



**NEW YORK STATE THRUWAY AUTHORITY  
NEW YORK STATE CANAL CORPORATION**



# **MINUTES**

## **AUDIT COMMITTEE MEETING NO. 22**

**March 23, 2011**

Minutes of a meeting of the New York State Thruway Authority/Canal Corporation Audit Committee, held in the Board Room at Administrative Headquarters, 200 Southern Boulevard, Albany, New York.

The meeting began at 10:15 a.m.

The following members of the Audit Committee were present, constituting a quorum:

**Present:**

Chairman John L. Buono, ex officio Audit Committee Member  
J. Donald Rice, Chair, Audit Committee  
Richard N. Simberg, Audit Committee Member

Brandon R. Sall was not present at this meeting and did not vote on any of the Items.

In addition, there were present the following staff personnel:

Michael R. Fleischer, Executive Director  
Wendy Allen, Director, Office of Management and Planning  
John Bryan, Chief Financial Officer  
William Estes, General Counsel  
Jonathan Gunther, Assistant Counsel  
J. Marc Hannibal, Director, Audit and Management Services  
Harry Lennon, Senior Investigator  
Tracie Sandell, Assistant Director, Audit and Management Services  
Doraine Steele, Director, Office of Fiscal Audit and Budget  
Jill B. Warner, Board Administrator

Michael Sikule, Director, Office of Investments and Asset Management  
David Malone, Director, Accounting and Disbursements

Also in Attendance:

Karl Diehl, New York Network  
Douglas Zimmerman, Director, Toski, Schaefer & Co., P.C.  
David Spara, Director, Toski, Schaefer & Co., P.C.

## **PUBLIC SESSION**

Mr. Rice, Committee Chair, called the meeting of the Audit Committee to order.

Ms. Warner recorded the minutes as contained herein.

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### **Item 1**

#### **Approval of Minutes of Audit Committee Meeting No. 21**

After full discussion, on the motion of Mr. Simberg, seconded by Chairman Buono, without any objections, the Audit Committee approved the minutes of Audit Committee meeting No. 21, held January 19, 2011.

### **Item 2**

#### **Review and accept the 2010 Financial Statement, Single Audit and any Related Audit Reports for the Year Ending December 31, 2010 prepared by Toski, Schaefer & Co., P.C.**

Mr. Bryan requested the Committee's approval of the 2010 annual independent audit and the single audit that was completed by the Authority's auditors, Toski, Schaefer & Co., P.C. He introduced Douglas Zimmerman and David Spara, Directors at Toski, Schaefer & Co., P.C., who provided a report of the audit's findings.

Mr. Zimmerman stated that Toski, Schaefer & Co., P.C. completed an audit of the Thruway Authority for the year ending December 31, 2010, during the course of which no significant deficiencies or material weaknesses were noted. Subsequently, the firm: issued an unqualified

opinion of the Authority's financial statements; determined that there were no material weaknesses in internal control, or financial reporting or instances of non-compliance pursuant to government auditing reporting standards; and deemed the Authority compliant with the Public Authorities Law and the Public Authorities Accountability Act. Specifically, Mr. Zimmerman noted that the Authority's Investment Policies complied with single audit requirements of OMB Circular 133 with regard to spending of federal funds.

Mr. Zimmerman stated that the Management Letter attached to the 2010 Audit identified two items that were non-significant compliance issues concerning the Disaster Recovery Plan and new Governmental Accounting Standards Board (GASB) pronouncements of which the Authority should be aware.

Mr. Zimmerman stated that with regards to the Authority's Disaster Recovery Plan progress had been made since 2009 and the only remaining item is the testing of the data center site which auditors were informed would be completed this summer.

The Governing Board that sets the rules, as far as accounting for the Authority, is the Governmental Accounting Standards Board (GASB), and who have been issuing various accounting pronouncements on how accounting records are maintained. New pronouncements will take effect for the Authority over the next couple of years. The Authority should be aware of those and take any appropriate action with regards to how it maintains its accounting records to comply. Management will review these to see if there will be required changes to the internal accounting policies and procedures, and will ensure compliance with the upcoming new rules.

Mr. Zimmerman specifically noted that the Authority had appropriately addressed all other issues raised in the comments contained in the Management Letter attached to the 2009 Audit.

Mr. Spara reported that there was an increase in toll revenue of 4.8 percent over 2009, primarily due to toll adjustments implemented in 2010. Total net assets decreased by \$127 million. Changes between 2009 and 2010 include a drop in restricted current assets, which includes borrowed money that was used to construct the road system which means that cash is no longer

in the bank; 45 it is now listed under the Authority's capital assets. The Authority expended approximately \$350 to 400 million in new capital assets in 2010. The Authority also invested close to \$400 million in new infrastructure and other assets which is why the Authority's restricted current assets, which is predominantly cash, are no longer in the bank.

The Authority's current liabilities jumped to nearly \$700 million because of the classification of the two-year Bond Anticipation Notes (BANs) issued in 2009. That BANs are expected to be paid in July and therefore the \$700 million shifts from a non-current liability to a current liability.

The amount that was invested in capital assets was the total undepreciated cost of the Authority's hard assets less all the debt that is directly associated with them. In 2010 that number dropped by roughly \$100 million.

The Authority's unrestricted net assets have decreased by approximately \$20 million a year from 2008 to 2009 to 2010, primarily due to the increase in non-current liabilities related to post-employment health care benefits. Every municipal government in New York State is coming to grips with this issue.

After full discussion, on the motion of Mr. Simberg, seconded by Chairman Buono, without any objections, the Audit Committee accepted the 2010 Financial Statement, Single Audit and Related Audit Reports for the Year Ending December 31, 2010 prepared by Toski, Schaefer & Co., P.C. and authorized their submission to the Authority Board for consideration.

### **Item 3**

#### **Review and Discuss, as Necessary, the Audit Committee's 2011 Draft Work Plan**

No discussion occurred relative to the 2011 Draft Work Plan.

## **Adjournment**

There being no further business to come before the Audit Committee, on the motion of Mr. Simberg, seconded by Mr. Rice, without any objections, the public session of the meeting was adjourned at 10:55 a.m.

*Note: Webcasts, which include dialogue of Authority/Corporation Audit Committee Meeting, are available on the Thruway Authority website 48 hours after such meetings occur and remain on the website for a period of 4 months*