2010. In 2011, total assets decreased 0.5% to \$5.61 billion and total liabilities increased 4.8% to \$3.71 billion. The Authority's total net assets at December 31, 2010 were approximately \$2.09 billion, a 5.7% decrease compared to December 31, 2009. Total assets decreased 2.0% to \$5.64 billion and total liabilities increased 0.3% to \$3.54 billion.

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Management's Discussion and Analysis

Table A-1

Net Assets

December 31, 2011, 2010 and 2009
(In millions of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Percentage Change 2011-2010</u>
Unrestricted current assets	\$ 292.0	298.3	249.4	(2.1)
Restricted current assets	414.4	599.7	911.6	(30.9)
Capital assets	4,870.1	4,705.3	4,555.1	3.5
Noncurrent assets	<u>31.7</u>	<u>33.0</u>	<u>37.8</u>	<u>(3.9)</u>
Total assets	<u>\$ 5,608.2</u>	<u>5,636.3</u>	<u>5,753.9</u>	<u>(0.5)</u>
Current liabilities	1,235.4	1,058.6	345.5	16.7
Noncurrent liabilities	<u>2,478.2</u>	<u>2,486.2</u>	<u>3,189.6</u>	<u>(0.3)</u>
Total liabilities	<u>3,713.6</u>	<u>3,544.8</u>	<u>3,535.1</u>	<u>4.8</u>
Net assets:				
Invested in capital assets, net of related debt	1,810.2	1,935.6	2,039.2	(6.5)
Restricted for debt service	144.6	128.2	125.9	12.8
Restricted for reserve maintenance	28.7	65.4	69.5	(56.1)
Restricted for construction	29.0	26.4	24.4	9.8
Unrestricted	<u>(117.9)</u>	<u>(64.1)</u>	<u>(40.2)</u>	<u>83.9</u>
Total net assets	<u>\$ 1,894.6</u>	<u>2,091.5</u>	<u>2,218.8</u>	<u>(9.4)</u>

Restricted current assets decreased \$185.3 million or 30.9% and capital assets increased \$164.8 million or 3.5% in 2011 compared to 2010. The decrease in restricted current assets and increase in capital assets is primarily due to the use of restricted General Revenue Bond Anticipation Note proceeds to fund a majority of the Authority's investment in infrastructure improvements based on its Multi-Year Capital Plan. More detailed information regarding capital assets and restricted current assets are presented in notes 4 and 5, respectively.

Current liabilities increased \$176.8 million or 16.7% compared to 2010. This increase is primarily due to the issuance in July 2011 of General Revenue Bond Anticipation Notes, Series 2011A. These notes refunded the General Revenue Bond Anticipation Notes, Series 2009A and generated \$200 million of net proceeds to fund the Authority's Multi-Year Capital Plan.

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Net assets invested in capital assets, net of related debt 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 assets invested in capital assets, net of related debt decreased \$125.4 million or 6.5% compared to 2010. This decrease is primarily due to the continued use of debt proceeds to fund the majority of the Authority's Multi-Year Capital Plan.

Restricted for reserve maintenance decreased by \$36.7 million or 56.1% compared to 2010. This decrease is due to the amount of expenditures funded with Reserve Maintenance Funds exceeding the amount of revenue provided to the fund by approximately \$37 million.

Unrestricted net assets decreased by \$53.8 million or 83.9% compared to 2010. This decrease is due primarily to the increase in non-current liabilities related to postemployment health care benefits.

Changes in Net Assets

Net assets decreased by \$196.9 million in 2011 compared to 2010 (see Table A-2). The Authority's total operating revenues for 2011 were \$667.5 million, a decrease of \$6.8 million or 1.0% compared to 2010. Total operating expenses including depreciation and amortization were \$759.6 million, an increase of \$43.5 million or 6.1% compared to 2010. Net assets decreased by \$127.3 million in 2010 compared to 2009. The Authority's total operating revenues for 2010 were \$674.3 million, an increase of \$33.7 million or 5.3% compared to 2009. Total operating expenses including depreciation and amortization were \$716.1 million, an increase of \$14.3 million or 2.0% compared to 2009.

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Table A-2

Changes in Net Assets

Years ended December 31, 2011, 2010 and 2009
(In millions of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Percentage Change 2011-2010</u>
Operating revenue:				
Tolls	\$ 634.1	641.2	611.6	(1.1)
Concessions	12.5	12.7	12.6	(1.6)
Other	<u>20.9</u>	<u>20.4</u>	<u>16.4</u>	<u>2.5</u>
Total operating revenue	<u>667.5</u>	<u>674.3</u>	<u>640.6</u>	<u>(1.0)</u>
Operating expenses:				
Administrative	18.3	19.9	19.5	(8.0)
Engineering services	6.6	6.0	6.6	10.0
Maintenance	118.4	109.9	109.0	7.7
Finance and accounts	8.2	8.5	8.3	(3.5)
Operations	81.4	84.7	85.2	(3.9)
General charges	181.2	164.7	160.4	10.0
Canals	67.7	61.6	62.6	9.9
Interstate 84	-	8.6	11.2	-
Depreciation and amortization	<u>277.8</u>	<u>252.2</u>	<u>239.0</u>	<u>10.2</u>
Total operating expenses	<u>759.6</u>	<u>716.1</u>	<u>701.8</u>	<u>6.1</u>
Operating loss	<u>(92.1)</u>	<u>(41.8)</u>	<u>(61.2)</u>	<u>120.3</u>
Non-operating items:				
Interest expense	(103.2)	(110.4)	(98.7)	(6.5)
Non-operating revenue	<u>2.0</u>	<u>23.6</u>	<u>18.6</u>	<u>(91.5)</u>
Net non-operating items	<u>(101.2)</u>	<u>(86.8)</u>	<u>(80.1)</u>	<u>16.6</u>
Loss before capital contributions and other items	(193.3)	(128.6)	(141.3)	50.3
Capital contributions	5.7	14.7	12.0	(61.2)
Special item - retirement incentive	-	(13.4)	-	-
Extraordinary item - 2011 floods	<u>(9.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(196.9)	(127.3)	(129.3)	54.7
Total net assets, beginning of the year	<u>2,091.5</u>	<u>2,218.8</u>	<u>2,348.1</u>	<u>(5.7)</u>
Total net assets, end of the year	\$ <u>1,894.6</u>	<u>2,091.5</u>	<u>2,218.8</u>	<u>(9.4)</u>

Toll revenue decreased \$7.1 million or 1.1% compared to 2010. Tolls were negatively impacted by higher gas prices in 2011, as well as, road closures caused by Hurricane Irene and Tropical Storm Lee.

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Maintenance expenses increased by \$8.5 million or 7.7% compared to 2010. This increase is due to repair costs related to Hurricane Irene, as well as higher personal service, fuel and automotive supply costs.

General charges increased by \$16.5 million or 10% compared to 2010. This increase is primarily due to higher health insurance, pension and environmental remediation costs.

Canal expenses increased \$6.1 million or 9.9% compared to 2010. This increase is due to repair costs related to Hurricane Irene and Tropical Storm Lee, as well as higher health insurance, worker's compensation, pension and fuel costs. These increases were partially offset by lower costs related to Canal trail projects.

Interstate 84 expenses decreased \$8.6 million or 100% compared to 2010. This decrease is due to the transfer of maintenance and operating responsibilities for Interstate 84 from the Authority to the New York State Department of Transportation (DOT) in October 2010. Prior to the October 2010 transfer the Authority maintained and operated Interstate 84 under the terms of an agreement with DOT which called for DOT to fully reimburse the Authority's costs. This reimbursement is reflected as non-operating revenue on the statement of revenue, expenses and changes in net assets.

Depreciation and amortization increased \$25.6 million or 10.2% compared to 2010. 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 decreased \$7.2 million or 6.5% compared to 2010. This decrease is primarily due to a lower interest rate on the General Revenue Bond Anticipation Notes, Series 2011A compared to the interest rate on the General Revenue Bond Anticipation Notes, Series 2009A. In July 2011, General Revenue Bond Anticipation Notes, Series 2011A were issued to refund the General Revenue Bond Anticipation Notes, Series 2009A and provide additional funds for the Authority's capital program.

Non-operating revenues decreased \$21.6 million or 91.5% compared to 2010. As mentioned above, the agreement between the Authority and DOT regarding the maintenance and operations of Interstate 84 ended in October 2010. Therefore, the Authority's reimbursement from DOT for Interstate 84 expenses decreased by \$8.9 million compared to 2010. In addition, in 2010 the Authority received a federal grant of \$5.7 million to partially fund the operation of the Canal System and received federal grants totaling approximately \$2.5 million to fund Canal trail projects. These grants were not received in 2011.

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Capital contributions decreased \$9 million or 61.2%. This decrease is due to a continued reduction in the amount of federal funds provided to the Authority for its Multi-Year Capital Program.

In 2010, the Authority offered a Retirement Incentive Program to employees who met certain eligibility requirements. Approximately 10% of the Authority's total workforce elected to retire from service under this program. The Authority is responsible for contributing a surcharge to the New York State and Local Employee's Retirement System for each employee who participated in the program. The surcharge of approximately \$13.4 million is reflected as a special item on the statement of revenues, expense and changes in net assets.

In August and September of 2011, Hurricane Irene and Tropical Storm Lee caused significant damages to the Canal System. The vast majority of these damages occurred on the Erie Canal between Locks E-8 in Schenectady County and E-13 in Montgomery County. The net book value of Canal assets that were destroyed or significantly damaged by the storms have been written-off as a \$9.3 million Extraordinary Item. Additional information regarding Hurricane Irene and Tropical Storm Lee is presented in note 11.

Capital Assets and Debt Administration

Capital Assets

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

As of December 31, 2010, the New York State Thruway Authority had invested approximately \$8.52 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2010, totaled approximately \$4.71 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$150.2 million or 3.3% compared to December 31, 2009.

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Management's Discussion and Analysis

Table A-3
Capital Assets
December 31, 2011, 2010 and 2009
(In millions of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Percentage Change 2011-2010</u>
Land and land improvements	\$ 818.8	810.6	808.5	1.0
Construction work in progress	477.7	694.4	577.5	(31.2)
Thruway System	6,909.9	6,357.8	6,143.2	8.7
Canal System	457.7	430.8	394.6	6.2
Equipment	216.6	221.7	224.5	(2.3)
Less accumulated depreciation	(4,010.6)	(3,810.0)	(3,593.2)	<u>5.3</u>
Total net capital assets	\$ <u>4,870.1</u>	<u>4,705.3</u>	<u>4,555.1</u>	<u>3.5</u>

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

In 2010, Construction work in progress increased \$116.9 million as the Authority continued to invest in infrastructure improvements based on its Multi-Year Capital Plan. Significant projects in progress as of December 31, 2010 include re-decking and other improvements to the Tappan Zee Bridge, re-decking of the South Grand Island Bridge, the Tappan Zee Bridge Hudson River Crossing, the full-depth replacement of 15 miles of pavement near Syracuse and several other pavement rehabilitation projects at various locations. The Thruway System capital asset value increased by \$214.6 million compared to 2009. This increase was primarily due to the completion of a number of projects including reconstruction of the Woodbury Toll Plaza and several multi-million dollar pavement and bridge rehabilitation projects. The Canal System asset value increased \$36.2 million primarily due to the completion of a rehabilitation project on moveable dams near Amsterdam and Canajoharie.

NEW YORK STATE THRUWAY AUTHORITY
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Debt Administration

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

Long-term debt includes general revenue bonds of varying rates and maturities issued primarily to fund a portion of the cost of the Authority's Multi-Year Capital Plan. General Revenue Bond Anticipation Notes have also been issued as an additional source of funds for the Authority's Multi-Year Capital Plan. At December 31, 2011, the Authority had approximately \$2,282.3 million in general revenue bonds and \$875.8 million in bond anticipation notes outstanding, a 4.3% increase from December 31, 2010 (see Table A-4). Of the \$2,282.3 million in general revenue bonds outstanding, approximately \$736.6 million are insured by Financial Security Assurance Inc. and rated Aa3 by Moody's and AA+ by Standard and Poor's (S&P). The remaining general revenue bonds are rated A1 by Moody's and A+ by S&P. The bond anticipation notes are rated MIG-1 and SP-1+ by Moody's and S&P respectively.

During 2011, the Authority issued General Revenue Bond Anticipation Notes, Series 2011A which generated proceeds of \$882.3 million. These proceeds were used to refund General Revenue Bond Anticipation Notes, Series 2009A totaling \$680.6 million and to fund a portion of the Multi-Year Capital Plan. These notes mature on July 12, 2012.

At December 31, 2010, the Authority had approximately \$2,341.2 million in general revenue bonds and \$687.0 million in bond anticipation notes outstanding, a decrease of \$67.5 million or 2.2% from December 31, 2009.

Table A-4
Outstanding Debt
Year ended December 31, 2011
(In millions of dollars)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
General Revenue Bonds	\$ 2,341.2	-	(58.9)	\$ 2,282.3
Bond Anticipation Notes	<u>687.0</u>	<u>882.3</u>	<u>(693.5)</u>	<u>875.8</u>
Total bonds and notes	\$ <u>3,028.2</u>	<u>882.3</u>	<u>(752.4)</u>	\$ <u>3,158.1</u>

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Year ended December 31, 2010
(In millions of dollars)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Revenue Bonds	\$ 2,397.8	-	(56.6)	\$ 2,341.2
Bond Anticipation Notes	<u>697.9</u>	<u>-</u>	<u>(10.9)</u>	<u>687.0</u>
Total bonds and notes	\$ <u>3,095.7</u>	<u>-</u>	<u>(67.5)</u>	\$ <u>3,028.2</u>

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

Future Events Impacting the Authority

Over the past 20 years the Authority has spent more than \$700 million to maintain and repair the current Tappan Zee Bridge. The bridge, which was opened to traffic in 1955, has exceeded its useful life and it is estimated that an additional \$1 billion will be required to maintain it for the next 10 years. In addition, the bridge was designed to carry 100,000 vehicles on a peak day, but traffic volume has grown to 138,000 vehicles per day.

For the past several years the Authority, in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority, have conducted alternative analysis, public outreach and environmental studies aimed at how to best address the transportation needs at the Tappan Zee Bridge Hudson River Crossing. Engineering and economic analysis has determined that replacement of the bridge is needed to correct structural deficiencies, address longstanding safety concerns and provide sufficient capacity to serve current usage safely and allow for future economic growth. In 2011, action was taken to expedite environmental reviews and to advance legislation that would allow the Authority to enter into a design-build contract for the new Tappan Zee Bridge. The Authority is currently planning to execute a contract and begin construction of a new bridge in the fall of 2012. It is anticipated that the new bridge will take five years to complete at an estimated cost of \$5 billion.

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, NY 12201-0189.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 190,011	\$ 203,501
Investments	30,439	23,707
Accrued interest receivable	339	210
Accounts receivable, net	44,974	46,009
Material and other supplies	18,954	18,563
Prepaid insurance and deferred items	7,318	6,346
Restricted:		
Cash and cash equivalents	104,166	216,350
Investments	276,847	353,027
Accrued interest receivable	31	101
Accounts receivable, net	28,909	27,355
Other	4,406	2,865
Total current assets	<u>706,394</u>	<u>898,034</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	4,870,136	4,705,312
Bond issuance costs, less accumulated amortization	31,682	32,975
Total non-current assets	<u>4,901,818</u>	<u>4,738,287</u>
Total assets	<u>\$ 5,608,212</u>	<u>\$ 5,636,321</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	163,406	164,160
Accrued wages and employee benefits	8,611	21,390
Deferred revenue	59,820	57,526
Accrued interest payable	62,202	67,447
Current amount due on bonds, notes and other long-term liabilities	941,377	748,059
Total current liabilities	<u>1,235,416</u>	<u>1,058,582</u>
Non-current liabilities:		
Bonds and notes payable	2,220,895	2,282,328
Other long-term liabilities	257,285	203,930
Total non-current liabilities	<u>2,478,180</u>	<u>2,486,258</u>
Total liabilities	<u>\$ 3,713,596</u>	<u>\$ 3,544,840</u>
Net assets:		
Invested in capital assets, net of related debt	1,810,236	1,935,557
Restricted for:		
Debt service	144,594	128,219
Reserve maintenance	28,719	65,409
Construction	28,955	26,442
Unrestricted (deficiency)	(117,888)	(64,146)
Total net assets	<u>\$ 1,894,616</u>	<u>\$ 2,091,481</u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Operating revenue:		
Tolls	\$ 634,090	\$ 641,216
Concessions	12,481	12,698
Other	<u>20,944</u>	<u>20,395</u>
Total operating revenue	<u>667,515</u>	<u>674,309</u>
Operating expenses:		
Administrative	18,283	19,941
Engineering services	6,583	5,959
Maintenance engineering:		
Thruway maintenance	85,560	80,699
Equipment maintenance	32,814	29,203
Finance and accounts	8,240	8,479
Operations:		
Traffic and services	7,968	7,584
State police	33,618	35,485
Toll collection	39,827	41,656
General charges	181,249	164,745
Canals	67,661	61,601
Interstate 84	14	8,616
Other Authority projects	-	1
Depreciation and amortization	<u>277,799</u>	<u>252,172</u>
Total operating expenses	<u>759,616</u>	<u>716,141</u>
Operating loss	<u>(92,101)</u>	<u>(41,832)</u>
Non-operating items:		
Interest revenue on investments	413	420
Interest expense	(103,152)	(110,379)
Federal and other aid	<u>1,585</u>	<u>23,186</u>
Net non-operating items	<u>(101,154)</u>	<u>(86,773)</u>
Loss before capital contributions and special item	(193,255)	(128,605)
Capital contributions	5,671	14,666
Special item - retirement incentive	-	(13,379)
Extraordinary item - 2011 floods	<u>(9,281)</u>	<u>-</u>
Change in net assets	(196,865)	(127,318)
Total net assets, beginning of the year	<u>2,091,481</u>	<u>2,218,799</u>
Total net assets, end of the year	<u>\$ 1,894,616</u>	<u>\$ 2,091,481</u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Cash flows from operating activities:		
Cash received from toll collections	\$ 631,743	\$ 658,129
Cash received from concession sales	12,676	12,494
Other operating cash receipts	17,511	18,421
Personal service payments	(170,199)	(172,979)
Fringe benefits payments	(104,618)	(88,564)
E-ZPass account management payments	(26,225)	(26,446)
Cash payments to vendors and contractors	<u>(132,666)</u>	<u>(132,688)</u>
Net cash provided by operating activities	<u>228,222</u>	<u>268,367</u>
Cash flows from non-capital financing activities:		
Federal aid and other reimbursements	2,720	25,529
Other items	<u>-</u>	<u>(8,562)</u>
Net cash provided by non-capital financing activities	<u>2,720</u>	<u>16,967</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	882,272	-
Federal aid and other capital contributions	7,491	11,974
Acquisition/construction of capital assets	(443,878)	(369,531)
Principal paid on capital debt	(737,185)	(54,195)
Interest paid on capital debt	(135,969)	(134,790)
Proceeds from sale of capital assets	<u>719</u>	<u>665</u>
Net cash used in capital and related financing activities	<u>(426,550)</u>	<u>(545,877)</u>
Cash flows from investing activities:		
Purchase of investments	(621,041)	(750,975)
Proceeds from sale and maturities of investments	690,490	1,022,762
Interest and dividends on investments	<u>485</u>	<u>2,618</u>
Net cash provided by investing activities	<u>69,934</u>	<u>274,405</u>
Net increase (decrease) in cash and cash equivalents	(125,674)	13,862
Cash and cash equivalents, beginning of the year	<u>419,851</u>	<u>405,989</u>
Cash and cash equivalents, end of the year	<u>\$ 294,177</u>	<u>\$ 419,851</u>

(Continued)

See notes to financial statements.

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

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (92,101)	\$ (41,832)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	277,799	252,172
Special expense - early retirement surcharge	-	(13,379)
Capitalized interest	172	273
Net changes in assets and liabilities:		
Receivables	(3,784)	(284)
Material and supplies	(391)	515
Other assets	(972)	(2,202)
Accounts payables and accrued expenses	57,062	55,603
Accrued wages and employee benefits	(11,857)	12,377
Deferred revenue	2,294	5,124
Net cash provided by operating activities	<u>\$ 228,222</u>	<u>\$ 268,367</u>
Reconciliation to statements of net assets:		
Cash and cash equivalents	190,011	203,501
Restricted cash and cash equivalents	<u>104,166</u>	<u>216,350</u>
Total cash and cash equivalents	<u>\$ 294,177</u>	<u>\$ 419,851</u>

See notes to financial statements.

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

Notes to Financial Statements

December 31, 2011 and 2010

(1) Financial Reporting Entity

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

The Authority is responsible for a 570-mile system of highways crossing New York State, the longest toll highway system in the United States. The Authority's 426-mile Thruway mainline connects New York City and Buffalo, the State's two largest cities. Other Thruway sections provide for connections with Connecticut, Massachusetts, Pennsylvania, New Jersey, and to highways that lead to the Midwest and Canada. In accordance with legislation passed by the State Legislature, the Cross-Westchester Expressway (CWE) and I-84 were added to the Thruway in 1991 and 1992, respectively. Under the 1991 legislation, the Authority is prohibited from imposing any tolls or other charges for the use of the CWE or I-84. The 1992 legislation, which transferred responsibility for maintenance of the Canal System to a subsidiary corporation of the Authority, 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." In October 2006, in accordance with the 1991 legislation, the Authority provided the State with one year's notice of its intent to return the operations of I-84 to the State. Additional legislation in 2007 authorized the Authority and the State's Department of Transportation (NYSDOT) to annually enter into agreements under which the Authority continued to maintain and operate I-84 through October 10, 2010 at NYSDOT's expense. As of October 11, 2010, I-84 operations and maintenance was transferred back to NYSDOT. Similarly, the Authority entered into an agreement with the Division of State Police (DSP) to maintain Troop T services on I-84 with the costs to be funded by DSP, which continued until the transfer back on October 11, 2010.

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

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."

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

Notes to Financial Statements, Continued

(1) Financial Reporting Entity, Continued

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

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20 - "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Authority has elected to apply all Financial Accounting Standards Board statements and interpretations issued before November, 1989, unless these standards and interpretations conflict with or contradict GASB pronouncements. The more significant accounting policies are described below:

(a) Basis of Accounting

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

The principal revenues of the Authority are toll revenues 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 costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

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

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

(2) Summary of Significant Accounting Policies, Continued

(b) Cash, Cash Equivalents and Investments

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

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

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

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

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

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

(c) Accounts Receivable

Accounts receivable consist primarily of receivables from commercial transportation companies and Federal and State governments under various Federal and State grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. The allowance for doubtful receivables amounted to \$8,750,000 and \$1,650,000 at December 31, 2011 and 2010, respectively.

(d) Materials and Supplies

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Deferred Revenue

Deferred revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and 2012 and 2011 annual permit revenues collected in 2011 and 2010, respectively.

(f) Restricted Assets

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

(g) Toll Revenues

Toll revenues are stated net of volume and other discounts approximating \$22.7 million and \$22.8 million in 2011 and 2010. In January, 2010, the Authority implemented a 5% toll increase which impacted revenues.

(h) Pensions

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

(i) Other Postemployment Benefits

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

(j) Compensated Absences

Vacation leave accumulates for all full-time employees of the Authority, ranging from 13 to 25 days per year, and any unused amounts up to 30 days are considered vested and paid upon retirement or termination. Authority employees also accumulate sick leave at the rate of 10 to 13 days per year and personal leave credits at the rate of 3 to 5 days per year. Employees may use the accumulated sick and personal leave credits according to the established policy; however, generally no cash is paid for these accumulated credits at the time of retirement or termination. The liability for vested compensated absences has been computed to approximate \$11,246,000 and \$10,323,000 at December 31, 2011 and 2010, respectively, and is classified as a long-term liability.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Bond and Note Discounts/Premiums, Deferred Losses on Advance and Current Refundings and Issuance Costs

Bond and note discounts/premiums and deferred losses on advance and current refundings are presented as components of bonds payable and bond issuance costs are presented as a component of non-current assets on the statements of net assets. The discounts/premiums and issuance costs are amortized over the life of the bonds and notes on a method that approximates the effective interest method. Deferred losses on advance and current refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Net amortization related to bond and note discounts/premiums and deferred losses on advance and current refundings were approximately \$15,233,000 and \$13,257,000 for 2011 and 2010, respectively, and were included as an offset of interest expense. Depreciation and amortization expense includes amortization of bond and note issuance costs and surety bond costs totaling approximately \$2,942,000 and \$2,721,000 in 2011 and 2010, respectively.

(l) Capital Contributions

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

(m) 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, 2011 and 2010.

(n) 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.

(o) Use of Estimates

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

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

(3) Cash and Investments

The Authority's cash and investments as of December 31, 2011 and 2010 were as follows (in thousands):

	<u>2011</u>		<u>2010</u>
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>
	<u>value</u>	<u>value</u>	<u>value</u>
<u>Cash and cash equivalents:</u>			
Unrestricted:			
Cash:			
Demand deposits	\$ 94,517	\$ 94,517	\$ 45,101
Toll change funds	<u>124</u>	<u>124</u>	<u>123</u>
Total unrestricted cash	<u>94,641</u>	<u>94,641</u>	<u>45,224</u>
Cash equivalents:			
Government discount notes	-	-	6,877
Repurchase agreements	33,310	33,976	11,389
Commercial paper	<u>62,060</u>	<u>62,048</u>	<u>140,011</u>
Total unrestricted cash equivalents	<u>95,370</u>	<u>96,024</u>	<u>158,277</u>
Total unrestricted cash and cash equivalents	\$ <u>190,011</u>	\$ <u>190,665</u>	\$ <u>203,501</u>
Restricted:			
Cash:			
Demand deposits	\$ 9,565	\$ 9,565	\$ 3,136
Other deposits	<u>3,037</u>	<u>3,037</u>	<u>2,978</u>
Total restricted cash	<u>12,602</u>	<u>12,602</u>	<u>6,114</u>
Cash equivalents:			
Government discount notes	-	-	155,812
Repurchase agreements	-	-	7,571
Commercial paper	<u>91,564</u>	<u>91,551</u>	<u>46,853</u>
Total restricted cash equivalents	<u>91,564</u>	<u>91,551</u>	<u>210,236</u>
Total restricted cash and cash equivalents	\$ <u>104,166</u>	\$ <u>104,153</u>	\$ <u>216,350</u>

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

(3) Cash and Investments, Continued

	2011		2010
	Carrying value	Fair value	Carrying value
<u>Cash and cash equivalents, continued:</u>			
<u>Investments:</u>			
Unrestricted:			
Government discount notes	\$ 3,090	\$ 3,089	\$ 11,993
Commercial Paper	10,380	10,383	-
Time deposits	16,969	16,969	11,714
Total unrestricted investments	30,439	30,441	23,707
Restricted:			
Government discount notes	146,469	146,457	316,130
Government agency notes	54,664	54,651	36,897
Commercial Paper	75,714	75,738	-
Total restricted investments	\$ 276,847	\$ 276,846	\$ 353,027

At December 31, 2011 and 2010, the fair value of the Authority's cash and investments approximated the carrying value. Fair value is based on readily available market values.

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 (or agent) 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 financial institution's trust department in the Authority's name. Bank balances, which are comprised of demand and other deposits, approximated \$107,119,000 and \$51,215,000 as of December 31, 2011 and 2010, respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee in the Authority's name.

As of December 31, 2011, the Authority had the following concentrations of investments:

<u>Security</u>	<u>Credit Exposure (Rating)</u>	<u>% of Total Investments</u>
<u>Agency Obligations:</u>		
Federal National Mortgage Association	AAA/Aaa	15.6%
Federal Home Loan Banks	Aaa	4.6%
Federal Home Loan Mortgage Corporation	AAA/Aaa	15.0%
Federal Agricultural Mortgage Corporation	nr	6.1%

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

Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

<u>Security</u>	Credit Exposure (Rating)	% of Total <u>Investments</u>
<u>Commercial Paper:</u>		
Bank of Nova Scotia	A-1+/P-1	15.4%
General Electric Capital Corporation	A-1+/P-1	9.9%
General Electric Capital Services Corporation	A-1+/P-1	8.3%
Louis Dreyfuss Corporation	P-1	7.7%
Nordea North America	P-1	5.7%
Rabobank USA Financial Corporation	A-1+/P-1	1.5%

(4) Capital Assets

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

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

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

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

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2010 to December 31, 2011 (in thousands):

	December 31, 2010			December 31, 2011
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 810,563	8,271	(7)	\$ 818,827
Construction in progress	<u>694,451</u>	<u>286,386</u>	<u>(503,097)</u>	<u>477,740</u>
Total capital assets, not being depreciated	<u>1,505,014</u>	<u>294,657</u>	<u>(503,104)</u>	<u>1,296,567</u>
Capital assets, being depreciated:				
Thruway System	6,357,795	592,832	(40,775)	6,909,852
Canal System	430,767	30,917	(4,033)	457,651
Equipment	<u>221,709</u>	<u>29,352</u>	<u>(34,419)</u>	<u>216,642</u>
Total capital assets, being depreciated	<u>7,010,271</u>	<u>653,101</u>	<u>(79,227)</u>	<u>7,584,145</u>
Less accumulated depreciation for:				
Thruway System	(3,623,380)	(247,486)	40,777	(3,830,089)
Canal System	(53,805)	(5,692)	121	(59,376)
Equipment	<u>(132,788)</u>	<u>(21,679)</u>	<u>33,356</u>	<u>(121,111)</u>
Total accumulated depreciation	<u>(3,809,973)</u>	<u>(274,857)</u>	<u>74,254</u>	<u>(4,010,576)</u>
Net value of capital assets, being depreciated	<u>3,200,298</u>	<u>378,244</u>	<u>(4,973)</u>	<u>3,573,569</u>
Net value of all capital assets	<u>\$ 4,705,312</u>	<u>672,901</u>	<u>(508,077)</u>	<u>\$ 4,870,136</u>

Depreciation expense related to capital assets was \$274,857,000 and \$249,450,000 for the years ended December 31, 2011 and 2010, respectively.

(5) Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements. The related balances at December 31, 2011 and 2010 are as follows:

Senior Debt Service Fund: Established to receive funds from Authority revenues to make periodic payments of interest and principal. The amounts held in this restricted fund at December 31, 2011 and 2010 were \$113,355,000 and \$98,195,000, respectively.

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

Notes to Financial Statements, Continued

(5) 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 bonds secured by the Senior Debt Service Reserve Fund. As of December 31, 2011, portions of the Series F, Series G and Series H General Revenue Bonds are outstanding. The amounts held in this restricted fund at December 31, 2011 and 2010 were \$85,507,000 and \$85,546,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2011 and 2010 were \$183,105,000 and \$347,462,000, respectively.

Reserve Maintenance Fund: Established to hold funds required to be deposited each year into the Reserve Maintenance Fund. Funds held in the Reserve Maintenance Fund can be disbursed for specific costs relating to the "Facilities," as defined in the bond resolution and certain highway and railroad grade crossings. The amounts held in this restricted fund at December 31, 2011 and 2010 were \$29,355,000 and \$65,516,000, respectively.

Commercial Charge Surety Account: Established to receive cash surety deposits from Commercial Charge Account customers which are to be used only if the customer does not meet their obligations under their Commercial Charge Account Credit Agreement. The amount held in the account at December 31, 2011 and 2010 was \$3,037,000 and \$2,978,000, respectively.

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

Notes to Financial Statements, Continued

(6) Long Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2011 and 2010 are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2010 Balance	Additions	Reductions	December 31, 2011 Balance	Due Within One Year
General Revenue Bonds:						
2005 Series F	3/05	\$ 568,345	-	(24,700)	543,645	25,850
2005 Series G	9/05	737,120	-	(485)	736,635	505
2007 Series H	10/07	968,415	-	(31,390)	937,025	32,730
Unamortized bond discounts/ premiums		96,851	-	(4,345)	92,506	4,345
Deferred loss on refundings		<u>(29,480)</u>	<u>-</u>	<u>1,997</u>	<u>(27,483)</u>	<u>(1,997)</u>
General revenue bonds, net of unamortized discounts/premiums and deferred losses		<u>2,341,251</u>	<u>-</u>	<u>(58,923)</u>	<u>2,282,328</u>	<u>61,433</u>
Bond Anticipation Notes:						
Series 2009A	7/09	680,610	-	(680,610)	-	-
Series 2011A	7/11	-	868,045	-	868,045	868,045
Unamortized Series 2009A premium		6,364	-	(6,364)	-	-
Unamortized Series 2011A premium		<u>-</u>	<u>14,227</u>	<u>(6,521)</u>	<u>7,706</u>	<u>7,706</u>
Total bond anticipation notes and unamortized premium		<u>686,974</u>	<u>882,272</u>	<u>(693,495)</u>	<u>875,751</u>	<u>875,751</u>
Total bonds and notes, net of unamortized discounts/premiums and deferred losses		<u>\$ 3,028,225</u>	<u>882,272</u>	<u>(752,418)</u>	<u>3,158,079</u>	<u>937,184</u>
Other Long-Term Liabilities:						
Claims liability		226	1,630	(150)	1,706	1,706
Postemployment benefit obligation		193,603	75,122	(23,806)	244,919	-
Compensated absences		10,323	923	-	11,246	-
Environmental remediation obligation		<u>1,940</u>	<u>4,480</u>	<u>(2,813)</u>	<u>3,607</u>	<u>2,487</u>
Total other long-term liabilities		<u>\$ 206,092</u>	<u>82,155</u>	<u>(26,769)</u>	<u>261,478</u>	<u>4,193</u>
Total classified as current						<u>941,377</u>

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

Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

The debt service requirements for the Authority's bonds, net of unamortized discounts/premiums and deferred loss on advanced and current refunding, as of December 31, 2011 are as follows (in thousands):

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 59,085	\$ 107,181	\$ 166,266
2013	61,795	104,306	166,101
2014	64,835	101,301	166,136
2015	67,805	98,358	166,163
2016	70,720	95,239	165,959
2017 - 2021	406,685	421,612	828,297
2022 - 2026	517,420	307,748	825,168
2027 - 2031	659,975	161,789	821,764
2032 - 2036	274,490	31,149	305,639
2037	34,495	862	35,357
Unamortized discounts/premiums	92,506	-	92,506
Deferred loss on refundings	<u>(27,483)</u>	<u>-</u>	<u>(27,483)</u>
	<u>\$2,282,328</u>	<u>\$ 1,429,545</u>	<u>\$3,711,873</u>

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

The General Revenue Bonds Series F are comprised of both serial and term bonds, with varying rates and maturities. Amounts outstanding at December 31, 2011 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> (in thousands)
Serial Bonds	3.50% to 5.25%	2012 - 2026	\$ 476,990
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	<u>63,740</u>
			\$ <u>543,645</u>

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

Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

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

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

The Series G Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2011 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.50 to 5.25%	2012 - 2029	\$ 323,535
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	<u>244,330</u>
			<u>\$ 736,635</u>

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

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

Notes to Financial Statements, Continued

(6) Long Term Liabilities, Continued

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, 2011 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	4.0% to 5.0%	2012 - 2030	\$ 727,445
Term Bonds	5.0%	2032	52,765
Term Bonds	5.0%	2037	<u>156,815</u>
			<u>\$ 937,025</u>

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

General Revenue Bonds - Revenue Pledge and Security: The 2005 (Series F), 2005 (Series G) and 2007 (Series H) General Revenue Bonds are all direct obligations of the Authority, secured by a pledge of tolls and other revenue as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12 month period. At both December 31, 2011 and 2010, the Senior Debt Service Reserve Fund, which may be used should amounts in the Senior Debt Service Fund be insufficient to pay debt service payments, was fully funded.

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

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

Notes to Financial Statements, Continued

(7) Special Bond Programs

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

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. There were no new series of Local Highway and Bridge Service Contract Bonds issued in 2011. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding under this program were \$1,075,775,000 and \$1,255,200,000 at December 31, 2011 and 2010, respectively.

Highway and Bridge Trust Fund Bond Program - The Legislature of the State of New York empowered the Authority to issue Highway and Bridge Trust Fund Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's Multi-Year Highway and Bridge Capital Program. In June 2011, the Authority issued \$445,000,000 of Highway and Bridge Trust Fund Bonds to fund State Department of Transportation expenditures and to refund \$43,725,000 in previously issued bonds for a net present value savings of \$1,660,750 for the State. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$7,122,775,000 and \$7,267,105,000 at December 31, 2011 and 2010, 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. In September 2011, the Authority issued \$351,895,000 of State Personal Income Tax Revenue Bonds to fund qualifying projects. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding under this program were \$2,872,245,000 and \$2,630,455,000 at December 31, 2011 and 2010, respectively.

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

(8) Retirement Benefits

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

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

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

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 and Tier V employees who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The rates billed by the Comptroller for ERS during the year ended December 31, 2011 ranged from 12.7% to 21.5% and during the year ended December 31, 2010 ranged from 9.1% to 15.3%. The PFRS is paid as part of a fringe benefit rate billed to the Authority for the State Police. The PFRS benefit rates billed were 12.03% for April through December 2011, 12.78% for April 2010 through March 31, 2011, and 8.82% for January through March 2010.

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

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 37,698	\$ 3,912
2010	19,940	4,054
2009	13,135	3,409

The Authority's contributions in 2011 and 2010 were equal to 100% of the contributions required for the period.

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

Notes to Financial Statements, Continued

(8) Retirement Benefits, Continued

In 2010, the Authority offered a Retirement Incentive Program to employees who met certain eligibility requirements. Approximately 10% of the Authority's total workforce elected to retire from service under this program. The Authority is responsible for contributing a surcharge to the ERS for each employee who participated in the program. The surcharge of approximately \$13.4 million is reflected as a special item on the statement of revenues, expense and changes in net assets in 2010 and was paid in 2011.

(9) Other Postemployment Benefits

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

The following table summarizes the Authority's valuation of Other Postemployment Benefit (OPEB) costs and obligations at December 31, 2011 and 2010 (in thousands):

	2011			2010
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	\$ 1,133,618	\$ 216,771	\$ 1,350,389	\$ 1,326,825
Unfunded accrued liability	862,841	158,500	1,021,341	1,026,418
Annual required contribution (30 year amortization)	63,907	12,791	76,698	73,528
Annual OPEB cost	62,610	12,512	75,122	72,916
Valuation payroll	133,021	23,792	156,813	171,242
Annual OPEB expense (as % of payroll)	47.1%	52.6%	47.9%	42.6%
Expected benefit payment	20,558	3,248	23,806	22,592

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

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

Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

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.

(b) Eligibility

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

(c) Benefit/Cost Sharing

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

(d) Spouse Benefit - Yes

(e) Surviving Spouse Benefit - Coverage continues

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

(g) Funding Policy

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

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

(9) Other Postemployment Benefits, Continued

The following summary schedule presents the Annual OPEB Cost and Net OPEB Obligation for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 28,629	25,691	25,065
Amortization of unfunded actuarial accrued liability	45,679	45,443	42,362
Interest	<u>2,390</u>	<u>2,394</u>	<u>2,293</u>
Annual required contribution (ARC)	76,698	73,528	69,720
Interest on net OPEB obligation	7,415	5,731	3,762
Adjustment to ARC	<u>(8,991)</u>	<u>(6,343)</u>	<u>(4,059)</u>
Annual OPEB cost	75,122	72,916	69,423
Contribution/expected benefit payment	<u>(23,806)</u>	<u>(22,592)</u>	<u>(20,201)</u>
Increase in net OPEB obligation	51,316	50,324	49,222
Net OPEB obligation at beginning of year	<u>193,603</u>	<u>143,279</u>	<u>94,057</u>
Net OPEB obligation at end of year	\$ <u>244,919</u>	<u>193,603</u>	<u>143,279</u>

The annual OPEB costs are recorded in the Authority's 2011 and 2010 statements of revenue, expenses, and changes in net assets in the amount of \$75,122,000 and \$72,916,000, 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 assets as a component of other long-term liabilities in the amount of \$244,919,000 and \$193,603,000, at December 31, 2011 and 2010, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 through 2011 are as follows (in thousands):

Year Ending	<u>Annual OPEB cost</u>			<u>Cost contributed</u>			<u>Net OPEB obligation</u>		
	Thruway	Canal Corporation	Total	Thruway	Canal Corporation	Total	Thruway	Canal Corporation	Total
12/31/09	\$ 58,259	\$ 11,164	\$ 69,423	30.3%	22.6%	29.1%	\$ 117,867	\$ 25,412	\$ 143,279
12/31/10	61,164	11,752	72,916	32.2%	24.9%	31.0%	159,365	34,238	193,603
12/31/11	62,610	12,512	75,122	32.8%	26.0%	31.7%	201,417	43,502	244,919

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

Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

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

Funding interest rate	3.83%
2011 trend rate (Med/Rx)	10%
Ultimate Medical/Rx cost trend rate	5%
Year ultimate trend rate reached	2018
Annual payroll growth rate	2.50%
Actuarial cost method	Attained age
Remaining amortization period at December 31, 2011	25 years
Amortization method	30 year level percentage of payroll

(10) Contingencies and Commitments

(a) Claims and Litigation

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

Changes in the Authority's claims liability amounts in years 2009 through 2011 were as follows (in thousands):

	Beginning of Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	End of Year <u>Liability</u>
2009	\$ 11,789	1,070	(11,239)	\$ 1,620
2010	1,620	(99)	(1,295)	226
2011	226	1,630	(150)	1,706

In addition, there are claims where liability is not probable, but is possible and estimatable. The range of loss on these claims approximated \$6.8 million to \$9.5 million at December 31, 2011.

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

Notes to Financial Statements, Continued

(10) Contingencies and Commitments, Continued

(a) Claims and Litigation, Continued

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

(b) Insurance

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

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self insured for third party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$9.9 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, 2011, 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	\$ 416,000
Personal service and miscellaneous	180,700
Canal	<u>39,400</u>
Total	\$ <u>636,100</u>

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

(10) Contingencies and Commitments, Continued

(d) Environmental Remediation

The Authority has adopted GASB Statement No. 49 - "Accounting and Financial Reporting for Pollution Remediation Obligations." Statement No. 49 requires governmental entities, including the Authority, to disclose the nature and estimated cost for environmental remediation obligations. At December 31, 2011, the Authority recorded in its financial statements a cost estimate for environmental remediation of 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, 2011. 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. Work has been completed at a few locations and progress payments at others have been made in 2011.

At December 31, 2011, the Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties, as follows (in thousands):

	Beginning of year <u>liability</u>	<u>Current year</u>		End of year <u>liability</u>
		<u>Estimate</u> <u>changes</u>	<u>Payments</u> <u>made</u>	
2010	\$ 7,331	(1,604)	(3,787)	\$ 1,940
2011	1,940	4,480	(2,813)	3,607

(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.

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

Notes to Financial Statements, Continued

(10) Contingencies and Commitments, Continued

(e) Lease Revenue, Continued

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2011:

<u>Year</u>	<u>Future Minimum Lease Revenue (in thousands)</u>
2012	\$ 13,000
2013	13,800
2014	13,500
2015	13,600
2016	13,900
Thereafter	<u>37,000</u>
Total	\$ <u>104,800</u>

(11) Extraordinary Item – 2011 Floods

In August and September of 2011, Hurricane Irene and Tropical Storm Lee caused significant damages to the Canal System. This included structural damage to moveable dams, scouring around approach walls, destroyed buildings, massive ground erosion, as well as electrical, dock and other miscellaneous damages. The vast majority of these damages occurred on the Erie Canal between Locks E-8 in Schenectady County and E-13 in Montgomery County. Governmental Accounting Standards Board Statement 42 (GASB 42) defines the accounting and reporting rules related to the impairment of capital assets. In accordance with GASB 42, we identified the Canal assets that were destroyed or significantly damaged by the storms and have written down their net book value by approximately \$9.3 million as an extraordinary item. The estimated cost to repair storm damage on the Canal System is \$100 million, and through December 31, 2011, we have spent approximately \$5.8 million.

These storms also caused damages to the Thruway System, however, no Thruway assets were damaged to the extent of requiring a write down. The estimated costs to repair storm damage on the Thruway System is \$10 million and through December 31, 2011, approximately \$3.5 million has been spent.

The Authority is pursuing reimbursement of eligible repair costs through the U.S. Department of Homeland Security and the U.S. Department of Transportation.

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

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

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

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

Members of the Board
New York State Thruway Authority:

We have audited the financial statements of the New York State Thruway Authority (the Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Members of the Board of the New York State Thruway Authority, management of the Authority, United States Department of Transportation and the New York State Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 12, 2012

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INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT COMPLIANCE

Members of the Board
New York State Thruway Authority:

We have examined the New York State Thruway Authority's (the Authority) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended December 31, 2011. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2011.

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

This report is intended solely for the information and use of the Members of the Board of the New York State Thruway Authority, management of the Authority, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Senate, the New York State Division of the Budget, and the New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 12, 2012