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

Audited Financial Statements

December 31, 2010 and 2009

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

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INDEPENDENT AUDITORS' REPORT

Members of the Board
New York State Thruway Authority:

We have audited the accompanying basic financial statements of the New York State Thruway Authority (the Authority), a component unit of the State of New York, as of and for the years ended December 31, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Thruway Authority as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2011, 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, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis information, as listed in the foregoing table of contents, 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 supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co. P.C.

Williamsville, New York
March 23, 2011

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Management's Discussion and Analysis
December 31, 2010 and 2009

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, 2010 and 2009. 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.

2010 Financial Highlights

- Toll revenue for the year was $641.2 million, an increase of $29.6 million or 4.8% compared to 2009. This increase is primarily due to toll adjustments implemented in 2010.
- Total operating expenses for the New York State Thruway, the Canal Corporation, Interstate 84 and other Authority projects for the year, excluding depreciation and amortization, were $464.0 million, an increase of $1.2 million or 0.3% compared to 2009.
- Total net assets as of December 31, 2010 were approximately $2.09 billion, a decrease of $127.3 million or 5.7% compared to December 31, 2009.
- Total capital assets (net of depreciation) as of December 31, 2010 were approximately $4.71 billion, an increase of $150.2 million or 3.3% compared to December 31, 2009.

2009 Financial Highlights

- Toll revenue for the year was $611.6 million, an increase of $48.9 million or 8.7% compared to 2008. This increase is primarily due to toll adjustments implemented in 2009.
- Total operating expenses for the New York State Thruway, the Canal Corporation, Interstate 84 and other Authority projects for the year, excluding depreciation and amortization, were $462.8 million, an increase of $9.5 million or 2.1% compared to 2008.
- Total net assets as of December 31, 2009 were approximately $2.22 billion, a decrease of $129.3 million or 5.5% compared to December 31, 2008.
- Total capital assets (net of depreciation) as of December 31, 2009 were approximately $4.56 billion, an increase of $98.9 million or 2.2% compared to December 31, 2008.
- Total liabilities as of December 31, 2009 were approximately $3.54 billion, an increase of $826.2 million or 30.5% compared to December 31, 2008. This increase is primarily due to the issuance of General Revenue Bond Anticipation Notes, Series 2009A in July, 2009.

Overview of the Financial Statements

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

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

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

Financial Analysis of the Authority

Net Assets

The Authority's total net assets at December 31, 2010 (See Table A-1) were approximately $2.09 billion, a 5.7% decrease compared to December 31, 2009. Total assets decreased 2.0% to $5.64 billion and total liabilities increased 0.3% to $3.54 billion. The Authority's total net assets at December 31, 2009 were approximately $2.22 billion, a 5.5% decrease compared to December 31, 2008. In 2009, total assets increased 13.8% to $5.75 billion and total liabilities increased 30.5% to $3.54 billion.

Table A-1

Net Assets

December 31, 2010, 2009 and 2008
(In millions of dollars)

	2010	2009	2008	Percentage Change 2010-2009
Unrestricted current assets	$ 298.3	$ 249.4	$ 207.1	19.6
Restricted current assets	599.7	911.6	355.6	(34.2)
Capital assets	4,705.3	4,555.1	4,456.2	3.3
Noncurrent assets	33.0	37.8	38.2	(12.7)
Total assets	5,636.3	5,753.9	5,057.1	(2.0)
Current liabilities	1,058.6	345.5	259.2	206.4
Noncurrent liabilities	2,486.2	3,189.6	2,449.7	(22.1)
Total liabilities	3,544.8	3,535.1	2,708.9	0.3
Net assets:				
Invested in capital assets, net of related debt	1,935.6	2,039.2	2,193.0	(5.1)
Restricted for debt service	128.2	125.9	86.1	1.8
Restricted for reserve maintenance	65.4	69.5	78.2	(5.9)
Restricted for construction	26.4	24.4	17.4	8.2
Unrestricted	(64.1)	(40.2)	(26.6)	59.5
Total net assets	$ 2,091.5	$ 2,218.8	$ 2,348.1	(5.7)

Restricted current assets decreased $311.9 million or 34.2% and Capital assets increased $150.2 million or 3.3% in 2010 compared to 2009. The decrease in Restricted current assets and increase in Capital assets is primarily due to the use of restricted General Revenue Bond Anticipation Note proceeds to fund a majority of the Authority's investment in infrastructure improvements based on its Multi-Year Capital Plan. More detailed information regarding Capital assets and Restricted current assets is presented in Notes 4 and 5, respectively.

Current liabilities increased $713.1 million or 206.4% compared to 2009. This increase is primarily due to the reclassification of the General Revenue Bond Anticipation Notes, Series 2009A from a non-current liability as of December 31, 2009 to a current liability as of December 31, 2010. These notes mature on July 15, 2011.

Non-current liabilities decreased $703.4 million or 22.1% compared to 2009. This decrease is primarily due to the reclassification of the General Revenue Bond Anticipation Notes, Series 2009A as mentioned above. This decrease is partially offset by liabilities related to postemployment health care benefits which continue to increase. More detailed information regarding non-current liabilities and postemployment health care benefits is presented in Notes 6 and 9, respectively.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. Net assets invested in capital assets, net of related debt decreased $103.6 million or 5.1 % compared to 2009. This decrease is primarily due to the continued use of debt proceeds to fund the majority of the Authority's Multi-Year Capital Plan.

Unrestricted net assets decreased by $23.9 million or 59.5% compared to 2009. This decrease is primarily due to the increase in non-current liabilities related to postemployment health care benefits.

Changes in Net Assets

Net assets decreased by $127.3 million in 2010 compared to 2009 (See Table A-2). The Authority's total operating revenues for 2010 were $674.3 million, an increase of $33.7 million or 5.3% compared to 2009. Total operating expenses including depreciation and amortization were $716.1 million, an increase of $14.3 million or 2.0% compared to 2009. Net assets decreased by $129.3 million in 2009 compared to 2008. The Authority's total operating revenues for 2009 were $640.6 million, an increase of $41.8 million or 7.0% compared to 2008. Total operating expenses including depreciation and amortization were $701.8 million, an increase of $25.5 million or 3.8% compared to 2008.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Management's Discussion and Analysis

Table A-2

Changes in Net Assets

Years ended December 31, 2010, 2009 and 2008
(In millions of dollars)

	2010	2009	2008	Percentage Change 2010-2009
Operating revenue:				
Tolls	$ 641.2	$ 611.6	$ 562.7	4.8
Concessions	12.7	12.6	12.5	0.8
Other	20.4	16.4	23.6	24.4
Total operating revenue	674.3	640.6	598.8	5.3
Operating expenses:				
Administrative	19.9	19.5	20.8	2.1
Engineering services	6.0	6.6	6.7	(9.1)
Maintenance	109.9	109.0	105.5	0.8
Finance and accounts	8.5	8.3	8.2	2.4
Operations	84.7	85.2	85.1	(0.6)
General charges	164.7	160.4	155.7	2.7
Canals	61.6	62.6	59.0	(1.6)
Interstate 84	8.6	11.2	10.9	(23.2)
Other Authority projects	-	-	1.4	-
Depreciation and amoritization	252.2	239.0	223.0	5.5
Total operating expenses	716.1	701.8	676.3	2.0
Operating loss	(41.8)	(61.2)	(77.5)	(31.7)
Non-operating items:				
Interest expense	(110.4)	(98.7)	(95.7)	11.9
Non-operating revenue	23.6	18.6	25.4	26.9
Net non-operating items	(86.8)	(80.1)	(70.3)	8.4
Loss before capital contributions and special item	(128.6)	(141.3)	(147.8)	(9.0)
Capital contributions	14.7	12.0	17.9	22.5
Special item - retirement incentive	(13.4)	-	-	100.0
Change in net assets	(127.3)	(129.3)	(129.9)	(1.6)
Total net assets, beginning of the year	2,218.8	2,348.1	2,478.0	(5.5)
Total net assets, end of the year	$ 2,091.5	$ 2,218.8	$ 2,348.1	(5.7)

Toll revenue increased $29.6 million or 4.8% compared to 2009. This increase is primarily due to a toll rate increase implemented in January 2010.

General charges increased by $4.3 million or 2.7% compared to 2009. This increase is primarily due to higher retirement, E-ZPass account management and health insurance costs. Those increases were partially offset by lower environmental remediation costs.

Interstate 84 expenses decreased $2.6 million or 23.2% compared to 2009. This decrease is due to the transfer of maintenance and operating responsibilities for Interstate 84 from the Authority to the New York State Department of Transportation (DOT) in October, 2010. Prior to the October, 2010 transfer the Authority maintained and operated Interstate 84 under the terms of an agreement with DOT which called for DOT to fully reimburse the Authority's costs. This reimbursement is reflected as non-operating revenue on the Statement of Revenue, Expenses and Changes in Net Assets.

Depreciation and amortization increased $13.2 million or 5.5% compared to 2009. This increase is primarily due to the Authority's significant investment in bridge and highway improvement projects. Bridge improvement projects include substructure and superstructure repairs, replacement of bridge joints, installation of bridge fencing and bridge painting. Highway improvement projects include pavement rehabilitation, primarily in the form of resurfacing and milling. The Authority's significant investment in these types of projects, which have relatively short useful lives (ten to fifteen years), has resulted in an increase in depreciation expense.

Interest expense increased $11.7 million or 11.9% compared to 2009. This increase is primarily due to a full year of interest expense on the General Revenue Bond Anticipation Notes, Series 2009A in 2010 compared to a partial year in 2009. These notes were issued in July, 2009.

Non-operating revenues increased $5.0 million or 26.9% compared to 2009. This increase is primarily due to the receipt of a federal grant to partially fund the operations of the Canal System. This grant was not received in 2009.

In 2010, the Authority offered a Retirement Incentive Program to employees who met certain eligibility requirements. Approximately 10% of the Authority's total workforce elected to retire from service under this program. The Authority is responsible for contributing a surcharge to the New York State and Local Employee's Retirement System for each employee who participated in the program. The surcharge of approximately $13.4 million is reflected as a Special Item on the Statement of Revenues, Expense and Changes in Net Assets.

Capital Assets and Debt Administration

Capital Assets

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

As of December 31, 2009, the New York State Thruway Authority had invested approximately $8.15 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, 2009, totaled approximately $4.56 billion (See Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately $98.9 million or 2.2% compared to December 31, 2008.

Table A-3

Capital Assets

December 31, 2010, 2009 and 2008
(In millions of dollars)

	2010	2009	2008	Percentage Change 2010-2009
Land and land improvements	$ 810.6	$ 808.5	$ 807.3	0.3
Construction work in progress	694.4	577.5	529.0	20.2
Thruway System	6,357.8	6,143.2	5,899.1	3.5
Canal System	430.8	394.6	371.1	9.2
Equipment	221.7	224.5	225.0	(1.2)
Less accumulated depreciation	(3,810.0)	(3,593.2)	(3,375.3)	6.0
Total net capital assets	$ 4,705.3	$ 4,555.1	$ 4,456.2	3.3

In 2010, Construction work in progress increased $116.9 million as the Authority continued to invest in infrastructure improvements based on its Multi-Year Capital Plan. Significant projects in progress as of December 31, 2010 include re-decking and other improvements to the Tappan Zee Bridge, re-decking of the South Grand Island Bridge, the Tappan Zee Bridge/I-287 Environmental Review, the full-depth replacement of 15 miles of pavement near Syracuse and several other pavement rehabilitation projects at various locations. The Thruway System capital asset value increased by $214.6 million compared to 2009. This increase was primarily due to the completion of a number of projects including reconstruction of the Woodbury Toll Plaza and several multi-million dollar pavement and bridge rehabilitation projects. The Canal System asset value increased $36.2 million primarily due to the completion of a rehabilitation project for moveable dams near Amsterdam and Canajoharie.

In 2009, Construction work in progress increased $48.5 million as the Authority continued to invest in infrastructure improvements based on a Multi-Year Capital Plan. Significant projects in progress as of December 31, 2009 include the re-decking of the Tappan Zee Bridge and South Grand Island Bridges, reconstruction of the Woodbury toll plaza, the Tappan Zee/I-287 Environmental Review, rehabilitation of movable dams near Amsterdam and Canajoharie, and several pavement rehabilitation projects at various locations. The Thruway System capital asset value increased by $244.1 million compared to 2008. This increase was primarily due to the completion of a number

of projects including reconstruction of Interchange 17, replacement of the Buckley Road Bridge over the Thruway, and several multi-million dollar pavement and bridge rehabilitation projects. The Canal System asset value increased $23.5 million primarily due to the completion of the Cranesville Movable Dam rehabilitation project.

Debt Administration

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

Long-term debt includes general revenue bonds of varying rates and maturities issued primarily to fund a portion of the cost of the Authority's Multi-Year Capital Plan. General Revenue Bond Anticipation Notes have also been issued as an additional source of funds for the Authority's Multi-Year Capital Plan. At December 31, 2010, the Authority had approximately $2,341.2 million in general revenue bonds and $687.0 million in bond anticipation notes outstanding, a 2.2% decrease from December 31, 2009 (See Table A-4). Of the $2,341.2 million in general revenue bonds outstanding, approximately $736.6 million are insured by Financial Security Assurance Inc. and rated Aa3 by Moody's and AA+ by Standard and Poor's (S&P). The remaining general revenue bonds are rated A1 by Moody's and A+ by S&P. The bond anticipation notes are rated MIG-1 and SP-1+ by Moody's and S&P respectively.

At December 31, 2009, the Authority had approximately $2,397.8 million in general revenue bonds and $697.9 million in bond anticipation notes outstanding, an increase of $695.6 million or 29% from December 31, 2008.

During 2009, the Authority received $702.4 million in proceeds from the issuance of General Revenue Bond Anticipation Notes, Series 2009A. These notes mature on July 15, 2011.

Table A-4

Outstanding Debt

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

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

Year ended December 31, 2009
(In millions of dollars)

	Beginning Balance	Additions	Reductions	Ending Balance
General Revenue Bonds	$ 2,400.1	-	(2.3)	$ 2,397.8
Bond Anticipation Notes	-	702.4	(4.5)	697.9
Total bonds and notes	$ 2,400.1	702.4	(6.8)	$ 3,095.7

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

Contacting the New York State Thruway Authority's Financial Management

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

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
	(In thousands)	
Assets:		
Current assets:		
Cash and cash equivalents	$ 203,501	$ 161,039
Investments	23,707	16,467
Accrued interest receivable	210	798
Accounts receivable, net	46,009	47,807
Material and other supplies	18,563	19,078
Prepaid insurance and deferred items	6,346	4,144
Restricted:		
Cash and cash equivalents	216,350	244,950
Investments	353,027	632,054
Accrued interest receivable	101	51
Accounts receivable, net	27,355	25,806
Other	2,865	8,760
Total current assets	898,034	1,160,954
Non-current assets:		
Capital assets, net of accumulated depreciation	4,705,312	4,555,140
Investment in State Infrastructure Bank	-	2,140
Bond issuance costs, less accumulated amortization	32,975	35,642
Total non-current assets	4,738,287	4,592,922
Total assets	$ 5,636,321	$ 5,753,876
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	164,160	148,121
Accrued wages and employee benefits	21,390	7,822
Deferred revenue	57,526	52,402
Accrued interest payable	67,447	67,311
Current amount due on bonds, notes and other long-term liabilities	748,059	69,840
Total current liabilities	1,058,582	345,496
Non-current liabilities:		
Bonds and notes payable	2,282,328	3,028,225
Other long-term liabilities	203,930	161,356
Total non-current liabilities	2,486,258	3,189,581
Total liabilities	$ 3,544,840	$ 3,535,077
Net assets:		
Invested in capital assets, net of related debt	1,935,557	2,039,226
Restricted for:		
Debt service	128,219	125,848
Reserve maintenance	65,409	69,483
Construction	26,442	24,399
Unrestricted (deficiency)	(64,146)	(40,157)
Total net assets	$ 2,091,481	$ 2,218,799

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2010 and 2009

	2010	2009
	(In thousands)	
Operating revenue:		
Tolls	$ 641,216	$ 611,642
Concessions	12,698	12,553
Other	20,395	16,415
Total operating revenue	674,309	640,610
Operating expenses:		
Administrative	19,941	19,507
Engineering services	5,959	6,577
Maintenance engineering:		
Thruway maintenance	80,699	80,461
Equipment maintenance	29,203	28,553
Finance and accounts	8,479	8,297
Operations:		
Traffic and services	7,584	7,145
State police	35,485	36,310
Toll collection	41,656	41,718
General charges	164,745	160,353
Canals	61,601	62,639
Interstate 84	8,616	11,195
Other Authority projects	1	15
Depreciation and amortization	252,172	239,040
Total operating expenses	716,141	701,810
Operating loss	(41,832)	(61,200)
Non-operating items:		
Interest revenue on investments	420	1,057
Interest expense	(110,379)	(98,744)
Federal and other aid	23,186	17,508
Net non-operating items	(86,773)	(80,179)
Loss before capital contributions and special item	(128,605)	(141,379)
Capital contributions	14,666	12,042
Special item - retirement incentive	(13,379)	-
Change in net assets	(127,318)	(129,337)
Total net assets, beginning of the year	2,218,799	2,348,136
Total net assets, end of the year	$ 2,091,481	$ 2,218,799

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, 2010 and 2009

	2010	2009
	(In thousands)	
Cash flows from operating activities:		
Cash received from toll collections	$ 658,129	$ 626,758
Cash received from concession sales	12,494	12,581
Other operating cash receipts	18,421	16,448
Personal service payments	(172,979)	(175,067)
Fringe benefits payments	(88,564)	(81,499)
E-ZPass account management payments	(26,446)	(15,259)
Cash payments to vendors and contractors	(132,688)	(150,118)
Net cash provided by operating activities	268,367	233,844
Cash flows from non-capital financing activities:		
Federal aid and other reimbursements	25,529	18,010
Payments related to SIB	(8,562)	-
Other items	-	26
Net cash provided by non-capital financing activities	16,967	18,036
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	-	702,429
Federal aid and other capital contributions	11,974	9,604
Acquisition/construction of capital assets	(369,531)	(321,854)
Principal paid on capital debt	(54,195)	-
Interest paid on capital debt	(134,790)	(59,106)
Proceeds from sale of capital assets	665	606
Net cash provided by (used in) capital and related financing activities	(545,877)	331,679
Cash flows from investing activities:		
Purchase of investments	(750,975)	(901,992)
Proceeds from sale and maturities of investments	1,022,762	399,944
Interest and dividends on investments	2,618	2,386
Net cash provided by (used in) investing activities	274,405	(499,662)
Net increase in cash and cash equivalents	13,862	83,897
Cash and cash equivalents, beginning of the year	405,989	322,092
Cash and cash equivalents, end of the year	$ 419,851	$ 405,989

(Continued)

See notes to financial statements.

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

	2010	2009
	(In thousands)	
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (41,832)	$ (61,200)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	252,172	239,040
Special expense - early retirement surcharge	(13,379)	-
Capitalized interest	273	398
Net changes in assets and liabilities:		
Receivables	(284)	(2,198)
Inventories	515	(873)
Other assets	(2,202)	426
Accounts payables and accrued expenses	55,603	52,758
Accrued wages and benefits	12,377	(2,789)
Deferred revenue	5,124	8,282
Net cash provided by operating activities	$ 268,367	$ 233,844
Reconciliation to statements of net assets:		
Cash and cash equivalents	203,501	161,039
Restricted cash and cash equivalents	216,350	244,950
Total cash and cash equivalents	$ 419,851	$ 405,989

See notes to financial statements.

(1) Financial Reporting Entity

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

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

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

The accompanying financial statements include the accounts and transactions of the New York State Thruway Authority, the New York State Canal Corporation and the Canal Development Fund, henceforth referred to as the "Authority."

(1) Financial Reporting Entity, Continued

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

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

The principal revenues of the Authority are toll revenues received from patrons. The Authority also recognizes as operating revenue the rental fees received from concessionaires from operating leases on concession property, special hauling fees charged to overweight or oversize vehicles, and certain revenue collected from the lease of property. Operating expenses for the Authority include maintenance costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

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

(2) Summary of Significant Accounting Policies, Continued

(b) Cash, Cash Equivalents and Investments

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

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

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

The Authority's investment policy has established criteria that 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 Federal and State governments under various Federal and State grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. The allowance for uncollectible receivables amounted to $1,650,000 and $1,550,000 at December 31, 2010 and 2009, respectively.

(d) Materials and Supplies

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

(2) Summary of Significant Accounting Policies, Continued

(e) Deferred Revenue

Deferred revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and 2011 and 2010 annual permit revenues collected in 2010 and 2009, respectively.

(f) Restricted Assets

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

(g) Toll Revenues

Toll revenues are stated net of volume and other discounts approximating $22.8 million and $21.2 million in 2010 and 2009. During 2010 and 2009, the Authority implemented certain toll rate adjustments which impacted revenues. In both January 2010 and January 2009, the Authority implemented a 5% toll increase.

(h) Pensions

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

(i) Other Postemployment Benefits

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

(j) Compensated Absences

Vacation leave accumulates for all full-time employees of the Authority, ranging from 13 to 25 days per year, and any unused amounts up to 30 days are considered vested and paid upon retirement or termination. Authority employees also accumulate sick leave at the rate of 10 to 13 days per year and personal leave credits at the rate of 3 to 5 days per year. Employees may use the accumulated sick and personal leave credits according to the established policy; however, generally no cash is paid for these accumulated credits at the time of retirement or termination. The liability for vested compensated absences has been computed to approximate $10,323,000 and $11,514,000 at December 31, 2010 and 2009, respectively, and is classified as a long-term liability.

(2) Summary of Significant Accounting Policies, Continued

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

Bond and note discounts/premiums and deferred losses on advanced and current 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 and notes on a method that approximates the effective interest method. Deferred losses on advanced and current 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 bond and note discounts/premiums and deferred losses on advanced and current refundings were approximately $13,257,000 and $6,894,000 for 2010 and 2009, respectively, and was included as an offset of interest expense. Depreciation and amortization expense includes amortization of bond and note issuance costs and surety bond costs totaling approximately $2,721,000 and $2,012,000 in 2010 and 2009, respectively.

(l) Capital Contributions

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

(m) Arbitrage

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability for the years ended December 31, 2010 and 2009.

(n) Income Taxes

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

(o) Use of Estimates

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

(3) Cash and Investments

The Authority's cash and investments as of December 31, 2010 and 2009 were as follows (in thousands):

	2010		2009
	Carrying value	Fair value	Carrying value
Cash and cash equivalents:			
Unrestricted:			
Cash:			
Demand deposits	$ 45,101	$ 45,101	$ 72,820
Toll change funds	123	123	123
Total unrestricted cash	45,224	45,224	72,943
Cash equivalents:			
Government discount notes	6,877	6,878	6,130
Repurchase agreements	11,389	11,616	38,132
Commercial paper	140,011	140,006	43,834
Total unrestricted cash equivalents	158,277	158,500	88,096
Total unrestricted cash and cash equivalents	$ 203,501	$ 203,724	$ 161,039
Restricted:			
Cash:			
Demand deposits	$ 3,136	$ 3,136	$ 15
Other deposits	2,978	2,978	2,868
Total restricted cash	6,114	6,114	2,883
Cash equivalents:			
Government discount notes	155,812	155,837	44,821
Repurchase agreements	7,571	7,723	20,208
Commercial paper	46,853	46,863	166,334
Other deposits	-	-	10,704
Total restricted cash equivalents	210,236	210,423	242,067
Total restricted cash and cash equivalents	$ 216,350	$ 216,537	$ 244,950

(3) Cash and Investments, Continued

	2010		2009
	Carrying value	Fair value	Carrying value
Cash and cash equivalents, continued:			
Investments:			
Unrestricted:			
Government discount notes	$ 11,993	$ 11,999	$ 4,714
Time deposits	11,714	11,714	11,753
Total unrestricted investments	23,707	23,713	16,467
Restricted:			
Government discount notes	316,130	316,286	256,776
Government agency notes	36,897	36,505	271,544
Treasury securities	-	-	103,734
Total restricted investments	$ 353,027	$ 352,791	$ 632,054

At December 31, 2010 and 2009, the fair value of the Authority's cash and investments approximated the carrying value.

The Authority requires collateral, in the form of federal government obligations or agency instruments guaranteed by the federal government, for all investments in repurchase agreements. The Authority also requires delivery to its trustee (or agent) all securities purchased and collateral for repurchase agreements, regardless of the seller institution. All Authority investment securities are classified as securities acquired by a financial institution for the Authority and held by the financial institution's trust department in the Authority's name. Bank balances, which are comprised of demand and other deposits, approximated $51,215,000 and $75,703,000 as of December 31, 2010 and 2009, respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee in the Authority's name.

As of December 31, 2010, the Authority had the following concentrations of investments:

Security	Credit Exposure (Rating)	% of Total Investments
Agency Obligations:		
Federal National Mortgage Association	AAA/Aaa	13.4%
Federal Home Loan Banks	AAA/Aaa	14.8%
Federal Home Loan Mortgage Corporation	AAA/Aaa	27.0%
Federal Agricultural Mortgage Corporation	nr	15.6%

(3) Cash and Investments, Continued

Security	Credit Exposure (Rating)	% of Total Investments
Commercial Paper:		
Bank of Nova Scotia	A-1+/P-1	8.7%
Chevron Funding Corporation	A-1+/P-1	0.8%
Franklin Resources Inc.	A-1+/P-1	0.2%
General Electric Capital Corporation	A-1+/P-1	5.7%
General Electric Capital Services Corporation	A-1+/P-1	2.3%
Louis Dreyfuss Corporation	A-1+/P-1	4.5%
Proctor & Gamble Company	A-1+/P-1	1.0%
Proctor & Gamble International Fund	A-1+/P-1	1.2%
Rabobank USA Financial Corporation	A-1+/P-1	0.8%

(4) Capital Assets

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

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

Category	Useful life	Capitalization Threshold
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
Canal Improvements	30 years	50,000
Equipment	2-12 years	5,000 - 20,000

(4) Capital Assets, Continued

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2009 to December 31, 2010 (in thousands):

	December 31, 2009 Balance	Additions	Reductions	December 31, 2010 Balance
Capital assets, not being depreciated:				
Land and land improvements	$ 808,473	2,101	(11)	$ 810,563
Construction in progress	577,578	283,646	(166,773)	694,451
Total capital assets, not being depreciated	1,386,051	285,747	(166,784)	1,505,014
Capital assets, being depreciated:				
Thruway System	6,143,217	218,515	(3,937)	6,357,795
Canal System	394,567	36,200	-	430,767
Equipment	224,494	28,811	(31,596)	221,709
Total capital assets, being depreciated	6,762,278	283,526	(35,533)	7,010,271
Less accumulated depreciation for:				
Thruway System	(3,404,439)	(222,903)	3,962	(3,623,380)
Canal System	(48,919)	(4,886)	-	(53,805)
Equipment	(139,831)	(21,661)	28,704	(132,788)
Total accumulated depreciation	(3,593,189)	(249,450)	32,666	(3,809,973)
Net value of capital assets, being depreciated	3,169,089	34,076	(2,867)	3,200,298
Net value of all capital assets	$ 4,555,140	319,823	(169,651)	$ 4,705,312

Depreciation expense related to capital assets was $249,450,000 and $237,028,000 for the years ended December 31, 2010 and 2009, respectively.

(5) Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements. The related balances at December 31, 2010 and 2009 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, 2010 and 2009 were $98,195,000 and $96,961,000, respectively.

(5) Restricted Assets, Continued

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve month period on all outstanding bonds secured by the Senior Debt Service Reserve Fund, Series F, Series G and Series H General Revenue Bonds. The amounts held in this restricted fund at December 31, 2010 and 2009 were $85,546,000 and $85,599,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2010 and 2009 were $347,462,000 and $647,948,000, respectively.

Reserve Maintenance Fund: Established to hold funds required to be deposited each year into the Reserve Maintenance Fund. Funds held in the Reserve Maintenance Fund can be disbursed for specific costs relating to the "Facilities," as defined in the bond resolution and certain highway and railroad grade crossings. The amounts held in this restricted fund at December 31, 2010 and 2009 were $65,516,000 and $67,542,000, respectively.

Commercial Charge Surety Account: Established to receive cash surety deposits from Commercial Charge Account customers which are to be used only if the customer does not meet their obligations under their Commercial Charge Account Credit Agreement. The amount held in the account at December 31, 2010 and 2009 was $2,978,000 and $2,865,000, 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 the SIB restricted fund at December 31, 2010 and 2009 were $0 and $10,706,000, respectively. Additional information regarding the State Infrastructure Bank can be found in note 11.

(6) Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2010 and 2009 are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2009 Balance	Additions	Reductions	December 31, 2010 Balance	Due Within One Year
General Revenue Bonds:						
2005 Series F	3/05	$ 591,965	-	(23,620)	$ 568,345	$ 24,700
2005 Series G	9/05	737,595	-	(475)	737,120	485
2007 Series H	10/07	998,515	-	(30,100)	968,415	31,390
Unamortized bond discounts/ premiums		101,196	-	(4,345)	96,851	4,345
Deferred loss on refundings		(31,477)	-	1,997	(29,480)	(1,997)
General revenue bonds, net of unamortized discounts/premiums and deferred losses		2,397,794	-	(56,543)	2,341,251	58,923
Bond Anticipation Notes:						
Series 2009A	7/09	680,610	-	-	680,610	680,610
Unamortized Series 2009A premium		17,273	-	(10,909)	6,364	6,364
Total bond anticipation notes and unamortized premium		697,883	-	(10,909)	686,974	686,974
Total bonds and notes, net of unamortized discounts/premiums and deferred losses		$ 3,095,677	-	(67,452)	$ 3,028,225	745,897
Other Long-Term Liabilities:						
Claims liability		1,620	-	(1,394)	226	222
Postemployment benefit obligation		143,279	72,916	(22,592)	193,603	-
Compensated absences		11,514	-	(1,191)	10,323	-
Environmental remediation obligation		7,331	-	(5,391)	1,940	1,940
Total other long-term liabilities		$ 163,744	72,916	(30,568)	$ 206,092	2,162
Total classified as current						$ 748,059

(6) Long Term Liabilities, Continued

The debt service requirements for the Authority's bonds, net of unamortized discounts/premiums and deferred loss on advanced and current refunding, as of December 31, 2010 are as follows (in thousands):

Due	Principal	Interest	Total
2011	$ 56,575	$ 109,790	$ 166,365
2012	59,085	107,181	166,266
2013	61,795	104,306	166,101
2014	64,835	101,301	166,136
2015	67,805	98,358	166,163
2016 - 2020	388,210	440,654	828,864
2021 - 2025	492,800	332,985	825,785
2026 - 2030	628,865	193,676	822,541
2031 - 2035	386,565	47,675	434,240
2036 - 2037	67,345	3,408	70,753
Unamortized discounts/premiums	96,851	-	96,851
Deferred loss on refundings	(29,480)	-	(29,480)
	$ 2,341,251	$ 1,539,334	$ 3,880,585

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

The General Revenue Bonds Series F are comprised of both serial and term bonds, with varying rates and maturities. Amounts outstanding at December 31, 2010 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.30% to 5.25%	2011 - 2026	$ 501,690
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	63,740
			$ 568,345

(6) Long Term Liabilities, Continued

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

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

The Series G Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2010 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.25% to 5.25%	2010 - 2029	$ 324,020
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	244,330
			$ 737,120

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

General Revenue Bonds - Series H: During October 2007, the Authority issued $1,008,910,000 in General Revenue Bonds - Series H which provided funds to: (1) refund $450,045,000 in then outstanding Series E Bonds (for a net present value savings of $18,429,000); (2) fund a portion of the Authority's Multi-year Capital Plan; (3) make a deposit to the Reserve Maintenance Fund; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs.

(6) Long Term Liabilities, Continued

The Series H Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2010 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	4.0% to 5.0%	2010 - 2030	$ 758,835
Term Bonds	5.0%	2032	52,765
Term Bonds	5.0%	2037	156,815
			$ 968,415

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

General Revenue Bonds - Revenue Pledge and Security: The 2005 (Series F), 2005 (Series G) and 2007 (Series H) General Revenue Bonds are all direct obligations of the Authority, secured by a pledge of toll and other revenues as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12 month period. At both December 31, 2010 and 2009, the Senior Debt Service Reserve Fund, which may be used should amounts in the Senior Debt Service Fund be insufficient to pay debt service payments, was fully funded.

General Revenue Bond Anticipation Notes: During July 2009, the Authority issued $680,610,000 in General Revenue Bond Anticipation Notes - Series 2009A to provide funds to: (1) fund a portion of the Authority's Multi-Year Capital Plan; (2) make a deposit to the Reserve Maintenance Fund, if any; and (3) pay BAN Issuance costs. The Bond Anticipation Notes mature on July 15, 2011 and pay interest rates ranging from 2.5% to 4.0%.

(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:

(7) Special Bond Programs, Continued

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. There were no new series of Local Highway and Bridge Service Contract Bonds issued in 2010. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding under this program were $1,255,200,000 and $1,446,050,000 at December 31, 2010 and 2009, respectively.

Highway and Bridge Trust Fund Bond Program - The Legislature of the State of New York empowered the Authority to issue Highway and Bridge Trust Fund Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's Multi-Year Highway and Bridge Capital Program. In March 2010, a bond sale was issued with a total par of $300,105,000 and a second bond sale was issued with a total par of $276,970,000 for State Department of Transportation expenditures. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding under this program were $7,267,105,000 and $6,959,880,000 at December 31, 2010 and 2009, respectively.

State Personal Income Tax Revenue Bonds (Transportation) - The Legislature of the State of New York empowered the Authority to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. In September 2010, the Authority issued $463,070,000 in bonds for capital projects. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding under this program were $2,630,455,000 and $2,364,265,000 at December 31, 2010 and 2009, respectively.

(8) Retirement Benefits

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

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

(8) Retirement Benefits, Continued

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

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

The rates billed by the Comptroller for ERS during the year ended December 31, 2010 ranged from 9.1% to 15.3% and during the year ended December 31, 2009 ranged from 7.0% to 9.3%. The PFRS is paid as part of a fringe benefit rate billed to the Authority for the State Police. The PFRS benefit rates billed were 12.78% for April through December 2010, 8.82% for April 2009 through March 31, 2010, and 10.50% for January through March 2009.

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

	ERS	PFRS
2010	$ 19,940	$ 4,054
2009	13,135	3,409
2008	15,040	3,325

The Authority's contributions in 2010 and 2009 were equal to 100% of the contributions required for the period.

In 2010, the Authority offered a Retirement Incentive Program to employees who met certain eligibility requirements. Approximately 10% of the Authority's total workforce elected to retire from service under this program. The Authority is responsible for contributing a surcharge to the New York State and Local Employee's Retirement System for each employee who participated in the program. The surcharge of approximately $13.4 million is reflected as a Special Item on the Statement of Revenues, Expense and Changes in Net Assets.

(9) Other Postemployment Benefits

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

(9) Other Postemployment Benefits, Continued

The following table summarizes the Authority's valuation of Other Postemployment Benefit (OPEB) costs and obligations at December 31, 2010 and 2009 (in thousands):

	2010			2009
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	$ 1,117,488	$ 209,337	$ 1,326,825	$ 1,281,121
Unfunded accrued liability	864,195	162,223	1,026,418	981,684
Annual required contribution (30 year amortization)	61,669	11,859	73,528	69,720
Annual OPEB cost	61,164	11,752	72,916	69,423
Valuation payroll	146,028	25,214	171,242	167,065
Annual OPEB expense (as % of payroll)	41.9%	46.6%	42.6%	41.6%
Expected benefit payment	19,667	2,925	22,592	20,201

Actuarial valuations, the most recent of which was completed as of December 31, 2009, involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost sharing provisions then in effect.

The Authority participates, pursuant to the provisions of Section 163(4) of the New York State Civil Service Law, in the New York State Health Insurance Program (NYSHIP), an Agent Multiple-Employer plan. NYSHIP is administered through the Department of Civil Service and the Authority pays the cost of administration.

NYSHIP does not currently issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The Authority's specific obligation to pay OPEB costs is dependent on the employee's date of hire and labor agreement. Certain retiree costs, described below, are first applied against the value of the retiree's existing sick leave bank balance. A plan summary follows:

(a) Plan Types

Medical - New York State Health Insurance Program which includes participation in various insurance plans and HMO's and which also includes drug coverage. Details may be found in the Summary Program Description of the New York State Health Insurance Program Booklet.

Medicare Part B Reimbursement - The Thruway Authority and Canal Corporation reimburse the retiree and his/her Medicare eligible spouse for the Medicare Part B premium.

(9) Other Postemployment Benefits, Continued

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

(c) Benefit/Cost Sharing
The Authority contributes 80% - 100% of costs for retirees and 75% - 80% for a retiree's spouse.

(d) Spouse Benefit - Yes

(e) Surviving Spouse Benefit - Coverage continues

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

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

	2010	2009
Normal cost	$ 25,691	$ 25,065
Amortization of unfunded actuarial accrued liability	45,443	42,362
Interest	2,394	2,293
Annual required contribution (ARC)	73,528	69,720
Interest on net OPEB obligation	5,731	3,762
Adjustment to ARC	(6,343)	(4,059)
Annual OPEB cost	72,916	69,423
Contribution/expected benefit payment	(22,592)	(20,201)
Increase in net OPEB obligation	50,324	49,222
Net OPEB obligation at beginning of year	143,279	94,057
Net OPEB obligation at end of year	$ 193,603	$ 143,279

The annual OPEB costs are recorded in the Authority's 2010 and 2009 Statements of Revenue, Expenses, and Changes in Net Assets as a component of general charges in the amount of $72,916,000 and $69,423,000, respectively. The net OPEB obligation is recorded in the Authority's Statements of Net Assets as a component of other long-term liabilities in the amount of $193,603,000 and $143,279,000, at December 31, 2010 and 2009, respectively.

(9) Other Postemployment Benefits, Continued

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 are as follows (in thousands):

	Annual OPEB cost			Cost contributed			Net OPEB obligation		
Year Ending	Thruway	Canal Corporation	Total	Thruway	Canal Corporation	Total	Thruway	Canal Corporation	Total
12/31/09	$ 58,259	$ 11,164	$ 69,423	30.3%	22.6%	29.1%	$ 117,867	$ 25,412	$ 143,279
12/31/10	61,164	11,752	72,916	32.2%	24.9%	31.0%	159,365	34,238	193,603

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

Funding interest rate	4.0%
2009 Medical trend rate (Med/Rx)	8%/10%
2010 Medical trend rate (Med/Rx)	7%/9%
Ultimate trend rate (Med/Rx)	5%/5%
Year ultimate trend rate reached	2012/2014
Annual payroll growth rate	2.50%
Actuarial cost method	Attained age
Remaining amortization period at December 31, 2010	26 years
Amortization method	30 year level percentage of payroll

(10) Contingencies and Commitments

(a) Claims and Litigation

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

Changes in the Authority's claims liability amounts in years 2008 through 2010 were as follows (in thousands):

	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2008	$ 14,661	2,468	(5,340)	$ 11,789
2009	11,789	1,070	(11,239)	1,620
2010	1,620	(99)	(1,295)	226

(10) Contingencies and Commitments, Continued

(a) Claims and Litigation, Continued

In addition, there are claims where liability is not probable, but is possible and estimatable. The range of loss on these claims approximated $7.5 million to $10 million at December 31, 2010.

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

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 related to such cases.

(b) 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 $9.1 million.

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

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

(c) Construction Commitments

At December 31, 2010, the amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract are as follows:

Project	Commitments (in thousands)
Highway, bridge and facility, construction and design	$ 517,200
Personal service and miscellaneous	219,100
Canal	37,000
Total	$ 773,300

(10) Contingencies and Commitments, Continued

(d) Environmental Remediation

The Authority has adopted GASB Statement No. 49 - "Accounting and Financial Reporting for Pollution Remediation Obligations." Statement No. 49 requires governmental entities, including the Authority, to disclose the nature and estimated cost for environmental remediation obligations. At December 31, 2010, the Authority recorded in its financial statements a cost estimate for environmental remediation of a number of sites on Thruway Authority and Canal Corporation property. These sites have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs were developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2010. Estimating environmental remediation obligations requires that a number of assumptions be made. Therefore, it is possible that project cost changes due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies and other factors could result in revisions to these estimates. Work has been completed at a few locations and progress payments at others have been made in 2010.

At December 31, 2010, the Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties, as follows (in thousands):

	Beginning of year liability	Current year		End of year liability
		Estimate changes	Payments made	
2009	$ 4,867	5,124	(2,660)	$ 7,331
2010	7,331	(1,604)	(3,787)	1,940

(e) Lease Revenue

The Authority has entered into various non-cancelable contracts with concessionaires to provide patron services on the Thruway System. These contracts provide the Authority with concession revenue, including minimum rentals and contingent revenues based on sales volume. The Authority also leases land, used for antennas and fiber optic cable, under various non-cancelable contracts. Concession contract terms generally range from 16 to 25 years, inclusive of renewal options. Radio tower contract terms generally range from 5 to 10 years, with renewal options up to 10 years, and fiber optic contract terms range from 17 to 20 years.

(10) Contingencies and Commitments, Continued

(e) Lease Revenue, Continued

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2010:

Year	Future Minimum Lease Revenue (in thousands)
2011	$ 12,800
2012	13,500
2013	13,300
2014	12,900
2015	13,200
Thereafter	51,700
Total	$ 117,400

(11) 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 Authority (NYSDOT) and the Metropolitan Transportation Authority (MTA). The SIB was capitalized with 80% Federal Funds and a 20% match provided by the Authority. During 2009, the State of New York requested approval to have the Federal share of the SIB transferred to the NYS Dedicated Highway and Bridge Trust Fund (Trust Fund) without a requirement for repayment. This request was approved by the Federal Highway Administration, Federal Transit Administration, NYSDOT, MTA and the Authority. The return of the Authority's original investment was also authorized. During 2010, $8.58 million was transferred to the Trust Fund and $2.14 million was returned to the Reserve Maintenance Fund. Accordingly, as of December 31, 2010, the SIB has a zero balance.

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

Members of the Board
New York State Thruway Authority:

We have audited the financial statements of the New York State Thruway Authority (the Authority) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

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

Toski, Schaefer & Co. P.C.

Williamsville, New York
March 23, 2011

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INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

Members of the Board
New York State Thruway Authority:

We have examined the New York State Thruway Authority's (the Authority) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended December 31, 2010. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2010.

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

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

Toski, Schaefer & Co. P.C.

Williamsville, New York
March 23, 2011

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