

**New York State Thruway Authority**

(A Component Unit of the State of New York)

Financial Statements

December 31, 2016 and 2015

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Financial Statements**

December 31, 2016 and 2015

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

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-13
<b>Financial Statements</b>	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Notes to Financial Statements	17-44
<b>Required Supplementary Information</b>	
Schedule of Funding Progress - Other Postemployment Benefits	45
Schedule of the Proportionate Share of the Net Pension Liability	46
Schedule of Pension Contributions	47



## 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, which comprise the statement of net position as of December 31, 2016, the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2016, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13 and the schedules of funding progress - other postemployment benefits, proportionate share of the net pension liability, and pension contributions on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Prior Year Financial Statements*

The financial statements of the Authority, as of and for the year ended December 31, 2015, were audited by other auditors whose report dated March 21, 2016 expressed an unmodified opinion on those statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York  
March 27, 2017



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

The following discussion and analysis of the New York State Thruway Authority's (Authority) financial performance provides an overview of the Authority's activities for the calendar years ended December 31, 2016 and 2015. 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.

### 2016 Financial Highlights

- Total operating revenue was \$752.0 million, an increase of \$23.4 million, or 3.2% compared to 2015. Toll revenue for the year was \$708.3 million, an increase of \$16.6 million, or 2.4% compared to 2015.
- Total operating expenses, excluding depreciation and amortization, were \$479.3 million, an increase of \$71.4 million, or 17.5% compared to 2015.
- Net position as of December 31, 2016, was approximately \$1.80 billion, a decrease of \$9 million, or 0.5% compared to December 31, 2015.
- Total capital assets (net of depreciation) as of December 31, 2016, were approximately \$7.34 billion, an increase of \$446.9 million, or 6.5% compared to December 31, 2015.
- Construction of the New NY Bridge continued throughout 2016, and \$750.8 million was invested in the project during the year. Life to date \$3.02 billion has been invested in the project.
- In 2016, the State of New York approved an additional \$700 million for the Thruway Stabilization Program bringing the State's total program commitment to \$1.99 billion. Since the inception of the program in 2015, the State of New York has contributed \$897.0 million to the New NY Bridge and other Thruway capital projects.
- In 2016, the State of New York enacted legislation transferring control of the Canal Corporation and Canal System to the New York State Power Authority effective January 1, 2017. In addition, the legislation required the Power Authority to reimburse the Authority for Canal Corporation and Canal System costs beginning on April 1, 2016. In 2016, the Power Authority contributed \$61.1 million to fund Canal Corporation and Canal System costs.
- The New York State Division of State Police Troop T is dedicated exclusively to patrolling the Thruway System. Legislation enacted by the State of New York in 2016 transferred financial responsibility of Troop T to the Authority effective April 1, 2016. In 2016, the Authority incurred costs of \$47.6 million to fund Troop T operations.

### 2015 Financial Highlights

- Total operating revenue was \$728.6 million, an increase of \$29.8 million, or 4.3% compared to 2014. Toll revenue for the year was \$691.7 million, an increase of \$27.6 million, or 4.2% compared to 2014.
- Total operating expenses, excluding depreciation and amortization, were \$407.9 million, a decrease of \$16.7 million, or 3.9% compared to 2014.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### 2015 Financial Highlights - Continued

- Net position as of December 31, 2015 was approximately \$1.81 billion, an increase of \$408 million, or 29.1% compared to December 31, 2014.
- Total capital assets (net of depreciation) as of December 31, 2015, were approximately \$6.89 billion, an increase of \$719.9 million, or 11.7% compared to December 31, 2014.
- Construction of the New NY Bridge continued throughout 2015 and \$763.8 million was invested in the project during the year.
- In 2015, the State of New York created the \$1.29 billion Thruway Stabilization Program to fund the New NY Bridge and other Thruway capital projects. In 2015, \$540.8 million was contributed to the New NY Bridge via this program.

### Overview of the Financial Statements

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

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

The Authority is considered a special-purpose government engaged in business-type activities and follows financial reporting for enterprise funds. The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

### Financial Analysis of the Authority

#### Net Position

The Authority's net position at December 31, 2016, was approximately \$1.80 billion, a 0.5% decrease compared to December 31, 2015 (see Table A-1). In 2016, total assets increased 10.6% to \$8.98 billion and total liabilities increased 14.7% to \$7.29 billion. The Authority's net position at December 31, 2015, was approximately \$1.81 billion, a 29.1% increase compared to December 31, 2014. In 2015, total assets increased 4.7% to \$8.12 billion and total liabilities decreased 0.6% to \$6.36 billion.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2016 and 2015

### Financial Analysis of the Authority - Continued

#### Net Position - Continued

Table A-1

Net Position  
December 31, 2016, 2015, and 2014  
(In millions of dollars)

	2016	2015	2014	Percentage Change 2016-2015
Unrestricted current assets	\$ 454.1	\$ 387.2	\$ 348.6	17.3
Restricted assets	1,182.9	837.2	1,228.6	41.3
Capital assets	7,339.0	6,892.1	6,172.2	6.5
Total assets	<u>8,976.0</u>	<u>8,116.5</u>	<u>7,749.4</u>	<u>10.6</u>
Deferred outflows	<u>125.0</u>	<u>47.3</u>	<u>47.1</u>	<u>164.3</u>
Current liabilities	639.1	653.4	605.5	(2.2)
Noncurrent liabilities	<u>6,650.8</u>	<u>5,702.3</u>	<u>5,791.3</u>	<u>16.6</u>
Total liabilities	<u>7,289.9</u>	<u>6,355.7</u>	<u>6,396.8</u>	<u>14.7</u>
Deferred inflows	<u>12.4</u>	<u>0.4</u>	<u>-</u>	<u>-</u>
Net position				
Net invested in capital assets	1,774.8	1,737.5	1,244.7	2.1
Restricted for debt service	251.9	249.2	271.2	1.1
Restricted for capital	99.2	94.1	134.2	5.4
Unrestricted	<u>(327.2)</u>	<u>(273.1)</u>	<u>(250.4)</u>	<u>19.8</u>
Total net position	<u>\$ 1,798.7</u>	<u>\$ 1,807.7</u>	<u>\$ 1,399.7</u>	<u>(0.5)</u>

Unrestricted current assets increased \$66.9 million, or 17.3% compared to 2015. The increase is primarily due to higher operating revenues in 2016 compared to 2015 and an increase in E-ZPass deposits on hand that are owed to other toll authorities and agencies in accordance with E-ZPass reciprocity agreements.

Restricted assets increased \$345.7 million, or 41.3% compared to 2015. The increase is primarily due to the issuance of General Revenue Junior Indebtedness Obligations, Series 2016A. This issuance generated \$978.7 million to fund the New NY Bridge. More detailed information regarding restricted assets is presented in Note 4.

Capital assets increased \$446.9 million, or 6.5% compared to 2015. This increase is due to the continuing investment in the New NY Bridge, as well as the Authority's ongoing investment to preserve existing infrastructure on both the Thruway and Canal Systems. More detailed information regarding Capital assets is presented in Note 3.

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Management's Discussion and Analysis December 31, 2016 and 2015**

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

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

Non-current liabilities increased \$948.5 million, or 16.6% compared to 2015. This increase is primarily due to the issuance of General Revenue Junior Indebtedness Obligations, Series 2016A. Increases in pension and postemployment health care benefit obligations also contributed. More detailed information regarding non-current liabilities, pension obligations, and postemployment health care benefits are presented in Notes 5, 7, and 9, respectively.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. Net investment in capital assets, increased \$37.3 million, or 2.1% compared to 2015. This increase is primarily due the Authority's use of funds other than debt proceeds to partially fund the New NY Bridge and other Thruway capital projects.

Unrestricted deficiency increased by \$54.1 million, or 19.8% compared to 2015. This increase is primarily due to the increase in unfunded obligations for pensions and postemployment health care benefits.

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

Net position decreased by \$9.0 million in 2016 compared to 2015 (see Table A-2). The Authority's total operating revenues for 2016 were \$752.0 million, an increase of \$23.4 million, or 3.2% compared to 2015. Total operating expenses including depreciation and amortization were \$1.02 billion, an increase of \$221.5 million, or 27.6% compared to 2015. Net position increased by \$408 million in 2015 compared to 2014. The Authority's total operating revenues for 2015 were \$728.6 million, an increase of \$29.8 million, or 4.3% compared to 2014. Total operating expenses including depreciation and amortization were \$802.5 million, an increase of \$25.2 million, or 3.2% compared to 2014.



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### Financial Analysis of the Authority - Continued

#### Net Position - Continued

Table A-2

Changes in Net Position  
Years ended December 31, 2016, 2015, and 2014  
(In millions of dollars)

	2016	2015	2014	Percentage Change 2016-2015
<b>OPERATING REVENUE</b>				
Tolls	\$ 708.3	\$ 691.7	\$ 664.1	2.4
Concessions	14.8	14.6	13.6	1.4
Other	28.9	22.3	21.1	29.6
Total operating revenue	<u>752.0</u>	<u>728.6</u>	<u>698.8</u>	<u>3.2</u>
<b>OPERATING EXPENSES</b>				
Administrative	17.1	17.3	19.0	(1.2)
Engineering services	5.8	6.0	7.7	(3.3)
Maintenance	108.0	112.4	114.7	(3.9)
Finance and accounts	7.9	7.9	7.8	-
Operations	42.8	42.3	43.8	1.2
General charges	186.3	159.9	165.7	16.5
Canals	63.8	62.1	65.9	2.7
State Police	47.6	-	-	-
Depreciation and amortization	544.7	394.6	352.7	38.0
Total operating expenses	<u>1,024.0</u>	<u>802.5</u>	<u>777.3</u>	<u>27.6</u>
<b>Operating loss</b>	<u>(272.0)</u>	<u>(73.9)</u>	<u>(78.5)</u>	<u>268.1</u>
<b>NON-OPERATING ITEMS</b>				
Interest expense	(155.3)	(145.2)	(165.0)	7.0
Debt issuance expense	(5.1)	-	(19.1)	-
Non-operating revenue	44.8	27.5	36.2	62.9
Gain (loss) on disposals and other	(10.3)	0.4	(0.2)	-
Net non-operating items	<u>(125.9)</u>	<u>(117.3)</u>	<u>(148.1)</u>	<u>7.3</u>
Loss before capital contributions	<u>(397.9)</u>	<u>(191.2)</u>	<u>(226.6)</u>	<u>108.1</u>
Capital contributions	<u>388.9</u>	<u>599.2</u>	<u>60.6</u>	<u>(35.1)</u>
<b>CHANGE IN NET POSITION</b>	<b>(9.0)</b>	<b>408.0</b>	<b>(166.0)</b>	<b>102.2</b>
<b>NET POSITION, <i>beginning of year</i></b>	<u>1,807.7</u>	<u>1,399.7</u>	<u>1,572.0</u>	<u>29.1</u>
<b>NET POSITION, <i>end of year prior to restatement</i></b>	1,798.7	1,807.7	1,406.0	(0.5)
Effect of adoption of GASB 68 and 71	-	-	(6.3)	-
<b>NET POSITION, <i>end of year</i></b>	<u>\$ 1,798.7</u>	<u>\$ 1,807.7</u>	<u>\$ 1,399.7</u>	<u>(0.5)</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### Financial Analysis of the Authority - Continued

#### Changes in Net Position - Continued

Toll revenue increased \$16.6 million, or 2.4% compared to 2015. This increase is primarily due to higher traffic volumes across most of the Thruway system and an extra day due to leap year in February 2016. In addition, a shift in commercial truck traffic from the George Washington Bridge to the Tappan Zee Bridge also contributed to the increase.

Maintenance expenses decreased by \$4.4 million, or 3.9% compared to 2015. This decrease is primarily due to lower fuel prices and a reduction in the usage of fuel and salt. A new process for pavement markings that allows the markings to be reapplied less frequently; as well as recent investments in new maintenance equipment, which has reduced the need for major equipment repairs, has also contributed to the decrease.

General charges increased by \$26.4 million, or 16.5% compared to 2015. This increase is primarily due to higher costs for pensions, Tolls by Mail administration, claims filed against the Authority, administrative fees charged by the State of New York, and health insurance for active and retired employees. Additional information regarding pensions and retiree health insurance can be found in Notes 7 and 9, respectively.

Depreciation and amortization increased \$150.1 million, or 38% compared to 2015. This increase is primarily due to increased depreciation as a result of adjusting the remaining useful life of the Tappan Zee Bridge to align with the approximate time frame that it is anticipated to be taken out of service. This change was made in November 30, 2015 in recognition of the significant progress made to date on the New NY Bridge and the improved degree of certainty regarding when the Tappan Zee Bridge will be taken out of service. As of November 30, 2015 the Tappan Zee Bridge had a net book value of \$462.6 million. Prior to adjusting the useful life, monthly depreciation expense for the Tappan Zee Bridge was \$3.9 million. Following the adjustment, monthly depreciation expense for the Tappan Zee Bridge increased to \$22 million, a per month increase of \$18.1 million. 2016 reflects a full year's impact of this adjustment compared to only one month in 2015. Depreciation expense for 2016 was also impacted by an adjustment to the useful life of a highway reconstruction project that was originally completed in 2011. During 2016, the Authority adjusted the useful life of the project to align with the Authority's capitalization and depreciation policy. This adjustment reduced depreciation expense in 2016 by approximately \$39 million.

Interest expense increased \$10.1 million, or 7% compared to 2015. This increase is primarily due to the May 2016 issuance of General Revenue Junior Indebtedness Obligations, Series 2016A. The additional interest expense associated with the new debt was partially offset by an increase in interest cost capitalized on the New NY Bridge project; as well as a decrease in interest cost on outstanding General Revenue Bonds.

Debt issuance costs increased \$5.1 million, or 100% compared to 2015. In 2016, the Authority issued General Revenue Junior Indebtedness Obligations, Series 2016A with a total cost of issuance of \$5.1 million. The Authority issued no debt in 2015.

Loss on disposal of assets increased \$10.7 million compared to 2015. In 2016, the Authority completed projects to repave sections of highway across the Thruway System. Certain sections of the highway repaved in 2016 had previously been paved within the past 10 years at a cost of \$41.2 million. Highway paving has a 10-year useful life; therefore, the paving done within the past 10 years was not fully depreciated and had a remaining book value of \$9.4 million. Based on the previous pavement work being taken out of service, the remaining book value of \$9.4 million was recognized as a loss in 2016.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2016 and 2015

### Financial Analysis of the Authority - Continued

#### Changes in Net Position - Continued

Non-operating revenues increased \$17.3 million, or 62.9% compared to 2015. This increase is primarily due to the Power Authority reimbursing the Authority for Canal Corporation costs starting on April 1, 2016. Additional information regarding the Power Authority assuming financial and operational responsibility for the Canal Corporation and Canal System can be found in Note 12. This increase was partially offset by the 2016 termination of a State of New York grant that was previously used to offset Thruway operating expenses. In 2015, this grant contributed \$21.5 million to fund Thruway operating expenses.

Capital contributions decreased \$210.3 million, or 35.1% compared to 2015. This decrease is primarily due to the timing of contributions made by the State of New York via the Thruway Stabilization Program. In 2016, the State of New York contributed \$356.2 million to the New NY Bridge and other Thruway capital projects compared to \$540.8 million in 2015. Additional information regarding the Thruway Stabilization Program can be found in Note 10.

### Capital Assets and Debt Administration

#### Capital Assets

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

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

Table A-3

Capital Assets  
December 31, 2016, 2015, and 2014  
(In millions of dollars)

	2016	2015	2014	Percentage Change 2016-2015
Land and land improvements	\$ 830.0	\$ 829.1	\$ 828.2	0.1
Construction work in progress	3,267.7	2,677.0	1,807.7	22.1
Thruway System	8,112.4	7,834.6	7,698.9	3.5
Canal System	655.4	604.3	533.7	8.5
Equipment	259.1	258.6	244.7	0.2
Less accumulated depreciation	(5,785.6)	(5,311.5)	(4,941.0)	8.9
Total net capital assets	<u>\$ 7,339.0</u>	<u>\$ 6,892.1</u>	<u>\$ 6,172.2</u>	<u>6.5</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

In 2016, construction work in progress increased \$590.7 million, as the Authority continued construction of the New NY Bridge and invested \$750.8 million in the project during the year. Significant projects in progress on the Thruway System as of December 31, 2016, include the New NY Bridge, I-95 pavement rehabilitation, pavement resurfacing from Exit 24-25, Exit 26-27, and Exit 46-47, and several other pavement rehabilitations at various locations. Significant projects in progress on the Canal System as of December 31, 2016, include the Moveable Dam at Lock E-11 and the Moveable Dam at May's Point. Net additions to the Thruway System during 2016 were \$277.8 million. The increase was primarily due to the completion of deck replacement and resurfacing of the North Grand Island Bridge, bridge rehabilitations over Silver Creek and Walnut Creek, pavement resurfacing south of Nyack, bridge replacements at Mile Strip Road, Four Mile Level Road, Exit 36 and Cleveland Drive, pavement rehabilitation from Exit 58-59 and rehabilitation work at the Castleton Bridge. Net additions to the Canal System during 2016 were \$51.1 million. This increase was primarily due to the completion of the rehabilitation of the Utica Taintor Gate Dam and the Amsterdam pedestrian walkway.

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

#### Debt Administration

Bond and note sales must be approved by the Authority's Board, members of which are appointed by the Governor with the advice and consent of the New York State Senate. These sales must comply with rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission. The terms and conditions of Authority bond and note sales must also be approved by the New York State Office of the State Comptroller.

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

#### Debt Administration - Continued

Long-term debt includes general revenue bonds, junior indebtedness obligations, and a revolving loan of varying rates and maturities issued primarily to fund a portion of the Authority's Multi-Year Capital Plan and New NY Bridge project costs. At December 31, 2016, the Authority had approximately \$6.17 billion in general revenue bonds and junior indebtedness obligations outstanding, an increase of \$819.7 million or 15.3% compared to the amount of general revenue bonds, junior indebtedness obligations and loans outstanding as of December 31, 2015 (see Table A-4).

Of the \$3.49 billion in general revenue bonds outstanding, approximately \$25.1 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and are rated AA by Standard and Poor's (S&P), and \$757.8 million are insured by National Public Finance Guarantee (formerly MBIA Insurance Corporation, and Financial Guaranty Insurance Company) and are rated AA- by S&P. The remaining general revenue bonds are rated A2 by Moody's and A by S&P. Of the \$2.67 billion in junior indebtedness obligations outstanding, approximately \$45.7 million are insured by Assured Guaranty Municipal Corp and rated A2 by Moody's and AA by S&P. The remaining junior indebtedness obligations are rated A3 by Moody's and A- by S&P.

In 2013, the Authority entered into a loan agreement (TIFIA Loan) with the United States Department of Transportation, acting through the Federal Highway Administrator. The conditions of the TIFIA Loan preclude the use of general revenue bond proceeds for New NY Bridge project costs; as a result, the Authority created the Junior Resolution to provide for the issuance of junior indebtedness obligations to fund these costs. The TIFIA Loan was secured by a junior indebtedness obligation issued under the Junior Resolution. The proceeds of the TIFIA Loan are expected to be drawn no later than one year after substantial completion of the New NY Bridge, and are expected to be available to pay the initial issuance of junior indebtedness obligations.

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

In 2016, the Authority prepaid its outstanding revolving loan balance of \$32 million, terminated the loan commitment, and effectively closed the loan agreement. The Authority had entered into the agreement with Citibank, N.A. in 2012 for a revolving loan in an aggregate amount not to exceed \$60 million. The loan was scheduled to mature in April 2017 and provided for prepayment at any time by the Authority without penalty. As of December 31, 2015, the Authority had borrowed \$32 million via the revolving loan to reconstruct portions of the Canal System damaged or destroyed by Hurricane Irene and Tropical Storm Lee. The revolving loan was secured in part by a pledge of revenues available in the General Reserve Fund, as well as federal (FEMA) grant funds.

At December 31, 2015, the Authority had approximately \$5.35 billion in general revenue bonds, junior indebtedness obligations, and loans outstanding, a decrease of \$155.3 million or 2.8% from December 31, 2014.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

December 31, 2016 and 2015

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

#### Debt Administration - Continued

Table A-4

Outstanding Debt  
Years ended December 31, 2016 and 2015  
(In millions of dollars)

	Year Ended December 31, 2016			
	Beginning Balance	Additions	Reductions	Ending Balance
	General revenue bonds	\$ 3,577.3	\$ -	\$ (83.1)
Junior indebtedness obligations	1,738.9	978.7	(43.9)	2,673.7
Revolving loan	32.0	-	(32.0)	-
	<u>5,348.2</u>	<u>978.7</u>	<u>(159.0)</u>	<u>6,167.9</u>
	Year Ended December 31, 2015			
	Beginning Balance	Additions	Reductions	Ending Balance
General revenue bonds	\$ 3,690.9	\$ -	\$ (113.6)	\$ 3,577.3
Junior indebtedness obligations	1,780.6	-	(41.7)	1,738.9
Revolving loan	32.0	-	-	32.0
	<u>\$ 5,503.5</u>	<u>\$ -</u>	<u>\$ (155.3)</u>	<u>\$ 5,348.2</u>

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

### Other Significant Matters

#### The New NY Bridge

In January 2013, the Authority entered into a \$3.1 billion design-build agreement to construct the New NY Bridge to replace the existing Tappan Zee Bridge. The total estimated cost of the project is \$3.9 billion. It is anticipated that the first span of the new bridge will go into service in 2017, and the project will be fully completed in 2018. The new bridge has a 100-year design life and will consist of eight general purpose lanes, as well as emergency access lanes. The bridge will conform to current seismic, safety, and geometric requirements; have adequate shoulders to manage traffic incidents and emergencies; accommodate bicycle and pedestrian use; and be capable of accommodating future commuter rail. Through December 31, 2016, costs of \$3.02 billion have been incurred on the project life to date, \$750.8 million of which was spent in 2016.

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

# **New York State Thruway Authority**

(A Component Unit of the State of New York)

## **Management's Discussion and Analysis December 31, 2016 and 2015**

### **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 New NY Bridge, as well as other Thruway capital projects. In 2016, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. The Authority intends to use \$1.2 billion from this program on the New NY Bridge and \$785 million on other Thruway capital projects and needs. As of December 31, 2016, the program has contributed \$750 million to the New NY Bridge project and \$147 million to other Thruway capital projects.

#### Canal Corporation

In 2016, the State of New York enacted legislation establishing the Canal Corporation as a subsidiary of the New York State Power Authority (Power Authority) effective January 1, 2017. On this date, the Power Authority assumed control of the Canal Corporation and Canal System.

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

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

#### Division of State Police - Troop T

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

#### Other Matters

In 2016, the State of New York terminated a funding agreement that in 2015 had provided the Authority with \$21.5 million to offset certain operating costs.

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

This financial report is designed to provide our bondholders, customers, and other interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have questions about this report, or need additional information, contact the New York State Thruway Authority's Department of Finance and Accounts, P.O. Box 189, Albany, New York 12201-0189 or visit our website at [www.thruway.ny.gov](http://www.thruway.ny.gov).

# New York State Thruway Authority

(A Component Unit of the State of New York)

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

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 343,964	\$ 296,679
Investments	15,013	17,125
Receivables, net	75,526	53,448
Material and other supplies	17,771	19,211
Prepaid items	1,777	779
Restricted assets	345,069	441,167
Total current assets	799,120	828,409
<b>NON-CURRENT ASSETS</b>		
Restricted assets	837,844	395,986
Capital assets, not being depreciated	4,097,641	3,506,075
Capital assets, net of accumulated depreciation	3,241,358	3,386,062
Total non-current assets	8,176,843	7,288,123
Total assets	8,975,963	8,116,532
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on bond refunding	12,938	14,116
Pension resources	112,115	33,215
Total deferred outflows of resources	125,053	47,331
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	270,852	319,090
Unearned revenue	92,005	84,735
Accrued interest payable	144,210	119,668
Bonds, notes, and loan payable due within one year	130,910	124,921
Other long-term liabilities due within one year	1,150	5,020
Total current liabilities	639,127	653,434
<b>NON-CURRENT LIABILITIES</b>		
Bonds, notes, and loan payable	6,036,984	5,223,231
Other long-term liabilities	613,851	479,098
Total non-current liabilities	6,650,835	5,702,329
Total liabilities	7,289,962	6,355,763
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension resources	12,355	359
<b>NET POSITION</b>		
Net investment in capital assets	1,774,803	1,737,546
Restricted for		
Debt service	251,933	249,189
Capital	99,161	94,148
Unrestricted (deficit)	(327,198)	(273,142)
Total net position	<b>\$ 1,798,699</b>	<b>\$ 1,807,741</b>

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)

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Tolls	\$ 708,316	\$ 691,693
Concessions	14,802	14,603
Other	28,867	22,282
Total operating revenues	751,985	728,578
<b>OPERATING EXPENSES</b>		
Administrative	17,136	17,320
Engineering services	5,843	6,030
Maintenance engineering		
Thruway maintenance	81,064	82,523
Equipment maintenance	26,919	29,882
Finance and accounts	7,850	7,924
Operations		
Traffic and services	7,650	7,138
Toll collection	35,189	35,111
General charges	186,348	159,859
Canals	63,753	62,135
State Police	47,579	-
Depreciation and amortization	544,668	394,621
Total operating expenses	1,023,999	802,543
<b>Operating loss</b>	<b>(272,014)</b>	<b>(73,965)</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>		
Investment income	1,506	521
Interest expense	(155,325)	(145,230)
Debt issuance cost	(5,070)	-
Federal, state and other aid	43,337	27,075
Gain (loss) on disposal of assets	(10,334)	398
Net non-operating items	(125,886)	(117,236)
<b>Loss before capital contributions</b>	<b>(397,900)</b>	<b>(191,201)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>388,858</b>	<b>599,203</b>
<b>CHANGE IN NET POSITION</b>	<b>(9,042)</b>	<b>408,002</b>
<b>NET POSITION, <i>beginning of year</i></b>	<b>1,807,741</b>	<b>1,399,739</b>
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 1,798,699</b>	<b>\$ 1,807,741</b>

See accompanying Notes to Financial Statements.

# New York State Thruway Authority

(A Component Unit of the State of New York)

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

	Years Ended December 31,	
	2016	2015
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from toll collections	\$ 721,932	\$ 704,961
Cash received from concession sales	14,660	14,290
Other operating cash receipts	26,980	19,624
Personal service payments	(153,118)	(156,449)
Fringe benefits payments	(107,730)	(102,071)
E-ZPass account management payments	(29,538)	(12,316)
Cash payments to vendors and contractors	(86,682)	(80,020)
	<b>386,504</b>	<b>388,019</b>
<b>CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>		
Federal and state aid and other reimbursements	<b>30,321</b>	<b>9,264</b>
<b>CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	978,736	-
Federal and state aid and other capital contributions	184,144	60,510
Acquisition/construction of capital assets	(698,591)	(639,002)
Principal paid on debt	(100,135)	(97,040)
Interest and issuance costs paid on debt	(243,177)	(225,265)
Proceeds from sale of capital assets	455	584
Other	-	892
	<b>121,432</b>	<b>(899,321)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of investments	(1,657,456)	(858,646)
Proceeds from sale and maturities of investments	1,331,017	1,372,820
Interest and dividends on investments	3,625	1,889
	<b>(322,814)</b>	<b>516,063</b>
<b>Net increase in cash and cash equivalents</b>	<b>215,443</b>	<b>14,025</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>495,842</b>	<b>481,817</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 711,285</b>	<b>\$ 495,842</b>

See accompanying Notes to Financial Statements.

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (272,014)	\$ (73,965)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	544,668	394,621
Capitalized interest	115	88
Payments made by New York State	-	21,500
Net changes in assets, liabilities, deferred outflows and deferred inflows		
Receivables	(9,062)	(4,599)
Material and supplies	1,439	(2,175)
Other assets	(998)	84
Accounts payables and accrued expenses	188,015	53,622
Deferred outflows	(78,899)	(2,679)
Deferred inflows	11,996	359
Unearned revenue	1,244	1,163
	<b><u>\$ 386,504</u></b>	<b><u>\$ 388,019</u></b>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents	\$ 343,964	\$ 296,679
Restricted cash and cash equivalents (Note 2)	<u>367,321</u>	<u>199,163</u>
	<b><u>\$ 711,285</u></b>	<b><u>\$ 495,842</u></b>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Payments made to vendors by the State of New York	<b><u>\$ -</u></b>	<b><u>\$ 7,306</u></b>
<b>NON-CASH CAPITAL ACTIVITIES</b>		
Payment made to vendors by the State of New York for the New NY Bridge project	<b><u>\$ 362,553</u></b>	<b><u>\$ 387,447</u></b>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

#### *a. Financial Reporting Entity*

The New York State Thruway Authority (Authority) is a Public Benefit Corporation created by the New York State Legislature in 1950 to build, operate, and maintain the Thruway System. The New York State Canal Corporation (Canal Corporation), a subsidiary public corporation of the Authority, was created by the New York State Legislature in 1992 to accept jurisdiction and control over the New York State Canal System from New York State (State). The Boards of both the Authority and the Canal Corporation each consist of seven members, appointed by the Governor, with the consent of the New York State Senate.

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

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

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

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

The Authority is a legally and fiscally separate and distinct organization solely responsible for its finances, and the credit of the State of New York is not pledged to the operation of the Authority. The Authority is empowered to issue revenue bonds backed solely from Authority revenues. However, under the criteria specified in GASB Statement No. 14, as amended by GASB Statement No. 61, the Authority is considered a component unit of the State of New York because the Governor appoints all members of the Authority's Governing Board.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

#### *b. Basis of Accounting*

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

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

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

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

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

Investments include financial instruments with original maturities of more than three months and are recorded at amortized cost, which approximates fair value. These investments are not included in cash and cash equivalents in the statements of cash flows.

#### *d. Estimates*

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

*GASB Statement No. 72, Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

*GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the hierarchy of generally accepted accounting principles to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative GAAP.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

GASB Statement No 79, *Certain External Investment Pools and Pool Participants*. This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

The implementation of these standards did not have an effect on the Authority's financial statements.

#### *f. Receivables*

Receivables consist primarily of receivables from commercial transportation companies and Federal and State governments under various grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. Beginning in April 2016, receivables also include amounts attributable to the Authority's cashless tolling system at the Tappan Zee Bridge. Receivables are reported net of an allowance for uncollectible amounts. The allowance for doubtful receivables amounted to \$7,393,000 and \$5,503,000 at December 31, 2016 and 2015, respectively.

#### *g. Materials and Supplies*

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

#### *h. Unearned Revenue*

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

#### *i. Restricted Assets*

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

#### *j. Toll Revenues*

Toll revenues are stated net of volume and other discounts approximating \$26.6 million and \$25.5 million in 2016 and 2015, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

#### *k. Pensions*

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

#### *l. Other Postemployment Benefits*

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

#### *m. Compensated Absences*

Permanent employees of the Authority accrue vacation leave as part of their benefit package. Unused vacation days up to a maximum of 30 days are considered vested and paid upon retirement or termination. The liability for vested vacation days approximates \$10,236,000 and \$10,112,000 at December 31, 2016 and 2015, respectively, and is recorded as a long-term liability.

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

#### *n. Bond and Note Premiums*

Bond and note premiums are presented as components of bonds payable. The premiums are amortized over the life of the bonds and notes on a method that approximates the effective interest method. Net amortization related to bond and note premiums were approximately \$58,859,000 and \$58,274,000 for 2016 and 2015, respectively, and are included as an offset of interest expense.

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

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

#### *p. Net Position*

Net position is classified as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets, 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, 2016 and 2015

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

#### *q. Capital Contributions*

Capital contributions consist primarily of funds provided by the State of New York (Note 10) and the New York State Power Authority (Note 12). The Authority also receives federal and other grants that are provided to fund specific capital projects. These projects are generally within the Authority's Multi-Year Capital Plan but also include unanticipated projects funded by the U.S. Department of Homeland Security - Federal Emergency Management Agency.

#### *r. Arbitrage*

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements, and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability for the years ended December 31, 2016 and 2015.

#### *s. Income Taxes*

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

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

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

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

No agreement existed for the year ended December 31, 2016.

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

#### *u. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 27, 2017, the date the financial statements were available to be issued.



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 2 - Cash and Investments

The Authority's cash and investments as of December 31, 2016 and 2015, were as follows (in thousands):

	Carrying Value	
	2016	2015
Unrestricted		
Cash		
Demand deposits	\$ 149,582	\$ 142,461
Toll change funds	120	125
Total unrestricted cash	149,702	142,586
Cash equivalents		
U.S. government discount notes	26,217	22,584
U.S. treasury securities	-	6,734
Commercial paper	168,045	124,775
Total unrestricted cash equivalents	194,262	154,093
Total unrestricted cash and cash equivalents	\$ 343,964	\$ 296,679
	Carrying Value	
	2016	2015
Restricted		
Cash		
Demand deposits	\$ 333,722	\$ 167,125
Other deposits	2,737	2,886
Total restricted cash	336,459	170,011
Cash equivalents		
U.S. government discount notes	-	1,742
U.S. treasury securities	-	3,265
Commercial paper	30,863	24,145
Total restricted cash equivalents	30,863	29,152
Total restricted cash and cash equivalents	\$ 367,322	\$ 199,163

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 2 - Cash and Investments - Continued

	Carrying Value	
	2016	2015
Investments		
Unrestricted		
U.S. government discount notes	\$ -	\$ 9,487
Commercial paper	13,816	5,999
Time deposits	1,197	1,639
Total unrestricted investments	<u>\$ 15,013</u>	<u>\$ 17,125</u>
Restricted		
U.S. government discount notes	\$ 219,635	\$ 211,001
U.S. government agency notes	78,857	157,068
Commercial paper	157,708	29,003
U.S. treasury securities	306,980	36,147
Total restricted investments	<u>\$ 763,180</u>	<u>\$ 433,219</u>

At December 31, 2016 and 2015, the fair value of the Authority's cash and investments approximated the carrying value (amortized cost).

The Authority requires collateral, in the form of federal government obligations or agency instruments guaranteed by the federal government, for all investments in repurchase agreements. The Authority also requires delivery to its trustee/custodian of all securities purchased and collateral for repurchase agreements, regardless of the seller institution. All Authority investment securities are classified as securities acquired by a financial institution for the Authority and held by the Authority's trustee/custodian in the Authority's name. Bank balances, which are comprised of demand and other deposits, approximated \$232.1 million and \$307.1 million as of December 31, 2016 and 2015, respectively, and are fully insured or collateralized.

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

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

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 2 - Cash and Investments - Continued

The Authority owns approximately \$116.7 million in U.S. Government and U.S. Government Agency investments at December 31, 2016, that mature in 2018 and 2019. Interest rate risk is also addressed in the Authority's policy which requires the purchase of securities with the intention of holding them to maturity and does not limit the term of any investment. It is the Authority's practice to invest funds to the date of the anticipated need of the funds.

As of December 31, 2016, the Authority had the following concentrations of investments:

<u>Investments</u>	<u>Credit Exposure Security</u>	<u>% of Total (Rating)</u>
<u>Agency Obligations</u>		
Federal Home Loan Banks	Aaa/ AA+/na	20.7%
Federal Home Loan Mortgage Corporation	Aaa/ AA+/AAA	3.9%
Federal National Mortgage Association	Aaa/ AA+/AAA	7.8%
<u>Commercial Paper</u>		
Chevron Funding	A-1+/P-1/na	15.3%
Exxon Mobil	A-1+/P-1/na	10.0%
ING US Funding LLC	A-1/P-1/na	2.3%
New York Life	A-1/P-1/F+	1.0%
Proctor & Gamble	A-1+/P-1/na	2.5%
University of California	A-1+/P-1/F+	5.9%
<u>U.S. Government Securities</u>		
Treasury Notes	Aaa/ AA+/AAA	17.3%
Treasury Bills	A-1+/P-1/F1+	13.3%

### Note 3 - Capital Assets

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

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

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 3 - Capital Assets

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

The following schedules summarize the capital assets of the Authority and related changes for the years ended December 31, 2016 and 2015 (in thousands):

	December 31, 2015			December 31, 2016
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Capital assets, not being depreciated				
Land and land improvements	\$ 829,127	\$ 884	\$ (41)	\$ 829,970
Construction in progress	<u>2,676,948</u>	<u>980,080</u>	<u>(389,357)</u>	<u>3,267,671</u>
Total capital assets, not being depreciated	<u>3,506,075</u>	<u>980,964</u>	<u>(389,398)</u>	<u>4,097,641</u>
Capital assets, being depreciated				
Thruway System	7,834,639	335,713	(57,915)	8,112,437
Canal System	604,294	51,124	-	655,418
Equipment	<u>258,630</u>	<u>23,863</u>	<u>(23,368)</u>	<u>259,125</u>
Total capital assets, being depreciated	<u>8,697,563</u>	<u>410,700</u>	<u>(81,283)</u>	<u>9,026,980</u>
Less accumulated depreciation for				
Thruway System	(5,054,147)	(505,061)	48,519	(5,510,689)
Canal System	(97,431)	(16,400)	-	(113,831)
Equipment	<u>(159,923)</u>	<u>(23,150)</u>	<u>21,971</u>	<u>(161,102)</u>
Total accumulated depreciation	<u>(5,311,501)</u>	<u>(544,611)</u>	<u>70,490</u>	<u>(5,785,622)</u>
Net value of capital assets, being depreciated	<u>3,386,062</u>	<u>(133,911)</u>	<u>(10,793)</u>	<u>3,241,358</u>
Capital assets, net	<u>\$ 6,892,137</u>	<u>\$ 847,053</u>	<u>\$ (400,191)</u>	<u>\$ 7,338,999</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 3 - Capital Assets - Continued

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

Depreciation expense related to capital assets was \$544,611,000 and \$394,564,000 for the years ended December 31, 2016 and 2015, respectively.

The Authority incurred \$205.3 million in total interest expense in 2016, of which \$46.2 million was capitalized, and an additional \$3.5 million was offset against interest earned on the proceeds from various debt issuances. The Authority incurred \$185.3 million in total interest expense in 2015, of which \$38.3 million was capitalized, and an additional \$1.8 million was offset against interest earned on the proceeds from various debt issuances.

### Note 4 - Restricted Assets

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

	2016	2015
Restricted current		
Cash and cash equivalents	\$ 251,562	\$ 161,782
Investments	93,507	125,744
Receivables	-	153,641
Total	345,069	441,167
Restricted non-current		
Cash and cash equivalents	115,759	37,380
Investments	669,673	307,475
Interest receivable	837	967
Receivables	48,737	46,872
Other	2,838	3,292
Total	837,844	395,986
Total restricted assets	\$ 1,182,913	\$ 837,153

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 4 - Restricted Assets - Continued

The related balances at December 31, 2016 and 2015 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, 2016 and 2015, were \$149,390,000 and \$148,033,000, respectively.

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve-month period on all outstanding General Revenue Bonds secured by the Senior Debt Service Reserve Fund, Series F, Series G, Series H, Series I, Series J, and Series K General Reserve Bonds. The amounts held in this restricted fund at December 31, 2016 and 2015, were \$180,946,000 and \$180,972,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2016 and 2015, were \$42,609,000 and \$37,233,000, 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, 2016 and 2015, were \$58,609,000 and \$75,795,000, respectively.

Junior Indebtedness Fund: Established to hold moneys paid into it from the sale of Junior Indebtedness Obligations (bonds and notes) which are to be used to fund the Facilities Capital Improvement Fund for a portion of the cost of the Authority's New NY Bridge Project as defined in the Junior Indebtedness Bond Resolution and to pay debt service including capitalized interest on the Series 2013A Junior Indebtedness Obligations through December 31, 2017. The amounts held in this restricted fund at December 31, 2016 and 2015, were \$706,394,000 and \$197,496,000, respectively.

Facilities Capital Improvement Fund: Established to hold funds determined to be necessary or appropriate by the Authority Board to fund project costs of facilities or to set up reserves to fund such costs. The Authority has elected to use this fund to hold certain revenues, debt proceeds, and other monies dedicated to the New NY Bridge. The amounts held in this restricted fund at December 31, 2016 and 2015, were \$42,229,000 and \$194,736,000, 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, 2016 and 2015, were \$2,736,000 and \$2,886,000, respectively.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 5 - Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2016 and 2015, are comprised of the following obligations (in thousands):

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

	Date of Issuance	December 31, 2014 Balance	Additions	Reductions	December 31, 2015 Balance	Due Within One Year
<b>General Revenue Bonds</b>						
2005 Series F	3/05	\$ 36,810	\$ -	\$ (36,810)	\$ -	\$ -
2005 Series G	9/05	555	-	(555)	-	-
2007 Series H	10/07	834,300	-	(37,380)	796,920	39,075
2012 Series I	7/12	1,096,525	-	(19,795)	1,076,730	17,510
2014 Series J	2/14	677,460	-	(2,500)	674,960	11,550
2014 Series K	12/14	743,865	-	-	743,865	-
Unamortized bond premiums		<u>301,391</u>	<u>-</u>	<u>(16,590)</u>	<u>284,801</u>	<u>14,986</u>
General Revenue Bonds and unamortized premiums		<u>3,690,906</u>	<u>-</u>	<u>(113,630)</u>	<u>3,577,276</u>	<u>83,121</u>
<b>Junior Indebtedness Obligations</b>						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	-
Unamortized bond premiums		<u>180,560</u>	<u>-</u>	<u>(41,684)</u>	<u>138,876</u>	<u>41,800</u>
Junior Indebtedness Obligations and unamortized premiums		<u>1,780,560</u>	<u>-</u>	<u>(41,684)</u>	<u>1,738,876</u>	<u>41,800</u>
Loan payable	4/12	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>-</u>
Total bonds, loan, and unamortized premiums		<u>\$ 5,503,466</u>	<u>\$ -</u>	<u>\$ (155,314)</u>	<u>\$ 5,348,152</u>	<u>\$ 124,921</u>
<b>Other long-term liabilities</b>						
Claims liability		\$ 8,248	\$ 350	\$ (4,598)	\$ 4,000	\$ 4,000
Postemployment benefit obligation		393,248	86,361	(32,016)	447,593	-
Net pension liability		28,616	-	(7,223)	21,393	-
Compensated absences		10,320	-	(208)	10,112	-
Environmental remediation obligation		<u>2,107</u>	<u>-</u>	<u>(1,087)</u>	<u>1,020</u>	<u>1,020</u>
Total other long-term liabilities		<u>\$ 442,539</u>	<u>\$ 86,711</u>	<u>\$ (45,132)</u>	<u>\$ 484,118</u>	<u>5,020</u>

The debt service requirements for the Authority's senior bonds as of December 31, 2016, are as follows (in thousands):

Due	Principal	Interest	Total
2017	\$ 70,990	\$ 155,181	\$ 226,171
2018	82,815	151,801	234,616
2019	91,155	147,862	239,017
2020	116,025	142,844	258,869
2021	121,690	137,002	258,692
2022 - 2026	704,685	586,367	1,291,052
2027 - 2031	898,765	389,247	1,288,012
2032 - 2036	582,285	194,661	776,946
2037 - 2041	423,355	81,069	504,424
2042 - 2044	132,575	6,143	138,718
Unamortized premiums	<u>269,815</u>	<u>-</u>	<u>269,815</u>
	<u>\$ 3,494,155</u>	<u>\$ 1,992,177</u>	<u>\$ 5,486,332</u>



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

The debt service requirements for the Authority's junior indebtedness obligations as of December 31, 2016, are as follows (in thousands):

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 126,040	\$ 126,040
2018	-	120,467	120,467
2019	1,600,000	107,214	1,707,214
2020	-	40,950	40,950
2021	250	40,946	41,196
2022 - 2026	6,750	204,356	211,106
2027 - 2031	50,000	197,811	247,811
2032 - 2036	90,690	179,720	270,410
2037 - 2041	114,805	155,759	270,564
2042 - 2046	145,745	123,829	269,574
2047 - 2051	184,960	83,882	268,842
2052 - 2056	256,800	33,001	289,801
Unamortized premiums	223,739	-	223,739
	<u>\$ 2,673,739</u>	<u>\$ 1,413,975</u>	<u>\$ 4,087,714</u>

General Revenue Bonds - Series H: During October 2007, the Authority issued \$1,008,910,000 in General Revenue Bonds - Series H which provided funds to: (1) refund \$450,045,000 in then outstanding Series E Bonds (for a net present value savings of \$18,429,000); (2) fund a portion of the Authority's Multi-Year Capital Plan; (3) make a deposit to the Reserve Maintenance Fund; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs.

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

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	4.0% to 5.0%	2017 - 2030	\$ 548,265
Term Bonds	5.00%	2032	52,765
Term Bonds	5.00%	2037	156,815
			<u>\$ 757,845</u>

Principal payments under the Series H Serial Bonds began in January 2009. The Series H Term Bonds require sinking fund installments, beginning in the year 2031 through the year 2037, of amounts ranging from \$25,740,000 to \$34,495,000 annually. The Series H Bonds maturing on or after January 1, 2019, are callable at the option of the Authority, in whole or in part, beginning January 1, 2018, at par plus accrued interest.

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

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

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.0% to 5.0%	2017 - 2032	\$ 492,925
Term Bonds	4.13%	2037	64,570
Term Bonds	5.00%	2037	185,620
Term Bonds	4.13%	2042	70,000
Term Bonds	5.00%	2042	246,105
			<u>\$ 1,059,220</u>

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

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

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

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount (in thousands)</u>
Serial Bonds	3.0% to 5.0%	2017 - 2036	\$ 512,890
Term Bonds	5.00%	2041	87,235
Term Bonds	4.63%	2044	63,285
			<u>\$ 663,410</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

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

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

The Series K Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2016, are as follows:

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

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

General Revenue Senior Bonds - Revenue Pledge and Security: The General Revenue Bonds (Series H through K) are all direct obligations of the Authority, secured by a pledge of tolls and other revenue as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12-month period. At both December 31, 2016 and 2015, the Senior Debt Service Reserve Fund, which may be used should amounts in the Senior Debt Service Fund be insufficient to pay debt service payments, was fully funded.

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

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

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

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

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

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

### Note 6 - Special Bond Programs

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 6 - Special Bond Programs - Continued

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

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge, and multi-modal capital project expenditures under established State programs. The Authority did not issue Local Highway and Bridge Service Contract Bonds in 2016. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$333,445,000 and \$440,075,000 at December 31, 2016 and 2015, 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 2016. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$2,264,035,000 and \$3,172,080,000 at December 31, 2016 and 2015, 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 2016. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,893,595,000 and \$2,472,475,000 at December 31, 2016 and 2015, respectively.

### Note 7 - Retirement Benefits

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

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

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 7 - Retirement Benefits - Continued

*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 47.

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

The Thruway Authority reported liabilities of \$85,348,000 and \$18,375,000 at December 31, 2016 and 2015, respectively. The Canal Corporation reported liabilities of \$13,787,000 and \$3,018,000 at December 31, 2016 and 2015, respectively. This resulted in a combined liability of \$99,135,000 and \$21,393,000 at December 31, 2016 and 2015, respectively. The net pension liability was measured as of March 31, 2016 and 2015, respectively, and the total pension liability was determined by actuarial valuations as of April 1, 2015 and 2014, respectively. The Authority's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement dates. The Thruway Authority's proportionate share was .53% and .54% as of March 31, 2016 and 2015, respectively. The Canal Corporation's proportionate share was .09% as of March 31, 2016 and 2015, respectively.

The Thruway Authority recognized pension expense of \$30,743,000 and \$16,581,000 at December 31, 2016 and 2015, respectively. The Canal Corporation recognized pension expense of \$4,892,000 and \$2,690,000 at December 31, 2016 and 2015, respectively. This resulted in a combined expense of \$35,635,000 and \$19,271,000 at December 31, 2016 and 2015, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources for 2016 and 2015 as follows (in thousands):

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 501	\$ 11,751	\$ 685	\$ -
Changes of assumptions	26,436	-	-	-
Net differences between projected and actual investment earnings on pension plan investments	58,813	-	3,715	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,569	604	-	359
Authority contributions subsequent to the measurement date	24,796	-	28,815	-
<b>Totals</b>	<u>\$ 112,115</u>	<u>\$ 12,355</u>	<u>\$ 33,215</u>	<u>\$ 359</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 7 - Retirement Benefits - Continued

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

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. 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,		
2017	\$	18,987
2018		18,987
2018		18,987
2020		18,003
		18,003
Total	\$	74,964

*d. Actuarial Assumptions*

The pension liability at March 31, 2016 and 2015 was determined by using an actuarial valuation as of April 1, 2015 and April 1, 2014, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2016 and March 31, 2015. The actuarial valuation used the following actuarial assumptions. The assumptions are consistent year to year, except as noted.

Actuarial Cost Method	Entry age normal
Inflation Rate	
2016	2.5 percent
2015	2.7 percent
Salary Scale	
2016	3.8 percent, indexed by service
2015	4.9 percent, indexed by service
Investment rate of return, including inflation	
2016	7.0 percent compounded annually, net of expenses
2015	7.5 percent compounded annually, net of expenses
Cost of Living Adjustment	
2016	1.3 percent
2015	None
Decrement	
2016	Based on FY 2011-2015 experience
2015	Based on FY 2005-2010 experience

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 7 - Retirement Benefits - Continued

*e. Investment Asset Allocation*

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

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.3%
International equity	13.00%	8.6%
Private equity	10.00%	11.0%
Real estate	8.00%	8.3%
Domestic fixed income securities	2.00%	4.0%
Bonds and mortgages	18.00%	4.0%
Short-term	2.00%	2.3%
Other	9.00%	6.8%-8.7%
	100.00%	

*f. Discount Rate*

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

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

The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 % 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)	\$ 223,543	\$ 99,135	\$ (5,984)



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 7 - Retirement Benefits - Continued

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

The components of the current-year net pension liability of the New York State and Local Employee's Retirement System as of March 31, 2016 and 2015 respectively, were as follows (amounts in thousands):

	2016	2015
Employers' total pension liability	\$ 172,303,544	\$ 164,591,054
Plan net position	(156,253,265)	(161,213,259)
Employers' net pension liability	\$ 16,050,279	\$ 3,377,795
Ratio of plan net position to the employers' total pension liability	90.7%	97.9%

### Note 8 - Deferred Compensation Plan

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

### Note 9 - Other Postemployment Benefits

The Authority reports in its financial statements the financial impact of other postemployment benefits (OPEB), principally employer funded health care and death benefits which the Authority provides for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Authority.

The following table summarizes the Authority's valuation of OPEB costs and obligations at December 31, 2016 and 2015 (in thousands):

	2016			2015
	Thruway Authority	Canal Corporation	Total	
Present value of future benefit payments	\$ 1,403,987	\$ 296,234	\$ 1,700,221	\$ 1,670,447
Unfunded accrued liability	1,075,412	219,021	1,294,433	1,240,642
Annual required contribution (30-year amortization)	75,380	16,394	91,774	88,160
Annual OPEB cost	73,702	16,025	89,727	86,361
Valuation payroll	124,754	22,355	147,109	143,521
Annual OPEB expense (as % of payroll)	59.1%	71.7%	61.0%	60.2%
Expected benefit payment	27,556	5,284	32,840	32,016

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 9 - Other Postemployment Benefits - Continued

Actuarial valuations, the most recent of which was completed as of December 2016, involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short-term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost sharing provisions then in effect.

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

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

#### *a. Plan Types*

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

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

#### *b. Eligibility*

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

#### *c. Benefit/Cost Sharing*

Effective April 1, 2016, the Authority pays 94% of the premium for coverage of the retired employee and 75% of the additional premium for the dependent coverage. The premium paid by the Authority is based on the Empire Plan, one of the options available to retirees under the NYSHIP. If a retiree elects for another plan offered under the NYSHIP, the retiree is responsible for costs that exceed the amount of the Empire Plan premium.

#### *d. Survivor Benefit*

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 9 - Other Postemployment Benefits - Continued

*e. Funding Policy*

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

The following summary schedule presents the Annual OPEB Cost and Net OPEB obligation for the years ended December 31, 2016, 2015, and 2014 (in thousands):

	2016	2015	2014
Normal cost	\$ 40,546	\$ 39,061	\$ 36,164
Amortization of unfunded actuarial accrued liability	51,228	49,099	43,976
Annual required contribution (ARC)	<u>91,774</u>	<u>88,160</u>	<u>80,140</u>
Interest on net OPEB obligation	15,666	13,764	12,080
Adjustment to ARC	<u>(17,713)</u>	<u>(15,563)</u>	<u>(13,659)</u>
Annual OPEB cost	89,727	86,361	78,561
Contribution/expected benefit payment	<u>(32,840)</u>	<u>(32,016)</u>	<u>(30,463)</u>
Increase in net OPEB obligation	56,887	54,345	48,098
Net OPEB obligation, <i>beginning of year</i>	<u>447,593</u>	<u>393,248</u>	<u>345,150</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 504,480</u>	<u>\$ 447,593</u>	<u>\$ 393,248</u>

The annual OPEB costs are recorded in the Authority's 2016 and 2015 statements of revenue, expenses, and changes in net position in the amount of \$89,727,000 and \$86,361,000, respectively. The Thruway Authority OPEB costs are recorded as a component of general charges, and the Canal Corporation OPEB costs are recorded as a component of Canals. The net OPEB obligation is recorded in the Authority's statements of net position as a component of other long-term liabilities in the amount of \$504,480,000 and \$447,593,000, at December 31, 2016 and 2015, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 through 2016 are as follows (in thousands):

Year Ended	Annual OPEB Cost	Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 78,561	38.8%	\$ 393,248
12/31/2015	86,361	37.1%	447,593
12/31/2016	89,727	36.6%	504,480

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 9 - Other Postemployment Benefits - Continued

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

Funding interest rate	3.50%
2015 trend rate (Med/Rx)	4.70%
Ultimate Medical/Rx cost trend rate	3.90%
Year ultimate trend rate reached	2083
Annual payroll growth rate	2.50%
Actuarial cost method	Entry Age Normal
Amortization method	30 year level percentage of payroll

### Note 10 - Thruway Stabilization Program

The State of New York (State), as part of its 2015-2016 enacted budget, created a \$1.285 billion Thruway Stabilization Program for the payment of costs related to the New NY Bridge and bridge-related transportation improvements, and for other costs of the Thruway Authority including, but not limited to, its core capital program. As part of its 2016-2017 enacted budget, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. The Authority intends to use \$1.2 billion of these funds to pay for New NY Bridge related costs and \$785 million to pay for capital program costs other than the New NY Bridge. In 2016 and 2015, capital contributions of \$356.2 million and \$540.8 million were reported in the Authority's statement of revenues, expenses and changes in net position, respectively. As of December 31, 2016, the program has contributed a total of \$897 million to the Authority, consisting of \$750 million for the New NY Bridge and \$147 million for other Thruway capital projects.

### Note 11 - Contingencies and Commitments

#### a. Claims and Litigation

The Authority is a party to various legal proceedings, including negligence suits, some of which involve death or serious injury. Many of these actions arise in the normal course of the Authority's operations. The Authority records accruals for claims liability to the extent that management concludes their occurrence is probable and the related damages are estimable. If the range of the liability is probable and estimable, the Authority accrues the amount most likely to be paid. If no single amount in the estimated range is more likely to be paid, the Authority accrues the lowest amount in the range.

Changes in the Authority's claims liability in years 2014 through 2016 were as follows (in thousands):

		Current Year			
	Beginning of Year Liability	Claims and Changes in Payments Estimates	Claim Liability Payments	End of Year Liability	
2014	\$ 3,250	\$ 5,273	\$ (275)	\$ 8,248	
2015	8,248	(947)	(3,301)	4,000	
2016	4,000	1,587	(4,437)	1,150	

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 11 - Contingencies and Commitments - Continued

#### a. *Claims and Litigation - Continued*

In addition, there are claims where liability is not probable, but is possible and estimable. The estimated loss on these claims approximated \$12.6 million at December 31, 2016, none of which has been accrued.

Certain other claims cannot be estimated as they involve complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss or an estimation of damages cannot be determined.

#### b. *Insurance*

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

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self-insured for third-party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$16.3 million.

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

#### c. *Construction Commitments*

At December 31, 2016, the amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract are as follows:

Project	Commitments (in thousands)
Highway, bridge and facility, construction, and design	\$ 794,100
Personal service and miscellaneous	103,700
Canal	30,900
Total	<u>\$ 928,700</u>

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 11 - Contingencies and Commitments - Continued

#### d. Environmental Remediation

At December 31, 2016, the Authority recorded in its financial statements a cost estimate for environmental remediation at a number of sites on Thruway Authority and Canal Corporation property. These sites have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs were developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2016. Estimating environmental remediation obligations requires that a number of assumptions be made. Therefore, it is possible that project cost changes due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, and other factors could result in revisions to these estimates.

The Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties. Changes in the Authority's environmental remediation liability amounts in the years 2014 to 2016 were as follows (in thousands):

	Beginning of Year Liability	Current Year		End of Year Liability
		Estimate Changes	Payments Made	
2014	\$ 2,516	\$ 302	\$ (711)	\$ 2,107
2015	2,107	(23)	(1,064)	1,020
2016	1,020	(80)	(940)	-

#### e. Lease Revenue

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

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2016:

Year	Future Minimum Lease Revenue (in thousands)
2017	\$ 14,500
2018	14,540
2019	14,600
2020	4,800
2021	4,400
Thereafter	10,700
Total	\$ 63,540

# New York State Thruway Authority

(A Component Unit of the State of New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

Assets approximating \$650 million, consisting of Canal System land and infrastructure, Canal Corporation equipment and cash on deposit in the Canal Development Fund, and liabilities approximating \$115 million, consisting of Canal Corporation retiree health insurance obligations, pension obligations, salaries and benefits owed to employees, and amounts due vendors for goods and services were included in the transfer. In 2017, the Authority anticipates recognizing a loss approximating \$535 million representing the net assets transferred to the Power Authority.

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

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

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

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

GASB Statement No 82, *Pension Issues* (GASB 82) addresses practice issues raised during implementation of the GASB's pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016.

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

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

# New York State Thruway Authority

(A Component Unit of the State of New York)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
December 31, 2015	\$ -	\$ 1,294	\$ 1,294	0.0%	\$ 147	879.9%
December 31, 2013	-	1,111	1,111	0.0%	149	745.8%
December 31, 2011	-	1,021	1,021	0.0%	157	650.3%
December 31, 2009	-	982	982	0.0%	167	588.0%
December 31, 2007	-	985	985	0.0%	160	615.6%

See Independent Auditor's Report.



# New York State Thruway Authority

(A Component Unit of the State of New York)

## Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.617656%	0.633266%
Authority's proportionate share of the net pension liability	\$ 99,135	\$ 21,393
Authority's covered-employee payroll	\$ 164,506	\$ 173,658
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.26%	12.32%
Plan fiduciary net position as a percentage of the total pension liability	90.67%	97.95%

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

# 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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 24,795	\$ 28,815	\$ 30,537	\$ 35,800	\$ 34,627	\$ 37,125	\$ 22,132	\$ 12,682	\$ 14,685	\$ 18,137
Contributions in relation to the contractually required contribution	24,795	28,815	30,537	35,800	34,627	37,125	22,132	12,682	14,685	18,137
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	163,041	164,994	176,546	174,784	183,464	181,625	186,206	187,805	182,433	183,657
Contribution as a percentage of covered-employee payroll	15.21%	17.46%	17.30%	20.48%	18.87%	20.44%	11.89%	6.75%	8.05%	9.88%

*See Independent Auditor's Report.*