

**New York State Thruway Authority**

(A Component Unit of the State of New York)

Financial Statements

December 31, 2017 and 2016

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Financial Statements

December 31, 2017 and 2016

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## Independent Auditor's Report

Members of the Board  
New York State Thruway Authority  
Albany, New York

### Report on the Financial Statements

We have audited the accompanying 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, 2017 and 2016, 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 entity'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 entity'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 Authority as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As disclosed in Note 12, the New York State Canal Corporation, a subsidiary public benefit corporation of the Authority, was transferred to the New York State Power Authority pursuant to New York State legislation, effective January 1, 2017.

***Other Matter***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13 and the schedules of funding progress - other postemployment benefits, proportionate share of the net pension liability, and pension contributions on pages 44 through 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York  
March 26, 2018



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2017 and 2016

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, 2017 and 2016. 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.

### 2017 Financial Highlights

- Total operating revenue was \$792.2 million, an increase of \$40.2 million, or 5.3% compared to 2016. Toll revenue for the year was \$731.5 million, an increase of \$23.2 million, or 3.3% compared to 2016.
- Total operating expenses, excluding depreciation and amortization, were \$442.8 million, a decrease of \$36.5 million, or 7.6% compared to 2016.
- Net position as of December 31, 2017 was approximately \$1.30 billion, a decrease of \$496.4 million, or 27.6% compared to December 31, 2016.
- Total capital assets (net of depreciation) as of December 31, 2017, were approximately \$7.04 billion, a decrease of \$295.6 million, or 4% compared to December 31, 2016.
- Construction of the Governor Mario M. Cuomo Bridge continued through 2017 with the first span opened to both eastbound and westbound traffic. A total of \$3.56 billion has been invested in the project through December 31, 2017 of which \$539.7 million was invested during 2017.
- The State of New York has committed \$1.99 billion to fund the Governor Mario M. Cuomo Bridge and other Thruway capital projects via the Thruway Stabilization Program. Since the inception of the program in 2015, the State of New York has contributed \$1.18 billion to the Authority.
- On January 1, 2017, control of the Canal Corporation and Canal System was transferred to the New York State Power Authority (Power Authority) pursuant to enacted legislation of the State of New York. On this date, Canal Corporation assets of \$653.7 million and liabilities of \$114.2 million were transferred to the Power Authority. The Authority's Statement of Revenue, Expenses and Changes in Net Position includes a special item of \$539.5 million representing the net position of the Canal Corporation transferred to the Power Authority.
- The New York State Division of State Police Troop T is dedicated exclusively to patrolling the Thruway System. Legislation enacted by the State of New York in 2016 transferred financial responsibility of Troop T to the Authority effective April 1, 2016. In 2017, the Authority incurred costs of \$63.6 million to fund Troop T operations.

### 2016 Financial Highlights

- Total operating revenue was \$752.0 million, an increase of \$23.4 million, or 3.2% compared to 2015. Toll revenue for the year was \$708.3 million, an increase of \$16.6 million, or 2.4% compared to 2015.
- Total operating expenses, excluding depreciation and amortization, were \$479.3 million, an increase of \$71.4 million, or 17.5% compared to 2015.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2017 and 2016

### 2016 Financial Highlights - Continued

- Net position as of December 31, 2016, was approximately \$1.80 billion, a decrease of \$9 million, or 0.5% compared to December 31, 2015.
- Total capital assets (net of depreciation) as of December 31, 2016, were approximately \$7.34 billion, an increase of \$446.9 million, or 6.5% compared to December 31, 2015.
- Construction of the Governor Mario M. Cuomo Bridge continued throughout 2016. \$750.8 million was invested in the project during 2016.
- In 2016, the State of New York approved an additional \$700 million for the Thruway Stabilization Program bringing the State's total program commitment to \$1.99 billion. In 2016, the State of New York contributed \$356.2 million to the Governor Mario M. Cuomo Bridge and other Thruway capital projects.
- The legislation transferring control of the Canal Corporation and Canal System to Power Authority effective January 1, 2017 also required the Power Authority to reimburse the Authority for Canal Corporation and Canal System costs beginning on April 1, 2016. In 2016, the Power Authority contributed \$61.1 million to fund Canal Corporation and Canal System costs.
- In 2016, the Authority incurred costs of \$47.6 million to fund Troop T operations.

### 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 accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

### Financial Analysis of the Authority

#### Net Position

The Authority's net position at December 31, 2017, was approximately \$1.30 billion, a 27.6% decrease compared to December 31, 2016 (see Table A-1). In 2017, total assets decreased 7.8% to \$8.28 billion, and total liabilities decreased 3.6% to \$7.03 billion. The Authority's net position at December 31, 2016, was approximately \$1.80 billion, a 0.5% decrease compared to December 31, 2015. In 2016, total assets increased 10.6% to \$8.98 billion and total liabilities increased 14.7% to \$7.29 billion.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2017 and 2016

### Financial Analysis of the Authority - Continued

#### Net Position - Continued

Table A-1

#### Net Position

December 31, 2017, 2016, and 2015

(In millions of dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Percentage Change 2017-2016</u>
Unrestricted current assets	\$ 453.0	\$ 458.2	\$ 389.6	(1.1)
Restricted assets	782.5	1,178.8	834.8	(33.6)
Capital assets	<u>7,043.4</u>	<u>7,339.0</u>	<u>6,892.1</u>	<u>(4.0)</u>
Total assets	<u>8,278.9</u>	<u>8,976.0</u>	<u>8,116.5</u>	<u>(7.8)</u>
Deferred outflows	<u>61.6</u>	<u>125.0</u>	<u>47.3</u>	<u>(50.7)</u>
Current liabilities	628.1	639.1	653.4	(1.7)
Noncurrent liabilities	<u>6,401.5</u>	<u>6,650.8</u>	<u>5,702.3</u>	<u>(3.7)</u>
Total liabilities	<u>7,029.6</u>	<u>7,289.9</u>	<u>6,355.7</u>	<u>(3.6)</u>
Deferred inflows	<u>8.6</u>	<u>12.4</u>	<u>0.4</u>	<u>(30.6)</u>
Total net position	<u>\$ 1,302.3</u>	<u>\$ 1,798.7</u>	<u>\$ 1,807.7</u>	<u>(27.6)</u>

Restricted assets decreased \$396.3 million, or 33.6% compared to 2016. In 2016, the Authority issued General Revenue Junior Indebtedness Obligations, Series 2016A generating proceeds of \$978.7 million to provide funding for the Governor Mario M. Cuomo Bridge. The decrease in restricted assets is primarily due to the use of the debt proceeds throughout 2017 to fund Governor Mario M. Cuomo Bridge costs. More detailed information regarding restricted assets is presented in Notes 4 and 14.

Capital assets decreased \$295.6 million, or 4% compared to 2016. This decrease is primarily due to the transfer of the Canal Corporation and Canal System to the Power Authority effective January 1, 2017. The decrease was partially offset by the Authority's continued investment in the Governor Mario M. Cuomo Bridge, as well as ongoing investments to preserve existing infrastructure across the Thruway System. More detailed information regarding Capital assets and the Canal Corporation transfer to the Power Authority is presented in Notes 3 and 12, respectively.

Non-current liabilities decreased \$249.3 million, or 3.7% compared to 2016. This decrease is primarily due to the Authority no longer being responsible for (and transfer of) Canal Corporation post-employment health care benefits and pension obligations, as well as principal reductions on general revenue bonds and junior indebtedness obligations of the Authority. More detailed information regarding non-current liabilities, pension obligations and post-employment health care benefits are presented in Notes 5, 7, and 9, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2017 and 2016

### Financial Analysis of the Authority - Continued

#### Changes in Net Position

Net position decreased by \$496.4 million in 2017 compared to 2016 (see Table A-2). The Authority's total operating revenues for 2017 were \$792.2 million, an increase of \$40.2 million, or 5.3% compared to 2016. Total operating expenses including depreciation and amortization for 2017 were \$872.2 million, a decrease of \$151.8 million, or 14.8% compared to 2016. Net position decreased by \$9.0 million in 2016 compared to 2015. The Authority's total operating revenues for 2016 were \$752.0 million, an increase of \$23.4 million, or 3.2% compared to 2015. Total operating expenses including depreciation and amortization for 2016 were \$1.02 billion, an increase of \$221.5 million, or 27.6% compared to 2015.

Table A-2

Changes in Net Position  
Years ended December 31, 2017, 2016, and 2015  
(In millions of dollars)

	2017	2016	2015	Percentage Change 2017-2016
<b>OPERATING REVENUE</b>				
Tolls	\$ 731.5	\$ 708.3	\$ 691.7	3.3
Concessions	14.9	14.8	14.6	0.7
Other	45.8	28.9	22.3	58.5
Total operating revenue	<u>792.2</u>	<u>752.0</u>	<u>728.6</u>	<u>5.3</u>
<b>OPERATING EXPENSES</b>				
Administrative	19.1	17.1	17.3	11.7
Engineering services	7.1	5.8	6.0	22.4
Maintenance	111.0	108.0	112.4	2.8
Finance and accounts	9.1	7.9	7.9	15.2
Operations	44.0	42.8	42.3	2.8
General charges	188.9	186.3	159.9	1.4
Canals	-	63.8	62.1	(100.0)
State Police	63.6	47.6	-	33.6
Depreciation and amortization	429.4	544.7	394.6	(21.2)
Total operating expenses	<u>872.2</u>	<u>1,024.0</u>	<u>802.5</u>	<u>(14.8)</u>
Operating loss	<u>(80.0)</u>	<u>(272.0)</u>	<u>(73.9)</u>	<u>(70.6)</u>
<b>NON-OPERATING ITEMS</b>				
Interest expense	(161.4)	(155.3)	(145.2)	3.9
Debt issuance expense	-	(5.1)	-	(100.0)
Non-operating revenue	6.7	44.8	27.5	(85.0)
Gain (loss) on disposals and other	(9.9)	(10.3)	0.4	(3.9)
Net non-operating items	<u>(164.6)</u>	<u>(125.9)</u>	<u>(117.3)</u>	<u>30.7</u>
Loss before capital contributions and special item	<u>(244.6)</u>	<u>(397.9)</u>	<u>(191.2)</u>	<u>(38.5)</u>
Capital contributions	287.7	388.9	599.2	(26.0)
Special item - Transfer of Canal Corporation	<u>(539.5)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<b>(496.4)</b>	<b>(9.0)</b>	<b>408.0</b>	<b>-</b>
<b>NET POSITION, beginning of year</b>	<u>1,798.7</u>	<u>1,807.7</u>	<u>1,399.7</u>	<u>(0.5)</u>
<b>NET POSITION, end of year</b>	<b>\$ 1,302.3</b>	<b>\$ 1,798.7</b>	<b>\$ 1,807.7</b>	<b>(27.6)</b>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2017 and 2016

### Financial Analysis of the Authority - Continued

#### Changes in Net Position - Continued

Toll revenue increased \$23.2 million, or 3.3% compared to 2016. This increase is primarily due to the removal of toll discounts for E-ZPass tags administered by out-of-state tolling authorities. A shift in commercial truck traffic from the George Washington Bridge to the Governor Mario M. Cuomo Bridge also contributed to the increase.

Other revenues increased \$16.9 million, or 58.5% compared to 2016. This increase is primarily due to an increase in the amount of Tolls by Mail fees collected in 2017.

Effective January 1, 2017, the Power Authority assumed operating and financial control of the Canal Corporation. Canal operating costs incurred by the Authority during 2016 were \$63.6 million. Additional information regarding the Power Authority assuming financial and operational responsibility for the Canal Corporation and Canal System can be found in Note 12.

State Police costs increased \$16.0 million, or 33.6% compared to 2016. The Authority assumed financial responsibility for Division of State Police Troop T costs effective April 1, 2016. 2017 includes a full year of costs compared to nine months in 2016.

Depreciation and amortization decreased \$115.3 million, or 21.2% compared to 2016. This decrease is primarily due to two factors:

In 2001, the Authority implemented an accounting standard that required the estimated cost and accumulated depreciation of all infrastructure assets, including the underlying roadway and driving surface of the Thruway System, be reflected on the Authority's statement of net position. As of December 31, 2001, the estimated costs of the underlying roadway and driving surface were \$1.7 billion and \$185 million, respectively. These two assets, consisting of the Authority's estimated investment in the roadway as of December 31, 2001, represent a significant portion of the overall cost of the Thruway System and prior to 2017, a significant portion of the Authority's annual depreciation expense. In 2016, the Authority recognized depreciation expense of \$70.6 million for these two assets. During 2016, based on their estimated ages and useful lives, these assets reached the end of their useful lives. As a result, no depreciation expense was recognized in 2017.

In December 2015, the useful life of the Tappan Zee Bridge was adjusted to align with the anticipated date it would be taken out of service (August 2017). From December 2015 through August 2017, the Authority recognized the remaining book value of the Tappan Zee Bridge through depreciation expense approximating \$22 million per month. In August 2017, the first span of the Governor Mario M. Cuomo Bridge, with a cost to date of approximately \$1.6 billion, was placed in service carrying both eastbound and westbound traffic. Based on a 100-year useful life, 2017 depreciation expense on the first span of the Governor Mario M. Cuomo Bridge was \$6.9 million. The lower depreciation expense on the newly opened first span of the Governor Mario M. Cuomo Bridge in comparison to the Tappan Zee Bridge has contributed to a year-to-date decrease of \$81.1 million.

Interest expense increased \$6.1 million, or 3.9% compared to 2016. This increase is primarily due to a full year of interest expense in 2017 for the General Revenue Junior Indebtedness Obligations, Series 2016A that were issued in May 2016. The additional interest expense associated with the General Revenue Junior Indebtedness Obligations, Series 2016A was partially offset by an increase in interest cost capitalized on the Governor Mario M. Cuomo Bridge project as well as a decrease in interest cost on outstanding General Revenue Bonds.

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Management's Discussion and Analysis December 31, 2017 and 2016**

### **Financial Analysis of the Authority - Continued**

#### **Changes in Net Position - Continued**

Debt issuance costs decreased \$5.1 million compared to 2016. In 2016, the Authority issued General Revenue Junior Indebtedness Obligations, Series 2016A with a total cost of issuance of \$5.1 million. The Authority issued no debt in 2017.

Non-operating revenues decreased \$38.1 million, or 85% compared to 2016. This decrease is primarily due to the Power Authority reimbursing the Authority for Canal Corporation operating costs during the period of April 1, 2016 through December 31, 2016. Additional information regarding the Power Authority assuming financial and operational responsibility for the Canal Corporation and Canal System can be found in Note 12.

Capital contributions decreased \$101.2 million, or 26% compared to 2016. This decrease is primarily due to the timing of when the Authority used Thruway Stabilization Program contributions from the State of New York to fund capital projects including the Governor Mario M. Cuomo Bridge project. Additional information regarding the Thruway Stabilization Program can be found in Note 10. Reimbursements from the Power Authority related to Canal Corporation capital costs for the period of April 1, 2016 through December 31, 2016 also contributed to the decrease.

In 2017, the Authority recognized a special expense of \$539.5 million related to the January 1, 2017 transfer of the Canal Corporation and Canal System to the Power Authority. Additional information regarding the Power Authority assuming financial and operational responsibility for the Canal Corporation and Canal System can be found in Note 12.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

As of December 31, 2017, the Authority had invested approximately \$12.74 billion in capital assets, including roads, bridges, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$7.04 billion (see Table A-3) representing a net decrease (including additions, disposals and depreciation) of approximately \$295.6 million or 4.0% compared to December 31, 2016.

As of December 31, 2016, the Authority had invested approximately \$13.12 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$7.34 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$446.9 million or 6.5% compared to December 31, 2015.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2017 and 2016

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

Table A-3

Capital Assets  
December 31, 2017, 2016, and 2015  
(In millions of dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Percentage Change 2017-2016</u>
Land and land improvements	\$ 801.8	\$ 830.0	\$ 829.1	(3.4)
Construction work in progress	2,102.0	3,267.7	2,677.0	(35.7)
Thruway System	9,603.7	8,112.4	7,834.6	18.4
Canal System	-	655.4	604.3	(100.0)
Equipment	233.5	259.1	258.6	(9.9)
Less accumulated depreciation	<u>(5,697.6)</u>	<u>(5,785.6)</u>	<u>(5,311.5)</u>	<u>(1.5)</u>
 Total net capital assets	 <u>\$ 7,043.4</u>	 <u>\$ 7,339.0</u>	 <u>\$ 6,892.1</u>	 <u>(4.0)</u>

On January 1, 2017, the following Canal Corporation capital assets were transferred to the Power Authority (in millions).

Land	\$ 29.2
Construction work in progress	44.1
Canal System	655.4
Equipment	42.1
Accumulated Depreciation	<u>(140.9)</u>
 Total	 <u>\$ 629.9</u>

In 2017, construction work in progress decreased \$1.17 billion, or 35.7%. This decrease is primarily due to the first span of the Governor Mario M. Cuomo Bridge being placed in service, as well as the Canal Corporation transfer noted above. Significant projects in progress as of December 31, 2017 include the second span of the Governor Mario M. Cuomo Bridge; pavement resurfacing between Exits 31-33, Exits 34-35 and Exits 42-44; and bridge rehabilitations over Vine Street and over the CSX railroad near mileposts 285 and 288.

Net additions to the Thruway System during 2017 were \$1.49 billion. This increase was primarily due to the first span of the Governor Mario M. Cuomo Bridge being placed in service, completion of Interstate 95 pavement rehabilitation, pavement resurfacing from Exits 24-25, Exits 26-27 and Exits 45-47, and bridge rehabilitations at Pascack Road, Scotland Hill Road, and Saddle River Road.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2017 and 2016

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

In 2016, construction work in progress increased \$590.7 million, as the Authority continued construction of the Governor Mario M. Cuomo Bridge and invested \$750.8 million in the project during the year. Significant projects in progress on the Thruway System as of December 31, 2016 included the Governor Mario M. Cuomo Bridge, I-95 pavement rehabilitation, pavement resurfacing from Exit 24-25, Exit 26-27, and Exit 46-47, and several other pavement rehabilitations at various locations. Significant projects in progress on the Canal System as of December 31, 2016 included the Moveable Dam at Lock E-11 and the Moveable Dam at May's Point.

Net additions to the Thruway System during 2016 were \$277.8 million. The increase was primarily due to the completion of deck replacement and resurfacing of the North Grand Island Bridge, bridge rehabilitations over Silver Creek and Walnut Creek, pavement resurfacing south of Nyack, bridge replacements at Mile Strip Road, Four Mile Level Road, Exit 36 and Cleveland Drive, pavement rehabilitation from Exit 58-59 and rehabilitation work at the Castleton Bridge.

Net additions to the Canal System during 2016 were \$51.1 million. This increase was primarily due to the completion of the rehabilitation of the Utica Taintor Gate Dam and the Amsterdam pedestrian walkway.

#### 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.

General revenue bonds are issued pursuant to the Authority's General Revenue Bond Resolution, adopted August 3, 1992, as amended on January 5, 2007. General revenue bonds may be issued for the purposes of funding the Authority's Multi-Year Capital Plan, exclusive of the New NY Bridge project. Junior indebtedness obligations are issued pursuant to the Authority's resolution authorizing junior indebtedness obligations, adopted November 7, 2013, as amended August 6, 2014. Junior indebtedness obligations are subordinate to the senior general revenue bonds and are special obligations of the Authority secured by a pledge of certain funds and accounts established in the Junior Indebtedness Fund. Proceeds from junior indebtedness obligations issued and to be issued will be used solely to fund New NY Bridge project costs until the project is substantially complete.

Long-term debt includes general revenue bonds and junior indebtedness obligations 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 for construction of the Governor Mario M. Cuomo Bridge. At December 31, 2017, the Authority had approximately \$6.04 billion in general revenue bonds and junior indebtedness obligations outstanding, a decrease of \$130.9 million or approximately 2.12% compared to the amount of general revenue bonds, junior indebtedness obligations and loans outstanding as of December 31, 2016 (see Table A-4).

The Authority did not issue general revenue bonds or junior indebtedness obligations in 2017.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2017 and 2016

### Capital Assets and Debt Administration - Continued

#### Debt Administration - Continued

Of the \$3.41 billion in general revenue bonds outstanding, approximately \$25.1 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and are rated AA by Standard and Poor's (S&P), and \$717.03 million are insured by National Public Finance Guarantee (formerly MBIA Insurance Corporation, and Financial Guaranty Insurance Company), and along with the Authority's remaining general revenue bonds are, rated A2 by Moody's and A by S&P. Of the \$2.63 billion in junior indebtedness obligations outstanding, approximately \$45.7 million are insured by Assured Guaranty Municipal Corp and are 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 2013, the Authority entered into a loan agreement (TIFIA Loan) with the United States Department of Transportation, acting through the Federal Highway Administrator. 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 junior indebtedness obligations to fund these costs. The TIFIA Loan was secured by a junior indebtedness obligation issued under the Junior Resolution. The proceeds of the TIFIA Loan are expected to be drawn no later than one year after substantial completion of the New NY Bridge project and are expected to be available to pay the initial issuance of junior indebtedness obligations.

In May 2016, the Authority issued Junior Indebtedness Obligations - Series 2016A which generated proceeds of \$978.7 million. These proceeds are being used to fund a portion of the cost of the New NY Bridge Project, to pay capitalized interest on the Series 2016A Junior Indebtedness Obligations, make a deposit to the Series 2016A Subaccount of the Junior Indebtedness Debt Service Reserve Account, and to pay costs of issuance. The Series 2016A Junior Indebtedness Obligations will mature in various amounts through January 1, 2056.

In 2016, the Authority repaid its outstanding revolving loan balance with Citibank, N.A. of \$32 million, terminated the loan commitment, and effectively closed the loan agreement. The Authority had entered into the agreement in an aggregate amount not to exceed \$60 million. The loan was scheduled to mature in April 2017 and provided for prepayment at any time by the Authority without penalty. As of December 31, 2015, the Authority had borrowed \$32 million loan to reconstruct portions of the Canal System damaged or destroyed by Hurricane Irene and Tropical Storm Lee. The revolving loan was secured in part by a pledge of revenues available in the General Reserve Fund, as well as federal (FEMA) grant funds.

At December 31, 2016, the Authority had approximately \$6,167.9 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, an increase of \$819.7 million or 15.3% from December 31, 2015.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2017 and 2016

### Capital Assets and Debt Administration - Continued

#### Debt Administration - Continued

Table A-4

Outstanding Debt  
Years ended December 31, 2017 and 2016  
(In millions of dollars)

	Year Ended December 31, 2017			Ending Balance
	Beginning Balance	Additions	Reductions	
General Revenue Bonds	\$ 3,494.2	\$ -	\$ (86.0)	\$ 3,408.2
Junior Indebtedness Obligations	2,673.7	-	(44.9)	2,628.8
<b>Total bonds, notes and loans</b>	<b>\$ 6,167.9</b>	<b>\$ -</b>	<b>(130.9)</b>	<b>\$ 6,037.0</b>
	Year Ended December 31, 2016			
	Beginning Balance	Additions	Reductions	Ending Balance
General Revenue Bonds	\$ 3,577.3	\$ -	\$ (83.1)	\$ 3,494.2
Junior Indebtedness Obligations	1,738.9	978.7	(43.9)	2,673.7
Revolving Loan	32.0	-	(32.0)	-
<b>Total bonds, notes and loans</b>	<b>\$ 5,348.2</b>	<b>\$ 978.7</b>	<b>\$ (159.0)</b>	<b>\$ 6,167.9</b>

More detailed information about the Authority's debt is presented in Note 5.

### Other Significant Matters

#### The New NY Bridge

In January 2013, the Authority entered into a \$3.14 billion design-build agreement to construct what was then known as the New NY Bridge to replace the existing Tappan Zee Bridge. The total estimated cost of the project is \$3.98 billion. The New NY Bridge, now known as the Governor Mario M. Cuomo Bridge, is a twin-span structure with a 100-year design life and will consist of eight general purpose lanes, as well as emergency access lanes. The bridge will conform to current seismic, safety, and geometric requirements; have adequate shoulders to manage traffic incidents and emergencies; accommodate bicycle and pedestrian use; and be capable of accommodating future commuter rail. The first span of the Governor Mario M. Cuomo Bridge was placed in service in August of 2017 and the second span is anticipated to be placed in service in 2018. Through December 31, 2017, costs of \$3.56 billion have been incurred on the project, \$539.7 million of which was spent in 2017.

Additional information regarding the New NY Bridge is available at [www.newnybridge.com](http://www.newnybridge.com).

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Management's Discussion and Analysis December 31, 2017 and 2016**

### **Other Significant Matters - Continued**

#### Thruway Stabilization Program

In 2015, the State of New York created the \$1.285 billion Thruway Stabilization Program to partially fund the Governor Mario M. Cuomo Bridge, as well as other Thruway capital projects. In 2016, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. The Authority intends to use \$1.2 billion from this program on the Governor Mario M. Cuomo Bridge and \$785 million on other Thruway capital projects and needs. Through December 31, 2017, the program has provided \$1.18 billion to the Authority, consisting of \$857.2 million related to the Governor Mario M. Cuomo Bridge and \$320.8 million related to other Thruway capital projects.

#### Canal Corporation

In 2016, the State of New York enacted legislation establishing the Canal Corporation as a subsidiary of the Power Authority effective January 1, 2017. On this date, the Power Authority assumed control of the Canal Corporation and Canal System. Canal Corporation assets of \$653.7 million and liabilities of \$114.2 million were transferred to the Power Authority. A special expense of \$539.5 million was included on the Authority's Statement of Revenues, Expense and Changes in Net Position representing the net position of the Canal Corporation transferred to the Power Authority.

Additional information regarding the transfer of the Canal Corporation is available in Note 12.

#### Division of State Police - Troop T

Effective April 1, 2016, also pursuant to enacted legislation, the Authority assumed financial responsibility for State Police Troop T whose members are dedicated to patrolling the Thruway System. In 2017 and 2016, the Authority incurred Troop T costs of \$63.6 million and \$47.6 million, respectively.

#### Subsequent Event

In March 2018, the Authority issued General Revenue Bonds, Series L, generating proceeds of \$667.3 million. These proceeds were used to refund the Authority's General Revenue Bonds, Series H and to pay costs of issuance. The refunding resulted in a net present value savings of \$83.1 million. Additional information regarding General Revenue Bonds, Series H and Series L is available in Note 5.

### **Contacting the New York State Thruway Authority's Financial Management**

This financial report is designed to provide our bondholders, customers, 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](http://www.thruway.ny.gov).

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Statements of Net Position (in thousands of dollars)

	December 31,	
	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 312,157	\$ 299,301
Investments	21,366	15,013
Receivables, net	100,574	124,112
Material and other supplies	17,224	17,771
Prepaid items	1,679	2,019
Restricted assets	355,439	361,275
Total current assets	808,439	819,491
<b>NON-CURRENT ASSETS</b>		
Restricted assets	427,028	817,473
Capital assets, not being depreciated	2,903,797	4,097,641
Capital assets, net of accumulated depreciation	4,139,562	3,241,358
Total non-current assets	7,470,387	8,156,472
Total assets	8,278,826	8,975,963
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on bond refunding	11,760	12,938
Pension resources	49,858	112,115
Total deferred outflows of resources	61,618	125,053
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	261,656	270,852
Unearned revenue	83,357	92,005
Accrued interest payable	137,011	144,210
Bonds, notes, and loan payable due within one year	142,735	130,910
Other long-term liabilities due within one year	3,350	1,150
Total current liabilities	628,109	639,127
<b>NON-CURRENT LIABILITIES</b>		
Bonds, notes, and loan payable	5,894,250	6,036,984
Other long-term liabilities	507,209	613,851
Total non-current liabilities	6,401,459	6,650,835
Total liabilities	7,029,568	7,289,962
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension resources	8,604	12,355
<b>NET POSITION</b>		
Net investment in capital assets	1,319,243	1,932,598
Restricted for		
Debt service	83,189	71,052
Capital	144,224	99,893
Unrestricted (deficit)	(244,384)	(304,844)
Total net position	\$ 1,302,272	\$ 1,798,699

See accompanying Notes to Financial Statements.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Statements of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)

	Years Ended December 31,	
	2017	2016
<b>OPERATING REVENUES</b>		
Tolls	\$ 731,505	\$ 708,316
Concessions	14,883	14,802
Other	45,821	28,867
Total operating revenues	792,209	751,985
<b>OPERATING EXPENSES</b>		
Administrative	19,092	17,136
Engineering services	7,108	5,843
Maintenance engineering		
Thruway maintenance	84,018	81,064
Equipment maintenance	26,997	26,919
Finance and accounts	9,054	7,850
Operations		
Traffic and services	8,316	7,650
Toll collection	35,656	35,189
General charges	188,903	186,348
Canals	-	63,753
State Police	63,583	47,579
Depreciation and amortization	429,438	544,668
Total operating expenses	872,165	1,023,999
<b>Operating loss</b>	<b>(79,956)</b>	<b>(272,014)</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>		
Investment income	2,866	1,506
Interest expense	(161,413)	(155,325)
Debt issuance cost	(9)	(5,070)
Federal, state and other aid	3,766	43,337
Loss on disposal of assets	(9,876)	(10,334)
Net non-operating items	(164,666)	(125,886)
<b>Loss before capital contributions and special item</b>	<b>(244,622)</b>	<b>(397,900)</b>
CAPITAL CONTRIBUTIONS	287,713	388,858
SPECIAL ITEM, Canal Corporation transfer to NYS Power Authority	(539,518)	-
Total capital contributions and special item	(251,805)	388,858
<b>CHANGE IN NET POSITION</b>	<b>(496,427)</b>	<b>(9,042)</b>
<b>NET POSITION, <i>beginning of year</i></b>	<b>1,798,699</b>	<b>1,807,741</b>
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 1,302,272</b>	<b>\$ 1,798,699</b>

See accompanying Notes to Financial Statements.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Statements of Cash Flows (in thousands of dollars)

	<b>Years Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from toll collections	\$ 728,778	\$ 721,932
Cash received from concession sales	14,848	14,660
Other operating cash receipts	43,057	26,980
Personal service payments	(137,208)	(153,118)
Fringe benefits payments	(94,130)	(107,730)
E-ZPass and Tolls by Mail account management payments	(42,034)	(29,538)
Cash payments to vendors and contractors	(128,939)	(86,682)
	<b>384,372</b>	<b>386,504</b>
<b>CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>		
Federal, state and other aid	<b>18,554</b>	<b>30,321</b>
<b>CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	-	978,736
Federal, state and other capital contributions	167,836	184,144
Acquisition/construction of capital assets	(682,085)	(698,591)
Principal paid on debt	(70,990)	(100,135)
Interest and issuance costs paid on debt	(281,507)	(243,177)
Proceeds from sale of capital assets	301	455
	<b>(866,445)</b>	<b>121,432</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of investments	(761,247)	(1,657,456)
Proceeds from sales and maturities of investments	1,193,989	1,331,019
Interest and dividends on investments	5,798	3,625
	<b>438,540</b>	<b>(322,812)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(24,979)</b>	<b>215,445</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>711,287</b>	<b>495,842</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 686,308</b>	<b>\$ 711,287</b>

See accompanying Notes to Financial Statements.

	<u>Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (79,956)	\$ (272,014)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	429,438	544,668
Capitalized interest	880	115
Net changes in assets, liabilities, deferred outflows and deferred inflows		
Receivables	1,982	(9,062)
Material and supplies	124	1,439
Other assets	(834)	(998)
Accounts payables and accrued expenses	(9,513)	188,015
Deferred outflows	46,793	(78,899)
Deferred inflows	(1,920)	11,996
Unearned revenue	(2,622)	1,244
	<u>\$ 384,372</u>	<u>\$ 386,504</u>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents	\$ 312,157	\$ 299,301
Restricted cash and cash equivalents (Note 2)	374,151	411,986
	<u>\$ 686,308</u>	<u>\$ 711,287</u>
<b>NON-CASH CAPITAL ACTIVITIES</b>		
Payments made to vendors by the State of New York under Thruway Stabilization Program	<u>\$ 25,000</u>	<u>\$ 362,555</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. An overview of the more significant accounting policies is described below:

#### *a. Financial Reporting Entity*

The New York State Thruway Authority (Authority) is a Public Benefit Corporation created by the New York State Legislature in 1950 to build, operate, and maintain the Thruway System. The Board of the Authority consists 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 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 6.

The accompanying financial statements include the accounts and transactions of the New York State Thruway Authority and, for 2016, include the accounts and transactions of the New York State Canal Corporation. Effective January 1, 2017, the Canal Corporation was transferred to the New York State Power Authority. Additional information regarding the transfer is available in Note 12.

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 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.

#### *b. 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, revenues, 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 customers. The Authority also recognizes as operating revenue toll related fees, rent 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 include all costs required to operate, maintain, and administer the Thruway. All revenue and expenses not meeting this definition are reported as non-operating items.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *b. Basis of Accounting - Continued*

The Authority's bond resolution requires that certain funds and accounts be established and maintained. The Authority consolidates these funds and accounts for the purpose of providing its basic financial statements in accordance with U.S. GAAP.

#### *c. Cash, Cash Equivalents, and Investments*

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid investments with original maturities of three months or less when purchased. All cash deposits and repurchase agreements are fully collateralized or covered by federal deposit insurance.

Investments include financial instruments with original maturities of more than three months and are recorded at amortized cost, which approximates fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. These investments are not included in cash and cash equivalents in the statements of cash flows.

#### *d. Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows, deferred inflows, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *e. Receivables*

Receivables consist primarily of receivables from commercial transportation companies and Federal and State governments under various grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. Receivables also include amounts attributable to the Authority's cashless tolling system at the Governor Mario M. Cuomo Bridge. Receivables are reported net of an allowance for uncollectible amounts. The allowance for doubtful receivables amounted to \$11,163,000 and \$7,393,000 at December 31, 2017 and 2016, respectively.

#### *f. 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.

#### *g. Unearned Revenue*

Unearned revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and annual permit revenues collected in advance.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *h. 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.

#### *i. Toll Revenues*

Toll revenues are stated net of volume and other discounts approximating \$27.4 million and \$26.6 million in 2017 and 2016, respectively.

#### *j. Pensions*

The Authority is a participating employer in the New York State and Local Retirement System (ERS). Employees in permanent positions are required to enroll in ERS, and employees in part-time or seasonal positions have the option of enrolling in ERS. ERS is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Authority's financial position and results of operations due to its participation in ERS is more fully disclosed in Note 7.

#### *k. Other Postemployment Benefits*

The Authority recognizes in its financial statements the financial impact of other postemployment benefits, principally employer funded health care costs. The impact on the Authority's financial position and results of operations is more fully disclosed in Note 9.

#### *l. Compensated Absences*

Permanent employees of the Authority accrue vacation leave as part of their benefit package. Unused vacation days up to a maximum of 30 days are considered vested and paid upon retirement or termination. The liability for vested vacation leave approximates \$9,200,800 and \$10,236,000 at December 31, 2017 and 2016, respectively, and is recorded as a long-term liability.

Permanent employees of the Authority also accrue sick leave as part of their benefit package. Upon retirement, unused sick days up to a maximum of 200 days are converted to a monthly credit that is used to offset the employee's share of postemployment benefit costs. The Authority's liability for postemployment benefits is discussed further in Note 9.

#### *m. 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 method that approximates the effective interest method. Net amortization related to bond and note premiums were approximately \$59,920,000 and \$58,859,000 for 2017 and 2016, respectively, and are included as an offset to interest expense.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *n. Deferred Outflows and Deferred Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Likewise, deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

#### *o. Net Position*

Net position is classified as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances attributable to the acquisition of capital assets.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets, liabilities, deferred outflows and deferred inflows that do not meet the definition of “net investment in capital assets” or “restricted net position.”

#### *p. Capital Contributions*

Capital contributions consist primarily of funds provided by the State of New York (Note 10) and the New York State Power Authority (Note 12). The Authority also receives federal 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 funded by the U.S. Department of Homeland Security - Federal Emergency Management Agency.

#### *q. 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, 2017 and 2016.

#### *r. 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.

#### *s. Non-Exchange Transactions*

The Authority's non-exchange transactions include fees charged to customers as violation fees, late fees and administrative fees. The distinguishing characteristic of these non-exchange fees charged by the Authority is they are assessed against customers who have failed to pay their toll and/or follow the terms of their E-ZPass account agreement. The Authority's policy for recognizing revenue associated with non-exchange fees is to record the revenue at the time the fee is collected.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*t. Non-Exchange Transactions - Continued*

Operating revenues include fees of \$31.9 million and \$15.9 million for the years ended December 31, 2017 and December 31, 2016, respectively.

Other non-exchange transactions of the Authority are disclosed in Notes 10 and 12.

*u. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 26, 2018, the date the financial statements were available to be issued.

### Note 2 - Cash and Investments

The Authority's cash and investments as of December 31, 2017 and 2016, were as follows (in thousands):

	Carrying Value	
	2017	2016
Unrestricted		
Cash		
Demand deposits	\$ 96,279	\$ 157,269
Toll change funds	150	120
Total unrestricted cash	96,429	157,389
Cash equivalents		
U.S. government discount notes	29,963	26,218
U.S. treasury securities	87,781	-
Commercial paper	97,984	115,694
Total unrestricted cash equivalents	215,728	141,912
Total unrestricted cash and cash equivalents	\$ 312,157	\$ 299,301
	Carrying Value	
	2017	2016
Restricted		
Cash		
Demand deposits	\$ 60,707	\$ 326,036
Other deposits	2,630	2,737
Total restricted cash	63,337	328,773
Cash equivalents		
U.S. treasury securities	130,015	-
Commercial paper	180,799	83,213
Total restricted cash equivalents	310,814	83,213
Total restricted cash and cash equivalents	\$ 374,151	\$ 411,986

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 2 - Cash and Investments - Continued

	Carrying Value	
	2017	2016
Investments		
Unrestricted		
Commercial paper	\$ 4,962	\$ 13,816
U.S. treasury securities	15,414	-
Time deposits	990	1,197
Total unrestricted investments	\$ 21,366	\$ 15,013
Restricted		
U.S. government discount notes	\$ -	\$ 219,634
U.S. government agency notes	-	78,857
Commercial paper	111,298	157,708
U.S. treasury securities	212,201	306,980
Total restricted investments	\$ 323,499	\$ 763,179

At December 31, 2017 and 2016, the fair value of the Authority's cash and investments approximated the carrying value (amortized cost).

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, are fully insured or collateralized as of December 31, 2017 and 2016. Amounts are collateralized with securities transferred to and held by the Authority's trustee/custodian in the Authority's name.

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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 2 - Cash and Investments - Continued

The Authority owns approximately \$13.6 million in U.S. Government and U.S. Government Agency investments at December 31, 2017 that mature in 2019. 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.

As of December 31, 2017, the Authority had the following concentrations of investments:

<u>Investments</u>	<u>Credit Exposure Security</u>	<u>% of Total (Rating)</u>
<u>Agency Obligations</u>		
Federal Home Loan Banks	Aaa/ AA+/na	3.5%
<u>Commercial Paper</u>		
BMW US Capital LLC	A-1+/P-1/na	4.5%
ING US Funding LLC	A-1/P-1/na	10.4%
NATIXIS NY Branch	A-1/P-1/F+	.4%
Toronto Dominion HDG USA, INC	A-1+/P-1/na	15.7%
Toyota Motor Credit Corporation	A-1+/P-1/F1	14.3%
<u>U.S. Government Securities</u>		
Treasury Notes	Aaa/ AA+/AAA	15.0%
Treasury Bills	A-1+/P-1/F1+	36.1%

### Note 3 - Capital Assets

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

<u>Category</u>	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Bridges	45-100 years	\$ 50,000
Bridge improvements	15 years	50,000
Highways	30 years	50,000
Highway improvements	10 years	50,000
Buildings	30 years	50,000
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 - 50,000

\* Transferred to New York State Power Authority on January 1, 2017 (Note 12)

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 3 - Capital Assets

The Authority periodically reviews and, when deemed necessary, adjusts the estimated useful lives of its capital assets. During 2015, the Authority changed the remaining useful life of the Tappan Zee Bridge to align with the approximate timeframe it was anticipated to be taken out of service. During 2016, the Authority changed the useful life of a highway reconstruction project to align with the Authority's capitalization and depreciation policy.

The following schedules summarize the capital assets of the Authority and related changes for the years ended December 31, 2017 and 2016 (in thousands):

	December 31, 2016	Additions	Reductions	December 31, 2017
Capital assets, not being depreciated				
Land and land improvements	\$ 829,970	\$ 1,110	\$ (29,248)	\$ 801,832
Construction in progress	<u>3,267,671</u>	<u>751,168</u>	<u>(1,916,874)</u>	<u>2,101,965</u>
Total capital assets, not being depreciated	<u>4,097,641</u>	<u>752,278</u>	<u>(1,946,122)</u>	<u>2,903,797</u>
Capital assets, being depreciated				
Thruway System	8,112,437	1,857,872	(366,597)	9,603,712
Canal System	655,418	-	(655,418)	-
Equipment	<u>259,125</u>	<u>36,553</u>	<u>(62,140)</u>	<u>233,538</u>
Total capital assets, being depreciated	<u>9,026,980</u>	<u>1,894,425</u>	<u>(1,084,155)</u>	<u>9,837,250</u>
Less accumulated depreciation for				
Thruway System	(5,510,689)	(409,575)	357,055	(5,563,209)
Canal System	(113,831)	-	113,831	-
Equipment	<u>(161,102)</u>	<u>(19,807)</u>	<u>46,430</u>	<u>(134,479)</u>
Total accumulated depreciation	<u>(5,785,622)</u>	<u>(429,382)</u>	<u>517,316</u>	<u>(5,697,688)</u>
Net value of capital assets, being depreciated	<u>3,241,358</u>	<u>1,465,043</u>	<u>(566,839)</u>	<u>4,139,562</u>
Capital assets, net	<u>\$ 7,338,999</u>	<u>\$ 2,217,321</u>	<u>\$ (2,512,961)</u>	<u>\$ 7,043,359</u>
	December 31, 2015	Additions	Reductions	December 31, 2016
Capital assets, not being depreciated				
Land and land improvements	\$ 829,127	\$ 884	\$ (41)	\$ 829,970
Construction in progress	<u>2,676,948</u>	<u>980,080</u>	<u>(389,357)</u>	<u>3,267,671</u>
Total capital assets, not being depreciated	<u>3,506,075</u>	<u>980,964</u>	<u>(389,398)</u>	<u>4,097,641</u>
Capital assets, being depreciated				
Thruway System	7,834,639	335,713	(57,915)	8,112,437
Canal System	604,294	51,124	-	655,418
Equipment	<u>258,630</u>	<u>23,863</u>	<u>(23,368)</u>	<u>259,125</u>
Total capital assets, being depreciated	<u>8,697,563</u>	<u>410,700</u>	<u>(81,283)</u>	<u>9,026,980</u>
Less accumulated depreciation for				
Thruway System	(5,054,147)	(505,061)	48,519	(5,510,689)
Canal System	(97,431)	(16,400)	-	(113,831)
Equipment	<u>(159,923)</u>	<u>(23,150)</u>	<u>21,971</u>	<u>(161,102)</u>
Total accumulated depreciation	<u>(5,311,501)</u>	<u>(544,611)</u>	<u>70,490</u>	<u>(5,785,622)</u>
Net value of capital assets, being depreciated	<u>3,386,062</u>	<u>(133,911)</u>	<u>(10,793)</u>	<u>3,241,358</u>
Capital assets, net	<u>\$ 6,892,137</u>	<u>\$ 847,053</u>	<u>\$ (400,191)</u>	<u>\$ 7,338,999</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 3 - Capital Assets - Continued

Depreciation expense related to capital assets was \$429,382,000 and \$544,611,000 for the years ended December 31, 2017 and 2016, respectively.

The Authority incurred \$215.3 million in total interest expense in 2017, of which \$51.4 million was capitalized and an additional \$2.5 million was offset against interest earned on the proceeds from various debt issuances. The Authority incurred \$205.1 million in total interest expense in 2016, of which \$46.2 million was capitalized, and an additional \$3.5 million was offset against interest earned on the proceeds from various debt issuances.

### Note 4 - Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements and are classified as current or non-current based upon the underlying restrictions. Restricted assets are comprised of the following as of December 31 (in thousands):

	2017	2016
Restricted current		
Cash and cash equivalents	\$ 226,314	\$ 260,143
Investments	46,623	101,132
Receivables	82,502	-
Total	<u>355,439</u>	<u>361,275</u>
Restricted non-current		
Cash and cash equivalents	147,837	151,843
Investments	276,876	662,047
Interest receivable	80	837
Receivables	-	151
Other	2,235	2,595
Total	<u>427,028</u>	<u>817,473</u>
Total restricted assets	<u>\$ 782,467</u>	<u>\$ 1,178,748</u>

The related balances at December 31, 2017 and 2016 are as follows:

Senior Debt Service Fund: Established to receive funds from Authority revenues to make periodic payments of interest and principal. Amounts held in this restricted fund at December 31, 2017 and 2016 were \$159,838,000 and \$149,390,000, 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. Amounts held in this restricted fund at December 31, 2017 and 2016 were \$181,093,000 and \$180,946,000, 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. Amounts remaining upon completion or abandonment of such projects is required to 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, 2017 and 2016 were \$28,887,000 and \$38,444,000, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 4 - Restricted Assets - Continued

**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. Amounts held in this restricted fund at December 31, 2017 and 2016 were \$109,905,000 and \$58,609,000, respectively.

**Junior Indebtedness Fund:** Established to hold moneys received from the sale of Junior Indebtedness Obligations. Amounts in the Junior Indebtedness Fund are used to: 1) 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; 2) fund certain debt service payments on the Series 2013A and Series 2016A Junior Indebtedness Obligations; and 3) satisfy the Junior Indebtedness Debt Service Reserve requirements on the Series 2016A Junior Indebtedness Obligations. The amounts held in this restricted fund at December 31, 2017 and 2016 were \$180,379,000 and \$706,394,000, 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 certain revenues, debt proceeds, and other monies dedicated to the Governor Mario M. Cuomo Bridge. The amounts held in this restricted fund at December 31, 2017 and 2016, were \$119,735,000 and \$42,229,000, 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 the Commercial Charge Account Credit Agreement. The amounts held in the account at December 31, 2017 and 2016 were \$2,630,000 and \$2,736,000, respectively.

### Note 5 - Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2017 and 2016, are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2016 Balance	Additions	Reductions	December 31, 2017 Balance	Due Within One Year
General revenue bonds						
2007 Series H (1)	10/07	\$ 757,845	\$ -	\$ (40,820)	\$ 717,025	\$ 47,105
2012 Series I	7/12	1,059,220	-	(17,385)	1,041,835	22,335
2014 Series J	2/14	663,410	-	(12,785)	650,625	13,375
2014 Series K	12/14	743,865	-	-	743,865	-
Unamortized bond premiums		269,815	-	(14,986)	254,829	14,987
General revenue bonds and unamortized premiums		3,494,155	-	(85,976)	3,408,179	97,802
Junior indebtedness obligations						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Series 2016 A	5/16	850,000	-	-	850,000	-
Unamortized bond premiums		223,739	-	(44,933)	178,806	44,933
Junior indebtedness obligations and unamortized premiums		2,673,739	-	(44,933)	2,628,806	44,933
Total bonds and unamortized premiums		<u>\$ 6,167,894</u>	<u>\$ -</u>	<u>\$ (130,909)</u>	<u>\$ 6,036,985</u>	<u>\$ 142,735</u>

(1) Remaining amounts under Series H were refunded in March 2018.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 5 - Long-Term Liabilities - Continued

		December 31, 2016			December 31, 2017	
		Balance	Additions	Reductions	Balance	Due Within One Year
Other long-term liabilities						
Claims liability		\$ 1,150	\$ 3,200	\$ (1,000)	3,350	\$ 3,350
Postemployment benefit obligation		504,480	69,316	(122,037)	451,759	-
Net pension liability		99,135	-	(52,886)	46,249	-
Compensated absences		10,236	-	(1,035)	9,201	-
Total other long-term liabilities		<u>\$ 615,001</u>	<u>\$ 72,516</u>	<u>\$ (176,958)</u>	<u>\$ 510,559</u>	<u>\$ 3,350</u>
	Date of Issuance	December 31, 2015			December 31, 2016	
		Balance	Additions	Reductions	Balance	Due Within One Year
General revenue bonds						
2007 Series H	10/07	\$ 796,920	\$ -	\$ (39,075)	\$ 757,845	\$ 40,820
2012 Series I	7/12	1,076,730	-	(17,510)	1,059,220	17,385
2014 Series J	2/14	674,960	-	(11,550)	663,410	12,785
2014 Series K	12/14	743,865	-	-	743,865	-
Unamortized bond premiums		284,801	-	(14,986)	269,815	14,987
General revenue bonds and unamortized premiums		<u>3,577,276</u>	<u>-</u>	<u>(83,121)</u>	<u>3,494,155</u>	<u>85,977</u>
Junior indebtedness obligations						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Series 2016 A	5/16	-	850,000	-	850,000	-
Unamortized bond premiums		138,876	128,736	(43,873)	223,739	44,933
Junior indebtedness obligations and unamortized premiums		<u>1,738,876</u>	<u>978,736</u>	<u>(43,873)</u>	<u>2,673,739</u>	<u>44,933</u>
Loan payable	4/12	32,000	-	(32,000)	-	-
Total bonds, loan, and unamortized premiums		<u>\$ 5,348,152</u>	<u>\$ 978,736</u>	<u>\$ (158,994)</u>	<u>\$ 6,167,894</u>	<u>\$ 130,910</u>
Other long-term liabilities						
Claims liability		\$ 4,000	\$ 1,587	\$ (4,437)	\$ 1,150	\$ 1,150
Postemployment benefit obligation		447,593	89,727	(32,840)	504,480	-
Net pension liability		21,393	77,742	-	99,135	-
Compensated absences		10,112	124	-	10,236	-
Other		1,020	-	(1,020)	-	-
Total other long-term liabilities		<u>\$ 484,118</u>	<u>\$ 169,180</u>	<u>\$ (38,297)</u>	<u>\$ 615,001</u>	<u>\$ 1,150</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 5 - Long-Term Liabilities - Continued

The debt service requirements for the Authority's senior bonds as of December 31, 2017 are as follows (in thousands):

Due	Principal	Interest	Total
2018	\$ 82,815	\$ 151,801	\$ 234,616
2019	91,155	147,862	239,017
2020	116,025	142,844	258,869
2021	121,690	137,002	258,692
2022	127,705	130,841	258,546
2023 - 2027	739,560	550,627	1,290,187
2028 - 2032	944,590	344,103	1,288,693
2033 - 2037	478,975	168,962	647,937
2038 - 2042	407,700	60,937	468,637
2043 - 2044	43,135	2,018	45,153
Unamortized premiums	254,829	-	254,829
	<u>\$ 3,408,179</u>	<u>\$ 1,836,997</u>	<u>\$ 5,245,176</u>

The debt service requirements for the Authority's junior indebtedness obligations as of December 31, 2017 are as follows (in thousands):

Due	Principal	Interest	Total
2018	\$ -	\$ 120,467	\$ 120,467
2019	1,600,000	107,214	1,707,214
2020	-	40,950	40,950
2021	250	40,946	41,196
2022	250	40,937	41,187
2023 - 2027	12,500	203,881	216,381
2028 - 2032	60,000	195,061	255,061
2033 - 2037	95,755	175,164	270,919
2038 - 2042	120,115	150,210	270,325
2043 - 2047	153,035	116,409	269,444
2048 - 2052	193,705	74,938	268,643
2053 - 2056	214,390	21,757	236,147
Unamortized premiums	178,806	-	178,806
	<u>\$ 2,628,806</u>	<u>\$ 1,287,934</u>	<u>\$ 3,916,740</u>

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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 5 - Long-Term Liabilities - Continued

The Series H Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2017, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> (in thousands)
Serial Bonds	4.0% to 5.0%	2018 - 2030	\$ 507,445
Term Bonds	5.00%	2032	52,765
Term Bonds	5.00%	2037	156,815
			<u>\$ 717,025</u>

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.

In March 2018, the Authority issued \$596,220,000 of Series L General Revenue Refunding Bonds to: (1) refund the Authority's outstanding General Revenue Bonds, Series H (for a net present value savings of \$83,145,000) and (2) pay bond issuance costs. The Series L Bonds are comprised of Serial Bonds with varying rates (3.0% to 5.0%) and maturities (2019 to 2037). Series L Bonds maturing on or after January 1, 2028, are callable at the option of the Authority, in whole or in part, beginning January 1, 2029, 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 Multi-Year Capital Plan; (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, 2017, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> (in thousands)
Serial Bonds	3.0% to 5.0%	2018 - 2032	\$ 475,540
Term Bonds	4.13%	2037	64,570
Term Bonds	5.00%	2037	185,620
Term Bonds	4.13%	2042	70,000
Term Bonds	5.00%	2042	246,105
			<u>\$ 1,041,835</u>

Principal payments under the Series I Serial Bonds began 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 5 - Long-Term Liabilities - Continued

General Revenue Bonds - Series J: During February 2014, the Authority issued \$677,460,000 in General Revenue Bonds - Series J which provided funds to: (1) fund a portion of the Authority's Multi-Year Capital Plan; (2) provide funds to refund a portion of the Authority's General Revenue Bonds, Series F and General Revenue Bonds, Series G (for a net present value savings of \$19,184,000) (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs.

The Series J Bonds are comprised of both Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2017, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.0% to 5.0%	2018 - 2036	\$ 500,105
Term Bonds	5.00%	2041	87,235
Term Bonds	4.63%	2044	63,285
			\$ 650,625

Principal payments under the Series J Serial Bonds began in 2015. The Series J Term Bonds require sinking fund installments in 2037 through 2044, in amounts ranging from \$15,790,000 to \$22,055,000 annually. The Series J Bonds maturing on or after January 1, 2025, are callable at the option of the Authority, in whole or in part, beginning January 1, 2024, at par plus accrued interest.

General Revenue Bonds - Series K: During December 2014, the Authority issued \$743,865,000 in General Revenue Bonds - Series K which provided funds to: (1) refund a portion of the Authority's General Revenue Bonds, Series F, Series G and Series I (for a net present value savings of \$101,044,000) and (2) and pay bond issuance costs.

The Series K Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2017, are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.0% to 5.0%	2019 - 2032	\$ 743,865

Principal payments under the Series K Serial Bonds begin in 2019. The Series K Bonds maturing on or after January 1, 2026, are callable at the option of the Authority, in whole or in part, beginning January 1, 2025, at par plus accrued interest.

General Revenue Senior Bonds - Revenue Pledge and Security: The General Revenue Bonds (Series H through L) 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, 2017 and 2016, 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 5 - Long-Term Liabilities - Continued

General Revenue Junior Indebtedness Obligations (JIO) - Series 2013A: During December 2013, the Authority issued \$1,600,000,000 of Series 2013A Junior Indebtedness Obligations 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 Series 2013A Junior Indebtedness Obligations through December 31, 2017, and (4) pay the costs of issuance.

Series 2013A JIO's are term bonds, payable in a single bullet maturity of May 1, 2019, with varying interest rates from 3% to 5% and are not subject to redemption prior to maturity.

General Revenue Junior Indebtedness Obligations (JIO) - Series 2016A: During May 2016, the Authority issued \$850,000,000 of Series 2016A Junior Indebtedness Obligations to: 1) fund a portion of the cost of the Authority's New NY Bridge Project, (2) pay capitalized interest on the Series 2016A Junior Indebtedness Obligations (3) make a deposit to the Series 2016A Subaccount of the Junior Indebtedness Debt Service Reserve Account, and (4) pay the costs of issuance.

Series 2016A JIO's are comprised of both Serial and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2017, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	3.0% to 5.0%	2021 - 2038	\$ 190,665
Term Bonds	5.0%	2041	71,830
Term Bonds	5.0%	2046	145,745
Term Bonds	4.0% to 5.0%	2051	184,960
Term Bonds	4.0% to 5.25%	2056	256,800
			<u>\$ 850,000</u>

The Authority's General Revenue Junior Indebtedness Obligations are subordinate to the Authority's General Revenue Bonds (Series H through Series K).

Loan Payable: In April 2012, the Authority entered into a variable rate loan agreement with Citibank, N.A., under which the bank provided a revolving line-of-credit, evidenced by a note, in an aggregate amount not to exceed \$60,000,000. The Authority borrowed \$32,000,000, as needed, to finance Canal System repairs arising from storm damage caused in August and September 2011. The Authority's reimbursement obligations under the note were 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 from the Federal Emergency Management Agency ("FEMA") for these repairs were also pledged to repay the note. The note was schedule to mature in April 2017, however, the Authority elected to pay the outstanding principal balance of \$32,000,000 and terminate the loan agreement in 2016.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 6 - Special Bond Programs

The Authority's special bond programs, and the related projects and activities, are entirely separate from the Authority's financing, operation, and maintenance of the Thruway System. As such, these special bond programs are not reflected in the accompanying financial statements. The special bond programs require varying debt service payments which are funded under contractual agreements with the State of New York. The obligation of the State to make such payments is subject to, and dependent upon, annual appropriations by the State Legislature. These bond programs, however, result in no cost to the Authority and provide for no lien on Authority revenues or assets. The Authority is an authorized issuer of the of the following special bond programs: Local Highway and Bridge Service Contract Bonds, Highway and Bridge Trust Fund Bonds, State Personal Income Tax Revenue Bonds (Transportation) and State Sales Tax Revenue Bonds. The Authority has yet to issue State Sales Tax Revenue Bonds.

The following describes the Authority's outstanding debt under the 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 2017. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$218,930,000 and \$333,445,000 at December 31, 2017 and 2016, 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 2017. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,622,115,000 and \$2,264,035,000 at December 31, 2017 and 2016, 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. The Authority did not issue PIT Revenue Bonds in 2017. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,382,900,000 and \$1,893,595,000 at December 31, 2017 and 2016, respectively.

### Note 7 - Retirement Benefits

#### *a. Plan Description and Benefits Provided*

The Authority participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing multiple employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from ERS at [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire).

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 7 - Retirement Benefits - Continued

*a. Plan Description and Benefits Provided - Continued*

ERS provides retirement, disability, and death benefits for eligible members, including an automatic cost of living adjustment. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

*b. Contributions*

Employees in ERS Tier 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 contribute between 3% and 6% of their salary. The Comptroller annually certifies the rates, expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers. The Authority's contributions for the preceding ten years can be found in the schedule of pension contributions on page 46.

*c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The Thruway Authority reported liabilities of \$46,249,000 and \$85,348,000 at December 31, 2017 and 2016, respectively. The Canal Corporation reported liabilities of \$13,787,000 at December 31, 2016 (resulting in a combined liability of \$99,135,000 at December 31, 2016). The net pension liability was measured as of March 31, 2017 and 2016, respectively, and the total pension liability was determined by actuarial valuations as of April 1, 2016 and 2015, respectively. The proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement dates. The Thruway Authority's proportionate share was .49% and .53% as of March 31, 2017 and 2016, respectively. The Canal Corporation's proportionate share was .09% as of March 31, 2016.

The Thruway Authority recognized pension expense of \$26,799,000 and \$30,743,000 for the years ended December 31, 2017 and 2016, respectively. The Canal Corporation recognized pension expense of \$4,892,000 for the year ended December 31, 2016 (resulting in a combined expense of \$35,635,000 for 2016). The Authority reported deferred outflows of resources and deferred inflows of resources for 2017 and 2016 as follows (in thousands):

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,159	\$ 7,023	\$ 501	\$ 11,751
Changes of assumptions	15,800	-	26,436	-
Net differences between projected and actual investment earnings on pension plan investments	9,238	-	58,813	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,636	1,581	1,569	604
Authority contributions subsequent to the measurement date	21,026	-	24,796	-
<b>Totals</b>	<b>\$ 49,859</b>	<b>\$ 8,604</b>	<b>\$ 112,115</b>	<b>\$ 12,355</b>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 7 - Retirement Benefits - Continued

*c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued*

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending December 31,		
2018	\$	9,061
2019		9,061
2020		8,255
2021		<u>(6,148)</u>
Total	\$	<u>20,229</u>

*d. Actuarial Assumptions*

The pension liabilities at March 31, 2017 and 2016 were determined by using actuarial valuations as of April 1, 2016 and April 1, 2015, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2017 and March 31, 2016. The actuarial valuation used the actuarial experience study for the period April 2010 - March 2015 and the following actuarial assumptions, which were consistent from year to year:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	3.8 percent, indexed by service
Investment rate of return, including inflation	7.0 percent compounded annually, net of expenses
Cost of Living Adjustment	1.3 percent
Decrement	Based on FY 2011-2015 experience
Mortality improvement	Society of Actuaries' Scale MP-2014

The long-term expected rate of return on ERS's pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 7 - Retirement Benefits - Continued

*e. Investment Asset Allocation*

Best estimates of arithmetic real rates of return for each major asset class and ERS's target asset allocation as of the applicable valuation dates are summarized as follows:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.6%
International equity	14.00%	6.4%
Private equity	10.00%	7.8%
Real estate	10.00%	5.8%
Bonds and mortgages	17.00%	1.3%
Other	13.00%	1.5-5.9%
	100.00%	

*f. Discount Rate*

The discount rate projection of cash flows assumed that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption*

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0 % and the impact of using a discount rate that is 1% higher or lower than the current rate (in thousands).

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 147,710	\$ 46,249	\$ (39,536)

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 7 - Retirement Benefits - Continued

#### *h. Pension Plan Fiduciary Net Position*

The components of the current-year net pension liability of the New York State and Local Employee's Retirement System as of March 31, 2017 and 2016 respectively, were as follows (amounts in thousands):

	2017	2016
Employers' total pension liability	\$ 177,400,586	\$ 172,303,544
Plan net position	(168,004,363)	(156,253,265)
Employers' net pension liability	\$ 9,396,223	\$ 16,050,279
Ratio of plan net position to the employers' total pension liability	94.7%	90.7%

### Note 8 - Deferred Compensation Plan

The Authority participates in the New York State Deferred Compensation Plan (Plan). The plan is a 457(b) retirement plan which is administered by New York State. The Authority does not have any authority to amend or abolish the Plan provisions, and the Authority does not make contributions to the Plan.

### Note 9 - Other Postemployment Benefits

The Authority reports in its financial statements the financial impact of other postemployment benefits (OPEB), 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, 2017 and 2016 (in thousands):

	2017 Total	2016		
		Thruway Authority	Canal Corporation	Total
Present value of future benefit payments	\$ 1,450,813	\$ 1,403,987	\$ 296,234	\$ 1,700,221
Unfunded accrued liability	995,916	1,075,412	219,021	1,294,433
Annual required contribution (30-year amortization)	71,205	75,380	16,394	91,774
Annual OPEB cost	69,316	73,702	16,025	89,727
Valuation payroll	121,453	124,754	22,355	147,109
Annual OPEB expense (as % of payroll)	57.1%	59.1%	71.7%	61.0%
Expected benefit payment	30,553	27,556	5,284	32,840

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### **Note 9 - Other Postemployment Benefits - Continued**

Actuarial valuations, the most recent of which was completed as of December 2016, 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. Certain retiree costs, described below, are first applied against the value of the retiree's existing sick leave bank balance. A plan summary follows:

#### *a. Plan Types*

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

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

#### *b. Eligibility*

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 the 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 94% (100% for those employees retired prior to April 1, 1991) of the premium for coverage of the retired employee and 75% of the additional premium for the 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 9 - Other Postemployment Benefits - Continued

*e. Funding Policy*

The Authority currently contributes to the plan to satisfy obligations on a pay-as-you-go basis.

The following summary schedule presents the Annual OPEB Cost and Net OPEB obligation for the years ended December 31, 2017, 2016, and 2015 (in thousands):

	2017 (2)	2016 (1)	2015 (1)
Normal cost	\$ 31,791	\$ 40,546	\$ 39,061
Amortization of unfunded actuarial accrued liability	39,414	51,228	49,099
Annual required contribution (ARC)	71,205	91,774	88,160
Interest on net OPEB obligation	14,455	15,666	13,764
Adjustment to ARC	(16,344)	(17,713)	(15,563)
Annual OPEB cost	69,316	89,727	86,361
Contribution/expected benefit payment	(30,553)	(32,840)	(32,016)
Increase in net OPEB obligation	38,763	56,887	54,345
Net OPEB obligation, <i>beginning of year</i>	412,996	447,593	393,248
Net OPEB obligation, <i>end of year</i>	\$ 451,759	\$ 504,480	\$ 447,593

(1) Includes Thruway Authority and Canal Corporation.

(2) Thruway Authority only.

The annual OPEB costs are recorded in the Authority's 2017 and 2016 statements of revenue, expenses, and changes in net position in the amount of \$69,316,000 and \$89,727,000, respectively. The Thruway Authority OPEB costs are recorded as a component of general charges (Canal Corporation OPEB costs for 2016 are recorded as a component of Canals). The net OPEB obligation is recorded in the Authority's statements of net position as a component of other long-term liabilities in the amount of \$451,759,000 and \$504,480,000, at December 31, 2017 and 2016, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 through 2017 are as follows (in thousands):

Year Ended	Annual OPEB Cost	Cost Contributed	Net OPEB Obligation
12/31/2015 (1)	\$ 86,361	37.1%	\$ 447,593
12/31/2016 (1)	89,727	36.6%	504,480
12/31/2017 (2)	69,316	44.1%	451,759

(1) Includes Thruway Authority and Canal Corporation.

(2) Thruway Authority only.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 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%
2017 trend rate (Med/Rx)	5.30%
Ultimate Medical/Rx cost trend rate pre-Medicare	3.90%
Year ultimate pre-Medicare trend rate reached	2083
Ultimate Medical/Rx cost trend rate post-Medicare	3.80%
Year ultimate post-Medicare trend rate reached	2075
Annual payroll growth rate	2.50%
Actuarial cost method	Entry age normal, percentage of salary
Amortization method	30 year open, level percentage of payroll

### Note 10 - Thruway Stabilization Program

The State of New York (State), as part of its 2015-2016 enacted budget, created a \$1.285 billion Thruway Stabilization Program for the payment of costs related to the Governor Mario M. Cuomo Bridge and bridge-related transportation improvements, and for other costs of the Thruway Authority including, but not limited to, its core capital program. As part of its 2016-2017 enacted budget, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. The Authority intends to use \$1.2 billion of these funds to pay for Governor Mario M. Cuomo Bridge related costs and \$785 million to pay for capital program costs other than the Governor Mario M. Cuomo Bridge. In 2017 and 2016, capital contributions of \$281.0 million and \$356.2 million were reported in the Authority's statement of revenues, expenses and changes in net position, respectively. As of December 31, 2017, the program has contributed a total of \$1.178 billion to the Authority, consisting of \$857.2 million for the Governor Mario M. Cuomo Bridge and \$320.8 million for other Thruway capital projects.

### Note 11 - 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 estimable. If the range of the liability is probable and estimable, the Authority accrues the amount most likely to be paid. If no single amount in the estimated range is more likely to be paid, the Authority accrues the lowest amount in the range.

# New York State Thruway Authority

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## Notes to Financial Statements December 31, 2017 and 2016

### Note 11 - Contingencies and Commitments - Continued

*a. Claims and Litigation - Continued*

Changes in the Authority's claims liability in years 2015 through 2017 were as follows (in thousands):

		Current Year			
	Beginning of Year Liability	Claims and Changes in Payments Estimates	Claim Liability Payments	End of Year Liability	
2015	8,248	(947)	(3,301)	4,000	
2016	4,000	1,587	(4,437)	1,150	
2017	1,150	3,200	(1,000)	3,350	

In addition, there are claims where liability is not probable, but is possible and estimable. The estimated loss on these claims approximated \$5.1 million at December 31, 2017, none of which has been accrued.

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.

*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 \$10.0 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 \$17.3 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 11 - Contingencies and Commitments - Continued

#### c. Construction Commitments

At December 31, 2017, the amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract are as follows:

Project	Commitments (in thousands)
Highway, bridge and facility, construction, and design	\$ 557,800
Personal service and miscellaneous	118,300
Economic development	4,500
Total	\$ 680,600

#### d. Environmental Remediation

The Authority records in its financial statements a cost estimate for environmental remediation at a number of sites on Thruway Authority (and previously Canal Corporation) property which 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 are 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, 2017. Estimating environmental remediation obligations requires that a number of assumptions be made. Therefore, it is possible that project cost changes due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, and other factors could result in revisions to these estimates.

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 2015 to 2017 were as follows (in thousands):

	Beginning of Year Liability	Current Year		End of Year Liability
		Estimate Changes	Payments Made	
2015	2,107	(23)	(1,064)	1,020
2016	1,020	(80)	(940)	-
2017	-	-	-	-

#### 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 11 - Contingencies and Commitments - Continued

#### e. Lease Revenue - Continued

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2017:

<u>Year</u>	<u>Future Minimum Lease Revenue (in thousands)</u>
2018	\$ 14,700
2019	14,701
2020	14,200
2021	4,400
2022	4,400
Thereafter	<u>10,700</u>
Total	<u>\$ 63,101</u>

#### f. TIFIA Loan Commitment

In December 2013, the Authority entered a loan agreement with the United States Department of Transportation, pursuant to which the United States Department of Transportation has committed to a loan of up to \$1.6 billion to the Authority. While not pledged therefore, the Authority expects to pay the maturing principal of the Series 2013A Junior Indebtedness Obligations in May 2019 by drawing the available amount under the TIFIA Loan.

### Note 12 - Canal Corporation and Canal System Transfer

The State of New York's final approved and enacted budget for their 2016-2017 fiscal year included legislation establishing the Canal Corporation as a subsidiary of the New York State Power Authority (Power Authority) effective January 1, 2017. On this date, the Power Authority assumed control of the Canal Corporation and Canal System.

Assets approximating \$653.7 million, consisting of Canal System land and infrastructure, Canal Corporation equipment and cash on deposit in the Canal Development Fund, together with liabilities approximating \$114.2 million, consisting of Canal Corporation retiree health insurance obligations, pension obligations, salaries and benefits owed to employees, and amounts due vendors for goods and services were included in the transfer. In 2017, the Authority recognized a loss approximating \$539.5 million representing the net assets transferred to the Power Authority.

The legislation authorizing the January 1, 2017 transfer also established a transition period of April 1, 2016 through December 31, 2016 during which the Power Authority was financially responsible for costs of the Canal Corporation and Canal System. In accordance with the legislation, the Authority and the Power Authority entered an agreement providing for the reimbursement of canal related costs for the period of April 1, 2016 through December 31, 2016. In 2016, the Authority recognized non-operating revenues and capital contributions from the Power Authority of \$42.1 million and \$19 million, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2017 and 2016

### Note 12 - Canal Corporation and Canal System Transfer - Continued

The legislation also authorized the Authority and Power Authority to enter into an agreement whereby the Authority would continue to provide certain services after January 1, 2017 to ensure operational continuity of the Canal Corporation and Canal System during the post-transfer period. In 2017, the Authority recognized non-operating revenues of \$1.9 million from the Power Authority as reimbursement for post-transfer services provided to the Canal Corporation.

Additional information regarding the Canal Corporation and Canal System is available in Note 1a.

### Note 13 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83) establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 85, *Omnibus* ("GASB 85"). GASB 85 addresses practice issues identified during the implementation and application for certain GASB statements. The requirements of GASB 85 are effective for fiscal reporting periods beginning after June 15, 2017.

Management has not estimated the extent of the potential impact, if any, of these statements on the Authority's financial statements.

### Note 14 - Reclassifications

Certain amounts have been reclassified in the previously issued 2016 financial statements as follows:

Assets available to fund Canal Corporation capital costs, previously included in restricted assets, have been reclassified as unrestricted assets and within *Net Position - Unrestricted deficit*.

A portion of outstanding general revenue bonds used to establish senior debt service reserves in accordance with the Authority's bond resolutions has been reclassified within *Net Position - Restricted for Debt Service*. A portion of outstanding General Revenue Junior Indebtedness Obligations, Series 2013A, has also been reclassified within *Net Position - Net investment in capital assets*.

Cumulatively, the reclassifications resulted in no change to overall net position at December 31, 2016.

# 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)

<u>Actuarial Valuation Date (1)</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage Covered Payroll ((b-a)/c)</u>
December 31, 2017	\$ -	\$ 996	\$ 996	0.0%	\$ 121	823.1%
December 31, 2015	-	1,294	1,294	0.0%	147	879.9%
December 31, 2013	-	1,111	1,111	0.0%	149	745.8%
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%

(1) Actuarial valuation dates prior to January 1, 2017 include both the Thruway Authority and the Canal Corporation liabilities. Additional information regarding the January 1, 2017 transfer of the Canal Corporation to the New York State Power Authority is available in Note 12.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability (in thousands of dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Thruway Authority</b>			
Proportion of the net pension liability (asset)	0.492207%	0.531754%	0.543929%
Proportionate share of the net pension liability (asset)	\$ 46,249	\$ 85,348	\$ 18,375
Covered-employee payroll	141,550	141,744	149,444
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.67%	60.21%	12.30%
Plan fiduciary net position as a percentage of total pension liability	94.7%	90.7%	97.9%
<b>Canal Corporation</b>			
Proportion of the net pension liability (asset)		0.085902%	0.089337%
Proportionate share of the net pension liability (asset)		\$ 13,787	\$ 3,018
Covered-employee payroll		22,762	24,214
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		60.57%	12.46%
Plan fiduciary net position as a percentage of total pension liability		90.7%	97.9%
<b>Combined</b>			
Proportion of the net pension liability (asset)	0.492207%	0.617656%	0.633266%
Proportionate share of the net pension liability (asset)	\$ 46,249	\$ 99,135	\$ 21,393
Covered-employee payroll	141,550	164,506	173,658
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.67%	60.26%	12.32%
Plan fiduciary net position as a percentage of total pension liability	94.7%	90.7%	97.9%

\* The amounts presented for each fiscal year were determined as of March 31.

Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

See *Independent Auditor's Report*.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Required Supplementary Information Schedule of Pension Contributions Years Ended December 31 (in thousands of dollars)

### Thruway Authority

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 21,026	\$ 21,360	\$ 24,952	\$ 26,370	\$ 30,815	\$ 29,424	\$ 31,955	\$ 18,927	\$ 10,955	\$ 12,648
Contributions in relation to the contractually required contribution	21,026	21,360	24,952	26,370	30,815	29,424	31,955	18,927	10,955	12,648
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Thruway Authority's covered-employee payroll	145,099	140,367	142,203	151,858	149,589	156,624	154,810	159,754	161,141	156,799
Contributions as a percentage of covered-employee payroll	14.49%	15.22%	17.55%	17.36%	20.60%	18.79%	20.64%	11.85%	6.80%	8.07%

### Canal Corporation

Contractually required contribution		3,435	3,863	4,167	4,985	5,203	5,170	3,205	1,727	2,037
Contributions in relation to the contractually required contribution		3,435	3,863	4,167	4,985	5,203	5,170	3,205	1,727	2,037
Contribution deficiency (excess)		-	-	-	-	-	-	-	-	-
Canal Corporation's covered-employee payroll		22,674	22,791	24,688	25,195	26,840	26,815	26,452	26,664	25,634
Contributions as a percentage of covered-employee payroll		15.15%	16.95%	16.88%	19.79%	19.39%	19.28%	12.12%	6.48%	7.95%

### Combined

Contractually required contribution	21,026	24,795	28,815	30,537	35,800	34,627	37,125	22,132	12,682	14,685
Contributions in relation to the contractually required contribution	21,026	24,795	28,815	30,537	35,800	34,627	37,125	22,132	12,682	14,685
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	145,099	163,041	164,994	176,546	174,784	183,464	181,625	186,206	187,805	182,433
Contributions as a percentage of covered-employee payroll	14.49%	15.21%	17.46%	17.30%	20.48%	18.87%	20.44%	11.89%	6.75%	8.05%

\* The amounts presented for each fiscal year were determined as of December 31.

See Independent Auditor's Report.