

New York State Thruway Authority

(A Component Unit of the State of New York)

Financial Statements

December 31, 2019 and 2018

New York State Thruway Authority

(A Component Unit of the State of New York)

Financial Statements

December 31, 2019 and 2018

CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Financial Statements	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16-17
Notes to Financial Statements	18-49
Required Supplementary Information	
Schedule of Other Postemployment Benefits Liability	50
Schedule of the Proportionate Share of the Net Pension Liability	51
Schedule of Pension Contributions	52



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Thruway Authority (the Authority), a component unit of the State of New York, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018, 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.

Other Matter

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the information listed under required supplementary information in the accompanying table of contents 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 audits 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 30, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
March 30, 2020



New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2019 and 2018

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 years ended December 31, 2019 and 2018. 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.

2019 Financial Highlights

- Total operating revenue was \$814.1 million, an increase of \$14.7 million, or 1.8% compared to 2018. Tolls and related revenue for the year was \$775.0 million, an increase of \$8.6 million, or 1.1% compared to 2018.
- Total operating expenses, excluding depreciation and amortization, were \$461.8 million, an increase of \$4.6 million, or 1.0% compared to 2018.
- Net position as of December 31, 2019 was \$1.22 billion, an increase of \$111.8 million, or 10.1% compared to December 31, 2018.
- Total capital assets (net of depreciation) as of December 31, 2019 were \$7.51 billion, an increase of \$195.0 million, or 2.7% compared to December 31, 2018.
- Construction of the shared use path on the Governor Mario M. Cuomo Bridge, as well as new maintenance and state police buildings adjacent to the bridge continued in 2019. Both spans of the bridge were opened to traffic prior to 2019. A total of \$3.97 billion has been invested in the project through December 31, 2019, of which \$134.1 million was invested during 2019.
- The State of New York has committed \$1.99 billion to fund the Governor Mario M. Cuomo Bridge and other Thruway capital projects via the Thruway Stabilization Program. Since the inception of the program in 2015, the State of New York has contributed \$1.92 billion to the Authority, including \$295.3 million in 2019.

2018 Financial Highlights

- Total operating revenue was \$799.4 million, an increase of \$7.2 million, or 0.9% compared to 2017. Tolls and related revenue for the year was \$766.4 million, an increase of \$3.0 million, or 0.4% compared to 2017.
- Total operating expenses, excluding depreciation and amortization, were \$457.2 million, an increase of \$14.4 million, or 3.3% compared to 2017.
- Net position as of December 31, 2018 was \$1.11 billion, an increase of \$316.7 million, or 39.9% compared to December 31, 2017.
- Total capital assets (net of depreciation) as of December 31, 2018 were \$7.31 billion, an increase of \$267.8 million, or 3.8% compared to December 31, 2017.
- Construction of the Governor Mario M. Cuomo Bridge continued into 2018 with the second span being opened to traffic in September of 2018. The first span opened to traffic in August of 2017. A total of \$3.84 billion has been invested in the project through December 31, 2018, of which \$275.7 million was invested during 2018.
- The State of New York has committed \$1.99 billion to fund the Governor Mario M. Cuomo Bridge and other Thruway capital projects via the Thruway Stabilization Program. In 2018, the State of New York contributed \$1.62 billion to the Authority as of December 31, 2018.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Overview of the Financial Statements

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

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

The Authority is considered a special-purpose government engaged in business-type activities and follows financial reporting for enterprise funds. The Authority's financial statements are prepared in conformity 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.

On January 1, 2017, the New York State Canal Corporation was transferred from the Authority to the New York State Power Authority. Additionally, during 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect of the transfer of the New York State Canal Corporation to the New York State Power Authority and adoption of GASB Statement No. 75 must be considered when comparing the Authority's financial results as of and for the years ended December 31, 2019, 2018 and 2017.

Financial Analysis of the Authority

Net Position

The Authority's net position at December 31, 2019 was approximately \$1.22 billion, a 10.1% increase compared to December 31, 2018 (see Table A-1). In 2019, total assets increased 3.2% to \$8.78 billion, and total liabilities increased 0.6% to \$7.52 billion. The Authority's net position at December 31, 2018 was approximately \$1.11 billion, a 39.9% increase compared to December 31, 2017. In 2018, total assets increased 2.8% to \$8.51 billion and total liabilities decreased 0.9% to \$7.47 billion.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Financial Analysis of the Authority - Continued

Net Position - Continued

Table A-1

Net Position
December 31, 2019, 2018, and 2017
(In millions of dollars)

	2019	2018 (Restated)	2017 (Restated)	Percentage Change 2019-2018
Unrestricted current assets	\$ 473.9	\$ 480.3	\$ 453.0	(1.3)
Restricted assets	803.2	719.7	782.5	11.6
Capital assets	7,506.2	7,311.2	7,043.4	2.7
Total assets	<u>8,783.3</u>	<u>8,511.2</u>	<u>8,278.9</u>	<u>3.2</u>
Deferred outflows	<u>113.3</u>	<u>149.2</u>	<u>61.6</u>	<u>(24.1)</u>
Current liabilities	584.0	604.6	628.1	(3.4)
Noncurrent liabilities	<u>6,935.1</u>	<u>6,868.6</u>	<u>6,909.7</u>	<u>1.0</u>
Total liabilities	<u>7,519.1</u>	<u>7,473.2</u>	<u>7,537.8</u>	<u>0.6</u>
Deferred inflows	<u>154.9</u>	<u>76.4</u>	<u>8.6</u>	<u>102.7</u>
Total net position	<u>\$ 1,222.6</u>	<u>\$ 1,110.8</u>	<u>\$ 794.1</u>	<u>10.1</u>

Restricted assets increased \$83.5 million, or 11.6% compared to 2018. The increase is primarily due to the issuance of General Revenue Junior Indebtedness Obligations, Series 2019B which generated \$250.2 million of proceeds that will be used to fund certain interest costs related to the General Revenue Junior Indebtedness Obligations, Series 2019B, as well as pay Governor Mario M. Cuomo Bridge project costs. This increase was partially offset by the use of restricted assets, consisting of Thruway Stabilization Program revenues and Thruway revenues throughout 2019 to fund the Authority's capital program. Additional information regarding restricted assets, issuance of General Revenue Junior Indebtedness Obligations, Series 2019B and the Thruway Stabilization Program is presented in Notes 4, 5 and 10, respectively.

Capital assets increased \$195.0 million, or 2.7% compared to 2018. The increase is primarily due to the Authority's significant and ongoing investment in infrastructure. Additional information regarding capital assets is presented in Note 3.

Noncurrent liabilities increased \$66.5 million, or 1.0% compared to 2018. The increase is primarily due to the issuance of General Revenue Junior Indebtedness Obligations, Series 2019B. This increase was partially offset by a reduction in the Authority's postemployment benefit obligations. Additional information regarding outstanding debt and postemployment benefit obligations is presented in Notes 5 and 9, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2019 and 2018

Financial Analysis of the Authority - Continued

Changes in Net Position

Net position increased by \$111.8 million in 2019 (see Table A-2). The Authority's total operating revenues for 2019 were \$814.1 million, an increase of \$14.7 million, or 1.8% compared to 2018. Total operating expenses for 2019 were \$789.8 million, a decrease of \$21.1 million, or 2.6% compared to 2018. Net position increased by \$316.7 million in 2018. The Authority's total operating revenues for 2018 were \$799.4 million, an increase of \$7.2 million, or 0.9% compared to 2017. Total operating expenses for 2018 were \$810.9 million, a decrease of \$70.9 million, or 8.0% compared to 2017.

Table A-2

Changes in Net Position
Years ended December 31, 2019, 2018, and 2017
(In millions of dollars)

	2019	2018	2017	Percentage Change 2019-2018
OPERATING REVENUE				
Tolls and related revenues	\$ 775.0	\$ 766.4	\$ 763.4	1.1
Concessions	14.8	14.9	14.9	(0.7)
Other	24.3	18.1	13.9	34.3
Total operating revenue	<u>814.1</u>	<u>799.4</u>	<u>792.2</u>	<u>1.8</u>
OPERATING EXPENSES				
Salaries	143.6	146.0	140.8	(1.6)
Post employment obligations	60.0	83.3	69.3	(28.0)
Employee benefits	70.9	64.6	67.4	9.8
State Police - Troop T services	62.6	58.1	60.6	7.7
Professional and other services	61.8	51.1	45.5	20.9
Supplies, materials and rentals	27.9	26.2	21.6	6.5
Maintenance and repairs	20.3	16.6	18.7	22.3
Utilities	6.0	6.3	5.6	(4.8)
Insurance and claims	7.6	4.3	5.0	76.7
Equipment	1.0	0.6	1.2	66.7
Other	0.1	0.1	7.1	-
Depreciation and amortization	328.0	353.7	439.0	(7.3)
Total operating expenses	<u>\$ 789.8</u>	<u>\$ 810.9</u>	<u>\$ 881.8</u>	<u>\$ (2.6)</u>
Operating income (loss)	<u>24.3</u>	<u>(11.5)</u>	<u>(89.6)</u>	<u>(311.3)</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Financial Analysis of the Authority - Continued

Changes in Net Position - Continued

Table A-2 (Continued)

Changes in Net Position
Years ended December 31, 2019, 2018, and 2017
(In millions of dollars)

	2019	2018	2017	Percentage Change 2019-2018
NON-OPERATING ITEMS				
Investment income	6.1	5.5	2.9	10.9
Interest expense	(205.7)	(178.9)	(161.4)	15.0
Debt issuance expense	(13.0)	(2.9)	-	348.3
Non-operating revenue	3.4	8.1	3.8	(58.0)
Gain (loss) on disposals and other	(0.8)	(0.5)	(0.3)	60.0
Net non-operating items	(210.0)	(168.7)	(155.0)	24.5
Loss before capital contributions and special item	(185.7)	(180.2)	(244.6)	3.1
Capital contributions	297.5	496.9	287.7	(40.1)
Special item - Transfer of Canal Corporation	-	-	(539.5)	-
CHANGE IN NET POSITION	111.8	316.7	(496.4)	(64.7)
NET POSITION, beginning of year	1,110.8	794.1	1,798.7	39.9
NET POSITION, end of year prior to restatement	1,222.6	1,110.8	1,302.3	10.1
Effect of adoption of GASB 75	-	-	(508.2)	-
NET POSITION, end of year, as restated	\$ 1,222.6	\$ 1,110.8	\$ 794.1	10.1

Tolls and related revenues increased \$8.6 million, or 1.1% compared to 2018. This increase is primarily due to an increase in E-ZPass and Tolls by Mail fees resulting from cashless tolling being in place for a full year at the North and South Grand Island Bridges, and at tolling stations in Harriman, Yonkers, New Rochelle and Spring Valley. A system wide increase in commercial truck traffic also contributed to this increase.

Other revenues increased \$6.2 million or 34.3% compared to 2018. This increase is primarily due to higher interest rates on investments with an original maturity of three months or less; as well as interest earned on \$1.6 billion of Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan proceeds. Additional information regarding the TIFIA Loan 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, 2019 and 2018

Financial Analysis of the Authority - Continued

Changes in Net Position - Continued

Salary costs decreased \$2.4 million, or 1.6% compared to 2018. This decrease is primarily due to an incentive program, established and accrued for in 2018, aimed at retaining toll collection employees during the Authority's transition to cashless tolling. Additional information regarding the Authority's transition to cashless tolling is presented in the Other Significant Matters section of the Management's Discussion and Analysis.

Postemployment benefit obligations decreased \$23.3 million, or 28.0% compared to 2018. Postemployment benefit obligations consist primarily of health insurance benefits provided to retirees. Additional information regarding postemployment benefits other than pensions is presented in Note 9.

Employee benefit costs increased \$6.3 million, or 9.8% compared to 2018. This increase is primarily due to higher costs related to the Authority's participation in the New York State and Local Employees' Retirement System (ERS). Additional information regarding the Authority's participation in ERS is presented in Note 7.

Professional and other services increased \$10.7 million, or 20.9% compared to 2018. This increase is primarily due to the Authority's ongoing shift from cash-based toll collection to cashless tolling. The Authority's cashless tolling programs, E-ZPass and Tolls by Mail, are administered by a third-party service provider. Additional information regarding the Authority's transition to cashless tolling is presented in the Other Significant Matters section of the Management's Discussion and Analysis.

Depreciation and amortization decreased \$25.7 million, or 7.3% compared to 2018. Effective January 1, 2018, the Authority changed its estimated useful life for pavement resurfacing projects on the mainline of the Thruway System from 10 years to 8 years. In 2018, the Authority recognized \$59 million of additional depreciation expense related to the change in the useful life. The additional depreciation expense recognized in 2018 is the primary reason for the decrease in depreciation and amortization costs in 2019.

Interest expense increased \$26.8 million, or 15.0% compared to 2018. This increase is primarily due to the adoption of GASB 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. GASB 89 eliminated the capitalization of interest costs associated with capital projects beginning with our fiscal year ended December 31, 2019. The Authority's total interest expense for 2019 is \$205.7 million, all of which is reflected as interest expense on the Statement of Changes in Net Position. The Authority's total interest expense for 2018 is \$202.8 million, of which \$23.6 million was capitalized, and an additional \$0.3 million was offset against interest earned on the proceeds of various debt issuances, resulting in 2018 net interest expense of \$178.9 million being reflected as interest expense on the Statement of Changes in Net Position.

Capital contributions decreased \$199.4 million, or 40.1% compared to 2018. The decrease is primarily due to the timing of when the Authority used Thruway Stabilization Program contributions from the State of New York to fund capital projects including the Governor Mario M. Cuomo Bridge project. Additional information regarding the Thruway Stabilization Program can be found in Note 10. In 2018, the State of New York also contributed \$55.0 million for construction of Welcome Centers in New Baltimore and Grand Island.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2019 and 2018

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2019, the Authority had invested approximately \$12.76 billion in capital assets, including roads, bridges, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$7.51 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$195.0 million or 2.7 % compared to December 31, 2018.

As of December 31, 2018, the Authority had invested approximately \$12.31 billion in capital assets, including roads, bridges, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets totaled approximately \$7.31 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately \$267.8 million, or 3.8% compared to December 31, 2017.

Table A-3

Capital Assets
December 31, 2019, 2018, and 2017
(In millions of dollars)

	2019	2018	2017	Percentage Change 2019-2018
Land and land improvements	\$ 815.5	\$ 806.1	\$ 801.8	1.2
Construction in progress	497.5	363.3	2,102.0	36.9
Thruway System	11,197.2	10,900.0	9,603.7	2.7
Equipment	246.3	241.2	233.5	2.1
Less accumulated depreciation	(5,250.3)	(4,999.4)	(5,697.6)	5.0
Total net capital assets	<u>\$ 7,506.2</u>	<u>\$ 7,311.2</u>	<u>\$ 7,043.4</u>	<u>2.7</u>

In 2019, construction work in progress increased \$134.2 million, or 36.9%. This increase is primarily due to the ongoing construction of new maintenance and state police buildings at the Governor Mario M. Cuomo Bridge, as well as a shared use path on the bridge. Other significant projects in progress as of December 31, 2019 include a project to convert the mainline of the Thruway System to cashless tolling and a project to rehabilitate Interstate 95 from Port Chester to the Connecticut state line.

Net additions to the Thruway System during 2019 were \$297.2 million, or 2.7%. This increase was primarily due to the completion of five bridge replacements at various locations across the system and a pavement rehabilitation project between mileposts 427.7 and 430.4 in Buffalo. Additional investments in 2019 for assets previously put into service also contributed to this increase. These assets include the Governor Mario M. Cuomo Bridge, as well as cashless tolling implementations at the New Rochelle, Harriman, Spring Valley and Yonkers barriers in the lower Hudson Valley region and at the Grand Island Bridges in western New York.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Capital Assets and Debt Administration - Continued

Capital Assets - Continued

In 2018, construction work in progress decreased \$1.74 billion, or 82.7%. This decrease is primarily due to the eastbound span of the Governor Mario M. Cuomo Bridge being placed in service. Significant projects in progress as of December 31, 2018 included the ongoing construction of new maintenance and police buildings at the Governor Mario M. Cuomo Bridge and a project south of Buffalo to replace one bridge, rehabilitate several other bridges and repave the highway in the same area.

Net additions to the Thruway System during 2018 were \$1.3 billion. This increase was primarily due to the eastbound span of the Governor Mario M. Cuomo Bridge being placed in service, the completion of the Capital Region and Western New York Welcome Centers, the implementation of cashless tolling at the New Rochelle, Harriman, Spring Valley and Yonkers barriers in the lower Hudson Valley region and at the Grand Island Bridges in western New York, pavement rehabilitations completed between Exits 31 and 38 and Exits 42 and 44, as well as the replacement of the Route 32 bridge over the Thruway mainline near milepost 68. These increases were partially offset by the retirement of the Tappan Zee Bridge.

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. Authority bond and note sales may be negotiated or sold competitively. The terms and conditions of Authority negotiated 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 described in the General Revenue Bond Resolution, as amended, including funding the Authority's Multi-Year Capital Plan, exclusive of the New NY Bridge project. Junior indebtedness obligations are issued pursuant to the Authority's Resolution Authorizing General Revenue 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 incurred through project completion.

Long-term debt includes general revenue bonds and junior indebtedness obligations of varying rates and maturities issued primarily to fund a portion of the Authority's Multi-Year Capital Plan and New NY Bridge Project costs for construction of the Governor Mario M. Cuomo Bridge. At December 31, 2019, the Authority had approximately \$6.03 billion in general revenue bonds and junior indebtedness obligations outstanding, an increase of \$169.7 million or approximately 2.9% compared to the amount of general revenue bonds and junior indebtedness obligations outstanding as of December 31, 2018 (see Table A-4).

In April 2019, the Authority issued General Revenue Junior Indebtedness Obligation Anticipation Notes, Series 2019A which generated proceeds of \$1.60 billion. These proceeds were used to defease the outstanding principal on the Series 2013A General Revenue Junior Indebtedness Obligations. The General Revenue Junior Indebtedness Obligation Anticipation Notes were scheduled to mature on February 1, 2020 but were defeased in part in September 2019 and in full in October 2019.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Capital Assets and Debt Administration - Continued

Debt Administration - Continued

In September 2019, the Authority made a \$1.6 billion draw on the full amount of the TIFIA Loan, authorized and secured by the issuance of General Revenue Junior Indebtedness Obligations, Series 2013B in December 2013. As a result, the 2013B General Revenue Junior Indebtedness Obligations generated proceeds of \$1.60 billion. The proceeds were used to partially defease outstanding principal and interest on the General Revenue Junior Indebtedness Obligation Anticipation Notes, Series 2019A in September 2019 and fully defease the General Revenue Junior Indebtedness Obligation Anticipation Notes, Series 2019A in October 2019.

In October 2019, the Authority issued General Revenue Bonds, Series M, concurrently with General Revenue Junior Indebtedness Obligations, Series 2019B which collectively generated proceeds of \$2.55 billion. The proceeds were used to refund outstanding General Revenue Bonds, Series I, and General Revenue Junior Indebtedness Obligations, Series 2013B (TIFIA Loan).

Of the \$3.19 billion in general revenue bonds outstanding, approximately \$25.1 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and are rated A1 by Moody's and AA by Standard and Poor's (S&P). The Authority's remaining general revenue bonds are rated A1 by Moody's and A by S&P. Of the \$2.84 billion in junior indebtedness obligations outstanding, approximately \$362.2 million are insured by Assured Guaranty Municipal Corp and are rated A2 by Moody's and AA by S&P. The remaining junior indebtedness obligations are rated A2 by Moody's and A- by S&P.

At December 31, 2018, the Authority had approximately \$5.86 billion in general revenue bonds and junior indebtedness obligations, a decrease of \$178.9 million, or 2.96% from December 31, 2017.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Capital Assets and Debt Administration - Continued

Debt Administration - Continued

Table A-4

Outstanding Debt
Years ended December 31, 2019 and 2018
(In millions of dollars)

	Year Ended December 31, 2019			Ending Balance
	Beginning Balance	Additions	Reductions	
General revenue bonds	\$ 3,274.2	\$ 857.6	\$ (941.4)	\$ 3,190.4
Junior indebtedness obligations	2,583.9	5,072.4	(4,818.9)	2,837.4
Total bonds and notes	<u>\$ 5,858.1</u>	<u>\$ 5,930.0</u>	<u>\$ (5,760.3)</u>	<u>\$ 6,027.8</u>
	Year Ended December 31, 2018			Ending Balance
	Beginning Balance	Additions	Reductions	
General revenue bonds	\$ 3,408.2	\$ 667.3	\$ (801.3)	\$ 3,274.2
Junior indebtedness obligations	2,628.8	-	(44.9)	2,583.9
Total bonds and notes	<u>\$ 6,037.0</u>	<u>\$ 667.3</u>	<u>(846.2)</u>	<u>\$ 5,858.1</u>

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

Other Significant Matters

Governor Mario M. Cuomo Bridge

In January 2013, the Authority entered into a design-build agreement to construct the Governor Mario M. Cuomo Bridge (then known as the New NY Bridge) to replace the existing Tappan Zee Bridge. The Governor Mario M. Cuomo Bridge is a twin-span structure crossing the Hudson River between Rockland and Westchester Counties. The bridge has a 100-year design life and consists of eight general purpose lanes, as well as emergency access lanes. The bridge conforms to current seismic, safety, and geometric requirements; has adequate shoulders to manage traffic incidents and emergencies; and will soon be able to accommodate bicycle and pedestrian use. The westbound span of the bridge was placed in service in August of 2017 and the eastbound span was placed in service in September of 2018. Construction of a shared use path to accommodate bicycle and pedestrian use on the bridge, as well new maintenance and state police buildings adjacent to the bridge continued throughout 2019. Through December 31, 2019, costs of \$3.97 billion have been incurred on the project, \$134.1 million of which was spent in 2019.

Additional information regarding the Governor Mario M. Cuomo Bridge is available at www.newnybridge.com.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2019 and 2018

Other Significant Matters - Continued

Thruway Stabilization Program

In 2015, the State of New York created the \$1.285 billion Thruway Stabilization Program to partially fund the Governor Mario M. Cuomo Bridge, as well as other Thruway capital projects. In 2016, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. Through December 31, 2019, the program has provided \$1.915 billion to the Authority, consisting of \$1.2 billion for the Governor Mario M. Cuomo Bridge and \$715.2 million for other Thruway capital projects. Additional information regarding the Thruway Stabilization Program is presented in Note 10.

Cashless Tolling

The Authority has committed to implementing cashless tolling system-wide by the end of 2020 and continues to make progress toward this goal. Cashless tolling allows customers to pay their tolls without stopping at a toll booth. Customers with an E-ZPass account have their toll information collected via an E-ZPass tag installed in their vehicles. Customers without E-ZPass have an image of their license plate captured and the registered owner of the vehicle is sent an invoice for their tolls (Tolls by Mail). In 2016, cashless tolling was implemented at the Governor Mario M. Cuomo Bridge. In 2018, the Authority implemented cashless tolling at the North and South Grand Island Bridges, and at tolling stations in Harriman, Yonkers, New Rochelle and Spring Valley. In 2019, the Authority entered into a design-build agreement to convert the remainder of the Thruway system to cashless tolling by the end of 2020.

Subsequent Events

Bond Issuance

In March 2020, the Authority issued General Revenue Bonds, Series N, generating proceeds of \$536.7 million. These proceeds will be used to fund a portion of the Authority's capital program, fund a portion of interest on the bonds, satisfy debt service reserve requirements and to pay costs of issuance.

COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic in the face of the global spread of the virus. The outbreak is having an adverse and material impact on the financial condition and operating results of the Authority. Additional information regarding COVID-19 and its impact on the Authority is presented in Note 13.

State of New York's Executive Budget Proposals for Fiscal Year 2020-2021

The State of New York's Executive Budget proposal for the State's fiscal year beginning April 1, 2020 contains proposed legislation that would merge the New York State Bridge Authority into the Authority.

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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Statements of Net Position (in thousands of dollars)

	December 31,	
	2019	2018
		(Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 379,282	\$ 377,073
Investments	6,288	6,015
Receivables, net	64,150	76,181
Material and other supplies	20,129	18,982
Prepaid items	4,047	2,057
Restricted assets	299,702	347,230
Total current assets	773,598	827,538
NON-CURRENT ASSETS		
Restricted assets	503,462	372,477
Capital assets, not being depreciated	1,313,048	1,169,500
Capital assets, net of accumulated depreciation	6,193,156	6,141,732
Total non-current assets	8,009,666	7,683,709
Total assets	8,783,264	8,511,247
DEFERRED OUTFLOWS OF RESOURCES		
	113,344	149,238
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	257,348	268,245
Unearned revenue	112,888	97,984
Accrued interest payable	87,308	132,583
Bonds payable due within one year	126,482	105,783
Total current liabilities	584,026	604,595
NON-CURRENT LIABILITIES		
Bonds payable	5,901,315	5,752,274
Other long-term liabilities	1,033,718	1,116,355
Total non-current liabilities	6,935,033	6,868,629
Total liabilities	7,519,059	7,473,224
DEFERRED INFLOWS OF RESOURCES		
	154,930	76,458
NET POSITION		
Net investment in capital assets	1,948,527	1,694,741
Restricted for		
Debt service	96,644	71,759
Capital	45,103	126,713
Unrestricted (deficit)	(867,655)	(782,410)
Total net position	\$ 1,222,619	\$ 1,110,803

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,	
	2019	2018
OPERATING REVENUES		
Tolls and related revenues	\$ 774,979	\$ 766,418
Concessions	14,778	14,880
Other	24,400	18,103
Total operating revenues	814,157	799,401
OPERATING EXPENSES		
Salaries	143,552	146,001
Postemployment obligations	60,033	83,251
Employee benefits	70,931	64,602
State Police - Troop T services	62,563	58,143
Professional and other services	61,838	51,008
Supplies, materials and rentals	27,933	26,169
Maintenance and repairs	20,284	16,607
Utilities	6,047	6,317
Insurance and claims	7,584	4,285
Equipment	1,007	595
Other	94	120
Depreciation and amortization	327,953	353,732
Total operating expenses	789,819	810,830
Operating income (loss)	24,338	(11,429)
NON-OPERATING REVENUES AND EXPENSES		
Investment income	6,104	5,493
Interest expense	(205,742)	(178,894)
Debt issuance cost	(12,994)	(2,932)
Federal, state and other aid	3,371	8,074
Loss on disposal of assets	(783)	(469)
Net non-operating items	(210,044)	(168,728)
Loss before capital contributions	(185,706)	(180,157)
CAPITAL CONTRIBUTIONS	297,522	496,898
CHANGE IN NET POSITION	111,816	316,741
NET POSITION, <i>beginning of year</i>	1,110,803	794,062
NET POSITION, <i>end of year</i>	\$ 1,222,619	\$ 1,110,803

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)

	Years Ended December 31,	
	2019	2018
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from collection of tolls and related revenues	\$ 804,881	\$ 776,277
Cash received from concession sales	14,485	15,065
Other operating cash receipts	23,214	14,733
Personal service payments	(144,041)	(150,486)
Employee benefits payments	(101,850)	(103,686)
E-ZPass and tolls by mail account management payments	(47,006)	(42,454)
Cash payments to vendors and contractors	(111,803)	(133,275)
	437,880	376,174
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES		
Federal, state and other aid	1,277	47,988
CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	4,329,992	667,293
Proceeds from TIFIA Loan	1,600,000	-
Federal, state and other capital contributions	246,745	222,181
Acquisition/construction of capital assets	(411,740)	(342,785)
Principal paid on debt	(5,709,258)	(752,735)
Interest and issuance costs paid on debt	(318,286)	(275,427)
Proceeds from sale of capital assets	1,006	985
	(261,541)	(480,488)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of investments	(748,291)	(699,294)
Proceeds from sales and maturities of investments	846,442	739,856
Interest and dividends on investments	6,521	5,779
	104,672	46,341
Net increase (decrease) in cash and cash equivalents	282,288	(9,985)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	676,323	686,308
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 958,611	\$ 676,323

See accompanying Notes to Financial Statements.

New York State Thruway Authority

(A Component Unit of the State of New York)

Statements of Cash Flows - Continued (in thousands of dollars)

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 24,338	\$ (11,429)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	327,953	353,732
Net changes in assets, liabilities, deferred outflows and deferred inflows		
Receivables	14,125	(15,521)
Material and other supplies	(1,147)	(1,758)
Other assets	(62)	(377)
Accounts payables and accrued expenses	(56,607)	80,328
Deferred outflows	34,286	(85,714)
Deferred inflows	80,089	42,286
Unearned revenue	14,905	14,627
	<u>\$ 437,880</u>	<u>\$ 376,174</u>
RECONCILIATION TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 379,282	\$ 377,073
Restricted cash and cash equivalents (Note 2)	<u>579,329</u>	<u>299,250</u>
	<u>\$ 958,611</u>	<u>\$ 676,323</u>
NON-CASH CAPITAL ACTIVITIES		
Payments made to vendors by the State of New York under Thruway Stabilization Program	<u>\$ 149,078</u>	<u>\$ 243,270</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. An overview of the more significant accounting policies is described below:

a. Financial Reporting Entity

The New York State Thruway Authority (Authority) is a Public Benefit Corporation created by the New York State Legislature in 1950 to build, operate, and maintain the Thruway System. The Board of the Authority consists of seven members, appointed by the Governor, with the consent of the New York State Senate.

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

The State may, from time to time, also authorize the Authority by statute to undertake additional financing activities to finance primarily non-Authority transportation projects in the State. The Authority is responsible for administering these special bond programs as discussed in Note 6.

The 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, *The Financial Reporting Entity*, as amended, the Authority is considered a component unit of the State of New York because the Governor appoints all members of the Authority's Governing Board.

b. Basis of Accounting

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

The principal revenue of the Authority is toll revenue received from customers. The Authority also recognizes as operating revenue toll related fees, rent received from concessionaires from operating leases on concession property, special hauling fees charged to overweight or oversize vehicles, and certain revenue collected from the lease of property. Operating expenses include all costs required to operate, maintain, and administer the Thruway. All revenue and expenses not meeting this definition are reported as non-operating items.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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

b. Basis of Accounting - Continued

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

c. Cash, Cash Equivalents, and Investments

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

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

d. Estimates

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

e. Receivables

Receivables consist primarily of amounts attributable to the Authority's cashless tolling system, receivables from commercial transportation companies and Federal and State governments under various grant programs. Receivables attributable to commercial transportation companies with post-paid accounts are guaranteed by surety bonds and/or cash deposits. Receivables are reported net of an allowance for uncollectible amounts. The allowance for doubtful receivables amounted to \$12,895,000 and \$10,284,000 at December 31, 2019 and 2018, respectively.

f. Materials and Other Supplies

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

g. Unearned Revenue

Unearned revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and annual permit revenues collected in advance. E-ZPass customer accounts with negative balances (amounts due to the Authority) are reported as an offset to unearned revenue. At December 31, 2019 and 2018, E-ZPass accounts with negative balances, net of allowances for doubtful accounts, amount to \$1,765,000 and \$1,460,000, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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

h. Restricted Assets

Certain proceeds of Thruway revenue bonds and notes, as well as certain Thruway revenues, 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 that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining reserve funds at required levels.

i. Toll Revenues

Toll revenues are stated net of volume and other discounts of \$28,010,000 and \$28,037,000 for the years ended December 31, 2019 and 2018, respectively.

j. Pensions

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

k. Other Postemployment Benefits

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

l. Compensated Absences

Permanent employees of the Authority accrue vacation leave as part of their benefit package. Unused vacation days up to a maximum of 30 days are considered vested and paid upon retirement or termination. The liability for vested vacation leave approximates \$9,007,000 and \$8,970,000 at December 31, 2019 and 2018, respectively, and is recorded as a long-term liability.

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

m. Bond and Note Premiums

Bond and note premiums are presented as components of bonds payable. The premiums are amortized over the life of the bonds and notes on a basis that approximates the effective interest method. Net amortization related to bond and note premiums were approximately \$48,430,000 and \$62,003,000 for 2019 and 2018, respectively, and are included as an offset to interest expense.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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

n. *Deferred Outflows and Deferred Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows include amounts related to pensions (Note 7), other postemployment benefit obligations (Note 9), losses related to bond refundings and obligations associated with the retirement of certain assets (Note 11f).

The following schedule summarizes the Authority's deferred outflows of resources as of December 31, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Net pension liability	\$ 43,951	\$ 64,480
Postemployment benefit obligation	57,335	71,093
Bond refundings	8,333	9,165
Asset retirement obligations	<u>3,725</u>	<u>4,500</u>
Totals	<u>113,344</u>	<u>149,238</u>

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows include amounts related to pensions (Note 7), other postemployment benefit obligations (Note 9) and gains related to bond refundings.

The following schedule summarizes the Authority's deferred inflows of resources as of December 31, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Net pension liability	\$ 13,042	\$ 50,890
Postemployment benefit obligation	117,936	-
Bond refundings	<u>23,952</u>	<u>25,568</u>
Totals	<u>154,930</u>	<u>76,458</u>

o. *Net Position*

Net position is classified as follows:

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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

p. Capital Contributions

Capital contributions consist primarily of funds provided by the State of New York. Additional information regarding the State of New York's Thruway Stabilization Program is presented in Note 10.

q. Arbitrage

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements, and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability for the years ended December 31, 2019 and 2018.

r. Income Taxes

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

s. Non-Exchange Transactions

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

Tolls and related revenues include fees of \$35,095,000 and \$29,914,000 for the years ended December 31, 2019 and 2018, respectively.

Other non-exchange transactions of the Authority are disclosed in Note 10.

t. Adoption of Accounting Standards

During 2019, the Authority implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 requires legally enforceable liabilities associated with the retirement of tangible capital assets to be measured and reported in the Statement of Net Position. The implementation of GASB 83 was applied retroactively at December 31, 2018 as follows (in thousands):

	As Previously Stated	Adoption of GASB 83	As Restated
Deferred outflows of resources	\$ 144,738	\$ 4,500	\$ 149,238
Other long-term liabilities	\$ 1,111,855	\$ 4,500	\$ 1,116,355

Additional information regarding the Authority's asset retirement obligations is presented in Note 11f.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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

t. Adoption of Accounting Standards - Continued

During 2019, the Authority early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. GASB 89 requires that Authority interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result of the implementation of GASB 89, all interest incurred during the year ended December 31, 2019 is reported as an expense in the Statement of Revenue, Expenses and Changes in Net Position.

u. Reclassification

Certain amounts have been reclassified in the previously issued 2018 financial statements. Fees collected from E-ZPass and Tolls by Mail customers were previously included in Other revenue on the accompanying Statement of Revenues, Expenses and Changes in Net Position. Fees of \$29,914,000 have been reclassified within Tolls and related revenues. This reclassification did not result in a change to the Authority's net position for the year ended December 31, 2018. Other reclassifications are immaterial.

v. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 30, 2020, 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, 2019 and 2018, were as follows (in thousands):

	Carrying Value	
	2019	2018
Unrestricted		
Cash		
Demand deposits	\$ 123,911	\$ 92,632
Toll change funds	128	190
Total unrestricted cash	<u>124,039</u>	<u>92,822</u>
Cash equivalents		
U.S. government discount notes	18,208	9,573
U.S. treasury securities	89,320	211,577
Time Deposits	-	219
Commercial paper	147,715	62,882
Total unrestricted cash equivalents	<u>255,243</u>	<u>284,251</u>
Total unrestricted cash and cash equivalents	<u>\$ 379,282</u>	<u>\$ 377,073</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 2 - Cash and Investments - Continued

	Carrying Value	
	2019	2018
Restricted		
Cash		
Demand deposits	\$ 44,039	\$ 70,152
Other deposits	2,362	2,501
Total restricted cash	46,401	72,653
Cash equivalents		
U.S. government discount notes	92,578	80,138
U.S. treasury securities	358,258	96,479
Commercial paper	82,092	49,980
Total restricted cash equivalents	532,928	226,597
Total restricted cash and cash equivalents	\$ 579,329	\$ 299,250

	Carrying Value	
	2019	2018
Investments		
Unrestricted		
U.S. treasury securities	\$ 5,467	\$ 5,063
Time deposits	821	952
Total unrestricted investments	\$ 6,288	\$ 6,015
Restricted		
U.S. government discount notes	\$ -	\$ 26,047
Commercial paper	23,883	100,751
U.S. treasury securities	174,545	171,639
Total restricted investments	\$ 198,428	\$ 298,437

At December 31, 2019 and 2018, 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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 2 - Cash and Investments - Continued

securities acquired by a financial institution for the Authority and held by the Authority's trustee/custodian in the Authority's name. Bank balances, which are comprised of demand and other deposits, are fully insured or collateralized as of December 31, 2019 and 2018. Amounts are collateralized with securities transferred to and held by the Authority's trustee/custodian in the Authority's name.

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

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

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

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. The Authority owns approximately \$175 million in U.S. Government investments at December 31, 2019 that mature in 2021 and beyond.

As of December 31, 2019, the Authority had the following concentrations of investments:

	Credit Exposure Security	% of Total (Rating)
<u>Agency Obligations</u>		
Federal Home Loan Banks	A-1+/P-1/na	11.2%
<u>Commercial Paper</u>		
BMW US Capital	A-1/P-1/na	4.5%
Exxon Mobil Corp.	A-1+/P-1/na	6.2%
Koch Resources	A-1+/P-1/F1+	2.1%
Toronto Dominion HDG USA, INC	A-1+/P-1/na	13.2%
<u>U.S. Government Securities</u>		
Treasury Bills	A-1+/P-1/F1+	62.8%

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 3 - Capital Assets

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

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

<u>Category</u>	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Bridges	45-100 years	\$ 50,000
Bridge improvements	15 years	50,000
Highways	30 years	50,000
Highway improvements	8-10 years	50,000
Buildings	30 years	50,000
Fiber optic system	17 years	50,000
Equipment	2-12 years	5,000 - 50,000

The following schedules summarize the capital assets of the Authority and related changes for the years ended December 31, 2019 and 2018 (in thousands):

	December 31, 2018	Additions	Reductions	December 31, 2019
Capital assets, not being depreciated				
Land and land improvements	\$ 806,165	\$ 9,469	\$ (104)	\$ 815,530
Construction in progress	363,335	420,571	(286,388)	497,518
Total capital assets, not being depreciated	1,169,500	430,040	(286,492)	1,313,048
Capital assets, being depreciated				
Thruway System	10,899,960	348,263	(51,040)	11,197,183
Equipment	241,211	31,939	(26,822)	246,328
Total capital assets, being depreciated	11,141,171	380,202	(77,862)	11,443,511
Less accumulated depreciation for				
Thruway System	(4,865,787)	(305,973)	51,143	(5,120,617)
Equipment	(133,652)	(21,102)	25,016	(129,738)
Total accumulated depreciation	(4,999,439)	(327,075)	76,159	(5,250,355)
Net value of capital assets, being depreciated	6,141,732	53,127	(1,703)	6,193,156
Capital assets, net	\$ 7,311,232	\$ 483,167	\$ (288,195)	\$ 7,506,204

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 3 - Capital Assets - Continued

	December 31, 2017	Additions	Reductions	December 31, 2018
Capital assets, not being depreciated				
Land and land improvements	\$ 801,832	\$ 5,520	\$ (1,187)	\$ 806,165
Construction in progress	2,101,965	588,097	(2,326,727)	363,335
Total capital assets, not being depreciated	<u>2,903,797</u>	<u>593,617</u>	<u>(2,327,914)</u>	<u>1,169,500</u>
Capital assets, being depreciated				
Thruway System	9,603,712	2,327,041	(1,030,793)	10,899,960
Equipment	233,538	30,259	(22,586)	241,211
Total capital assets, being depreciated	<u>9,837,250</u>	<u>2,357,300</u>	<u>(1,053,379)</u>	<u>11,141,171</u>
Less accumulated depreciation for				
Thruway System	(5,563,209)	(333,371)	1,030,793	(4,865,787)
Equipment	(134,479)	(20,305)	21,132	(133,652)
Total accumulated depreciation	<u>(5,697,688)</u>	<u>(353,676)</u>	<u>1,051,925</u>	<u>(4,999,439)</u>
Net value of capital assets, being depreciated	<u>4,139,562</u>	<u>2,003,624</u>	<u>(1,454)</u>	<u>6,141,732</u>
Capital assets, net	<u>\$ 7,043,359</u>	<u>\$ 2,597,241</u>	<u>\$ (2,329,368)</u>	<u>\$ 7,311,232</u>

Depreciation expense related to capital assets was \$327,075,000 and \$353,676,000 for the years ended December 31, 2019 and 2018, respectively. The Authority periodically reviews and, when deemed necessary, adjusts the estimated useful lives of its capital assets.

Effective January 1, 2019, in accordance with GASB 89, the Authority no longer capitalizes interest costs related to the construction of capital assets. In 2018, the Authority incurred \$202.8 million of total interest expense, of which \$23.6 million was capitalized, and an additional \$0.3 million was offset against interest earned on the proceeds from various debt issuances.

The Authority monitors events and circumstances that cause significant and unexpected declines to the useful life of capital assets. When required, a loss is recognized to reduce the carrying value of an impaired capital asset. Impairment loss is reflected as a component of depreciation expense.

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, 2019 and 2018 (in thousands):

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 4 - Restricted Assets - Continued

	2019	2018
Restricted current		
Cash and cash equivalents	\$ 220,745	\$ 165,769
Investments	63,830	91,892
Interest receivable	109	-
Receivables	15,018	89,569
Total	299,702	347,230
Restricted non-current		
Cash and cash equivalents	358,584	133,481
Investments	134,598	206,545
Interest receivable	1,059	-
Receivables	2,697	24,241
Other	6,524	8,210
Total	503,462	372,477
Total restricted assets	\$ 803,164	\$ 719,707

The related balances at December 31, 2019 and 2018 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, 2019 and 2018 were \$152,313,000 and \$144,110,000, respectively.

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve-month period on all outstanding General Revenue Bonds secured by the Senior Debt Service Reserve Fund. Amounts held in this restricted fund at December 31, 2019 and 2018 were \$180,843,000 and \$180,973,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Amounts remaining upon completion or abandonment of such projects is required to be transferred to other funds in accordance with the terms outlined in the bond resolutions. The fund also holds in escrow monies received from the State of New York to fund the Authority's Multi-Year Capital Program. The amounts held in this restricted fund at December 31, 2019 and 2018 were \$19,361,000 and \$37,251,000, 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, 2019 and 2018 were \$65,094,000 and \$113,553,000, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 4 - Restricted Assets - Continued

Junior Indebtedness Fund: Established to hold moneys received from the sale of Junior Indebtedness Obligations. Amounts in the Junior Indebtedness Fund are used to: 1) fund the Facilities Capital Improvement Fund for a portion of the cost of the Authority's New NY Bridge Project as defined in the Junior Indebtedness Bond Resolution; 2) fund certain debt service payments on the Series 2013A, Series 2016A and Series 2019B Junior Indebtedness Obligations; and 3) satisfy the Junior Indebtedness Debt Service Reserve requirements on the Series 2016A and Series 2019B Junior Indebtedness Obligations. The amounts held in this restricted fund at December 31, 2019 and 2018 were \$334,947,000 and \$137,560,000, respectively.

Facilities Capital Improvement Fund: Established to hold funds determined to be necessary or appropriate by the Authority Board to fund project costs of facilities or to set up reserves to fund such costs. The Authority has elected to use this fund to hold certain revenues, debt proceeds, and other monies dedicated to the Governor Mario M. Cuomo Bridge. The amounts held in this restricted fund at December 31, 2019 and 2018, were \$48,244,000 and \$103,758,000, 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, 2019 and 2018 were \$2,362,000 and \$2,502,000, respectively.

Note 5 - Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities at December 31, 2019 and 2018, are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2018 Balance	Additions	Reductions	December 31, 2019 Balance	Due Within One Year
General revenue bonds						
2012 Series I	7/12	\$ 1,019,500	\$ -	\$ (817,170)	\$ 202,330	\$ 24,390
2014 Series J	2/14	637,250	-	(14,030)	623,220	14,725
2014 Series K	12/14	743,865	-	(4,825)	739,040	25,470
2018 Series L	3/18	596,220	-	(29,595)	566,625	36,360
2019 Series M	10/19	-	857,625	-	857,625	-
Unamortized bond premiums		<u>277,350</u>		<u>(75,752)</u>	<u>201,598</u>	<u>15,031</u>
General revenue bonds and unamortized premiums		<u>3,274,185</u>	<u>857,625</u>	<u>(941,372)</u>	<u>3,190,438</u>	<u>115,976</u>
Junior indebtedness obligations and notes						
Series 2013 A	12/13	1,600,000	-	(1,600,000)	-	-
Series 2016 A	5/16	850,000	-	-	850,000	-
Series 2019 A Notes	4/19	-	1,587,210	(1,587,210)	-	-
Series 2013 B (TIFIA)	9/19	-	1,600,000	(1,600,000)	-	-
Series 2019 B	10/19	-	1,693,245	-	1,693,245	-
Unamortized bond premiums		<u>133,872</u>	<u>191,912</u>	<u>(31,670)</u>	<u>294,114</u>	<u>10,506</u>
Junior indebtedness obligations and unamortized premiums		<u>2,583,872</u>	<u>5,072,367</u>	<u>(4,818,880)</u>	<u>2,837,359</u>	<u>10,506</u>
Total bonds and unamortized premiums		<u>\$ 5,858,057</u>	<u>\$ 5,929,992</u>	<u>\$ (5,760,252)</u>	<u>\$ 6,027,797</u>	<u>\$ 126,482</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

	December 31, 2018			December 31, 2019	
	Balance	Additions	Reductions	Balance	Due Within One Year
	(Restated)				
Other long-term liabilities					
Postemployment benefit obligation	\$ 1,083,760	\$ -	\$ (100,298)	\$ 983,462	\$ -
Net pension liability	15,619	21,630	-	37,249	-
Compensated absences	8,970	37	-	9,007	-
Asset retirement obligations	4,500	-	-	4,500	500
Service based retention-incentive	3,506	115	-	3,621	3,621
Total other long-term liabilities	\$ 1,116,355	\$ 21,782	\$ (100,298)	\$ 1,037,839	\$ 4,121

	Date of Issuance	December 31, 2017			December 31, 2018	
		Balance	Additions	Reductions	Balance	Due Within One Year
General revenue bonds						
2007 Series H	10/07	\$ 717,025	\$ -	\$ (717,025)	\$ -	\$ -
2012 Series I	7/12	1,041,835	-	(22,335)	1,019,500	23,310
2014 Series J	2/14	650,625	-	(13,375)	637,250	14,030
2014 Series K	12/14	743,865	-	-	743,865	4,825
2018 Series L	3/18	-	596,220	-	596,220	29,595
Unamortized bond premiums		254,829	71,073	(48,552)	277,350	17,070
General revenue bonds and unamortized premiums		3,408,179	667,293	(801,287)	3,274,185	88,830
Junior indebtedness obligations						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Series 2016 A	5/16	850,000	-	-	850,000	-
Unamortized bond premiums		178,806	-	(44,934)	133,872	16,953
Junior indebtedness obligations and unamortized premiums		2,628,806	-	(44,934)	2,583,872	16,953
Total bonds and unamortized premiums		\$ 6,036,985	\$ 667,293	\$ (846,221)	\$ 5,858,057	\$ 105,783

	December 31, 2017			December 31, 2018	
	Balance	Additions	Reductions	GASB 83 Restatement	Balance (Restated)
Other long-term liabilities					
Postemployment benefit obligation	\$ 959,969	\$ 154,344	\$ (30,553)	\$ -	\$ 1,083,760
Net pension liability	46,249	-	(30,630)	-	15,619
Compensated absences	9,201	-	(231)	-	8,970
Asset retirement obligations	-	-	-	4,500	4,500
Service based retention-incentive	-	3,506	-	-	3,506
Total other long-term liabilities	\$ 1,015,419	\$ 157,850	\$ (61,414)	\$ 4,500	\$ 1,116,355

No other long-term liabilities were due within one year at December 31, 2018.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

The debt service requirements for the Authority's senior bonds as of December 31, 2019 are as follows (in thousands):

Due	Principal	Interest	Total
2020	\$ 100,945	\$ 117,811	\$ 218,756
2021	105,725	121,520	227,245
2022	104,005	116,393	220,398
2023	131,705	110,636	242,341
2024	126,545	104,538	231,083
2025-2029	759,395	423,979	1,183,374
2030-2034	836,400	239,194	1,075,594
2035-2039	520,500	105,155	625,655
2040-2044	303,620	23,470	327,090
Unamortized premiums	201,598	-	201,598
	<u>\$ 3,190,438</u>	<u>\$ 1,362,696</u>	<u>\$ 4,553,134</u>

The debt service requirements for the Authority's junior indebtedness obligations as of December 31, 2019 are as follows (in thousands):

Due	Principal	Interest	Total
2020	-	85,462	85,462
2021	830	107,424	108,254
2022	1,340	107,373	108,713
2023	1,390	107,307	108,697
2024	1,450	107,239	108,689
2025-2029	72,200	531,551	603,751
2030-2034	131,885	498,889	630,774
2035-2039	363,430	450,945	814,375
2040-2044	573,765	348,808	922,573
2045-2049	662,910	225,867	888,777
2050-2054	618,075	83,667	701,742
2055-2056	115,970	5,660	121,630
Unamortized premiums	294,114	-	294,114
	<u>\$ 2,837,359</u>	<u>\$ 2,660,192</u>	<u>\$ 5,497,551</u>

General Revenue Bonds - Series H (Series H Bonds): During October 2007, the Authority issued \$1,008,910,000 in Series H Bonds 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, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

The Series H Bonds were comprised of both Serial Bonds and Term Bonds, with varying rates and maturities.

Principal payments under the Series H Serial Bonds began in January 2009. The Series H Term Bonds required 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, were callable at the option of the Authority, in whole or in part, beginning January 1, 2018, at par plus accrued interest.

The Series H Bonds were fully defeased in March 2018 using the proceeds of General Revenue Bonds - Series L.

General Revenue Bonds - Series I (Series I Bonds): During July 2012, the Authority issued \$1,122,560,000 in Series I Bonds which provided funds to: (1) retire \$868,045,000 in General Revenue Bond Anticipation Notes - Series 2011A; (2) fund a portion of the Authority's Multi-Year Capital Plan; and (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, 2019, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	4.00% to 5.00%	2020 - 2023	\$ 104,885
Term Bonds	4.13%	2037	27,445
Term Bonds	4.13%	2042	70,000
			<u>\$ 202,330</u>

Principal payments under the Series I Serial Bonds began in 2014. The Series I Term Bonds require sinking fund installments in 2036 through 2042, in amounts ranging from \$12,700,000 to \$15,370,000 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. The Series I bonds were partially defeased in October 2019 using the proceeds of the General Revenue Bonds – Series M – Federally Taxable.

General Revenue Bonds - Series J (Series J Bonds): During February 2014, the Authority issued \$677,460,000 in Series J Bonds 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, 2019 and 2018

Note 5 - Long-Term Liabilities - 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, 2019, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.00% to 5.00%	2020 - 2036	\$ 472,700
Term Bonds	5.00%	2041	87,235
Term Bonds	4.63%	2044	63,285
			<u>\$ 623,220</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 (Series K Bonds): During December 2014, the Authority issued \$743,865,000 in Series K Bonds which provided funds to: (1) refund a portion of the Authority's General Revenue Bonds, Series F, Series G and Series I (for a net present value savings of \$101,044,000) and (2) and pay bond issuance costs.

The Series K Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2019, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.25% to 5.00%	2020 - 2032	<u>\$ 739,040</u>

Principal payments under the Series K Serial Bonds began 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 Refunding Bonds - Series L (Series L Bonds): During March 2018, the Authority issued \$596,220,000 of Series L Bonds to: (1) refund the Authority's outstanding General Revenue Bonds, Series H (for a net present value savings of \$83,145,000) and (2) pay bond issuance costs. Series L Bonds maturing on or after January 1, 2029, are callable at the option of the Authority, in whole or in part, beginning January 1, 2028, at par plus accrued interest.

The Series L Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2019 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.00% to 5.00%	2020 - 2037	<u>\$ 566,625</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

General Revenue Bonds - Series M – Federally Taxable (Series M Bonds): During October 2019, the Authority issued \$857,625,000 of Series M Bonds to: (1) provide funds to refund certain of the Authority's outstanding Series I Bonds (for a net present value savings of \$92,477,000), and (2) pay bond issuance costs.

The Series M Bonds are comprised of Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2019 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	2.12% to 2.55%	2024 - 2028	\$ 133,500
Term Bonds	2.90%	2035	380,030
Term Bonds	3.50%	2042	344,095
			<u>\$ 857,625</u>

Principal payments under the Series M Bonds begin in 2024. Series M Term Bonds require sinking fund installments in 2031 through 2042, in amounts ranging from \$42,800,000 to \$102,235,000 annually. Series M Bonds maturing on or prior to January 1, 2035 are callable at the option of the Authority, in whole or in part, subject to make whole redemption provisions. Series M Bonds maturing on January 1, 2042, are (i) callable at the option of the Authority, in whole or in part, prior to January 1, 2030, subject to make whole redemption provisions, and (ii) callable at the option of the Authority, in whole or in part, on or after January 1, 2030 at par plus accrued interest.

General Revenue Senior Bonds - Revenue Pledge and Security: The General Revenue Bonds (Series I through M) 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, 2019 and 2018, 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 (Series 2013A JIO's): 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, 2018, 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, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

Series 2013A JIO's were term bonds, payable in a single bullet maturity on May 1, 2019, with varying interest rates from 3.00% to 5.00% and were not subject to redemption prior to maturity.

The Series 2013A JIO's were fully repaid on April 30, 2019 using the proceeds of the Series 2019A General Revenue Junior Indebtedness Obligation Anticipation Notes and have accordingly been presented as non-current liabilities at December 31, 2018.

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

The Series 2016A JIO's are comprised of both Serial and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2019 are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> <u>(in thousands)</u>
Serial Bonds	3.00% to 5.00%	2021 - 2038	\$ 190,665
Term Bonds	5.00%	2041	71,830
Term Bonds	5.00%	2046	145,745
Term Bonds	4.00% to 5.00%	2051	184,960
Term Bonds	4.00% to 5.25%	2056	256,800
			<u>\$ 850,000</u>

Series 2016A JIO Term Bonds require sinking fund installments in 2041 through 2056, in amounts ranging from \$10,000,000 to \$39,345,000 annually. Series 2016A JIO's maturing on or after January 1, 2027, are callable at the option of the Authority, in whole or in part, beginning January 1, 2026, at par plus accrued interest.

General Revenue Junior Indebtedness Obligation Anticipation Notes – Series 2019A (Series 2019A JIO Anticipation Notes): During April 2019, the Authority issued \$1,587,210,000 Series 2019A JIO Anticipation Notes to: (1) pay the principal of the Authority's General Revenue Junior Indebtedness Obligations, Series 2013A and (2) pay note issuance costs.

The Series 2019A JIO Anticipation Notes were payable on February 1, 2020. The Series 2019A JIO Anticipation Notes bore interest at a rate of 4.00%.

The Series 2019A JIO Anticipation Notes were partially defeased on September 17, 2019 in the amount of \$400,000,000 and fully defeased on October 24, 2019 using the proceeds of the Transportation Infrastructure Finance and Innovation Act Loan (TIFIA Loan) secured by General Revenue Junior Indebtedness Obligations, Series 2013B.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

General Revenue Junior Indebtedness Obligations (JIO) - Series 2013B (Series 2013B JIO's) and TIFIA Loan: During 2013, the Authority entered into a TIFIA Loan with the United States Department of Transportation (USDOT) authorizing a loan for an amount up to \$1,600,000,000 to finance a portion of the cost of the New NY Bridge Project, a twin-span replacement of the Tappan Zee Bridge. Series 2013B JIO's were issued to secure the TIFIA Loan. During September 2019, USDOT disbursed \$1,600,000,000 of TIFIA Loan proceeds to the Authority. As a result, the Series 2013B JIO's became outstanding in the amount of \$1,600,000,000. The TIFIA Loan proceeds were used to defease the Series 2019A JIO Anticipation Notes in part on September 17, 2019, and in full on October 24, 2019.

The TIFIA Loan bore interest at a rate of 3.89%. Payment of TIFIA Loan debt service interest was scheduled to begin in 2022 with principal payments of various amounts payable beginning in 2024 and ending in 2053. The TIFIA Loan was eligible for prepayment at any time without penalty. The TIFIA Loan was fully defeased on October 30, 2019 using the proceeds of General Revenue Junior Indebtedness Obligations, Series 2019B.

General Revenue Junior Indebtedness Obligations (JIO) - Series 2019B: During October 2019, the Authority issued \$1,693,245,000 of Series 2019B Junior Indebtedness Obligations to: (1) refund the outstanding General Revenue Junior Indebtedness Obligations, Series 2013B (TIFIA Loan), (2) fund or reimburse approximately \$75,000,000 of costs related to the Authority's New NY Bridge Project, (3) fund capitalized interest on the Series 2019B Junior Indebtedness Obligations, (4) purchase a Reserve Credit Facility for the Series 2019B Subaccount of the Junior Indebtedness Debt Service Reserve Account, and (5) pay bond issuance costs incurred in connection with the issuance of the Series 2019B Junior Indebtedness Obligations, including the premium on an insurance policy for certain maturities of the Series 2019B Junior Indebtedness Obligations.

The Series 2019B JIO's are comprised of both Serial and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2019 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.00% to 5.00%	2021 - 2046	\$ 438,345
Term Bonds	4.00%	2041	75,855
Term Bonds	4.00%	2045	330,685
Term Bonds	3.00%	2046	96,505
Term Bonds	4.00%	2050	410,945
Term Bonds	3.00% to 4.00%	2053	340,910
			\$ 1,693,245

Series 2019B JIO's Term Bonds require sinking fund installments in 2040 through 2053, in amounts ranging from \$10,000,000 to \$109,045,000 annually. Series 2019B JIO's maturing on or after January 1, 2031, are callable at the option of the Authority, in whole or in part, beginning January 1, 2030, at par plus accrued interest.

The Authority's General Revenue Junior Indebtedness Obligations are subordinate to the Authority's General Revenue Bonds.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 5 - Long-Term Liabilities - Continued

During 2019 and prior years, the Authority defeased certain obligations under financing arrangements whereby proceeds of new obligations were placed in irrevocable trust to provide all future debt service payments on the defeased obligations. At December 31, 2019, approximately \$793,860,000 of such defeased obligations were outstanding. The assets and liabilities related to defeased obligations are not reported in the accompanying financial statements.

Note 6 - Special Bond Programs

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

The following describes the Authority's outstanding debt under the special bond programs:

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge, and multi-modal capital project expenditures under established State programs. The outstanding CHIPS bonds were defeased as of October 30, 2019. Bonds outstanding under this program were \$0- and \$121,400,000 at December 31, 2019 and 2018, 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 2019 or 2018. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,285,390,000 and \$1,389,245,000 at December 31, 2019 and 2018, respectively.

State Personal Income Tax Revenue Bonds (Transportation) - The Legislature of the State of New York empowered the Authority to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge, and multi-modal capital project expenditures under established State programs. The Authority did not issue PIT Revenue Bonds in 2019 and 2018. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,117,475,000 and \$1,262,500,000 at December 31, 2019 and 2018, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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.

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 51.

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

The Authority reported liabilities of \$37,249,000 and \$15,619,000 at December 31, 2019 and 2018, respectively. The net pension liability was measured as of March 31, 2019 and 2018, respectively, and the total pension liability was determined by actuarial valuations as of April 1, 2018 and 2017, respectively. The proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement dates. The Thruway Authority's proportionate share was 0.53% and 0.48% as of March 31, 2019 and 2018, respectively.

The Authority recognized pension expense of \$25,859,000 and \$19,488,000 for the years ended December 31, 2019 and 2018, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources for 2019 and 2018 as follows (in thousands):

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 7 - Retirement Benefits - Continued

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,335	\$ 2,500	\$ 5,571	\$ 4,603
Changes of assumptions	9,363	-	10,356	-
Net differences between projected and actual investment earnings on pension plan investments	-	9,560	22,685	44,778
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,706	982	3,414	1,509
Authority contributions subsequent to the measurement date	21,547	-	22,454	-
Totals	<u>\$ 43,951</u>	<u>\$ 13,042</u>	<u>\$ 64,480</u>	<u>\$ 50,890</u>

Authority contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the subsequent fiscal year. 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,	
2020	\$ 9,223
2021	(6,140)
2022	430
2023	<u>5,849</u>
Total	<u>\$ 9,362</u>

d. Actuarial Assumptions

The pension liabilities at March 31, 2019 and 2018 were determined by using actuarial valuations as of April 1, 2018 and April 1, 2017, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2019 and March 31, 2018. The actuarial valuation used the actuarial experience study for the period April 2010 - March 2015 and the following actuarial assumptions, which were consistent from year to year, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation rate	2.5 percent
Salary scale	4.2 percent, indexed by service (2019) 3.8 percent, indexed by service (2018)
Investment rate of return, including inflation	7.0 percent compounded annually, net of expenses
Cost of living adjustment	1.3 percent
Decrement	Based on FY 2011 - 2015 experience
Mortality improvement	Society of Actuaries' Scale MP-2014

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 7 - Retirement Benefits - Continued

d. Actuarial Assumptions - Continued

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

e. Investment Asset Allocation

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

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.0%	4.6%
International equity	14.0%	6.4%
Private equity	10.0%	7.5%
Real estate	10.0%	5.6%
Bonds and mortgages	17.0%	1.3%
Other	13.0%	(0.3%) - 5.7%
	100.0%	

f. Discount Rate

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

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

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

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 162,860	\$ 37,249	\$ (68,273)

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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 Employees' Retirement System as of March 31, 2019 and 2018 respectively, were as follows (amounts in thousands):

	<u>2019</u>	<u>2018</u>
Employers' total pension liability	\$ 189,803,429	\$ 183,400,590
Plan net position	<u>(182,718,124)</u>	<u>(180,173,145)</u>
Employers' net pension liability	<u>\$ 7,085,305</u>	<u>\$ 3,227,445</u>
Ratio of plan net position to the employers' total pension liability	<u>96.3%</u>	<u>98.2%</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. With the exception of Part-time Toll Collectors, substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Authority.

A summary of participants as of the July 1, 2019 actuarial measurement date is as follows:

Actives	1,955
Vestees	2
Retirees (includes surviving spouse and disabled)	<u>2,409</u>
Total	<u>4,366</u>

Plan Description and Benefits Provided

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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 9 - Other Postemployment Benefits - Continued

Plan Description and Benefits Provided - Continued

NYSHIP does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. Certain retiree costs, described below, are first applied against the value of the retiree's existing sick leave bank balance. A plan summary follows:

a. Plan Types

Medical - New York State Health Insurance Program which includes participation in various insurance plans and HMOs, 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 Authority reimburses 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 NYSHIP on date of retirement; and (3) complete at least five years of service for the retiree and dependent to have coverage while the employee is living. Ten years of service are needed for continued dependent coverage upon death of the employee.

c. Benefit/Cost Sharing

The Authority pays 94% (100% for those employees retired prior to April 1, 1991) of the premium for coverage of the retired employee and 75% of the additional premium for the dependent coverage. The premium paid by the Authority is based on the Empire Plan, one of the options available to retirees under the NYSHIP. If a retiree elects for another plan offered under the NYSHIP, the retiree is responsible for costs that exceed the amount of the Empire Plan premium.

d. Survivor Benefit

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

e. Funding Policy

The Authority contributes to the plan to satisfy obligations on a pay-as-you-go basis. For the years ended December 31, 2019 and 2018, the Authority paid \$28,636,000 and \$30,553,000, respectively, annually on behalf of retirees.

Net OPEB Liability

The total OPEB liability for the Authority's years ended December 31, 2019 and December 31, 2018 were measured as of December 31, 2018 and December 31, 2017, respectively, using an actuarial valuation dated July 1, 2019 and October 1, 2017, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 9 - Other Postemployment Benefits - Continued

Net OPEB Liability - Continued

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	
December 31, 2018 measurement date	3.71 percent
December 31, 2017 measurement date	3.31 percent
Annual payroll growth rate	2.20 percent
Healthcare cost trend rates	Society of Actuaries Long Term Medical Trend Model, updated October 2018
Mortality rates	Recommended Actuarial Assumptions for New York State for Other Post-Employment Benefit Plan Actuarial Valuations, updated June 2019

Actuarial valuations 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.

Changes in the Net OPEB Liability (in thousands)

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,083,760	\$ 959,969
Changes for the year		
Service cost	35,341	29,485
Interest	35,398	35,993
Benefit payments	(28,636)	(30,553)
Change in assumptions and other inputs	(142,401)	88,866
Net changes	<u>(100,298)</u>	<u>123,791</u>
Balance, end of year	<u>\$ 983,462</u>	<u>\$ 1,083,760</u>

Sensitivity of the OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate (in thousands):

	<u>1% Decrease</u> 2.71%	<u>Current</u> Discount 3.71%	<u>1% Increase</u> 4.71%
Postemployment benefit obligation	\$ 1,157,469	\$ 983,462	\$ 845,316

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 9 - Other Postemployment Benefits - Continued

Changes in the Net OPEB Liability (in thousands) - Continued

Sensitivity of the OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease 2.90%	Current Medical Trend Rate 3.90%	1% Increase 4.90%
Postemployment benefit obligation	\$ 839,430	\$ 983,462	\$ 1,167,930

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Authority recognized OPEB expense of \$60,033,000 and \$83,251,000 for the years ended December 31, 2019 and 2018, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources at December 31, 2019 and 2018 related to OPEB as follows (in thousands):

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,015	\$ -	\$ -	\$ -
Changes of assumptions	53,320	117,936	71,093	-
Totals	\$ 57,335	\$ 117,936	\$ 71,093	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized as expense as follows (in thousands):

Year ending December 31,	
2020	\$ (10,707)
2021	(10,707)
2022	(10,707)
2023	(28,480)
Total	\$ (60,601)

Note 10 - Thruway Stabilization Program

The State of New York (State), as part of its 2015-2016 enacted budget, created a \$1.285 billion Thruway Stabilization Program for the payment of costs related to the Governor Mario M. Cuomo Bridge and bridge-related transportation improvements, and for other costs of the Thruway Authority including, but not limited to, its core capital program. As part of its 2016-2017 enacted budget, the

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 10 - Thruway Stabilization Program - Continued

State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. In 2019 and 2018, capital contributions of \$295.3 million and \$441.8 million resulting from this program were reported in the Authority's statement of revenues, expenses and changes in net position, respectively. As of December 31, 2019, the program has contributed a total of \$1.915 billion to the Authority, consisting of \$1.2 billion for the Governor Mario M. Cuomo Bridge and \$715 million for other Thruway capital projects.

Note 11 - Contingencies and Commitments

a. Governor Mario M. Cuomo Bridge Claims

In 2013, the Authority entered into a \$3.14 billion design-build contract with Tappan Zee Constructors, LLC (TZC) to replace the Tappan Zee Bridge. Both spans of the new Governor Mario M. Cuomo Bridge, the replacement of the Tappan Zee Bridge, are in service, however certain elements of the project remain in progress. Through December 31, 2019, contract change orders totaling \$329 million have been approved, increasing the value of TZC's contract to \$3.47 billion.

In 2018 and 2019, TZC submitted claims to the Authority in excess of the approved contract value and anticipated contract change orders. The claims submitted by TZC relate to issues of time and extra work. The Authority disputes these claims. Pursuant to the design build contract, TZC's claims are subject to a non-binding contractual dispute resolution procedure consisting of a multi-tiered administrative review process. At the conclusion of the administrative review process, TZC may be entitled to pursue litigation in the New York State Court of Claims.

While the Authority cannot presently predict the outcome of this matter, the Authority believes it has meritorious defenses and positions with respect thereto. However, an adverse decision could significantly affect the Authority's financial position.

b. Other 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.

The Authority's claims liability approximates \$6.5 million and \$3.2 million at December 31, 2019 and 2018, respectively.

In addition, there are claims where liability is not probable, but is possible and estimable. The estimated loss on these claims approximates a range of \$5.6 million to \$11.3 million at December 31, 2019, none of which has been accrued.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 11 - Contingencies and Commitments - Continued

b. Other Claims and Litigation - Continued

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.

c. 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 \$15.0 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 \$12.8 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.

d. Construction Commitments

At December 31, 2019, 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	\$ 633,100
Personal service and miscellaneous	<u>64,300</u>
Total	<u>\$ 697,400</u>

e. Environmental Remediation

The Authority records in its financial statements a cost estimate for environmental remediation at a number of sites on Thruway Authority property which have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs are developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2019. Estimating environmental remediation obligations requires that several assumptions be made.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 11 - Contingencies and Commitments - Continued

e. Environmental Remediation - Continued

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. Environmental remediation liabilities net of anticipated recoveries from third party payors are not material.

f. Asset Retirement Obligations

The Authority records in its financial statement legally enforceable liabilities associated with the retirement of tangible capital assets. The Authority currently owns and operates eighteen wastewater treatment facilities. The retirement of these facilities is subject to rules and regulations established by the New York State Department of Environmental Conservation. The Authority has measured the estimated cost to comply with these rules and regulations using historical costs for similar work. The Authority retires wastewater treatment facilities when the opportunity arises to tie into municipal sewer systems. The estimated remaining life of the Authority's wastewater treatment facilities ranges between one to ten years. The Authority's liability for asset retirement obligations approximates \$4,500,000 at both December 31, 2019 and December 31, 2018.

g. 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.

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2019:

<u>Year</u>	<u>Future Minimum Lease Revenue (in thousands)</u>
2020	\$ 6,200
2021	5,900
2022	<u>5,300</u>
Total	<u>\$ 17,400</u>

Note 12 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

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

liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effect for reporting periods beginning after December 15, 2019.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard are effective for periods beginning after June 15, 2020.

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

Note 13 – Subsequent Events

Bond Issuance

During March 2020, the Authority issued \$450,000,000 of General Revenue Bonds - Series N to: (1) fund a portion of the Authority's Multi-Year Capital Plan, (2) make a deposit to the Senior Debt Service Reserve Fund, (3) fund interest on the Series N Bonds and (4) pay costs of issuance. The Series N Bonds are comprised of Serial Bonds and Term Bonds with varying rates and maturities.

Impacts from Global Coronavirus Outbreak

The current novel coronavirus ("COVID-19") outbreak is having an adverse and material impact on the financial condition and operating results of the New York State Thruway Authority ("Authority"). The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus was first detected in China and has since spread globally, including to the United States and to New York State. On March 12, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic in the face of the global spread of the virus. Currently, the COVID-19 pandemic has dramatically altered the behavior of businesses and people in a manner that is having negative effects on global and local economies. In addition, stock markets in the U.S. and globally, have seen significant declines attributed to concerns over COVID-19, and capital markets are disrupted. These adverse impacts are intensifying and continue to evolve daily globally, nationally, within the State and the corridor of the New York State Thruway ("Thruway"). On March 7, 2020 Governor Cuomo declared a Disaster Emergency in the State of New York and on March 13, 2020 President Trump declared a national state of emergency as a result of the COVID-19 pandemic. Recent substantial declines in Thruway passenger traffic in response to the COVID-19 pandemic have already been observed and have become more severe daily. There remains a high risk for further reductions in

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 13 – Subsequent Events - Continued

traffic including commutation behavior after this crisis based on patron telecommuting experience during the COVID-19 crisis.

There is no assurance that such levels of traffic and revenue decline will not deteriorate further or on the positive side, that the COVID-19 emergency will not subside, and traffic improves.

Further impacts to the Authority associated with the COVID-19 pandemic include, but are not limited to, costs and challenges to the Authority's operations, limitations on Thruway service areas to ensure compliance with State emergency mandates pertaining to COVID-19, and health risks to Authority employees. On March 22, 2020, Governor Andrew M. Cuomo issued the "New York State on PAUSE" Executive order mandating that 100% of the workforce, excluding essential services, stay home. The Thruway remains open to all vehicular traffic, as of the date of this disclosure. Additionally, the Authority has modified its tolling pattern for cash patrons as of Sunday, March 22 which may impact revenue collection moving forward. The materiality of the impact of this emergency tolling procedure cannot be determined as of the date of this disclosure.

The impacts of the COVID-19 pandemic on the Authority's financial condition are clearly significant and, as noted, may deteriorate further. The Authority needs to address this financial emergency in at least two directions, namely (i) assuring short and intermediate term liquidity needs of the Authority, and (ii) longer term or permanent solutions, bearing in mind that the reductions in current and projected revenues will not be made up in terms of cash impact, even if intermediate or longer term traffic are fully restored to pre-crisis levels. Financing options, both short and intermediate term, would come at a cost, including increased longer-term borrowing needs and potential adverse impacts on the timing of Authority initiatives to improve its systems. The financial stress which the Authority is experiencing as a result of the COVID-19 pandemic is being similarly felt by all toll-supported transportation entities similar to the Authority, all levels of government and in the social and financial lives of Authority patrons and State residents.

New York State Thruway Authority

(A Component Unit of the State of New York)

Required Supplementary Information Schedule of Other Postemployment Benefits Liability (in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Beginning of the year	<u>\$ 1,083,760</u>	<u>\$ 959,969</u>
Changes for the year		
Service cost	35,341	29,485
Interest	35,398	35,993
Changes in assumptions and other inputs	(142,401)	88,866
Benefit payments	<u>(28,636)</u>	<u>(30,553)</u>
Net changes	<u>(100,298)</u>	<u>123,791</u>
End of year	<u>\$ 983,462</u>	<u>\$ 1,083,760</u>
Covered payroll	140,500	146,100
OPEB liability as a percentage of covered payroll	699.97%	741.79%

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

New York State Thruway Authority

(A Component Unit of the State of New York)

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

	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.525726%	0.483932%	0.492207%	0.617656%	0.633266%
Proportionate share of the net pension liability (asset)	\$ 37,249	\$ 15,619	\$ 46,249	\$ 99,135	\$ 21,393
Covered-employee payroll	155,806	148,206	141,550	164,506	173,658
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.91%	10.54%	32.67%	60.26%	12.32%
Plan fiduciary net position as a percentage of total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%

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

Years prior to 2017 include the New York State Canal Corporation.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

New York State Thruway Authority

(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Pension Contributions

Years Ended December 31

(in thousands of dollars)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 21,547	\$ 22,454	\$ 21,026	\$ 24,795	\$ 28,815	\$ 30,537	\$ 35,800	\$ 34,627	\$ 37,125	\$ 22,132
Contributions in relation to the contractually required contribution	21,547	22,454	21,026	24,795	28,815	30,537	35,800	34,627	37,125	22,132
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	150,638	157,528	145,099	163,041	164,994	176,546	174,784	183,464	181,625	186,206
Contributions as a percentage of covered-employee payroll	14.0%	14.0%	14.0%	15.2%	17.5%	17.3%	20.5%	18.9%	20.4%	11.9%

Years prior to 2017 include the New York State Canal Corporation.