

2005 ANNUAL REPORT NEW YORK STATE THRUWAY AUTHORITY /CANAL CORPORATION

I. THRUWAY AUTHORITY

The Thruway Authority is a public corporation organized and existing pursuant to Article 2, Title 9 of the New York State Public Authorities Law for the purpose of financing, constructing, reconstructing, improving, developing, maintaining and operating a highway system known as the Governor Thomas E. Dewey Thruway. On January 13, 2006, Governor George Pataki signed Chapter 766 of the Laws of 2005 which increased the Thruway Authority Canal Corporation Board from three to seven members. All of the board members are appointed by the Governor with the advice and consent of the State Senate.

The Thruway is a 641-mile superhighway system crossing the State. It is the longest toll superhighway system in the United States. The Thruway route from the New York City line to the Pennsylvania line at Ripley is 496 miles long and includes the 426-mile mainline connecting New York City and Buffalo, the State's two largest cities. Other Thruway sections make direct connections with the Connecticut and Massachusetts Turnpikes, New Jersey Garden State Parkway and other major expressways that lead to New England, Canada, the Midwest and the South. In 1991 the Cross-Westchester Expressway and in 1992 I-84 were added to the Thruway system.

In 1992, legislation was enacted that transferred jurisdiction over the New York State canal system from the New York State Department of Transportation (NYSDOT) to the Thruway Authority. This legislation also created the New York State Canal Corporation as a subsidiary of the Thruway Authority to operate, maintain, construct, reconstruct, improve, develop, finance and promote the canal system. This system consists of 524 miles of connected, navigable waterways encompassing: the Erie Canal (338 miles, east to west), the Champlain Canal (60 miles, south to north), the Oswego Canal (24 miles south-east to north-west, between Lake Ontario and the Erie Canal), and the Cayuga-Seneca Canal (12 miles, south-west to north-east linking the Erie Canal with Cayuga and Seneca Lakes). There are also 90 miles of navigable channel through Cayuga Lake to Ithaca and Seneca Lake to Watkins Glen, respectively. Comprised of both "canalized" natural rivers and dug channel, the canal system's 57 locks and 16 lift bridges facilitate navigation as part of a larger network of navigable waterways in New York State extending south to Florida, north to Canada, and west to the Great Lakes and the Mississippi River.

A. Capital Plan

The \$2.6 billion Capital Plan, developed after a two year analysis of Authority finances and highway/bridge conditions, will continue to provide the Thruway's high levels of safety and service, and to maintain good road and bridge conditions system wide.

Implementation of the Authority's Capital Program through 2011, together with the Authority's ongoing extensive and regular maintenance programs, will ensure that the operational and structural integrity of the Authority's facilities are maintained. Sufficient toll revenues will be generated by the toll adjustment to fund these essential programs.

Highlights of the \$2.6 billion Capital Plan include improvements to more than 500 miles of roadway and more than 220 bridges; 15 new dedicated E-ZPass lanes; 12 new higher-speed E-ZPass lanes, including the areas of Newburgh and Lackawanna; and 16 new highway-speed E-ZPass lanes at the Woodbury, Canaan, Yonkers and Williamsville barriers, and potentially at Ripley and in the Albany area. For a rendering of the future of highway speed E-Zpass along the thruway visit: <http://www.nysthruway.gov/news/pressrel/media/mediaimages.html> For more information on the Capital Plan visit: <http://www.nysthruway.gov/tolls/faqs.html>

After being approved by the Thruway Authority Board on April 26, 2005, the first toll increase in over 17 years went into effect on the Thruway on May 15, 2005. With implementation of this Capital Plan, Thruway customers in every region of New York State will benefit from less traffic congestion, cost-saving commuter plans, highway-speed E-ZPass lanes, improved infrastructure and more.

The toll adjustment included a 25 percent increase for passenger vehicles and a 35 percent increase for commercial vehicles. Passenger vehicles equipped with E-ZPass now receive a 10 percent discount on tolls. Frequent travelers may also qualify for commuter discounts which allow some regular users to continue to travel at pre-adjustment toll levels. Commercial E-ZPass users now receive a 5 percent discount and are eligible for additional volume discounts.

Under the approved plan, the Authority expanded commuter discounts Statewide through the use of E-ZPass. For more information visit: <http://www.nysthruway.gov/ezpass/discount.html>

B. Tappan Zee Bridge Alternatives

On September 29, 2005, the Thruway Authority, New York State Department of Transportation (NYSDOT) and Metro North/MTA announced the six alternatives for further study in the Tappan Zee Bridge/I-287 Environmental Review. The Tappan Zee Bridge/I-287 Corridor Study began in 2001 and is being conducted by the three agencies. From the beginning, this study has involved interested members of the public, legislative leaders and local community groups. A preferred alternative is expected to be decided upon in 2009. This study and selection of a preferred alternative will initiate significant investments necessary to ensure safe and efficient travel for the thousands of motorists that cross the bridge daily, well into the future. For more information visit: <http://www.tzbsite.com/>

To improve service and ensure the safety of its customers prior to the selection and completion of a long-term alternative, the Authority will be replacing a significant portion of the deck of the Tappan Zee Bridge. In October, the Authority launched a new project website aimed at informing the traveling public about the upcoming Tappan Zee Bridge Deck Replacement Project. The project website offers information about the history of the bridge, project schedules and highlights, innovations to reduce construction time and impacts, frequently asked questions (FAQs), ways to contact the Authority with questions and/or concerns, and other useful information. For more information visit: <http://www.nysthruway.gov/projectsandstudies/projects/tzbdeck/index.html>

C. Innovation

1. E-ZPass

In 2005, nearly 54,300 new Thruway E-ZPass accounts were opened online via the web and the Authority issued over 251,000 tags. E-ZPass is now used by over 14 million motorists throughout North America to reduce their travel times. As of December 2005, there were 2,282,331 active Thruway E-ZPass tags.

In June 2005, the E-ZPass On-the-Go program was improved to make the tags active upon purchase with the requirement to register the tag within 48 hours of first use. In July and August of 2005, E-ZPass tags were made available for purchase at the Monroe and Saratoga County State Fairs, as well as the 159th annual state fair. At the fairs, customers were able to instantly activate a new E-ZPass account using a major credit card. These tags were immediately available for use in nine states. Distribution of tags at the county fairs was part of the Authority's long-term plan to enhance access to E-ZPass.

In August 2005, E-ZPass On-the-Go tags were made available at the Thruway Authority Headquarters in Albany. In addition, On-the-Go tags continued to be available at the gift shops at New Baltimore, Guilderland, Port Byron, Scottsville, Pattersonville, Chittenango, Seneca, Angola, and Clarence Travel Plazas.

In November 2005, the Authority began accepting applications from qualified retailers to become authorized distributors of E-ZPass tags through its new E-ZPass On-the-Go program. Under this new initiative, retailers purchase E-ZPass On-the-Go tags at a discounted price and resell the tags to consumers, with the consumer receiving the full credit of the purchase price of the tag. For more information visit: <http://www.nysthruway.gov/ezpass/index.html>

2. Webcams

In August 2005, the Thruway Authority added five additional real time image webcams along the Cross Westchester Expressway (I-287) to the Authority's Website, bringing the total to nine real time images. The five additional images provide traffic condition information along I-287 between the Connecticut State Line and the Tappan Zee Bridge - near Interchange 3 (Sprain Brook Parkway); near Interchange 5 (Hillside Avenue); near Interchange 8 (Anderson Hill Road); at Interchange 9 (Hutchinson River Parkway) both northbound and southbound; and at Kenilworth Road between Interchanges 9 and 10.

Motorists who utilize I-287 from the Connecticut border to the Tappan Zee Corridor can view live traffic conditions and make better travel decisions before leaving for work and home.

The Authority plans to install additional closed circuit television cameras over the next two years along the Thruway Mainline (I-87) and the New England Thruway (I-95) to allow rapid detection and response to traffic backups. For more information visit: <http://www.nysthruway.gov/webcams/index.html>

3. Alternative Fuel

Beginning in 2005, at least 50 percent of Thruway Authority vehicles purchased were alternative fueled in order to be in compliance with Governor Pataki's 2001 Executive Order 111.

Also, in December of 2005, Governor Pataki issued Executive Order 142. Both of these Executive Orders urge State agencies to become less dependant on foreign oil and use alternative fuels which results in less emissions.

For more information visit: <http://www.gorr.state.ny.us/gorr/executive%20orders.htm>

D. Customer Focus

1. Albany Corridor Study

In May 2005, the Albany Authority issued the Albany Corridor Study Final Report. The Albany Corridor Study analyzed alternatives to deal with expected congestion on the Thruway in the 25-mile stretch between Exits 21A (Berkshire Connector) in Albany County and 25A (I-88) in Schenectady County, in the Albany area over the next 20 years.

The purpose of the Study was to develop a prioritized Capital Improvement Plan that addressed structural, safety and operational needs within the Corridor for the next 20 years. The Study identified projects that can be implemented in both the short and long term to address the Corridor's highest priorities.

The results of the Study will serve as the starting point for further analysis as specific projects progress to reduce congestion and provide seamless connections in the Capital District.

For example, Thruway reconstruction between Interchanges 23 and 24 was the first proposed project to come out of the study. The Draft Environmental impact Statement for this project will be published in March 2006. For more information visit: <http://www.nysthruway.gov/projectsandstudies/studies/albany/index.html>

2. Buffalo Corridor Study

The Buffalo Corridor Study, which is being conducted jointly by the Authority and NYSDOT, 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 early 2007.

In anticipation of the Study's results, the Authority included \$35 million in its Capital Program for improvements at Interchange 50 beginning in 2011. The Study will also investigate the need for additional travel lanes within the Corridor, improvements to existing interchanges and the addition of new interchanges.

The cost of improvements made to the remainder of the Corridor as a result of the Study could total more than \$500 million.

To provide Study related information to the public, a user-friendly website including an overview of the study, a study area map, frequently asked questions, opportunities for getting involved and press releases is available at www.thruway.state.ny.us/studies/buffalo, or by going directly to the Thruway's home page under "Projects and Studies." A public meeting is proposed for fall/winter 2006 to gather input on study alternatives.

3. Dynamic Message Signs

Dynamic Message Signs (DMS) provide the traveling public with real time messages that can be continuously updated enabling motorists to make more informed travel decisions.

In 2005, the Authority contracted for the construction of two Dynamic Message Signs in the Syracuse Division. Expected to be operational in late 2006, the DMS will be located on the approaches to the Syracuse metropolitan area, westbound prior to Interchange 34A, and eastbound prior to Interchange 39.

In the Tappan Zee Corridor, the Authority continued a project to upgrade old Variable Message Signs (VMS) with new, state-of-the-art DMS technology. Financed with federal funds the replacement signs are located on I-87 southbound prior to Interchange 5, southbound prior to the Tappan Zee Bridge. New DMS are located northbound prior to Interchange 13, along I-95 northbound prior to US Route 1 and the New Rochelle Toll barrier and northbound prior to I-287.

E. Safety

1. State Police Troop T

New York State Police Troop T, whose members patrol the 641-mile Thruway System exclusively, conducted several safety initiatives in 2005, including “Operation Work Brake,” aimed at curbing aggressive driving, especially through work zones; “Buckle Up New York,” a 14-day statewide seatbelt enforcement initiative; “Operation Spring Brake” and “Operation Summer Brake,” targeting the prevention of crash-causing habits such as aggressive driving, speeding and DWI; Safety Break Demonstrations, aimed at educating motorists about safely sharing the road with trucks; and “Pumpkin Patrol,” aimed at preventing dangerous Halloween pranks. For more information visit: <http://www.troopers.state.ny.us/>

2. Snow and Ice Program

The 2004-2005 snow and ice season (November - April), was busy across the system. Twenty-three maintenance sections located along the roadway responded to an average of 37 individual snow and ice events ranging from short duration, localized squalls, to large statewide, multi-day events. Expenditures and material usage for the season was slightly higher than the 2003-2004 season and approximately 30% above historical averages.

The Authority maintains covered storage capacity for approximately 135,000 tons of deicing materials in 63 buildings strategically placed along the Thruway. 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.

A Seasonal Weather Information System (SWIS), which supplements other weather forecasting data and field observations to assist in snow and ice control, resulting in more efficient operations was put into full operation during 2004 – 2005 winter season. The SWIS system, available to all maintenance staff, provides current and historical weather information data, including air and pavement temperatures and relative humidity at 43 sites spread out along the entire Thruway.

3. Deer Avoidance

The Authority cautions motorists of the dangers presented by deer crossing the highway through press releases and other efforts. To further increase awareness of deer and how to avoid vehicle-deer collisions, the Authority also issued deer safety messages during peak deer season on its Highway Advisory Radio (HAR) System. Pamphlets titled: When Deer are Near, are available in all 27 Travel Plazas.

4. Construction

In 2005, the Authority completed five large-scale pavement-resurfacing projects with safety improvements in the Albany Division. The first began south of Coxsackie, and continued to Selkirk. This \$7.2 million project included upgrading the guiderail, extending the cross culverts, reconstructing portions of the shoulder, full-depth pavement repairs in certain areas and a complete pavement resurfacing of the 14-mile stretch. A similar project was completed between Interchange 22 (Selkirk) and Interchange 24 (Albany). This \$6.6 million project included guiderail upgrades, drainage improvement, new signage, full-depth pavement repairs in certain areas and complete pavement resurfacing. The third project started north of Kingston and continued to Saugerties. A fourth project was completed on the Berkshire Section from the Canaan Toll Barrier to the Massachusetts State Line. The fifth project involved operational and safety improvements at Albany Interchange 23, including reconstructing and extending the entrance and exit ramps at the Interchange, new signage and upgrading the guiderail. This project virtually eliminated the daily backups on the mainline of traffic queuing to exit at this interchange. For the most part, all of these projects included guiderail upgrades, drainage improvement, full-depth pavement repairs in certain areas and complete pavement resurfacing.

In 2005, the Authority completed five large scale projects in the New York Division as well. The first, a \$5.1 million bridge replacement project on Route 300 over the Thruway near Interchange 17 (Newburgh). A similar project was completed on I-95 on the Byram River Bridge, Westchester County. In addition, structural steel repairs were made to the west deck truss and main towers of the Tappan Zee Bridge, while also providing improvements to the Bridge's caisson dewatering system. Noise barriers were installed in the Town of Clarkstown near Interchange 14 (Spring Valley) and in the Town of Hillburn near Interchange 15 (NJ I-287). Between Interchange 12 (West Nyack) and Interchange 14A (Garden State Parkway), interim pavement rehabilitation was completed at a cost of \$8.6 million.

In the Buffalo Division, one half of the \$10 million South Grand Island Bridges' steel repair project was finished. The entire project is slated for completion in 2006.

In 2005, the Authority completed a \$4.9 million concrete repair project between Interchanges 44 (Canandaigua) and 46 (Rochester) in the Syracuse Division. This project won an Association of General Contractors Informal Partnering Award. A \$13 million project which included roadside safety and drainage improvements between Henrietta and Victor eastbound and westbound was also completed. For more information visit: <http://www.nysthruway.gov/travelers/construction/index.html>

F. Statistics

1. Commercial Traffic

Commercial traffic for 2005 totaled 32,484,331 trips, representing a 15.97 percent decrease from 2004.

*Commercial traffic appears to have decreased since the May 15, 2005 toll class realignment because certain commercial vehicles (tandem trailers and 53' tractor trailers) previously counted as two transactions are now counted as one.

2. Passenger Traffic

Passenger traffic for 2005 totaled 241,531,800 trips, representing a .68 percent decrease from 2004.

3. Maintenance

During the 2004 - 2005 winter maintenance season (November - April), the Authority used approximately 235,000 tons of salt at cost of approximately \$6 million. Based on a 12 year historical average, the Authority estimates usage for the 2005 - 2006 season at approximately 178,000 tons, at an estimated cost of more than \$5 million.

In 2005, the Authority's Central Sign Shop, responsible for producing nearly all of the signs along the Thruway System, used more than 56,000 square feet of signage, producing more than 52,500 individual items. In addition to producing standard regulatory, warning, and directional signs, the Sign Shop also produced specialty signs and graphics for the Thruway Authority, Canal Corporation, State Police and other State agencies. Computerized printing equipment, which produces high quality graphics, was used extensively for many of these projects. In 2005, the Authority also switched to higher-grade reflective white sheeting for signs and delineators, as part of the continuing efforts to enhance sign visibility for drivers.

4. Fatalities

Statistics indicate that 2005 was the safest year in the Thruway's 50-year history. This statistic is determined by the fatality rate, which is measured by the number of accidents per 100 million vehicle miles traveled. In 2005, there were 28 fatal accidents, resulting in 30 deaths, reflecting a fatality rate of 0.28, the lowest rate in Thruway history.

5. E-ZPass

As of December 2005, approximately 56.87 percent of Thruway customers were utilizing E-ZPass, the electronic toll collection system pioneered by the Authority in the northeastern United States in 1993.

The E-ZPass Interagency Group (IAG), formed in 1990 to develop an interoperable electronic toll collection system in New York, New Jersey and Pennsylvania, has grown to include 22 toll agencies/authorities in 11 states.

II. CANAL CORPORATION

Historically, New York State's Canal System 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. Over the last decade, Governor Pataki's Canal Revitalization Program, administered by the NYS Canal Corporation, has begun transforming the Canal System into a first class tourist destination, bringing new energy to its surrounding communities.

Erie Canal Greenway and Empire State Greenway

In late May 2005, Governor Pataki unveiled his new vision and direction for the Canal System by calling for the establishment of an Erie Canal Greenway and, ultimately, an Empire State Greenway, connecting the Niagara, Erie and Hudson River Greenways. The Erie Canal Greenway will incorporate a regional approach to land-use planning, tourism, recreational trail development and other collaborative initiatives while strengthening ties across the Canal Corridor and helping local communities enhance and protect their natural and cultural resources.

The Canal Corporation formed an Interagency Task Force and conducted an extensive outreach campaign during the summer and fall of 2005 to gather input and ideas and develop a comprehensive set of recommendations to create the new Erie and Empire State Greenways, as well as examine certain roles and responsibilities currently assigned to the Canal Corporation. The recommendations were delivered in a report to the Governor in December 2005. The complete report is available on the Canal Corporation's website, www.nyscanals.state.ny.us.

A. Office of Community Relations

In 2005, the Office of Community Relations developed a comprehensive database summarizing the revitalization efforts of the Canal Corporation and all other agencies involved in Canal Revitalization efforts. The Canal Database captures ten years of grants awarded in canal communities for projects promoting the goals outlined in the NYS Canal Recreationway Plan, preserving canal infrastructure, enhancing recreational opportunities and fostering economic development.

The database enables the Canal Corporation to generate reports outlining community efforts to date, and identifies transitional steps for the next phase of Canal Redevelopment under the Erie Canal Greenway.

During the summer of 2005, the Office of Community Relations also coordinated the Canal Connections tour where canal staff met with hundreds of elected officials, community residents and canal business owners to gather ideas and develop recommendations for the next phase of canal revitalization and formation of the Erie Canal and Empire State greenways. For more information visit: <http://www.canals.state.ny.us/exvac/special-events/canal-tour.html>

B. Canalway Trail

Over 230 miles of Erie Canalway Trail have now been completed and 2005 marked the two-thirds point in completing the trail. In 2005, 17 miles of new and rehabilitated trail were completed between Minden and Danube in Montgomery and Herkimer Counties, and between Pittsford and Greece in Monroe County.

Construction began on three additional projects in 2005, including Palmyra to Newark, Wayne County; Jordan to Camillus, Onondaga County and Port Byron to Jordan in Cayuga and Onondaga Counties. These projects, totaling over 26 miles are scheduled for completion in 2006. For more information visit: <http://www.canals.state.ny.us/exvac/trail/touring.html>

C. Cycle the Erie Canal

The Canal Corporation was a sponsor of the 7th Annual Cycle the Erie Canal Bike tour from Buffalo to Albany. The event, which took place in July, drew nearly 500 participants representing 35 states, Canada, Great Britain and Australia. Hundreds of volunteers in communities along the route welcomed the riders and provided food and refreshments. Participants also had the opportunity to partake in boat rides on the Canal, museum tours and visits to the many historic sites along the Corridor.

Over half of the 400-mile tour took place on completed sections of the Erie Canalway Trail, including 50 miles that were constructed since 2004 as part of the Governor's Canal Revitalization II program.

D. Land Management

In 2005, the Canal Corporation partnered with several State agencies to garner input on the Land Management program. The recommendations are available in the Interagency Task Force Report that was delivered to Governor Pataki. Among the numerous recommendations contained in the report, the Corporation focused on several important transfers of jurisdiction to the NYS Office of Parks, Recreation and Historic Preservation, and the NYS Department of Environmental Conservation. These transfers will protect and preserve some 3,000 additional acres for Governor Pataki's Open Space Initiative. In 2005, as a result of the announcement of the proposed Erie Canal Greenway, community outreach initiatives focused on community driven projects on or adjacent to Canal land holdings.

E. Erie Canal Lock 33

A \$10.7 million project to rehabilitate Lock 33 on the Erie Canal in Henrietta was completed on June 29, 2005. Lock 33 was originally constructed in 1909 and had not undergone any major rehabilitation since that time. The Lock was in need of major rehabilitation or replacement of all components such as miter gates, chamber walls, buffer beams, valves and operating machinery.

F. Recreational Boating

Although built to facilitate the transport of goods, the Canal System has evolved into a major recreational boating destination. Recreational use of the Canal has mirrored industry trends in recent years, peaking in 1989 with 159,141 recreational lockings recorded that year. For more information visit: <http://www.canals.state.ny.us/exvac/boating/>

In 2005, there were a total of 119,113 recreational lockings during a season of 199 days. This equated to an average of 598 recreational lockings per canal structure during the 2005 navigation season. There were 8,060 pleasure craft passes sold in 2005, 120 fewer than 2004. These passes were available for 2 consecutive days, 10 consecutive days, or the length of the season. Of these, 331 were for vessels under 16 feet in length, 3,229 were for vessels from 16 feet to 26 feet in length, 3,194 were for vessels from 26 feet to 39 feet in length, and 1,306 were for vessels over 39 feet in length.

G. Statistics

1. Cargo/Commercial: Cargo vessel traffic decreased by 4.8 percent, from 2,592 in 2004 to 2,468 in 2005.
2. Recreational Traffic: Recreational traffic decreased by 2.4 percent, from 122,034 in 2004 to 119,113 in 2005.
3. Tour Boat: Tour boat traffic decreased by 4.1 percent, from 8,514 in 2004 to 8,163 in 2005.
4. Hire Boat: Hire boat traffic decreased by 4.2 percent from 7,369 in 2004 to 7,063 in 2005.

Note: The traffic figures above are measured by cumulative vessel lockings, representing the number of times a vessel passed through a Lock.

H. Day Peckinpaugh

In May 2005, Governor George Pataki announced a partnership among the Canal Corporation, the New York State Museum, The Canal Society of New York and the Erie Canalway National Heritage Corridor Commission to preserve the historic and last-of-its-kind canal motorship, Day Peckinpaugh, and turn it into a floating museum and classroom highlighting the significance of the modern day Canal System and New York's strong maritime heritage. The ship was saved from a scrap yard in Erie, Pennsylvania and towed to Lockport on the Erie Canal where it underwent minor repairs before making a two-week, cross-state journey to Waterford, NY where restoration work to transform the ship for its new mission is currently taking place. For more information visit: <http://www.canals.state.ny.us/exvac/landwater/lwoswego.html>

I. Tugboat Urger Educational Program

The Tugboat Urger, the Corporation's 104-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. 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 shore side "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 2005, the Urger was visited by 65 schools with close to 5,000 students participating. In addition, the Urger program partnered with the Waterford Maritime Historical Society and Peebles Island Visitor Center in a pilot program that included a full day of educational activities centered on the Canal. This expanded program was attended by 5 schools with over 500 students over a 2 day period.

The Urger attended six Canal-related festivals and joined the historic fire boat John J. Harvey on the Blue Links Hudson River tour, stopping at numerous ports of call along the Hudson. The Urger also participated in the 1st annual National Lighthouse Museum Tug Boat Challenge on Staten Island and received an award for Best Vintage Tug. The total summer attendance on the Tug Urger was over 600,000.

J. 2005 Transportation Bond Act

In November of 2005, the Rebuild and Renew New York Transportation Bond Act of 2005 was approved by the voters which included \$50 million for specific canal related projects as shown below.

Description, Location	Amount (Millions)
Fabricate Container Transport Barges, Statewide	\$3.0
Scour Repairs Lock E-17 Lower Approach Wall, Little Falls, Herkimer County	\$1.3
Fabricate Miter Gates, Lock C-6, Fort Miller, Washington County	\$1.9
Fabricate Miter Gates, Lock E-8, Scotia, Schenectady County	\$1.7
Bank Repairs, Herkimer County	\$1.3
Bank Repairs, Washington County	\$0.6
Bank Repairs, Orleans County	\$0.6
Culvert Repairs, Orleans County	\$1.3
Electrical Repairs, Waterford Dry Dock, Saratoga County	\$0.6
Trail Rehab Pittsford to Fairport, Monroe County	\$3.0
Mohawk River Erie Canal Pedestrian Bridge, City of Amsterdam, Bridge Street	\$16.5
City of Rome Trail Realignment	\$2.6
Rehab Movable Dam 4 at Lock E-8, Scotia, Schenectady County	\$10.1
Trail Fort Edward to Fort Ann, Washington County	\$5.0
Monroe County Canal Projects	\$0.15
TOTAL	\$50.0

FINANCE

Each October, the Authority Board approves the Authority/Canal 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. In May 2005 the Authority implemented a toll increase that increased Passenger rates 25% and Commercial rates 35% and provided E-ZPass discounts of 10% to passenger customers and 5% to commercial customers and a change to the volume discount program. The previous increase was 17 years earlier in 1988.

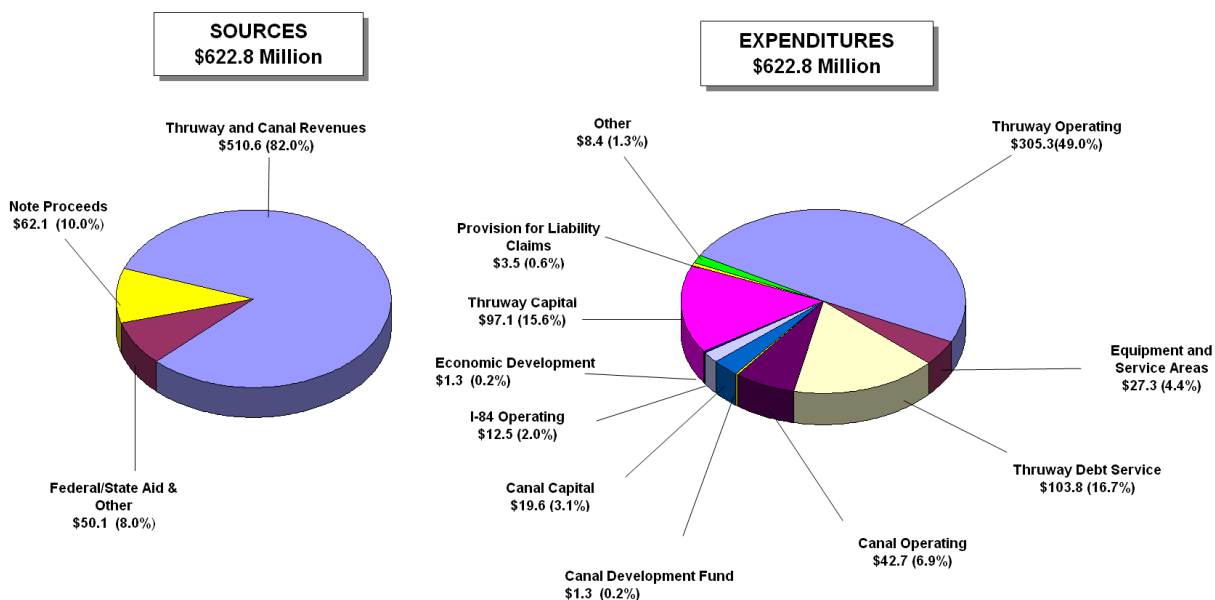
For the 2005 calendar year, the Authority expended a total of \$622.8 million. Of this amount, \$145.3 million is attributed to the Thruway and Canal Capital Program, which includes the highway and bridge rehabilitation program, the Canal infrastructure program, economic development and equipment replacement.

Debt service requirements for 2005 were \$103.8 million for Authority's General Revenue Bonds and

Cross-Westchester Expressway Bonds have been defeased. Additionally, the expenditure category "other" listed below is comprised of \$8.4 million in interest on the Authority's Bond Anticipation Notes and Commercial Paper. Thruway operating expenses totaled \$305.3 million. Total Canal, Canal Development Fund and I-84 operating expenses were \$56.5 million. Canal operating expenses were partially funded by \$5.9 million in Federal ISTEIA Enhancement Funds.

During 2005, the Capital Program was funded through a financing plan, which incorporates the use of Authority revenues, federal aid, bond proceeds and Canal Development Funds. In March 2005, the Authority issued \$624.6 million of Series F General Revenue Bonds to pay at maturity \$150 million of General Revenue Bond Anticipation Notes, Series CP-1, to fund a portion of the 2005 Capital Program and to refund certain outstanding bonds. In September 2005, the Authority issued \$738.9 million of Series G General Revenue Bonds to pay at maturity \$150 million of General Revenue Bond Anticipation Notes, Series CP-2, to pay at maturity \$375 million of General Revenue Bond Anticipation Notes, Series 2004A, and to fund a portion of the Authority's multi-year Capital Program adopted by the Board on April 25, 2005

2005 FUNDING SOURCES AND EXPENDITURES



SOURCES OF THRUWAY REVENUE

Total Revenues for 2005 were \$547,308,350, an increase of \$77,288,021 or 16.4 percent from 2004. Total Thruway operating expenses for the same period were \$305,310,393, an increase of \$12,580,578 or 4.3 percent from 2004.

Revenues from tolls totaled \$511,190,781, an increase of \$71,607,875, which is due to the toll adjustment implemented May 15, 2005. Passenger and commercial toll revenues were \$311,074,654 and \$200,116,127, respectively.

Other revenues amounted to \$36,117,569 including \$3,542,596 from the 28 Thruway gasoline stations, \$11,480,428 from the 27 restaurants, \$6,549,724 of interest on the Authority's investments in the Revenue Fund, \$3,109,372 in special hauling permits and \$11,435,449 in sundry receipts. There was \$304,305 provided from excess funds from the CWE debt service reserve.

During 2005, \$60,900,100 was provided to the Reserve Maintenance Fund from revenues.

For 2005, \$103,821,733 was remitted to the Authority's trustees for Debt Service requirements.

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

	2005	2004
MAINTENANCE:		
Highway.....	\$ 34,108,853	\$ 32,232,903
Highway and Equipment.....	26,398,793	24,837,761
Snow and Ice Control.....	14,951,626	12,004,221
Headquarters and Division Staff.....	15,910,905	16,221,891
Buildings.....	14,675,431	13,874,689
Bridges and Structures.....	17,514,800	20,520,432
Toll Equipment.....	4,968,218	4,651,014
TOTAL MAINTENANCE COSTS	<u>128,528,626</u>	<u>124,342,911</u>
OPERATING:		
Toll Collection.....	78,314,954	76,351,205
Administrative and General.....	28,708,443	29,536,066
Policing.....	45,280,901	38,234,673
Finance and Accounts.....	11,830,536	11,459,340
Traffic Administration.....	12,646,933	12,805,620
TOTAL OPERATING COSTS	<u>176,781,767</u>	<u>168,386,904</u>
TOTAL MAINTENANCE AND OPERATING COSTS.....	<u>305,310,393</u>	<u>292,729,815</u>

BONDS AND NOTES DEBT SERVICE

Authority Revenue Backed Bonds and Notes

Type	Date Sold	Principal Amount	True Interest Cost	Outstanding Principal as of 12/31/04	2005 Debt Service			
					Principal	Interest	Total	
General Revenue Bonds								
Series B	Dec. 23, 1993	\$ 202,345,000	5.31%	\$ 5,425,000	\$ 5,175,000	\$ 1,715,053	\$6,890,053	
Series C	Feb. 23, 1995	320,000,000	6.21%	-	7,315,000	402,325	7,717,325	
Series D	May 15, 1997	350,000,000	5.68%	24,920,000	7,510,000	4,094,118	11,604,118	
Series E	June 18, 1998	575,555,000	5.08%	509,860,000	10,580,000	26,723,406	37,303,406	
Series F (2)	March 30, 2005	624,570,000	4.41%	619,050,000	5,520,000	22,544,943	28,064,943	
Series G (3)	Sept. 29, 2005	738,925,000	4.68%	738,925,000	-	9,336,454	9,336,454	
Subtotal		2,811,395,000		1,898,180,000	36,100,000	64,816,299	100,916,299	
CWE Bonds	Mar. 14, 1991	30,847,000	8.03%	-	7,435,000 (1)	-	7,435,000	
Gen. Rev. BANS (CP-1)	Apr. 5, 2000	150,000,000	NA	-	150,000,000	662,333	150,662,333	
Gen. Rev. BANS (CP-2)	June 4, 2001	150,000,000	NA	-	150,000,000	3,450,569	153,450,569	
Gen. Rev. 2004A BANS	Mar. 24, 2004	375,000,000	1.28%	-	375,000,000	6,445,313	381,445,313	
Grand Total		\$3,517,242,000		\$1,898,180,000	\$718,535,000	\$75,374,514	\$793,909,514	

(1) Accreted Amount

(2) On March 30, 2005, \$624,570,000 of General Revenue Bonds, Series F were issued to pay the maturing \$150,000,000 in General Revenue Bond Anticipation Notes, Series CP-1, to refund certain outstanding General Revenue Bonds from Series B, D and E totaling \$444,205,000, to fund a portion of the Authority's capital program and to make a deposit to the Senior Debt Service Reserve Fund.

(3) On September 29, 2005, \$738,925,000 of General Revenue Bonds, Series G were issued to pay at maturity \$375,000,000 and \$150,000,000 in General Revenue Bond Anticipation Notes, Series 2004A and Series CP-2, respectively, to fund a portion of the cost of the Authority's capital program, and to make a deposit to the Senior Debt Service Reserve Fund.

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, 2005:

	(millions)
Thruway Funds	\$486.3
State Infrastructure Bank	6.5
Local Highway and Bridge Service Contract Bonds	53.3
State Personal Income Tax Revenue Bonds	181.3
Highway and Bridge Trust Fund Bonds	544.0

Taxes Collected on Thruway

State and Federal taxes collected on the Thruway totaled \$41,452,307 in 2005, compared with \$41,087,345 in 2004. These came from the following sources:

	2005	2004
State 8 cent-per-gallon tax on gasoline and diesel fuel	\$ 5,909,763	\$ 6,328,126
Federal 18.4 cent-per-gallon tax on gasoline and 24.4 cent-per-gallon tax on diesel fuel	\$ 13,975,864	\$ 14,987,740
State sales tax collected at restaurants	\$ 8,065,686	\$ 8,112,772
State sales tax collected at gasoline stations	\$ 13,500,994	\$ 11,658,707

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 issued since 1990 for Thruway purposes is \$4.417 billion and for State and local projects is \$17.601 billion. The following describes these bond programs:

GENERAL REVENUE BONDS - These bonds were issued in 1992, 1993, 1995, 1997, 1998 and 2005. 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 series F bonds were issued to pay at maturity the CP-1 Notes, to refund portions of the outstanding Series B, D and E bonds at a present value savings of \$18.6 million, and to provide \$25 million for the Authority's Capital Program. The Series G bonds were issued to pay at maturity the 2004A BANs and the CP-2 Notes and to provide \$200 million for the Authority's Capital Program. 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 refunding is \$3.161 billion with \$1.898 billion currently outstanding. The final maturity of these bonds is January 1, 2032.

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 were retired with the proceeds of the Series F and G bonds. The Authority issued commercial paper in varying amounts during 2005 with maturities ranging from 1 day to 155 days and interest rates from 1.75% to 2.98%. Additionally, in 2002, 2003 and 2004 the Authority issued \$200 million, \$350 million and \$375 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 maturing principal and interest on the 2002 notes and to fund a portion of the Authority's Capital Program. The 2004 notes were issued to pay the maturing principal and interest on the 2003 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, a portion of which was used to purchase 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 certain restaurants on the Thruway. The final payment for these bonds was made on December 31, 2005.

LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT BONDS -

These bonds were issued between 1991 and 2003 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. The total amount of bonds issued since 1991 is \$4.726 billion with \$1.984 billion currently outstanding. The final maturity is March 15, 2021.

STATE PERSONAL INCOME TAX REVENUE BONDS (TRANSPORTATION) -

The Authority has issued State personal income tax bonds (PIT) each year since August, 2002 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. In 2005, the Authority issued \$333.2 million of bonds. The total amount issued since 2002 is \$1.284 billion with \$1.141 billion currently outstanding. The final maturity of these bonds is March 15, 2025.

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 2005, the Authority issued \$2.981 billion of bonds. The 2005B bonds refunded and restructured the Trust Fund Program and produced \$49.4 million in net PV savings. The total amount of bonds issued since 1994 is \$11.591 billion with \$5.555 billion currently outstanding. The final maturity of the bonds is April 1, 2025.

COMPARATIVE EARNINGS - THRUWAY SYSTEM

	2005	2004	2003	2002	2001
TOLL REVENUES					
PASSENGER					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 141,934,214	\$ 125,358,740	\$ 121,845,641	\$ 120,717,246	\$ 114,536,759
Erie Section—Sta. 55-61 Inc.....	16,314,082	14,303,436	13,868,196	13,732,908	13,137,113
Grand Island Bridges.....	9,978,973	7,464,501	7,167,917	6,599,882	6,327,853
Tappan Zee Bridge.....	73,843,908	59,093,327	57,676,558	56,871,127	57,208,551
Yonkers Barrier.....	11,354,654	9,026,284	8,616,775	8,793,968	8,769,393
Berkshire Section.....	10,872,177	9,259,448	9,096,967	8,725,768	7,837,046
New Rochelle Barrier.....	21,289,062	19,022,132	18,412,186	18,527,845	18,101,746
Spring Valley Barrier.....	88,976	0	0	0	0
Harriman Barrier.....	11,567,220	9,149,613	8,747,161	8,572,145	8,215,493
Niagara Section.....	9,723,156	8,067,770	7,682,842	7,251,182	7,126,964
	<u>\$ 306,966,422</u>	<u>\$ 260,745,251</u>	<u>\$ 253,114,243</u>	<u>\$ 249,792,071</u>	<u>\$ 241,260,918</u>
Permits-Sta. 15-61 Inc. B1-B3.....	4,108,232	4,041,632	4,107,221	4,117,245	4,291,945
	<u>\$ 311,074,654</u>	<u>\$ 264,786,883</u>	<u>\$ 257,221,464</u>	<u>\$ 253,909,316</u>	<u>\$ 245,552,863</u>
COMMERCIAL					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 127,268,998	\$ 108,336,648	\$ 105,602,439	\$ 104,611,078	\$ 102,377,230
Erie Section—Sta. 55-61 Inc.....	26,980,688	22,431,588	21,657,374	21,698,770	21,242,175
Grand Island Bridges.....	3,354,142	2,824,097	2,751,045	2,799,764	2,774,876
Tappan Zee Bridge.....	20,387,600	16,949,280	16,685,690	16,994,244	16,447,713
Yonkers Barrier.....	3,468,644	2,908,775	2,900,918	2,940,783	2,846,776
Berkshire Section.....	15,676,378	13,347,047	12,701,520	12,100,611	11,657,305
New Rochelle Barrier.....	9,787,934	7,855,238	7,331,869	7,604,767	7,867,148
Spring Valley Barrier.....	6,122,016	4,643,354	4,404,839	4,597,814	4,509,375
Harriman Barrier.....	2,772,516	2,247,178	2,129,568	1,970,494	1,920,913
Niagara Section.....	4,191,930	3,413,518	3,182,624	3,099,056	3,078,842
	<u>\$ 220,010,846</u>	<u>\$ 184,956,723</u>	<u>\$ 179,347,886</u>	<u>\$ 178,417,381</u>	<u>\$ 174,722,353</u>
Less Volume Discount.....	(19,894,719)	(10,160,700)	(9,385,567)	(8,967,929)	(8,483,705)
	<u>\$ 200,116,127</u>	<u>\$ 174,796,023</u>	<u>\$ 169,962,319</u>	<u>\$ 169,449,452</u>	<u>\$ 166,238,648</u>
SUMMARY					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 269,203,212	\$ 233,695,388	\$ 227,448,080	\$ 225,328,324	\$ 216,913,989
Erie Section—Sta. 55-61 Inc.....	43,294,770	36,735,024	35,525,570	35,431,678	34,379,288
Grand Island Bridges.....	13,333,115	10,288,598	9,918,962	9,399,646	9,102,729
Tappan Zee Bridge.....	94,231,508	76,042,607	74,362,248	73,865,371	73,656,264
Yonkers Barrier.....	14,823,298	11,935,059	11,517,693	11,734,751	11,616,169
Berkshire Section.....	26,548,555	22,606,495	21,798,487	20,826,379	19,494,351
New Rochelle Barrier.....	31,076,996	26,877,370	25,744,055	26,132,612	25,968,894
Spring Valley Barrier.....	6,210,992	4,643,354	4,404,839	4,597,814	4,509,375
Harriman Barrier.....	14,339,736	11,396,791	10,876,729	10,542,639	10,136,406
Niagara Section.....	13,915,086	11,481,288	10,865,466	10,350,238	10,205,806
Permits-Sta. 15-61 Inc. B1-B3.....	4,108,232	4,041,632	4,107,221	4,117,245	4,291,945
	<u>\$ 531,085,500</u>	<u>\$ 449,743,606</u>	<u>\$ 436,569,350</u>	<u>\$ 432,326,697</u>	<u>\$ 420,275,216</u>
Less Volume Discount.....	(19,894,719)	(10,160,700)	(9,385,567)	(8,967,929)	(8,483,705)
NET TOLL REVENUE.....	<u>\$ 511,190,781</u>	<u>\$ 439,582,906</u>	<u>\$ 427,183,783</u>	<u>\$ 423,358,768</u>	<u>\$ 411,791,511</u>
CONCESSION REVENUE:					
Gasoline Stations.....	\$ 3,542,596	\$ 3,800,537	\$ 3,698,533	\$ 3,782,033	\$ 2,991,749 (2)
Restaurants.....	11,480,428	11,151,715	11,011,622	11,015,590	10,900,224
TOTAL CONCESSION REVENUE.....	<u>\$ 15,023,024</u>	<u>\$ 14,952,252</u>	<u>\$ 14,710,155</u>	<u>\$ 14,797,623</u>	<u>\$ 13,891,973</u>
SUNDRY REVENUE, INTEREST.....	<u>\$ 21,094,545</u>	<u>\$ 15,485,171</u>	<u>\$ 12,697,586</u>	<u>\$ 11,706,861</u>	<u>\$ 16,257,710</u>
TOTAL REVENUES (3).....	<u>\$ 547,308,350</u>	<u>\$ 470,020,329</u>	<u>\$ 454,591,524</u>	<u>\$ 449,863,252</u>	<u>\$ 441,941,194</u>
OPERATING EXPENSES					
Toll Collection.....	\$ 78,314,954	\$ 76,351,205	\$ 72,245,534	\$ 70,422,679	\$ 68,642,032
Policing.....	45,280,901	38,234,673	34,054,101	30,222,112	32,859,118
Traffic Administration.....	12,646,933	12,805,620	12,484,120	10,566,930	9,229,172
Maintenance:					
Highway and Building.....	97,161,615	94,854,136	91,300,636	89,815,669	64,857,586
Equipment.....	31,367,011	29,488,775	26,157,999	24,868,188	21,771,361
Finance and Accounts.....	11,830,536	11,459,340	10,321,557	9,575,992	9,453,966
Administrative and General.....	28,708,443	29,536,066	25,925,646	24,807,397	21,563,813
Provision for Environmental Reserve.....	-	-	-	-	750,000
Provision for Liability Claims.....	-	-	-	-	-
Special Expense-Early Retirement Surcharge.....	-	-	-	7,655,894	-
TOTAL OPERATING EXPENSES					
INCLUDING EXTRAORDINARY					
EXPENSES.....	<u>\$ 305,310,393</u>	<u>\$ 292,729,815</u>	<u>\$ 272,489,593</u>	<u>\$ 267,934,861 (1)</u>	<u>\$ 229,127,048</u>
Net Revenues Before Adjustments.....	241,997,957	177,290,514	182,101,931	181,928,391	212,814,146
Provision for Liability Claims.....	(1,994,950)	(7,500,000)			
Adjustments..... (7)	4,893,439	(4,144,899) (6)	(24,532,384) (4)	28,425,953 (4)	(11,048,091) (4)
Net Revenues after Adjustments.....	<u>\$ 244,896,446</u>	<u>\$ 165,645,615</u>	<u>\$ 157,569,547</u>	<u>\$ 210,354,344</u>	<u>\$ 201,766,055</u>
USE OF NET REVENUES					
Debt Service.....	\$ 103,821,733	\$ 88,602,049	\$ 90,327,800	\$ 88,668,349	\$ 85,321,585
Reserve Maintenance Fund.....	60,900,100	36,693,986	10,068,501	44,782,545	32,307,591
Other Authority Projects.....	50,674,613	20,023,693	51,153,199 (5)	31,358,797	36,198,766
General Reserve Fund.....	29,500,000	20,325,887	6,020,047	45,544,653	47,838,113
Facilities Capital Improvement Fund.....	-	-	-	-	100,000
TOTAL.....	<u>\$ 244,896,446</u>	<u>\$ 165,645,615</u>	<u>\$ 157,569,547</u>	<u>\$ 210,354,344</u>	<u>\$ 201,766,055</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 and expenditures to be funded from revenues in a subsequent year.

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

(6) Includes revenue retained for 2005 Operating Reserves less Claims and Indemnity expenses funded via transfers to the Public Liability Claims Reserve.

(7) Includes revenue retained from prior year Operating Reserves and excess funds from CWE Debt Service.

THRUWAY STATISTICS

	2005	2004	2003	2002	2001
TRAFFIC					
Miles Traveled (1).....	10,698,582,256	11,076,541,209	10,800,325,570	10,548,996,242	10,167,643,399
Miles in Operation-Year's End.....	641	641	641	641	641
Daily Average Miles (1).....	29,311,184	30,263,774	29,589,933	28,901,360	27,856,557
Average Trip (Controlled System).....	41	43	43	43	43
Passenger.....	38	38	39	39	39
Commercial.....	63	65	64	64	64
TOLL					
Total Toll Transactions.....	274,016,131	281,843,428	272,038,024	267,210,016	259,721,892
Passenger.....	241,531,800	243,184,612	234,778,009	230,542,227	223,944,525
Commercial.....	32,484,331	38,658,816	37,260,015	36,667,789	35,777,367
Daily Average Toll Transactions.....	750,729	770,064	745,310	732,082	711,567
Permits Sold.....	36,889	37,163	37,238	36,933	38,078
Permit Trips.....	9,977,286	10,152,296	10,342,956	10,444,063	10,798,880
Permit Miles.....	226,551,491	231,431,678	235,503,136	238,274,419	246,740,467
REVENUE					
Total Income.....	\$549,077,576	\$470,020,329	\$454,591,524	\$449,863,252	\$441,941,194
Passenger Tolls.....	311,074,654	264,786,883	257,221,464	253,909,316	245,552,863
Commercial Tolls.....	200,116,127	174,796,023	169,962,319	169,449,452	166,238,648
Restaurants.....	11,480,428	11,151,715	11,011,622	11,015,590	10,900,224
Gasoline Stations.....	3,542,596	3,800,537	3,698,533	3,782,033	2,991,749 (2)
Interest.....	6,549,724 (3)	1,995,175 (3)	1,604,213	1,914,104	5,211,335
Other.....	14,544,821	13,489,996	11,093,373	9,792,757	11,046,375
EXPENSES					
Operating Costs (4).....	\$303,805,343 (8)	\$291,710,725 (7)	\$306,123,535 (5)	\$242,677,334 (6)	\$229,127,048
Transfers to Other Funds.....	141,074,713	77,043,566	67,241,747	121,685,995	116,444,470
Total Debt Service.....	118,909,514	103,417,590	104,299,320	100,269,806	97,043,144 *
Principal.....	43,535,000	38,740,000	36,815,000	34,895,000	33,065,000
Interest.....	75,374,514	64,677,590	67,484,320	65,374,806	63,978,144 *
ACCIDENTS AND INCIDENTS (1)					
Fatal.....	28	35	35	32	42
(Fatalities).....	30	44	36	44	51
Personal Injury.....	2,161	2,099	2,228	2,218 *	1,967
(Persons Injured).....	3,095	3,072	3,348	3,418 *	3,014
Property Damage.....	8,579	8,970	9,416	8,818 *	8,050
ACCIDENT RATES					
Per 100,000,000 Miles Traveled (1)					
Fatal Accidents.....	0.26	0.32	0.32	0.30	0.41
Personal Injury Accidents.....	20.20	18.95	20.63	21.03 *	19.35
Property Damage.....	80.19	80.98	87.18	83.59 *	79.17
Total Accidents.....	100.65	100.25	108.14	104.92	98.93
FATALITY RATES					
Per 100,000,000 Miles Traveled (1)					
Annual.....	0.28	0.40	0.33	0.42	0.50
Cumulative.....	0.96	0.98	1.01	1.04	1.07
MISCELLANEOUS					
Gallons Fuel Delivered.....	73,872,045	79,116,911	76,864,851	78,759,743	70,167,547
Emergency Service Calls.....	94,664	100,006	104,009	111,117	113,173

(1) Reflects Cross-Westchester Expressway (CWE) and I-84. Also, commercial traffic and miles traveled has decreased from 2004 due to the toll realignment as of May 15, 2005.

(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 \$10,926,746 for 2005 of which the Revenue Fund received \$6,549,724. Total interest was \$2,871,499 for 2004 of which the Revenue Fund received \$1,995,175.

(4) Includes CWE maintenance expenses.

(5) 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.

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

(7) Excludes Claims and Indemnity expense of \$1,019,090, which was funded via Transfers to the Public Liability Claims Reserve.

(8) Excludes Claims and Indemnity expense of \$1,505,050, which was funded via Transfers to the Public Liability Claims Reserve.

*Adjusted figures

BRIDGE AND BARRIER TRAFFIC AND REVENUE SUMMARY

STATION	TRAFFIC 2005	TRAFFIC 2004	REVENUE 2005	REVENUE 2004
Grand Island Bridges --				
Passenger	21,527,149	21,654,293	\$ 9,978,973	\$ 7,464,501
Commercial	1,728,476	2,103,124	3,354,142	2,824,097
Total	23,255,625	23,757,417	\$ 13,333,115	\$ 10,288,598
Tappan Zee Bridge *--				
Passenger	23,737,888	23,897,322	\$ 73,843,908	\$ 59,093,327
Commercial	1,597,026	1,700,674	20,387,600	16,949,280
Total	25,334,914	25,597,996	\$ 94,231,508	\$ 76,042,607
Yonkers Barrier --				
Passenger	17,972,225	18,052,571	\$ 11,354,654	\$ 9,026,284
Commercial	2,030,853	2,262,334	3,468,644	2,908,775
Total	20,003,078	20,314,905	\$ 14,823,298	\$ 11,935,059
New Rochelle Barrier* --				
Passenger	18,978,810	19,022,138	\$ 21,289,062	\$ 19,022,132
Commercial	2,644,460	2,958,365	9,787,934	7,855,238
Total	21,623,270	21,980,503	\$ 31,076,996	\$ 26,877,370
Spring Valley Barrier* --				
Passenger	30,155	-	\$ 88,976	\$ -
Commercial	1,397,167	1,518,916	6,122,016	4,643,354
Total	1,427,322	1,518,916	\$ 6,210,992	\$ 4,643,354
Harriman Barrier --				
Passenger	18,225,703	18,299,228	\$ 11,567,220	\$ 9,149,613
Commercial	1,372,455	1,536,093	2,772,516	2,247,178
Total	19,598,158	19,835,321	\$ 14,339,736	\$ 11,396,791
Buffalo City Line *--				
Passenger	7,143,550	7,466,835	\$ 4,570,157	\$ 3,733,412
Commercial	1,183,706	1,424,358	2,896,355	2,305,855
Total	8,327,256	8,891,193	\$ 7,466,512	\$ 6,039,267
Black Rock Barrier * --				
Passenger	8,109,967	8,668,718	\$ 5,152,999	\$ 4,334,358
Commercial	587,004	700,223	1,295,575	1,107,663
Total	8,696,971	9,368,941	\$ 6,448,574	\$ 5,442,021
Total Bridges and Barriers --				
Passenger	115,725,447	117,061,105	\$ 137,845,949	\$ 111,823,627
Commercial	12,541,147	14,204,087	50,084,782	40,841,440
Total Toll Traffic	128,266,594	131,265,192	\$ 187,930,731	\$ 152,665,067
Non-Revenue	472,310	507,536	-	-
Total	128,738,904	131,772,728	\$ 187,930,731	\$ 152,665,067

* One Way Trips

DAILY THRUWAY RECORDS

REVENUE:

Thruway System.....	July 1, 2005
	\$2,098,366
Controlled System.....	July 1, 2005
	\$1,438,081
Grand Island Bridge South....	August 5, 2005
	\$30,102
Grand Island Bridge North....	July 1, 2005
	\$24,908
Tappan Zee Bridge.....	June 24, 2005
	\$338,598
Yonkers Barrier.....	June 30, 2005
	\$57,000
New Rochelle Barrier.....	July 29, 2005
	\$113,928
Spring Valley Barrier.....	July 7, 2005
	\$32,638
Harriman Barrier.....	June 1, 2005
	\$62,187
Buffalo City Line.....	August 12, 2005
	\$31,020
Black Rock Barrier.....	July 29, 2005
	\$26,752

Traffic - (Trips)

Thruway System	September 3, 2004
	1,015,283
Controlled System	September 3, 2004
	573,175
Grand Island Bridge South	August 8, 2003
	49,027 *
Grand Island Bridge North	July 1, 2005
	38,713 *
Tappan Zee Bridge	June 24, 2005
	85,977 *
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	June 1, 2005
	75,445
Buffalo City Line	August 13, 2004
	33,542 *
Black Rock Barrier	September 10, 2004
	35,216 *

* One Way Trips

** One Way Commercial Trips Only

CONTROLLED SYSTEM TRAFFIC SUMMARY - 2005

			EXIT TRAFFIC					
INTERCHANGES			ENTRY TRAFFIC TOTAL	Passenger		Commercial	Non Revenue	Total
No.	Name	Mile Post		Full Fare	Permits			
15	Woodbury	45	8,124,724	6,308,450	240,259	1,410,426	21,765	7,980,900
16	Harriman	45	1,067,753	1,012,340	42,231	59,768	15,291	1,129,630
17	Newburgh	60	6,007,746	4,685,995	338,511	1,013,270	47,152	6,084,928
18	New Paltz	76	2,645,547	2,318,329	181,048	147,643	21,052	2,668,072
19	Kingston	91	3,177,206	2,747,360	245,812	243,403	28,313	3,264,888
20	Saugerties	101	1,627,049	1,249,695	146,381	107,355	21,578	1,525,009
21	Catskill	114	1,682,744	1,331,759	184,769	144,036	24,898	1,685,462
21B	Coxsackie	124	1,173,222	710,982	268,810	133,242	13,483	1,126,517
22	Selkirk	135	800,395	534,877	107,264	105,463	23,065	770,669
23	Boulevard	142	5,064,802	3,849,433	660,479	452,875	116,386	5,079,173
24	Washington	148	13,122,409	11,295,023	830,899	1,387,249	99,500	13,612,671
25	Schenectady	154	6,665,398	5,601,081	603,449	240,722	54,763	6,500,015
25A	Schenectady I-88	159	3,727,896	2,880,334	51,477	628,162	27,088	3,587,061
26	Rotterdam	162	1,172,255	896,581	145,535	123,334	14,233	1,179,683
27	Amsterdam	174	1,688,959	1,220,063	267,590	172,602	20,179	1,680,434
28	Fultonville	182	949,502	495,512	64,047	384,928	13,347	957,834
29	Canajoharie	194	481,398	343,908	58,774	54,095	8,765	465,542
29A	Little Falls	211	237,212	177,105	24,170	37,327	5,107	243,709
30	Herkimer	220	734,403	596,026	59,324	83,614	14,558	753,522
31	Utica	233	1,957,087	1,498,097	126,395	306,383	24,797	1,955,672
32	Westmoreland	243	1,116,422	886,574	149,558	90,744	10,389	1,137,265
33	Verona	253	2,575,570	2,053,473	245,351	235,801	19,180	2,553,805
34	Canastota	262	1,641,390	1,103,087	322,436	119,996	16,558	1,562,077
34A	Collamer	277	3,181,770	2,533,931	376,935	341,147	18,596	3,270,609
35	Thompson	279	1,997,825	1,471,063	276,669	266,614	28,325	2,042,671
36	Mattydale	283	3,086,871	2,375,417	186,630	443,927	19,019	3,024,993
37	Electronics	284	1,071,653	858,469	165,650	67,218	17,130	1,108,467
38	Liverpool	286	1,241,325	869,656	137,186	103,008	8,100	1,117,950
39	State Fair	290	2,982,176	2,239,742	227,666	505,311	19,104	2,991,823
40	Weedsport	304	1,281,957	881,437	183,271	187,347	15,679	1,267,734
41	Waterloo	320	1,390,921	948,366	88,310	351,366	8,982	1,397,024
42	Geneva	327	1,701,506	1,357,259	138,845	215,321	12,482	1,723,907
43	Manchester	340	1,447,682	1,091,212	185,366	124,810	15,020	1,416,408
44	Canandaigua	347	3,249,333	2,700,268	219,805	174,958	21,379	3,116,410
45	Victor	351	5,434,585	4,865,226	378,679	311,588	24,654	5,580,147
46	Henrietta	362	3,580,082	2,797,302	303,509	557,360	24,448	3,682,619
47	LeRoy	379	2,593,334	2,018,456	142,887	352,208	13,115	2,526,666
48	Batavia	390	1,672,070	1,224,549	153,523	239,627	24,636	1,642,335
48A	Pembroke	402	1,970,570	1,267,383	123,935	503,057	14,775	1,909,150
49	Depew	417	3,528,416	3,130,538	99,743	331,141	16,294	3,577,716
50	Williamsville	420	9,080,767	6,969,880	276,956	1,903,644	51,658	9,202,138
SUBTOTAL			117,933,932	93,396,238	9,030,134	14,662,090	1,014,843	118,103,305
B1	Post Road	B7	2,796,826	2,173,550	64,964	440,662	22,239	2,701,415
B2	Taconic	B15	870,798	759,910	25,522	10,262	14,081	809,775
B3	Canaan	B18	4,315,828	3,184,726	37,520	1,063,490	17,153	4,302,889
SUBTOTAL			7,983,452	6,118,186	128,006	1,514,414	53,473	7,814,079
55	Lackawanna	429	8,728,729	6,712,162	290,064	1,568,306	41,783	8,612,315
56	Blasdell	432	2,598,995	2,325,065	91,134	162,825	14,990	2,594,014
57	Hamburg	436	2,177,828	1,924,244	121,343	187,545	15,091	2,248,223
57A	Angola	445	972,371	785,947	90,201	57,849	9,812	943,809
58	Silver Creek	456	1,011,126	849,611	104,686	100,098	13,083	1,067,478
59	Dunkirk	468	1,676,594	1,323,151	97,319	225,148	20,018	1,665,636
60	Westfield	485	274,035	231,950	8,242	30,955	8,290	279,437
61	State Line	496	3,598,088	2,162,513	16,157	1,433,954	14,230	3,626,854
SUBTOTAL			21,037,766	16,314,643	819,146	3,766,680	137,297	21,037,766
GRAND TOTAL			146,955,150	115,829,067	9,977,286	19,943,184	1,205,613	146,955,150



NEW YORK STATE THRUWAY AUTHORITY

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2005 and 2004

NEW YORK STATE THRUWAY AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Members of the Board
New York State Thruway Authority

We have audited the accompanying basic financial statements of the New York State Thruway Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended December 31, 2005 and 2004, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2005 and 2004, 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 management's discussion and analysis on pages 2 through 9 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 3, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

UHY

Albany, New York
March 3, 2006



John L. Buono
Chairman

New York State Thruway Authority New York State Canal Corporation

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Michael R. Fleischer
Executive Director
TDD/TTY 1-800-253-6244

Management's Discussion and Analysis

December 31, 2005 and 2004

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, 2005 and 2004. 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.

2005 Financial Highlights

- Toll revenue for the year was \$511.2 million, an increase of \$71.6 million or 16.3% compared to 2004. This increase is primarily due to a toll adjustment implemented in May 2005. The adjustment increased passenger rates by 25% and commercial rates by 35%. From the increased toll rates, E-ZPass passenger customers receive a 10% discount while E-ZPass commercial customers receive a 5% discount.
- 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 \$371.7 million, an increase of \$16.6 million or 4.7% compared to 2004.
- Non-operating revenues for the year were \$15.0 million, a decrease of \$28.5 million or 65.5% compared to 2004. Capital contributions for the year were \$45.4 million, a decrease of \$25.0 million or 35.5% compared to 2004. In 2004, there was a one time increase in the amount of federal aid available to operate the canal system and to fund various capital projects. Federal funding in 2005 returned to pre-2004 levels.
- Total net assets as of December 31, 2005 were approximately \$2.64 billion, a decrease of \$26.9 million compared to December 31, 2004.
- Total capital assets (net of depreciation) as of December 31, 2005 were approximately \$4.09 billion, a decrease of \$62.6 million compared to December 31, 2004.

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

Management's Discussion and Analysis

December 31, 2005 and 2004

2004 Financial Highlights

- Toll revenue for the year was \$439.6 million, an increase of \$12.4 million or 2.9% compared to 2003.
- 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 \$355.1 million, an increase of \$19.9 million or 5.9% compared to 2003.
- Non-operating revenues for the year were \$43.5 million, an increase of \$29.1 million or 202.1% compared to 2003. This increase is primarily due to a one time increase in the amount of federal aid available to operate the canal system.
- Total net assets as of December 31, 2004 were approximately \$2.67 billion, a decrease of \$18.1 million compared to December 31, 2003.
- Total capital assets (net of depreciation) as of December 31, 2004 increased by \$6.6 million to \$4.16 billion compared to 2003.

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 including the Authority's net assets and changes to them. 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.

Financial Analysis of the Authority

Net Assets

The Authority's total net assets at December 31, 2005 (See Table A-1) were approximately \$2.64 billion, a 1.0% decrease compared to December 31, 2004. Total assets increased 4.8% to \$4.72 billion and total liabilities increased 13.1% to \$2.08 billion. The Authority's total net assets at December 31, 2004 were approximately \$2.67 billion, a 0.7% decrease compared to December 31, 2003. Total assets decreased 0.5% to \$4.5 billion and total liabilities decreased 0.1% to \$1.8 billion.

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

Management's Discussion and Analysis

December 31, 2005 and 2004

Table A-1
Net Assets

December 31, 2005, 2004 and 2003
(In millions of dollars)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Percentage Change 2005-2004</u>
Unrestricted current assets	\$ 175.6	\$ 157.4	\$ 133.7	11.6
Restricted current assets	424.5	182.4	232.3	132.7
Capital assets	4,093.6	4,156.2	4,149.6	(1.5)
Noncurrent assets	<u>30.0</u>	<u>13.1</u>	<u>13.9</u>	<u>129.0</u>
Total assets	<u>4,723.7</u>	<u>4,509.1</u>	<u>4,529.5</u>	<u>4.8</u>
Current liabilities	169.6	698.3	812.7	(75.7)
Noncurrent Liabilities	<u>1,910.7</u>	<u>1,140.5</u>	<u>1,028.3</u>	<u>67.5</u>
Total liabilities	<u>2,080.3</u>	<u>1,838.8</u>	<u>1,841.0</u>	<u>13.1</u>
Net assets:				
Invested in capital assets, net of related debt	2,398.3	2,489.3	2,502.8	(3.7)
Restricted for debt service	50.1	9.0	80.0	456.7
Restricted for reserve maintenance	107.5	75.4	34.0	42.6
Restricted for construction	16.5	35.5	28.2	(53.5)
Unrestricted	<u>71.0</u>	<u>61.1</u>	<u>43.4</u>	<u>16.2</u>
Total net assets	<u>\$ 2,643.4</u>	<u>\$ 2,670.3</u>	<u>\$ 2,688.4</u>	<u>(1.0)</u>

Restricted current assets increased \$242.1 million or 132.7% in 2005 compared to 2004. This increase is primarily due to the issuance of General Revenue Bonds Series F and Series G in 2005. Combined, these two issuances generated \$225 million of net proceeds to fund the Authority's capital program which appear as restricted current assets. In addition to generating restricted net proceeds, the bond issuances required the Authority to increase the amount of restricted assets held in the Senior Debt Service Reserve Fund.

Current liabilities decreased \$528.7 million or 75.7% compared to 2004. Non-current liabilities increased \$770.2 million or 67.5% compared to 2004. The shift in liabilities from current to non-current is primarily due to the issuance of long-term debt noted above. In addition to funding the Authority's Capital Program and advance refunding a portion of General Revenue Bonds Series B, Series D, and Series E, the proceeds were also used to defease short-term General Revenue Bond Anticipation Notes, Series CP-1, Series CP-2 and Series 2004A.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. (See note 6 for further discussion of long-term debt).

Net Assets Restricted for Debt Service increased by \$41.1 million compared to 2004. This increase is primarily due to the increase in the debt service reserve fund requirement resulting for the issuance of General Revenue Bonds Series F and Series G.

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

Management's Discussion and Analysis

December 31, 2005 and 2004

Net Assets Restricted for Reserve Maintenance increased by \$32.1 million compared to 2004. This increase is primarily due to additional operating revenues being available to fund the Reserve Maintenance Fund as a result of the toll adjustment implemented in May 2005.

Changes in Net Assets

Net assets decreased by \$26.9 million in 2005 compared to 2004 (See Table A-2). The Authority's total operating revenues for 2005 were \$550.9 million, an increase of \$78.0 million or 16.5% compared to 2004. Total operating expenses including depreciation and amortization were \$567.5 million, an increase of \$25.7 million or 4.7% compared to 2004. Net assets decreased by \$18.1 million in 2004 compared to 2003. The Authority's total operating revenues for 2004 were \$472.9 million, an increase of \$15.3 million or 3.3% compared to 2003. Total operating expenses including depreciation and amortization were \$541.8 million, an increase of \$20.3 million or 3.9% compared to 2003.

Table A-2
Changes in Net Assets

Year ended December 31, 2005, 2004 and 2003
(In millions of dollars)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Percentage Change 2005-2004</u>
Operating Revenues:				
Toll revenue	\$ 511.2	\$ 439.6	\$ 427.2	16.3
Concession revenue	15.0	15.0	14.7	0.0
Miscellaneous	24.7	18.3	15.7	35.0
Total operating revenues	<u>550.9</u>	<u>472.9</u>	<u>457.6</u>	<u>16.5</u>
Operating Expenses:				
Administrative	20.0	21.1	19.7	(5.2)
Engineering services	5.4	5.0	4.6	8.0
Maintenance	93.7	89.8	89.4	4.3
Finance and accounts	6.1	5.8	5.7	5.2
Operations	82.5	77.7	75.9	6.2
General charges	103.1	96.2	81.2	7.2
Canals	46.9	48.0	43.8	(2.3)
Interstate 84	12.7	11.6	12.0	9.5
Other authority projects	1.4	(0.1)	2.9	0.0
Depreciation and amortization	<u>195.7</u>	<u>186.7</u>	<u>186.3</u>	<u>4.8</u>
Total operating expenses	<u>567.5</u>	<u>541.8</u>	<u>521.5</u>	<u>4.7</u>
Operating loss	<u>(16.6)</u>	<u>(68.9)</u>	<u>(63.9)</u>	<u>(75.9)</u>
Nonoperating revenues (expenses):				
Interest expense	(70.7)	(63.1)	(63.4)	12.0
Nonoperating revenues	<u>15.0</u>	<u>43.5</u>	<u>14.4</u>	<u>(65.5)</u>
Net nonoperating expenses	<u>(55.7)</u>	<u>(19.6)</u>	<u>(49.0)</u>	<u>184.2</u>
Loss before other revenue and special items	(72.3)	(88.5)	(112.9)	(18.3)
Capital contribution	<u>45.4</u>	<u>70.4</u>	<u>57.9</u>	<u>(35.5)</u>
Change in net assets	<u>(26.9)</u>	<u>(18.1)</u>	<u>(55.0)</u>	<u>48.6</u>
Total net assets, beginning of the year	<u>2,670.3</u>	<u>2,688.4</u>	<u>2,743.4</u>	<u>(0.7)</u>
Total net assets, end of the year	<u>\$2,643.4</u>	<u>\$2,670.3</u>	<u>\$2,688.4</u>	<u>(1.0)</u>

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

Management's Discussion and Analysis

December 31, 2005 and 2004

Toll revenue for 2005 increased \$71.6 million or 16.3%. Passenger toll revenue increased \$46.3 million or 17.5% and commercial toll revenue increased \$25.3 million or 14.5% due a toll adjustment that went into effect in May 2005. This adjustment increased passenger rates by 25% and commercial rates by 35%. From the increased toll rates, E-ZPass passenger customers receive a 10% discount while E-ZPass commercial customers receive a 5% discount.

General charges increased by \$6.9 million in 2005 compared to 2004. This increase is primarily due to higher pension, health insurance and E-ZPass account management costs.

Depreciation and amortization increased by \$9.0 million compared to 2004. This increase is due to the large number of bridge and highway improvement projects completed and an increase in the number of E-ZPass tags purchased in 2005. The Authority's significant investments in these types of assets, which have useful lives ranging from five to fifteen years, resulted in an increase in depreciation expense.

Interest expense increased by \$7.6 million compared to 2004. This increase is primarily due to an increase in the amount of outstanding debt in 2005 compared to 2004, as well as higher interest rates on the General Revenue Bonds, Series F and Series G, issued in 2005, compared to the General Revenue Bond Anticipation Notes, Series CP-1, CP-2 and 2004A issued in prior years and defeased in 2005.

Non-operating revenues and capital contributions decreased by \$28.5 million and \$25.0 million, respectively, compared to 2004. In 2004, there was a one time increase in the amount of federal aid available to operate the canal system and to fund various capital projects. Federal funding in 2005 returned to pre-2004 levels.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2005, the New York State Thruway Authority had approximately \$7.0 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2005 totaled approximately \$4.1 billion (See Table A-3) representing a net decrease (including additions, disposals and depreciation) of approximately \$63 million or 1.5% compared to December 31, 2004.

As of December 31, 2004, the New York State Thruway Authority had approximately \$6.9 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2004 totaled approximately \$4.2 billion (See Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$7 million or 0.2% over December 31, 2003.

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

Management's Discussion and Analysis

December 31, 2005 and 2004

Table A-3
Capital Assets

December 31, 2005, 2004 and 2003
(In millions of dollars)

	2005	2004	2003	Percentage Change 2005-2004
Land and land improvements	\$ 804.8	\$ 804.0	\$ 785.5	0.1
Construction work in progress	182.0	245.1	269.0	(25.7)
Thruway System	5,505.0	5,397.6	5,339.8	2.0
Canal System	322.7	302.8	295.4	6.6
Equipment	201.6	191.2	188.2	5.4
Less accumulated depreciation	(2,922.5)	(2,784.5)	(2,728.3)	5.0
Total net capital assets	\$ 4,093.6	\$ 4,156.2	\$ 4,149.6	(1.5)

In 2005, the Thruway System capital asset value increased by \$107.4 million. This increase was primarily due to the completion of a large number of projects including bridge replacements and rehabilitations, as well as pavement restorations, a noise barrier installation, and Variable Message Sign (VMS) installations. Construction work in progress decreased \$63.1 million as a result of projects being completed and a reduction in the number of new capital projects being started due to fiscal constraints prior to the toll adjustment in May 2005. The Canal System increased by \$19.9 million as a result of completing the rehabilitation of Lock E-33 near Rochester, and the completion of trail ways from Greece to Pittsford, and Oriskany to Barnes. Equipment increased by \$10.4 million primarily due to an increase in the number of E-ZPass tags being used.

In 2004, the Thruway System and the land improvement capital asset values increased by \$57.8 million and \$18.5 million, respectively. These increases are primarily due to the completion of the Interchange 8 project in Westchester County, steel repairs on the North Grand Island Bridge and highway improvements at various locations on the system. Construction work in progress decreased \$23.9 million as a result of projects being completed and a reduction in the number of new capital projects being started due to fiscal constraints. The Canal System capital asset value increased by \$7.4 million due to the completion of a trail way between Adams Basin and Albion, as well as several smaller infrastructure projects.

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 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 program. Some of the general revenue bonds were issued to refund earlier issues. At December 31, 2005, the Authority had approximately \$1,934.4 million in general revenue bonds outstanding, a 14.5% increase from December 31, 2004 (See Table A-4). Of the \$1,934.4 million in general revenue bonds outstanding, approximately \$1,356.1 million are insured and rated Aaa by Moody's and AAA by Standard and Poor's (S&P). The remaining revenue bonds are rated Aa3 by Moody's and AA- by S&P.

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

Management's Discussion and Analysis

December 31, 2005 and 2004

During 2005, the Authority issued \$624.6 million of General Revenue Bonds Series F whose proceeds were used to pay the outstanding \$150 million of General Revenue Bond Anticipation Notes, Series CP-1, and \$444.2 million of outstanding General Revenue Bonds from Series B, Series D and Series E bonds for a net present value savings of \$18.6 million. In addition, the Series F Bonds provided \$25 million to fund a portion of the Authority's Multi-Year Capital Program. The Authority also issued \$738.9 million of General Revenue Bonds, Series G, the proceeds from which were used to pay the outstanding \$375 million of General Revenue Bond Anticipation Notes, Series 2004A, \$150 million of General Revenue Bond Anticipation Notes, Series CP-2, and provided \$200 million to fund a portion of the Authority's Multi-Year Capital Program.

In 1991, the Authority issued \$30.8 million in Special Obligation Bonds to fund the purchase from the State of New York of an eleven mile highway, designated Interstate Route 287, in Westchester County, New York. The final payment on the Special Obligation Bonds was made on December 31, 2005.

At December 31, 2004, the Authority had approximately \$1,010.3 million in General Revenue and Special Obligation Bonds and \$678 million in Bond Anticipation Notes outstanding, a 0.5% decrease from December 31, 2003 (See Table A-4).

Table A-4
Outstanding Debt

Year Ended December 31, 2005
(In millions of dollars)

	Beginning Balance	Additions	Retired	Ending Balance
General Revenue Bonds	\$ 1,003.5	\$ 1,412.4	\$ (481.5)	\$ 1,934.4
Special Obligation Bonds	6.8	0.6	(7.4)	-
Total Bonds	1,010.3	1,413.0	(488.9)	1,934.4
Bond Anticipation Notes	678.0	-	(678.0)	-
Total bonds and notes	<u>\$ 1,688.3</u>	<u>\$ 1,413.0</u>	<u>\$ (1,166.9)</u>	<u>\$ 1,934.4</u>

Year Ended December 31, 2004
(In millions of dollars)

	Beginning Balance	Additions	Retired	Ending Balance
General Revenue Bonds	\$ 1,031.6	\$ -	\$ (28.1)	\$ 1,003.5
Special Obligation Bonds	15.2	1.2	(9.6)	6.8
Total bonds	1,046.8	1.2	(37.7)	1,010.3
Bond Anticipation Notes	650.0	381.0	(353.0)	678.0
Total bonds and notes	<u>\$ 1,696.8</u>	<u>\$ 382.2</u>	<u>\$ (390.7)</u>	<u>\$ 1,688.3</u>

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

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

Management's Discussion and Analysis

December 31, 2005 and 2004

Contacting the New York State Thruway Authority's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional information, contact the New York State Thruway Authority's Department of Finance and Accounts, P.O. Box 189, Albany, NY 12201-0189.

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF NET ASSETS

December 31, 2005 and 2004

	2005	2004
	<i>(In thousands)</i>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 106,997	\$ 89,562
Investments	9,965	1,822
Accrued interest receivable	2,825	95
Accounts receivable, net	35,863	44,709
Materials and supplies	15,818	15,149
Prepaid insurance and deferred assets	4,155	6,053
Restricted:		
Cash and cash equivalents	129,574	143,542
Investments	276,796	2,102
Accrued interest receivable	513	10
Accounts receivable, net	16,378	35,473
Other	1,180	1,237
Total current assets	<u>600,064</u>	<u>339,754</u>
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	4,093,605	4,156,236
Investment in State Infrastructure Bank	3,000	3,000
Bond issuance costs, net of accumulated amortization	27,001	10,120
Total noncurrent assets	<u>4,123,606</u>	<u>4,169,356</u>
Total assets	<u><u>4,723,670</u></u>	<u><u>4,509,110</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	76,289	81,103
Accrued wages and employee benefits	13,383	11,074
Deferred revenue	37,803	32,607
Accrued interest payable	4	3,031
Current amount due on bonds, notes and other long-term liabilities	42,123	570,480
Total current liabilities	<u>169,602</u>	<u>698,295</u>
NONCURRENT LIABILITIES		
Bonds and notes payable	1,895,870	1,123,934
Other long-term liabilities	14,786	16,534
Total noncurrent liabilities	<u>1,910,656</u>	<u>1,140,468</u>
Total liabilities	<u><u>2,080,258</u></u>	<u><u>1,838,763</u></u>
NET ASSETS		
Invested in capital assets, net of related liabilities	2,398,349	2,489,279
Restricted for:		
Debt service	50,088	8,976
Reserve maintenance	107,490	75,461
Construction	16,458	35,553
Unrestricted	71,027	61,078
Total net assets	<u><u>\$2,643,412</u></u>	<u><u>\$2,670,347</u></u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
Operating revenues		
Tolls	\$ 511,191	\$ 439,583
Concessions	15,023	14,952
Other	<u>24,638</u>	<u>18,334</u>
Total operating revenues	<u>550,852</u>	<u>472,869</u>
Operating expenses		
Administrative	20,019	21,082
Engineering services	5,420	4,996
Maintenance engineering:		
Thruway maintenance	68,908	66,859
Equipment maintenance	24,780	22,964
Finance and accounts	6,087	5,797
Operations:		
Traffic and services	6,870	7,040
State police	33,474	29,078
Toll collection	42,109	41,539
General charges	103,042	96,238
Canals	46,936	48,001
Interstate 84	12,731	11,569
Other Authority projects	1,348	(110)
Depreciation and amortization	<u>195,747</u>	<u>186,684</u>
Total operating expenses	<u>567,471</u>	<u>541,737</u>
Operating loss	<u>(16,619)</u>	<u>(68,868)</u>
Nonoperating items		
Interest revenue on investments	2,608	80
Interest expense	(70,693)	(63,152)
Federal and other aid	<u>12,394</u>	<u>43,443</u>
Net nonoperating items	<u>(55,691)</u>	<u>(19,629)</u>
Loss before capital contributions	(72,310)	(88,497)
Capital contributions	<u>45,375</u>	<u>70,423</u>
Change in net assets	(26,935)	(18,074)
Total net assets, beginning of year	<u>2,670,347</u>	<u>2,688,421</u>
Total net assets, end of year	<u><u>\$ 2,643,412</u></u>	<u><u>\$ 2,670,347</u></u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from toll collections	\$ 517,956	\$ 448,007
Cash received from concession sales	14,613	15,283
Other operating cash receipts	25,253	19,388
Personal service payments	(158,573)	(152,052)
Fringe benefit payments	(61,125)	(49,147)
E-ZPass account management payments	(18,019)	(18,316)
Cash payments to vendors and contractors	<u>(134,030)</u>	<u>(139,532)</u>
Net cash provided by operating activities	<u>186,075</u>	<u>123,631</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal aid and other reimbursements	26,858	30,647
Other items	<u>6,663</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>33,521</u>	<u>30,647</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	1,434,001	382,742
Federal aid and other capital contributions	59,152	65,396
Acquisition/construction of capital assets	(147,246)	(192,812)
Principal paid on capital debt	(1,176,001)	(390,242)
Interest paid on capital debt	(105,092)	(67,614)
Proceeds from sale of capital assets	838	1,097
Other cash payments	<u>-</u>	<u>(1,293)</u>
Net cash provided by (used in) capital and related financing activities	<u>65,652</u>	<u>(202,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(372,996)	(16,644)
Proceeds from sale and maturities of investments	90,061	47,649
Interest on investments	<u>1,154</u>	<u>255</u>
Net cash (used in) provided by investing activities	<u>(281,781)</u>	<u>31,260</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,467	(17,188)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>233,104</u>	<u>250,292</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 236,571</u></u>	<u><u>\$ 233,104</u></u>

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2005 and 2004

	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (16,619)	\$ (68,868)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	195,747	186,684
Capitalized interest	1,455	704
Net changes in assets and liabilities:		
Receivables	(4,021)	2,276
Inventories	(670)	545
Prepaid expenses	1,898	(3,700)
Accounts payable and accrued expenses	129	674
Accrued wages and benefits	2,960	2,895
Deferred revenue	5,196	2,421
Net cash provided by operating activities	<u>\$ 186,075</u>	<u>\$ 123,631</u>
RECONCILIATION TO STATEMENT OF NET ASSETS		
Cash and cash equivalents	\$ 106,997	\$ 89,562
Restricted cash and cash equivalents	<u>129,574</u>	<u>143,542</u>
Total cash and cash equivalents	<u>\$ 236,571</u>	<u>\$ 233,104</u>

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 1 — FINANCIAL REPORTING ENTITY

The New York State Thruway Authority (the Authority) is a Public Benefit Corporation created by the New York State Legislature in 1950 to build, operate and maintain the Thruway System. The New York State Canal Corporation (the Canal Corporation), a subsidiary public corporation of the Authority, was created by the New York State Legislature in August 1992 to accept jurisdiction and control over the State Canal System from the State. The Boards of both the Authority and the Canal Corporation are 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. Under 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 (the Fund), created by the 1992 legislation, and held by the State where they are available, subject to appropriation, only for purposes of the Canal System as directed by the Canal Recreationway Commission. The State 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 (GASB) No. 14, the Authority is considered a component unit of the State of New York, because the Governor appoints all members of the Authority's Governing Board.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Authority has elected to apply all Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989 unless these standards and interpretations conflict with or contradict the GASB pronouncements. The more significant accounting policies are described below:

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of Accounting

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

The principal revenues of the Authority are toll revenues received from patrons. The Authority also recognizes as operating revenue the rental fees received from concessionaires from operating leases on concession property, special hauling fees charged to overweight or oversize vehicles and certain revenue collected from the lease of property. Operating expenses for the Authority include maintenance costs of operating the Authority, administrative expenses, and depreciation on infrastructure and other capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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. The Authority's bond resolution, however, requires that certain funds and accounts be established and maintained. The Authority consolidates these funds and accounts for the purpose of providing an enterprise fund presentation in its external financial statements.

(b) Cash, Cash Equivalents and Investments

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

Investments include money market instruments with a maturity of more than three months and are recorded at amortized cost. These investments are not included in cash and cash equivalents in the Statement of Cash Flows.

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

(c) Accounts Receivable

Accounts receivable consist primarily of receivables from commercial transportation companies and the Federal and State governments under various Federal and State grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. Allowances of \$100,000 and \$150,000 were established at December 31, 2005 and 2004, respectively, for estimated uncollectible accounts receivable.

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Materials and Supplies

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

(e) Deferred Revenue

Deferred revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and 2005 and 2004 annual permit revenues collected in 2004 and 2003, respectively.

(f) 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 Authority's bonds. Certain other assets are accumulated and restricted in accordance with the bond resolutions for the purpose of paying interest and principal debt payments that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining reserve funds at required levels. Payments from restricted funds are governed by the bond resolutions and, as such, expenses which do not meet these standards are paid from unrestricted funds.

(g) Tolls Revenue

In May 2005, the Authority implemented a toll increase, the first general increase on the Thruway since 1988. The toll increase included a 25% increase for passenger vehicles and a 35% increase for commercial vehicles. The increases were designed to also encourage greater use of E-ZPass, as passenger and commercial vehicles equipped with E-ZPass will receive discounts. The toll increase also provides, beginning in 2008, that an additional 10% increase in tolls become effective for cash customers. Tolls for E-ZPass customers, and tolls for those enrolled in Thruway commuter plans, will not change in 2008.

Tolls revenue is stated net of volume discounts approximating \$19.9 million and \$10.2 million for 2005 and 2004, respectively. In connection with the May 2005 toll adjustment, the Authority implemented changes in the volume discount program which, effectively, doubled the percentage discount on certain monthly commercial accounts.

(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. The liability for vested compensated absences has been computed to approximate \$10,377,000 and \$9,725,000 at December 31, 2005 and 2004, respectively, and is deemed a long term liability.

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Bond Discounts/Premiums and Bond Issuance Costs

Bond discounts/premiums are presented as a component of bonds payable and bond issuance costs are presented as a component of deferred assets on the Statements 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 (\$1,846,000) and \$1,051,000 for 2005 and 2004, respectively, and is included as a component of interest expense. Depreciation and amortization expense includes amortization of bond issuance costs for 2005 and 2004 of \$1,845,000 and \$1,036,000, 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, 2005 and 2004.

(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) Impact of Future Accounting Pronouncements

The Authority is in the process of evaluating the impact that will result from adopting GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, effective for the year ending December 31, 2007. The Authority is therefore unable to disclose the impact that adopting GASB Statement No. 45 will have on the financial position and results of operations when this statement is adopted.

(n) Use of Estimates

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

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 3 — CASH AND INVESTMENTS

The Authority's cash and investments as of December 31, 2005 and 2004 were as follows (in thousands):

	2005		2004
	Carrying Value	Fair Value	Carrying Value
<u>Cash and cash equivalents</u>			
Unrestricted:			
Cash:			
Demand deposits	\$ 24,996	\$ 24,996	\$ 39,579
Deposits in transit	-	-	1,251
Toll change funds	138	138	140
Total unrestricted cash	<u>25,134</u>	<u>25,134</u>	<u>40,970</u>
Cash equivalents:			
Government discount notes	54,945	55,074	24,549
Repurchase agreements	25,952	26,885	22,703
Time deposits	966	966	1,340
Total unrestricted cash equivalents	<u>81,863</u>	<u>82,925</u>	<u>48,592</u>
Total unrestricted cash and cash equivalents	<u>\$ 106,997</u>	<u>\$ 108,059</u>	<u>\$ 89,562</u>
Restricted:			
Cash:			
Demand deposits	\$ 5,186	\$ 5,186	\$ 47,942
Other deposits	180	180	-
Total restricted cash	<u>5,366</u>	<u>5,366</u>	<u>47,942</u>
Cash equivalents:			
Government discount notes	85,151	85,486	95,600
Repurchase agreements	31,809	33,223	-
Time deposits	764	764	-
Other deposits	6,484	6,474	-
Total restricted cash equivalents	<u>124,208</u>	<u>125,947</u>	<u>95,600</u>
Total restricted cash and cash equivalents	<u>\$ 129,574</u>	<u>\$ 131,313</u>	<u>\$ 143,542</u>
<u>Investments</u>			
Unrestricted:			
Time deposits	\$ 9,965	\$ 9,965	\$ 1,822
Total unrestricted investments	<u>\$ 9,965</u>	<u>\$ 9,965</u>	<u>\$ 1,822</u>
Restricted:			
Government discount notes	\$ 251,998	\$ 254,211	\$ 1,902
Other notes	24,798	24,708	-
Time deposits	-	-	200
Total restricted investments	<u>\$ 276,796</u>	<u>\$ 278,919</u>	<u>\$ 2,102</u>

At December 31, 2004, the fair value of the Authority's cash and investments approximated the carrying value.

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 3 — CASH AND INVESTMENTS (Continued)

The Authority requires collateral in the form of federal government obligations, or agency instruments guaranteed by the federal government, for all investments in repurchase agreements. The Authority 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, which are comprised of demand and other deposits approximated \$30,362,000 and \$87,521,000 as of December 31, 2005 and 2004, 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.

NOTE 4 — CAPITAL ASSETS

The Authority's capital assets principally include the Thruway System, Canal System and Equipment. The Thruway System includes infrastructure assets consisting of bridges, highways, buildings, toll equipment, and intelligent transportation systems. The Canal System includes canal structures and buildings. Equipment includes 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:

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

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 4 — CAPITAL ASSETS (Continued)

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2004 to December 31, 2005 (in thousands):

	December 31, 2004			December 31, 2005
	Balance	Additions	Deletions	Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 803,950	\$ 864	\$ (6)	\$ 804,808
Construction in progress	245,123	99,756	(162,850)	182,029
Total capital assets, not being depreciated	<u>1,049,073</u>	<u>100,620</u>	<u>(162,856)</u>	<u>986,837</u>
Capital assets being depreciated:				
Thruway System	5,397,567	147,351	(39,920)	5,504,998
Canal System	302,837	20,423	(578)	322,682
Equipment	191,228	30,379	(20,022)	201,585
Total capital assets, being depreciated	<u>5,891,632</u>	<u>198,153</u>	<u>(60,520)</u>	<u>6,029,265</u>
Less accumulated depreciation for:				
Thruway System	(2,648,621)	(166,056)	39,634	(2,775,043)
Canal System	(28,621)	(3,510)	-	(32,131)
Equipment	(107,227)	(24,336)	16,240	(115,323)
Total accumulated depreciation	<u>(2,784,469)</u>	<u>(193,902)</u>	<u>55,874</u>	<u>(2,922,497)</u>
Net value of capital assets, being depreciated	<u>3,107,163</u>	<u>4,251</u>	<u>(4,646)</u>	<u>3,106,768</u>
Net value of all capital assets	<u><u>\$4,156,236</u></u>	<u><u>\$ 104,871</u></u>	<u><u>\$(167,502)</u></u>	<u><u>\$4,093,605</u></u>

Depreciation expense related to capital assets was \$193,902,000 and \$185,648,000 for the years ended December 31, 2005 and 2004, respectively.

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NOTE 5 — RESTRICTED ASSETS

Restricted funds established pursuant to bond resolutions and the related balances at December 31, 2005 and 2004 are as follows:

Senior Debt Service Fund: Established to receive funds from Revenue to make periodic payments of interest and principal. The amounts held in this restricted fund at December 31, 2005 and 2004 were \$14,000 and \$238,000, 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, principally (in 2005) the newly issued Series F and Series G General Revenue Bonds. The amounts held in this restricted fund at December 31, 2005 and 2004 was \$50,075,000 and \$1,237,000, respectively.

Bond Service Fund (CWE Project): Established to receive funds representing revenues from restaurant concessionaires, and to make payments of principal and interest relating to the CWE Project special obligation bonds. The amounts held in this restricted fund at December 31, 2005 and 2004 was \$0 and \$22,000, respectively.

Bond Service Reserve Fund (CWE Project): Established to provide a reserve for payment of principal and interest on the special obligation bonds for the maximum amount of debt service on the bonds in any succeeding calendar year. The amounts held in this restricted fund at December 31, 2005 and 2004 was \$0 and \$7,479,000, respectively.

Construction Fund: Established to hold monies 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 the terms outlined in the bond resolutions. The amount held in this restricted fund at December 31, 2005 and 2004 was \$260,158,999 and \$98,974,000, 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 \$30,000,000 or the amount otherwise specified for such fiscal year (the minimum amount). The amount deposited into the Reserve Maintenance Fund may not exceed any amount from time to time established by the Authority pursuant to a Supplemental Resolution (the maximum amount) provided that such amount may not be less than the minimum amount. For both 2005 and 2004, the minimum amount was \$30,000,000. The Authority did not establish a maximum amount for either 2005 or 2004. 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 on the bonds, when deficiencies exist. The amount held in this restricted fund at December 31, 2005 and 2004 was \$107,531,000 and \$74,414,000, respectively.

State Infrastructure Bank Fund (SIB): Established through a joint venture with the Federal Government, the NYS Department of Transportation and the Metropolitan Transportation Authority to hold funds and record transactions associated with an infrastructure funding program established by the National Highway System Designation Act of 1995. This funding program was created to provide states with the financial resources to make loans and provide other assistance to qualified public and private transportation projects. The amount held in this restricted fund at December 31, 2005 was \$6,663,000.

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NOTE 6 — LONG-TERM LIABILITIES

The Authority's bond and note indebtedness, and other long-term liabilities, as of December 31, 2005 and 2004, are comprised of the following obligations (in thousands):

	<u>Date of Issuance</u>	<u>December 31, 2004 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2005 Balance</u>	<u>Due Within One Year</u>
General Revenue Bonds						
1993 Series B	12/93	\$ 157,850	\$ -	\$ (152,425)	\$ 5,425	\$ 5,425
1995 Series C	2/95	7,315	-	(7,315)	-	-
1997 Series D	5/97	301,200	-	(276,280)	24,920	7,890
1998 Series E	6/98	548,625	-	(38,765)	509,860	18,885
2005 Series F	3/05	-	624,570	(5,520)	619,050	5,050
2005 Series G	9/05	-	738,925	-	738,925	425
Unamortized bond discounts/premiums		(11,527)	80,886	(2,708)	66,651	2,374
Deferred loss on advanced refunding		-	(31,956)	1,522	(30,434)	(1,522)
General revenue bonds, net of unamortized discounts/ premiums and deferred losses		1,003,463	1,412,425	(481,491)	1,934,397	38,527
Special Obligation Bonds						
CWE (Accreted Value)	3/91	6,881	554	(7,435)	-	-
Total bonds, net of unamortized discounts/premiums		1,010,344	1,412,979	(488,926)	1,934,397	38,527
Bond Anticipation Notes						
Series CP-1	4/00	150,000	-	(150,000)	-	-
Series CP-2	5/01	150,000	-	(150,000)	-	-
Series 2004A	3/04	375,000	-	(375,000)	-	-
Unamortized notes premium		2,970	-	(2,970)	-	-
Total bond anticipation notes and unamortized premium		677,970	-	(677,970)	-	-
Total bonds and notes, net of un- amortized discounts/premiums and deferred loss		\$ 1,688,314	\$ 1,412,979	\$ (1,166,896)	\$ 1,934,397	\$ 38,527
Other Long-Term Liabilities						
SIB loan payable		\$ 5,296	\$ -	\$ (2,846)	\$ 2,450	\$ 1,300
NITTEC loan payable		2,134	605	(1,000)	1,739	1,000
Claims liability		5,479	473	(2,135)	3,817	1,296
Compensated absences		9,725	652	-	10,377	-
Total other long-term liabilities		\$ 22,634	\$ 1,730	\$ (5,981)	\$ 18,383	\$ 3,596

Additions to the Special Obligation Bonds represent current accretion on the capital appreciation bonds.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 — LONG-TERM LIABILITIES (Continued)

The debt service requirements for the Authority's bonds as of December 31, 2005 are as follows (in thousands):

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 37,675	\$ 93,727	\$ 131,402
2008	39,530	91,871	131,401
2009	41,370	90,032	131,402
2010	43,285	88,116	131,401
2011	45,385	86,017	131,402
2012 - 2016	263,120	393,887	657,007
2017 - 2021	334,125	322,880	657,005
2022 - 2026	425,610	231,392	657,002
2027 - 2031	542,935	114,069	657,004
2032	125,145	6,257	131,402
Unamortized Discounts/Premiums	66,651	-	66,651
Deferred loss on advanced refunding	(30,434)	-	(30,434)
	<u>\$ 1,934,397</u>	<u>\$ 1,518,248</u>	<u>\$ 3,452,645</u>

Generally, principal reduction payments are due on January 1 of each year and, as such, are paid the previous day (on December 31 of the prior year). Thus there are no principal/debt service requirements in 2006.

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 Authority Projects, and to fund certain reserve accounts. The 1993 General Revenue Bonds were originally comprised of Serial Bonds and Term Bonds (including Variable Rate Bonds and Convertible Inverse Floating Rate Bonds) with varying rates and maturities. The amounts outstanding at December 31, 2005 follow:

<u>Type</u>	<u>Rate</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	4.9%	2007	<u>\$ 5,425</u>

Principal payments under the Series B Serial Bonds began in 1994. Principal of \$5,175,000 maturing January 1, 2006 was paid in December 2005.

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. 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. The final payment of \$7,315,000, maturing January 1, 2006, was paid in December 2005.

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 6 — LONG-TERM LIABILITIES (Continued)

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. The 1997 General Revenue Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. In 2005, the Series F Bonds refunded \$268,770,000 of outstanding Series D Bonds. The amounts outstanding at December 31, 2005 follow:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	5.1% to 5.3%	2007 - 2009	<u>\$ 24,290</u>

Principal payments under the Series D Serial Bonds began on December 31, 1997 and continue through the year 2009 in amounts ranging from \$7,890,000 to \$8,730,000 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 \$7,510,000 maturing January 1, 2006 was paid in December 2005.

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 1998 General Revenue Refunding Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2004 follow:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	5% to 5.5%	2006 - 2017	\$ 244,650
Term Bonds	4.75%	2019	67,865
Term Bonds	5.0%	2025	<u>197,345</u>
			<u>\$ 509,860</u>

Principal payments under the Series E Serial Bonds began in December 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 \$10,580,000 maturing January 1, 2006 was paid in December 2005.

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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 6 — LONG-TERM LIABILITIES (Continued)

General Revenue Bonds – Series F: During March 2005, the Authority issued \$624,570,000 in General Revenue Bonds to provide \$25,000,000 in funding for a portion of the Authority's Capital Plan, to pay (at maturity) \$150,000,000 of General Revenue Bond Anticipation Notes, and to advance refund \$147,250,000 of outstanding Series B Bonds, \$268,770,000 of outstanding Series D Bonds and \$28,185,000 of outstanding Series E Bonds. The refunding portion of the transaction provided \$461,055,914 (including net original issue premium of approximately \$24,471,000 and after payment of approximately \$7,490,000 in issuance costs). An additional \$3,464,118 of Series B, Series D, and Series E Debt Service monies were used to purchase U.S. Government Securities. Those securities were deposited in a restricted fund with an escrow agent to provide future debt service payments on the Series B, Series D, and Series E Bonds. As a result, the refunded portions of the Series B, Series D, and Series E Bonds are considered defeased and the liability for those bonds has been removed from the Authority's financial statements.

This advance refunding reduced debt service payments over the life of the bonds by approximately \$28,051,000, with a net present value gain of approximately \$18,587,000.

The General Revenue Bonds Series F are comprised of both serial and term bonds, with varying rates and maturities. Amounts outstanding at December 31, 2005 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	2.625% to 5.0%	2007 - 2026	\$ 552,395
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	63,740
			<u>\$ 619,050</u>

Principal payments under the Series F Serial Bonds begin in December 2005. The Series F Term Bonds require sinking fund installments, beginning in the year 2027, through the year 2030, of amounts ranging from \$725,000 to \$31,105,000 annually. The Series F Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2015 at par plus accrued interest. Principal of \$5,520,000 maturing January 1, 2006 was paid in December 2005.

General Revenue Bonds – Series G: During September 2005, the Authority issued \$738,925,000 in General Revenue Bonds which, when included with net original issue premium of \$36,371,000, provided funds of \$775,296,000. These funds were used to pay (at maturity) \$525,000,000 in General Revenue Bond Anticipation Notes, to provide \$200,000,000 in funding for a portion of the cost of the Authority's Multi-Year Capital Plan, to fund approximately \$36,897,000 in debt service reserves and to pay approximately \$13,399,000 in bond issuance costs. The Series G Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2005 follow:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	3.0% to 5.25%	2007 - 2029	\$ 325,825
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	244,330
			<u>\$ 738,925</u>

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NOTE 6 — LONG-TERM LIABILITIES *(Continued)*

Principal payments under the Series G Serial Bonds will begin in December 2006. The Series G Term Bonds require sinking fund installments, in 2028 and 2030 through the year 2032, of amounts ranging from \$30,000,000 to \$125,145,000 annually. The Series G Bonds are callable at the option of the Authority, in whole or in part, beginning July 1, 2015 at par, plus accrued interest.

General Revenue Bonds Pledge and Financial Guaranty: The 1993 (Series B), 1995 (Series C), 1997 (Series D), 1998 (Series E), 2005 (Series F) and 2005 (Series G) 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 and January of 2004, the Authority obtained municipal bond debt service reserve fund policies of financial guaranty payable in the combined maximum amount of \$83,013,025, for the Senior Debt Service Reserve Fund in substitution for the Senior Debt Service Reserve Fund requirements of Series B, C, D and E General Revenue Bonds. Series F and Series G, General Revenue Bonds are secured with a funded Debt Service Reserve (see Note 3).

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. Since 1997, debt service was 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 final payment of \$7,435,000, maturing January 1, 2006, was paid in December 2005.

Bond Anticipation Notes: During 2000 and 2001, the Authority issued General Revenue Bond Anticipation Notes in the form of liquidity supported commercial paper totaling \$300 million. The program was developed to provide an additional source of funds to manage the Authority's Capital Program and to enable the Authority to access tax exempt short-term markets. The Authority rolled commercial paper in varying amounts during 2005 with maturities ranging from 1 day to 155 days and interest rates of 1.75% to 2.98%. The bond anticipation notes were paid at maturity (during 2005) from the proceeds of the Series F and Series G Bonds.

In March 2004 the Authority issued \$375 million in traditional bond anticipation notes (BANS) with an interest rate of 2.25%, maturing in October 2005, to fund the maturing principal and interest due on prior notes and fund a portion of the Authority's Capital Program. The 2004 BANS were paid at maturity with the proceeds of the Series G Bonds. As a result, the liability related to the Series 2004 notes has been removed from the Authority's financial statements.

NOTE 7 — SPECIAL BOND PROGRAMS

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

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 7 — SPECIAL BOND PROGRAMS *(Continued)*

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 (and 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, 2005, thirteen series of these bonds are outstanding. These series were issued between 1995 and 2003, with multiple issuances in some years. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding relating to these issues, net of amounts refunded in prior years, were \$1,983,730,000 and \$2,078,680,000 at December 31, 2005 and 2004, respectively.

Highway and Bridge Trust Fund Bond Program: The Legislature of the State of New York empowered the Authority to issue Highway and Bridge Trust Fund Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's Multi-Year Highway and Bridge Capital Program. In March 2005 and July 2005 two additional bond series were issued totaling \$2,980,740,000. As of December 31, 2005, nineteen series of these bonds are outstanding. These series were issued between 1994 and 2005, with multiple issuances in some years. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding relating to these issues were \$5,554,545,000 and \$5,765,465,000 at December 31, 2005 and 2004, 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, 2005, four series of these bonds are outstanding. These series were issued from 2002 through 2005. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding relating to these issues were \$1,141,265,000 and \$929,100,000 at December 31, 2005 and 2004, respectively.

NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS

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

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS *(Continued)*

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.

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 year ended December 31, 2005 ranged from 10.3% to 17.3% and during the year ending December 31, 2004 ranged from 11.5% to 17.3%. The PFRS is paid as part of a fringe benefit rate billed to the Authority for the State Police. The PFRS benefit rates billed were 11.8% for April through December 2005, 9.41% for April 2004 through March 2005, and 5.29% for January through March 2004.

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

	<u>ERS</u>	<u>PFRS</u>
2005	\$ 19,505	\$ 3,785
2004	19,096	2,297
2003	8,250	1,369

The Authority's contributions were equal to 100% of the contributions required for each year, plus the third 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 expensed in 2002, the year they were incurred. The Authority adjusted the estimated early retirement incentive program costs to actual in 2003.

Post Retirement Health Care: 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 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).

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 8 — RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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).

Total retiree health care benefit expenses paid and charged to operations were approximately \$17,108,000 and \$15,857,000 in 2005 and 2004, respectively, based on billings from New York State. These charges relate to approximately 2,100 retirees in both 2005 and 2004.

NOTE 9 — CONTINGENCIES AND COMMITMENTS

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

Changes in the Authority's claims liability amounts in fiscal years 2003 through 2005 were as follows (in thousands):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability Balance at Fiscal Year-End</u>
2003	\$ 4,527	\$ 267	\$ (262)	\$ 4,532
2004	4,532	1,967	(1,020)	5,479
2005	5,479	473	(2,135)	3,817

Certain other claims may not be probable and estimable as they involve complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. However, management has estimated the range of loss on these other claims approximates \$20 Million to \$60 Million.

The lands subject to certain Indian land claims in New York State in recent years have included parts of the Thruway right-of-way. The New York State Attorney General's Office defends these cases on behalf of the State and the Authority. At this time, the Authority is not a party to any litigation that has not been dismissed. It is possible that the Authority could again become a party due to its real property jurisdiction. However, the recent United States Supreme Court decision in *Sherrill v. Oneida*, 125 S Ct. 1478 (2005) and the decision of the United States Court of Appeals for the Second Circuit in *Cayuga Indian Nation v. Pataki*, 413 F3d 216 (2d Cir. 2005), wherein the doctrine of laches was held to apply to these ancient Indian land claims, have decreased the potential for liability. Adverse decisions or determinations in such matters could require the Authority to incur additional costs which are not currently expected to be material.

NEW YORK STATE THRUWAY AUTHORITY

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 9 — CONTINGENCIES AND COMMITMENTS (Continued)

Insurance: The Authority is self insured for property damage to substantially all buildings and vehicles. The Authority is also self insured for third party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.7 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$13.1 million

Loss of revenues is insured through a use and occupancy policy that covers any interruption in excess of 15 days.

Property damage to bridges is insured through various policies from major insurance companies equal to the maximum probable loss from a single occurrence (with deductibles ranging from \$2.5 million to \$5.0 million). In addition, the Authority purchases insurance for workers' compensation benefits and various liability exposures.

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.

Construction Commitments: The amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract at December 31, 2005 and 2004 are as follows (in thousands):

Project	Commitments	
	2005	2004
Highway, bridge and facility, construction, and design	\$ 144,700	\$ 99,900
Personal service and miscellaneous	60,600	46,000
Economic development and Canal	23,800	25,800
Total	<u>\$ 229,100</u>	<u>\$ 171,700</u>

Lease Revenues: The Authority has entered into various non-cancelable contracts with concessionaires to provide patron services on the Thruway System. These contracts provide the Authority with concession revenue, including minimum rentals and contingent revenues based on sales volume. The Authority also leases land that is used for antennas and fiber optic cable under various non-cancelable contracts. Concessions revenue contracts expire in various years through 2010. Radio tower contract terms generally range from 5 to 10 years, with renewal options up to 10 years, and fiber optic contract terms range from 17 to 20 years.

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 9 — CONTINGENCIES AND COMMITMENTS (Continued)

The following schedule summarizes total future rental payments to be received as of December 31, 2005 (in thousands):

<u>Year</u>	<u>Minimum Lease Payments</u>
2006	\$ 10,343
2007	5,047
2008	5,103
2009	4,511
2010	1,933
Thereafter	<u>11,753</u>
Total	<u><u>\$38,690</u></u>

The decline in minimum lease payments in 2006 is the result of concessionaire agreements expiring in 2006. The Authority is currently in the process of establishing new agreements for these concessions.

NOTE 10 — JOINT VENTURES

The Authority has entered into financing mechanisms to assist in the funding of fund transportation initiatives, which benefit regional, statewide and 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 provide new technologies and improve existing transportation systems.

State Infrastructure Bank: The 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 NYS Department of Transportation and the Metropolitan Transportation Authority. The SIB was capitalized with 80% Federal Funds and a 20% match provided by the parties to the MOU.

As of December 31, 2005, the Authority has contributed \$3 million toward the capitalization of the SIB. The Authority is obligated under three SIB loans at December 31, 2005 totaling \$2.45 million.

Niagara International Transportation Technology Coalition: The Niagara International Transportation Technology Coalition (NITTEC) is a financing mechanism to improve regional and 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. NITTEC seeks to improve safety and operations and reduce congestion on the transportation network by coordinating construction projects and transportation incident notification and response, and the deployment of Intelligent Transportation Systems (ITS).

NEW YORK STATE THRUWAY AUTHORITY
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NOTE 10 — JOINT VENTURES (Continued)

This funding mechanism, in the form of a revolving loan fund, is 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 is capitalized by a \$5 million Federal aid grant which was 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.

As of December 31, 2005 the Authority's outstanding NITTEC loan balance is \$1.74 million.

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

Members of the Board
New York State Thruway Authority

We have audited the accompanying basic financial statements of New York State Thruway Authority (the Authority) as of and for the year ended December 31, 2005, and have issued our report thereon dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The matter identified as a reportable condition relates to certain accounts of the Authority which were not routinely and sufficiently reconciled to the Authority's books and financial reporting.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
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GOVERNMENT AUDITING STANDARDS (Continued)**

Compliance and Other Matters

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

This report is intended solely for the information and use of the Authority Board, management of the Authority, New York State Department of Transportation, U.S. Department of Transportation, and the Office of the State Comptroller. It is not intended to be and should not be used by anyone other than these specified parties.

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Albany, New York
March 3, 2006

