

2003 ANNUAL REPORT

NEW YORK STATE

THRUWAY AUTHORITY/CANAL CORPORATION

I. THRUWAY AUTHORITY

A. Partnerships

Interchange 8 Project

The Authority and DOT substantially completed the Interchange 8 Project in Westchester County in December, 2003. The I-8 reconstruction is the largest project the Authority has ever undertaken. Construction on the \$187 million project began in 2001 and opened to traffic in its final configuration in the fall of 2003.

With the addition of one auxiliary lane in each direction and a three-lane direct connection between I-87 and the CWE in both directions, mobility will now be enhanced and congestion will ease. Collector distributor lanes will clear the mainline roadway, improving safety through the elimination of weaving traffic. The air will be cleaner as a result of a decrease in idling traffic. The installation of noise barriers will provide a quieter atmosphere for surrounding residents. Higher-speed (20 mph) E-ZPass at the Tappan Zee Bridge Toll Barrier has already improved Toll Plaza movement.

I-87/I-84 Connector

On August 20, 2003, Governor Pataki announced the commencement of the first phase of an \$80 million project to connect the Thruway with Interstate 84, a project that will significantly reduce local traffic congestion in the Town of Newburgh (Orange County) and create hundreds of private sector jobs in the Lower Hudson Valley. This is a joint project with the Department of Transportation.

Among the key features of the overall project are: a direct connection between I-84 and the Thruway; higher speed E-ZPass lanes; a dedicated E-ZPass Only lane for northbound traffic exiting the Thruway to Route 17K; new State Police offices; and the consolidation of two tandem trailer lots. Safety improvements include the complete separation of traffic entering and exiting both Interstates, as well as the elimination of crossing movements by tandem trailer trucks and maintenance vehicles. It is among the largest projects ever undertaken by the Authority in the Lower Hudson Valley.

As part of this large reconstruction project, various Intelligent Transportation Systems (ITS) devices will be installed for better management of traffic in the Interchange 17 area. These devices will be installed on both I-87 and I-84 and supported by the Federal Highway Administration.

Tappan Zee Bridge

The Tappan Zee Bridge/I-287 Corridor Study began in 2001 and is being conducted in partnership with the MTA/Metro-North Railroad. From the start, this study has involved interested members of the public, legislative leaders, and local community groups.

The Tappan Zee Bridge Project Team's widespread use of public meetings and additional outreach efforts has enabled it to transition 156 original TZB alternatives into just 15 corridor-wide scenarios. These 15 scenarios, which include 80 of the original 156 suggested alternatives, were unveiled to the public in late July and are explained in depth on the project Website.

The 15 scenarios include light rail options, commuter rail options, bus rapid transit options and multi-mode options. The Authority anticipates narrowing the list of 15 down to four or five by the coming Spring, and expects to have a final decision by the end of 2005. The estimated completion date for any new crossing project is 10 years later, in 2015. In the meantime, the Authority continues to invest tens of millions of dollars each year in the Tappan Zee Bridge for necessary upkeep, maintenance and improvements.

Transportation Federation

On November 7, 2003, Governor George E. Pataki announced the establishment of a Transportation Federation made up of the New York State Thruway Authority, the NYS Department of Transportation (DOT) and the NYS Bridge Authority. DOT Commissioner Joseph Boardman heads the Federation.

Under this integration, the three entities will coordinate more closely with each other and with other transportation providers to create a seamless statewide transportation system. The efficient operation of New York's passenger and freight transportation infrastructure – highways, transit, rail, aviation and waterways – is critical to sustaining economic growth, attracting new businesses and residents, and creating jobs.

Two primary goals of this new Federation are to make it easier for businesses to transport goods and to provide a reliable transportation network that contributes to the economic vitality of local communities. This transition will provide New York State motorists with an improved flow of commercial goods and commuting traffic. Additional benefits already being examined by this new partnership include a uniform truck permitting process, a “smart card” that can be used on all of New York’s transportation systems, enhanced communication and joint emergency and general incident management.

AMBER Alert

In July, 2003, Chairman John L. Buono announced that the Authority had installed 11 AMBER Alert signs in the Buffalo, Syracuse, Albany, and New York Metropolitan areas as part of a pilot program to quickly alert Thruway motorists to abduction and missing persons notices broadcast by law enforcement agencies.

The signs instruct motorists to tune into the Thruway’s nearest Highway Advisory Radio (HAR) station, where the AMBER Alert notification can be continually heard until the missing child or adult is recovered or the NYS Police deactivate the notification. In addition, printers were installed in each of the Thruway’s 61 toll stations and are activated with each amber alert. The printouts provide pictures of the victim and descriptions of vehicles and/or perpetrators involved in the incident. The printouts are also posted in the window of all tollbooths and are visible to customers traveling the Thruway.

The Authority partnered with DOT, the New York State Department of Criminal Justice (DCJS), and the State Office of Emergency Management (SEMO) to acquire the USDOT – FHWA Amber Plan Program Grant, which provided \$125,000 for New York State to use for six separate projects. The Authority’s contribution to the program is to expand the Beacon Flashing AMBER Alert signs at HAR locations. Upon receiving the funding from the grant, various departments and groups at the Authority will work together to build and install eight additional signs.

B. Innovation

E-ZPass

On August 1, 2003, the eve of E-ZPass' 10-year anniversary in New York, Governor Pataki directed the Authority and other State transportation entities to embark on major improvements to E-ZPass systems, with the goal of making travel faster, safer and even more convenient for motorists throughout New York State.

The Authority's answer to this challenge has been and will continue to be to install higher-speed and highway-speed E-ZPass wherever feasible along the 641-mile Thruway.

Highway-speed and higher-speed E-ZPass, which premiered on the Thruway at the New Rochelle toll plaza in Westchester County, is the future of transportation systems in New York State and across the nation. The ultimate goal here is to allow vehicles equipped with E-ZPass to travel great distances without ever having to go through a tollbooth.

The Authority's vision for the future of the 641-mile Thruway System is one that will afford users the option of non-stop travel from New York City to Buffalo and Canada, and from Buffalo to New York City or our bordering States, through the use of highway-speed E-ZPass.

Height Detection

An innovative height detection system was installed at the Spring Valley Toll Barrier in Rockland County in August, 2002. The system earned national recognition as an innovative safety initiative in 2003. It is the first of its kind on the Thruway, providing electronic detection as well as visual and audio signals to alert toll collection personnel that an over-height vehicle is approaching the Toll Plaza. Prior to this, only the driver of the vehicle was alerted of its excess height.

The system uses a pair of infrared beams that are projected over the Thruway at the maximum height for vehicles to detect an over-height vehicle as it approaches. When a vehicle interrupts the beams, the system is activated. The dedicated E-ZPass lanes close and all truck traffic is directed to the staffed lanes. An audible alarm and flashing light go off,

notifying toll collectors that an over-height vehicle has been detected and is approaching. Toll collectors then physically check the height of the trucks, locate the over-height vehicle, notify the State Police and reset the system.

Over-height vehicles have struck the Hungry Hollow Bridge near the Spring Valley Toll Barrier at least three times in recent years. Since this system's installation, no such bridge hits have occurred. One bridge hit, alone, would cost more to repair than the \$13,800 height detection system cost to install.

Traffic Data Systems (TDS)

TDS implementation began in 2002 and expanded in 2003, in response to the need to modernize and improve the Authority's mainline traffic data collection system. In the past, Division Traffic staff would periodically visit traffic counting stations and retrieve traffic data. This data was then manually downloaded in the office and put to use.

This old-fashioned method has been replaced with TDS, an information gathering system that accomplishes the same objective, but uses one of the finest state-of-the-art traffic monitoring systems in the country to do so. At a TDS site, there are 6-foot-square sensors or "loops" embedded in the roadway. On the roadside, a solar panel charges a 12-volt battery, which connects with the sensors and counts the traffic, its speed and the distance between vehicles.

The Authority is currently using more than 180 strategically spaced TDS sites between New York City and Buffalo. Three types of data collected at the sites are used to project future traffic volumes and revenue amounts, calculate the percentage of truck traffic in order to plan for needed pavement modifications and analyze traffic volumes in order to determine preferred construction times.

This upgrade in technology has proven effective with regard to maintenance, accuracy, and durability. The viability of this system is not reliant upon any single device or software, allowing any piece of a TDS mechanism to be replaced without jeopardizing the function of the system. Powered almost entirely by solar energy, TDS is an environmentally friendly innovation as well.

Queue Detection System

The Authority's Queue Detection System was installed in 2003 at Interchange 23 (Albany) in the vicinity of the southbound deceleration ramp. The system utilizes two Traffic Condition Warning Signs (TCWS) that are equipped with flashing beacons that warn motorists of "slow or stopped traffic ahead."

The system, which was developed in-house, works by detecting slowed or stopped traffic in the deceleration lane and then automatically activating the flashing lights that correspond to the traffic.

C. Customer Focus

Bridges in Westchester County

In 2001, in answer to requests from our customers, the Authority began a \$17.3 million project designed to provide better visibility, lighting and safety in the areas of six Westchester County bridges. The project, which included the replacement of pedestrian bridges at Forest Avenue and Lincoln Park, as well as the replacement of vehicular bridges at McLean Avenue, Clark Street, and Yonkers Avenue, reached its final phase of work this past summer when construction began on Hall Place Bridge. Hall Place, the last of the six bridges replaced by this project, will be completed in 2004.

Albany Corridor Study

The Authority is studying ways to deal with expected congestion on the Thruway in the Albany Area over the next 20 years. The Albany Corridor Study is reviewing the 25-mile stretch of the Thruway between Exits 21A (Berkshire Connector) in Albany County and 25A (I-88) in Schenectady County.

The purpose of the Study is to develop a prioritized Capital Improvement Plan that addresses structural, safety and operational needs within the Corridor for the next 20 years to support the regional growth of the Capital District. The Study will identify projects that can be implemented in the near future to address the highest priorities within the Corridor.

Initial concepts have been developed to address projected traffic volumes through the design year of 2024 at Exits 23, 24 and 25. An alternative mainline barrier concept has also been developed. A Project Advisory Committee (PAC) composed of representatives from local governments and individuals in the transportation industry will provide a focal point for discussions of alternatives and projects that will come from the Study. The first public meeting was held on June 17, 2003.

Buffalo Corridor Study

The Buffalo Corridor Study, which is being conducted by the Authority and DOT, will address the transportation needs of the I-90 Corridor from Interchange 53 (downtown Buffalo) to Interchange 49 (Depew, Lockport, Route 78). The study is slated for completion in the spring of 2005, with construction of the first phase tentatively planned for 2008-2009.

The first phase of construction will address congestion and safety needs at Interchange 50 and has a current cost estimate of \$70 million. This phase could include additional travel lanes and a realignment of Interchange 50 to provide a seamless connection between I-90 and I-290, a major north-south corridor in Western New York.

Improvements made to the remainder of this corridor as a result of the Study could total more than \$500 million. Such improvements could include additional travel lanes, reconfigured interchanges, a new interchange at Broadway, and a reconfiguration of Interchanges 57 and 57A.

Truck Stop Electrification (TSE)

On May 23, 2003, Executive Director Michael Fleischer opened the Authority's second installation of TSE units for business and announced that greenhouse gas emissions have been reduced dramatically since TSE units were first installed along the Thruway, at DeWitt Travel Plaza in 2001.

The more advanced third generation TSE units unveiled in May at Chittenango Travel Plaza are expected to meet and exceed the environmental success already cited at DeWitt. If this two-year pilot program continues to be successful, TSE will be added to Travel Plazas across the Thruway System. Partnering with the Authority on TSE deployment is NYS Energy Research and Development Authority (NYSERDA), IdleAire Technology and National Grid.

The TSE units provide truck operators with access to convenient, easy-to-use electrical power and other services during layovers. By swiping a credit card through a service module that fits easily into their cab window, truckers can have ready access to electrical power, basic cable television, telephone and Internet service. NYSEERDA, National Grid and the Thruway Authority are sharing the cost of the \$500,000 two-year pilot program.

Variable Message Signs

The Variable Message Signs (VMS), seen along the side of the Thruway and often overhead, alert motorists to traffic-related situations in an effort to avoid congestion. Additional benefits of the VMS signs include advance warnings of accidents, maintenance and construction projects as well as the activation of Amber Alert.

A \$4 million project in the Authority's Buffalo Division will add five Variable Message Signs to the Corridor. The signs will be installed in 2004 at milepost 383 - Batavia/Rochester eastbound and westbound, milepost 418 - Williamsville-Youngs Road eastbound, milepost 495 - Ripley eastbound, and milepost 349 - Seneca Travel Plaza westbound. Closed Circuit TV cameras will also be installed at these areas to better manage traffic.

A \$3.2 million project in the Authority's Albany Division added eight overhead VMS signs between Kingston and Amsterdam, including one on the Berkshire Connector, in 2003. The signs are the end result of a 2001 contract under the Authority's Intelligent Transportation System (ITS) plan.

D. Safety

State Police Troop T

New York State Police Troop T, whose members patrol the 641-mile Thruway System exclusively, conducted several initiatives in 2003 in order to promote safety. State Police initiatives included “Operation Work Brake,” which is aimed at curbing aggressive driving, especially through work zones; “Buckle Up New York,” a 16-day statewide seatbelt enforcement initiative; “Operation Spring Brake” and “Operation Summer Brake,” which target the prevention of crash-causing habits such as aggressive driving, speeding and DWI; Safety Break Demonstrations, where Troopers educate motorists about safely sharing the road with trucks; and “Pumpkin Patrol,” which is aimed at preventing dangerous Halloween pranks.

Snow and Ice Program

The 2002 - 2003 snow and ice season was busy across the entire system. Over the course of the season, there were frequent large-scale system-wide and Division-wide winter weather events. This was in stark contrast to the 2001 – 2002 season, which was one of the mildest on record with only a few significant events. The harsher than normal winter resulted in salt usage and operating expenses at levels higher than those of the preceding 10 years, and nearly 60 percent above historical averages.

The Authority maintains covered storage capacity for approximately 135,000 tons of deicing materials in 60 buildings strategically placed along the Thruway corridor. Bulk storage tanks located across the System also provide storage capacity for approximately 100,000 gallons of liquid deicers. Authority Maintenance forces use these liquids in combination with the traditional deicing materials to improve the performance and efficiency of snow-fighting operations.

Pre-season and Post-season Snow and Ice Caucuses were held in each of the Authority’s four divisions to discuss preparations for the upcoming season, lessons learned from previous experiences, and to identify potential future operational improvements. Some of the major items discussed included the Winter Maintenance Manual, labor, equipment and material, salt sheds, snow fence, snow and ice operations in general, related traffic operations, weather information, and storms.

A Seasonal Weather Information System (SWIS) was developed statewide in 2003 and put into partial operation. Full implementation of SWIS is planned for the 2003 – 2004 season. The SWIS project will provide current and historical weather information data, including air and pavement temperatures and relative humidity at 43 sites spread out along the entire Thruway. This data result will be available to all Maintenance Sections and will supplement other weather forecasting data and field observations to assist in snow and ice control operations and in more efficient operations and savings of time and money.

Deer Avoidance

The Authority issues two press releases each year cautioning motorists of the dangers presented by deer crossing the highway. To further increase awareness of deer and how to avoid vehicle-deer collisions, the Authority also issues deer safety messages during peak deer season on its Highway Advisory Radio (HAR) System. Pamphlets are also available in all 27 Travel Plazas.

Construction

The Authority allocated \$19.3 million in 2003 to make major safety improvements in its Buffalo Division, including a pavement mill and fill from milepost 467 to milepost 483 in the city of Dunkirk, town of Portland and town of Ripley in 2004. This project includes upgrading the guiderail, extending the cross culverts and reconstructing the shoulder.

The “free section” in Buffalo Division, from milepost 419 in Cheektowaga to milepost 425 in Williamsville, will undergo \$7 million of safety improvements from 2003-2004, including guiderail upgrades, a concrete median barrier repair and drainage improvement, new signage and a mill and fill.

The Authority began two large-scale pavement-resurfacing projects in its Syracuse Division in the spring of 2003; both are slated for completion in 2004. The first stretches from milepost 240, east of Westmoreland, to milepost 262 in Canastota. This \$9.1 million project includes full-depth pavement repairs in certain areas and a complete mill and resurfacing of the 22-mile stretch of roadway. A similar project is underway between milepost 279, near Interchange 35, and milepost 289, near Interchange 39. This \$5.3 million project includes a higher percentage of full-depth pavement repairs and a complete mill and resurfacing.

Also in its Syracuse Division, the Authority completed a major rehabilitation of the Old Seneca River Bridge at milepost 313, east of Interchange 41. Originally, this project was estimated to cost \$3 million, but when the lowest bid came in at \$4.2 million, Authority crews were designated to complete the necessary work. Work on the two-season project began in the spring of 2002 and involved the removal and reconstruction of both ends of the bridge – approximately 15 feet on each end - and the rehabilitation of the wing walls. The \$450,000 total cost saved the Authority approximately \$3.8 million. The bridge will be in use for another 15-20 years as a result of this work.

In addition to the completion of I-8, New York Division's \$74 million 2003 construction season included the first phase of the Interchange 17 (I-84/I-87 Connector) Project, rehabilitation of the Byram River Bridge at the Connecticut border, structural steel repairs to the TZB and pavement resurfacing with safety upgrades between mileposts 16 and 24.

The 2003 season also saw the beginning of a \$4.3 million noise barrier project in Nanuet and Hillburn and the completion of a \$2.3 million noise barrier project in Suffern and Ramapo. New York Division also began a \$3 million ITS contract for installations of closed circuit TV cameras and VMS.

The Authority, in conjunction with NYSDOT, completed numerous improvements in the vicinity of Interchange 27 (Amsterdam) in anticipation of the opening of the Target distribution center in the Florida Business Park, in the Town of Florida. An additional dedicated E-ZPass lane was constructed and the pavement within the plaza was reconstructed. The intersection with Route 30 was reconfigured into a standard "T" intersection. In addition, in the Albany Division eight full-sized, overhead variable message signs were installed.

E. Statistics

Commercial Traffic

Commercial traffic for 2003 totaled 37,260,015 trips. This represents an increase of 1.62 percent from 2002.

Passenger Traffic

Passenger traffic for 2003 totaled 234,778,009 trips. This represents an increase of 1.84 percent from 2002.

Maintenance

During the 2002-2003 winter maintenance season (November - April), the Authority used approximately 270,000 tons of salt at cost of approximately \$9 million, nearly 60 percent above historical usage patterns. Based on a 10-year historical average, the Authority estimates usage for the 2003-2004 season at approximately 169,000 tons, an estimated cost of \$4.2 million.

The Authority's Central Sign Shop is responsible for producing almost 100 percent of the signs along the Thruway System. More than 65,000 square feet of signage, and more than 50,000 individual items were produced in the Sign Shop in 2003. In addition to producing standard regulatory, warning, and directional signs, the Sign Shop also produces specialty signs and graphics for the Thruway Authority, Canal Corporation, the State Police and other State agencies. Computerized printing equipment, which produces high quality graphics, is used extensively for many of these projects.

Fatalities

2003 statistics indicate that 2003 was the second-safest year in the Thruway's 49 year history. This statistic is determined by the Fatality Rate, which is measured by the number of accidents per 100 million vehicle miles traveled. The statistics indicate that in 2003, there were 35 fatal accidents, resulting in 36 deaths. This translates to a fatality rate of 0.33, the second lowest rate in Thruway history.

E-ZPass

As of December, 2003, approximately 54 percent of Thruway customers were utilizing E-ZPass, the electronic toll collection system pioneered by the Authority in the northeastern United States.

The E-ZPass Interagency Group (IAG), which was formed in 1990 with the original purpose of developing an interoperable electronic toll collection system in New York, New Jersey and Pennsylvania, has grown to include 21 toll agencies/authorities in 10 states.

II. CANAL CORPORATION

New York State's Canal System has produced significant economic growth for the State and the nation, creating inland trade and propelling economic development. The mule-towed barges of the Erie Canal and the steam-powered tugboats of the Barge Canal of years past have given way to pleasure boats, hikers, bicyclists and landside visitors of every kind. Governor Pataki's Canal Revitalization Program, administered by the NYS Canal Corporation, is transforming the Canal System into a first class tourist destination, bringing prosperity and new energy to its surrounding communities.

A. Revitalization and Preservation

Governor's Canal Revitalization Program

In May, 2002, the Governor announced a five-year \$50 million Canal Revitalization Program that focused on creating jobs, attracting private investment and generating tourism and economic development along New York State's canals. The program will provide \$50 million over the next five years to fund a variety of new Canal projects, including \$35 million to complete the Canalway Trail, which runs alongside the Erie Canal and links Lake Erie to the Hudson River. Upon completion, the Canalway Trail will be the longest continuous recreational trail in the U.S.

Canalway Trail

Three Trail projects covered by the Governor's Program, totaling more than 40 miles, were constructed in 2003. Adams Basin was connected to Albion in Monroe and Orleans Counties, linking the communities of Adams Basin, Brockport, Holley and Albion with 17 miles of newly rehabilitated trail. Fort Hunter to Canajoharie and Fort Plain to Minden in Montgomery County was also completed, adding 27 miles of new Trail to the statewide system.

Construction also began in 2003 on a 4-mile Canalway Trail segment from Oriskany to Barnes Avenue in Oneida County. The project will link two existing Canalway Trail segments in the Utica/Rome area. In addition to a 10-foot-wide trail, the projects will feature wood framed informational kiosks; directional signage, landscaping, trailhead access and parking at key locations.

Erie Canal Lock 2

In 2003, the newly-renovated Lock E-2 in Waterford (Saratoga County) was unveiled. This two-year \$12.8 million rehabilitation of a 98-year-old Lock included concrete replacement to provide smooth, level walking areas, solid Lock chamber walls and improved water-sealing surfaces; and the replacement of deteriorated steel Lock gates, Lock operating machinery and Lock operation buildings. The project also included the addition of many other amenities for pedestrians, including walkways, parking, landscaping and a new access bridge.

Little Falls Harbor

In August, 2003, the Canal Corporation announced the completion of a \$1.6 million NYS Canal revitalization project in the City of Little Falls, the last of seven key Canal Harbors that were marked for restoration in the Governor's initial five-year \$32 million Canal Revitalization Program. Funding for the Little Falls Harbor was provided primarily by the Canal System Development Fund and supplemented by a grant from the Environmental Protection Fund.

The seven harbors were chosen for their strategic locations, historic significance, and redevelopment potential. The completed Canal Harbor projects, located in Whitehall, Oswego, Rochester, Seneca Falls, Tonawanda/North Tonawanda, Waterford, and Little Falls, are catalysts for increased tourism and associated business development.

Erie Canal Lock 33

A \$10.7 million project to rehabilitate Lock 33 on the Erie Canal in Henrietta was let on May 28, 2003, and awarded to Cold Springs Construction. The project is funded by Canal Corporation Capital funds and has a slated completion date of June 17, 2005.

Lock 33 was originally constructed in 1909 and has not undergone any major rehabilitation since that time. The Lock is in need of major rehabilitation or replacement of all components such as miter gates, chamber walls, buffer beams, valves and operating machinery. Work included in this project will include refacing the chamber walls, refurbishing the machinery, and replacement of the miter gates.

B. Economic Development

Lysander Maintenance Facility

A new \$10 million maintenance facility on the Oswego River in the Town of Lysander was completed in 2003. Canal Maintenance crews began moving equipment from the old facility at the Syracuse Inner Harbor in 2002, and remaining staff moved into Lysander in the spring. The 45,000-plus square foot facility houses a mechanics bay, carpenters shop, fabricating and welding area, Syracuse Floating Plant and storage for buoys, steel and timber. The 15-acre site also includes a 150-metric-ton boatlift that allows section personnel to perform dry dock-type repairs to marine equipment.

Outreach

In 2003, the Canal Office of Economic Development continued its outreach to the private sector to promote interest in business development and generate revenue for Canal improvements. The Business Development Team lists available properties, executes leases and other real property transactions and pursues private/public partnerships. To date, 40 leases and 64 land abandonments have been processed by Canal Economic Development staff.

A Partnership Agreement with the new National Erie Canalway Heritage Commission enables the Canal Corporation to combine resources with the National Park Service for pursuing initiatives in marketing, interpretive signage and other promotional opportunities.

C. Commercial Shipping

Dimension Fabricators

In July, 2003, a Canalside Schenectady business, Dimension Fabricators, opted to use the Canal System to ship 1,500 tons, or three barge loads, of pre-fabricated reinforcing steel to New York City. This project - the first NYS-produced product to be built on the Canal, shipped on the Canal and purchased out-of-State in more than 30 years - could spur increased commercial use of the Canal System and, in turn, stimulate additional economic growth upstate.

Empire Harbor Marine

In July, 2003, Empire Harbor Marine began shipping liquid Calcium Chloride by barge on the Canal System. While the navigation season only allowed for two runs, Empire Harbor Marine expects to make as many as 30 runs between Oswego and Albany in 2004. This would result in a dramatic increase in tonnage on the Canal System. In addition, Empire Harbor Marine continues to expand their canal fleet and is looking at the possible movement of containers on the Canal System.

D. Statistics

Cargo/Commercial

Cargo vessel traffic increased by 6 percent, from 1,809 in 2002 to 1,918 in 2003. Approximately 8,711 tons of cargo was shipped on the Canal System in 2003.

Recreational Traffic

Recreational traffic decreased by 9.25 percent, from 139,420 in 2002 to 126,523 in 2003.

Tour Boat

Tour boat traffic increased by 2 percent, from 8,078 in 2002 to 8,239 in 2003.

E. Customer Focus

Tugboat *Urger* Education Program

The Tugboat *Urger*, the Corporation's 102-year-old flagship vessel, serves as the focal point of a program to educate school children and adults about the importance of New York's historic Canal System and the role that inland waterways have played historically. In the spring and fall, the *Urger* visits communities along the Canal and students in fourth-grade classes at local schools take field trips to the Tug to participate in shoreside "hands-on" educational sessions. There, they learn about the history of the canals and the role construction of the Erie Canal played in making New York the "Empire State." In 2001, the *Urger* was listed on the State and National Registers of Historic Places.

In 2003, 68 schools participated in this program, including 30 new schools. In 2003 alone, approximately 4,500 fourth graders benefitted from this program.

Buffalo Inner Harbor

The Thruway Authority, in 2003, funded a \$4 million Buffalo Inner Harbor Project, which included dredging at the inner harbor, movements of retired Navy ships, archaeological mitigation, new lighting and completion of a pedestrian walkway, landscaping and the design of a future historic Erie Canal Harbor Project Master Plan

Syracuse Inner Harbor

Phase III of the Syracuse Inner Harbor project was completed in October, 2003, at a cost of \$892,438. Phase III work included the refacing of more than 1,400 feet of bulkhead wall along the north slip, the construction of two pavilions, brick paving, a new sidewalk and additional lighting.

Brockport Harbor

The Village of Brockport was added to the growing list of revitalized New York State Canal Ports in 2003, when funding provided by the Canal Revitalization Program enabled rehabilitation of a deteriorated Canal wall and the addition of water, electric hookups, and docking for transient boaters.

FINANCE

Each October, the Authority Board approves the Authority/Corporation budget for the ensuing fiscal year. This financial blueprint sets forth the sources and uses of funds necessary for the Authority's operations, Capital Program, mandated economic development projects and debt service requirements. The financing components are primarily Thruway revenues, bond/note proceeds and Federal Aid. The information presented on pages 18 through 25 represents the Authority's Budget presentation in accordance with the General Revenue Bond Resolution and is not intended to present results of operations in conformity with generally accepted accounting principals.

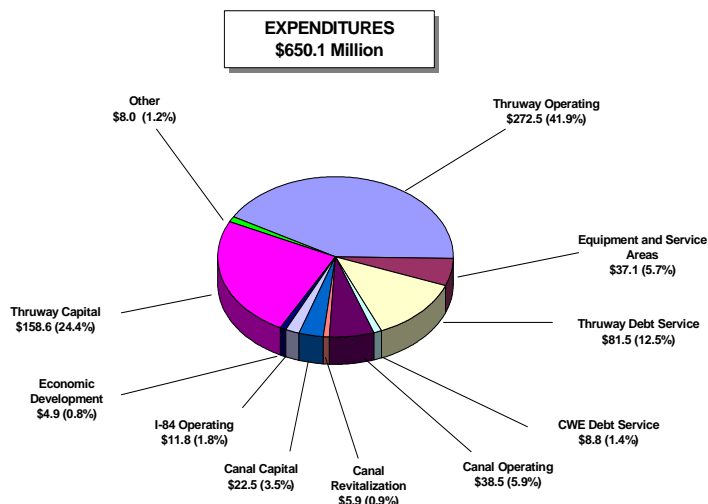
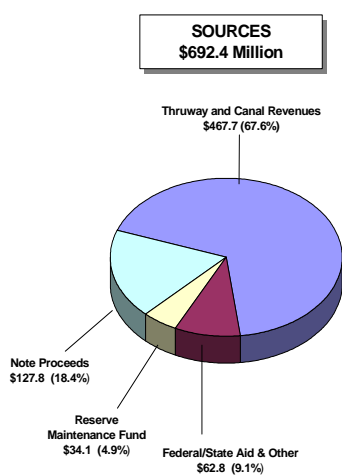
For the 2003 calendar year, the Authority expended a total of \$650.1 million. Of this amount, \$224.1 million is attributed to the Thruway and Canal Capital Program, which includes the highway and bridge rehabilitation program, the Canal infrastructure program and equipment replacement.

Debt service requirements for 2003 were \$81.5 million for the Authority's General Revenue Bonds and \$8.8

million for Cross-Westchester Expressway Bonds. Additionally, the expenditure category "other" listed below is comprised of \$8 million in interest on the Authority's Bond Anticipation Notes and Commercial Paper. Thruway operating expenses totaled \$272.5 million. Total Canal and I-84 operating expenses were \$50.3 million. Canal operating expenses were partially funded by \$5.9 million in Federal ISTEIA Enhancement Funds. Also, capital expenditures for economic development projects amounted to \$4.9 million.

During 2003, the Capital Program was funded through a financing plan, which incorporates the use of Authority revenues, federal aid, note proceeds and Canal Development Funds. In March 2003, the Authority issued \$350 million of Bond Anticipation Notes, Series 2003A, to pay the maturing principal and interest due on the Series 2002A notes and fund a portion of the capital program. As a result, the liability related to the Series 2002A notes has been removed from the bond indebtedness. This sale, combined with previous sales, brings the outstanding principal on the notes to \$650 million.

2003 FUNDING SOURCES AND EXPENDITURES⁽¹⁾



(1) The \$42.3 difference is the result of providing \$34.9 to fund the 2002 shortfall in Thruway and Other Authority Projects operating expenses, as well as providing \$7.4 million to increase Working Capital.

Total Revenues for 2003 were \$454,591,524, an increase of \$4,728,272 or 1.05 percent from 2002. Total Thruway operating expenses for the same period were \$272,489,593, an increase of \$12,210,626 or 4.69 percent from 2002.

Revenues from tolls totaled \$427,183,783 an increase of \$3,825,015. Passenger and commercial toll revenues were \$257,221,464 and \$169,962,319 respectively.

Other revenues amounted to \$27,407,741 including \$3,698,533 from the 28 Thruway gasoline stations, \$11,011,622 from the 27 restaurants, \$1,604,213 of interest on the Authority's investments in the Revenue Fund, \$2,777,862 in special hauling permits and \$8,315,511 in sundry receipts.

SOURCES OF THRUWAY REVENUE

During 2003, \$10,068,501 was provided to the Reserve Maintenance Fund from revenues.

For 2003, \$90,327,800 was remitted to the Authority's trustees for Debt Service requirements.

A functional comparison of maintenance and operating costs is listed below:

	2003	2002
MAINTENANCE:		
Highway.....	\$ 34,293,253	\$ 34,798,190
Highway and Equipment.....	22,192,906	20,756,890
Snow and Ice Control.....	11,341,915	9,782,123
Headquarters and Division Staff.....	13,391,009	12,503,552
Buildings.....	12,913,873	13,177,465
Bridges and Structures.....	19,360,586	19,554,339
Toll Equipment.....	3,965,093	4,111,298
TOTAL MAINTENANCE COSTS	<u>117,458,635</u>	<u>114,683,857</u>
OPERATING:		
Toll Collection.....	72,245,534	70,422,679
Administrative and General.....	25,925,646	24,807,397
Policing.....	34,054,101	30,222,112
Finance and Accounts.....	10,321,557	9,575,992
Traffic Administration.....	12,484,120	10,566,930
TOTAL OPERATING COSTS	<u>155,030,958</u>	<u>145,595,110</u>
TOTAL MAINTENANCE AND OPERATING COSTS EXCLUDING EXTRAORDINARY ITEMS.....	<u>272,489,593</u>	<u>260,278,967</u>
ADD: EXTRAORDINARY EXPENSES:		
Special Expense-Early Retirement Surcharge....	---	7,655,894
TOTAL MAINTENANCE AND OPERATING COSTS INCLUDING EXTRAORDINARY ITEMS.....	<u>\$ 272,489,593</u>	<u>\$ 267,934,861</u>

BONDS AND NOTES DEBT SERVICE

Authority Revenue Backed Bonds and Notes

Type	Date Sold	Principal Amount	True Interest Cost	Outstanding Principal as of 12/31/03	2003 Debt Service		
					Principal	Interest	Total
General Revenue Bonds							
Series B	Dec. 23, 1993	\$ 202,345,000	5.31%	\$ 162,785,000	\$ 4,725,000	\$ 8,326,020	\$13,051,020
Series C	Feb. 23, 1995	320,000,000	6.21%	14,255,000	6,590,000	1,126,355	7,716,355
Series D	May 15, 1997	350,000,000	5.68%	308,345,000	6,805,000	16,847,603	23,652,603
Series E	June 18, 1998	575,555,000	5.08%	558,775,000	9,755,000	28,765,755	38,520,755
Subtotal		1,447,900,000		1,044,160,000	27,875,000	55,065,733	82,940,733
CWE Bonds	Mar. 14, 1991	30,847,000	8.03%	15,225,000 (1)	8,940,000	-	8,940,000
Gen. Rev. BANS (CP-1)	Apr. 5, 2000	150,000,000	NA	150,000,000	-	1,550,445	1,550,445
Gen. Rev. BANS (CP-2)	June 4, 2001	150,000,000	NA	150,000,000	-	1,495,074	1,495,074
Gen. Rev. 2002A BANS	Apr. 3, 2002	200,000,000	2.29%	-	200,000,000	1,552,778	201,552,778
Gen. Rev. 2003A BANS	Mar. 26, 2003	350,000,000	1.170%	350,000,000	-	2,999,457	2,999,457
Grand Total		<u>\$2,328,747,000</u>		<u>\$1,709,385,000</u>	<u>\$236,815,000</u>	<u>\$62,663,487</u>	<u>\$299,478,487</u>

(1) Accreted Amount

Investments

The Authority manages its investment portfolio pursuant to the respective general bond resolutions, Public Authorities Law and the Authority's Investment Policy, approved annually by the Authority Board. Permitted investments are defined as obligations in which the State Comptroller may invest, pursuant to section 98a of the State Finance Law. This includes obligations of the United States and its federal agencies, collateralized time deposits, commercial paper, bankers acceptances and repurchase agreements. Although the actual amount of investments varies from month to month, the following represents the investment portfolio for each program as of December 31, 2003:

	(millions)
Thruway Funds	\$177.9
Cross Westchester Expressway Bonds	9.6
Local Highway and Bridge Service Contract Bonds	40.6
State Personal Income Tax Revenue Bonds	155.4
Highway and Bridge Trust Fund Bonds	895.8

Taxes Collected on Thruway

State and Federal taxes collected on the Thruway totaled \$37,489,289 in 2003, compared to \$36,357,485 in 2002. These came from the following sources:

	2003	2002
State 8 cent-per-gallon tax on gasoline and diesel fuel	\$ 6,149,230	\$ 6,300,779
Federal 18.4 cent-per-gallon tax on gasoline and 24.4 cent-per-gallon tax on diesel fuel	\$ 14,545,966	\$ 14,886,653
State sales tax collected at restaurants	\$ 7,451,557	\$ 7,295,424
State sales tax collected at gasoline stations	\$ 9,342,536	\$ 7,874,629

The Thruway Authority receives none of these funds. The Authority is self-supporting from tolls and other sources.

THRUWAY BOND AND NOTE PROGRAMS

The Thruway Authority is authorized to issue notes and bonds through private (negotiated) sales. The Authority has issued notes and bonds to finance a portion of our capital program as well as to fund various state and local municipal capital transportation programs. The total amount of bonds and notes issued since 1990 for Thruway purposes is \$2.679 billion and for state and local projects is \$13.576 billion. The following describes these programs:

GENERAL REVENUE BONDS - These bonds were issued in 1992, 1993, 1995, 1997 and 1998. The Series A bonds, although no longer outstanding, provided funds to refund outstanding prior General Revenue Bonds, defeased the prior Bond Resolution and provided funds for a portion of the Authority's Capital Program. The Series B, C and D bonds provided funds for the Authority's Capital Program. The Series E bonds were issued to refund portions of the Series A and C bonds. The General Revenue Bonds are secured by a first lien on all tolls, rents, fees and other income derived from the operation of the Thruway. The amount issued for capital projects and refundings is \$1.798 billion with \$1.044 billion currently outstanding. The final maturity of these bonds is January 1, 2027.

GENERAL REVENUE BOND ANTICIPATION NOTES - The Authority issued General Revenue Bond Anticipation Notes in the form of liquidity supported commercial paper on April 5, 2000 and June 4, 2001 totaling \$300 million. The program was developed to provide an additional source of funds to manage the Authority's Capital Program. The program enables the Authority to access tax exempt short-term markets. The bond anticipation notes will be retired or converted to long-term bonds within five years of original issuance. The Authority issued commercial paper in varying amounts during 2003 with maturities ranging from 1 day to 206 days and interest rates from 0.75% to 1.15%. Additionally, in 2002 and 2003 the Authority issued \$200 million and \$350 million, respectively, in traditional bond anticipation notes. The 2002 notes were issued to provide funds for a portion of the Authority's capital program. The 2003 notes were issued to pay the maturing principal and interest on the 2002 notes and to fund a portion of the Authority's capital program.

CROSS WESTCHESTER EXPRESSWAY BONDS - These bonds were issued in 1991 as capital appreciation bonds (zero coupon) in the amount of \$30.847 million to provide funds for the payment of a portion of the purchase price of an 11-mile highway connection with the Thruway in Westchester County designated I-287. The bonds

are payable from a lien on rental payments received from the operators of the travel plazas on the Thruway. The accreted value as of December 31, 2003, is \$15.225 million. This amount reflects the increase in accreted value during 2003, (\$1.802 million), less the value of the bonds maturing January 1, 2004 (\$8.940 million). The final maturity of these bonds is January 1, 2006.

LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT BONDS - These bonds have been issued each year since 1991 to provide the Authority with funds to reimburse approximately 1,600 municipalities throughout the State for qualifying capital expenditures for local highway, bridge and multi-modal projects. The bonds have no pledge on Thruway revenues and are secured solely by payments made by the State under a service contract. In 2003, the Authority issued \$754.045 million of bonds to refund a portion of outstanding bonds from previous bond issues. The refunding generated an \$18.7 million present value savings for the State. The total amount of bonds issued since 1991 is \$4.726 billion with \$2.167 billion currently outstanding. The final maturity is March 15, 2021.

STATE PERSONAL INCOME TAX REVENUE BONDS (TRANSPORTATION) - The Authority issued state personal income tax bonds (PIT) in August, 2002 and in July, 2003 in the amounts of \$250.915 and \$347.880 million for the same program purposes as the local highway and bridge projects under the service contract bonds described above. The Authority is one of five authorized issuers of the PIT bonds. The bonds have no pledge on Authority revenues and are secured solely by payments made by the State to the Trustee on behalf of the Authority from state personal income tax receipts. The amount currently outstanding is \$593.595 million. The final maturity of these bonds is March 15, 2023.

HIGHWAY AND BRIDGE TRUST FUND BONDS - These bonds have been issued each year since 1994, to provide funds to reimburse the State for certain expenditures made or to be made by the Department of Transportation in connection with the State's multi-year Highway and Bridge Capital Program. The bonds have no pledge on Thruway revenues and are secured by a pledge of certain payments to the Authority from funds held in the State's Dedicated Highway and Bridge Trust Fund. In 2003, the Authority issued \$1.009 billion of bonds. The total amount of bonds issued since 1994 is \$7.875 billion with \$5.460 billion currently outstanding. The final maturity of the bonds is April 1, 2023.

COMPARATIVE EARNINGS - THRUWAY SYSTEM

	2003	2002	2001	2000	1999
TOLL REVENUES					
PASSENGER					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 121,845,641	\$ 120,717,246	\$ 114,536,759	\$ 111,427,617	\$ 109,023,863
Erie Section—Sta. 55-61 Inc.....	13,868,196	13,732,908	13,137,113	13,135,897	12,899,649
Grand Island Bridges.....	7,167,917	6,599,882	6,327,853	6,176,008	5,971,821
Tappan Zee Bridge.....	57,676,558	56,871,127	57,208,551	55,868,808	54,155,715
Yonkers Barrier.....	8,616,775	8,793,968	8,769,393	8,705,604	8,058,952
Berkshire Section.....	9,096,967	8,725,768	7,837,046	6,585,883	6,340,368
New Rochelle Barrier.....	18,412,186	18,527,845	18,101,746	17,809,980	17,271,707
Harriman Barrier.....	8,747,161	8,572,145	8,215,493	8,036,326	7,555,955
Niagara Section.....	7,682,842	7,251,182	7,126,964	7,156,996	6,876,816
	<u>\$ 253,114,243</u>	<u>\$ 249,792,071</u>	<u>\$ 241,260,918</u>	<u>\$ 234,903,119</u>	<u>\$ 228,154,846</u>
Permits-Sta. 15-61 Inc. B1-B3.....	4,107,221	4,117,245	4,291,945	4,410,271	4,350,500
	<u>\$ 257,221,464</u>	<u>\$ 253,909,316</u>	<u>\$ 245,552,863</u>	<u>\$ 239,313,390</u>	<u>\$ 232,505,346</u>
COMMERCIAL					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 105,602,439	\$ 104,611,078	\$ 102,377,230	\$ 102,435,537	\$ 96,046,120
Erie Section—Sta. 55-61 Inc.....	21,657,374	21,698,770	21,242,175	22,448,574	21,853,396
Grand Island Bridges.....	2,751,045	2,799,764	2,774,876	2,794,720	2,661,397
Tappan Zee Bridge.....	16,685,690	16,994,244	16,447,713	16,365,194	15,895,617
Yonkers Barrier.....	2,900,918	2,940,783	2,846,776	2,950,062	2,709,224
Berkshire Section.....	12,701,520	12,100,611	11,657,305	10,904,393	10,236,237
New Rochelle Barrier.....	7,331,869	7,604,767	7,867,148	8,173,798	8,082,553
Spring Valley Barrier.....	4,404,839	4,597,814	4,509,375	4,451,917	4,302,811
Harriman Barrier.....	2,129,568	1,970,494	1,920,913	1,902,549	1,857,965
Niagara Section.....	3,182,624	3,099,056	3,078,842	3,245,138	3,150,724
	<u>\$ 179,347,886</u>	<u>\$ 178,417,381</u>	<u>\$ 174,722,353</u>	<u>\$ 175,671,882</u>	<u>\$ 166,796,044</u>
Less Volume Discount.....	(9,385,567)	(8,967,929)	(8,483,705)	(7,918,492)	(7,523,907)
	<u>\$ 169,962,319</u>	<u>\$ 169,449,452</u>	<u>\$ 166,238,648</u>	<u>\$ 167,753,390</u>	<u>\$ 159,272,137</u>
SUMMARY					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 227,448,080	\$ 225,328,324	\$ 216,913,989	\$ 213,863,154	\$ 205,069,983
Erie Section—Sta. 55-61 Inc.....	35,525,570	35,431,678	34,379,288	35,584,471	34,753,045
Grand Island Bridges.....	9,918,962	9,399,646	9,102,729	8,970,728	8,633,218
Tappan Zee Bridge.....	74,362,248	73,865,371	73,656,264	72,234,002	70,051,332
Yonkers Barrier.....	11,517,693	11,734,751	11,616,169	11,655,666	10,768,176
Berkshire Section.....	21,798,487	20,826,379	19,494,351	17,490,276	16,576,605
New Rochelle Barrier.....	25,744,055	26,132,612	25,968,894	25,983,778	25,354,260
Spring Valley Barrier.....	4,404,839	4,597,814	4,509,375	4,451,917	4,302,811
Harriman Barrier.....	10,876,729	10,542,639	10,136,406	9,938,875	9,413,920
Niagara Section.....	10,865,466	10,350,238	10,205,806	10,402,134	10,027,540
Permits-Sta. 15-61 Inc. B1-B3.....	4,107,221	4,117,245	4,291,945	4,410,271	4,350,500
	<u>\$ 436,569,350</u>	<u>\$ 432,326,697</u>	<u>\$ 420,275,216</u>	<u>\$ 414,985,272</u>	<u>\$ 399,301,390</u>
Less Volume Discount.....	(9,385,567)	(8,967,929)	(8,483,705)	(7,918,492)	(7,523,907)
	<u>\$ 427,183,783</u>	<u>\$ 423,358,768</u>	<u>\$ 411,791,511</u>	<u>\$ 407,066,780</u>	<u>\$ 391,777,483</u>
CONCESSION REVENUE:					
Gasoline Stations.....	\$ 3,698,533	\$ 3,782,033	\$ 2,991,749 (2)	\$ 850,047 (2)	\$ 2,828,045
Restaurants.....	11,011,622	11,015,590	10,900,224	10,747,084	9,502,260
TOTAL CONCESSION REVENUE	<u>\$ 14,710,155</u>	<u>\$ 14,797,623</u>	<u>\$ 13,891,973</u>	<u>\$ 11,597,131</u>	<u>\$ 12,330,305</u>
SUNDRY REVENUE, INTEREST	<u>\$ 12,697,586</u>	<u>\$ 11,706,861</u>	<u>\$ 16,257,710</u>	<u>\$ 15,614,684</u>	<u>\$ 25,745,327</u>
TOTAL REVENUES (3)	<u>\$ 454,591,524</u>	<u>\$ 449,863,252</u>	<u>\$ 441,941,194</u>	<u>\$ 434,278,595</u>	<u>\$ 429,853,115</u>
OPERATING EXPENSES					
Toll Collection.....	\$ 72,245,534	\$ 70,422,679	\$ 68,642,032	\$ 65,993,028	\$ 57,525,442
Policing.....	34,054,101	30,222,112	32,859,118	29,854,426	27,514,615
Traffic Administration.....	12,484,120	10,566,930	9,229,172	8,745,171	8,539,768
Maintenance:					
Highway and Building.....	91,300,636	89,815,669	64,857,586	63,928,504	58,055,406
Equipment.....	26,157,999	24,868,188	21,771,361	21,089,984	18,948,461
Finance and Accounts.....	10,321,557	9,575,992	9,453,966	9,382,080	7,670,051
Administrative and General.....	25,925,646	24,807,397	21,563,813	20,357,007	19,454,376
Provision for Environmental Reserve.....	-	-	750,000	750,000	250,000
Provision for Liability Claims.....	-	-	-	1,500,000	4,500,000
Special Expense-Early Retirement Surcharge	-	7,655,894	-	-	-
TOTAL OPERATING EXPENSES	<u>\$ 272,489,593</u>	<u>\$ 267,934,861 (1)</u>	<u>\$ 229,127,048</u>	<u>\$ 221,600,200</u>	<u>\$ 202,458,119</u>
INCLUDING EXTRAORDINARY EXPENSES.....					
Net Revenues Before Adjustments.....	182,101,931	181,928,391	212,814,146	212,678,395	227,394,996
Adjustments.....	(24,532,384) (6)	28,425,953 (5)	(11,048,091) (4)	(1,245,727)	1,530,866
Net Revenues after Adjustments.....	<u>\$ 157,569,547</u>	<u>\$ 210,354,344</u>	<u>\$ 201,766,055</u>	<u>\$ 211,432,668</u>	<u>\$ 228,925,862</u>
USE OF NET REVENUES					
Debt Service.....	\$ 90,327,800	\$ 88,668,349	\$ 85,321,585	\$ 84,940,022	\$ 84,417,325
Reserve Maintenance Fund.....	10,068,501	44,782,545	32,307,591	69,295,626	76,832,196
Other Authority Projects.....	51,153,199 (7)	31,358,797	36,198,766	14,700,000	30,315,793
General Reserve Fund.....	6,020,047	45,544,653	47,838,113	42,147,020	33,900,000
Facilities Capital Improvement Fund.....	-	-	100,000	350,000	3,460,548
TOTAL	<u>\$ 157,569,547</u>	<u>\$ 210,354,344</u>	<u>\$ 201,766,055</u>	<u>\$ 211,432,668</u>	<u>\$ 228,925,862</u>

(1) The 2002 expenses include \$29.5 million of Thruway expenditures that relate to a change in accounting policy due to implementing Statement #34 of the Governmental Accounting Standards Board. The mandated change treats certain capital and equipment expenditures as operating expenses rather than charges to the capital program. These expenditures will be funded from revenues in a subsequent year.

(2) Revenues were affected by the Fuel Price Abatement program.

(3) Excludes Canal Corporation revenue and interest not deposited in the Revenue Fund.

(4) Includes revenue retained from prior year Operating Reserves.

(5) Includes revenue retained from prior year Operating Reserves and expenditures to be funded from revenues in a subsequent year.

(6) Includes revenue retained from prior year Operating Reserves and provides revenues for previous year's expenses.

(7) Provided funds for previous year's operating expense shortfall.

THRUWAY STATISTICS

	2003	2002	2001	2000	1999
TRAFFIC					
Miles Traveled (1).....	10,800,325,570	10,548,996,242	10,167,643,399	9,949,774,814 *	9,771,675,275
Miles in Operation-Year's End.....	641	641	641	641	641
Daily Average Miles (1).....	29,589,933	28,901,360	27,856,557	27,185,177 *	26,771,713
Average Trip (Controlled System).....	43	43	43	43	44
Passenger.....	39	39	39	39	40
Commercial.....	64	64	64	64	65
TOLL					
Total Toll Transactions.....	272,038,024	267,210,016	259,721,892	255,687,474	246,915,296
Passenger.....	234,778,009	230,542,227	223,944,525	220,018,347	212,802,693
Commercial.....	37,260,015	36,667,789	35,777,367	35,669,127	34,112,603
Daily Average Toll Transactions.....	745,310	732,082	711,567	698,600	676,480
Permits Sold.....	37,238	36,933	38,078	38,371	36,664
Permit Trips.....	10,342,956	10,444,063	10,798,880	11,220,525	11,663,189
Permit Miles.....	235,503,136	238,274,419	246,740,467	255,824,669	275,445,002
REVENUE					
Total Income.....	\$454,591,524	\$449,863,252	\$441,941,194	\$434,278,595	\$429,853,115
Passenger Tolls.....	257,221,464	253,909,316	245,552,863	239,313,390	232,505,346
Commercial Tolls.....	169,962,319	169,449,452	166,238,648	167,753,390	159,272,137
Restaurants.....	11,011,622	11,015,590	10,900,224	10,747,084	9,502,260
Gasoline Stations.....	3,698,533	3,782,033	2,991,749 (2)	850,047 (2)	2,828,045
Interest.....	1,604,213 (3)	1,914,104 (3)	5,211,335 (3)	8,069,931	9,776,640
Other.....	11,093,373	9,792,757	11,046,375	7,544,753	15,968,687 (4)
EXPENSES					
Operating Costs (5).....	\$306,123,535 (6)	\$242,677,334 (7)	\$229,127,048	\$221,600,200	\$202,458,119
Transfers to Other Funds.....	67,241,747	121,685,995	116,444,470	126,492,646	144,508,537
Total Debt Service.....	104,299,320	100,269,806	97,043,144 *	94,751,450 *	89,626,872
Principal.....	36,815,000	34,895,000	33,065,000	31,255,000	29,640,000
Interest.....	67,484,320	65,374,806	63,978,144 *	63,496,450 *	59,986,872
ACCIDENTS AND INCIDENTS (1)					
Fatal.....	35	32	42	31 *	29
(Fatalities).....	36	44	51	37 *	31
Personal Injury.....	2,228	2,218 *	1,967	2,093	2,018
(Persons Injured).....	3,348	3,418 *	3,014	3,208	3,078
Property Damage.....	9,416	8,818 *	8,050	8,045 *	7,536
ACCIDENT RATES					
Per 100,000,000 Miles Traveled (1)					
Fatal Accidents.....	0.32	0.30	0.41	0.31 *	0.30
Personal Injury Accidents.....	20.63	21.03 *	19.35	21.04 *	20.65
Property Damage.....	87.18	83.59 *	79.17	80.86 *	77.12
Total Accidents.....	108.14	104.92	98.93	102.20 *	98.07
FATALITY RATES					
Per 100,000,000 Miles Traveled (1)					
Annual.....	0.33	0.42	0.50	0.37 *	0.32
Cumulative.....	1.01	1.04	1.07	1.09	1.12
MISCELLANEOUS					
Gallons Fuel Delivered.....	76,865,376 (8)	78,759,743 (7)	70,167,547	63,123,569	58,742,861
Emergency Service Calls.....	104,009	111,117	113,173	116,567	110,043

(1) Reflects Cross-Westchester Expressway (CWE) and I-84.

(2) Revenues are affected by the Fuel Price Abatement program, which was in place from May 24, 2000 through February 28, 2001 for Sunoco locations and May 26, 2000 to February 28, 2001 for ExxonMobil locations. The program was adopted to reduce fuel prices at Thruway locations.

(3) Total interest was \$2,798,867 for 2003 of which the Revenue Fund received \$1,604,213. Total interest was \$4,096,685 for 2002 of which the Revenue Fund received \$1,914,104.

(4) Increase primarily due to \$11.3 million in fiber optic revenue sharing payments offset by a \$3.1 million payment, included in the 1998 amount, for sale of surplus property in the Bronx.

(5) Includes CWE maintenance expenses.

(6) Represents 2003 operating expenses and includes funding of 2002 operating expenses that were not funded in the previous year and to provide \$7,376,415 for working capital.

(7) Represents funded amount of 2002 operating expenses. The actual amount totaled \$267,934,861 including extraordinary items.

(8) Unaudited figure.

*Adjusted figures

BRIDGE AND BARRIER TRAFFIC AND REVENUE SUMMARY

STATION	TRAFFIC 2003	TRAFFIC 2002	REVENUE 2003	REVENUE 2002
Grand Island Bridges --				
Passenger	20,981,856	19,660,047	\$ 7,167,917	\$ 6,599,882
Commercial	<u>2,037,418</u>	<u>2,053,735</u>	<u>2,751,045</u>	<u>2,799,764</u>
Total	23,019,274	21,713,782	9,918,962	9,399,646
Tappan Zee Bridge ⁽¹⁾ --				
Passenger	23,292,697	23,454,948	57,676,558	56,871,127
Commercial	<u>1,616,658</u>	<u>1,610,803</u>	<u>16,685,690</u>	<u>16,994,244</u>
Total	24,909,355	25,065,751	74,362,248	73,865,371
Yonkers Barrier --				
Passenger	17,233,552	17,587,316	8,616,775	8,793,968
Commercial	<u>2,241,339</u>	<u>2,268,045</u>	<u>2,900,918</u>	<u>2,940,783</u>
Total	19,474,891	19,855,361	11,517,693	11,734,751
New Rochelle Barrier ⁽¹⁾ --				
Passenger	18,412,192	18,527,849	18,412,186	18,527,845
Commercial	<u>2,753,031</u>	<u>2,835,152</u>	<u>7,331,869</u>	<u>7,604,767</u>
Total	21,165,223	21,363,001	25,744,055	26,132,612
Spring Valley Barrier ⁽¹⁾ --				
Commercial	<u>1,397,907</u>	<u>1,426,867</u>	<u>4,404,839</u>	<u>4,597,814</u>
Total	1,397,907	1,426,867	4,404,839	4,597,814
Harriman Barrier --				
Passenger	17,494,327	17,142,341	8,747,161	8,572,145
Commercial	<u>1,454,591</u>	<u>1,343,175</u>	<u>2,129,568</u>	<u>1,970,494</u>
Total	18,948,918	18,485,516	10,876,729	10,542,639
Buffalo City Line ⁽¹⁾ --				
Passenger	6,972,119	6,433,954	3,487,336	3,225,263
Commercial	<u>1,352,491</u>	<u>1,275,556</u>	<u>2,193,804</u>	<u>2,084,427</u>
Total	8,324,610	7,709,510	5,681,140	5,309,690
Black Rock Barrier ⁽¹⁾ --				
Passenger	8,388,920	8,037,852	4,195,506	4,025,919
Commercial	<u>627,742</u>	<u>637,955</u>	<u>988,820</u>	<u>1,014,629</u>
Total	9,016,662	8,675,807	5,184,326	5,040,548
Total Bridges and Barriers --				
Passenger	112,775,663	110,844,307	108,303,439	106,616,149
Commercial	<u>13,481,177</u>	<u>13,451,288</u>	<u>39,386,553</u>	<u>40,006,922</u>
Total Toll Traffic	126,256,840	124,295,595	147,689,992	146,623,071
Non-Revenue	<u>508,806</u>	<u>514,986</u>	<u>-</u>	<u>-</u>
Total	<u>126,765,646</u>	<u>124,810,581</u>	<u>\$ 147,689,992</u>	<u>\$ 146,623,071</u>

⁽¹⁾ One Way Trips

DAILY THRUWAY RECORDS

REVENUE:

Thruway System.....	August 29, 2003
	\$1,642,595
Controlled System.....	August 29, 2003
	\$1,164,684
Grand Island Bridge South....	August 8, 2003
	\$21,607
Grand Island Bridge North....	August 1, 2003
	\$16,970
Tappan Zee Bridge.....	June 30, 2000
	\$243,437
Yonkers Barrier.....	June 30, 2000
	\$41,619
New Rochelle Barrier.....	August 24, 2001
	\$96,374
Spring Valley Barrier.....	October 17, 2001
	\$25,320
Harriman Barrier.....	July 3, 2003
	\$38,892
Buffalo City Line.....	October 10, 2003
	\$21,401
Black Rock Barrier.....	May 29, 1998
	\$19,720

Traffic - (Trips)

Thruway System	July 25, 2003
	992,990
Controlled System	August 22, 2003
	562,105
Grand Island Bridge South	August 8, 2003
	49,027 *
Grand Island Bridge North	August 1, 2003
	38,532 *
Tappan Zee Bridge	November 24, 1999
	83,289 *
Yonkers Barrier	September 17, 1999
	72,011
New Rochelle Barrier	August 24, 2001
	81,455 *
Spring Valley Barrier	October 17, 2001
	7,571 **
Harriman Barrier	July 13, 2003
	68,821
Buffalo City Line	August 1, 2003
	32,204 *
Black Rock Barrier	May 29, 1998
	34,167 *

* One Way Trips

** One Way Commercial Trips Only

CONTROLLED SYSTEM TRAFFIC SUMMARY - 2003

			EXIT TRAFFIC					
INTERCHANGES			ENTRY TRAFFIC TOTAL	Passenger		Commercial	Non Revenue	Total
No.	Name	Mile Post		Full Fare	Permits			
15	Woodbury	45	8,243,347	6,052,225	248,789	1,635,613	25,264	7,961,891
16	Harriman	45	1,032,710	969,000	44,908	62,110	15,780	1,091,798
17	Newburgh	60	5,989,017	4,517,579	348,465	1,197,456	55,332	6,118,832
18	New Paltz	76	2,536,484	2,215,642	185,677	165,821	19,365	2,586,505
19	Kingston	91	3,113,378	2,644,768	252,300	266,523	27,073	3,190,664
20	Saugerties	101	1,573,992	1,189,235	154,971	119,762	19,125	1,483,093
21	Catskill	114	1,599,335	1,244,680	191,127	153,911	26,862	1,616,580
21B	Coxsackie	124	1,200,614	731,844	285,914	135,501	14,436	1,167,695
22	Selkirk	135	799,251	541,215	106,878	115,168	24,136	787,397
23	Boulevard	142	4,920,862	3,628,001	692,472	509,475	127,933	4,957,881
24	Washington	148	13,462,201	11,244,877	876,866	1,695,135	99,989	13,916,867
25	Schenectady	154	6,700,091	5,513,091	646,926	288,837	61,186	6,510,040
25A	Schenectady I-88	159	3,723,482	2,774,186	49,989	766,926	28,725	3,619,826
26	Rotterdam	162	1,179,525	868,547	155,896	144,098	14,734	1,183,275
27	Amsterdam	174	1,688,710	1,178,545	276,731	206,788	23,705	1,685,769
28	Fultonville	182	1,018,886	470,812	67,573	472,111	15,223	1,025,719
29	Canajoharie	194	490,370	345,851	57,193	63,436	14,419	480,899
29A	Little Falls	211	245,549	172,607	22,310	47,245	8,149	250,311
30	Herkimer	220	737,283	583,670	54,580	101,614	15,165	755,029
31	Utica	233	2,020,290	1,496,344	126,389	363,611	27,216	2,013,560
32	Westmoreland	243	1,119,104	863,279	152,839	108,766	11,672	1,136,556
33	Verona	253	2,530,037	1,956,789	243,698	300,739	18,804	2,520,030
34	Canastota	262	1,586,490	1,053,095	310,579	125,855	20,273	1,509,802
34A	Collamer	277	3,109,172	2,357,867	368,820	404,956	20,287	3,151,930
35	Thompson	279	2,089,277	1,470,233	325,679	320,855	33,060	2,149,827
36	Mattydale	283	3,107,256	2,272,045	182,507	556,487	22,796	3,033,835
37	Electronics	284	1,037,881	830,002	170,357	78,495	19,815	1,098,669
38	Liverpool	286	1,172,988	829,086	141,321	96,538	11,347	1,078,292
39	State Fair	290	2,971,601	2,104,492	235,263	608,861	22,051	2,970,667
40	Weedsport	304	1,289,998	845,805	188,757	207,246	20,716	1,262,524
41	Waterloo	320	1,188,266	896,411	86,642	189,761	9,433	1,182,247
42	Geneva	327	1,731,972	1,327,894	146,251	267,166	15,854	1,757,165
43	Manchester	340	1,504,594	1,098,015	192,962	156,696	14,976	1,462,649
44	Canandaigua	347	2,951,163	2,359,000	222,206	207,623	18,900	2,807,729
45	Victor	351	5,196,954	4,580,171	387,028	375,174	23,031	5,365,404
46	Henrietta	362	3,699,026	2,801,444	311,359	672,613	24,699	3,810,115
47	LeRoy	379	2,700,224	2,031,717	145,676	434,247	14,155	2,625,795
48	Batavia	390	1,649,009	1,163,367	148,458	286,647	24,610	1,623,082
48A	Pembroke	402	2,149,425	1,237,055	128,153	684,874	17,896	2,067,978
49	Depew	417	3,261,150	2,831,508	105,856	372,228	20,510	3,330,102
50	Williamsville	420	9,198,536	6,628,912	291,071	2,347,733	52,152	9,319,868
SUBTOTAL			117,519,500	89,920,906	9,331,436	17,314,701	1,100,854	117,667,897
B1	Post Road	B7	2,963,905	2,199,618	69,910	556,864	22,777	2,849,169
B2	Taconic	B15	860,253	749,005	26,351	12,679	13,492	801,527
B3	Canaan	B18	4,494,122	3,176,717	42,324	1,283,758	16,388	4,519,187
SUBTOTAL			8,318,280	6,125,340	138,585	1,853,301	52,657	8,169,883
55	Lackawanna	429	8,820,144	6,445,084	315,071	1,888,596	45,095	8,693,846
56	Blasdell	432	2,468,572	2,129,015	99,392	202,139	15,541	2,446,087
57	Hamburg	436	2,151,950	1,815,549	128,364	234,441	16,985	2,195,339
57A	Angola	445	896,227	712,423	93,947	61,970	9,469	877,809
58	Silver Creek	456	1,004,843	805,228	105,051	127,384	16,927	1,054,590
59	Dunkirk	468	1,707,482	1,303,858	102,826	264,335	28,353	1,699,372
60	Westfield	485	280,043	227,102	10,229	43,335	10,192	290,858
61	State Line	496	3,923,161	2,174,885	18,055	1,788,636	12,945	3,994,521
SUBTOTAL			21,252,422	15,613,144	872,935	4,610,836	155,507	21,252,422
GRAND TOTAL			147,090,202	111,659,390	10,342,956	23,778,838	1,309,018	147,090,202

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

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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 (Authority), a component unit of the State of New York, as of and for the years ended December 31, 2003 and 2002, 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 Authority as of December 31, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 28 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

KPMG LLP

March 29, 2004



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

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

Management's Discussion and Analysis

December 31, 2003 and 2002

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, 2003 and 2002. 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.

2003 Financial Highlights

- Toll revenue for the year was \$427.2 million, an increase of \$3.8 million or 0.9% compared to 2002.
- Total operating expenses for the New York State Thruway, the Canal Corporation, Interstate 84 and for Other Authority Projects for the year, excluding depreciation and amortization, were \$335.1 million, an increase of \$15.9 million or 5.0% compared to 2002.
- Total net assets as of December 31, 2003 were approximately \$2.69 billion, a decrease of \$54.9 million compared to December 31, 2002.
- Total capital assets (net of depreciation) as of December 31, 2003 increased by \$35.7 million to \$4.15 billion compared to 2002.

2002 Financial Highlights

- Toll revenue for the year was \$423.4 million, an increase of \$11.6 million or 2.8% compared to 2001.
- Total operating expenses for the New York State Thruway, the Canal Corporation, Interstate 84 and for Other Authority Projects for the year, excluding depreciation and amortization, were \$319.2 million.
- Total net assets as of December 31, 2002 were approximately \$2.74 billion, a decrease of \$79.5 million compared to December 31, 2001.
- Total capital assets (net of depreciation) as of December 31, 2002 increased by \$84 million to \$4.11 billion compared to 2001.

Overview of the Financial Statements

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

The financial statements provide summary information about the Authority's overall financial condition. The notes provide explanation and more details about the contents of 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.

The financial statements report the Authority's net assets and changes to them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position.

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

Management's Discussion and Analysis

December 31, 2003 and 2002

In 2002, the Authority's financial statements were prepared for the first time in accordance with the requirements of Governmental Accounting Standards Board Statement Number 34 *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*. However, the 2001 financial results were not restated and therefore do not appear in this Management's Discussion and Analysis. Where appropriate, 2001 results are referenced in this discussion to provide for comparison between years. Three year comparative results will be presented in 2004.

Financial Analysis of the Authority

Net Assets

The Authority's total net assets at December 31, 2003 (See Table A-1) were approximately \$2.69 billion, a 2.0% decrease compared to December 31, 2002. Total assets increased 1.2% to \$4.5 billion and total liabilities increased 6.1% to \$1.8 billion. The Authority's total net assets at December 31, 2002 were approximately \$2.74 billion, a 2.8% decrease compared to December 31, 2001. Total assets increased 2.8% to \$4.5 billion and total liabilities increased 13.2% to \$1.7 billion.

Table A-1

Net Assets

December 31, 2003 and 2002
(In millions of dollars)

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Unrestricted current assets	\$ 133.7	112.7	18.6
Restricted current assets	232.3	236.9	(1.9)
Capital assets	4,149.6	4,113.9	0.9
Noncurrent assets	<u>13.9</u>	<u>14.7</u>	<u>(5.4)</u>
Total assets	<u>4,529.5</u>	<u>4,478.2</u>	<u>1.2</u>
Current liabilities	812.7	676.6	20.1
Noncurrent liabilities	<u>1,028.3</u>	<u>1,058.2</u>	<u>(2.8)</u>
Total liabilities	<u>1,841.0</u>	<u>1,734.8</u>	<u>6.1</u>
Net assets:			
Invested in capital assets, net of related debt	2,502.8	2,568.1	(2.5)
Restricted for debt service	80.0	80.3	(0.4)
Restricted for reserve maintenance	34.0	57.0	(40.4)
Restricted for construction	28.2	14.9	89.3
Unrestricted	<u>43.4</u>	<u>23.1</u>	<u>87.9</u>
Total net assets	<u>\$ 2,688.4</u>	<u>2,743.4</u>	<u>(2.0)</u>

The 20.1% increase in current liabilities is due primarily to the issuance of \$350 million of bond anticipation notes in 2003. Approximately \$206 million of this issuance was used to retire previously issued bond anticipation notes and the remaining \$144 million is being used to fund the Authority's capital program.

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

Management's Discussion and Analysis

December 31, 2003 and 2002

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and is reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. The outstanding indebtedness includes revenue bonds, special obligation bonds, and bond anticipation notes. (See note 6 for further discussion of long-term debt). Invested in capital assets, net of related debt decreased by 2.5% as a result of note proceeds being issued to fund a majority of its capital expenditures.

When there are unspent related note proceeds, as there are at December 31, 2003 and 2002, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets net of related debt. Instead, that portion of the debt is included in the net assets component restricted for construction as an offset to the related note proceeds outstanding. As a result, the net asset amount restricted for construction primarily represents the amount of federal aid due to the Authority as of December 31st and will therefore fluctuate on an annual basis.

Changes in Net Assets

Net assets decreased by \$54.9 million in 2003 compared to 2002 (See Table A-2). The Authority's total operating revenues for 2003 were \$457.6 million, an increase of \$5.4 million or 1.2% compared to 2002. Total operating expenses including depreciation and amortization were \$521.4 million, an increase of \$20.9 million or 4.2% compared to 2002.

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

Management's Discussion and Analysis

December 31, 2003 and 2002

Table A-2
Changes in Net Assets
Year ended December 31, 2003 and 2002
(In millions of dollars)

	2003	2002	% Change
Operating revenues:			
Toll revenue	\$ 427.2	423.4	0.9
Concession revenue	14.7	14.8	(0.7)
Miscellaneous	15.7	14.0	12.1
Total operating revenues	<u>457.6</u>	<u>452.2</u>	<u>1.2</u>
Operating expenses:			
Administrative	19.7	21.3	(7.5)
Engineering services	4.6	5.0	(8.0)
Maintenance	89.4	87.5	2.2
Finance and accounts	5.7	5.5	3.6
Operations	75.9	74.4	1.9
General charges	81.2	70.2	15.7
Canals	43.8	39.3	11.5
Interstate 84	12.0	10.6	13.2
Other authority projects	2.9	5.4	(46.3)
Depreciation and amortization	186.3	181.3	2.8
Total operating expenses	<u>521.5</u>	<u>500.5</u>	<u>4.2</u>
Operating loss	<u>(63.9)</u>	<u>(48.3)</u>	<u>(32.1)</u>
Nonoperating revenue (expenses):			
Interest expense	(63.4)	(66.5)	4.7
Nonoperating revenues	14.4	11.9	21.0
Net nonoperating expenses	<u>(49.0)</u>	<u>(54.6)</u>	<u>10.3</u>
Loss before other revenue and special items	(112.9)	(102.9)	(9.6)
Capital contribution	57.9	32.3	79.3
Special item	—	(8.9)	100.0
Change in net assets	<u>(55.0)</u>	<u>(79.5)</u>	<u>30.9</u>
Total net assets, beginning of the year	<u>2,743.4</u>	<u>2,822.9</u>	<u>(2.8)</u>
Total net assets, end of the year	<u>\$ 2,688.4</u>	<u>2,743.4</u>	<u>(2.0)</u>

Toll revenue for 2003 increased \$3.8 million or .9%. Passenger toll revenue increased \$3.3 million or 1.3% and commercial toll revenue increased \$.5 million or .3% due to normal traffic growth. Toll revenue for 2002 increased \$11.6 million or 2.8%. Passenger toll revenue increased \$8.4 million or 3.4% and commercial toll revenue increased \$3.2 million or 1.9% due to normal traffic growth.

General charges increased by \$11 million in 2003 compared to 2002. This increase is primarily due to higher pension and health insurance costs, as well as higher insurance premiums for property and casualty policies, including terrorism coverage for the Tappan Zee Bridge. An adjustment in 2002 to decrease the estimated losses on outstanding self-insured liability claims also contributed to the increase in 2003.

Canal operating expenses increased by \$4.5 million in 2003 compared to 2002. This increase is primarily due to projects to rehabilitate the harbor in Little Falls and to build multi-use trails from Canajoharie to Fort Hunter, and Fort Plain to Minden.

Other Authority Projects decreased by \$2.5 million in 2003. This decrease is primarily due to the completion of the "C" Street Reconstruction project in 2002.

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2003 and 2002

Capital contribution increased by \$25.6 million or 79.3% compared to 2002. This increase is primarily due to more capital projects being funded with federal aid and ownership of the fiber optic system located within the Authority's right-of-way being transferred to the Authority from Adesta Communications, Inc. The value of the fiber optic system on the date of transfer was approximately \$13.5 million.

In 2002, the Authority executed an Early Retirement Incentive at a cost of \$8.9 million. The cost of this program was recognized as a special item in 2002. No transactions occurred in 2003 that warranted consideration as a special item.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2003, the New York State Thruway Authority had invested approximately \$6.9 billion in capital assets, including roads, bridges, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2003, totaled approximately \$4.2 billion, (See Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$36 million or .9% over December 31, 2002.

As of December 31, 2002, the New York State Thruway Authority had invested approximately \$6.8 billion in capital assets, including roads, bridges, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2002, totaled approximately \$4.1 billion, (See Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$84 million or 2.1% over December 31, 2001.

Table A-3

Capital Assets

December 31, 2003 and 2002
(In millions of dollars)

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Land and land improvements	\$ 785.5	772.6	1.7
Construction work in progress	269.0	306.5	(12.2)
Thruway System	5,339.8	5,275.4	1.2
Canal System	295.4	267.3	10.5
Equipment	188.4	171.5	9.9
Less accumulated depreciation	<u>(2,728.5)</u>	<u>(2,679.4)</u>	<u>1.8</u>
Total net capital assets	<u>\$ 4,149.6</u>	<u>4,113.9</u>	<u>0.9</u>

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2003 and 2002

In 2003 the Thruway System and land improvement capital asset values increased by \$64.3 million and \$12.9 million, respectively. These increases are primarily due to the completion of the 4th lane widening project in Buffalo, the Reconstruction of Interchange 34A in Syracuse, and the ownership transfer of the fiber optic system to the Authority. Construction work in progress decreased \$37.5 million as a result of projects being completed in 2003. The Canal System increased by \$28.1 million as a result of completing the rehabilitation of Lock E-2 in Waterford, and several other smaller infrastructure projects. Equipment increased by \$16.9 million primarily due to the installation of a new computer network, and purchases of vehicles, highway equipment and E-Z pass tags.

In 2002, construction work in progress increased by approximately \$91.0 million as a result of continuing rehabilitation and improvement of infrastructure assets identified in the Authority's Six Year Capital Program. Completed projects resulted in increases of approximately \$51.8 million and \$11.1 million, respectively, in the Thruway System and land improvement capital asset values. The Canal System increased by \$46.1 million primarily due to the continuing rehabilitation of canal locks and the construction of a new canal maintenance facility in Syracuse, New York. Equipment increased by \$5.6 million primarily due to the purchase of E-ZPass tags necessary to accommodate the growing customer base for electronic toll collection and the need to replace older tags.

More detailed information about the Authority's capital assets is presented in note 4.

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 also 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 capital plan. Some of the general revenue bonds were issued to refund earlier issues. General Revenue Bond Anticipation Notes, some in the form of liquidity supported commercial paper, have also been issued as an additional source of funds for the Authority's Capital Program. The Authority issued \$30.8 million in special obligation bonds in 1991 to fund the purchase from the State of New York of an eleven mile highway, designated Interstate Route 287, in Westchester County, New York.

At December 31, 2003, the Authority has approximately \$1,046.8 million in revenue and special obligation bonds and \$650 million in bond anticipation notes outstanding, a 7.3% increase from December 31, 2002 (See Table A-4). Of the \$1,031.6 million in revenue bonds outstanding, approximately \$177 million are insured and rated Aaa by Moody's and AAA by Standard and Poor's (S&P). The remaining revenue bonds are rated AA- by S&P and Aa3 by Moody's. The special obligation bonds are not insured and are rated A- by S&P. Of the \$650 million in bond anticipation notes, \$300 million are supported with a standby credit facility and are rated P-1 by Moody's and A-1+ by S&P. The remainder of the notes are rated MIG-1 and SP-1+ by Moody's and S&P, respectively. As part of S&P's ongoing secondary market surveillance during 2004, they have reviewed the Authority's latest financial report and various other relevant data. As a result of this review, S&P has affirmed the current ratings on the Authority's outstanding debt and provided a stable ratings outlook.

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2003 and 2002

At December 31, 2002, the Authority has approximately \$1,080.4 million in revenue and special obligation bonds and \$500.4 million in bond anticipation notes outstanding, a 12.1% increase from December 31, 2001 (See Table A-4). Of the \$1,058 million in revenue bonds outstanding, approximately \$188.4 million were insured and rated Aaa by Moody's and AAA by S&P. The remaining revenue bonds were rated AA-by S&P and Aa3 by Moody's. The special obligation bonds were not insured and were rated BBB by S&P. Of the \$500.4 million in bond anticipation notes, \$300 million were supported with a standby credit facility and were rated P-1 by Moody's and A-1+ by S&P. The remainder of the notes were rated MIG-I and SP-1+ by Moody's and S&P, respectively.

Table A-4
Outstanding Debt

Year ended December 31, 2003
(In millions of dollars)

	Beginning balance	Additions	Retired	Ending balance
General Revenue Bonds	\$ 1,058.0	—	(26.4)	1,031.6
Special Obligation Bonds	22.4	1.8	(8.9)	15.3
Total bonds	1,080.4	1.8	(35.3)	1,046.9
Bond Anticipation Notes	500.4	350.1	(200.5)	650.0
Total bonds and notes	\$ 1,580.8	351.9	(235.8)	1,696.9

Year ended December 31, 2002
(In millions of dollars)

	Beginning balance	Additions	Retired	Ending balance
General Revenue Bonds	\$ 1,081.3	—	(23.3)	1,058.0
Special Obligation Bonds	28.4	2.3	(8.3)	22.4
Total bonds	1,109.7	2.3	(31.6)	1,080.4
Bond Anticipation Notes	300.0	201.7	(1.3)	500.4
Total bonds and notes	\$ 1,409.7	204.0	(32.9)	1,580.8

On January 15, 2004, the Authority purchased a municipal bond debt service reserve fund policy in substitution of the Senior Debt Service Reserve Fund requirements for the Authority's General Revenue Bonds, Series C, D, and E. Approximately \$68 million on deposit in the Senior Debt Service Reserve Fund will be transferred to the Construction Fund and Reserve Maintenance Fund to finance the Authority's capital program.

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

Management's Discussion and Analysis

December 31, 2003 and 2002

On March 24, 2004, the Authority issued Series 2004A Bond Anticipation Notes that yielded net proceeds of \$381 million. Approximately \$354 million of this issuance was used to retire the Series 2003A Bond Anticipation Notes and the remaining \$27 million will be used to finance the Authority's capital program.

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

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 & 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, 2003 and 2002

Assets	2003	2002
	(In thousands)	
Current assets:		
Cash and cash equivalents	\$ 79,800	74,608
Investments	1,494	1,941
Accrued interest receivable	72	591
Accounts receivable, net	34,321	23,143
Materials and other inventory	15,694	11,125
Prepaid insurance and deferred expenses	2,352	1,240
Restricted:		
Cash and cash equivalents	170,492	114,953
Investments	33,435	102,354
Accrued interest receivable	188	569
Accounts receivable, net	28,143	19,063
Total current assets	<u>365,991</u>	<u>349,587</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	4,149,563	4,113,912
Investment in State Infrastructure Bank	3,000	3,000
Bond issuance costs, less accumulated amortization	10,899	11,725
Total noncurrent assets	<u>4,163,462</u>	<u>4,128,637</u>
Total assets	<u>4,529,453</u>	<u>4,478,224</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	79,698	89,781
Accrued wages and employee benefits	8,398	18,718
Deferred revenue	30,186	26,591
Accrued interest payable	3,506	5,436
Current amount due on bonds, notes and other long-term liabilities	690,944	536,078
Total current liabilities	<u>812,732</u>	<u>676,604</u>
Noncurrent liabilities:		
Bonds and notes payable, net of unamortized discounts and premiums	1,009,118	1,044,755
Other long-term liabilities	19,182	13,498
Total noncurrent liabilities	<u>1,028,300</u>	<u>1,058,253</u>
Total liabilities	<u>1,841,032</u>	<u>1,734,857</u>
Net Assets		
Invested in capital assets, net of related debt	2,502,853	2,568,066
Restricted for:		
Debt service	79,954	80,276
Reserve maintenance	33,997	56,959
Construction	28,206	14,950
Unrestricted	43,411	23,116
Total net assets	<u>\$ 2,688,421</u>	<u>2,743,367</u>

See accompanying notes to basic financial statements.

NEW YORK STATE THRUWAY AUTHORITY

(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Operating revenues:		
Tolls, net of volume discounts of \$9,385 and \$8,967 for 2003 and 2002, respectively	\$ 427,184	423,359
Concessions	14,710	14,798
Miscellaneous	15,732	14,070
Total operating revenues	<u>457,626</u>	<u>452,227</u>
Operating expenses:		
Administrative	19,666	21,346
Engineering services	4,559	5,011
Maintenance engineering:		
Thruway maintenance	68,527	67,036
Equipment maintenance	20,893	20,446
Finance and accounts	5,684	5,486
Operations:		
Traffic and services	6,815	6,471
State police	27,486	26,107
Toll collection	41,542	41,892
General charges	81,189	70,202
Canals	43,834	39,309
Interstate 84	11,947	10,566
Other Authority Projects	2,944	5,370
Depreciation and amortization	186,353	181,279
Total operating expenses	<u>521,439</u>	<u>500,521</u>
Operating loss	<u>(63,813)</u>	<u>(48,294)</u>
Nonoperating revenues (expenses):		
Interest revenue on investments	820	1,768
Interest expense	(63,412)	(66,492)
Federal and other aid	13,561	10,140
Net nonoperating expenses	<u>(49,031)</u>	<u>(54,584)</u>
Loss before other revenue and special items	(112,844)	(102,878)
Capital contributions	57,898	32,300
Special item – early retirement expense	<u>—</u>	<u>(8,902)</u>
Change in net assets	(54,946)	(79,480)
Total net assets, beginning of year	<u>2,743,367</u>	<u>2,822,847</u>
Total net assets, end of year	\$ <u><u>2,688,421</u></u>	<u><u>2,743,367</u></u>

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Cash flows from operating activities:		
Cash received from toll collections	\$ 438,705	432,123
Cash received from concession sales	14,438	15,316
Other operating cash receipts	7,894	14,429
Personal service payments	(157,915)	(180,208)
Fringe benefit payments	(45,259)	(57,484)
E-Zpass account management payments	(17,827)	(18,874)
Cash payments to vendors and contractors	(129,660)	(57,192)
Net cash provided by operating activities	<u>110,376</u>	<u>148,110</u>
Cash flows from noncapital financing activities:		
Federal aid and other reimbursements	<u>9,722</u>	<u>7,326</u>
Cash flows from capital and related financing activities:		
Proceeds from debt issued	360,292	201,818
Federal aid and other capital contributions	35,723	29,197
Construction of capital assets	(223,397)	(254,329)
Principal paid on capital debt	(236,990)	(29,892)
Interest paid on capital debt	(67,057)	(65,941)
Proceeds from sale of capital assets	902	1,229
Net cash used by capital and related financing activities	<u>(130,527)</u>	<u>(117,918)</u>
Cash flows from investing activities:		
Purchase of investments	(173,886)	(324,201)
Proceeds from sale and maturities of investments	243,252	301,354
Interest on investments	1,794	2,284
Net cash provided (used) by investing activities	<u>71,160</u>	<u>(20,563)</u>
Net increase in cash and cash equivalents	60,731	16,955
Cash and cash equivalents, beginning of year	<u>189,561</u>	<u>172,606</u>
Cash and cash equivalents, end of year	<u>\$ 250,292</u>	<u>189,561</u>

(Continued)

NEW YORK STATE THRUWAY AUTHORITY

(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (63,813)	(48,294)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	186,353	181,279
Capitalized interest	681	—
Net changes in assets and liabilities:		
(Increase) decrease in receivables	(6,778)	4,669
(Increase) decrease in inventories	(4,569)	1,663
(Increase) in prepaid expenses	(1,112)	(366)
Increase (decrease) accounts payable and accrued expenses	5,653	(6,030)
Increase (decrease) in accrued wages and benefits	(9,634)	10,211
Increase in deferred revenue	3,595	4,978
Net cash provided by operating activities	\$ <u>110,376</u>	<u>148,110</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 79,800	74,608
Restricted cash and cash equivalents	<u>170,492</u>	<u>114,953</u>
Total cash and cash equivalents	\$ <u>250,292</u>	<u>189,561</u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

December 31, 2003 and 2002

(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 (State) in August 1992 to accept jurisdiction and control over the State Canal System from the State. The Authority and the Canal Corporation, each consist of a Board of three members, appointed by the Governor, with the consent of the New York State Senate.

The Authority is responsible for a 641-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. Pursuant to this legislation, the Authority is prohibited from imposing any toll, fee, rental, or charge for the use of the CWE or I-84. The legislation which transferred responsibility for maintenance of the Canal System to a subsidiary corporation of the Authority and transferred the CWE and I-84 to 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". The accounts and activities of the Canal Corporation and these "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 (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 of New York may from time to time 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, New York State Canal Corporation and the Canal Development Fund, henceforth referred to as the "Authority".

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

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

Notes to Basic Financial Statements

December 31, 2003 and 2002

(2) Summary of Significant Accounting Policies

The accounting policies and financial reporting practices of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and solely GASB pronouncements issued subsequently. The more significant accounting policies are described below:

(a) Changes in Accounting Principles

In 2002, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments - Omnibus*. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of implementation include changes in financial statement presentation, the inclusion of management's discussion and analysis, and the preparation of a Statement of Cash Flows on the direct method.

As a special purpose government engaged only in business-type activities, the Authority is now required to follow financial reporting for enterprise funds. Prior to Statement 34, the Authority followed the requirements for financial reporting as a general purpose government. The change in presentation is significant.

Under Statement 34 the Authority's activities are presented in a singular column format rather than in multiple funds and account groups and changes the basis of accounting from modified accrual to full accrual. The most significant impact of this change is the inclusion of capital assets and long-term liabilities in the combined net assets of the Authority. The adoption of Statement 34 had the following impact on the Authority's net assets at the beginning of 2002 (in thousands):

Combined governmental fund balance at December 31, 2001	\$ 172,295
Net adjustment for inclusion of capital assets and long-term liabilities	<u>2,650,552</u>
Net assets at January 1, 2002	<u><u>\$ 2,822,847</u></u>

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures* (Statement 38) in 2002. Statement 38 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of the Statement 34 reporting model. Statement 38 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

NEW YORK STATE THRUWAY AUTHORITY
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Notes to Basic Financial Statements

December 31, 2003 and 2002

(b) *Basis of Accounting*

The operations of the Authority are presented as an enterprise fund following the accrual basis of accounting in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statement of Net Assets. 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 sundry revenue collected primarily from the lease of property. Operating expenses for the Authority include the maintenance costs of operating the Authority, administrative expenses, and depreciation on capital assets including infrastructure. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, however, the Authority's bond resolution 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 external financial statements.

(c) *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 consist of money market instruments with a maturity of more than three months but less than one year and are recorded at amortized cost. These investments are not included in cash and cash equivalents in the Statement of Cash Flows.

(d) *Accounts Receivable, Net*

Accounts receivable consist primarily of accounts receivable from commercial trucking companies and of amounts receivable from the Federal government under various Federal programs. All commercial accounts receivable are guaranteed by surety bonds and cash deposits. An allowance of \$150,000 in 2002 and 2003 has been established for estimated uncollectible accounts receivable.

(e) *Materials and Other Inventory*

Materials and other inventory consist of stores, materials, and supplies inventory and are valued at cost (weighted average cost). The cost of inventory items is recognized as an expense when used.

NEW YORK STATE THRUWAY AUTHORITY
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Notes to Basic Financial Statements

December 31, 2003 and 2002

(f) *Deferred Revenue*

Deferred revenue consists of the prepaid deposits made by private and commercial customers into their E-Z Pass accounts held by the Authority and 2004 and 2003 annual permit revenue collected in 2003 and 2002, respectively.

(g) *Restricted Assets*

Certain proceeds of the Thruway revenue bonds are restricted by applicable bond covenants for construction or set aside as reserves to ensure repayment of the bonds. Also, certain other assets are accumulated and restricted in accordance with the bond resolutions for the purpose of paying debt interest and principal payments that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining the reserve funds at required levels. Payments from these restricted funds are strictly governed by the bond resolutions and adhered to. Those types of expenses which do not meet these standards are paid from unrestricted funds. The restricted funds established pursuant to bond resolutions and applicable balances at December 31, 2003 and 2002 are as follows:

Senior Debt Service Fund: Established to receive funds from the Revenue Fund to make periodic payments of interest and principal on the dates due. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$260,000, and \$296,000 respectively.

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve month period on all outstanding bonds secured by the Senior Debt Service Reserve Fund. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$70,078,000, and \$70,385,000 respectively.

Bond Earnings Fund (Cross-Westchester Expressway Project): Established to receive interest earnings or net gains on investments from various funds, as necessary, to make any required rebate payments to the U.S. Treasury related to the Cross-Westchester Expressway Project Bonds. Any excess funds are deposited into the Bond Revenue Fund. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$45,000, and \$23,000 respectively.

Bond Service Fund (Cross-Westchester Expressway Project): Established to receive funds from the Revenue Fund, representing revenues from restaurant concessionaires, and to make payments of principal and interest on the due dates relating to the Cross-Westchester Expressway Project special obligation bonds. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$1,000, and \$1,000 respectively.

Bond Service Reserve Fund (Cross-Westchester Expressway Project): Established to provide a reserve for payment of principal and interest on the special obligation bonds for the maximum amount of debt service for the bonds in any succeeding calendar year. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$9,570,000 and \$9,570,000, respectively.

NEW YORK STATE THRUWAY AUTHORITY
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Notes to Basic Financial Statements

December 31, 2003 and 2002

Construction Fund: Established to hold moneys paid into it from the sale of bonds 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 terms outlined in the bond resolutions. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$116,892,000, and \$99,189,000, respectively.

Reserve Maintenance Fund: Established to hold funds required to be deposited each fiscal year into the Reserve Maintenance Fund which shall be no less than the greater of \$30,000 or the amount specified in the Independent Consultant's Certificate for such fiscal year (the minimum amount). The amount deposited into the Reserve Maintenance Account may not exceed any amount from time to time established by the Authority pursuant to a Supplemental Resolution (the maximum amount) provided that the maximum amount may not be less than the minimum amount. For both 2003 and 2002 the minimum amount was \$30,000,000. The Authority did not establish a maximum amount for either 2003 or 2002.

Money held in the Reserve Maintenance Fund can be disbursed for specific costs relating to the "Facilities" as defined in the bond resolution, certain highway and railroad grade crossings, and to pay debt service, when due, on the bonds, when deficiencies exist. The amount held in the fund as restricted at December 31, 2003 and 2002 was \$35,413,000 and \$57,474,000 respectively.

(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) 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. A liability for vested compensated absences has been recorded for \$9,506,000 and \$9,495,000 at December 31, 2003 and 2002, respectively. The 2003 compensated absences balance was recorded as a long-term liability in the amount of \$9,506,000 and the 2002 balance was recorded as a long-term liability in the amount of \$8,821,000 and a short-term liability of \$674,000. The short-term liability recognized accrued vacation for liability payments due in 2003 to employees participating in a December 31, 2002 Early Retirement Incentive Program.

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Notes to Basic Financial Statements

December 31, 2003 and 2002

(j) Bond Discounts/Premiums and Bond Issuance Costs

Bond discounts/premiums are presented as a reduction of the face amount of the bonds payable. Bond issuance costs are presented as a deferred asset on the Statement of Net Assets. The discounts/premiums and issuance costs are amortized over the life of the bonds on a method that approximates the effective interest method. Amortization expense related to bond discounts/premiums was \$1,426,000 and \$3,237,000 at December 31, 2003 and 2002, respectively, and is included as a component of interest expense. This reduction is due to the retirement of 1992 Series A General Revenue Bonds in 2002. Depreciation and amortization expense includes amortization of bond issuance costs at December 31, 2003 and 2002 of \$925,000 and \$1,719,000 respectively.

(k) 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 annually to record as a liability 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, 2003 and 2002.

(l) 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.

(m) 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
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Notes to Basic Financial Statements

December 31, 2003 and 2002

(3) Cash and Investments

At December 31, 2003, the Authority's cash and investments were as follows (in thousands):

	<u>Carrying value</u>	<u>Fair value</u>
<u>Cash and cash equivalents:</u>		
Unrestricted:		
Cash:		
Demand deposits	\$ 48,634	48,634
Deposits in transit	1,115	1,115
Toll related change funds	140	140
Total unrestricted cash	<u>49,889</u>	<u>49,889</u>
Cash equivalents:		
Government sponsored agency discount notes	11,616	11,630
Repurchase agreements	18,295	19,517
Total unrestricted cash equivalents	<u>29,911</u>	<u>31,147</u>
Total unrestricted cash and cash equivalents	<u>\$ 79,800</u>	<u>81,036</u>
Restricted:		
Cash:		
Demand deposits	47,871	47,871
Total restricted cash	<u>47,871</u>	<u>47,871</u>
Cash equivalents:		
Government sponsored agency discount notes	85,244	85,320
Repurchase agreements	35,892	38,311
Time deposits	1,485	1,485
Total restricted cash equivalents	<u>122,621</u>	<u>125,116</u>
Total restricted cash and cash equivalents	<u>\$ 170,492</u>	<u>172,987</u>
<u>Investments:</u>		
Unrestricted:		
Time deposits	1,494	1,494
Total unrestricted investments	<u>\$ 1,494</u>	<u>1,494</u>
Restricted:		
Government sponsored agency discount notes	33,235	33,205
Time deposits	200	200
Total restricted investments	<u>\$ 33,435</u>	<u>33,405</u>

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Notes to Basic Financial Statements

December 31, 2003 and 2002

At December 31, 2002, the Authority's cash and investments were as follows (in thousands):

	<u>Carrying value</u>	<u>Fair value</u>
<u>Cash and cash equivalents:</u>		
Unrestricted:		
Cash:		
Demand deposits	\$ 8,162	8,162
Deposits in transit	1,799	1,799
Toll related change funds	139	139
Total unrestricted cash	<u>10,100</u>	<u>10,100</u>
Cash equivalents:		
Government sponsored agency discount notes	46,069	46,117
Repurchase agreements	15,765	16,461
Time deposits	2,674	2,675
Total unrestricted cash equivalents	<u>64,508</u>	<u>65,253</u>
Total unrestricted cash and cash equivalents	<u>\$ 74,608</u>	<u>75,353</u>
Restricted:		
Cash:		
Demand deposits	15,562	15,562
Total restricted cash	<u>15,562</u>	<u>15,562</u>
Cash equivalents:		
Government sponsored agency discount notes	70,981	71,055
Repurchase agreements	24,289	25,363
Time deposits	4,121	4,121
Total restricted cash equivalents	<u>99,391</u>	<u>100,539</u>
Total restricted cash and cash equivalents	<u>\$ 114,953</u>	<u>116,101</u>
<u>Investments:</u>		
Unrestricted:		
Time deposits	\$ 1,941	1,941
Total unrestricted investments	<u>\$ 1,941</u>	<u>1,941</u>
Restricted:		
Government sponsored agency discount notes	79,481	79,969
Repurchase agreements	22,673	22,626
Time deposits	200	200
Total restricted investments	<u>\$ 102,354</u>	<u>102,795</u>

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Notes to Basic Financial Statements

December 31, 2003 and 2002

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. This includes obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers acceptances, and repurchase agreements.

The Authority requires collateral in the form of federal government obligations or agency instruments guaranteed by the federal government, for investments in repurchase agreements. The Authority requires delivery to its Trustee (agent) of all securities purchased and collateral for repurchase agreements, regardless of the seller institution. All Authority investment securities are classified as securities acquired by a financial institution for the Authority and held by the financial institution's trust department in the Authority's name. Bank balances of demand deposits as of December 31, 2003 and 2002 are \$96,505,000 and \$23,724,000 respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee (agent) in the Authority's name.

(4) Capital Assets

Included under capital assets, being depreciated is the Thruway System, Canal System, and Equipment. The Thruway System reflects infrastructure assets consisting of bridges, highways, buildings, toll equipment, and intelligent transportation systems. The Canal System includes canal structures and buildings. Equipment includes software systems, E-ZPass tags, vehicles, and machinery.

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:

Category	Useful life	Threshold
Bridges	45 years	\$ 50,000
Highways	30 years	50,000
Highway improvements	10 years	50,000
Buildings (Thruway)	30 years	20,000
Fiber Optic System	17 years	50,000
Canal Structures	100 years	50,000
Buildings (Canal)	100 years	20,000
Equipment	2-12 years	5,000

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The following schedule summarizes the capital assets of the Authority as of December 31, 2003 (in thousands).

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 772,614	12,890	(1)	785,503
Construction in progress	306,446	129,445	(166,907)	268,984
Total capital assets, not being depreciated	<u>1,079,060</u>	<u>142,335</u>	<u>(166,908)</u>	<u>1,054,487</u>
Capital assets, being depreciated:				
Thruway System	5,275,395	196,498	(132,158)	5,339,735
Canal System	267,349	31,843	(3,809)	295,383
Equipment	171,519	33,762	(17,079)	188,202
Total capital assets, being depreciated	<u>5,714,263</u>	<u>262,103</u>	<u>(153,046)</u>	<u>5,823,320</u>
Less accumulated depreciation for:				
Thruway System	(2,565,805)	(158,607)	123,076	(2,601,336)
Canal System	(22,343)	(2,954)	—	(25,297)
Equipment	(91,263)	(23,867)	13,519	(101,611)
Total accumulated depreciation	<u>(2,679,411)</u>	<u>(185,428)</u>	<u>136,595</u>	<u>(2,728,244)</u>
Net value of capital assets, being depreciated	<u>3,034,852</u>	<u>76,675</u>	<u>(16,451)</u>	<u>3,095,076</u>
Net value of all capital assets	<u>\$ 4,113,912</u>	<u>219,010</u>	<u>(183,359)</u>	<u>4,149,563</u>

At December 31, 2003 depreciation expense related to capital assets was \$185,428,000.

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The following schedule summarizes the capital assets of the Authority as of December 31, 2002 (in thousands).

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 761,546	11,068	—	772,614
Construction in progress	<u>215,489</u>	<u>219,399</u>	<u>(128,442)</u>	<u>306,446</u>
Total capital assets, not being depreciated	<u>977,035</u>	<u>230,467</u>	<u>(128,442)</u>	<u>1,079,060</u>
Capital assets, being depreciated:				
Thruway System	5,223,619	95,538	(43,762)	5,275,395
Canal System	221,252	50,146	(4,049)	267,349
Equipment	<u>165,927</u>	<u>32,918</u>	<u>(27,326)</u>	<u>171,519</u>
Total capital assets, being depreciated	<u>5,610,798</u>	<u>178,602</u>	<u>(75,137)</u>	<u>5,714,263</u>
Less accumulated depreciation for:				
Thruway System	(2,446,679)	(155,929)	36,803	(2,565,805)
Canal System	(19,670)	(2,673)	—	(22,343)
Equipment	<u>(91,563)</u>	<u>(20,958)</u>	<u>21,258</u>	<u>(91,263)</u>
Total accumulated depreciation	<u>(2,557,912)</u>	<u>(179,560)</u>	<u>58,061</u>	<u>(2,679,411)</u>
Net value of capital assets, being depreciated	<u>3,052,886</u>	<u>(958)</u>	<u>(17,076)</u>	<u>3,034,852</u>
Net value of all capital assets	<u>\$ 4,029,921</u>	<u>229,509</u>	<u>(145,518)</u>	<u>4,113,912</u>

At December 31, 2002 depreciation expense related to capital assets was \$179,560,000.

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(5) Lease Agreements

The Authority has entered into various noncancelable contracts with concessionaires to provide patron services on the Thruway System. These contracts provide the Authority with concession revenue, including minimum rentals plus contingent revenues based on sales volume. The Authority also leases land that is used for antenna space and fiber optic cable under noncancelable contracts. Concessions revenue contract terms range from 19 to 26 years. Radio tower contract terms generally range from 5 to 10 years with renewal options of 1 to 10 years and Fiber optic contract terms range from 17 to 20 years. Total future minimum lease payments to be received as of December 31 are:

	<u>Minimum lease revenue</u> (In thousands)
Year:	
2004	\$ 12,787
2005	11,238
2006	3,790
2007	3,761
2008	3,997
Thereafter	<u>17,234</u>
Total	\$ <u><u>52,807</u></u>

The decrease in minimum lease payments in 2006 is the result of a concessionaire agreement expiring on September 30, 2005. The other concessionaire agreement expires on December 31, 2010.

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(6) Long-term Liabilities

The Authority's bond and note indebtedness and other long-term liabilities as of December 31, 2003 are comprised of the following obligations (in thousands):

	Date of issuance	Beginning balance	Additions	Deletions	Ending balance	Due within one year
General revenue bonds:						
1993 Series B	12/93	\$ 167,510	—	(4,725)	162,785	4,935
1995 Series C	2/95	20,845	—	(6,590)	14,255	6,940
1997 Series D	5/97	315,150	—	(6,805)	308,345	7,145
1998 Series E	6/98	568,530	—	(9,755)	558,775	10,150
Unamortized bond discounts/premiums		<u>(14,004)</u>	<u>—</u>	<u>1,426</u>	<u>(12,578)</u>	<u>(1,051)</u>
General revenue bonds net of unamortized discounts/premiums		1,058,031	—	(26,449)	1,031,582	28,119
Special obligation bonds:						
CWE (Accreted value)	3/91	<u>22,363</u>	<u>1,802</u>	<u>(8,940)</u>	<u>15,225</u>	<u>9,570</u>
Total bonds net of unamortized discounts/premiums		\$ <u>1,080,394</u>	<u>1,802</u>	<u>(35,389)</u>	<u>1,046,807</u>	<u>37,689</u>
Bond anticipation notes:						
Series CP-1	4/00	\$ 150,000	—	—	150,000	150,000
Series CP-2	5/01	150,000	—	—	150,000	150,000
Series 2002A	4/02	200,000	—	(200,000)	—	—
Series 2003A	3/03	—	350,000	—	350,000	350,000
Unamortized notes premium		<u>439</u>	<u>88</u>	<u>(506)</u>	<u>21</u>	<u>21</u>
Total bond anticipation notes and unamortized premium		<u>500,439</u>	<u>350,088</u>	<u>(200,506)</u>	<u>650,021</u>	<u>650,021</u>
Total bonds and notes net of unamortized discounts/premiums		\$ <u>1,580,833</u>	<u>351,890</u>	<u>(235,895)</u>	<u>1,696,828</u>	<u>687,710</u>
Other long-term liabilities:						
SIB loan payable		\$ 150	8,850	(1,976)	7,024	1,728
NITTEC loan payable		—	1,354	—	1,354	1,000
Claims liability		4,527	267	(262)	4,532	506
Compensated absences		<u>9,495</u>	<u>690</u>	<u>(679)</u>	<u>9,506</u>	<u>—</u>
Total other long-term liabilities		\$ <u>14,172</u>	<u>11,161</u>	<u>(2,917)</u>	<u>22,416</u>	<u>3,234</u>

Additions to the special obligation bonds represent the current accretion on the capital appreciation bonds.

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The Authority's bond and note indebtedness and other long-term liabilities as of December 31, 2002 are comprised of the following obligations (in thousands):

	<u>Date of issuance</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
General revenue bonds:						
1992 Series A	8/92	\$ 7,630	—	(7,630)	—	—
1993 Series B	12/93	172,035	—	(4,525)	167,510	4,725
1995 Series C	2/95	27,105	—	(6,260)	20,845	6,590
1997 Series D	5/97	321,640	—	(6,490)	315,150	6,805
1998 Series E	6/98	570,170	—	(1,640)	568,530	9,755
Unamortized bond discounts/premiums		<u>(17,241)</u>	<u>—</u>	<u>3,237</u>	<u>(14,004)</u>	<u>(1,176)</u>
General revenue bonds net of unamortized discounts/premiums		1,081,339	—	(23,308)	1,058,031	26,699
Special obligation bonds:						
CWE (Accreted value)	3/91	<u>28,423</u>	<u>2,290</u>	<u>(8,350)</u>	<u>22,363</u>	<u>8,940</u>
Total bonds net of unamortized discounts/premiums		<u>\$ 1,109,762</u>	<u>2,290</u>	<u>(31,658)</u>	<u>1,080,394</u>	<u>35,639</u>
Bond anticipation notes:						
Series CP-1	4/00	\$ 150,000	—	—	150,000	150,000
Series CP-2	5/01	150,000	—	—	150,000	150,000
Series 2002A	4/02	—	200,000	—	200,000	200,000
Unamortized Series 2002A premium		<u>—</u>	<u>1,688</u>	<u>(1,249)</u>	<u>439</u>	<u>439</u>
Total bond anticipation notes and unamortized premium		<u>300,000</u>	<u>201,688</u>	<u>(1,249)</u>	<u>500,439</u>	<u>500,439</u>
Total bonds and notes net of unamortized discounts/premiums		<u>\$ 1,409,762</u>	<u>203,978</u>	<u>(32,907)</u>	<u>1,580,833</u>	<u>536,078</u>
Other long-term liabilities:						
SIB loan payable		\$ 150	—	—	150	—
Claims liability		6,500	—	(1,973)	4,527	—
Compensated absences		<u>8,889</u>	<u>606</u>	<u>—</u>	<u>9,495</u>	<u>674</u>
Total other long-term liabilities		<u>\$ 15,539</u>	<u>606</u>	<u>(1,973)</u>	<u>14,172</u>	<u>674</u>

Additions to the special obligation bonds represent the current accretion on the capital appreciation bonds.

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Amounts due on January 1 of each year are paid the previous day on December 31. The debt service requirements for the Authority's bonds as of December 31, 2003 and 2002 are as follows (in thousands):

December 31, 2003			
Due	Principal	Interest	Total
1/1/05	\$ 37,514	54,992	92,506
1/1/06	37,461	52,919	90,380
1/1/07	32,200	50,749	82,949
1/1/08	33,905	49,052	82,957
1/1/09	35,710	47,220	82,930
1/1/10 – 1/1/14	208,705	206,024	414,729
1/1/15 – 1/1/19	269,185	145,551	414,736
1/1/20 – 1/1/24	319,950	70,760	390,710
1/1/25 – 1/1/27	84,755	8,091	92,846
Unamortized discounts/premiums	(12,578)	—	(12,578)
Net bond principal outstanding	\$ 1,046,807	685,358	1,732,165
December 31, 2002			
Due	Principal	Interest	Total
1/1/04	\$ 35,013	56,861	91,874
1/1/05	37,514	54,992	92,506
1/1/06	37,461	52,919	90,380
1/1/07	32,200	50,749	82,949
1/1/08	33,905	49,052	82,957
1/1/09 – 1/1/13	198,285	216,437	414,722
1/1/14 – 1/1/18	256,045	158,670	414,715
1/1/19 – 1/1/23	327,745	87,272	415,017
1/1/24 – 1/1/27	136,230	15,266	151,496
Unamortized discounts/premiums	(14,004)	—	(14,004)
Net bond principal outstanding	\$ 1,080,394	742,218	1,822,612

General Revenue Bonds – Series B: During December 1993, the Authority issued \$202,345,000 in General Revenue Bonds to fund a portion of the Authority's capital construction program, to fund capital costs of certain Other Projects, and to fund certain reserve accounts.

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The 1993 General Revenue Bonds are comprised of Serial Bonds and Term Bonds (including Variable Rate Bonds and Convertible Inverse Floating Rate Bonds) with varying rates and maturities. Amounts outstanding at December 31, 2003:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	4.7% - 5.0%	2005 - 2009	\$ 27,190
Term Bonds	5.0%	2014	34,655
Term Bonds	5.0%	2020	50,940
VRDNS/INFLOS	5.0%	2024	50,000
			\$ 162,785

Principal payments under the Series B Serial Bonds began on December 31, 1994. The Series B Bonds maturing 2014 and thereafter require sinking fund installments, beginning in the year 2010, through the year 2024 of amounts ranging from \$3,510,000 to \$12,490,000 annually. The Series B Term Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2010, at 100% of par, plus accrued interest. Principal of \$4,725,000 maturing January 1, 2004 was paid in December 2003.

General Revenue Bonds – Series C: During February 1995, the Authority issued \$320,000,000 in General Revenue Bonds to refund General Revenue Bond Anticipation Notes, to fund the costs of improvements and rehabilitation of portions of the Thruway System, to fund certain Other Authority Projects and to fund certain reserve accounts.

The outstanding 1995 General Revenue Bonds are comprised of Serial Bonds, with varying rates and maturities. Amounts outstanding at December 31, 2003:

Type	Rates	Maturity	Amount (In thousands)
Serial Bonds	5.4% - 5.5%	2005 - 2006	\$ 14,255

Principal payments under the Series C Serial Bonds began on December 31, 1995. In June, 1998, the Authority issued Series E General Revenue Refunding Bonds which refunded \$257,835,000 of outstanding Series C Bonds. The net proceeds of the Series E Bonds were deposited in an escrow account held by the trustee to provide principal and interest payments on the refunded Series C Bonds at their respective maturity or redemption dates. Principal of \$6,590,000 maturing January 1, 2004 was paid in December 2003.

General Revenue Bonds – Series D: During May 1997, the Authority issued \$350,000,000 in General Revenue Bonds to fund a portion of the cost of the Authority's Six Year Capital Plan, for the period 1997 through 2002 and to fund certain reserve accounts.

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The 1997 General Revenue Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. Amounts outstanding at December 31, 2003 are as follows:

Type	Rates	Maturity	Amount (In thousands)
Serial Bonds	5.05% - 5.5%	2005 - 2017	\$ 128,795
Term Bonds	5.25%	2021	60,910
Term Bonds	5.375%	2027	118,640
			\$ 308,345

Principal payments under the Series D Serial Bonds began on December 31, 1997 and continue through the year 2017 in amounts ranging from \$5,180,000 to \$13,350,000 annually. The Series D Term Bonds require sinking fund installments, beginning in the year 2018, through the year 2027, of amounts ranging from \$14,080,000 to \$22,450,000 annually. The Series D Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2007 at a redemption price up to 102% of par, plus accrued interest. Principal of \$6,805,000 maturing January 1, 2004 was paid in December 2003.

General Revenue Refunding Bonds – Series E: During June 1998, the Authority issued \$575,555,000 in General Revenue Refunding Bonds to advance refund \$288,080,000 of outstanding Series A Bonds and \$257,835,000 of outstanding Series C Bonds. The net proceeds of \$572,368,000 (including net original issue premium of \$274,000 and after payment of \$3,461,000 in underwriting fees, and other issuance costs) plus an additional \$14,466,000 of Series A and Series C Debt Service and Debt Service Reserve monies were used to purchase U.S. Government Securities. Those securities were deposited in an escrow fund with an escrow agent to provide future debt service payments on the Series A and Series C Bonds. As a result, the refunded portions of the Series A and Series C Bonds are considered defeased and the liability for those bonds has been removed from the bond indebtedness.

The Authority completed the advance refunding to reduce debt service payments over the life of the bonds by \$33,560,000, with a net present value gain of \$18,843,000.

The 1998 General Revenue Refunding Bonds are comprised of both serial and term bonds, with varying rates and maturities. Amounts outstanding at December 31, 2003 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	4.2% to 5.5%	2005 to 2017	\$ 293,565
Term Bonds	4.75%	2019	67,865
Term Bonds	5.0%	2025	197,345
			\$ 558,775

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Principal payments under the Series E Serial Bonds began on December 31, 1998. The Series E Term Bonds require sinking fund installments, beginning in the year 2018, through the year 2025, of amounts ranging from \$19,800,000 to \$42,105,000 annually. The Series E Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2008 at redemption prices up to 101% of par plus accrued interest. Principal of \$9,755,000 maturing January 1, 2004 was paid in December 2003.

The 1992 (Series A), 1993 (Series B), 1995 (Series C), 1997 (Series D), and 1998 (Series E) General Revenue Bonds are all direct obligations of the Authority, secured by a pledge of revenues and funds established under the Bond Resolution. In 1995, the Authority obtained a municipal bond debt service reserve fund policy of financial guaranty payable in the maximum amount of \$13,118,000, for the Senior Debt Service Reserve Fund in substitution for a portion of the Senior Debt Service Reserve Fund requirement.

Cross Westchester Expressway (CWE) Special Obligation Bonds: During 1991, the Authority issued approximately \$31 million in capital appreciation bonds, to fund the purchase, from the State of New York, of an eleven-mile highway connection designated as Interstate Route-287 in Westchester County. Commencing in 1997, debt service will be funded through a secured lien on post-1996 rental payments received by the Authority from the operations of certain restaurants along the Thruway System. The present value of bonds outstanding relating to this issue (inclusive of accreted interest) was \$15,225,000 at December 31, 2003. Principal of \$8,940,000 maturing January 1, 2004 was paid in December 2003.

Bond Anticipation Notes: The Authority issued General Revenue Bond Anticipation Notes in the form of liquidity supported commercial paper on April 5, 2000 and June 4, 2001 totaling \$300 million. The program was developed to provide an additional source of funds to manage the Authority's Capital Program. The program enables the Authority to access tax exempt short-term markets. The Authority rolled commercial paper in varying amounts during 2003 with maturities ranging from 1 day to 206 days and interest rates of 0.75% to 1.15%. The bond anticipation notes will be retired or converted to long-term bonds within five years of original issuance.

On April 3, 2002, the Authority issued \$200 million in traditional bond anticipation notes with an interest rate of 3.25% to mature March 26, 2003. Additionally, on March 26, 2003, the Authority issued \$350 million in traditional bond anticipation notes with an interest rate of 1.125% to mature March 25, 2004. These notes were sold to pay the maturing principal and interest due on the Series 2002A notes and fund a portion of the Authority's Capital Program. As a result, the liability related to the Series 2002A notes has been removed from the bond indebtedness.

(7) Special Bond Programs

The Authority's special bonds 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.

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Bond indebtedness under 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 no lien on Authority revenues or assets. The following are descriptions of the Authority's special bond programs.

Emergency Highway Construction and Reconstruction Special Bond Program: The Legislature of the State of New York empowered the Authority to issue Construction and Reconstruction (C&R) Bonds to reimburse the State for expenditures made by the State's Department of Transportation. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding as of December 31, 2001 totaled \$108,675,000, related to the 1992 and 1993 C&R bond series. These bonds were subsequently defeased in 2002.

Emergency Highway Reconditioning and Preservation Special Bond Program: The Legislature of the State of New York empowered the Authority to issue Reconditioning and Preservation (R&P) Bonds to reimburse the State for expenditures made by the State's Department of Transportation. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding as of December 31, 2001 totaled \$47,125,000 related to 1993 R & P Bonds. These bonds were subsequently defeased in 2002.

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. As of December 31, 2003, fourteen series of these bonds are currently outstanding. These series were issued between 1993 and 2003, with multiple issuances in some years.

During 2003, the Authority refunded \$488,720,000 in outstanding CHIPS Bonds, which generated \$18.7 million in present value savings. As part of the transaction, the Authority entered into floating to fixed rate swap agreements with eight counterparties totaling \$530,775,000. The notional amounts of the swaps begin amortizing on March 15, 2011 and end on March 3, 2021. The Authority has diversified its counterparty risk among eight different counterparties. The risk of termination due to a failure to perform by any one of the counterparties is viewed as remote by virtue of their high credit ratings. Also, downgrade protections in the contracts with counterparties provide additional protection from a decline in the credit worthiness of the counterparties. There is a risk that the floating rate on the swaps will not fully offset the floating rate on the Authority's underlying bonds. Factors that influence the relationship are (i) the absolute level of market interest rates, (ii) State and Federal marginal tax rates, (iii) supply and demand of tax exempt short term securities and (iv) credit factors relevant to the Authority's adjustable rate bonds.

The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding relating to these issues were \$2,166,845,000 and \$2,353,985,000 at December 31, 2003 and 2002, respectively.

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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. On April 3, 2003 and July 16, 2003 two additional bond series were issued totaling \$1,009,490,000 and their outstanding balances remain unchanged as of December 31, 2003. These bonds were the first bonds issued under the Second General Highway and Bridge Trust Fund Bond Resolution, adopted on February 27, 2003 and are called Second General Highway and Bridge Trust Fund Bonds (Series 2003A & 2003B). These bonds were issued for the same purposes as the previously issued bonds (First General Highway and Bridge Trust Fund Bonds) but, are not secured by debt service reserve funds. The Second General Highway and Bridge Trust Fund Bonds are subordinate to the lien securing the First General Highway and Bridge Trust Fund Bonds.

As of December 31, 2003, twenty-one series of these bonds (inclusive of the Second General Highway and Bridge Trust Fund Bonds) are currently outstanding. These series were issued between 1994 and 2003, with multiple issuances in some years. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding relating to these issues were \$5,459,715,000 and \$4,808,480,000 at December 31, 2003 and 2002, 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. As of December 31, 2003, two series of these bonds are currently outstanding. These series were issued on August 7, 2002 and July 23, 2003. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding relating to these issues were \$593,595,000 and \$250,915,000, at December 31, 2003 and 2002.

(8) Retirement Benefits

Pension Plan

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, NY 12244-0001.

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

The rates billed by the Comptroller for ERS during the years ended December 31, 2003 and 2002 were approximately 4.9% and 1.2%, respectively. 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 5.29% for April through December 2003, 5.38% for April 2002 through March 2003, and 3.67% for January through March 2002.

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

	<u>ERS</u>	<u>PFRS</u>
2003	\$ 8,250	1,369
2002	1,794	1,117
2001	913	1,019

The Authority's contributions were equal to 100% of the contributions required for each year, plus the first year installment of \$2,027,000 on a five year amortization of the 2002 early retirement incentive program costs totaling \$8,740,000. These expenses were originally estimated at \$8,902,000 and expenses in 2002, the year in which they were incurred. An entry to adjust the estimated early retirement incentive costs to actual was processed in 2003.

(9) Post Retirement Health Care Benefits

The Authority provides to its retirees, 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. Additionally, the Authority participates, pursuant to the provisions of Section 153(4) of the New York State Civil Service Law in the Health Insurance Program for New York State Employees and Employees of Local Subdivisions in New York State.

The Authority provides certain health care benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they reach the normal retirement age while working for the Authority. These health care benefits are the same as those provided to active employees, with the exception of dental and optical coverage. If retirees want dental and/or optical coverage they must pay for it themselves at the full cost State rate, as required by Federal Law under the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Health insurance costs paid for by the Authority are capped at the Empire Plan rates. If a retiree chooses another qualified plan he/she would be responsible for any difference above the allowed Empire Plan rate. The health insurance costs for retirees choosing individual coverage are paid 100% by the Authority. Retirees opting for family coverage are responsible for 25% of the difference between individual and family coverage. Any amounts owed by the retiree(s) would first be applied against the retiree's existing sick leave bank balance value, with any residual amount paid by the retiree(s).

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Total retiree health care benefits expenses paid and charged to operations were approximately \$14,283,000 and \$11,592,000 in 2003 and 2002, respectively, based on billings from New York State. These charges relate to approximately 2,090 and 1,950 retirees, respectively.

(10) Contingencies and Commitments

The Authority is a party to various legal proceedings, including negligence suits, many of which arise in the normal course of the Authority's operations, and several native American tribal land claims against the State of New York, the Authority and other defendants.

Actions commenced by several Indian nations, which include the Seneca Indian Nation, the Oneida Indian Nation, and the Cayuga Indian Nation, claim that significant amounts of land were unconstitutionally taken from the Indians in violation of various treaties and agreements during the eighteenth and nineteenth centuries. The claimants seek recovery of thousands of acres of land as well as compensatory and punitive damages. Although the amounts of potential losses, if any, are not presently determinable, it is the Authority's opinion that its ultimate liability in these cases is not expected to have a material adverse effect on the Authority's financial position.

As of December 31, 2003 and 2002, the aggregate amount of claims deemed to be 'probable' ranged from \$4.53 million to \$9.20 million and \$4.50 million to \$9.25 million, respectively. The low range of \$4.53 million was recorded as a liability for 2003. However, due to the uncertainty of the ultimate disposition of these claims, the liability could be as much as \$9.20 million.

Changes in the Authority's claims liability amounts in fiscal years 2003 through 2001 were as follows (in thousands):

	Beginning of fiscal year liability	Current-year claims and changes in estimates	Claim payments	Balance at fiscal year-end
2001	\$ 12,400	(4,939)	(961)	6,500
2002	6,500	(1,829)	(144)	4,527
2003	4,527	267	(262)	4,532

Additionally, as of December 31, 2003 and 2002 the aggregate amount of claims deemed to be 'reasonably possible' ranged from \$158,000 to \$35 million and \$550,000 to \$5.20 million, respectively. The above amounts are net of any potential insurance or third party payments.

The Authority's insurance program is comprised of a combination of policies from major insurance companies, self-insurance and contractual transfer of liability, including naming the Authority as an additional insured, and indemnification. The Authority purchases various insurance policies to provide against loss of, or damage to, the facilities and loss of revenue.

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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). Loss of revenues is insured through a use and occupancy policy that covers any interruption in excess of 15 days. In addition, the Authority purchases insurance for workers' compensation benefits and various liability exposures.

The Authority is self insured for property damage to its division headquarters buildings, maintenance facilities, toll plazas 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 \$6.9 million.

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

The amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract at December 31, 2003 and 2002 are as follows (in thousands):

Project	Commitments	
	2003	2002
Highway, bridge and facility, construction, inspection, and design	\$ 248,942	284,081
Personal service and miscellaneous	79,650	30,642
Economic development and Canal	37,094	38,980
Total	\$ 365,686	353,703

(11) Joint Ventures

The Authority has entered into financing mechanisms to help fund transportation initiatives, which benefit regional, statewide and even international transportation systems. These funding mechanisms as detailed below, are the result of joint ventures between the Authority and federal, state and regional partners to bring forth-innovative new technologies and improve existing transportation systems:

State Infrastructure Bank: A State Infrastructure Bank (SIB) is an infrastructure funding program established by the National Highway System Designation Act of 1995 to provide states with the financial resources to make loans and provide other assistance to qualified public and private transportation projects. The Authority cooperatively constitutes and administers the New York SIB under a Memorandum of Understanding (MOU) with the New York State Department of Transportation and the Metropolitan Transportation Authority. The SIB is capitalized with 80% federal funds and a 20% match provided by the signatories to the MOU.

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As of December 31, 2003, the Authority has contributed \$3 million towards the capitalization of the SIB. The Authority is currently the recipient of five outstanding SIB loans as of December 31, 2003, totaling \$7.024 million:

- a \$4 million loan for the Relocation of the Syracuse Canal Maintenance Facility
- a \$150,000 loan for a feasibility study for an interchange at Sterling Forest in Rockland County
- a \$1.5 million loan for an environmental study and traffic calming preliminary design for NYS Route 17 for the Sterling Forest Interchange 15B Project
- a \$1.291 million loan for the purchase of E-ZPass transponders for deployment to the commercial trucking industry and
- a \$83,000 loan for the truck stop electrification project.

Niagara International Transportation Technology Coalition: The Niagara International Transportation Technology Coalition (NITTEC) is an innovative financing mechanism, to improve regional and thereby international transportation mobility, promote economic competitiveness and minimize adverse environmental effects related to the regional transportation system of Western New York and South Central Ontario, Canada, including the four highway crossings between Canada and the United States. These goals are achievable by improving safety and operations and reducing congestion on the transportation network by coordinating construction projects and transportation incident notification and response, and the deployment of Intelligent Transportation Systems (ITS).

This funding mechanism, in the form of a revolving loan fund, will be administered by the Niagara Frontier Transportation Authority under agreement with the New York State Department of Transportation in compliance with the Partnership Agreement between the Federal Highway Administration and the New York State Department of Transportation. The fund will be capitalized by a \$5 million Federal aid grant which will be matched by \$1.25 million in local shares provided by NITTEC member agencies, of which the Authority is one. The Authority has not contributed towards the capitalization of the fund.

Currently, the Authority has an outstanding NITTEC loan for the installation of a Freeway Traffic Management System, which includes the installation of Variable Message Signs (VMS's), Closed Circuit Television and various TRANSMIT locations, along the Thruway from Rochester to the Pennsylvania border. As of December 31, 2003 the Authority's outstanding NITTEC loan balance is \$1.35 million.

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(12) Subsequent Events

On January 15, 2004, the Authority purchased a municipal bond debt service reserve fund policy in substitution of the Senior Debt Service Reserve Fund requirements for the Authority's General Revenue Bonds, Series C, D, and E. Approximately \$68 million on deposit in the Senior Debt Service Reserve Fund will be transferred to the Construction Fund and Reserve Maintenance Fund to finance the Authority's capital program.

In January 2004, the Authority received notice of a favorable judgment in a court case related to an accident that occurred on the Thruway several years ago. The Authority has been awarded approximately \$4 million to be paid out by the end of 2004. There is no further legal exposure to the Thruway related to these legal proceedings.

On March 24, 2004 the Authority issued Series 2004A Bond Anticipation Notes that yielded net proceeds of \$381 million. Approximately \$354 million of the issuance was used to retire the Series 2003A General Revenue Bond Anticipation Notes and the remaining \$27 million will be used to finance the Authority's Capital Program.