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

Audited Financial Statements

December 31, 2013 and 2012

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

Contents

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT AUDITORS' REPORT

Members of the Board
New York State Thruway Authority:

Report on the Financial Statements

We have audited the 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and schedule of funding progress - other postemployment benefits on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014, on our consideration of the New York State Thruway 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 described 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 in considering the New York State Thruway Authority's internal control over financial reporting and compliance.

In accordance with New York State Codes, Rules and Regulations, we have also issued our report dated March 21, 2014 on the New York State Thruway Authority's investment program compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the New York State Thruway Authority's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the New York State Thruway Authority's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 21, 2014

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, 2013 and 2012. 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.

2013 Financial Highlights

- Toll revenue for the year was $648.9 million, an increase of $11.2 million or 1.8% compared to 2012.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization were $419.2 million, a decrease of $54.3 million or 11.5% compared to 2012.
- Net position as of December 31, 2013 was approximately $1.57 billion, a decrease of $128.6 million or 7.6% compared to December 31, 2012.
- Total capital assets (net of depreciation) as of December 31, 2013 were approximately $5.58 billion, an increase of $631.5 million or 12.8% compared to December 31, 2012.
- Construction of the New NY Bridge began in 2013 and $641.0 million was invested in the project during the year.

2012 Financial Highlights

- Toll revenue for the year was $637.7 million, an increase of $3.6 million or 0.6% compared to 2011.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization were $473.5 million, a decrease of $8.4 million or 1.7% compared to 2011.
- Net position as of December 31, 2012 was approximately $1.70 billion, a decrease of $162.3 million or 8.7% compared to December 31, 2011.
- Total capital assets (net of depreciation) as of December 31, 2012 were approximately $4.95 billion, an increase of $80.9 million or 1.7% compared to December 31, 2011.

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 position 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). Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Financial Analysis of the Authority

Net Position

The Authority's net position at December 31, 2013 was approximately $1.57 billion, a 7.6% decrease compared to December 31, 2012 (see Table A-1). Total assets increased 30.7% to $7.52 billion and total liabilities increased 46.5% to $5.98 billion. The Authority's net position at December 31, 2012 was approximately $1.70 billion, an 8.7% decrease compared to December 31, 2011. In 2012, total assets increased 3.2% to $5.76 billion and total liabilities increased 9.1% to $4.08 billion.

Table A-1

Net Position

December 31, 2013, 2012 and 2011
(In millions of dollars)

	2013	2012	2011	Percentage Change 2013-2012
Unrestricted current assets	$ 316.4	313.4	292.0	1.0
Restricted current assets	1,624.9	490.6	414.4	231.2
Capital assets	5,582.5	4,951.0	4,870.1	12.8
Total assets	7,523.8	5,755.0	5,576.5	30.7
Deferred outflows	23.5	25.5	27.5	(7.8)
Current liabilities	523.1	365.1	1,237.4	43.3
Noncurrent liabilities	5,452.2	3,714.8	2,503.7	46.8
Total liabilities	5,975.3	4,079.9	3,741.1	46.5
Net position:				
Net investment in capital assets	1,496.3	1,568.4	1,778.5	(4.6)
Restricted for debt service	223.6	201.6	144.6	10.9
Restricted for capital	55.1	75.5	57.7	(27.0)
Unrestricted	(203.0)	(144.9)	(117.9)	40.1
Total net position	$ 1,572.0	1,700.6	1,862.9	(7.6)

Restricted current assets increased $1.13 billion or 231.2% compared to 2012. The increase is primarily due to the issuance of General Revenue Junior Indebtedness Obligations, Series 2013A. This debt issuance generated $1.82 billion to fund the New NY Bridge. More detailed information regarding restricted current assets is presented in note 5.

Capital assets increased $631.5 million or 12.8% compared to 2012. This increase is due the significant investment in the New NY Bridge that corresponded with the start of construction in January 2013, as well as the Authority's ongoing investment to preserve existing infrastructure on both the Thruway and Canal Systems. More detailed information regarding Capital assets is presented in note 4.

Current liabilities increased $158 million or 43.3% compared to 2012. This increase is due to the amount owed for work performed, but not paid for on the New NY Bridge as of December 31, 2013, as well as an increase in the current amount due on outstanding General Revenue Bonds and Junior Indebtedness Obligations.

Non-current liabilities increased $1.74 billion or 46.8% compared to 2012. This increase is primarily due to the debt issuance mentioned above. Non-current liabilities also increased due to the rising liability for unfunded postemployment health care benefits. More detailed information regarding non-current liabilities and postemployment health care benefits is presented in notes 6 and 9, respectively.

Net investment in capital assets 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 investment in capital assets, decreased $72.1 million or 4.6% compared to 2012. This decrease is primarily due to the continued use of debt proceeds to fund the majority of the Authority's Multi-Year Capital Plan, including the New NY Bridge.

Restricted for debt service increased $22 million or 10.9% compared to 2012. This increase is due to additional revenue being provided to the Senior Debt Service Fund in 2013 to provide for a principal payment due on January 1, 2014 for the General Revenue Bonds, Series I. The General Revenue Bonds, Series I, issued in July 2012 did not require a principal payment in either 2012 or 2013.

Unrestricted deficiency increased by $58.1 million or 40.1% compared to 2012. This increase is due primarily to the increase in non-current liabilities related to postemployment health care benefits.

Changes in Net Position

Net position decreased by $128.6 million in 2013 (see Table A-2). The Authority's total operating revenue for 2013 was $682.8 million, an increase of $9.8 million or 1.5% compared to 2012. Total operating expenses including depreciation and amortization were $751.0 million, a decrease of $32.5 million or 4.1% compared to 2012. Net position decreased by $162.3 million in 2012. The Authority's total operating revenue for 2012 was $673.0 million, an increase of $5.5 million or 0.8% compared to 2011. Total operating expenses including depreciation and amortization were $783.5 million, an increase of $26.8 million or 3.5% compared to 2011.

Table A-2

Changes in Net Position

Years ended December 31, 2013, 2012 and 2011
(In millions of dollars)

	2013	2012	2011	Percentage Change 2013-2012
Operating revenue:				
Tolls	$ 648.9	637.7	634.1	1.8
Concessions	13.3	13.1	12.5	1.5
Other	20.6	22.2	20.9	(7.2)
Total operating revenue	682.8	673.0	667.5	1.5
Operating expenses:				
Administrative	17.8	17.5	18.3	1.7
Engineering services	6.4	6.3	6.6	1.6
Maintenance	112.5	109.2	118.4	3.0
Finance and accounts	8.1	8.5	8.2	(4.7)
Operations	46.2	79.7	81.4	(42.0)
General charges	160.1	186.5	181.2	(14.2)
Canals	68.1	65.8	67.7	3.5
Depreciation and amortization	331.8	310.0	274.9	7.0
Total operating expenses	751.0	783.5	756.7	(4.1)
Operating loss	(68.2)	(110.5)	(89.2)	(38.3)
Non-operating items:				
Interest expense	(134.7)	(115.5)	(103.2)	16.6
Debt issuance expense	(7.4)	(15.5)	(1.6)	(52.3)
Non-operating revenue	37.6	15.0	2.0	150.7
Net non-operating items	(104.5)	(116.0)	(102.8)	(9.9)
Loss before capital contributions and other items	(172.7)	(226.5)	(192.0)	(23.8)
Capital contributions	44.1	64.2	5.7	(31.3)
Extraordinary item - 2011 floods	-	-	(9.3)	-
Change in net position	(128.6)	(162.3)	(195.6)	(20.8)
Net position, beginning of the year	1,700.6	1,862.9	2,058.5	(8.7)
Net position, end of the year	$ 1,572.0	1,700.6	1,862.9	(7.6)

Toll revenue increased $11.2 million or 1.8% compared to 2012. This increase is primarily due to lower revenues in October and November 2012 from travel restriction and road closures related to Hurricane Sandy.

Maintenance expenses increased by $3.3 million or 3.0% compared to 2012. This increase is primarily due to higher costs for snow and ice control in 2013 as compared to 2012, which had a milder winter. In addition, expenses are higher due to the cost of retrofitting equipment to comply with diesel emission reduction standards.

Operations expenses decreased by $33.5 million or 42.0% compared to 2012. This decrease is primarily due to the State of New York assuming financial responsibility for policing the Thruway System as of January 1, 2013. In addition, toll collection costs were lower in 2013 due to a reduction in staffing.

General charges decreased by $26.4 million or 14.2% compared to 2012. This decrease is primarily due to the shift in financial responsibility for policing the Thruway System mentioned above. Beginning January 1, 2013, employee benefit and administrative costs associated with New York State Division of State Police employees assigned to the Thruway System are no longer reflected as a General charge of the Authority. In addition, effective January 1, 2013 the Authority was exempted from reimbursing the State of New York for general administrative costs. In 2012, the State of New York charged the Authority $5.5 million for these general administrative costs.

Canal expenses increased by $2.3 million or 3.5% compared to 2012. This increase is primarily due to repairs related to flooding which occurred in June 2013.

Depreciation and amortization increased $21.8 million or 7.0% compared to 2012. This increase is primarily due to the Authority's significant investment in bridge and highway improvement projects. Bridge improvement projects include substructure and superstructure repairs, replacement of bridge joints and bridge decks, installation of bridge fencing and bridge painting. Highway improvement projects include pavement rehabilitation, primarily in the form of resurfacing and milling. The Authority's significant investment in these types of projects, which have relatively short useful lives (ten to fifteen years), has resulted in an increase in depreciation expense.

Interest expense increased $19.2 million or 16.6% compared to 2012. The increase is primarily due to higher interest rates on the General Revenue Bonds, Series I compared to the short-term interest rate on the General Revenue Bond Anticipation Notes, Series 2011A. The Series I Bonds, issued in July 2012, have an effective interest rate of 4.1% compared to 0.5% for the Series 2011A Notes which were refunded with Series I bond proceeds. As a result, 2013 was the first full year during which interest expense was impacted by the higher interest rates. In addition, interest costs were higher due to an overall increase in the Authority's outstanding debt.

Debt issuance costs decreased $8.1 million compared to 2012. This decrease is due to a lower overall cost of issuance for the General Revenue Bond Anticipation Notes, Series 2013A and 2013B; and the General Revenue Junior Indebtedness Obligations, Series 2013A issued in 2013 as compared to the cost of issuance for the General Revenue Bonds, Series I issued in 2012.

Non-operating revenue increased $22.6 million compared to 2012. This increase is primarily due to an agreement, as required by law, between the Authority and the State of New York, effective January 1, 2013, under which the State assumed $24 million of expenses.

Capital contributions decreased $20.1 million or 31.3% compared to 2012. Over the past decade, the Authority has worked in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority to determine how to best address the transportation needs in the corridor that includes the Tappan Zee Bridge. In 2012, the Authority recognized capital contributions totaling $49.5 million made by the New York State Department of Transportation and the Metropolitan Transportation Authority towards the New NY Bridge project. In 2013, the Authority recognized additional capital contributions of $19.2 million made by the New York State Department of Transportation towards the New NY Bridge. This decrease in year over year capital contributions was partially offset by a federal grant used to fund a highway resurfacing project between Dunkirk and Westfield.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2013, the Authority had invested approximately $10.18 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately $5.58 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately $631.4 million or 12.8% compared to December 31, 2012.

As of December 31, 2012, the Authority had invested approximately $9.26 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately $4.95 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately $80.9 million or 1.7% compared to December 31, 2011.

Table A-3
Capital Assets
December 31, 2013, 2012 and 2011
(In millions of dollars)

	2013	2012	2011	Percentage Change 2013-2012
Land and land improvements	$ 827.3	820.5	818.8	0.8
Construction work in progress	1,090.6	677.8	477.7	60.9
Thruway System	7,551.2	7,072.3	6,909.9	6.8
Canal System	482.5	472.7	457.7	2.1
Equipment	230.2	221.5	216.6	3.9
Less accumulated depreciation	(4,599.3)	(4,313.8)	(4,010.6)	6.6
Total net capital assets	$ 5,582.5	4,951.0	4,870.1	12.8

In 2013, construction work in progress increased $412.8 million, as the Authority began construction of the New NY Bridge and invested $641 million in the project during the year. Significant projects in progress as of December 31, 2013 include the New NY Bridge, deck replacement and resurfacing of the Grand Island Bridges, rehabilitation of numerous canal structures that were damaged by Hurricane Irene and Tropical Storm Lee, and several other pavement and bridge rehabilitations at various locations. The Thruway System's value increased $478.9 million compared to 2012. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, including re-decking a portion of the existing Tappan Zee Bridge, the reconstruction of the highway between Exits 23 and 24 in Albany, and pavement rehabilitation and bridge painting near Angola.

In 2012, construction work in progress increased $200.1 million, as the Authority continued to invest in infrastructure improvements, as well as the New NY Bridge. Significant projects in progress as of December 31, 2012 include re-decking a portion of the existing Tappan Zee Bridge, the New NY Bridge, pavement rehabilitation and bridge painting near Angola, the reconstruction of the highway between Exits 23 and 24 in Albany and several other pavement and bridge rehabilitations at various locations. The Thruway System's value increased $162.4 million compared to 2011. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, as well as the installation of traffic management equipment. The Canal System's value increased $15 million compared to 2011. This increase was primarily due to the completion of a painting project at the moveable dam in Tribes Hill and the rehabilitation of miter gates in Seneca Falls and Pittsford.

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 New York State Senate. These sales 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, junior indebtedness obligations, bond anticipation notes and a revolving loan of varying rates and maturities issued primarily to fund a portion of the Authority's Multi-Year Capital Plan and New NY Bridge project costs. At December 31, 2013, the Authority had approximately \$5.23 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, an increase of \$1.76 billion or 50.5% compared to the amount of general revenue bonds and loans outstanding as of December 31, 2012 (see Table A-4).

Pursuant to a resolution adopted by the Authority's Board in November 2013 (Junior Resolution) the Authority established authorization for the issuance of Junior Indebtedness Obligations (JIO's). The resolution created a junior lien on the Authority's revenue that is subordinate to the pledge of revenues granted to the Authority's general revenue bonds issued pursuant to the General Revenue Bond Resolution. The JIO's are special obligations of the Authority and are additionally secured by a pledge of certain funds and accounts established in the Junior Indebtedness Fund. Proceeds of the JIO's issued in 2013, and to be issued in future years, will be used solely to fund New NY Bridge project costs until the bridge is substantially complete.

The Authority entered into a loan agreement with the United States Department of Transportation, acting through the Federal Highway Administration in December 2013 (TIFIA Loan). The conditions of the TIFIA Loan preclude the use of general revenue bond proceeds for New NY Bridge project costs; as a result, the Authority created the Junior Resolution to provide for the issuance of JIO's to fund these costs. The proceeds of the TIFIA Loan are expected to be drawn no later than one year after substantial completion of the New NY Bridge, and are expected to be available to pay the initial issuance of JIO's.

Of the \$3.40 billion in general revenue bonds outstanding, approximately \$735.6 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and rated AA- by Standard and Poor's (S&P). The remaining general revenue bonds are rated A2 by Moody's and A by S&P. Of the \$1.82 billion in junior indebtedness obligations outstanding, approximately \$45.7 million are insured by Assured Guaranty Municipal Corp and rated A2 by Moody's and AA- by S&P. The remaining Junior Indebtedness Obligations are rated A3 by Moody's and A- by S&P.

In February 2013, the Authority issued General Revenue Bond Anticipation Notes, Series 2013A which generated proceeds of \$501.9 million. These proceeds were used to fund a portion of the cost of the New NY Bridge Project and to pay costs of issuance.

In September, 2013 the Authority issued General Revenue Bond Anticipation Notes, Series 2013B, which generated proceeds of $700 million. These proceeds were used to fund a portion of the cost of the New NY Bridge Project, to pay the principal and interest on the General Revenue Bond Anticipation Notes, Series 2013A and to pay the costs of issuance.

In December, 2013, the Authority issued Junior Indebtedness Obligations - Series 2013A which generated proceeds of $1,823.7 million. These proceeds will be used to fund a portion of the cost of the New NY Bridge Project, to provide funds to pay the principal and interest on the General Revenue Bond Anticipation Notes, Series 2013B, to pay capitalized interest on the Junior Indebtedness Obligations - Series 2013A through December 31, 2017 and to pay costs of issuance. The Junior Indebtedness Obligations - Series 2013A will mature on May 1, 2019. The proceeds of the TIFIA loan are expected to be disbursed in a single draw in March, 2019 and are expected to be available to pay principal on the Series 2013A Junior Indebtedness Obligations at maturity.

In 2012, the Authority also entered into an agreement with Citibank, N.A. for a revolving loan in an aggregate amount not to exceed $60 million. The loan matures in 2017 and may be pre-paid at any time by the Authority without penalty. As of December 31, 2013 the Authority has borrowed $11 million via the revolving loan to reconstruct portions of the Canal System damaged or destroyed by Hurricane Irene and Tropical Storm Lee. The revolving loan is secured in part by a pledge of revenues available in the General Reserve Fund, as well as federal (FEMA) grant funds.

At December 31, 2012, the Authority had approximately $3.48 billion in general revenue bonds and loans outstanding, an increase of $289.8 million or 9.1% from December 31, 2011.

Table A-4

Outstanding Debt

Year ended December 31, 2013
(In millions of dollars)

	Beginning balance	Additions	Reductions	Ending balance
General revenue bonds	$ 3,466.4	-	(69.5)	3,396.9
Junior Indebtedness Obligations	-	1,823.7	(1.4)	1,822.3
Bond anticipation notes	-	1,201.9	(1,201.9)	-
Revolving loan	9.0	2.0	-	11.0
Total bonds, notes and loan	$ 3,475.4	3,027.6	(1,272.8)	5,230.2

Year ended December 31, 2012
(In millions of dollars)

	Beginning balance	Additions	Reductions	Ending balance
General revenue bonds	$ 2,309.8	1,223.4	(66.8)	3,466.4
Bond anticipation notes	875.8	-	(875.8)	-
Revolving loan	-	9.0	-	9.0
Total bonds, notes and loan	$ 3,185.6	1,232.4	(942.6)	3,475.4

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

The New NY Bridge

Over the past twenty years the Authority has spent more than $750 million to maintain and repair the current Tappan Zee Bridge. Over the past decade, in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority, the Authority has conducted alternative analysis, public outreach and environmental studies aimed at how to best address the transportation needs at the Tappan Zee Bridge. Engineering and economic analysis has determined that replacement of the bridge is needed to correct structural deficiencies, address longstanding safety concerns and provide sufficient capacity to serve current usage safely and allow for future economic growth. The existing bridge, which was opened to traffic in 1955, has exceeded its useful life and it is estimated that an additional $1 billion would be required to maintain it for the next ten years. The bridge was designed to carry 100,000 vehicles on a peak day, but traffic volume has grown to 138,000 vehicles per day. In addition, the geometry and configuration of the bridge, including a 3% grade, lack of shoulders and narrow lanes has led to higher accident rates and difficulty in responding to accidents. These factors combined often cause delays and lengthy traffic back-ups.

In January 2013, the Authority entered into a $3.1 billion design-build agreement to construct the New NY Bridge. It is anticipated that the new bridge will take six years to complete at a total estimated cost of $3.9 billion. The new bridge will have a 100 year design life and consist of eight general purpose lanes, as well as emergency access lanes and dedicated bus service. It will conform to current seismic, safety and geometric requirements; have adequate shoulders to manage traffic incidents and emergencies; accommodate bike and pedestrian use; and be capable of accommodating commuter rail.

In 2013, the Authority issued bond anticipation notes and junior indebtedness obligations that generated $1.8 billion to finance the project. The Authority also entered into a TIFIA Loan agreement with the United States Department of Transportation for the purpose of financing a portion of the project. Additional information regarding the Authority's debt is available in the Debt Administration section above and in note 6.

Additional information regarding the New NY Bridge is available at www.newnybridge.com.

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 or visit our website at www.thruway.ny.gov.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Net Position
December 31, 2013 and 2012

	2013	2012
	(In thousands)	
Assets:		
Current assets:		
Cash and cash equivalents	$ 188,298	181,528
Investments	46,315	49,015
Accrued interest receivable	133	294
Accounts receivable, net	56,236	57,343
Material and other supplies	15,612	16,206
Prepaid items	9,817	9,067
Restricted:		
Cash and cash equivalents	335,457	218,923
Investments	1,257,968	241,764
Accrued interest receivable	201	348
Accounts receivable, net	28,467	28,744
Other	2,811	813
Total current assets	1,941,315	804,045
Non-current assets - capital assets, net of accumulated depreciation	5,582,461	4,950,979
Total assets	7,523,776	5,755,024
Deferred outflows - loss on bond refunding	23,489	25,486
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	230,136	150,282
Accrued wages and employee benefits	7,819	4,589
Unearned revenue	64,997	59,124
Accrued interest payable	81,122	78,289
Current amount due on bonds, notes and other long-term liabilities	138,960	72,793
Total current liabilities	523,034	365,077
Non-current liabilities:		
Bonds, notes and loan payable	5,096,890	3,405,906
Other long-term liabilities	355,326	308,881
Total non-current liabilities	5,452,216	3,714,787
Total liabilities	5,975,250	4,079,864
Net position:		
Net investment in capital assets	1,496,347	1,568,373
Restricted for:		
Debt service	223,638	201,583
Capital	55,101	75,552
Unrestricted (deficiency)	(203,071)	(144,862)
Total net position	$ 1,572,015	1,700,646

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 Position
Years ended December 31, 2013 and 2012

	2013	2012
	(In thousands)	
Operating revenue:		
Tolls	$ 648,923	637,731
Concessions	13,322	13,090
Other	20,599	22,137
Total operating revenue	682,844	672,958
Operating expenses:		
Administrative	17,819	17,543
Engineering services	6,398	6,346
Maintenance engineering:		
Thruway maintenance	79,459	76,920
Equipment maintenance	33,050	32,305
Finance and accounts	8,065	8,457
Operations:		
Traffic and services	7,631	7,779
State police	-	30,984
Toll collection	38,609	40,920
General charges	160,060	186,456
Canals	68,159	65,750
Depreciation and amortization	331,806	310,040
Total operating expenses	751,056	783,500
Operating loss	(68,212)	(110,542)
Non-operating items:		
Interest revenue on investments	579	647
Interest expense	(134,751)	(115,497)
Debt issuance expense	(7,373)	(15,514)
Federal and other aid	37,037	14,421
Net non-operating items	(104,508)	(115,943)
Loss before capital contributions	(172,720)	(226,485)
Capital contributions	44,089	64,197
Change in net position	(128,631)	(162,288)
Net position, beginning of the year	1,700,646	1,862,934
Net position, end of the year	$ 1,572,015	1,700,646

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, 2013 and 2012

	2013	2012
	(In thousands)	
Cash flows from operating activities:		
Cash received from toll collections	$ 665,243	641,846
Cash received from concession sales	13,307	12,959
Other operating cash receipts	17,598	20,041
Personal service payments	(163,741)	(168,823)
Fringe benefits payments	(109,356)	(104,892)
E-ZPass account management payments	(8,474)	(25,348)
Cash payments to vendors and contractors	(69,070)	(128,289)
Net cash provided by operating activities	345,507	247,494
Cash flows from non-capital financing activities - federal aid and other reimbursements	17,757	3,821
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	3,027,660	1,232,387
Federal aid and other capital contributions	40,351	58,589
Acquisition/construction of capital assets	(867,825)	(386,135)
Principal paid on capital debt	(1,261,795)	(927,130)
Interest paid on capital debt	(166,357)	(140,291)
Proceeds from sale of capital assets	322	562
Net cash provided by (used in) capital and related financing activities	772,356	(162,018)
Cash flows from investing activities:		
Purchase of investments	(1,691,057)	(464,358)
Proceeds from sale and maturities of investments	677,554	480,864
Interest and dividends on investments	1,187	471
Net cash provided by (used in) investing activities	(1,012,316)	16,977
Net increase in cash and cash equivalents	123,304	106,274
Cash and cash equivalents, beginning of the year	400,451	294,177
Cash and cash equivalents, end of the year	$ 523,755	400,451

(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

	2013	2012
	(In thousands)	
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (68,212)	(110,542)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	331,806	310,040
Capitalized interest	137	153
Payments made by New York State	22,572	-
Net changes in assets and liabilities:		
Receivables	(1,874)	(1,430)
Material and supplies	594	2,748
Other assets	(750)	(1,750)
Accounts payables and accrued expenses	52,986	53,274
Accrued wages and employee benefits	2,376	(4,304)
Unearned revenue	5,872	(695)
Net cash provided by operating activities	$ 345,507	247,494
Reconciliation to statements of net position:		
Cash and cash equivalents	188,298	181,528
Restricted cash and cash equivalents	335,457	218,923
Total cash and cash equivalents	$ 523,755	400,451
Non-cash operating and capital activities - payments made by the State of New York	$ 22,681	-

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) was added to the Thruway in 1991 and the Authority is prohibited from imposing any tolls or other charges for the use of the CWE.

The Canal Corporation is responsible for a 524-mile Canal System consisting of the Erie, Champlain, Oswego and Cayuga-Seneca canals. The 1992 legislation, which transferred responsibility for maintenance of the Canal System to the Canal Corporation, also authorized and directed the Authority to assist in the financing of certain transportation related projects and facilities under the category of "Other Authority Projects."

The accounts and activities of the Canal Corporation and the "Other Authority Projects" are included in the financial statements of the Authority. Revenues of the Canal System are 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 (GASB) Statement No. 14, as amended by GASB Statement No. 61, 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. The Authority's financial statement presentation is prepared in accordance with the provisions of GASB Statement No. 62 - *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. 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, deferred outflows of resources, deferred inflows of resources, net position, revenue, and expenses are accounted for through a single enterprise fund with revenue recorded when earned and expenses recorded at the time liabilities are incurred.

The principal revenue of the Authority is toll revenue 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, operations, toll collections, administrative expenses, and depreciation on capital assets. All revenue 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 mitigate certain credit risks and interest rate risks. The policy has established investment concentration limits for each of the Authority's investment portfolios. The policy also requires that deposits and investments be held by a third-party custodian who may not otherwise be 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.

(c) Accounts Receivable

Accounts receivable consist primarily of receivables from commercial transportation companies and Federal and State governments under various Federal and State grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. The allowance for doubtful receivables amounted to $10,400,000 and $11,550,000 at December 31, 2013 and 2012, 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) Unearned Revenue

Unearned revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and 2014 and 2013 annual permit revenues collected in 2013 and 2012, 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 Revenue

Toll revenue is stated net of volume and other discounts approximating $23.8 million and $22.8 million in 2013 and 2012.

(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. In 2013, costs associated with State Police assigned to the Thruway, were assumed by New York State.

(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 $10,109,000 and $10,963,000 at December 31, 2013 and 2012, respectively, and is classified as a long-term liability.

(2) Summary of Significant Accounting Policies, Continued

(k) Bond and Note Premiums

Bond and note premiums are presented as components of bonds payable. The premiums are amortized over the life of the bonds and notes on a straight-line basis. Net amortization related to bond and note premiums were approximately $11,121,000 and $15,412,000 for 2013 and 2012, respectively, and were included as an offset of interest expense.

(l) Deferred Outflows of Resources

Deferred outflows, representing the unamortized loss on refunding's for Series F and Series H bonds, amounted to $23,489,000 and $25,486,000 at December 31, 2013 and 2012, respectively.

(m) Capital Contributions

Capital contributions consist primarily of federal, state and other grants that are provided to fund specific capital projects. These projects are generally within the Authority's Multi-Year Capital Plan but also include unanticipated projects such as those funded by the U.S. Department of Homeland Security - Federal Emergency Management Agency.

(n) 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, 2013 and 2012.

(o) 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.

(p) 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.

(2) Summary of Significant Accounting Policies, Continued

(q) Non-Exchange Transaction

Section 357-a of the Public Authorities Laws of the State of New York, provides that the State shall be responsible for $24 million in annual costs of goods and services provided to the Authority and that the Authority and the State of New York Division of Budget shall enter into an agreement identifying such costs assumed by the State. An agreement for 2013 was entered into identifying certain costs associated with E-ZPass account management and workers compensation benefits up to a maximum of $24 million.

GASB Statement No. 33 - "Accounting and Financial Reporting for Nonexchange Transactions" provides for both revenue and expense recognition in arrangements such as this. Accordingly, the Authority has reported $24 million in Operating Expenses in the General Charges category and $24 million of Non-operating revenue in the Federal and other aid category.

(r) Reclassifications

Reclassifications have been made to certain 2012 balances in order to conform them to the 2013 presentation.

(3) Cash and Investments

The Authority's cash and investments as of December 31, 2013 and 2012 were as follows (in thousands):

	2013		2012
	Carrying value	Fair value	Carrying value
Cash and cash equivalents			
Unrestricted:			
Cash:			
Demand deposits	$ 142,465	142,465	89,568
Toll change funds	126	126	128
Total unrestricted cash	142,591	142,591	89,696
Cash equivalents:			
Government discount notes	9,177	9,174	-
Repurchase agreements	-	-	33,945
U.S. Treasury Securities	28,927	28,915	-
Commercial paper	7,603	7,600	57,887
Total unrestricted cash equivalents	45,707	45,689	91,832
Total unrestricted cash and cash equivalents	$ 188,298	188,280	181,528
Restricted:			
Cash:			
Demand deposits	128,948	132,018	49,168
Other deposits	3,070	-	2,988
Total restricted cash	132,018	132,018	52,156
Cash equivalents:			
Government discount notes	16,745	16,746	-
Repurchase agreements	-	-	26,514
U.S. Treasury Securities	147,836	147,826	140,253
Commercial paper	38,858	38,855	-
Total restricted cash equivalents	203,439	203,427	166,767
Total restricted cash and cash equivalents	$ 335,457	335,445	218,923

(3) Cash and Investments, Continued

	2013		2012
	Carrying value	Fair value	Carrying value
Investments			
Unrestricted:			
Government agency notes	$ 37,758	37,656	29,106
Commercial paper	6,872	6,872	-
U.S. Treasury Securities	-	-	3,096
Time deposits	1,685	1,685	16,813
Total unrestricted investments	46,315	46,213	49,015
Restricted:			
Government discount notes	266,823	266,825	86,272
Government agency notes	387,835	388,977	25,497
Commercial paper	369,681	369,887	57,988
U.S. Treasury Securities	233,629	233,489	72,007
Total restricted investments	1,257,968	1,259,178	241,764
Total unrestricted and restricted investments	$ 1,304,283	1,305,391	290,779

At December 31, 2013, fair value is based on the readily available market value. At December 31, 2012, the fair value of cash and investments approximated 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/custodian 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 Authority's trustee/custodian in the Authority's name. Bank balances, which are comprised of demand and other deposits, approximated $274.5 million and $141.7 million as of December 31, 2013 and 2012, respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee/custodian in the Authority's name.

(3) Cash and Investments, Continued

As of December 31, 2013, the Authority had the following concentrations of investments:

Security	Credit Exposure (Rating)	% of Total Investments
Agency Obligations		
Federal Farm Credit Bank	Aaa/AAA	5.4%
Federal Home Loan Banks	Aaa/AA+	12.6%
Federal Home Loan Mortgage Corporation	Aaa/AAA	15.5%
Federal National Mortgage Association	Aaa/AA+	12.5%
Commercial Paper		
Bank of Nova Scotia NY	A-1/P-1	8.1%
General Electric Capital Corporation	A-1+/P-1	7.4%
ING US Funding LLC	A-1/P-1	4.9%
Koch Resources LLC	A-1+/P-1	0.3%
Rabobank USA Financial Corporation	A-1+/P-1	4.9%
Walt Disney Company	A-1/P-1	1.9%
U.S. Government Securities		
Treasury Notes	Aaa/AA+	5.1%
Treasury Bills	A-1+/P-1	21.0%
Treasury Strips	Aaa/AA+	0.3%

(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:

(4) Capital Assets, Continued

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	50-100 years	50,000
Canal Improvements	15-30 years	50,000
Equipment	2-12 years	5,000 - 20,000

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2012 to December 31, 2013 (in thousands):

	December 31, 2012 Balance	Additions	Reductions	December 31, 2013 Balance
Capital assets, not being depreciated:				
Land and land improvements	$ 820,481	6,871	(13)	827,339
Construction in progress	677,778	921,495	(508,658)	1,090,615
Total capital assets, not being depreciated	1,498,259	928,366	(508,671)	1,917,954
Capital assets, being depreciated:				
Thruway System	7,072,266	510,291	(31,380)	7,551,177
Canal System	472,697	9,784	-	482,481
Equipment	221,525	24,272	(15,612)	230,185
Total capital assets, being depreciated	7,766,488	544,347	(46,992)	8,263,843
Less accumulated depreciation for:				
Thruway System	(4,112,068)	(303,631)	31,187	(4,384,512)
Canal System	(65,770)	(7,228)	-	(72,998)
Equipment	(135,930)	(20,891)	14,995	(141,826)
Total accumulated depreciation	(4,313,768)	(331,750)	46,182	(4,599,336)
Net value of capital assets, being depreciated	3,452,720	212,597	(810)	3,664,507
Net value of all capital assets	$ 4,950,979	1,140,963	(509,481)	5,582,461

(4) Capital Assets, Continued

Depreciation expense related to capital assets was $331,750,000 and $309,984,000 for the years ended December 31, 2013 and 2012, respectively.

Additions to capital assets included capitalized interest of $18.1 million for the year ending December 31, 2013. The Authority incurred $153.3 million in total interest expenses in 2013, of which $18.1 million was capitalized and an additional $0.4 million was offset against interest earned on the proceeds from various debt issuances. Additions to capital assets included capitalized interest of $11.5 million for the year ending December 31, 2012. The Authority incurred $127.3 of total interest expense in 2012, of which $11.5 was capitalized and an additional $0.3 million was offset against interest earned on proceeds from various debt issuances.

(5) Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements. The related balances at December 31, 2013 and 2012 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, 2013 and 2012 were $143,764,000 and $121,656,000, 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 General Revenue Bonds secured by the Senior Debt Service Reserve Fund. The amounts held in this restricted fund at December 31, 2013 and 2012 were $158,060,000 and $158,146,000, 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, 2013 and 2012 were $17,379,000 and $160,745,000, 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, 2013 and 2012 were $66,948,000 and $39,057,000, respectively.

(5) Restricted Assets, Continued

Junior Indebtedness Fund: Established to hold moneys paid into it from the sale of Junior Indebtedness Obligations which are to be used to fund the Facilities Capital Improvement Fund for a portion of the cost of the Authority's New NY Bridge Project as defined in the Junior Indebtedness Bond Resolution and to pay debt service including capitalized interest on the Junior Indebtedness Obligations - Series 2013A through December 31, 2017. The amounts held in this restricted fund at December 31, 2013 and 2012 were $1,210,990,000 and $0, respectively.

Facilities Capital Improvement Fund: Established to hold funds determined to be necessary or appropriate by the Authority Board to fund Project Costs of Facilities or to set up reserves to fund such costs. The Authority has elected to use this fund to hold revenue, debt proceeds and other monies dedicated to the New NY Bridge. The amounts held in this restricted fund at December 31, 2013 and 2012 were $24,693,000 and $8,000,000, 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, 2013 and 2012 was $3,070,000 and $2,988,000, respectively.

(6) Long Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2013 and 2012 are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2012 Balance	Additions	Reductions	December 31, 2013 Balance	Due Within One Year
General Revenue Bonds:						
2005 Series F	3/05	$ 517,795	-	(27,115)	490,680	28,455
2005 Series G	9/05	736,130	-	(525)	735,605	540
2007 Series H	10/07	904,295	-	(34,155)	870,140	35,840
2012 Series I	7/12	1,122,560	-	-	1,122,560	19,035
Unamortized bond premiums		185,627	-	(7,706)	177,921	7,706
General revenue bonds and unamortized premiums		3,466,407	-	(69,501)	3,396,906	91,576
Junior Indebtedness Obligations:						
Series 2013A	12/13	-	1,600,000	-	1,600,000	-
Unamortized bond premiums		-	223,730	(1,485)	222,245	41,685
Junior indebtedness obligations and unamortized premium		-	1,823,730	(1,485)	1,822,245	41,685

(6) Long Term Liabilities, Continued

	Date of Issuance	December 31, 2012 Balance	Additions	Reductions	December 31, 2013 Balance	Due Within One Year
Bond Anticipation Notes:						
Series 2013A	2/13	$ -	500,000	(500,000)	-	-
Series 2013B	9/13	-	700,000	(700,000)	-	-
Unamortized Series 2013A premium		-	1,930	(1,930)	-	-
Total bond anticipation notes and unamortized premium		-	1,201,930	(1,201,930)	-	-
Loan payable	4/12	9,000	2,000	-	11,000	-
Total bonds, notes, loan, and unamortized premiums		$ 3,475,407	3,027,660	(1,272,916)	5,230,151	133,261
Other Long-Term Liabilities:						
Claims liability		900	2,350	-	3,250	3,250
Postemployment benefit obligation		297,691	75,354	(27,895)	345,150	-
Compensated absences		10,963	-	(854)	10,109	-
Environmental remediation obligation		2,619	871	(974)	2,516	2,449
Total other long-term liabilities		$ 312,173	78,575	(29,723)	361,025	5,699
Total classified as current						$ 138,960

The debt service requirements for the Authority's general revenue bonds, net of unamortized premiums as of December 31, 2013 are as follows (in thousands):

Due	Principal	Interest	Total
2014	83,870	154,508	238,378
2015	87,600	150,826	238,426
2016	91,230	146,912	238,142
2017	95,430	142,578	238,008
2018	99,895	138,175	238,070
2019 - 2023	575,250	611,710	1,186,960
2024 - 2028	733,520	449,357	1,182,877
2029 - 2033	802,945	247,136	1,050,081
2034 - 2038	390,570	107,939	498,509
2039 - 2042	258,675	25,593	284,268
Unamortized premiums	177,921	-	177,921
	$ 3,396,906	2,174,734	5,571,640

(6) Long Term Liabilities, Continued

The debt service requirements for the Authority's junior indebtedness obligations, net of unamortized premiums as of December 31, 2013 are as follows (in thousands):

Due	Principal	Interest	Total
2014	$ -	42,630	42,630
2015	-	79,517	79,517
2016	-	79,517	79,517
2017	-	79,517	79,517
2018	-	79,517	79,517
2019	1,600,000	66,264	1,666,264
Unamortized premiums	222,245	-	222,245
	$ 1,822,245	426,962	2,249,207

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, 2013 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.75% to 5.00%	2014 - 2026	$ 424,025
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	63,740
			$ 490,680

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 maturing on or after January 1, 2016 are callable at the option of the Authority, in whole or in part, beginning January 1, 2015 at par plus accrued interest.

(6) Long Term Liabilities, Continued

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

The Series G Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2013 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.625 to 5.25%	2014 - 2029	$ 322,505
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	244,330
			$ 735,605

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 maturing on or after January 1, 2016 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.

The Series H Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2013 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	4.0% to 5.0%	2014 - 2030	$ 660,560
Term Bonds	5.0%	2032	52,765
Term Bonds	5.0%	2037	156,815
			$ 870,140

(6) Long Term Liabilities, Continued

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 maturing on or after January 1, 2019 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 - Series I: During July 2012, the Authority issued $1,122,560,000 in General Revenue Bonds - Series I which provided funds to: (1) retire $868,045,000 in General Revenue Bond Anticipation Notes - Series 2011A; (2) fund a portion of the Authority's 2012 - 2015 Multi-year Capital Program; (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs.

The Series I Bonds are comprised of both Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2013 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.0% to 5.0%	2014 - 2032	$ 556,265
Term Bonds	4.125%	2037	64,570
Term Bonds	5.0%	2037	185,620
Term Bonds	4.125%	2042	70,000
Term Bonds	5.0%	2042	246,105
			$ 1,122,560

Principal payments under the Series I Serial Bonds begin in 2014. The Series I Term Bonds require sinking fund installments in 2033 through 2042, in amounts ranging from $11,865,000 to $53,920,000 annually. The Series I Bonds maturing on or after January 1, 2023 are callable at the option of the Authority, in whole or in part, beginning January 1, 2022 at par plus accrued interest.

General Revenue Senior Bonds - Revenue Pledge and Security: The 2005 (Series F), 2005 (Series G), 2007 (Series H) and 2012 (Series I) General Revenue Bonds are all direct obligations of the Authority, secured by a pledge of tolls and other revenue as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12 month period. At both December 31, 2013 and 2012, 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 - 2013A: During February 2013, the Authority issued $500,000,000 in General Revenue Bond Anticipation Notes Series - 2013A (sold via private placement) to: (1) provide sufficient funds to fund initial New NY Bridge project costs; and (2) pay costs of issuance.

(6) Long Term Liabilities, Continued

General Revenue Bond Anticipation Notes - 2013B: During September 2013, the Authority issued $700,000,000 in General Revenue Bond Anticipation Notes - 2013B (sold via private placement) to: (1) redeem the Authority's outstanding General Revenue Bond Anticipation Notes Series - 2013A; (2) pay for ongoing New NY Bridge project costs; and (3) pay costs of issuance.

General Revenue Junior Indebtedness Obligations - Series 2013A: During December 2013, the Authority issued $1,600,000,000 of General Revenue Junior Indebtedness Obligations - Series 2013A to: (1) fund a portion of the cost of the Authority's New NY Bridge Project, a twin span replacement of the Tappan Zee Bridge; (2) provide funds to refinance the principal and interest on the Authority's General Revenue Bond Anticipation Notes - Series 2013B; (3) pay capitalized interest on the Junior Indebtedness Obligations - Series 2013A through December 31, 2017; and (4) pay the costs of issuance.

The Junior Indebtedness Obligations - Series 2013A (JIO's) are term bonds, payable in a single bullet maturity on May 1, 2019, with varying interest rates from 3% to 5% and are not subject to redemption, prior to maturity. These debt instruments (JIO's), are subordinate to the Authority's General Revenue Bonds (Series F through Series I) mentioned earlier in note 6, as well as General Revenue Bonds - Series J, mentioned later in note 12.

Loan Payable: During April 2012, the Authority entered into a variable rate Loan Agreement with Citibank, N.A., under which the Bank is providing a revolving line of credit, evidenced by a note, in an aggregate amount not to exceed $60,000,000. The Note matures in April 2017 and may be pre-paid at any time by the Authority without penalty. The proceeds of the Note, as needed, are to be applied to finance capital projects for the State Canal system arising from tropical storm damage caused in August and September 2011. The Authority's reimbursement obligations under the Note are secured in part by a pledge of revenues available in the General Reserve Fund, which pledge constitutes Subordinated Indebtedness under the Bond Resolution. In addition, grant monies expected to be received from the Federal Emergency Management Agency ("FEMA") for these emergency repairs are also pledged to repay the Note, and such FEMA funds are expected to provide a substantial portion of the proceeds to repay the Note. As of December 31, 2013, the outstanding loan amount is $11,000,000 and during 2013 the interest rate on the loan varied between 0.65% to 0.83% and the fees varied between 0.40% to 0.50%.

(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.

(7) Special Bond Programs, Continued

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 did not issue Local Highway and Bridge Service Contract Bonds in 2013. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were $753,425,000 and $916,265,000 at December 31, 2013 and 2012, 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. The Authority did not issue Highway and Bridge Trust Fund Bonds in 2013. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were $6,254,720,000 and $6,991,450,000 at December 31, 2013 and 2012, 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 June 2013, the Authority issued $231,000,000 of State Personal Income Tax Revenue Bonds to fund qualifying projects. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were $3,047,835,000 and $3,213,770,000 at December 31, 2013 and 2012, 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.

(8) Retirement Benefits, Continued

The Authority participates in the New York State and Local Employees' Retirement System (ERS) for Authority employees and through December 31, 2012, participated in the Police and Fire Retirement Systems (PFRS) for New York State Police assigned to the Authority. As of 2013, costs associated with State Police assigned to the Thruway, were assumed by New York State. Both ERS and PFRS are cost-sharing multiple-employer retirement systems that provide retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plans is irrevocable.

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

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, Tier V employees who contribute 3% of their salary and Tier VI employees who contributed 3% of their salary in State Fiscal Year 2012-2013. However, beginning April 1, 2013, Tier VI employees will contribute between 3% and 6%, based upon the amount of their annual 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, 2013 ranged from 11.4% to 28.8% and during the year ended December 31, 2012 ranged from 10.1% to 25.4%. The PFRS was paid as part of a fringe benefit rate billed to the Authority for the State Police. The PFRS benefit rates billed were 13.14% for April, 2012 through December, 2012 and 12.03% for January through March, 2012.

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

	ERS	PFRS
2013	$ 34,916	0 *
2012	33,006	4,028
2011	37,698	3,912

* State Police pension costs are no longer paid by the Authority.

The Authority's contributions in 2013 and 2012 were equal to 100% of the contributions required for the period.

(9) Other Postemployment Benefits

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

The following table summarizes the Authority's valuation of OPEB costs and obligations at December 31, 2013 and 2012 (in thousands):

	2013			2012
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	$ 1,230,128	$ 239,645	$ 1,469,773	$ 1,401,446
Unfunded accrued liability	897,075	165,268	1,062,343	1,071,069
Annual required contribution (30 year amortization)	63,750	12,966	76,716	80,718
Annual OPEB cost	62,630	12,724	75,354	78,495
Valuation payroll	123,161	22,055	145,216	160,733
Annual OPEB expense (as % of payroll)	50.9%	57.7%	51.9%	48.8%
Expected benefit payment	23,809	4,086	27,895	25,723

Actuarial valuations, the most recent of which was completed as of December 16, 2013, 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:

(9) Other Postemployment Benefits, Continued

(a) Plan Types

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

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

(b) Eligibility for Employee and Dependents

To be eligible an employee must (1) retire as a member of the New York State Employees' Retirement System, or be at least 55 years old at time of termination; (2) be enrolled in the New York State Health Insurance Program (NYSHIP) on date of retirement; and (3) complete at least 5 years of service for the retiree and dependent to have coverage while employee is living. Ten years of service are needed for continued dependent coverage upon death of the employee.

(c) Benefit/Cost Sharing

The Authority pays 100% of the premium for coverage of the retired employee and 75% of the additional premium for dependent coverage. The premium paid by the Authority is based on the Empire Plan, one of the options available to retirees under the NYSHIP. If a retiree elects for another plan offered under the NYSHIP, the retiree is responsible for costs that exceed the amount of the Empire Plan premium.

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

(e) Funding Policy

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

(9) Other Postemployment Benefits, Continued

The following summary schedule presents the Annual OPEB Cost and Net OPEB Obligation for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	2013	2012	2011
Normal cost	$ 34,673	29,345	28,629
Amortization of unfunded acturial accrued liability	42,043	48,870	45,679
Interest	-	2,503	2,390
Annual required contribution (ARC)	76,716	80,718	76,698
Interest on net OPEB obligation	10,419	9,380	7,415
Adjustment to ARC	(11,781)	(11,603)	(8,991)
Annual OPEB cost	75,354	78,495	75,122
Contribution/expected benefit payment	(27,895)	(25,723)	(23,806)
Increase in net OPEB obligation	47,459	52,772	51,316
Net OPEB obligation at beginning of year	297,691	244,919	193,603
Net OPEB obligation at end of year	$ 345,150	297,691	244,919

The annual OPEB costs are recorded in the Authority's 2013 and 2012 statements of revenue, expenses, and changes in net position in the amount of $75,354,000 and $78,495,000, respectively. The Thruway Authority OPEB costs are recorded as a component of general charges and the Canal Corporation OPEB costs are recorded as a component of Canals. The net OPEB obligation is recorded in the Authority's statement of net position as a component of other long-term liabilities in the amount of $345,150,000 and $297,691,000, at December 31, 2013 and 2012, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 through 2013 are as follows (in thousands):

	Annual OPEB cost			Cost contributed			Net OPEB obligation		
Year Ending	Thruway Authority	Canal Corporation	Total	Thruway Authority	Canal Corporation	Total	Thruway Authority	Canal Corporation	Total
12/31/11	$ 62,610	12,512	75,122	32.8%	26.0%	31.7%	$ 201,417	43,502	244,919
12/31/12	65,401	13,094	78,495	33.8%	27.7%	32.8%	244,723	52,968	297,691
12/31/13	62,630	12,724	75,354	38.0%	32.1%	37.0%	283,544	61,606	345,150

(9) Other Postemployment Benefits, Continued

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

Funding interest rate	3.50%
2013 trend rate (Med/Rx)	8%
Ultimate Medical/Rx cost trend rate	4.3%
Year ultimate trend rate reached	2070
Annual payroll growth rate	2.50%
Actuarial cost method	Entry Age Normal
Remaining amortization period at December 31, 2013	23 years
Amortization method	30 year level percentage of payroll

(10) Contingencies and Commitments

(a) Claims and Litigation

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

Changes in the Authority's claims liability amounts in years 2011 through 2013 were as follows (in thousands):

	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2011	$ 226	1,630	(150)	1,706
2012	1,706	186	(992)	900
2013	900	2,350	-	3,250

In addition, there are claims where liability is not probable, but is possible and estimatable. The range of loss on these claims approximated $27.4 million to $52.2 million at December 31, 2013.

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 or an estimation of damages cannot be determined.

(10) Contingencies and Commitments, Continued

(b) Insurance

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

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self-insured for third party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$9.9 million.

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

(c) Construction Commitments

At December 31, 2013, the amounts of remaining unexpended commitments for projects undertaken, inclusive of the New NY Bridge, and the detail by type of contract are as follows:

Project	Commitments (in thousands)
Highway, bridge and facility, construction and design	\$ 2,879,200
Personal service and miscellaneous	197,200
Canal	120,500
Total	\$ 3,196,900

(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, 2013, the Authority recorded in its financial statements a cost estimate for environmental remediation at 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, 2013. Estimating environmental

(10) Contingencies and Commitments, Continued

(d) Environmental Remediation, Continued

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.

The Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties. Changes in the Authority's environmental remediation liability amounts in the years 2011 to 2013 were as follows (in thousands):

	Beginning of year liability	Current year Estimate changes	Current year Payments made	End of year liability
2011	$ 1,940	4,480	(2,813)	3,607
2012	3,607	538	(1,526)	2,619
2013	2,619	871	(974)	2,516

(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.

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2013:

Year	Future Minimum Lease Revenue (in thousands)
2014	$ 14,300
2015	14,400
2016	14,600
2017	13,500
2018	12,800
Thereafter	24,300
Total	$ 93,900

(11) Hurricane Irene and Tropical Storm Lee Impact

In August and September of 2011, Hurricane Irene and Tropical Storm Lee caused significant damages to the Canal System. This included structural damage to moveable dams, scouring around approach walls, destroyed buildings, massive ground erosion, as well as electrical, dock and other miscellaneous damages. The vast majority of these damages occurred on the Erie Canal between Locks E-8 in Schenectady County and E-13 in Montgomery County. Governmental Accounting Standards Board Statement 42 (GASB 42) defines the accounting and reporting rules related to the impairment of capital assets. In accordance with GASB 42, we identified the Canal assets that were destroyed or significantly damaged by the storms and have written down their net book value by approximately $9.3 million as an extraordinary item. The estimated cost to repair storm damage on the Canal System is $90 million. Expenditures through December 31, 2013 and 2012 were $44.5 million and $33.0 million, respectively.

These storms also caused damages to the Thruway System; however, no Thruway assets were damaged to the extent of requiring a write down. The estimated cost to repair storm damage on the Thruway System is now estimated to be $7.3 million. Expenditures through December 31, 2013 and 2012 were $6.2 million and $5.8 million, respectively.

The Authority has received approval for approximately 75% of the storm damage repair work from the U.S. Department of Homeland Security (FEMA) and the U.S. Department of Transportation.

(12) Subsequent Events

In February 2014, the Authority issued General Revenue Bonds - Series J which generated proceeds of $732.4 million. These proceeds will be used to fund a portion of the cost of the Authority's Multi-Year Capital Program, provide funds to refund a portion of the Authority's General Revenue Bonds - Series F and Series G, and to provide for a required deposit to the Senior Debt Service Reserve Fund. These bonds mature in various amounts through January 1, 2044.

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

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

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage covered payroll ((b-a)/c)
December 31, 2013	$ -	1,062	1,062	0.0%	145	732.4%
December 31, 2011	-	1,021	1,021	0.0%	157	650.3%
December 31, 2009	-	982	982	0.0%	167	588.0%
December 31, 2007	-	985	985	0.0%	160	615.6%

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

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, in accordance with the 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, the financial statements of the New York State Thruway Authority (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 21, 2014

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT PROGRAM COMPLIANCE

Members of the Board
New York State Thruway Authority:

Report on Investment Program Compliance

We have audited the New York State Thruway Authority's (the Authority) compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended December 31, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Authority's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Investment Program

In our opinion, New York State Thruway Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended December 31, 2013.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 21, 2014