

2006 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. The powers of the corporation are vested in and exercised by a seven member Board appointed by the Governor and confirmed by 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 the State's two largest cities, New York City and Buffalo. 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. The Cross-Westchester Expressway and I-84 were added to the Thruway System in 1991 and 1992, respectively.

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, a subsidiary of the Thruway Authority, charged with operating, maintaining, constructing, reconstructing, improving, developing, financing and promoting 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

In 2005, the Authority began implementation of a \$2.6 billion multi-year Capital Plan that will continue to provide high levels of safety and service, and maintain good road and bridge conditions system wide.

Implementation of the Authority's multi-year Capital Plan 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.

Highlights of the \$2.6 billion multi-year 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 toll barriers, and potentially at Ripley and in the Albany area. For a rendering of the future of Highway Speed E-ZPass along the Thruway please visit: www.nysthruway.gov/projectsandstudies/projects/willamsville/index.html For more information on the Capital Plan please visit: www.nysthruway.gov/tolls/faqs.html

B. Tappan Zee Bridge Deck Replacement

In August 2006, the Authority awarded the Tappan Zee Bridge Deck Replacement Project that will replace approximately 40 percent of the entire deck, including the west end of the bridge and the main truss. In previous years, the Authority replaced half of the center lane of the causeway and the entire east truss deck.

The Authority is implementing a number of strategies to minimize the impact of this Project on travelers:

- Deck replacement work will be conducted primarily during off-peak overnight shifts, generally from 8 p.m. until 6 a.m.
- The Authority will limit the contractor's day work, permitting single lane closures as needed.
- Deck replacement materials will be manufactured off-site, reducing noise on-site and shortening the duration of the Project overall.

Physical work to the Bridge's steel and deck will begin in the Spring of 2007. When complete in 2008, the new deck, along with related repairs to the superstructure, lighting, and rail will provide more reliable service, increase safety and add convenience for motorists using this vital east-west corridor. For more information please visit: www.nysthruway.gov/projectsandstudies/projects/tzbdeck/index.html

C. I-84/I-87 Interchange Reconstruction Project

Phase II of the I-84/I-87 Interchange Reconstruction Project commenced in March 2006. This phase of work included utility work and construction of facilities including the maintenance, toll utility, toll plaza, State Police and salt shed buildings. The remainder of Phase II, which is scheduled for completion in 2009, includes construction of two stormwater detention ponds, installation of sanitary sewer for the buildings on the site and separate storm water drainage and piping at the site for the landscape around the maintenance buildings, toll facilities, state police building and tandem lot.

Environmentally friendly "green" technology has been incorporated into the design of the buildings to enhance energy efficiency. In addition, the design of Phase III has been completed and was let in November 2006, with work scheduled to begin in the Spring of 2007. Phase III will include construction of all remaining roadways, ramps and bridges in the interchange directly connecting I-84 and I-87; installing two traffic signals on Route 300; and construction of a new, larger tandem lot. Phase III of the project is expected to be completed, with the new direct connection between I-84 and I-87 in service, by the Fall of 2009.

D. The Williamsville Toll Barrier Improvement Project

The existing Williamsville Toll Barrier (WTB) is the western terminus of the ticketed portion of the Thruway. The Williamsville Toll Barrier Improvement Project proposes to address traffic congestion, as well as safety and operational concerns, at the existing WTB by replacing the existing WTB with a modern mainline toll facility that will incorporate Highway Speed E-ZPass at the end of the ticketed toll system just east of Buffalo. The current location of the existing barrier is in close proximity to the intersection of the eastern terminus of I-290 and Thruway Interchange 50. The limited sight distance, insufficient weaving distance between these two complex highway facilities and increasing daily and peak hour traffic volumes result in daily congestion on this segment of the Thruway. Additionally, the capacity of the Barrier cannot be increased due to the lack of right-of-way and the adjacent dense residential development.

In May 2006, the Authority issued the Williamsville Toll Barrier Improvement Project Draft Environmental Impact Statement (DEIS) that closely studies alternatives for meeting project objectives and the impacts each alternative may have on the environment. The DEIS identified a preferred toll relocation site from its present location to the Town of Newstead between Thruway Interchanges 48A and 49 (between mileposts 408-409).

A public hearing was held on July 11, 2006, at which approximately 330 residents and officials attended. The deadline for the public comment period on the DEIS was originally July 24, but was extended twice at the behest of the permitting agencies and local municipalities in an attempt to gather more input from the public. The formal comment period ended on October 6, 2006. The Authority is currently reviewing all comments received.

The Final Environmental Impact Statement (FEIS) is anticipated to be available in late 2007. Outreach to all stakeholders will continue to ensure that all questions and comments are satisfactorily addressed. Construction is currently scheduled to begin in the Spring of 2010. It is planned that the new facility will be operational by the Fall of 2011, with the completion of the Project (including landscaping and the demolition of the existing WTB) by the Spring of 2012. For more information please visit: <http://www.nysthruway.gov/projectsandstudies/projects/williamsville/index.html>

E. Spring Valley

During 2006, the Authority continued making preparations to activate the first Highway Speed E-ZPass facility along the Thruway for commercial motorists at the Spring Valley Toll Barrier, in Rockland County.

Preparations included construction of signage and an equipment shed, installation of all necessary electronic devices, such as E-ZPass sensors, cameras and sensors and installation of the space frame. At the end of 2006, testing of the installed equipment and processing of the related software, as well as pavement repair and placement of pre-cast slabs and jersey barriers, was completed.

The installation of the first Highway Speed E-ZPass location along the Thruway at Spring Valley will be a major milestone, and a step forward in the Authority's ongoing effort to improve customer service. This project is scheduled to be complete early in 2007.

In addition to establishing this service at the Spring Valley Toll Barrier, the Authority also plans to begin work on Highway Speed E-ZPass at the Woodbury Toll Barrier in Orange County in 2007. For more information regarding this Project please visit: <http://www.nysthruway.gov/projectsandstudies/projects/springvalley/index.html>

F. Innovation

1. *TRANSsystem*

In August 2006, the Authority launched the Thruway Regional Advisory Network System (*TRANSsystem*). This free* network of services provides motorists a combination of current and plan-ahead traveler information delivered through a variety of mechanisms, including for the first time on the Thruway, email alerts (*TRANSalerts*). The *TRANSsystem* has been designed to provide customers with real-time traffic, weather, construction and emergency information.

Thruway patrons can sign up to receive *TRANSalerts* via e-mail or text messaging. The service also offers a “hold” feature allowing commuters to suspend the alerts while on vacation or allow the occasional traveler to only receive alerts when planning and/or taking a trip.

In addition, the *TRANSsystem* provides current, up-to-date traffic and traveler information including unscheduled construction and emergency information on the Authority’s homepage. The Authority continues to post emergency information on the Highway Advisory Radio (HAR), 1-800-THRUWAY and Dynamic Message Signs (DMS) along the entire system. At the end of 2006 more than 1800 Thruway customers had signed up to receive *TRANSalerts*.

For more information about *TRANSsystem* and the 1-800-THRUWAY information line, or to sign up for the *TRANSalerts*, please visit the Authority’s website at www.nysthruway.gov/tas/

* While the Authority offers this service free-of-charge to subscribers, fees for text messages may apply depending on the subscriber’s text messaging provider. Customers are encouraged to contact their mobile service providers to find out how text messaging works with their personal mobile devices.

2. E-ZPass

In 2006, more than 106,300 Thruway E-ZPass accounts were opened and the Authority issued over 265,000 tags. E-ZPass is now used by over 15 million motorists throughout North America. As of December 2006, there were 2,128,079 active Thruway Authority issued E-ZPass tags.

Introduced in 2004, the E-ZPass On-the-Go program made obtaining an E-ZPass more convenient for Thruway customers by allowing motorists to obtain E-ZPass tags through retailers, including several gift shops located at Thruway Travel Plazas. The Program was very successful in 2006 as nearly half of the Thruway E-ZPass accounts opened were done so through E-ZPass On-the-Go and 24 authorized retailers were added, for a total of 37 authorized retailers. E-ZPass On-the-Go tags are now available at 442 locations throughout the State including several gift shops located in Thruway Travel Plazas.

In August 2006, the Authority participated in the 160th Annual New York State Fair, enabling customers to instantly activate a new E-ZPass account using a major credit card. These customers were provided with E-ZPass tags that were immediately available for use in eleven states. For more information please visit: www.nysthruway.gov/ezpass/index.html

3. Alternative Fuel

In April 2006, the Authority installed an E85 fueling station at Albany Headquarters in furtherance of the Federal Energy Policy Act of 1992 and New York State Executive Orders 111 and 142, which urge State agencies and authorities to become less dependent on foreign oil and to provide cleaner air. More than 75 percent of the Authority's light duty vehicles purchased in 2006, were alternative fueled. For more information please visit <http://www.gorr.state.ny.us/gorr/executive%20orders.htm>

In July 2006, the Authority began an initiative to make E85 fuel available to the public at select Thruway Travel Plazas, the first of which was the New Baltimore North Travel Plaza. Construction of the E85 fuel facility at the New Baltimore North site was completed by the end of 2006 and E85 will be commercially available to customers when the Underwriters Laboratories, Inc. (UL) certification issue is addressed. The Authority completed the design phases on an additional nine E85 fuel pumps sites system wide. The construction of seven of those is scheduled for completion by the end of 2007, pending certification.

4. Wireless Fidelity (Wi-Fi)

In 2006, the Authority began installing Wi-Fi equipment at selected Thruway Travel Plazas. The Authority plans to provide free Wi-Fi access at all 27 Thruway Travel Plazas by early 2007. Motorists traveling along the Thruway with a Wi-Fi devices, such as a laptop, telephone or personal digital assistant (PDA), will be able to connect to the Internet from inside seating areas of the Travel Plazas.

D. Customer Focus

1. Tappan Zee Bridge/I-287 Environmental Review

The long-term needs of the Tappan Zee Bridge (TZB) and adjacent highway corridor are being assessed. In April 2001, the Authority and Metro-North initiated a comprehensive study of regional transportation needs and mobility in the 30-mile corridor along I-287 from Suffern to Port Chester, including the TZB. The focus of the Study is on the structural condition of the TZB and identifying alternatives for improving corridor mobility. The cost of the Study is shared equally between the Authority and Metro-North. In December 2005, the NYS Department of Transportation was formally included in the Study as the Team Leader.

In January 2006, the Study's first major milestone was reached with the issuance of the Alternative Analysis report. This report identified six alternatives to be studied in more detail during the development of the Draft Environmental Impact Statement (DEIS), anticipated to be completed by early 2008.

These alternatives are:

- Alternative 1: No Build
- Alternative 2: Bridge Rehabilitation with Traffic Demand Management/Traffic System Management Measures
- Alternative 3: Bridge Replacement with Full Corridor Bus Rapid Transit and Highway Improvements in Rockland County
- Alternative 4A: Bridge Replacement with Full Corridor Commuter Rail Transit and Highway Improvements in Rockland County
- Alternative 4B: Bridge Replacement with Manhattan-Bound Commuter Rail Transit and Light Rail Transit in Westchester County and Highway Improvements in Rockland County
- Alternative 4C: Bridge Replacement with Manhattan-Bound Commuter Rail Transit and Bus Rapid Transit in Westchester County and Highway Improvements in Rockland County

For more information please visit: www.tzbsite.com/

2. Albany Corridor Study

The Albany Corridor Study analyzed current and anticipated congestion over the next 20 years on the Thruway in the 25-mile corridor between Interchanges 21A (Berkshire Connector) in Albany County and 25A (I-88) in Schenectady County.

The purpose of the Study was to develop a prioritized Capital Improvement Plan that examined structural, safety and operational needs within the Corridor. 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, reconstruction between Interchanges 23 (Albany/I787) and 24 (Albany) was the first proposed project to come out of the Study. The Final Environmental Impact Statement for this project was accepted in September 2006, and the Statement of Findings was issued in November 2006, completing the SEQRA process. The project is currently under design, and scheduled for a December 2008 letting. For more information please visit: www.nysthruway.gov/projectsandstudies/studies/albany/index.html

3. Buffalo Corridor Study

In 2003, the Authority and NYSDOT, in cooperation with the Federal Highway Administration, initiated a corridor study on the Thruway near Buffalo in Erie County to develop a plan to address capacity, structural, safety and operational needs for this section of the Interstate Highway System over the next 30 years.

Recent changes to the Thruway toll structure in the Buffalo area, specifically at the Black Rock and City Line Toll Barriers, have begun to alter regional traffic patterns. These changes could affect the magnitude of the transportation issues in the Corridor that are being identified by the Study, and impact potential solutions to those issues. Since further changes in the traffic volumes can be anticipated after the toll plazas on the Niagara Thruway are removed, sometime in the Spring 2007, the Authority has postponed work on the Buffalo Corridor Study until the toll plazas have been removed and traffic patterns stabilize. For more information please visit :www.thruway.state.ny.us/studies/buffalo

4. Advanced Traffic Management System (ATMS)

The Authority has been working to implement ATMS, the automation of traveler information services to provide more accurate and timely information to the motoring public. ATMS will automate the Authority's 1-800 number and Highway Advisory Radio (HAR), automatically update the Authority's website with incident information, provide real-time information to DOT for the statewide real-time transportation status website, e-mail high priority traffic alerts to subscribers, automatically update DMS and improve dissemination of AMBER Alert information to HAR and DMS. The Authority plans to launch ATMS in 2007.

5. Dynamic Message Signs (DMS)

DMS, installed at strategic locations along the Thruway, provide the traveling public with real time messages that can be continuously updated, enabling motorists to make more informed travel decisions.

In 2006, the Authority completed the construction and installation of two new DMS in the Syracuse Division located at the approaches to the Syracuse metropolitan area, westbound prior to Interchange 34A (Syracuse I-481), and eastbound prior to Interchange 39 (Syracuse/Fulton). These permanent DMS were installed at these interchanges because they access other major roadways, allowing customers to make informed travel decisions. In addition, three DMS in the Tappan Zee Corridor were replaced with new models. The Authority also purchased ten new Portable DMS which were installed prior to major connectors that previously did not have permanent DMS. Other priority locations are scheduled to receive new permanent signs beginning in the 2008 construction season. The Authority plans to implement 25 DMS under the current multi-year Capital Plan.

6. Highway Advisory Radio (HAR)

Further demonstrating the Authority's commitment to providing higher levels of service to its customers, HAR coverage was expanded in 2006 to include the Utica area. Travelers can now tune into 540 AM in the Utica area to hear the most up-to-date travel, construction and weather information along the Thruway. For more information please visit:

<http://www.nysthruway.gov/travelers/har/index.html>

7. Maintenance

In 2006, Authority maintenance forces not only attended to daily tasks such as preventive maintenance, mowing, litter removal, bridge washing, guide rail repair and assisting with accidents, but also continued to respond successfully to emergencies, major property damage incidents and snow and ice events.

Unprecedented flooding in the Mohawk Valley led to the closure of the Thruway between Interchange 28 (Fultonville) and Interchange 39 (Syracuse/Fulton), necessitating significant cleanup and recovery efforts. Additionally, an early October snowstorm struck the Buffalo area, requiring a quick mobilization of Authority forces.

Maintenance personnel were involved in many significant efforts to improve safety and enhance customer service. An E-ZPass Enhancement Project created 33 additional dedicated E-ZPass lanes and 42 additional Higher Speed E-ZPass lanes for E-ZPass customers. This project included replacement of over 200 signs, installation of 34 impact attenuators, placement of over 400 feet of concrete barrier, installation of E-ZPass equipment. Furthermore, over 300 Thruway toll plaza E-ZPass antennas, approximately 75 percent of the total, were upgraded.

In 2006, tolls were removed from the City Line and Black Rock Toll Barriers. Maintenance crews modified signage, constructed interim safety measures and pavement measures and performed necessary traffic control to make this quick change a reality.

A safety initiative to repave Travel Plaza parking facilities continued with work completed at five additional locations. A total of 15 toll lanes were reconstructed system wide in an ongoing effort to improve toll facilities. Preventive or corrective maintenance was performed on nearly all of the Authority's 932 bridges. Over 100 bridges received more substantial repair or rehabilitative work including resurfacing, concrete and steel repairs, maintenance painting and joint repair, or replacement.

Other projects in 2006 included, construction of a replacement State Police facility in Larchmont, additional sites for a radio communications upgrade project and the concessionaire transition from HMS Host to Delaware North Corporation at four travel plazas on the western end of the System.

E. Safety

1. State Police Troop T

New York State Police Troop T, whose members patrol the 641-mile Thruway System exclusively, conducted numerous safety initiatives in 2006, 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. In addition, the Commercial Vehicle Enforcement Unit inspected thousands of these vehicles in 2006 ensuring that those with faulty equipment were placed out of service. In 2006, Troop T’s efforts to reduce speeding violations and DWI resulted in over 200,000 tickets issued, approximately 112,000 of which were for speeding violations, and approximately 1,300 DWI arrests. For more information please visit: www.troopers.state.ny.us/

2. Snow and Ice Program

It is the Authority’s policy to provide its customers with a roadway that is safely drivable at a reasonable speed under the given weather conditions. The ultimate goal is to remove snow and ice from all pavement and facilities as soon as possible. To achieve this goal, the Authority uses more than 700 dedicated winter maintenance personnel assigned to twenty-three highway maintenance sections along the Thruway and approximately 600 pieces of motorized snow removal equipment to plow and de-ice the pavement. The Authority also provides 24 hour/7 day a week staffing coverage during the winter season which allows for a timely and effective response to winter conditions.

The 2005-2006 snow and ice season (November - April), was slightly milder than other years, but still busy across the System. The individual maintenance units responded to an average of 35 snow and ice events, ranging from short duration, localized squalls, to statewide, multi-day events. Material usage for the season was significantly lower than the 2004-2005 season and approximately 15 percent under historical averages. In addition, due to the mild season, overall labor hours for snow and ice control were lower than in each of the three previous seasons.

The Authority maintains covered storage capacity for approximately 135,000 tons of deicing materials in more than 60 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. To proactively respond to predicted winter storms, Authority maintenance forces use these liquids in combination with the traditional deicing materials to improve the performance and efficiency of snow and ice-fighting operation. The Authority's trucks are equipped with an automatic spreader control system that adjusts the rate of application of deicing materials to the speed of the vehicle.

Weather forecasting information obtained from professional meteorological services is provided on the internet and to all Authority maintenance sections and the Thruway Statewide Operations Center. Other local resources are also regularly used to fine tune weather forecasts and responses. In addition, there are more than 40 pavement, air temperature and humidity sensors installed along the Thruway which are used to monitor current conditions and trends on the roadway. These sensors are used in conjunction with weather information to more accurately predict the need to apply (and terminate) snow and ice control procedures.

3. Deer Avoidance

Through press releases and other efforts, the Authority cautions motorists of the dangers presented by deer crossing the highway. To further increase awareness of deer and how to avoid vehicle-deer collisions, the Authority also issued deer safety messages during peak deer season on its HAR System.

4. Construction

In 2006, the Authority completed four large-scale pavement-resurfacing projects with safety improvements in the Albany Division. The first began south of Interchange 21 (Catskill), and continued to Interchange 21B (Coxsackie). This \$7.8 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 12-mile section. A similar project was completed between Interchange 26 (Rotterdam) and Interchange 27 (Amsterdam). This \$3.7

million project included guiderail upgrades, drainage improvement, new signage, full-depth pavement repairs in certain areas and complete pavement resurfacing. A third project started east of Interchange 27 (Amsterdam) and continued to Interchange 28 (Fultonville). This \$5.3 million project included milling the old surface and complete pavement resurfacing. A fourth project was completed between Interchange 17 (Newburg) and Interchange 19 (Kingston). This \$15.5 million project included full-depth pavement repairs in certain areas, reconstructing portions of the shoulder, pier protection and a complete pavement resurfacing of the northernmost 19 miles.

In 2006, the Authority performed six large-scale projects in the New York Division including the preliminary work for the Tappan Zee Bridge Redecking project previously described in this report. Repaving from the west end of the Tappan Zee Bridge to Interchange 14 (Spring Valley, Route 59), and from Interchange 14 (Spring Valley, Route 59) to Interchange 15 (NJ I-287S/Route 17S), including a lane addition and improvements to Interchange 14B (Airmont Rd.) began, and is expected to be completed in the Spring of 2007. Repaving is also being done from Interchange 15 (NJ I-287S/Route 17S) to approximately seven miles south of Interchange 16 (Harriman, Route 17, US 6). This project is scheduled for completion in the Summer of 2007. Also previously noted, work on Phase II of the Interchange 17 Project progressed in 2006, and is expected to be completed in the Spring of 2009. Preparation for pavement repairs on I-95 from Interchange 8B (Orchard Beach, City Island) to Interchange 17 (Larchmont, Chatsworth Ave.) began in 2006. Pavement repairs, at a cost of \$28.2 million, is scheduled for completion in the Fall of 2008. The Highway Speed E-ZPass project at the Spring Valley Toll Barrier was largely completed by the end of the year. The final testing and adjustments are scheduled to be conducted in early January, allowing for the grand opening shortly thereafter.

The Authority completed three large-scale projects in the Buffalo Division in 2006. Steel repairs on the South Grand Island Bridges were completed in December 2006, at a cost of \$9 million. Two lanes were added at the Ripley Toll Barrier, one E-ZPass lane and one E-ZPass/staffed lane. The first half of a project to reconstruct the Interchange 56 (Blasdell) ramps, which entailed reconstruction of the westbound ramps, was also completed. The eastbound ramps are scheduled to be reconstructed by the end of 2007. The cost of this project is \$8.7 million.

The Authority completed two large-scale projects in the Syracuse Division in 2006. The first was a \$2.8 million reconstruction project of the Fly Road Bridge between Interchanges 34A (Canastota) and 35 (Syracuse). In addition, permanent DMS were installed at milepost 299.96 eastbound and milepost 271.8 westbound at a cost of \$952,000. For more information please visit: www.nysthruway.gov/travelers/construction/index.html

F. Statistics

1. Commercial Traffic

Commercial traffic for 2006 totaled 28,997,726 trips, representing a 10.73 percent decrease from 2005.

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

2. Passenger Traffic

Passenger traffic for 2006 totaled 240,393,130 trips, representing a .47 percent decrease from 2005. (This number does not include I-287 or I-84.)

3. Maintenance

During the 2005-2006 winter maintenance season (November - April), the Authority used approximately 150,000 tons of salt at a cost of approximately \$5 million. Based on a 14 year historical average, the Authority estimates usage for the 2006-2007 season will be approximately 179,000 tons, at an estimated cost of more than \$6 million.

In 2006, the Authority's Central Sign Shop, responsible for producing nearly all of the signs along the Thruway System, produced more than 63,000 square feet of signage, on more than 20,000 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 and State Police.

In 2006, the Authority began using the Clearview font system in its signs, which is easier for drivers to recognize and read. In addition, the Authority continues to use the most improved and up-to-date reflective sheeting materials for signs and delineators. These efforts keep the Authority in compliance with the guidelines of the Federal Highway Administration and the National Highway Traffic Safety Administration's Older Driver Safety Program to enhance sign visibility and safety for drivers.

4. Fatalities

Statistics indicate that 2006 was the tenth safest year in the Thruway's 50-year history. A primary measure of safety is the fatality rate, which is calculated as the number of fatalities per 100 million vehicle miles (MVM) traveled. In 2006, there were 37 fatal accidents resulting in 47 deaths, reflecting a fatality rate of 0.45, the tenth lowest rate in Thruway history.

The fatality rate along the Thruway System remains significantly below the national average as calculated by the National Center for Statistics and Analysis (NCSA) of the National Highway Traffic Safety Administration. According to NCSA, the United States had more than 43,400 fatalities in 2005 that resulted in a fatality rate of 1.45 fatalities per 100 MVM. For more information please visit: <http://www.nhtsa.dot.gov/>

5. E-ZPass

In 2006, approximately 59 percent of Thruway customers utilized E-ZPass, the electronic toll collection system pioneered by the Authority in the northeastern United States in 1993, for toll transactions. More than 64 percent of toll revenue in 2006 came from E-ZPass users.

The E-ZPass Interagency Group, 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. For more information please visit <http://www.e-zpassny.com/>

II. CANAL CORPORATION

Historically, New York State's Canal System has produced significant economic growth for the State and the nation, creating inland trade and propelling economic development. The mule-towed barges of the Erie Canal and the steam-powered tugboats of the Barge Canal of years past have given way to pleasure boats, hikers, bicyclists and Canal-side visitors. In 1992, "Thruway 2000" legislation was enacted, transferring responsibility for the New York State Canal System to the Thruway Authority and establishing the New York State Canal Corporation as the Authority's subsidiary. Over the last decade, implementation of the Canal Revitalization Program, administered by the Canal Corporation, has begun transforming the Canal System into a first class tourist destination, bringing new energy to its surrounding communities.

A. Operations and Maintenance

1. Capital Program

Several critical Capital Projects were completed in 2006. These projects included the miter gate replacement at Lock E-5 in Waterford and Phase 2 of the environmental remediation of Utica Harbor. Additionally, work continued in 2006 on several projects, including the rehabilitation of Movable Dam 6 at Lock E-10 in Cranesville and a cooperative project with the NYSDOT to rehabilitate lift bridges in Adams Basin and Albion. New lettings in 2006 included the rehabilitation of the taintor gate and dam at Lock E-26 in Clyde and river wall repairs at Locks O-7 and O-8 in Oswego.

2. Maintenance

During the winter maintenance program, preventative maintenance work was completed at 11 locks and three lift bridges. Additionally, maintenance work was initiated at 20 other structures. During the navigation season, several emergencies were addressed, in addition to the regularly scheduled work. The most significant emergency was the damage and subsequent repairs related to the June flooding. Albion Section staff completed an emergency lifting cable replacement on the Fairport Lift Bridge, which required a road closure. The project was finished ahead of schedule. In Syracuse Division, a serious leak in the Butternut Creek Aqueduct was repaired and the flashboards on the Eaton Reservoir Dam were replaced after a high water event caused significant damage.

Floating Plant forces dredged nearly 450,000 cubic yards of sediment across the System. This is the highest single season output in the past five years. Upland disposal site preparation was completed in numerous locations, which will help the Corporation prepare for the 2007 dredging season. Additionally, Floating Plant staff assisted land-based maintenance staff in the stabilization of over 22,000 linear feet of Canal Bank.

3. Flood Recovery

The flood of June 2006 was the worst high water event in the history of the modern Canal System. Staff worked around the clock to clean debris and make the necessary repairs for a System-wide recovery and re-opening.

Staff from Fort Edward and Utica cleaned debris in their respective sections and then assisted Waterford and Fonda with additional clean-up and repair efforts. Excavators, bulldozers, large pumps, generators, dump trucks, lighting and other pieces of equipment were brought in from Albion, Lyons, Syracuse and Thruway locations.

The restoration effort included thousands of cubic yards of material brought in to fill eroded areas. Washed-out electrical conduit was replaced, some on a temporary basis, to restore the locks and movable dams to working condition. Lock houses at Locks E-10 and E-15 were condemned and demolished, and will be replaced in 2007. The lock houses at Locks E-9, E-11, E-13 and E-14 were gutted, cleaned, disinfected and rehabilitated. New concrete floors with radiant heat were poured in the lock houses at Locks E-11 and E-14. The repair work will continue in 2007 and complete recovery is expected to take approximately two years.

B. Office of Community Relations

During 2006, the efforts to increase and improve local Canal-side amenities through the Canal Revitalization Program, and strong coordinated partnerships at the state, federal, and local level, continued and were enhanced by the initiation of the Erie Canal Greenway Grant Program.

1. Canal Grant Program

The Erie Canal Greenway Grant Program was created in 2006 to help spur community revitalization along the 524-mile Canal System. The Canal Corporation Board approved the creation and implementation of the grant program in July, which was funded from an appropriation included in the 2006-2007 New York State Budget.

The Board approved the selected Erie Canal Greenway Grant proposals at its November 16, 2006 meeting. Of the 81 submitted applications, 54 proposals from municipalities and non-profits were selected for \$8.365 million in funding. Eligible projects were required to demonstrate consistency with the 2005 “Report on the Future of New York State Canals” and the 1995 Canal Recreationway plan. For more information on the Canal Grant Program and to see the list of projects receiving Erie Canal Greenway Grant awards please visit: <http://www.nyscanals.gov/news/index.html> .

2. Canal Revitalization Database

In 2006, the Canal Revitalization Project Database was comprehensively expanded to include projects initiated along the Canal System by the Corporation’s sister agencies, including the Department of State and the Office of Parks, Recreation and Historic Preservation. This database enables the Corporation to analyze and review community revitalization efforts and assist in identifying transitional steps in the redevelopment and revitalization of Canal communities.

3. Canal Recreationway Commission Activities

The “Thruway 2000” legislation created a 24-member Canal Recreationway Commission to advise the Authority/Corporation on Canal-related activities. The Commission membership consists of 10 individuals involved in Canal use, development, preservation or enhancement, and local governments from counties adjacent to or intersected by the Canal System, six New York State agencies and the eight Regional Planning Boards located within the Canal System.

During 2006, the Canal Recreationway Commission approved six transfers of jurisdiction of Canal-owned lands to State agencies for recreation and/or preservation purposes, two lease requests and nine abandonments.

In addition, the Canal System Development Fund Budget for Fiscal Year 2007 was approved.

C. State and Federal Agency Partnerships

1. Quality Communities (QC) Program

The Canal Corporation is an active participant in the Quality Communities Working Group, where Corporation participation focuses on the Canal communities of Lockport and Rome, which were designated as “Demonstration Communities” through the QC program. A major infrastructure improvement along the Canal in Lockport was completed in time to compliment a significant redevelopment effort in the adjacent downtown neighborhood.

In partnership with the Department of State, the Canal Corporation sponsored a Quality Canals for Quality Communities conference in 2006 that featured Canal-related seminars and workshops and drew more than 150 attendees.

2. Erie Canalway National Heritage Corridor

The Corporation also partnered with the Erie Canalway National Heritage Corridor Commission (ECNHC) to coordinate the Corporation's canal-related grant programs. The Greenway Grant Program focuses on capital improvements in the Canal Corridor while the ECNHC program will offer grants to promote awareness and education about the historic and culturally significant sites located within numerous Canal communities. For more information on the Canalway effort please visit: www.eriecanalway.org

3. New York State Department of State (DOS)

The Corporation worked closely with DOS on its Local Waterfront Revitalization Program (LWRP) and sits on the advisory committee for any LWRP that includes canal communities. Canal LWRP's initiated in 2006 included the towns of Clay and Colonie on the Erie Canal, and Waterford, Halfmoon, and Schuylerville on the Champlain Canal.

4. New York State Environmental Facilities Corporation

The Corporation partnered with the Environmental Facilities Corporation to conduct an analysis of pump out facilities on the Canal System, followed by a targeted funding effort in the Clean Vessel Assistance Program.

D. Canalway Trail

2006 brought significant progress to the five-year plan to complete the Erie Canalway Trail across New York State from the Hudson River to Lake Erie. When complete, the 338-mile Erie portion of the Canalway Trail will be the longest multi-use recreational trail in the United States.

Over 250 miles of Canalway Trail were completed by the end of 2006. The Jordan to Port Byron link in Onondaga and Cayuga counties was completed in 2006, adding seven miles of new trail. The Palmyra to Newark link, in Wayne County, began construction in 2006 and will be completed early in 2007. Two additional Canalway Trail construction projects were initiated in 2006 and are scheduled to be completed in 2007, together adding 17 miles of new Canalway Trail to the statewide system. These projects include links from Tonawanda to Amherst in Erie County and Amherst to Lockport in Erie County. For more information please visit: www.nyscanals.gov/exvac/trail/construction.html

1. Cycle the Erie Canal

The Corporation sponsored Parks and Trails NY's 8th annual Cycle the Erie Canal Bike Tour from Buffalo to Albany. The event, which took place in July, drew nearly 500 participants from across the United States and abroad. 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 was on completed sections of the Erie Canalway Trail. For more information please visit: www.ptny.org/canaltour/index.shtml

2. Canalway Trail Celebration

The Corporation once again partnered with Parks and Trails NY to sponsor the annual Canalway Trail Celebration in conjunction with National Trails Day, held June 3-4, 2006.

3. Volunteer Trail Awards

Two awards were presented by the Corporation in 2006 recognizing the efforts of volunteers in the maintenance and enhancement of the Canalway Trail. The first annual "Adopt-a-Trail" award was presented to the Garden Club of Brockport in April at the "Quality Canals for Quality Communities Conference" in Perinton. In September, Howard Halstead from Schenectady was recognized with the Canalway Trail Tender award at the NYS Canal Conference in Troy.

E. Land Management

1. Canal Real Property Management Policy and Standard Operating Procedures

In 2006, the Corporation, revised the Canal Real Property Management Policy and all standard operating procedures to reflect, in part, the provisions of the Public Authorities Accountability Act of 2005, signed into law in January 2006. The Corporation Board approved the revised Canal Real Property Management Policy in March 2006.

2. Transfers of Jurisdiction

In 2006, focus was placed on a variety of requests from other State agencies for transfer of numerous tracts of canal lands deemed surplus to the Corporation's needs. Interagency meetings were held with the Office of Parks, Recreation and Historic Preservation (OPRHP), Department of Transportation (DOT) and Department of Environmental Conservation (DEC) to discuss the viability of transferring over 2,500 acres in accordance with Sections 50 and 51 of Canal Law pertaining to abandonment of canal lands.

The Corporation was successful in receiving approval for the following transfers through the various committees, Canal Recreationway Commission and Corporation Board:

- 34 acres of Old Erie Canal land in Rome to OPRHP;
- 25 acres located near Lock E-7, Town of Niskayuna, Schenectady County, to OPRHP;
- 10 acres at Moss Island in the City of Little Falls, to OPRHP;
- 14 acres in the Town of Saratoga, Old Champlain Canal land to OPRHP;
- 18 acres in the Village of Fayetteville to OPRHP;
- 1700 acres at Delta Lake (land and land under water) to OPRHP;
- 719 acres at Twin Lake and Chubb Pond to the DEC; and
- .79 acres in Fort Edward to DOT

3. Real Property Consolidation

By the end of 2006, the Authority/Corporation consolidated the respective real property staff, transferring the Director of the Office of Land Management to the newly formed Office of Real Property Management.

4. Appraisal Services

In 2006, real property staff participated in an RFP process and contracted with several outside consultant firms to provide appraisal services to streamline the appraisal procurement process and ensure that appraisals of Canal-owned properties are conducted in a timely manner.

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 over the years, peaking in 1989 with 159,141 recreational lockings recorded that year. For more information please visit: www.nyscanals.gov

Recreational traffic on the Canal System was severely impacted by major, unprecedented flooding that occurred in June 2006 and caused the closure of nearly 90 percent of the System for several weeks. Damage to the moveable dam and surrounding structures at Lock 10 in Cranesville, Montgomery County, caused an interruption of traffic on the Canal System for approximately eight weeks. As a result, recreational traffic in 2006 decreased by 22 percent from 2005. In 2006, there were a total of 92,642 recreational lockings during a season of 202 days.

G. Statistics

Cargo/Commercial: Cargo vessel traffic decreased by 33 percent, from 2,468 in 2005 to 1,658 in 2006 *

Recreational Traffic: Recreational traffic decreased by 22 percent, from 119,113 in 2005 to 92,642 in 2006 *

1. Tour Boat: Tour boat traffic decreased by 8 percent, from 8,163 in 2005 to 7,471 in 2006 *
2. Hire Boat: Hire boat traffic decreased by 7 percent, from 7,063 in 2005 to 6,561 in 2006 *
3. * Due to the impact of the June floods Canal traffic decreased in 2006
4. Note: The traffic figures above are measured by cumulative vessel lockings, representing each time a vessel passed through a Lock.

H. Customer Satisfaction Survey

For the fifth time since 1998, the Corporation conducted a Customer Satisfaction Survey. Two surveys were conducted, one geared toward boaters and one geared toward trail users, and both were made available on the website for the first time. More than 300 boater surveys were returned and the responses were overwhelmingly positive. Similarly, the trail survey received more than 300 responses and showed an increase in scores in a number of areas compared with previous years.

The insight gained from these surveys is currently being compiled into a report and will be distributed to management to use as a guideline in future decision-making.

I. Events

The Corporation introduced two new annual Statewide events along the corridor in 2006.

1. Canal Clean Sweep

In recognition of Earth Day, the first annual “Canal Clean Sweep” was held the weekend of April 22-23, 2006. This event encouraged communities, businesses and non-profit organizations along the entire Canal Corridor to help prepare for the opening of the New York State Canal System on May 1, by participating in cleanup and beautification activities along the Canal and the Canalway Trail. Over 30 clean-up events were held in preparation for the 181st navigation season.

2. Canal Splash

During the weekend of August 12-13, 2006, the Corporation held the first annual statewide signature event, “Canal Splash!” to highlight the history, beauty, culture and recreational appeal of the New York State Canal System. Modeled after the successful Hudson River Valley Ramble, the “Canal Splash!” featured more than 85 local events, guided walks, bike tours, discounted kayak and canoe rentals, canal cruises, cultural offerings and much more throughout the Canal Corridor. The two-day, multi-location celebration attracted over 70,000 people to the events organized by State agencies, communities, non-profits and local businesses. The event was widely publicized throughout the Canal Corridor through distribution of more than 10,000 “Canal Splash” brochures. A “Canal Splash!” is planned for 2007.

More information about these and other events scheduled along the Canal System in 2007 will be posted at www.nyscanals.gov/exvac/special-events/index.html or on the Corporation’s Calendar of Events page at www.nyscanals.gov/exvac/calendar/index.html

J. Tugboat Urger Education 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 2006, the Urger was visited by more than 4,000 school children throughout the Canal Corridor. The Urger program partnered with the Waterford Maritime Historical Society and Peebles Island Visitor Center for the Canalways Program that included a full day of educational activities centered on the Canal. This successful program was expanded to three days in 2006 and accommodated nearly 700 students. The Urger Program also partnered with the Museum of Waterways and Industry in Seneca Falls on a similar program in 2006 with plans to implement similar programs in additional communities in 2007. For more information please visit: www.nyscanals.gov/culture/tugboat.html

K. Rebuild and Renew New York Transportation Bond Act of 2005

In November of 2005, voters approved the Rebuild and Renew New York Transportation Bond Act of 2005 which included \$50 million for specific canal related projects. The design phase for several of the Bond Act projects began in 2006. These projects include bank repairs in Herkimer and Orleans Counties; culvert repairs at seven locations in Oneida County; construction of a Pedestrian Bridge over the Mohawk River in Amsterdam; rehabilitation of Movable Dam 4 in Schenectady County; replacement of miter gates at Lock E-8 in Schenectady County; and a trail project in Oneida County. Additionally one other bond project, bank repairs in Washington County, was begun by Corporation maintenance forces in 2006.

FINANCE

Each September, 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 projects and debt service requirements. The financing components are primarily Thruway revenues, bond proceeds, Federal Aid and Other funds. 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 toll revenues in 2006 reflect a full year at the new rates. Also, on October 30, 2006, the Buffalo City Line and Black Rock toll barriers were closed and tolls no longer are collected.

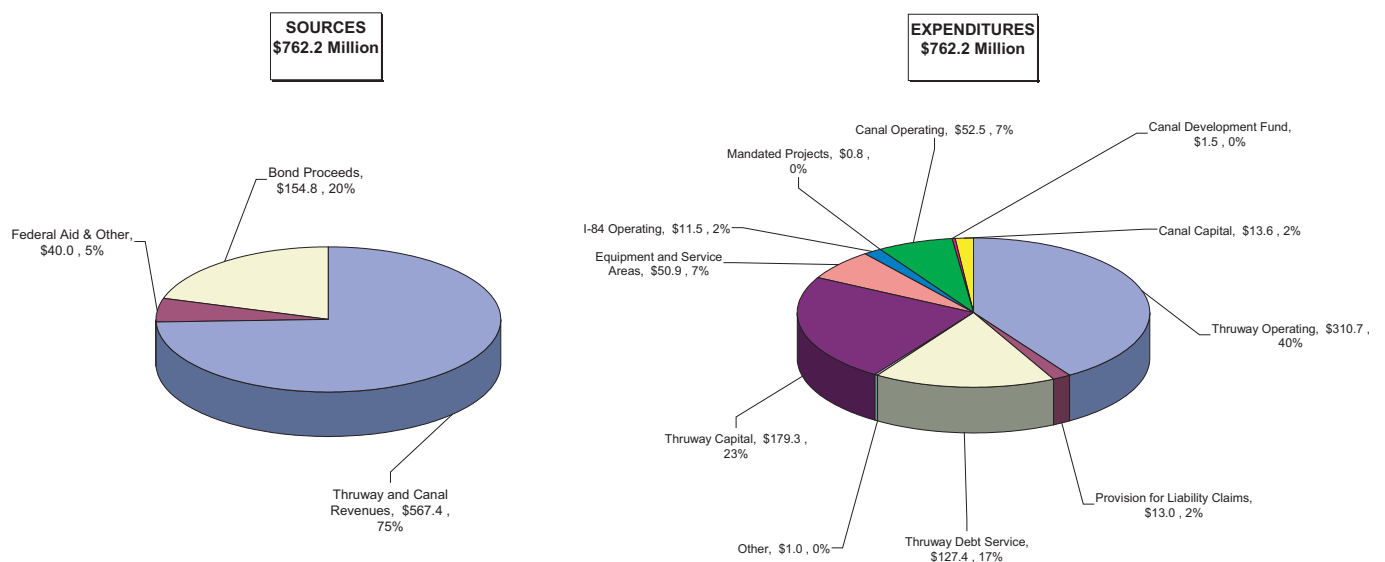
For the 2006 calendar year, the Authority expended a total of \$762.2 million. Of this amount, \$244.6 million is attributed to the Thruway and Canal Capital Program, which includes the highway and bridge

rehabilitation program, the Canal infrastructure program, mandated projects and equipment replacement.

Debt service requirements for 2006 were \$127.4 million for the Authority's General Revenue Bonds. Additionally, the expenditure category "Other" listed below is comprised of \$1.0 million payment for a State Infrastructure Bank loan. Thruway operating expenses totaled \$310.7 million plus an additional \$13.0 million provided for the Claims Liability due to the resolution of several personal injury claims. Total Canal, Canal Development Fund and I-84 operating expenses were \$65.5 million. Canal operating expenses were partially funded by \$8.1 million in Federal ISTEIA Enhancement Funds and \$1.3 million of FEMA funding relative to the June Flood.

During 2006, the Capital Program was funded through a financing plan, which incorporates the use of Authority Revenues, Bond Proceeds and Federal Aid and Other funds.

2006 FUNDING SOURCES AND EXPENDITURES



SOURCES OF THRUWAY REVENUE

Total Revenues for 2006 were \$593,998,772, an increase of \$46,690,422 or 8.53 percent from 2005. Total Thruway operating expenses for the same period were \$330,762,681, an increase of \$25,452,288 or 8.34 percent from 2005. Of this increase, \$20 million is due to two large legal claim settlements.

Revenues from tolls totaled \$554,363,073, an increase of \$43,172,292, which is due to the toll adjustment implemented May 15, 2005. Passenger and commercial toll revenues were \$333,649,499 and \$220,713,574, respectively.

Other revenues amounted to \$39,635,699 including \$3,420,675 from the 28 Thruway gasoline stations,

\$9,620,589 from the 27 restaurants, \$11,466,236 of interest on the Authority's investments in the Revenue Fund, \$3,488,133 in special hauling permits and \$11,640,066 in sundry receipts. There was \$192 provided from excess funds from the CWE debt service reserve.

During 2006, \$69,794,167 was provided to the Reserve Maintenance Fund from revenues.

For 2006, \$127,370,042 was remitted to the Authority's trustees for Debt Service requirements.

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

	2006	2005
MAINTENANCE:		
Highway.....	\$ 37,783,491	\$ 34,108,853
Highway and Equipment.....	28,031,515	26,398,793
Snow and Ice Control.....	8,207,239	14,951,626
Headquarters and Division Staff.....	17,110,497	15,910,905
Buildings.....	14,776,121	14,675,431
Bridges and Structures.....	15,899,708	17,514,800
Toll Equipment.....	5,108,977	4,968,218
TOTAL MAINTENANCE COSTS	<u>126,917,548</u>	<u>128,528,626</u>
OPERATING:		
Toll Collection.....	83,777,610	78,314,954
Administrative and General.....	48,759,970	28,708,443
Policing.....	45,875,690	45,280,901
Finance and Accounts.....	12,345,587	11,830,536
Traffic Administration.....	13,086,276	12,646,933
TOTAL OPERATING COSTS	<u>203,845,133</u>	<u>176,781,767</u>
TOTAL MAINTENANCE AND OPERATING COSTS.....	<u>\$ 330,762,681</u>	<u>\$ 305,310,393</u>

TAXES COLLECTED ON THRUWAY

State and Federal taxes collected on the Thruway totaled \$40,988,829 in 2006, compared with \$41,452,307 in 2005. These came from the following sources:

	2006	2005
State 8 cent-per-gallon tax on gasoline and diesel fuel	\$ 5,741,995	\$ 5,909,763
Federal 18.4 cent-per-gallon tax on gasoline and 24.4 cent-per-gallon tax on diesel fuel	\$ 13,587,110	\$ 13,975,864
State sales tax collected at restaurants	\$ 8,042,429	\$ 8,065,686
State sales tax collected at gasoline stations	\$ 13,617,295	\$ 13,500,994

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

INVESTMENTS AND BONDS DEBT SERVICE

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, 2006:

	(millions)
Thruway Funds	\$390.3
State Infrastructure Bank	8.5
Local Highway and Bridge Service Contract Bonds	56.3
State Personal Income Tax Revenue Bonds	170.2
Highway and Bridge Trust Fund Bonds	251.2

BONDS DEBT SERVICE AUTHORITY REVENUE BACKED BONDS (in thousands)

Type	Series	Date Sold	Final Maturity	True Interest Cost	Principal Amount	Outstanding 12/31/2005	Additions	Redemptions	Outstanding 12/31/2006
General Revenue Bonds				(Repayment - Secured by first lien on all tolls, rents, fees and other income.)					
	Series B	12/1993	1/2007	5.31%	\$ 202,345	\$ 5,425	\$ -	\$ 5,425	\$ -
	Series D	5/1997	1/2009	5.68%	350,000	24,920	-	7,890	17,030
	Series E	6/1998	1/2030	5.08%	575,555	509,860	-	18,885	490,975
	Series F	3/2005	1/2030	4.41%	624,570	619,050	-	5,050	614,000
	Series G	9/2005	1/2032	4.68%	738,925	738,925	-	425	738,500
TOTAL					\$ 2,491,395	\$ 1,898,180	-	\$ 37,675	\$ 1,860,505

BONDS DEBT SERVICE *(Continued)*

STATE OF NEW YORK SUPPORTED BONDS

(in thousands)

Type	Series	Date Sold	Final Maturity	True Interest Cost*	Principal Amount*	Outstanding 12/31/2005	Additions	Redemptions	Outstanding 12/31/2006
Local Highway and Bridge Service Contract Bonds					(Repayment - Secured by a service contract with the State of NY)				
	1995	9/1995	4/2006	6.18%	\$ 234,265	\$ 1,980	\$ -	\$ 1,980	\$ -
	1995A	9/1995	1/2007	5.73%	77,530	39,965	-	9,775	30,190
	1996	9/1996	4/2007	5.97%	279,010	26,750	-	13,015	13,735
	1997	9/1997	4/2017	5.35%	452,800	257,600	-	27,745	229,855
	1998A	9/1998	4/2017	4.97%	429,845	146,160	-	3,480	142,680
	1998B	9/1998	4/2014	4.96%	133,245	127,870	-	355	127,515
	1999	8/1999	4/2011	5.56%	370,920	37,275	-	-	37,275
	2000	9/2000	4/2020	5.26%	364,465	31,475	-	-	31,475
	2001	11/2001	4/2015	4.56%	205,145	63,100	-	7,580	55,520
	2002	8/2002	4/2016	4.18%	650,000	548,640	-	21,195	527,445
	2003	11/2003	3/2021	3.96%	754,045	702,915	-	22,880	680,035
TOTAL					\$ 3,951,270	\$ 1,983,730	\$ -	\$ 108,005	\$ 1,875,725
Highway and Bridge Trust Fund Bonds					(Repayment - Secured by a Cooperative Agreement with the State of NY)				
	1997B	10/1997	4/2017	5.06%	\$ 242,595	\$ 8,380	\$ -	\$ 8,380	\$ -
	1998A	3/1998	4/2018	4.87%	239,190	16,695	-	16,695	-
	1998B	3/1998	4/2014	5.03%	127,375	105,030	-	475	104,555
	1998C	8/1998	4/2018	4.87%	403,220	27,795	-	27,795	-
	1999A	3/1999	4/2019	4.62%	380,040	99,220	-	20,465	78,755
	1999B	6/1999	4/2019	4.83%	504,915	41,040	-	33,395	7,645
	2000A	3/2000	4/2018	5.57%	337,910	31,035	-	21,225	9,810
	2000B	7/2000	4/2018	5.27%	451,865	56,705	-	28,970	27,735
	2001A	3/2001	4/2021	4.71%	421,355	143,235	-	25,660	117,575
	2001B	10/2001	4/2021	4.35%	338,715	161,745	-	20,150	141,595
	2002A	3/2002	4/2022	4.49%	437,910	205,195	-	-	205,195
	2002B	7/2002	4/2022	4.37%	435,805	228,575	-	25,900	202,675
	2002C	8/2002	4/2020	4.28%	628,130	608,420	-	19,845	588,575
	2003A	4/2003	4/2023	4.07%	476,375	177,835	-	27,110	150,725
	2003B	7/2003	4/2023	3.73%	532,755	271,075	-	-	271,075
	2004A	3/2004	4/2024	3.59%	328,565	202,825	-	-	202,825
	2004B	7/2004	4/2024	4.17%	406,915	233,445	-	-	233,445
	2005A	3/2005	4/2025	4.11%	194,740	150,295	-	-	150,295
	2005B	9/2005	4/2025	4.12%	2,786,000	2,786,000	-	2,500	2,783,500
	2006A	7/2006	4/2026	4.34%	350,895	-	350,895	-	350,895
TOTAL					\$ 10,025,270	\$ 5,554,545	\$ 350,895	\$ 278,565	\$ 5,626,875
State Personal Income Tax Revenue Bonds (Transportation)					(Repayment - Secured by a Financing Agreement with the State of NY)				
	2002A	8/2002	3/2022	4.53%	\$ 250,915	\$ 133,855	\$ -	\$ 9,180	\$ 124,675
	2003A	7/2003	3/2023	4.13%	347,880	327,085	-	12,995	314,090
	2004A	10/2004	3/2024	4.09%	352,300	347,080	-	12,595	334,485
	2005A	7/2005	3/2025	4.04%	333,245	333,245	-	5,335	327,910
	2006A	8/2006	3/2026	4.34%	338,270	-	338,270	-	338,270
TOTAL					\$ 1,622,610	\$ 1,141,265	\$ 338,270	\$ 40,105	\$ 1,439,430

* As of Issue Date

AUTHORITY BOND 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 \$18.290 billion. The following describes these bond programs:

GENERAL REVENUE BONDS - The General Revenue Bonds are secured by a first lien on all tolls, rents, fees and other income derived from the operation of the Thruway. The 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. As of 12/31/05, all BANs and CP issuances have been retired. The amount issued for capital projects and refunding is \$3.161 billion with \$1.861 billion currently outstanding. The final maturity of these bonds is January 1, 2032.

LOCAL HIGHWAY AND BRIDGE SERVICE CONTRACT BONDS - The bonds have no pledge on Thruway revenues and are secured solely by payments made by the State under a service contract. 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 total amount of bonds issued since 1991 is \$4.726 billion with \$1.875 billion currently outstanding. The final maturity is March 15, 2021.

STATE PERSONAL INCOME TAX REVENUE BONDS (TRANSPORTATION) - The bonds have no pledge on Authority revenues and are secured solely by payments made by the State to the Trustee on behalf of the Authority from state personal income tax receipts. The 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. In 2006, the Authority issued \$338.3 million of bonds. The total amount issued since 2002 is \$1.623 billion with \$1.439 billion currently outstanding. The final maturity of these bonds is March 15, 2026.

HIGHWAY AND BRIDGE TRUST FUND BONDS - 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. 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. In 2006, the Authority issued \$350.4 million of bonds. The 2006A 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 \$11.942 billion with \$5.627 billion currently outstanding. The final maturity of the bonds is April 1, 2026.

COMPARATIVE EARNINGS - THRUWAY SYSTEM

	2006	2005	2004	2003	2002
TOLL REVENUES					
PASSENGER					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 150,912,396	\$ 141,934,214	\$ 125,358,740	\$ 121,845,641	\$ 120,717,246
Erie Section—Sta. 55-61 Inc.....	17,237,239	16,314,082	14,303,436	13,868,196	13,732,908
Grand Island Bridges.....	11,438,089	9,978,973	7,464,501	7,167,917	6,599,882
Tappan Zee Bridge.....	81,962,250	73,843,908	59,093,327	57,676,558	56,871,127
Yonkers Barrier.....	12,249,951	11,354,654	9,026,284	8,616,775	8,793,968
Berkshire Section.....	11,482,563	10,872,177	9,259,448	9,096,967	8,725,768
New Rochelle Barrier.....	22,528,684	21,289,062	19,022,132	18,412,186	18,527,845
Spring Valley Barrier.....	118,296	88,976	0	0	0
Harriman Barrier.....	12,789,089	11,567,220	9,149,613	8,747,161	8,572,145
Niagara Section.....	8,886,947	9,723,156	8,067,770	7,682,842	7,251,182
	<u>\$ 329,605,504</u>	<u>\$ 306,966,422</u>	<u>\$ 260,745,251</u>	<u>\$ 253,114,243</u>	<u>\$ 249,792,071</u>
Permits-Sta. 15-61 Inc. B1-B3.....	4,043,995	4,108,232	4,041,632	4,107,221	4,117,245
	<u>\$ 333,649,499</u>	<u>\$ 311,074,654</u>	<u>\$ 264,786,883</u>	<u>\$ 257,221,464</u>	<u>\$ 253,909,316</u>
COMMERCIAL					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 141,144,373	\$ 127,268,998	\$ 108,336,648	\$ 105,602,439	\$ 104,611,078
Erie Section—Sta. 55-61 Inc.....	29,739,425	26,980,688	22,431,588	21,657,374	21,698,770
Grand Island Bridges.....	3,516,581	3,354,142	2,824,097	2,751,045	2,799,764
Tappan Zee Bridge.....	21,858,659	20,387,600	16,949,280	16,685,690	16,994,244
Yonkers Barrier.....	3,930,335	3,468,644	2,908,775	2,900,918	2,940,783
Berkshire Section.....	17,147,293	15,676,378	13,347,047	12,701,520	12,100,611
New Rochelle Barrier.....	11,037,951	9,787,934	7,855,238	7,331,869	7,604,767
Spring Valley Barrier.....	6,684,711	6,122,016	4,643,354	4,404,839	4,597,814
Harriman Barrier.....	2,970,430	2,772,516	2,247,178	2,129,568	1,970,494
Niagara Section.....	3,794,261	4,191,930	3,413,518	3,182,624	3,099,056
	<u>\$ 241,824,019</u>	<u>\$ 220,010,846</u>	<u>\$ 184,956,723</u>	<u>\$ 179,347,886</u>	<u>\$ 178,417,381</u>
Less Volume Discount.....	(21,110,445)	(19,894,719)	(10,160,700)	(9,385,567)	(8,967,929)
	<u>\$ 220,713,574</u>	<u>\$ 200,116,127</u>	<u>\$ 174,796,023</u>	<u>\$ 169,962,319</u>	<u>\$ 169,449,452</u>
SUMMARY					
Woodbury—Buffalo-St. 15-50 Inc.....	\$ 292,056,769	\$ 269,203,212	\$ 233,695,388	\$ 227,448,080	\$ 225,328,324
Erie Section—Sta. 55-61 Inc.....	46,976,664	43,294,770	36,735,024	35,525,570	35,431,678
Grand Island Bridges.....	14,954,670	13,333,115	10,288,598	9,918,962	9,399,646
Tappan Zee Bridge.....	103,820,909	94,231,508	76,042,607	74,362,248	73,865,371
Yonkers Barrier.....	16,180,286	14,823,298	11,935,059	11,517,693	11,734,751
Berkshire Section.....	28,629,856	26,548,555	22,606,495	21,798,487	20,826,379
New Rochelle Barrier.....	33,566,635	31,076,996	26,877,370	25,744,055	26,132,612
Spring Valley Barrier.....	6,803,007	6,210,992	4,643,354	4,404,839	4,597,814
Harriman Barrier.....	15,759,519	14,339,736	11,396,791	10,876,729	10,542,639
Niagara Section.....	12,681,208	13,915,086	11,481,288	10,865,466	10,350,238
Permits-Sta. 15-61 Inc. B1-B3.....	4,043,995	4,108,232	4,041,632	4,107,221	4,117,245
	<u>\$ 575,473,518</u>	<u>\$ 531,085,500</u>	<u>\$ 449,743,606</u>	<u>\$ 436,569,350</u>	<u>\$ 432,326,697</u>
Less Volume Discount.....	(21,110,445)	(19,894,719)	(10,160,700)	(9,385,567)	(8,967,929)
	<u>\$ 554,363,073</u>	<u>\$ 511,190,781</u>	<u>\$ 439,582,906</u>	<u>\$ 427,183,783</u>	<u>\$ 423,358,768</u>
CONCESSION REVENUE:					
Gasoline Stations.....	\$ 3,420,675	\$ 3,542,596	\$ 3,800,537	\$ 3,698,533	\$ 3,782,033
Restaurants.....	9,620,589	11,480,428	11,151,715	11,011,622	11,015,590
TOTAL CONCESSION REVENUE	<u>\$ 13,041,264</u>	<u>\$ 15,023,024</u>	<u>\$ 14,952,252</u>	<u>\$ 14,710,155</u>	<u>\$ 14,797,623</u>
SUNDRY REVENUE, INTEREST	<u>\$ 26,594,435</u>	<u>\$ 21,094,545</u>	<u>\$ 15,485,171</u>	<u>\$ 12,697,586</u>	<u>\$ 11,706,861</u>
TOTAL REVENUES (1)	<u>\$ 593,998,772</u>	<u>\$ 547,308,350</u>	<u>\$ 470,020,329</u>	<u>\$ 454,591,524</u>	<u>\$ 449,863,252</u>
OPERATING EXPENSES					
Toll Collection.....	\$ 83,777,610	\$ 78,314,954	\$ 76,351,205	\$ 72,245,534	\$ 70,422,679
Policing.....	45,875,690	45,280,901	38,234,673	34,054,101	30,222,112
Traffic Administration.....	13,086,276	12,646,933	12,805,620	12,484,120	10,566,930
Maintenance:					
Highway and Building.....	93,777,056	97,161,615	94,854,136	91,300,636	89,815,669
Equipment.....	33,140,492	31,367,011	29,488,775	26,157,999	24,868,188
Finance and Accounts.....	12,345,587	11,830,536	11,459,340	10,321,557	9,575,992
Administrative and General.....	48,759,970	28,708,443	29,536,066	25,925,646	24,807,397
Special Expense-Early Retirement Surcharge	-	-	-	-	7,655,894
TOTAL OPERATING EXPENSES	<u>\$ 330,762,681</u>	<u>\$ 305,310,393</u>	<u>\$ 292,729,815</u>	<u>\$ 272,489,593</u>	<u>\$ 267,934,861(2)</u>
INCLUDING EXTRAORDINARY					
EXPENSES	<u>\$ 330,762,681</u>	<u>\$ 305,310,393</u>	<u>\$ 292,729,815</u>	<u>\$ 272,489,593</u>	<u>\$ 267,934,861(2)</u>
Net Revenues Before Adjustments.....	263,236,091	241,997,957	177,290,514	182,101,931	181,928,391
Provision for Liability Claims.....	7,049,546	(1,994,950)	(7,500,000)		
Adjustments.....	(5,980,754) (7)	4,893,439 (6)	(4,144,899) (5)	(24,532,384) (3)	28,425,953 (3)
Net Revenues after Adjustments.....	<u>\$ 264,304,883</u>	<u>\$ 244,896,446</u>	<u>\$ 165,645,615</u>	<u>\$ 157,569,547</u>	<u>\$ 210,354,344</u>
USE OF NET REVENUES					
Debt Service.....	\$ 127,370,042	\$ 103,821,733	\$ 88,602,049	\$ 90,327,800	\$ 88,668,349
Reserve Maintenance Fund.....	69,794,167	60,900,100	36,693,986	10,068,501	44,782,545
Other Authority Projects.....	54,340,674	50,674,613	20,023,693	51,153,199(4)	31,358,797
General Reserve Fund.....	12,800,000	29,500,000	20,325,887	6,020,047	45,544,653
TOTAL	<u>\$ 264,304,883</u>	<u>\$ 244,896,446</u>	<u>\$ 165,645,615</u>	<u>\$ 157,569,547</u>	<u>\$ 210,354,344</u>

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

(2) 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.

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

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

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

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

(7) Includes revenue retained for 2007 Operating Reserves.

THRUWAY STATISTICS

	2006	2005	2004	2003	2002
TRAFFIC					
Miles Traveled (1).....	10,487,222,156	10,698,582,256	11,076,541,209	10,800,325,570	10,548,996,242
Miles in Operation-Year's End.....	641	641	641	641	641
Daily Average Miles (1).....	28,732,115	29,311,184	30,263,774	29,589,933	28,901,360
Average Trip (Controlled System).....	41	41	43	43	43
Passenger.....	38	38	38	39	39
Commercial.....	62	63	65	64	64
TOLL					
Total Toll Transactions.....	269,390,856	274,016,131	281,843,428	272,038,024	267,210,016
Passenger.....	240,393,130	241,531,800	243,184,612	234,778,009	230,542,227
Commercial.....	28,997,726	32,484,331	38,658,816	37,260,015	36,667,789
Daily Average Toll Transactions.....	738,057	750,729	770,064	745,310	732,082
Permits Sold.....	35,832	36,889	37,163	37,238	36,933
Permit Trips.....	9,838,057	9,977,286	10,152,296	10,342,956	10,444,063
Permit Miles.....	222,111,417	226,551,491	231,431,678	235,503,136	238,274,419
REVENUE					
Total Income.....	\$593,998,772	\$547,308,350	\$470,020,329	\$454,591,524	\$449,863,252
Passenger Tolls.....	333,649,499	311,074,654	264,786,883	257,221,464	253,909,316
Commercial Tolls.....	220,713,574	200,116,127	174,796,023	169,962,319	169,449,452
Restaurants.....	9,620,589	11,480,428	11,151,715	11,011,622	11,015,590
Gasoline Stations.....	3,420,675	3,542,596	3,800,537	3,698,533	3,782,033
Interest.....	11,466,236 (2)	6,549,724 (2)	1,995,175 (2)	1,604,213	1,914,104
Other.....	15,128,199	14,544,821	13,489,996	11,093,373	9,792,757
EXPENSES					
Operating Costs (3).....	\$310,713,135 (8)	\$303,805,343 (7)	\$291,710,725 (6)	\$306,123,535 (4)	\$242,677,334 (5)
Transfers to Other Funds.....	136,934,841	141,074,713	77,043,566	67,241,747	121,685,995
Total Debt Service.....	131,401,890	118,909,514	103,417,590	104,299,320	100,269,806
Principal.....	37,675,000	43,535,000	38,740,000	36,815,000	34,895,000
Interest.....	93,726,890	75,374,514	64,677,590	67,484,320	65,374,806
ACCIDENTS AND INCIDENTS (1)					
Fatal.....	37	28	35	35	32
(Fatalities).....	47	30	44	36	44
Personal Injury.....	1,989	2,161	2,099	2,228	2,218 *
(Persons Injured).....	2,835	3,095	3,072	3,348	3,418 *
Property Damage.....	8,107	8,579	8,970	9,416	8,818 *
ACCIDENT RATES					
Per 100,000,000 Miles Traveled (1)					
Fatal Accidents.....	0.35	0.26	0.32	0.32	0.30
Personal Injury Accidents.....	18.97	20.20	18.95	20.63	21.03 *
Property Damage.....	77.30	80.19	80.98	87.18	83.59 *
Total Accidents.....	96.62	100.65	100.25	108.14	104.92
FATALITY RATES					
Per 100,000,000 Miles Traveled (1)					
Annual.....	0.45	0.28	0.40	0.33	0.42
Cumulative.....	0.94	0.96	0.98	1.01	1.04
MISCELLANEOUS					
Gallons Fuel Delivered.....	71,896,885	73,872,045	79,116,911	76,864,851	78,759,743
Emergency Service Calls.....	82,801	94,664	100,006	104,009	111,117

(1) Due to the toll class realignment on May 15, 2005, passenger traffic now includes passenger vehicles with trailers which were previously counted under commercial vehicles. Also, commercial traffic has decreased because certain commercial vehicles (tandem trailers and 53' tractor trailers) that previously counted as two transactions are now counted as one.

(2) Total interest was \$18,122,172 for 2006 of which the Revenue Fund received \$11,466,236. 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.

(3) Includes CWT maintenance expenses.

(4) 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.

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

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

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

(8) Excludes Claims and Indemnity expense of \$20,049,545, which was funded via Transfers to the Public Liability Claims Reserve.

*Adjusted figures

BRIDGE AND BARRIER TRAFFIC AND REVENUE SUMMARY

STATION	TRAFFIC 2006 ⁽²⁾	TRAFFIC 2005 ⁽²⁾	REVENUE 2006 ⁽²⁾	REVENUE 2005 ⁽²⁾
Grand Island Bridges --				
Passenger	21,828,968	21,527,149	\$ 11,438,089	\$ 9,978,973
Commercial	1,478,547	1,728,476	3,516,581	3,354,142
Total	23,307,515	23,255,625	\$ 14,954,670	\$ 13,333,115
Tappan Zee Bridge ⁽¹⁾ --				
Passenger	23,578,841	23,737,888	\$ 81,962,250	\$ 73,843,908
Commercial	1,489,669	1,597,026	21,858,659	20,387,600
Total	25,068,510	25,334,914	\$ 103,820,909	\$ 94,231,508
Yonkers Barrier --				
Passenger	17,417,338	17,972,225	\$ 12,249,951	\$ 11,354,654
Commercial	1,995,979	2,030,853	3,930,335	3,468,644
Total	19,413,317	20,003,078	\$ 16,180,286	\$ 14,823,298
New Rochelle Barrier ⁽¹⁾ --				
Passenger	19,027,930	18,978,810	\$ 22,528,684	\$ 21,289,062
Commercial	2,498,291	2,644,460	11,037,951	9,787,934
Total	21,526,221	21,623,270	\$ 33,566,635	\$ 31,076,996
Spring Valley Barrier ⁽¹⁾ --				
Passenger	40,423	30,155	\$ 118,296	\$ 88,976
Commercial	1,270,358	1,397,167	6,684,711	6,122,016
Total	1,310,781	1,427,322	\$ 6,803,007	\$ 6,210,992
Harriman Barrier --				
Passenger	18,256,210	18,225,703	\$ 12,789,089	\$ 11,567,220
Commercial	1,278,688	1,372,455	2,970,430	2,772,516
Total	19,534,898	19,598,158	\$ 15,759,519	\$ 14,339,736
Buffalo City Line ⁽¹⁾⁽³⁾ --				
Passenger	5,890,121	7,143,550	\$ 4,211,469	\$ 4,570,157
Commercial	851,514	1,183,706	2,630,157	2,896,355
Total	6,741,635	8,327,256	\$ 6,841,626	\$ 7,466,512
Black Rock Barrier ⁽¹⁾⁽³⁾ --				
Passenger	6,602,705	8,109,967	\$ 4,675,478	\$ 5,152,999
Commercial	438,411	587,004	1,164,104	1,295,575
Total	7,041,116	8,696,971	\$ 5,839,582	\$ 6,448,574
Total Bridges and Barriers --				
Passenger	112,642,536	115,725,447	\$ 149,973,306	\$ 137,845,949
Commercial	11,301,457	12,541,147	53,792,928	50,084,782
Total Toll Traffic	123,943,993	128,266,594	\$ 203,766,234	\$ 187,930,731
Non-Revenue	488,394	472,310	-	-
Total	124,432,387	128,738,904	\$ 203,766,234	\$ 187,930,731

DAILY THRUWAY RECORDS

REVENUE:

Thruway System.....	June 30, 2006
	\$2,205,741
Controlled System.....	June 30, 2006
	\$1,530,870
Grand Island Bridge South....	August 4, 2006
	\$30,700
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	November 24, 2006
	76,540
Buffalo City Line	August 13, 2004
	33,542 *
Black Rock Barrier	September 10, 2004
	35,216 *

* One Way Trips

** One Way Commercial Trips Only

(1) One Way Trips

(2) Due to the toll class realignment on May 15, 2005, passenger traffic now includes passenger vehicles with trailers which were previously counted under commercial vehicles. Also, commercial traffic has decreased because certain commercial vehicles (tandem trailers and 53' tractor trailers) that previously counted as two transactions are now counted as one.

(3) On October 30, 2006, the tolls at City Line and Black Rock Barriers were eliminated.

CONTROLLED SYSTEM TRAFFIC SUMMARY - 2006

			EXIT TRAFFIC					
INTERCHANGES			ENTRY TRAFFIC TOTAL	Passenger		Commercial	Non Revenue	Total
No.	Name	Mile Post		Full Fare	Permits			
15	Woodbury	45	8,002,397	6,309,623	241,336	1,252,058	23,619	7,826,636
16	Harriman	45	1,066,765	1,009,422	40,448	52,981	15,882	1,118,733
17	Newburgh	60	5,835,196	4,649,802	339,526	900,049	46,151	5,935,528
18	New Paltz	76	2,638,220	2,334,554	176,318	144,588	25,384	2,680,844
19	Kingston	91	3,171,419	2,758,332	236,852	228,444	34,601	3,258,229
20	Saugerties	101	1,550,868	1,194,543	144,462	96,718	18,205	1,453,928
21	Catskill	114	1,699,793	1,346,624	185,616	136,341	23,908	1,692,489
21B	Coxsackie	124	1,168,116	711,619	264,135	126,709	15,447	1,117,910
22	Selkirk	135	799,911	545,977	110,123	95,533	19,838	771,471
23	Boulevard	142	4,996,308	3,870,365	648,690	408,015	118,872	5,045,942
24	Washington	148	13,219,122	11,606,284	815,575	1,226,382	101,172	13,749,413
25	Schenectady	154	6,843,569	5,758,707	588,244	228,227	55,216	6,630,394
25A	Schenectady I-88	159	3,690,307	2,911,127	51,471	551,540	27,477	3,541,615
26	Rotterdam	162	1,179,050	912,833	143,908	110,322	16,791	1,183,854
27	Amsterdam	174	1,683,931	1,218,905	257,899	176,725	24,709	1,678,238
28	Fultonville	182	935,371	525,797	66,221	337,076	15,793	944,887
29	Canajoharie	194	487,357	354,296	57,823	49,531	10,201	471,851
29A	Little Falls	211	239,215	178,649	23,718	34,405	7,821	244,593
30	Herkimer	220	725,342	592,829	55,586	77,189	17,259	742,863
31	Utica	233	1,900,040	1,485,152	122,317	257,024	29,437	1,893,930
32	Westmoreland	243	1,156,720	922,143	151,477	89,485	11,316	1,174,421
33	Verona	253	2,597,526	2,105,301	251,770	203,908	21,777	2,582,756
34	Canastota	262	1,632,616	1,101,166	320,838	110,929	18,417	1,551,350
34A	Collamer	277	3,237,498	2,629,640	380,400	309,422	21,880	3,341,342
35	Thompson	279	1,968,457	1,485,726	266,047	238,580	27,134	2,017,487
36	Mattydale	283	2,997,560	2,376,391	182,976	390,162	19,378	2,968,907
37	Electronics	284	1,101,844	897,221	164,039	62,611	16,401	1,140,272
38	Liverpool	286	1,283,623	898,527	134,185	103,006	7,477	1,143,195
39	State Fair	290	2,986,920	2,285,365	220,416	441,914	20,966	2,968,661
40	Weedsport	304	1,279,740	889,430	179,343	168,209	17,468	1,254,450
41	Waterloo	320	1,406,408	984,093	87,804	331,934	8,720	1,412,551
42	Geneva	327	1,714,516	1,383,823	135,756	199,491	12,633	1,731,703
43	Manchester	340	1,453,330	1,103,384	180,979	116,705	11,313	1,412,381
44	Canandaigua	347	3,328,641	2,827,340	216,257	161,322	19,694	3,224,613
45	Victor	351	5,566,134	5,025,438	371,945	296,990	19,649	5,714,022
46	Henrietta	362	3,527,984	2,817,963	291,373	476,124	17,871	3,603,331
47	LeRoy	379	2,571,573	2,035,674	136,991	314,763	13,358	2,500,786
48	Batavia	390	1,679,210	1,247,537	148,699	217,927	26,754	1,640,917
48A	Pembroke	402	1,868,022	1,240,279	125,459	432,370	17,155	1,815,263
49	Depew	417	3,860,548	3,444,061	103,199	316,805	21,097	3,885,162
50	Williamsville	420	9,210,219	7,352,221	267,192	1,666,123	61,167	9,346,703
SUBTOTAL			118,261,386	95,328,163	8,887,413	13,138,637	1,059,408	118,413,621
B1	Post Road	B7	2,793,947	2,213,648	64,249	391,432	20,530	2,689,859
B2	Taconic	B15	876,978	776,746	22,874	8,609	13,009	821,238
B3	Canaan	B18	4,167,189	3,199,943	37,866	923,211	13,762	4,174,782
SUBTOTAL			7,838,114	6,190,337	124,989	1,323,252	47,301	7,685,879
55	Lackawanna	429	8,479,972	6,743,031	294,658	1,332,617	58,576	8,428,882
56	Blasdell	432	2,733,242	2,465,248	97,289	172,998	21,562	2,757,097
57	Hamburg	436	2,031,876	1,795,072	113,435	150,104	16,059	2,074,670
57A	Angola	445	1,004,973	811,544	90,301	55,781	12,494	970,120
58	Silver Creek	456	1,005,208	833,019	106,193	84,259	16,613	1,040,084
59	Dunkirk	468	1,685,598	1,346,330	97,967	208,082	28,165	1,680,544
60	Westfield	485	294,149	237,759	8,963	32,628	13,097	292,447
61	State Line	496	3,402,767	2,162,034	16,849	1,197,911	17,147	3,393,941
SUBTOTAL			20,637,785	16,394,037	825,655	3,234,380	183,713	20,637,785
GRAND TOTAL			146,737,285	117,912,537	9,838,057	17,696,269	1,290,422	146,737,285



NEW YORK STATE THRUWAY AUTHORITY

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2006 and 2005

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, 2006 and 2005, 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, 2006 and 2005, 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 16, 2007 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 LLP

Albany, New York
March 16, 2007

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

Management's Discussion and Analysis

December 31, 2006 and 2005

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, 2006 and 2005. 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.

2006 Financial Highlights

- Toll revenue for the year was \$554.4 million, an increase of \$43.2 million or 8.5% compared to 2005. This increase is primarily due to 2006 being the first full year of revenues to be impacted by the 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 \$401.2 million, an increase of \$29.4 million or 7.9% compared to 2005. This increase is primarily due to the settlement of several personal injury claims brought against the Authority.
- Interest expense for the year was \$85.3 million, an increase of \$14.6 million or 20.7% compared to 2005. This increase is primarily due to a full year's impact of higher interest rates and a greater amount of outstanding debt related to the issuance of Series F and G General Revenue Bonds in March and September 2005, respectively.
- Capital contributions for the year were \$29.4 million, a decrease of \$16.0 million or 35.2% compared to 2005. This decrease is due to a continued reduction in the amount of federal funding provided to the Authority for its Capital Program.
- Total net assets as of December 31, 2006 were approximately \$2.60 billion, a decrease of \$43.6 million compared to December 31, 2005.
- Total capital assets (net of depreciation) as of December 31, 2006 were approximately \$4.15 billion, an increase of \$59.0 million compared to December 31, 2005.

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

Management's Discussion and Analysis

December 31, 2006 and 2005

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.
- 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.

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, 2006 (See Table A-1) were approximately \$2.60 billion, a 1.7% decrease compared to December 31, 2005. Total assets decreased 1% to \$4.68 billion and total liabilities decreased 0.1 % to \$2.08 billion. The Authority's total net assets at December 31, 2005 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.

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

Management's Discussion and Analysis

December 31, 2006 and 2005

Table A-1
Net Assets

December 31, 2006, 2005 and 2004
(In millions of dollars)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Percentage Change 2006-2005</u>
Unrestricted current assets	\$ 195.1	\$ 175.6	\$ 157.4	11.1
Restricted current assets	301.6	424.5	182.4	(29.0)
Capital assets	4,152.6	4,093.6	4,156.2	1.4
Noncurrent assets	<u>28.7</u>	<u>30.0</u>	<u>13.1</u>	<u>(4.3)</u>
Total assets	<u>4,678.0</u>	<u>4,723.7</u>	<u>4,509.1</u>	<u>(1.0)</u>
Current liabilities	204.0	169.6	698.3	20.3
Noncurrent Liabilities	<u>1,874.2</u>	<u>1,910.7</u>	<u>1,140.5</u>	<u>(1.9)</u>
Total liabilities	<u>2,078.2</u>	<u>2080.3</u>	<u>1,838.8</u>	<u>(0.1)</u>
Net assets:				
Invested in capital assets, net of related debt	2,337.7	2,398.3	2,489.3	(2.5)
Restricted for debt service	50.2	50.1	9.0	0.2
Restricted for reserve maintenance	127.2	107.5	75.4	18.3
Restricted for construction	13.8	16.5	35.5	(16.4)
Unrestricted	<u>70.9</u>	<u>71.0</u>	<u>61.1</u>	<u>(0.1)</u>
Total net assets	<u>\$2,599.8</u>	<u>\$2,643.4</u>	<u>\$2,670.3</u>	<u>(1.7)</u>

Restricted current assets decreased \$122.9 million or 29% and Capital assets increased by \$59 million or 1.4% in 2006 compared to 2005. This decrease in Restricted current assets and increase in Capital assets is primarily due to the use of restricted Series F and G General Revenue Bond proceeds to fund the Authority's Capital Program.

Current liabilities increased \$34.4 million or 20.3% compared to 2005. This increase is primarily due to a greater amount of capital work performed but not paid for as of December 31, 2006 compared to December 31, 2005; as well as the resolution of several personal injury claims that were payable as of December 31, 2006.

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. The outstanding indebtedness includes revenue bonds, special obligation bonds, and bond anticipation notes. (See Note 6 for further discussion of long-term debt).

Net Assets Restricted for Reserve Maintenance increased by \$19.7 million or 18.3% compared to 2005. This increase is primarily due to additional operating revenues being provided to the Reserve Maintenance Fund as a result of the toll adjustment implemented in May 2005.

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2006 and 2005

Changes in Net Assets

Net assets decreased by \$43.6 million in 2006 compared to 2005 (See Table A-2). The Authority's total operating revenues for 2006 were \$596.0 million, an increase of \$45.1 million or 8.2% compared to 2005. Total operating expenses including depreciation and amortization were \$606.1 million, an increase of \$38.6 million or 6.8% compared to 2005. Net assets decreased by \$26.9 million in 2005 compared to 2004. 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.

Table A-2
Changes in Net Assets

Year ended December 31, 2006, 2005 and 2004
(In millions of dollars)

	2006	2005	2004	Percentage Change 2006-2005
Operating Revenues:				
Toll revenue	\$ 554.4	\$ 511.2	\$ 439.6	8.5
Concession revenue	13.0	15.0	15.0	(13.3)
Miscellaneous	28.6	24.7	18.3	15.8
Total operating revenues	<u>596.0</u>	<u>550.9</u>	<u>472.9</u>	<u>8.2</u>
Operating Expenses:				
Administrative	21.0	20.0	21.1	5.0
Engineering services	5.8	5.4	5.0	7.4
Maintenance	89.0	93.7	89.8	(5.0)
Finance and accounts	6.3	6.1	5.8	3.3
Operations	83.7	82.5	77.7	1.5
General charges	128.8	103.1	96.2	24.9
Canals	54.0	46.9	48.0	15.1
Interstate 84	11.8	12.7	11.6	(7.1)
Other authority projects	0.8	1.4	(0.1)	(42.9)
Depreciation and amortization	204.9	195.7	186.7	4.7
Total operating expenses	<u>606.1</u>	<u>567.5</u>	<u>541.8</u>	<u>6.8</u>
Operating loss	<u>(10.1)</u>	<u>(16.6)</u>	<u>(68.9)</u>	<u>39.2</u>
Non-operating revenue (expenses):				
Interest expense	(85.3)	(70.7)	(63.1)	20.7
Non-operating revenues	22.4	15.0	43.5	49.3
Net non-operating expenses	<u>(62.9)</u>	<u>(55.7)</u>	<u>(19.6)</u>	<u>12.9</u>
Loss before other revenue and special items	<u>(73.0)</u>	<u>(72.3)</u>	<u>(88.5)</u>	<u>(1.0)</u>
Capital contribution	29.4	45.4	70.4	(35.2)
Change in net assets	<u>(43.6)</u>	<u>(26.9)</u>	<u>(18.1)</u>	<u>(62.1)</u>
Total net assets, beginning of the year	<u>2,643.4</u>	<u>2,670.3</u>	<u>2,688.4</u>	<u>(1.0)</u>
Total net assets, end of the year	<u><u>\$2,599.8</u></u>	<u><u>\$2,643.4</u></u>	<u><u>\$2,670.3</u></u>	<u><u>(1.7)</u></u>

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Management's Discussion and Analysis

December 31, 2006 and 2005

Toll revenue for 2006 increased \$43.2 million or 8.5%. Passenger toll revenue increased \$22.6 million or 7.3% and commercial toll revenue increased \$20.6 million or 10.3%. This increase is primarily due to 2006 being the first full year of revenues to be impacted by the 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. The increase was partially offset by the suspension of toll collections at the Buffalo City Line and Black Rock Barriers as of October 30, 2006.

General charges increased by \$25.7 million or 24.9% in 2006 compared to 2005. This increase is primarily due to the settlement of several personal injury claims.

Canal operating expenses increased by \$7.1 million compared to 2005. This increase is primarily due to a write-off of infrastructure destroyed by flooding that occurred between Lock 8 and 15 of the Erie Canal. Higher personal service and health insurance costs also contributed to the increase.

Depreciation and amortization increased by \$9.2 million compared to 2005. This increase is primarily due to the large number of bridge and highway improvement projects completed in 2006. Bridge improvement projects include substructure and superstructure repairs, replacement of bridge joints, installation of bridge fencing and bridge painting. Highway improvement projects include pavement rehabilitation, primarily in the form of resurfacing and milling. The Authority's significant investment in these types of projects, which have relatively short useful lives (ten to fifteen years), resulted in an increase in depreciation expense.

Interest expense increased by \$14.6 million compared to 2005. This increase is primarily due to a full year's impact of higher interest rates and a greater amount of outstanding debt related to the issuance of Series F and G General Revenue Bonds in March and September 2005, respectively.

Non-operating revenues increased by \$7.4 million and capital contributions decreased \$16.0 million compared to 2005. The increase in non-operating revenue relates to federal funds received for canal trail projects and FEMA claims relative to flooding. The decrease of capital contributions are due to a continued reduction in the amount of federal funds provided to the Authority for its Capital Program.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2006, the New York State Thruway Authority had approximately \$7.23 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, 2006 totaled approximately \$4.15 billion (See Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$59 million or 1.4% compared to December 31, 2005.

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.

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2006 and 2005

Table A-3
Capital Assets

December 31, 2006, 2005 and 2004
(In millions of dollars)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Percentage Change 2006-2005</u>
Land and land improvements	\$ 804.8	\$ 804.8	\$ 804.0	-
Construction work in progress	275.2	182.0	245.1	51.2
Thruway System	5,608.9	5,505.0	5,397.6	1.9
Canal System	332.0	322.7	302.8	2.9
Equipment	205.3	201.6	191.2	1.7
Less accumulated depreciation	<u>(3,073.6)</u>	<u>(2,922.5)</u>	<u>(2,784.5)</u>	<u>5.2</u>
Total net capital assets	<u>\$4,152.6</u>	<u>\$4,093.6</u>	<u>\$4,156.2</u>	<u>1.4</u>

In 2006, the Thruway System capital asset value increased by \$103.9 million. This increase was primarily due to the completion of a number of projects including painting of the Tappan Zee Bridge, replacement of the Route 300 bridge which crosses over the Thruway, installation of Variable Message Signs (VMS) and traffic monitoring equipment, as well as, several pavement rehabilitation projects. Construction work in progress increased \$93.2 million as the Authority commenced a seven year capital plan that calls for approximately \$2.6 billion to be invested into infrastructure improvements and equipment.

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 trailways from Greece to Pittsford, and Oriskany to Barnes. Equipment increased by \$10.4 million primarily due to an increase in the number of E-Z pass tags being used.

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 plan. No additional debt was issued during 2006 and, at December 31, 2006, the Authority had approximately \$1,895.9 million in general revenue bonds outstanding, a 2% decrease from December 31, 2005 (See Table A-4). Of the \$1,895.9 million in general revenue bonds outstanding, approximately \$1,351 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
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Management's Discussion and Analysis

December 31, 2006 and 2005

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.

During 2005, the Authority issued \$624.6 million in General Revenue Bonds, Series F whose proceeds were used to pay the outstanding \$150 million of the General Revenue Bond Anticipation Notes, Series CP-1, and \$444.2 million of outstanding General Revenue Bonds from the 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.

Table A-4
Outstanding Debt

Year Ended December 31, 2006
(In millions of dollars)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance</u>
General Revenue Bonds	\$1,934.4	\$0.4	\$(38.9)	\$1,895.9
Total bonds	<u>\$1,934.4</u>	<u>\$0.4</u>	<u>\$(38.9)</u>	<u>\$1,895.9</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Ending Balance</u>
General Revenue Bonds	\$1,003.5	\$1,412.4	\$ (481.5)	\$1,934.4
Special Obligation Bonds	6.8	.6	(7.4)	-
Total bonds	<u>1,010.3</u>	<u>1,413.0</u>	<u>(488.9)</u>	<u>1,934.4</u>
Bond Anticipation Notes	<u>678.0</u>	<u>-</u>	<u>(678.0)</u>	<u>-</u>
Total bonds and notes	<u>\$1,688.3</u>	<u>\$1,413.0</u>	<u>\$(1,166.9)</u>	<u>\$1,934.4</u>

More detailed information about the Authority's long-term debt is presented in Note 6 of the financial statements.

NEW YORK STATE THRUWAY AUTHORITY
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Management's Discussion and Analysis

December 31, 2006 and 2005

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	<i>(In thousands)</i>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 114,995	\$ 106,997
Investments	11,822	9,965
Accrued interest receivable	1,887	2,825
Accounts receivable, net	44,608	35,863
Material and supplies	16,386	15,818
Prepaid insurance and deferred items	5,427	4,155
Restricted:		
Cash and cash equivalents	176,463	129,574
Investments	109,274	276,796
Accrued interest receivable	713	513
Accounts receivable, net	13,974	16,378
Other	1,124	1,180
Total current assets	<u>496,673</u>	<u>600,064</u>
Non-current assets		
Capital assets, net of accumulated depreciation	4,152,610	4,093,605
Investment in State Infrastructure Bank	3,000	3,000
Bond issuance costs, net of accumulated amortization	25,723	27,001
Total non-current assets	<u>4,181,333</u>	<u>4,123,606</u>
Total assets	<u><u>\$ 4,678,006</u></u>	<u><u>\$ 4,723,670</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 98,407	\$ 76,293
Accrued wages and employee benefits	8,512	13,383
Deferred revenue	39,769	37,803
Current amount due on bonds, notes and other long-term liabilities	57,289	42,123
Total current liabilities	<u>203,977</u>	<u>169,602</u>
Non-current liabilities		
Bonds and notes payable	1,855,373	1,895,870
Other long-term liabilities	18,827	14,786
Total non-current liabilities	<u>1,874,200</u>	<u>1,910,656</u>
Total liabilities	<u>2,078,177</u>	<u>2,080,258</u>
Net assets		
Invested in capital assets, net of related liabilities	2,337,687	2,398,349
Restricted for:		
Debt service	50,228	50,088
Reserve maintenance	127,182	107,490
Construction	13,824	16,458
Unrestricted	70,908	71,027
Total net assets	<u><u>\$ 2,599,829</u></u>	<u><u>\$ 2,643,412</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	<i>(In thousands)</i>	
Operating revenues		
Tolls	\$ 554,363	\$ 511,191
Concessions	13,041	15,023
Other	28,630	24,638
Total operating revenues	<u>596,034</u>	<u>550,852</u>
Operating expenses		
Administrative	20,993	20,019
Engineering services	5,784	5,420
Maintenance engineering:		
Thruway maintenance	62,741	68,908
Equipment maintenance	26,357	24,780
Finance and accounts	6,285	6,087
Operations:		
Traffic and services	7,049	6,870
State police	33,013	33,474
Toll collection	43,679	42,109
General charges	128,782	103,042
Canals	53,991	46,936
Interstate 84	11,763	12,731
Other Authority projects	802	1,348
Depreciation and amortization	204,872	195,747
Total operating expenses	<u>606,111</u>	<u>567,471</u>
Operating loss	<u>(10,077)</u>	<u>(16,619)</u>
Non-operating items		
Interest revenue on investments	6,267	2,608
Interest expense	(85,306)	(70,693)
Federal and other aid	16,094	12,394
Net non-operating items	<u>(62,945)</u>	<u>(55,691)</u>
Loss before capital contributions	(73,022)	(72,310)
Capital contributions	<u>29,439</u>	<u>45,375</u>
Change in net assets	(43,583)	(26,935)
Total net assets, beginning of year	<u>2,643,412</u>	<u>2,670,347</u>
Total net assets, end of year	<u><u>\$ 2,599,829</u></u>	<u><u>\$ 2,643,412</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from toll collections	\$ 559,375	\$ 517,956
Cash received from concession sales	14,102	14,613
Other operating cash receipts	23,151	25,253
Personal service payments	(166,746)	(158,573)
Fringe benefit payments	(64,104)	(61,125)
E-ZPass account management payments	(24,951)	(18,019)
Cash payments to vendors and contractors	<u>(132,622)</u>	<u>(134,030)</u>
Net cash provided by operating activities	<u>208,205</u>	<u>186,075</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal aid and other reimbursements	11,116	26,858
Other items	<u>2,064</u>	<u>6,663</u>
Net cash provided by non-capital financing activities	<u>13,180</u>	<u>33,521</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	1,434,001
Federal aid and other capital contributions	31,646	59,152
Acquisition / construction of capital assets	(243,876)	(147,246)
Principal paid on capital debt	(40,125)	(1,176,001)
Interest paid on capital debt	(93,844)	(105,092)
Proceeds from sale of capital assets	<u>768</u>	<u>838</u>
Net cash (used in) provided by capital and related financing activities	<u>(345,431)</u>	<u>65,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(476,371)	(372,996)
Proceeds from sale and maturities of investments	642,135	90,061
Interest and dividends on investments	<u>13,169</u>	<u>1,154</u>
Net cash provided by (used in) investing activities	<u>178,933</u>	<u>(281,781)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,887	3,467
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>236,571</u>	<u>233,104</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 291,458</u></u>	<u><u>\$ 236,571</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, 2006 and 2005

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (10,077)	\$ (16,619)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	204,872	195,747
Capitalized interest	1,934	1,455
Net changes in assets and liabilities:		
Receivables	(6,305)	(4,021)
Materials and supplies	(568)	(670)
Other assets	(1,272)	1,898
Accounts payables and accrued expenses	21,810	129
Accrued wages and benefits	(4,155)	2,960
Deferred revenue	<u>1,966</u>	<u>5,196</u>
Net cash provided by operating activities	<u>\$ 208,205</u>	<u>\$ 186,075</u>

RECONCILIATION TO STATEMENT OF NET ASSETS

Cash and cash equivalents	\$ 114,995	\$ 106,997
Restricted cash and cash equivalents	<u>176,463</u>	<u>129,574</u>
Total cash and cash equivalents	<u>\$ 291,458</u>	<u>\$ 236,571</u>

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

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 (the State) 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 each consist of seven members, appointed by the Governor, with the consent of the New York State Senate.

The Authority is responsible for a 641-mile system of highways crossing New York State, the longest toll highway system in the United States. The Authority's 426-mile Thruway mainline connects New York City and Buffalo, the State's two largest cities. Other Thruway sections provide for connections with Connecticut, Massachusetts, Pennsylvania, New Jersey, and to highways that lead to the Midwest and Canada. In accordance with legislation passed by the State Legislature, the Cross-Westchester Expressway (CWE) and I-84 were added to the Thruway in 1991 and 1992, respectively. Under the 1991 legislation, the Authority is prohibited from imposing any toll, fee, rental or charge for the use of the CWE or I-84. The 1992 legislation, which transferred responsibility for maintenance of the Canal System to a subsidiary corporation of the Authority, also authorized and directed the Authority to assist in the financing of certain transportation related projects and facilities under the category of "Other Authority Projects." On October 30, 2006, in accordance with the 1991 legislation and as more fully disclosed under Note 2 (g), the Authority provided the State with one year's notice of its intent to return the operations of I-84 to the State.

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 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 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.

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2006 and 2005

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:

(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 items.

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

(b) Cash, Cash Equivalents and Investments

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

Investments include financial instruments with an original maturity of more than three months and are recorded at amortized cost. These investments are not included in cash and cash equivalents in the 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, including obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers acceptances and repurchase agreements.

NEW YORK STATE THRUWAY AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2006 and 2005

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

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

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

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

(c) Accounts Receivable

Accounts receivable consist primarily of receivables from commercial transportation companies and 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. An allowance of \$100,000 was established at both December 31, 2006 and 2005 for estimated uncollectible accounts receivable.

(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 2007 and 2006 annual permit revenues collected in 2006 and 2005, respectively.

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

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

(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) Toll Revenues

In May 2005, the Authority implemented a toll increase approximating 25% to 35%. Toll revenues for 2006 reflect a full year at the new rates; toll revenues for 2005 reflect a partial year at the new rates. The increase was designed, in part, to encourage greater use of E-ZPass, as passenger and commercial vehicles equipped with E-ZPass now receive additional discounts.

Toll revenue is stated net of volume discounts approximating \$21.1 million and \$19.9 million for 2006 and 2005, respectively. In connection with the May 2005 toll increase, the Authority also implemented changes in the volume discount program that increased the discount on certain monthly commercial accounts.

Concurrent with the Authority's notification to the State of its intent to return operations of I-84 to the State (Note 1), as of October 30, 2006, tolls were suspended and are no longer collected at the Buffalo Black Rock and City Line Barriers.

(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 \$11,091,000 and \$10,377,000 at December 31, 2006 and 2005, 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, 2006 and 2005

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

(j) Bond Discounts/Premiums, Deferred Loss on Advanced Refunding and Bond Issuance Costs

Bond discounts/premiums and deferred loss on advanced refunding are presented as components of bonds payable and bond issuance costs are presented as a component of non-current assets on the Statements of Net Assets. The discounts/premiums and issuance costs are amortized over the life of the bonds on a method that approximates the effective interest method. Deferred losses on advanced refunding are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Net amortization related to net bond discounts/premiums and deferred loss on advanced refunding were approximately \$853,000 and \$325,000 for 2006 and 2005, respectively, and was included as an offset of interest expense. Depreciation and amortization expense includes amortization of bond issuance costs for 2006 and 2005 of \$1,324,000 and \$1,845,000, 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, 2006 and 2005.

(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, 2006 and 2005

NOTE 3 – CASH AND INVESTMENTS

The Authority's cash and investments as of December 31, 2006 and 2005 were as follows (in thousands):

	2006		2005
	Carrying Value	Fair Value	Carrying Value
<u>Cash and cash equivalents</u>			
Unrestricted:			
Cash:			
Demand deposits	\$ 5,142	\$ 5,142	\$ 24,996
Toll change funds	121	121	138
Total unrestricted cash	<u>5,263</u>	<u>5,263</u>	<u>25,134</u>
Cash equivalents:			
Government discount notes	35,203	35,179	54,945
Repurchase agreements	73,502	73,960	25,952
Time deposits	1,027	1,027	966
Total unrestricted cash equivalents	<u>109,732</u>	<u>110,166</u>	<u>81,863</u>
Total unrestricted cash and cash equivalents	<u>\$114,995</u>	<u>\$115,429</u>	<u>\$106,997</u>
Restricted:			
Cash:			
Demand deposits	\$ 8,224	\$ 8,224	\$ 5,186
Other deposits	185	185	180
Total restricted cash	<u>8,409</u>	<u>8,409</u>	<u>5,366</u>
Cash equivalents:			
Government discount notes	137,234	137,205	85,151
Repurchase agreements	21,859	21,853	31,809
Time deposits	418	418	764
Other deposits	8,543	8,580	6,484
Total restricted cash equivalents	<u>168,054</u>	<u>168,056</u>	<u>124,208</u>
Total restricted cash and cash equivalents	<u>\$176,463</u>	<u>\$176,465</u>	<u>\$129,574</u>
<u>Investments</u>			
Unrestricted:			
Time deposits	\$ 11,822	\$ 11,822	\$ 9,965
Total unrestricted Investments	<u>\$ 11,822</u>	<u>\$ 11,822</u>	<u>\$ 9,965</u>
Restricted:			
Government discount notes	\$109,274	\$109,250	\$251,998
Other notes	-	-	24,798
Total restricted investments	<u>\$109,274</u>	<u>\$109,250</u>	<u>\$276,796</u>

At December 31, 2005, the fair value of the Authority's cash and investments approximated the carrying value.

NEW YORK STATE THRUWAY AUTHORITY

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

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 \$13,551,000 and \$30,362,000 as of December 31, 2006 and 2005, 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.

As of December 31, 2006, the Authority had the following concentrations of investments in Federal agency discount notes:

<u>Security</u>	<u>Credit Exposure (Rating)</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	AAA/Aaa	31%
Federal Home Loan Bank	AAA/Aaa	7%
Federal Home Loan Mortgage Corporation	AAA/Aaa	35%

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>Capitalization Threshold</u>
Bridges	45 years	\$50,000
Bridge Improvements	15 years	50,000
Highways	30 years	50,000
Highway Improvements	10 years	50,000
Buildings	30 years	20,000
Fiber Optic System	17 years	50,000
Canal Structures	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, 2006 and 2005

NOTE 4 – CAPITAL ASSETS (Continued)

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2005 to December 31, 2006 (in thousands):

	December 31 2005 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	December 31 2006 <u>Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 804,808	\$ 1	\$ (9)	\$ 804,800
Construction in progress	<u>182,029</u>	<u>212,792</u>	<u>(119,646)</u>	<u>275,175</u>
Total capital assets, not being depreciated	<u>986,837</u>	<u>212,793</u>	<u>(119,655)</u>	<u>1,079,975</u>
Capital assets, being depreciated:				
Thruway System	5,504,998	129,378	(25,524)	5,608,852
Canal System	322,682	9,779	(501)	331,960
Equipment	<u>201,585</u>	<u>39,729</u>	<u>(35,881)</u>	<u>205,433</u>
Total capital assets, being depreciated	<u>6,029,265</u>	<u>178,886</u>	<u>(61,906)</u>	<u>6,146,245</u>
Less accumulated depreciation for:				
Thruway System	(2,775,043)	(174,623)	25,523	(2,924,143)
Canal System	(32,131)	(3,706)	25	(35,812)
Equipment	<u>(115,323)</u>	<u>(25,219)</u>	<u>26,887</u>	<u>(113,655)</u>
Total accumulated depreciation	<u>(2,922,497)</u>	<u>(203,548)</u>	<u>52,435</u>	<u>(3,073,610)</u>
Net value of capital assets, being depreciated	<u>3,106,767</u>	<u>(24,662)</u>	<u>(9,471)</u>	<u>3,072,635</u>
Net value of all capital assets	\$ 4,093,605	\$ 188,131	\$ (129,126)	\$ 4,152,610

Depreciation expense related to capital assets was \$203,548,000 and \$193,902,000 for the years ended December 31, 2006 and 2005, respectively.

NEW YORK STATE THRUWAY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 – RESTRICTED ASSETS

Restricted funds established pursuant to bond resolutions and the related balances at December 31, 2006 and 2005 are as follows:

Senior Debt Service Fund: Established to receive funds from Authority revenues to make periodic payments of interest and principal. The amounts held in this restricted fund at December 31, 2006 and 2005 were \$10,000 and \$14,000, 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 Series F and Series G General Revenue Bonds. The amounts held in this restricted fund at December 31, 2006 and 2005 were \$50,218,000 and \$50,075,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds to pay for costs of the “Facilities” and “Other Authority Projects” as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2006 and 2005 were \$115,575,000 and \$260,158,000, 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 2006 and 2005, the minimum amount was \$30,000,000. The Authority did not establish a maximum amount for either 2006 or 2005. 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 amounts held in this restricted fund at December 31, 2006 and 2005 were \$127,017,000 and \$107,531,000, 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 amounts held in this restricted fund at December 31, 2006 and 2005 were \$8,728,000 and \$6,663,000, respectively.

NEW YORK STATE THRUWAY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 6 – LONG TERM LIABILITIES

The Authority's bond and note indebtedness and other long-term liabilities as of December 31, 2006 and 2005 are comprised of the following obligations (in thousands):

	<u>Date of Issuance</u>	<u>December 31 2005 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31 2006 Balance</u>	<u>Due Within One Year</u>
General Revenue Bonds						
1993 Series B	12/93	\$ 5,425	\$ -	\$ (5,425)	\$ -	\$ -
1997 Series D	5/97	24,920	-	(7,890)	17,030	8,300
1998 Series E	6/98	509,860	-	(18,885)	490,975	19,915
2005 Series F	3/05	619,050	-	(5,050)	614,000	10,870
2005 Series G	9/05	738,925	-	(425)	738,500	445
Unamortized bond discounts/premiums		66,651	324	(2,698)	64,277	2,488
Deferred loss on advanced refunding		<u>(30,434)</u>	<u> </u>	<u>1,521</u>	<u>(28,913)</u>	<u>(1,522)</u>
Total bonds, net of unamortized discounts/premiums and deferred losses		<u>\$ 1,934,397</u>	<u>\$ 324</u>	<u>\$ (38,852)</u>	<u>\$ 1,895,869</u>	<u>\$ 40,496</u>
Other Long-Term Liabilities						
SIB loan payable		\$ 2,450	\$ -	\$ (1,450)	\$ 1,000	\$ 1,000
NITTEC loan payable		1,739	54	(1,000)	793	793
Claims liability		3,817	20,050	(1,131)	22,736	15,000
Compensated absences		<u>10,377</u>	<u>714</u>	<u>-</u>	<u>11,091</u>	<u>-</u>
Total other long-term liabilities		<u>\$ 18,383</u>	<u>\$ 20,818</u>	<u>\$ (3,581)</u>	<u>\$ 35,620</u>	<u>\$ 16,793</u>

The debt service requirements for the Authority's bonds, net of unamortized discounts/premiums and deferred loss on advanced refunding, as of December 31, 2006 are as follows (in thousands):

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	47,615	83,786	131,401
2013 – 2017	276,115	380,894	657,009
2018 – 2022	350,550	306,454	657,004
2023 – 2027	446,875	210,126	657,001
2028 – 2032	569,780	87,225	657,005
Unamortized discounts/premiums	64,277	-	64,277
Deferred - loss on advanced refunding	<u>(28,913)</u>	<u>-</u>	<u>(28,913)</u>
	<u>\$1,895,869</u>	<u>\$1,424,521</u>	<u>\$3,320,390</u>

NEW YORK STATE THRUWAY AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE 6 – LONG TERM LIABILITIES (Continued)

Generally, principal reduction payments are due on January 1 of each year and are paid the previous day (on December 31 of the prior year). Thus, there are no principal/debt service requirements in 2007.

General Revenue Bonds – Series B: During December 1993, the Authority issued \$202,345,000 in General Revenue Bonds to fund a portion of the Authority's capital construction program, to fund capital costs of certain Other Projects, and to fund certain reserve accounts. The 1993 General Revenue Bonds are comprised of Serial Bonds and Term Bonds (including Variable Rate Bonds and Convertible Inverse Floating Rate Bonds) with varying rates and maturities. In March 2005, the Series F Bonds refunded \$147,250,000 of outstanding Series B Bonds. The final payment of \$5,425,000, maturing January 1, 2007, was paid in December 2006.

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, 2006 follow:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	5.2% to 5.3%	2008 - 2009	<u>\$ 17,030</u>

Principal payments under the Series D Serial Bonds began on December 31, 1997 and continue through the year 2009 in amounts ranging from \$8,300,000 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 \$7,890,000 maturing January 1, 2007 was paid in December 2006.

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. In 2005, the Series F Bonds refunded \$28,185,000 of outstanding Series E Bonds. The amounts outstanding at December 31, 2006 follow:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	5% to 5.5%	2008 - 2017	\$ 225,765
Term Bonds	4.75%	2019	67,865
Term Bonds	5.0%	2025	<u>197,345</u>
			<u>\$ 490,975</u>

NEW YORK STATE THRUWAY AUTHORITY
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December 31, 2006 and 2005

NOTE 6 – LONG TERM LIABILITIES (Continued)

Principal payments under the Series E Serial Bonds began on December 31, 1998. The Series E Term Bonds require sinking fund installments, beginning in the year 2018, through the year 2025, of amounts ranging from \$19,800,000 to \$42,105,000 annually. The Series E Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2008 at redemption prices up to 101% of par plus accrued interest. Principal of \$18,885,000 maturing January 1, 2007 was paid in December 2006.

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 \$461,056,000 (including net original issue premium of approximately \$24,471,000 and after payment of approximately \$7,490,000 in issuance costs). An additional \$3,464,000 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 \$28,051,000 with a net present value gain of \$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, 2006 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	2.75% to 5.25%	2008 - 2026	\$ 547,345
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	<u>63,740</u>
			<u>\$ 614,000</u>

Principal payments under the Series F Serial Bonds began 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 \$5,050,000 maturing January 1, 2007 was paid in December 2006.

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE 6 – LONG TERM LIABILITIES (Continued)

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, 2006 follow:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.0% to 5.25%	2008 - 2029	\$ 325,400
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	<u>244,330</u>
			<u>\$ 738,500</u>

Principal payments under the Series G Serial Bonds began 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. Principal of \$425,000 maturing January 1, 2007 was paid in December 2006.

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).

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

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:

Local Highway and Bridge Service Contract Special Bond Program: The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. The Authority 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 \$1,875,725,000 and \$1,983,730,000 at December 31, 2006 and 2005, 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 July 2006, an additional bond series was issued with a par value of \$350,895,000. 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 \$5,626,875,000 and \$5,554,545,000 at December 31, 2006 and 2005, respectively.

State Personal Income Tax Revenue Bonds (Transportation): The Legislature of the State of New York empowered the Authority to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. In August 2006, an additional bond series was issued with a par value of \$338,270,000. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding relating to these issues were \$1,439,430,000 and \$1,141,265,000 at December 31, 2006 and 2005, 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.

NEW YORK STATE THRUWAY AUTHORITY

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

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

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

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

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, 2006 ranged from 9.8% to 13.3% and during the year ending December 31, 2005 ranged from 10.3% to 15.1%. 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 11.65% for April through December 2006, 11.8% for April 2005 through March 2006, and 9.41% for January through March 2005.

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

	<u>ERS</u>	<u>PFRS</u>
2006	\$ 20,625	\$ 3,850
2005	19,505	3,785
2004	19,096	2,297

The Authority's contributions were equal to 100% of the contributions required for each year, plus the fourth year installment of \$2,027,000 on a five year amortization of the 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.

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NOTE 8 – RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

Health insurance costs paid for by the Authority are capped at the Empire Plan rates. If a retiree chooses another qualified plan he/she would be responsible for any difference above the allowed Empire Plan rate. The health insurance costs for retirees choosing individual coverage are paid from 80% to 100% by the Authority. Additionally, retirees opting for family coverage are responsible for 20% to 25% of the difference between individual and family coverage. The Authority's specific responsibility for the above costs, is dependent upon the employee's date of hire and labor agreement. 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 \$16,648,000 and \$17,108,000 in 2006 and 2005, respectively, based on billings from New York State. These charges relate to approximately 2,100 retirees each for 2006 and 2005.

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 estimatable. If the range of the liability is probable and estimatable, the Authority accrues the minimum of such probable range.

Changes in the Authority's claims liability amounts in years 2004 through 2006 were as follows (in thousands):

	Beginning of Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	<u>Claim Payments</u>	End of Year <u>Liability</u>
2004	\$ 4,532	\$ 1,967	\$ (1,020)	\$ 5,479
2005	5,479	473	(2,135)	3,817
2006	3,817	20,050	(1,131)	22,736

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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE 9 – CONTINGENCIES AND COMMITMENTS (Continued)

In recent years, the lands subject to certain Native American land claims in New York State 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.

Certain other claims may not be probable and cannot be estimated as they involve complex issues. Often these issues are subject to substantial uncertainties, and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. However, management has estimated the range of loss on these other claims approximates \$6 million to \$18 million.

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 \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$18.9 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 risk 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, 2006 and 2005 are as follows:

<u>Project</u>	Commitments (in thousands)	
	<u>2006</u>	<u>2005</u>
Highway, bridge and facility, construction and design	\$394,800	\$144,700
Personal service and miscellaneous	30,500	60,600
Economic development and Canal	<u>44,800</u>	<u>23,800</u>
Total	<u>\$470,100</u>	<u>\$229,100</u>

NEW YORK STATE THRUWAY AUTHORITY

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 9 – CONTINGENCIES AND COMMITMENTS *(Continued)*

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. Concession contract terms generally range from 16 to 25 years inclusive of renewal options. Radio tower contract terms generally range from 5 to 10 years, with renewal options up to 10 years, and fiber optic contract terms range from 17 to 20 years.

The following schedule summarizes total future rental revenues to be earned as of December 31, 2006 (in thousands):

<u>Year</u>	<u>Minimum Lease Revenue</u>
2007	\$ 12,484
2008	12,213
2009	12,040
2010	9,429
2011	8,964
Thereafter	<u>76,538</u>
Total	<u>\$131,668</u>

The above schedule reflects future minimum lease revenue inclusive of two concessionaire contracts which are currently under negotiation. The decline in the minimum lease revenue starting in 2010 is due to certain expiring concessions contracts.

NOTE 10 – JOINT VENTURES

The Authority has entered into financing mechanisms to assist in the funding of 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 innovative 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, 2006, the Authority has contributed \$3 million toward the capitalization of the SIB. The Authority is obligated under one SIB loan as of December 31, 2006, totaling \$1.0 million.

NEW YORK STATE THRUWAY AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 10 – JOINT VENTURES *(Continued)*

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).

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, 2006, the Authority's outstanding NITTEC loan balance is approximately \$793,000.

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

Members of the Board
New York State Thruway Authority

We have audited the financial statements of New York State Thruway Authority (the Authority), a component unit of the State of New York, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

UHY LLP

Albany, New York
March 16, 2007