

**New York State Thruway Authority**

(A Component Unit of the State of New York)

Financial Statements

December 31, 2015 and 2014

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Financial Statements**

December 31, 2015 and 2014

### **C O N T E N T S**

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-13
<b>Financial Statements</b>	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Notes to Financial Statements	17-43
<b>Required Supplementary Information</b>	
Schedule of Funding Progress - Other Postemployment Benefits	44
Schedule of the Proportionate Share of the Net Pension Liability	45
Schedule of Pension Contributions	46

## 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 (Authority), a component unit of the State of New York, which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### *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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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, 2015 and 2014, 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 discussed in Note 1, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of January 1, 2015. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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, 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 21, 2016, 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.

SaxBST LLP

Albany, New York  
March 21, 2016



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2015 and 2014

The following discussion and analysis of the New York State Thruway Authority's (Authority) financial performance provides an overview of the Authority's activities for the calendar years ended December 31, 2015 and 2014. 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.

### 2015 Financial Highlights

- Toll revenue for the year was \$691.7 million, an increase of \$27.6 million, or 4.2% compared to 2014.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization, were \$407.9 million, a decrease of \$16.7 million, or 3.9% compared to 2014.
- Net position as of December 31, 2015 was approximately \$1.81 billion, an increase of \$408 million, or 29.1% compared to December 31, 2014.
- Total capital assets (net of depreciation) as of December 31, 2015 were approximately \$6.89 billion, an increase of \$719.9 million, or 11.7% compared to December 31, 2014.
- Construction of the New NY Bridge continued throughout 2015, and \$763.8 million was invested in the project during the year. \$2.27 billion was invested in the project through December 31, 2015.
- During 2015, the State of New York created the \$1.29 billion Thruway Stabilization Program to fund the New NY Bridge and other Authority capital projects. \$540.8 million was contributed to the New NY Bridge project via this program during 2015.

### 2014 Financial Highlights

- Toll revenue for the year was \$664.1 million, an increase of \$15.2 million, or 2.3% compared to 2013.
- Total operating expenses for the New York State Thruway and the Canal Corporation, excluding depreciation and amortization were \$424.6 million, an increase of \$5.4 million, or 1.3% compared to 2013.
- Net position as of December 31, 2014 was approximately \$1.40 billion, a decrease of \$172.3 million, or 11% compared to December 31, 2013.
- Total capital assets (net of depreciation) as of December 31, 2014 were approximately \$6.17 billion, an increase of \$589.7 million, or 10.6% compared to December 31, 2013.
- Construction of the New NY Bridge continued throughout 2014, and \$650.2 million was invested in the project during the year.

### 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2015 and 2014

### Overview of the Financial Statements - Continued

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, 2015 was approximately \$1.81 billion, a 29.1% increase compared to December 31, 2014 (see Table A-1). In 2015, total assets increased 4.7% to \$8.12 billion, and total liabilities decreased 0.6% to \$6.36 billion. The Authority's net position at December 31, 2014 was approximately \$1.40 billion, an 11% decrease compared to December 31, 2013. In 2014, total assets increased 3% to \$7.75 billion, and total liabilities increased 7.1% to \$6.40 billion.

Table A-1

#### Net Position

December 31, 2015, 2014, and 2013  
(In millions of dollars)

	2015	2014 (Restated)	2013	Percentage Change 2015-2014
Unrestricted current assets	\$ 387.2	\$ 348.6	\$ 316.4	11.1
Restricted assets	837.2	1,228.6	1,624.9	(31.9)
Capital assets	6,892.1	6,172.2	5,582.5	11.7
<b>Total assets</b>	<b>8,116.5</b>	<b>7,749.4</b>	<b>7,523.8</b>	<b>4.7</b>
Deferred outflows	47.3	47.1	23.5	0.4
Current liabilities	653.4	605.5	523.1	7.9
Noncurrent liabilities	5,702.3	5,791.3	5,452.2	(1.5)
<b>Total liabilities</b>	<b>6,355.7</b>	<b>6,396.8</b>	<b>5,975.3</b>	<b>(0.6)</b>
Deferred inflows	0.4	-	-	100.0
<b>Net position</b>				
Net investment in capital assets	1,737.5	1,244.7	1,496.3	39.6
Restricted for debt service	249.2	271.2	223.6	(8.1)
Restricted for capital	94.1	134.2	55.1	(29.9)
Unrestricted	(273.1)	(250.4)	(203.0)	9.1
<b>Total net position</b>	<b>\$ 1,807.7</b>	<b>\$ 1,399.7</b>	<b>\$ 1,572.0</b>	<b>29.1</b>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2015 and 2014

### Financial Analysis of the Authority - Continued

#### Net Position - Continued

Restricted assets decreased \$391.4 million, or 31.9% compared to 2014. The decrease is primarily due to the use of restricted proceeds generated from the December 2013 issuance of General Revenue Junior Indebtedness Obligations, Series 2013A to fund the New NY Bridge project for the first half of 2015 and to fund semi-annual interest payments; as well as the use of restricted proceeds generated from the February 2014 issuance of General Revenue Bonds, Series J to fund a portion of the Authority's capital program, excluding the New NY Bridge, throughout 2015. More detailed information regarding restricted assets is presented in Note 4.

Capital assets increased \$719.9 million, or 11.7% compared to 2014. This increase is due to the continuing investment in the New NY Bridge, as well as the Authority's ongoing investment to preserve existing infrastructure on both the Thruway and Canal Systems. More detailed information regarding capital assets is presented in Note 3.

Current liabilities increased \$47.9 million, or 7.9% compared to 2014. This increase is due to an increase in the amount owed for work performed, but not paid for on the New NY Bridge and other capital projects as of December 31, 2015, compared to December 31, 2014; an increase in the amount owed to other government entities for tolls incurred on their roads by E-ZPass customers who maintain an account with the Authority; and an increase in the amount due for interest on outstanding general revenue bonds. These increases are partially offset by a decrease in the current amount of principal due on general revenue bonds.

Non-current liabilities decreased \$89 million, or 1.5% compared to 2014. This decrease is primarily due to principal payments on General Revenue Bonds, Series F through J, as well as the amortization of premium on general revenue bonds and junior indebtedness obligations. This decrease was partially offset by the rising liability for unfunded postemployment health care benefits. More detailed information regarding non-current liabilities and postemployment health care benefits is presented in Notes 5 and 9, respectively.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. Net investment in capital assets increased \$492.8 million, or 39.6% compared to 2014. This increase is primarily due to the State of New York's significant investment in the New NY Bridge. In 2015, \$540.8 million was contributed by the State of New York to fund the New NY Bridge via the Thruway Stabilization Program. Additional information regarding the Thruway Stabilization Program is presented in Note 10.

Restricted for debt service decreased \$22 million, or 8.1% compared to 2014. This decrease corresponds with a \$22 million decrease in the current amount of principal due on general revenue bonds at December 31, 2015 compared to December 31, 2014.

Restricted for capital decreased \$40.1 million, or 29.9%. This decrease is primarily due to a transition from using debt proceeds and toll revenues to using Thruway Stabilization Program revenues to fund a majority of the Authority's multi-year capital program.

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Management's Discussion and Analysis December 31, 2015 and 2014**

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

#### **Net Position - Continued**

Unrestricted deficiency increased by \$22.7 million, or 9.1% compared to 2014. This increase is due primarily to the increase in non-current liabilities related to postemployment health care benefits.

#### **Changes in Net Position**

Net position increased by \$408 million in 2015 compared to 2014 (see Table A-2). The Authority's total operating revenues for 2015 were \$728.6 million, an increase of \$29.8 million, or 4.2% compared to 2014. Total operating expenses, including depreciation and amortization, were \$802.5 million, an increase of \$25.2 million, or 3.2% compared to 2014. Net position decreased by \$172.3 million in 2014 compared to 2013. The Authority's total operating revenues for 2014 were \$698.8 million, an increase of \$16 million, or 2.3% compared to 2013. Total operating expenses, including depreciation and amortization, were \$777.3 million, an increase of \$26.3 million, or 3.5% compared to 2013.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2015 and 2014

### Financial Analysis of the Authority - Continued

#### Changes in Net Position - Continued

Table A-2

#### Changes in Net Position

Years ended December 31, 2015, 2014, and 2013  
(In millions of dollars)

	2015	2014	2013	Percentage Change 2015-2014
<b>OPERATING REVENUE</b>				
Tolls	\$ 691.7	\$ 664.1	\$ 648.9	4.2
Concessions	14.6	13.6	13.3	7.4
Other	22.3	21.1	20.6	5.7
Total operating revenue	728.6	698.8	682.8	4.3
<b>OPERATING EXPENSES</b>				
Administrative	17.3	19.0	17.8	(8.9)
Engineering services	6.0	7.7	6.4	(22.1)
Maintenance	112.4	114.7	112.5	(2.0)
Finance and accounts	7.9	7.8	8.1	1.3
Operations	42.3	43.8	46.2	(3.4)
General charges	159.9	165.7	160.1	(3.5)
Canals	62.1	65.9	68.1	(5.8)
Depreciation and amortization	394.6	352.7	331.8	11.9
Total operating expenses	802.5	777.3	751.0	3.2
Operating loss	(73.9)	(78.5)	(68.2)	(5.9)
<b>NON-OPERATING ITEMS</b>				
Interest expense	(145.2)	(165.0)	(134.7)	(12.0)
Debt issuance costs	-	(19.1)	(7.4)	(100.0)
Non-operating revenue	27.9	36.0	37.6	(22.5)
Net non-operating items	(117.3)	(148.1)	(104.5)	(20.8)
Loss before capital contributions	(191.2)	(226.6)	(172.7)	(15.6)
Capital contributions	599.2	60.6	44.1	888.8
<b>CHANGE IN NET POSITION</b>	<b>408.0</b>	<b>(166.0)</b>	<b>(128.6)</b>	<b>345.8</b>
<b>NET POSITION, beginning of year</b>	<b>1,399.7</b>	<b>1,572.0</b>	<b>1,700.6</b>	<b>11.0</b>
<b>NET POSITION, end of year prior to restatement</b>	<b>1,807.7</b>	<b>1,406.0</b>	<b>1,572.0</b>	<b>28.6</b>
Effect of adoption of GASB 68 and 71	-	(6.3)	-	-
<b>NET POSITION, end of year</b>	<b>\$ 1,807.7</b>	<b>\$ 1,399.7</b>	<b>\$ 1,572.0</b>	<b>29.1</b>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2015 and 2014

### Financial Analysis of the Authority - Continued

#### Changes in Net Position - Continued

Toll revenue increased \$27.6 million, or 4.2% compared to 2014. This increase is primarily due to increased traffic, principally attributable to lower fuel prices throughout 2015. In addition, revenue was also positively impacted by a shorter duration of winter storm road closures in 2015 compared to 2014.

Administrative expenses decreased \$1.7 million, or 8.9% compared to 2014. This decrease is primarily due to lower personal and professional service costs.

Engineering services decreased \$1.7 million, or 22.1% compared to 2014. This decrease is primarily due to lower personal service costs.

Maintenance expenses decreased by \$2.3 million, or 2% compared to 2014. This decrease is primarily due to lower fuel and personal service costs. The decrease was partially offset by increases in costs related to repairing damaged property and salt usage.

Operations expenses decreased by \$1.5 million, or 3.4% compared to 2014. This decrease is primarily due to reduced costs for toll collection.

General charges decreased by \$5.8 million, or 3.5% compared to 2014. This decrease is primarily due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Transition for Contributions Made Subsequent to the Measurement Date*, as well as lower estimated costs for claims filed against the Authority. The decreases were partially offset by an increase in the Authority's liability for retiree health insurance costs, a write-off of costs incurred to date to build a new headquarters building, and higher professional service costs. Additional information regarding pensions and retiree health insurance can be found in Notes 7 and 8, respectively.

Canal expenses decreased by \$3.8 million, or 5.8% compared to 2014. This decrease is primarily due to lower costs associated with dredging, infrastructure inspections, repairs, and personal service.

Depreciation and amortization increased \$41.9 million, or 11.9% compared to 2014. This increase is primarily due to adjusting the remaining useful life of the Tappan Zee Bridge to align with the date it is anticipated to be taken out of service (August 2017). This change was made effective November 30, 2015, in recognition of the significant progress made to date on the New NY Bridge, the improved degree of certainty regarding when the Tappan Zee Bridge will be taken out of service, and the recent authorization to issue bonds as a source of the remaining funds needed to substantially complete the New NY Bridge. As of November 30, 2015, the Tappan Zee Bridge had a net book value of \$462.6 million. Prior to adjusting the remaining useful life, monthly depreciation expense for the Tappan Zee Bridge was \$3.9 million. Following the adjustment, monthly depreciation expense for the Tappan Zee Bridge has increased to \$22 million, a per month increase of \$18.1 million. In addition to the remaining useful life adjustment for the Tappan Zee Bridge, the Authority's significant investment in bridge and highway improvement projects also contributed to the increase in depreciation expense. Bridge improvement projects include substructure and superstructure repairs, replacement of bridge joints and bridge decks, installation of bridge fencing and bridge painting. Highway improvement projects include pavement rehabilitation, primarily in the form of resurfacing and milling. The Authority's significant investment in these types of projects, which have relatively short useful lives (ten to fifteen years), resulted in an increase to depreciation expense.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2015 and 2014

### Financial Analysis of the Authority - Continued

#### Changes in Net Position - Continued

Interest expense decreased \$19.8 million, or 12% compared to 2014. The amount of interest expense capitalized or offset against interest earned on unspent debt proceeds in 2015 and 2014 was \$40.1 million and \$27.6 million, respectively. The increase in the amount of interest expense capitalized is primarily due to the Authority's continuing investment in the New NY Bridge. The increase in the amount of interest cost capitalized in 2015 compared to 2014 contributes to a decrease in interest expense. In addition, in December 2014 the Authority issued General Revenue Bonds, Series K to refund a portion of General Revenue Bonds, Series F, Series G, and Series I. General Revenue Bonds, Series K have a lower interest cost than General Revenue Bonds, Series F, Series G, and Series I resulting in lower interest expense.

Debt issuance costs decreased \$19.1 million, or 100% compared to 2014. The Authority issued no debt in 2015. By comparison, in 2014 the Authority issued General Revenue Bonds, Series J and Series K with a total cost of issuance of \$19.1 million.

Non-operating revenues decreased \$8.1 million, or 22.5% compared to 2014. The decrease is primarily due to the expiration in 2015 of a \$5 million annual federal grant used to offset Canal operating expenses, as well as a reduction of \$2.5 million in an annual State of New York grant used to offset Thruway operating expenses.

Capital contributions increased \$538.6 million, or 888.8% compared to 2014. As part of its 2015-2016 budget, the State of New York created the \$1.29 billion Thruway Stabilization Program to fund the New NY Bridge, as well as other Thruway capital projects. Use of these funds began in 2015 and is expected to continue for several years. In 2015, the State of New York contributed \$540.8 million for the construction of the New NY Bridge via this Program.

The Authority's net position as of December 31, 2014 was restated by \$6.3 million to comply with GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Transition for Contributions Made Subsequent to the Measurement Date*. Additional information regarding this restatement can be found in Note 1e.

### Capital Assets and Debt Administration

#### Capital Assets

As of December 31, 2015, the Authority had invested approximately \$12.20 billion in capital assets, including roads, bridges, canal structures, buildings, land, and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$6.89 billion (see Table A-3) representing a net increase (including additions, disposals, and depreciation) of approximately \$719.9 million, or 11.7% compared to December 31, 2014.

As of December 31, 2014, the Authority had invested approximately \$11.11 billion in capital assets, including roads, bridges, canal structures, buildings, land, and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$6.17 billion (see Table A-3) representing a net increase (including additions, disposals, and depreciation) of approximately \$589.7 million, or 10.6% compared to December 31, 2013.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2015 and 2014

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

Table A-3

#### Capital Assets

December 31, 2015, 2014, and 2013

(In millions of dollars)

	2015	2014	2013	Percentage Change 2015-2014
Land and land improvements	\$ 829.1	\$ 828.2	\$ 827.3	0.1
Construction work in progress	2,677.0	1,807.7	1,090.6	48.1
Thruway System	7,834.6	7,698.9	7,551.2	1.8
Canal System	604.3	533.7	482.5	13.2
Equipment	258.6	244.7	230.2	5.7
Less accumulated depreciation	<u>(5,311.5)</u>	<u>(4,941.0)</u>	<u>(4,599.3)</u>	<u>7.5</u>
 Total net capital assets	 <u>\$ 6,892.1</u>	 <u>\$ 6,172.2</u>	 <u>\$ 5,582.5</u>	 <u>11.7</u>

In 2015, construction work in progress increased \$869.3 million, as the Authority continued construction of the New NY Bridge and invested \$763.8 million in the project during the year. Significant projects in progress on the Thruway System as of December 31, 2015, include the New NY Bridge, deck replacement and resurfacing of the North Grand Island Bridge, I-95 pavement rehabilitation, bridge rehabilitations over Silver Creek and Walnut Creek, pavement resurfacing south of Nyack, bridge replacements at Mile Strip Road and Four Mile Level Road and several other pavement and bridge rehabilitations at various locations. Significant projects in progress on the Canal System as of December 31, 2015, include rehabilitation of the Utica Taintor Gate Dam, the Amsterdam pedestrian walkway, and the Moveable Dam at Lock E-11. Net additions to the Thruway System during 2015 were \$135.7 million. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, pavement rehabilitation in the I-287 area, and the installation of five wind turbines south of Buffalo. Net additions to the Canal System during 2015 were \$70.6 million. This increase was primarily due to the completion of rehabilitations of Moveable Dams at Locks E-8 and E-14, rehabilitations in the areas of Locks E-8 through E-15 which had been damaged to the point of impairment by Tropical Storms Irene and Lee in 2011, the replacement of guard gates at Crescent and Crocker Reef, and completion of a trail from Amherst to Lockport.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2015 and 2014

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

In 2014, construction work in progress increased \$717.1 million, as the Authority continued construction of the New NY Bridge and invested \$650.2 million in the project during the year. Significant projects in progress on the Thruway System as of December 31, 2014, include the New NY Bridge, deck replacement and resurfacing of the North Grand Island Bridge, pavement rehabilitation in the I-287 area, bridge rehabilitations over Silver Creek and Walnut Creek, pavement rehabilitation on I-95, the installation of five wind turbines south of Buffalo, and several other pavement and bridge rehabilitations at various locations. Significant projects in progress on the Canal System as of December 31, 2014, include rehabilitation of the Utica Taintor Gate Dam and the Moveable Dam at Lock E-11. Net additions to the Thruway System during 2015 were \$147.7 million. The increase was primarily due to the completion of numerous pavement and bridge rehabilitation projects, including pavement rehabilitations between Exits 17 and 18, Exits 47 and 48, and Exits 59 and 60, as well as the resurfacing of the South Grand Island Bridge. Net additions to the Canal System during 2015 were \$51.2 million. This increase was primarily due to the completion of a rehabilitation of the Moveable Dam at Lock E-13, rehabilitations in the areas of Locks E-9, E-10, and E-11 which had been damaged to the point of impairment by Tropical Storms Irene and Lee in 2011, and completion of trailways from Pittsford to Fairport and Gryziec Park to Stanwix.

#### 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. 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 bridge is substantially complete.

Long-term debt includes general revenue bonds, junior indebtedness obligations, and a revolving loan of varying rates and maturities issued primarily to fund a portion of the Authority's Multi-Year Capital Plan and New NY Bridge project costs. At December 31, 2015, the Authority had approximately \$5.35 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, a decrease of \$155.3 million, or 2.8% compared to the amount of general revenue bonds, junior indebtedness obligations, and loans outstanding as of December 31, 2014 (see Table A-4).

Of the \$3.58 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 \$796.9 million are insured by National Public Finance Guarantee (formerly MBIA Insurance Corporation, and Financial Guaranty Insurance Company) and are rated AA- by S&P. The remaining general revenue bonds are rated A2 by Moody's and A by S&P. Of the \$1.74 billion in junior indebtedness obligations outstanding, approximately \$45.7 million are insured by Assured Guaranty Municipal Corp and rated A2 by Moody's and AA- by S&P. The remaining junior indebtedness obligations are rated A3 by Moody's and A- by S&P.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2015 and 2014

### Capital Assets and Debt Administration - Continued

#### Debt Administration - Continued

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, and are expected to be available to pay the initial issuance of junior indebtedness obligations.

In 2012, the Authority entered into an agreement with Citibank, N.A. for a revolving loan in an aggregate amount not to exceed \$60 million. The loan matures in April 2017 and may be prepaid at any time by the Authority without penalty. As of December 31, 2015, the Authority has borrowed \$32 million via the revolving loan to reconstruct portions of the Canal System damaged or destroyed by Hurricane Irene and Tropical Storm Lee. The revolving loan is secured in part by a pledge of revenues available in the General Reserve Fund, as well as federal (FEMA) grant funds.

At December 31, 2014, the Authority had approximately \$5.50 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, an increase of \$273.3 million, or 5.2% from December 31, 2013.

Table A-4  
Outstanding Debt  
Years ended December 31, 2015 and 2014  
(In millions of dollars)

	Year Ended December 31, 2015			
	Beginning Balance	Additions	Reductions	Ending Balance
General Revenue Bonds	\$ 3,690.9	\$ -	\$ (113.6)	\$ 3,577.3
Junior Indebtedness Obligations	1,780.6	-	(41.7)	1,738.9
Revolving loan	32.0	-	-	32.0
Total bonds, notes and loans	<u>\$ 5,503.5</u>	<u>\$ -</u>	<u>\$ (155.3)</u>	<u>\$ 5,348.2</u>
	Year Ended December 31, 2014			
	Beginning Balance	Additions	Reductions	Ending Balance
General Revenue Bonds	\$ 3,396.9	\$ 1,597.4	\$ (1,303.4)	\$ 3,690.9
Junior Indebtedness Obligations	1,822.3	-	(41.7)	1,780.6
Revolving loan	11.0	21.0	-	32.0
Total bonds, notes and loans	<u>\$ 5,230.2</u>	<u>\$ 1,618.4</u>	<u>\$ (1,345.1)</u>	<u>\$ 5,503.5</u>

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

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Management's Discussion and Analysis December 31, 2015 and 2014**

### **Other Significant Matters**

#### **The New NY Bridge**

In January 2013, the Authority entered into a \$3.1 billion design-build agreement to construct the New NY Bridge to replace the existing Tappan Zee Bridge. The total estimated cost of the project is \$3.9 billion. It is anticipated that the first span of the new bridge will go into service in 2017, and the project will be fully completed in 2018. The new bridge will have a 100-year design life and consist of eight general purpose lanes, as well as emergency access lanes. It 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. As of December 31, 2015, \$2.27 billion has been spent on the project to date, of which \$763.8 million was spent in 2015.

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

#### **Thruway Stabilization Program**

In 2015, the State of New York created the \$1.285 billion Thruway Stabilization Program to partially fund the New NY Bridge, as well as other Thruway capital projects. The Authority intends to use \$750 million from this Program on the New NY Bridge and the remaining \$535 million on other Thruway capital projects. As of December 31, 2015, \$540.8 million has been contributed to the New NY Bridge project via this Program.

#### **State of New York's Executive Budget Proposals for Fiscal Year 2016-2017**

Governor Cuomo's proposed budget for the State of New York's fiscal year beginning April 1, 2016, includes the following proposals that may impact the Authority:

- A proposal to transfer the Canal Corporation to the New York State Power Authority (Power Authority) effective January 1, 2017. Included in this proposal is a transition period from April 1, 2016 through January 1, 2017, during which the Power Authority would be financially responsible for the costs of the Canal System and Canal Corporation.
- A proposal that effective April 1, 2016 the Thruway Authority would resume financial responsibility for State Police Troop T whose members are dedicated to patrolling the Thruway System; and the termination of State of New York funding that in 2015 provided the Thruway Authority with \$21.5 million to offset certain operating costs.
- A proposal to provide an additional \$700 million to the previously authorized \$1.285 billion Thruway Stabilization Program.

These proposals are all subject to final approval and enactment of the State of New York's 2016/2017 Budget for its fiscal year beginning April 1, 2016.

#### **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,	
	2015	2014 (Restated)
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 296,679	\$ 255,706
Investments	17,125	22,454
Accrued interest receivable	-	4
Receivables, net	53,448	52,536
Material and other supplies	19,211	17,035
Prepaid items	779	863
Restricted assets	441,167	407,612
Total current assets	<u>828,409</u>	<u>756,210</u>
<b>NON-CURRENT ASSETS</b>		
Restricted assets	395,986	821,044
Capital assets, not being depreciated	3,506,075	2,635,924
Capital assets, net of accumulated depreciation	3,386,062	3,536,257
Total non-current assets	<u>7,288,123</u>	<u>6,993,225</u>
Total assets	<u>8,116,532</u>	<u>7,749,435</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on bond refunding	14,116	16,627
Pension resources	33,215	30,536
Total deferred outflows of resources	<u>47,331</u>	<u>47,163</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	317,477	262,160
Accrued wages and employee benefits	1,613	1,702
Unearned revenue	84,735	83,572
Accrued interest payable	119,668	103,420
Bonds, notes, and loan payable due within one year	124,921	147,573
Other long-term liabilities due within one year	5,020	7,121
Total current liabilities	<u>653,434</u>	<u>605,548</u>
<b>NON-CURRENT LIABILITIES</b>		
Bonds, notes, and loan payable	5,223,231	5,355,893
Other long-term liabilities	479,098	435,418
Total non-current liabilities	<u>5,702,329</u>	<u>5,791,311</u>
Total liabilities	<u>6,355,763</u>	<u>6,396,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension resources	359	-
<b>NET POSITION</b>		
Net investment in capital assets	1,737,546	1,244,700
Restricted for		
Debt service	249,189	271,174
Capital	94,148	134,177
Unrestricted (deficit)	<u>(273,142)</u>	<u>(250,312)</u>
Total net position	<u>\$ 1,807,741</u>	<u>\$ 1,399,739</u>

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,	
	2015	2014
<b>OPERATING REVENUES</b>		
Tolls	\$ 691,693	\$ 664,079
Concessions	14,603	13,586
Other	22,282	21,087
Total operating revenues	728,578	698,752
<b>OPERATING EXPENSES</b>		
Administrative	17,320	18,951
Engineering services	6,030	7,708
Maintenance engineering		
Thruway maintenance	82,523	82,140
Equipment maintenance	29,882	32,559
Finance and accounts	7,924	7,790
Operations		
Traffic and services	7,138	7,326
Toll collection	35,111	36,487
General charges	159,859	165,689
Canals	62,135	65,946
Depreciation and amortization	394,621	352,685
Total operating expenses	802,543	777,281
<b>Operating loss</b>	<b>(73,965)</b>	<b>(78,529)</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>		
Investment income	521	614
Interest expense	(145,230)	(165,051)
Debt issuance cost	-	(19,082)
Federal and other aid	27,473	35,431
Net non-operating items	(117,236)	(148,088)
<b>Loss before capital contributions</b>	<b>(191,201)</b>	<b>(226,617)</b>
<b>CAPITAL CONTRIBUTIONS</b>	599,203	60,618
<b>CHANGE IN NET POSITION</b>	<b>408,002</b>	<b>(165,999)</b>
<b>NET POSITION, <i>beginning of year</i></b>	1,399,739	1,572,015
<b>NET POSITION, <i>end of year prior to restatement</i></b>	1,807,741	1,406,016
Effect of adoption of GASB 68 and 71	-	(6,277)
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 1,807,741</b>	<b>\$ 1,399,739</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>2015</b>	<b>2014</b>
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from toll collections	\$ 704,961	\$ 684,671
Cash received from concession sales	14,290	13,605
Other operating cash receipts	19,624	25,278
Personal service payments	(156,449)	(168,003)
Fringe benefits payments	(102,071)	(105,987)
E-ZPass account management payments	(12,316)	(6,746)
Cash payments to vendors and contractors	(80,020)	(74,048)
	<b>388,019</b>	<b>368,770</b>
<b>CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>		
Federal aid and other reimbursements	<b>9,264</b>	<b>8,678</b>
<b>CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	-	1,618,360
Federal aid and other capital contributions	60,510	34,526
Acquisition/construction of capital assets	(639,002)	(887,710)
Principal paid on debt	(97,040)	(1,289,068)
Interest and issuance costs paid on debt	(225,265)	(238,647)
Proceeds from sale of capital assets	584	261
Other	892	-
	<b>(899,321)</b>	<b>(762,278)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of investments	(858,646)	(1,587,116)
Proceeds from sale and maturities of investments	1,372,820	1,927,387
Interest and dividends on investments	1,889	2,621
	<b>516,063</b>	<b>342,892</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,025</b>	<b>(41,938)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>481,817</b>	<b>523,755</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 495,842</b>	<b>\$ 481,817</b>

See accompanying Notes to Financial Statements.

	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (73,965)	\$ (78,529)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	394,621	352,685
Capitalized interest	88	143
Payments made by New York State	21,500	25,318
Net changes in assets, liabilities, deferred outflows and deferred inflows		
Receivables	(4,599)	5,363
Material and supplies	(2,175)	(1,423)
Other assets	84	757
Accounts payables and accrued expenses	61,143	51,786
Accrued wages and employee benefits	(7,521)	(5,906)
Deferred outflows	(2,679)	-
Deferred inflows	359	-
Unearned revenue	1,163	18,576
	<u>\$ 388,019</u>	<u>\$ 368,770</u>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents	\$ 296,679	\$ 255,706
Restricted cash and cash equivalents (Note 2)	199,163	226,111
	<u>\$ 495,842</u>	<u>\$ 481,817</u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Payments made to vendors by the State of New York	<u>\$ 7,306</u>	<u>\$ 21,066</u>
<b>NON-CASH CAPITAL ACTIVITIES</b>		
Payment made to vendors by the State of New York for the New NY Bridge project	<u>\$ 387,447</u>	<u>\$ -</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### 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 are 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 New York State Canal Corporation (Canal Corporation), a subsidiary public corporation of the Authority, was created by the New York State Legislature in 1992 to accept jurisdiction and control over the New York State Canal System from New York State (State). The Boards of both the Authority and the Canal Corporation each consist of seven members, appointed by the Governor, with the consent of the New York State Senate.

The Authority is responsible for a 570-mile system of highways crossing New York State, the longest toll highway system in the United States. The Authority's 426-mile Thruway mainline connects New York City and Buffalo, the State's two largest cities. Other Thruway sections provide for connections with Connecticut, Massachusetts, Pennsylvania, New Jersey, and to highways that lead to the Midwest and Canada. In accordance with legislation passed by the State Legislature, the Cross-Westchester Expressway (CWE) was added to the Thruway in 1991, and the Authority is prohibited from imposing any tolls or other charges for the use of the CWE.

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

The accounts and activities of the Canal Corporation and "Other Authority Projects" are included in the financial statements of the Authority. Revenues of the Canal System are credited to the New York State Canal Development Fund (Fund), created by the 1992 legislation, and held by the State where they are available, subject to appropriation, only for purposes of the Canal System as directed by the Canal Recreationway Commission. The State may, from time to time, also authorize the Authority by statute to undertake additional financing activities to finance primarily non-Authority transportation projects in the State. The Authority is responsible for administering these special bond programs as discussed in Note 6.

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

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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### *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 the rental fees received from concessionaires from operating leases on concession property, special hauling fees charged to overweight or oversize vehicles, and certain revenue collected from the lease of property. Operating expenses include all costs required to operate, maintain, and administer the Thruway and Canal Systems. All revenue and expenses not meeting this definition are reported as non-operating items.

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

#### *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. These investments are not included in cash and cash equivalents in the statements of cash flows.

#### *d. Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. New Accounting Pronouncements*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### *e. New Accounting Pronouncements - Continued*

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The Authority adopted these accounting standards effective January 1, 2015. As a result, the Authority now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense, as determined by the State and Local Employees' Retirement System. The adoption of GASB No. 68 and No. 71 was applied retroactively. Accordingly, the Authority restated its net position as of December 31, 2014, by recording its net pension liability of \$28,616,000 and restating prepaid expenses by \$(8,197,000), deferred outflows by \$30,536,000, and ending net position by \$6,277,000.

#### *f. 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 under grant programs are reported net of an allowance for uncollectible amounts. The allowance for doubtful receivables amounted to \$5,503,000 and \$11,499,000 at December 31, 2015 and 2014, respectively.

#### *g. 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.

#### *h. 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.

#### *i. Restricted Assets*

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

#### *j. Toll Revenues*

Toll revenues are stated net of volume and other discounts approximating \$25.5 million and \$24.6 million in 2015 and 2014, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### *k. 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.

#### *l. 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.

#### *m. 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 days approximates \$10,112,000 and \$10,320,000 at December 31, 2015 and 2014, 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.

#### *n. 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 \$57,374,000 and \$51,515,000 for 2015 and 2014, respectively, and are included as an offset of interest expense.

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

The Authority reports deferred outflows of resources and deferred inflows of resources on its balance sheet. Pension related deferred outflows of resources and deferred inflows of resources may occur due to differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and difference between employer contributions and proportionate share of contributions and employer contributions made subsequent to the measurement date. Deferred outflows of resources resulting from differences between expected and actual experience and projected and actual investment earnings are \$4,401,000 at December 31, 2015. Deferred inflows of resources resulting from changes in the Authority's proportionate share of the liability are \$359,000 at December 31, 2015. Deferred outflows of resources resulting from contributions made subsequent to the measurement date but before year end are \$28,815,000 and \$30,536,000 at December 31, 2015 and 2014, respectively.

Deferred outflows representing the net unamortized loss on refundings for General Revenue Bonds Series F, H, J, and K amounted to \$14,116,000 and \$16,627,000 at December 31, 2015 and 2014, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### *p. 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.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of “net investment in capital assets” or “restricted net position.”

#### *q. Capital Contributions*

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

#### *r. 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, 2015 and 2014.

#### *s. 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.

#### *t. Non-Exchange Transactions*

Section 357-a of the Public Authorities Laws of the State of New York provides that the State shall be responsible for \$21.5 million and \$24 million in annual costs for 2015 and 2014, respectively, for goods and services provided to the Authority and that the Authority and the State of New York Division of Budget shall enter into an agreement identifying such costs assumed by the State. Agreements for the years ended December 31, 2015 and 2014, were entered into identifying certain costs associated with E-ZPass account management and workers’ compensation benefits up to yearly maximums of \$21.5 million and \$24 million, respectively.

The Authority has reported \$21.5 million and \$24 million in operating expenses in the general charges category for years ended December 31, 2015 and 2014, respectively, and \$21.5 million and \$24 million of non-operating revenue in the Federal and other aid category for years ended December 31, 2015 and 2014, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### *u. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 21, 2016, 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, 2015 and 2014, were as follows (in thousands):

	Carrying Value	
	2015	2014
Unrestricted		
Cash		
Demand deposits	\$ 142,461	\$ 91,442
Toll change funds	125	125
Total unrestricted cash	<u>142,586</u>	<u>91,567</u>
Cash equivalents		
U.S. government discount notes	22,584	21,598
U.S. government agency notes	-	11,998
Repurchase agreements	-	43,763
U.S. treasury securities	6,734	31,277
Commercial paper	124,775	55,503
Total unrestricted cash equivalents	<u>154,093</u>	<u>164,139</u>
Total unrestricted cash and cash equivalents	<u>\$ 296,679</u>	<u>\$ 255,706</u>
Restricted		
Cash		
Demand deposits	\$ 167,125	\$ 137,963
Other deposits	2,886	2,959
Total restricted cash	<u>170,011</u>	<u>140,922</u>
Cash equivalents		
U.S. government discount notes	1,742	1,240
Repurchase agreements	-	4,237
U.S. treasury securities	3,265	35,224
Commercial paper	24,145	44,488
Total restricted cash equivalents	<u>29,152</u>	<u>85,189</u>
Total restricted cash and cash equivalents	<u>\$ 199,163</u>	<u>\$ 226,111</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 2 - Cash and Investments - Continued

	Carrying Value	
	2015	2014
Investments		
Unrestricted		
U.S. government discount notes	\$ 9,487	\$ 4,192
Commercial paper	5,999	7,307
U.S. treasury securities	-	9,998
Time deposits	1,639	957
Total unrestricted investments	<u>17,125</u>	<u>22,454</u>
Restricted		
U.S. government discount notes	211,001	170,348
U.S. government agency notes	157,068	369,940
Commercial paper	29,003	371,276
U.S. treasury securities	36,147	29,894
Total restricted investments	<u>433,219</u>	<u>941,458</u>
Total unrestricted and restricted investments	<u>\$ 450,344</u>	<u>\$ 963,912</u>

At December 31, 2015 and 2014, 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, approximated \$307.1 million and \$232.4 million as of December 31, 2015 and 2014, respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee/custodian in the Authority's name.

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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 2 - Cash and Investments - Continued

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.

The Authority owns approximately \$79.5 million in U.S. Government and U.S. Government Agency investments at December 31, 2015 that mature in 2017. 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, 2015, 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	29.0%
Federal Home Loan Mortgage Corporation	Aaa/ AA+/AAA	20.5%
Federal National Mortgage Association	Aaa/ AA+/AAA	13.9%
<u>Commercial Paper</u>		
Chevron Funding	A-1+/P-1/na	10.4%
Exxon Mobil	A-1+/P-1/na	13.1%
<u>U.S. Government Securities</u>		
Treasury Notes	Aaa/ AA+/AAA	1.5%
Treasury Bills	A-1+/P-1/F1+	5.7%

### Note 3 - Capital Assets

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 3 - Capital Assets - Continued

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

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

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 date it is anticipated to be taken out of service (August 2017). This date is contingent on completion of the northern span of the New NY Bridge. The change resulted in approximately \$18,100,000 of addition depreciation during 2015.

The following schedules summarize the capital assets of the Authority and related changes for the years ended December 31, 2015 and 2014 (in thousands):

	December 31, 2014			December 31, 2015
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Capital assets, not being depreciated				
Land and land improvements	\$ 828,175	\$ 1,060	\$ (108)	\$ 829,127
Construction in progress	<u>1,807,749</u>	<u>1,087,495</u>	<u>(218,296)</u>	<u>2,676,948</u>
Total capital assets, not being depreciated	<u>2,635,924</u>	<u>1,088,555</u>	<u>(218,404)</u>	<u>3,506,075</u>
Capital assets, being depreciated				
Thruway System	7,698,907	136,288	(556)	7,834,639
Canal System	533,716	74,800	(4,222)	604,294
Equipment	<u>244,682</u>	<u>36,171</u>	<u>(22,223)</u>	<u>258,630</u>
Total capital assets, being depreciated	<u>8,477,305</u>	<u>247,259</u>	<u>(27,001)</u>	<u>8,697,563</u>
Less accumulated depreciation for				
Thruway System	(4,701,981)	(352,512)	346	(5,054,147)
Canal System	(82,398)	(19,255)	4,222	(97,431)
Equipment	<u>(156,669)</u>	<u>(22,797)</u>	<u>19,543</u>	<u>(159,923)</u>
Total accumulated depreciation	<u>(4,941,048)</u>	<u>(394,564)</u>	<u>24,111</u>	<u>(5,311,501)</u>
Net value of capital assets, being depreciated	<u>3,536,257</u>	<u>(147,305)</u>	<u>(2,890)</u>	<u>3,386,062</u>
Capital assets, net	<u>\$ 6,172,181</u>	<u>\$ 941,250</u>	<u>\$ (221,294)</u>	<u>\$ 6,892,137</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 3 - Capital Assets - Continued

	December 31, 2013			December 31, 2014
	Balance	Additions	Reductions	Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 827,339	\$ 857	\$ (21)	\$ 828,175
Construction in progress	1,090,615	923,461	(206,327)	1,807,749
	1,917,954	924,318	(206,348)	2,635,924
Capital assets, being depreciated				
Thruway System	7,551,177	152,028	(4,298)	7,698,907
Canal System	482,481	51,235	-	533,716
Equipment	230,185	21,608	(7,111)	244,682
	8,263,843	224,871	(11,409)	8,477,305
Less accumulated depreciation for				
Thruway System	(4,384,512)	(321,787)	4,318	(4,701,981)
Canal System	(72,998)	(9,400)	-	(82,398)
Equipment	(141,826)	(21,441)	6,598	(156,669)
	(4,599,336)	(352,628)	10,916	(4,941,048)
Net value of capital assets, being depreciated	3,664,507	(127,757)	(493)	3,536,257
Capital assets, net	\$ 5,582,461	\$ 796,561	\$ (206,841)	\$ 6,172,181

Depreciation expense related to capital assets was \$394,564,000 and \$352,628,000 for the years ended December 31, 2015 and 2014, respectively.

The Authority incurred \$185.3 in total interest expense in 2015, of which \$38.3 million was capitalized, and an additional \$1.8 million was offset against interest earned on the proceeds from various debt issuances. The Authority incurred \$192.6 in total interest expense in 2014, of which \$24.7 million was capitalized, and an additional \$2.9 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):

	2015	2014
Asset		
Cash and cash equivalents	\$ 199,163	\$ 226,111
Investments	433,219	941,458
Accrued interest	967	1,197
Receivables, net	200,512	49,908
Other	3,292	9,982
	\$ 837,153	\$ 1,228,656

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 4 - Restricted Assets - Continued

The related balances at December 31, 2015 and 2014 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, 2015 and 2014, were \$148,033,000 and \$153,667,000, 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, Series F, Series G, Series H, Series I, Series J, and Series K General Reserve Bonds. The amounts held in this restricted fund at December 31, 2015 and 2014, were \$180,972,000 and \$181,077,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2015 and 2014, were \$37,233,000 and \$225,020,000, respectively.

Reserve Maintenance Fund: Established to hold funds required to be deposited each year into the Reserve Maintenance Fund. Funds held in the Reserve Maintenance Fund can be disbursed for specific costs relating to the "Facilities," as defined in the bond resolution and certain highway and railroad grade crossings. Amounts held in this restricted fund at December 31, 2015 and 2014, were \$75,795,000 and \$55,194,000, respectively.

Junior Indebtedness Fund: Established to hold moneys paid into it from the sale of Junior Indebtedness Obligations (bonds and notes) which are to be used to fund the Facilities Capital Improvement Fund for a portion of the cost of the Authority's New NY Bridge Project as defined in the Junior Indebtedness Bond Resolution and to pay debt service including capitalized interest on the Series 2013A Junior Indebtedness Obligations through December 31, 2017. The amounts held in this restricted fund at December 31, 2015 and 2014, were \$197,496,000 and \$581,236,000, 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 New NY Bridge. The amounts held in this restricted fund at December 31, 2015 and 2014, were \$194,736,000 and \$29,503,000, 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, 2015 and 2014, were \$2,886,000 and \$2,960,000, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 5 - Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2015 and 2014, are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2014 Balance	Additions	Reductions	December 31, 2015 Balance	Due Within One Year
<b>General Revenue Bonds</b>						
2005 Series F	3/05	\$ 36,810	\$ -	\$ (36,810)	\$ -	\$ -
2005 Series G	9/05	555	-	(555)	-	-
2007 Series H	10/07	834,300	-	(37,380)	796,920	39,075
2012 Series I	7/12	1,096,525	-	(19,795)	1,076,730	17,510
2014 Series J	2/14	677,460	-	(2,500)	674,960	11,550
2014 Series K	12/14	743,865	-	-	743,865	-
Unamortized bond premiums		<u>301,391</u>	<u>-</u>	<u>(16,590)</u>	<u>284,801</u>	<u>14,986</u>
General Revenue Bonds and unamortized premiums		<u>3,690,906</u>	<u>-</u>	<u>(113,630)</u>	<u>3,577,276</u>	<u>83,121</u>
<b>Junior Indebtedness</b>						
Obligations						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Unamortized bond premiums		<u>180,560</u>	<u>-</u>	<u>(41,684)</u>	<u>138,876</u>	<u>41,800</u>
Junior Indebtedness Obligations and unamortized premiums		<u>1,780,560</u>	<u>-</u>	<u>(41,684)</u>	<u>1,738,876</u>	<u>41,800</u>
Loan payable	4/12	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>-</u>
Total bonds, loan, and unamortized premiums		<u>\$ 5,503,466</u>	<u>\$ -</u>	<u>\$ (155,314)</u>	<u>\$ 5,348,152</u>	<u>\$ 124,921</u>
<b>Other long-term liabilities</b>						
Claims liability		\$ 8,248	\$ 350	\$ (4,598)	\$ 4,000	\$ 4,000
Postemployment benefit obligation		393,248	86,361	(32,016)	447,593	-
Net pension liability		28,616	359	(7,582)	21,393	-
Compensated absences		10,320	-	(208)	10,112	-
Environmental remediation obligation		<u>2,107</u>	<u>-</u>	<u>(1,087)</u>	<u>1,020</u>	<u>1,020</u>
Total other long-term liabilities		<u>\$ 442,539</u>	<u>\$ 87,070</u>	<u>\$ (45,491)</u>	<u>\$ 484,118</u>	<u>5,020</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

	Date of Issuance	December 31, 2013 Balance	Additions	Reductions	December 31, 2014 Balance	Due Within One Year
<b>General Revenue Bonds</b>						
2005 Series F	3/05	\$ 490,680	\$ -	\$ (453,870)	\$ 36,810	\$ 29,870
2005 Series G	9/05	735,605	-	(735,050)	555	555
2007 Series H	10/07	870,140	-	(35,840)	834,300	37,380
2012 Series I	7/12	1,122,560	-	(26,035)	1,096,525	19,795
2014 Series J	2/14	-	677,460	-	677,460	2,500
2014 Series K	12/14	-	743,865	-	743,865	-
Unamortized bond premiums		<u>177,921</u>	<u>176,035</u>	<u>(52,565)</u>	<u>301,391</u>	<u>15,788</u>
General Revenue Bonds and unamortized premiums		<u>3,396,906</u>	<u>1,597,360</u>	<u>(1,303,360)</u>	<u>3,690,906</u>	<u>105,888</u>
<b>Junior Indebtedness Obligations</b>						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Unamortized bond premiums		<u>222,245</u>	<u>-</u>	<u>(41,685)</u>	<u>180,560</u>	<u>41,685</u>
Junior Indebtedness Obligations and unamortized premiums		<u>1,822,245</u>	<u>-</u>	<u>(41,685)</u>	<u>1,780,560</u>	<u>41,685</u>
Loan payable	4/12	<u>11,000</u>	<u>21,000</u>	<u>-</u>	<u>32,000</u>	<u>-</u>
Total bonds, notes, loan, and unamortized premiums		<u>\$ 5,230,151</u>	<u>\$ 1,618,360</u>	<u>\$ (1,345,045)</u>	<u>\$ 5,503,466</u>	<u>\$ 147,573</u>
<b>Other long-term liabilities</b>						
Claims liability		\$ 3,250	\$ 5,273	\$ (275)	\$ 8,248	\$ 5,648
Postemployment benefit obligation		345,150	78,561	(30,463)	393,248	-
Net pension liability		-	28,616	-	28,616	-
Compensated absences		10,109	211	-	10,320	-
Environmental remediation obligation		<u>2,516</u>	<u>302</u>	<u>(711)</u>	<u>2,107</u>	<u>1,473</u>
Total other long-term liabilities		<u>\$ 361,025</u>	<u>\$ 112,963</u>	<u>\$ (31,449)</u>	<u>\$ 442,539</u>	<u>\$ 7,121</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

The debt service requirements for the Authority's senior bonds as of December 31, 2015, are as follows (in thousands):

Due	Principal	Interest	Total
2016	\$ 68,135	\$ 158,219	\$ 226,354
2017	70,990	155,181	226,171
2018	82,815	151,802	234,617
2019	91,155	147,862	239,017
2020	116,025	142,844	258,869
2021 - 2025	671,540	620,376	1,291,916
2026 - 2030	854,995	432,428	1,287,423
2031 - 2035	680,695	225,202	905,897
2036 - 2040	438,245	102,014	540,259
2041 - 2044	217,880	14,469	232,349
	<u>\$ 3,292,475</u>	<u>\$ 2,150,397</u>	<u>\$ 5,442,872</u>

The debt service requirements for the Authority's junior obligations as of December 31, 2015, are as follows (in thousands):

Due	Principal	Interest	Total
2016	\$ -	\$ 79,517	\$ 79,517
2017	-	79,517	79,517
2018	-	79,517	79,517
2019	1,600,000	66,264	1,666,264
	<u>\$ 1,600,000</u>	<u>\$ 304,815</u>	<u>\$ 1,904,815</u>

General Revenue Bonds - Series F: During March 2005, the Authority issued \$624,570,000 in General Revenue Bonds - Series F which provided funds to: (1) refund \$444,205,000 in outstanding Series B, D, and E Bonds (for a net present value savings of \$18,588,000); (2) refund \$150,000,000 in outstanding General Revenue Bond Anticipation Notes - Series CP-1; (3) provide funds for the Authority's Capital Plan; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs. These bonds were partially refunded by General Revenue Bonds Series J and Series K during 2014, and the remaining balance was paid off during 2015.

General Revenue Bonds - Series G: During September 2005, the Authority issued \$738,925,000 in General Revenue Bonds - Series G which provided funds to: (1) retire \$525,000,000 in General Revenue Bond Anticipation Notes - Series CP-2 and 2004A; (2) fund a portion of the Authority's Multi-Year Capital Plan; (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs. These bonds were partially refunded by General Revenue Bonds Series J and Series K during 2014, and the remaining balance was paid off during 2015.

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, 2015 and 2014

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

#### General Revenue Bonds - Series H - 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, 2015, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	4.0% to 5.0%	2016 - 2030	\$ 587,340
Term Bonds	5.00%	2032	52,765
Term Bonds	5.00%	2037	156,815
			<u>\$ 796,920</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.

General Revenue Bonds - Series I: During July 2012, the Authority issued \$1,122,560,000 in General Revenue Bonds - Series I which provided funds to: (1) retire \$868,045,000 in General Revenue Bond Anticipation Notes - Series 2011A; (2) fund a portion of the Authority's 2012 - 2015 Multi-Year Capital 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, 2015, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.0% to 5.0%	2016 - 2032	\$ 510,435
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>\$ 1,076,730</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.

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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### General Revenue Bonds - Series J - Continued

The Series J Bonds are comprised of both Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2015, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.0% to 5.0%	2016 - 2036	\$ 524,440
Term Bonds	5.00%	2041	87,235
Term Bonds	4.63%	2044	<u>63,285</u>
			<u>\$ 674,960</u>

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 and General Revenue Bonds, Series G and General Revenue Bonds 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, 2015, are as follows:

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

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 F through K) 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, 2015 and 2014, the Senior Debt Service Reserve Fund, which may be used should amounts in the Senior Debt Service Fund be insufficient to pay debt service payments, was fully funded.

General Revenue 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

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

#### General Revenue Junior Indebtedness Obligations (JIO) - Series 2013A - Continued

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. These obligations are subordinate to the Authority's General Revenue Bonds (Series F through Series K).

Loan Payable: During April 2012, the Authority entered into a variable rate Loan Agreement with Citibank, N.A., under which the Bank is providing a revolving line-of-credit, evidenced by a note, in an aggregate amount not to exceed \$60,000,000. The note matures in April 2017 and may be pre-paid at any time by the Authority without penalty. The proceeds of the Note, as needed, are to be applied to finance capital projects for the Canal System arising from tropical storm damage caused in August and September 2011. The Authority's reimbursement obligations under the Note are secured in part by a pledge of revenues available in the General Reserve Fund, which pledge constitutes Subordinated Indebtedness under the Bond Resolution. In addition, grant monies expected to be received from the Federal Emergency Management Agency ("FEMA") for these emergency repairs are also pledged to repay the Note, and such FEMA funds are expected to provide a substantial portion of the proceeds to repay the Note. The interest rates on the loan varied between 0.71% to 0.82% during 2015 and 2014. The fee on outstanding principal amounts was 0.50% during 2015 and 2014.

### 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 and Canal Systems. As such, these special bond programs are not reflected in the accompanying financial statements. The special bond programs require varying debt service payments which are funded under contractual agreements with the State of New York. The obligation of the State to make such payments is subject to, and dependent upon, annual appropriations by the State Legislature. These bond programs; however, result in no cost to the Authority and provide for no lien on Authority revenues or assets.

The following are descriptions of the Authority's special bond programs:

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge, and multi-modal capital project expenditures under established State programs. The Authority did not issue Local Highway and Bridge Service Contract Bonds in 2015. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$440,075,000 and \$596,500,000 at December 31, 2015 and 2014, 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 2015. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$3,172,080,000 and \$5,480,995,000 at December 31, 2015 and 2014, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 6 - Special Bond Programs - Continued

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 2015. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$2,472,475,000 and \$2,650,470,000 at December 31, 2015 and 2014, 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).

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*

At December 31, 2015, the Thruway Authority and Canal Corporation reported liabilities of \$18,375,000 and \$3,018,000, respectively, resulting in a combined liability of \$21,393,000 for the Authority's proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014. The Authority's 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 date. At the March 31, 2015 measurement date, the Thruway Authority's and Canal Corporation's proportionate shares were .54% and .09%, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 7 - Retirement Benefits - Continued

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

For the year ended December 31, 2015, the Thruway Authority and Canal Corporation recognized pension expense of \$16,581,000 and \$2,690,000, respectively; resulting in total pension expense for the Authority of \$19,271,000. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 685	\$ -
Net differences between projected and actual investment earnings on pension plan investments	3,715	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	359
Authority contributions subsequent to the measurement date	28,815	-
Total	\$ 33,215	\$ 359

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. 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,	
2016	\$ 1,010
2017	1,010
2018	1,010
2019	1,011
Total	\$ 4,041

*d. Actuarial Assumptions*

The actuarial assumptions used in the April 1, 2014 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2015 were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale ERS	4.9 percent, indexed by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 7 - Retirement Benefits - Continued

*d. Actuarial Assumptions - Continued*

The long-term expected rate of return on ERS's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance.

*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	38.00%	7.3%
International equity	13.00%	8.6%
Private equity	10.00%	11.0%
Real estate	8.00%	8.3%
Domestic fixed income securities	2.00%	4.0%
Bonds and mortgages	18.00%	4.0%
Short-term	2.00%	2.3%
Other	9.00%	6.8%-8.6%
	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 (asset) calculated using the discount rate of 7.5 % and the impact of using a discount rate that is 1% higher or lower than the current rate (in thousands).

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	\$ 142,595	\$ 21,393	\$ (80,932)

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### 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, 2015, were as follows (amounts in thousands):

Employers' total pension liability	\$ 164,591,054
Plan net position	<u>(161,213,259)</u>
 Employers' net pension liability	 <u><u>\$ 3,377,795</u></u>
 Ratio of plan net position to the employers' total pension liability	  <u><u>97.9%</u></u>

### 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, 2015 and 2014 (in thousands):

	2015			2014
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	\$ 1,379,929	\$ 290,518	\$ 1,670,447	\$ 1,498,215
Unfunded accrued liability	1,031,917	208,725	1,240,642	1,111,198
Annual required contribution (30-year amortization)	72,457	15,703	88,160	80,140
Annual OPEB cost	70,980	15,381	86,361	78,561
Valuation payroll	121,712	21,809	143,521	148,847
Annual OPEB expense (as % of payroll)	58.3%	70.5%	60.2%	52.8%
Expected benefit payment	27,033	4,983	32,016	30,463

Actuarial valuations, the most recent of which was completed as of December 2015, 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 9 - Other Postemployment Benefits - Continued

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

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

#### *a. Plan Types*

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

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

#### *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 100% 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. Effective April 1, 2016, contribution requirements for certain retirees will be increased to 6% of premiums for individual coverage.

#### *d. Survivor Benefit*

\$3,000 payable to retiree's designated beneficiary.

#### *e. Funding Policy*

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 9 - Other Postemployment Benefits - Continued

*e. Funding Policy - Continued*

The following summary schedule presents the Annual OPEB Cost and Net OPEB obligation for the years ended December 31, 2015, 2014, and 2013 (in thousands):

	2015	2014	2013
Normal cost	\$ 39,061	\$ 36,164	\$ 34,673
Amortization of unfunded actuarial accrued liability	49,099	43,976	42,043
Annual required contribution (ARC)	<u>88,160</u>	<u>80,140</u>	<u>76,716</u>
Interest on net OPEB obligation	13,764	12,080	10,419
Adjustment to ARC	<u>(15,563)</u>	<u>(13,659)</u>	<u>(11,781)</u>
Annual OPEB cost	86,361	78,561	75,354
Contribution/expected benefit payment	<u>(32,016)</u>	<u>(30,463)</u>	<u>(27,895)</u>
Increase in net OPEB obligation	54,345	48,098	47,459
Net OPEB obligation, <i>beginning of year</i>	<u>393,248</u>	<u>345,150</u>	<u>297,691</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$ 447,593</u></u>	<u><u>\$ 393,248</u></u>	<u><u>\$ 345,150</u></u>

The annual OPEB costs are recorded in the Authority's 2015 and 2014 statements of revenue, expenses, and changes in net position in the amount of \$86,361,000 and \$78,561,000, respectively. The Thruway Authority OPEB costs are recorded as a component of general charges, and the Canal Corporation OPEB costs are recorded as a component of Canals. The net OPEB obligation is recorded in the Authority's statements of net position as a component of other long-term liabilities in the amount of \$447,593,000 and \$393,248,000, at December 31, 2015 and 2014, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 through 2015 are as follows (in thousands):

Year Ended	Annual OPEB Cost	Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 75,354	37.0%	\$ 345,150
12/31/2014	78,561	38.8%	393,248
12/31/2015	86,361	37.1%	447,593

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%
2015 trend rate (Med/Rx)	4.70%
Ultimate Medical/Rx cost trend rate	3.90%
Year ultimate trend rate reached	2083
Annual payroll growth rate	2.50%
Actuarial cost method	Entry Age Normal
Remaining amortization period at December 31, 2015	30 years
Amortization method	30 year level percentage of payroll

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 10 - Thruway Stabilization Program

The State of New York, as part of its 2015-2016 enacted budget, created a \$1.285 billion Thruway Stabilization Program for the payment of costs related to the New NY Bridge and bridge-related transportation improvements, and for other costs of the Thruway Authority including, but not limited to, its core capital program. The Authority has elected to use \$750 million of these funds to pay for New NY Bridge related costs and \$535 million to pay for capital program costs other than the New NY Bridge. During 2015, \$540.8 million of capital contributions resulting from this program were reported in the Authority's statement of revenues, expenses, and changes in net position. The contributed capital consisted of \$387.4 million of payments made by the State of New York directly to contractors working on the New NY Bridge and an additional \$153.4 million for monies owed by the State of New York to Authority contractors for work performed on the New NY Bridge that had not been paid for as of December 31, 2015.

### 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.

Changes in the Authority's claims liability amounts in years 2013 through 2015 were as follows (in thousands):

		Current Year		
	Beginning of Year Liability	Claims and Changes in Payments Estimates	Claim Liability Payments	End of Year Liability
2013	\$ 900	\$ 2,350	\$ -	\$ 3,250
2014	3,250	5,273	(275)	8,248
2015	8,248	(947)	(3,301)	4,000

In addition, there are claims where liability is not probable, but is possible and estimable. The estimated loss on these claims approximated \$12.7 million at December 31, 2015, 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 11 - Contingencies and Commitments - Continued

#### *b. Insurance*

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

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self-insured for third-party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$15.7 million.

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

#### *c. Construction Commitments*

At December 31, 2015, the amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract are as follows:

<u>Project</u>	<u>Commitments (in thousands)</u>
Highway, bridge and facility, construction, and design	\$ 1,558,500
Personal service and miscellaneous	133,400
Canal	<u>48,500</u>
 Total	 <u><u>\$ 1,740,400</u></u>

#### *d. Environmental Remediation*

At December 31, 2015, the Authority recorded in its financial statements a cost estimate for environmental remediation at a number of sites on Thruway Authority and Canal Corporation property. These sites have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs were developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2015. 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### Note 11 - Contingencies and Commitments - Continued

#### d. Environmental Remediation - Continued

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 2013 to 2015 were as follows (in thousands):

	Beginning of Year Liability	Current Year		End of Year Liability
		Estimate Changes	Payments Made	
2013	\$ 2,619	\$ 871	\$ (974)	\$ 2,516
2014	2,516	302	(711)	2,107
2015	2,107	(23)	(1,064)	1,020

#### e. Lease Revenue

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

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2015:

Year	Future Minimum Lease Revenue (in thousands)
2016	\$ 14,300
2017	14,300
2018	12,300
2019	12,300
2020	3,100
Thereafter	13,500
Total	<u>\$ 69,800</u>

### Note 12 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements. The provisions of GASB 72 are effective for fiscal years beginning after June 15, 2015.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2015 and 2014

### **Note 12 - Accounting Standards Issued But Not Yet Implemented - Continued**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 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 addresses requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years 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.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
December 31, 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%

See Independent Auditor's Report.

# 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

	<u>2015</u>
Authority's proportion of the net pension liability	0.633266%
Authority's proportionate share of the net pension liability	\$ 21,393
Authority's covered-employee payroll	\$ 173,658
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.32%
Plan fiduciary net position as a percentage of the total pension liability	97.95%

# 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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 28,815	\$ 30,537	\$ 35,800	\$ 34,627	\$ 37,125	\$ 22,132	\$ 12,682	\$ 14,685	\$ 18,137	\$ 20,660
Contributions in relation to the contractually required contribution	28,815	30,537	35,800	34,627	37,125	22,132	12,682	14,685	18,137	20,660
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	164,994	176,546	174,784	183,464	181,625	186,206	187,805	182,433	183,657	183,851
Contribution as a percentage of covered-employee payroll	17.46%	17.30%	20.48%	18.87%	20.44%	11.89%	6.75%	8.05%	9.88%	11.24%

*See Independent Auditor's Report.*