

New York State Thruway Authority

(A Component Unit of the State of New York)

Financial Statements

December 31, 2018 and 2017

New York State Thruway Authority

(A Component Unit of the State of New York)

Financial Statements

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CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Financial Statements	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Notes to Financial Statements	17-45
Required Supplementary Information	
Schedule of Other Postemployment Benefits Liability and OPEB as a Percentage of Covered Payroll	46
Schedule of the Proportionate Share of the Net Pension Liability	47
Schedule of Pension Contributions	48



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Thruway Authority (the Authority), a component unit of the State of New York, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

General Revenue Junior Indebtedness Obligations - Series 2013A

As disclosed in Note 5, the Authority's 2013A Junior Indebtedness Obligations (JIO) mature on May 1, 2019. The Authority's plans to satisfy this obligation are described in Note 12.

Adoption of GASB Statement No. 75

As disclosed in Note 1u, in 2018 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*.

Our opinion is not modified with respect to these matters.

Other Matter

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13 and the schedules of other postemployment benefits liability and OPEB as a percentage of covered payroll, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
April 4, 2019



New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2018 and 2017

The following discussion and analysis of the New York State Thruway Authority's (Authority) financial performance provides an overview of the Authority's activities for the years ended December 31, 2018 and 2017. 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.

2018 Financial Highlights

- Total operating revenue was \$799.4 million, an increase of \$7.2 million, or 0.9% compared to 2017. Toll revenue for the year was \$736.5 million, an increase of \$5.0 million, or 0.7% compared to 2017.
- Total operating expenses, excluding depreciation and amortization, were \$457.4 million, an increase of \$14.7 million, or 3.3% compared to 2017.
- Net position as of December 31, 2018 was \$1.11 billion, an increase of \$316.7 million, or 39.9% compared to December 31, 2017.
- Total capital assets (net of depreciation) as of December 31, 2018 were \$7.31 billion, an increase of \$267.8 million, or 3.8% compared to December 31, 2017.
- Construction of the Governor Mario M. Cuomo Bridge continued into 2018 with the second span being opened to traffic in September of 2018. A total of \$3.84 billion has been invested in the project through December 31, 2018, of which \$275.7 million was invested during 2018.
- The State of New York has committed \$1.99 billion to fund the Governor Mario M. Cuomo Bridge and other Thruway capital projects via the Thruway Stabilization Program. Since the inception of the program in 2015, the State of New York has contributed \$1.62 billion to the Authority, including \$441.8 million in 2018.

2017 Financial Highlights

- Total operating revenue was \$792.2 million, an increase of \$40.2 million, or 5.3% compared to 2016. Toll revenue for the year was \$731.5 million, an increase of \$23.2 million, or 3.3% compared to 2016.
- Total operating expenses, excluding depreciation and amortization, were \$442.8 million, a decrease of \$36.5 million, or 7.6% compared to 2016.
- Net position as of December 31, 2017 was \$794.1 million, a decrease of \$1.00 billion, or 55.9% compared to December 31, 2016.
- Total capital assets (net of depreciation) as of December 31, 2017 were \$7.04 billion, a decrease of \$295.6 million, or 4% compared to December 31, 2016.
- Construction of the Governor Mario M. Cuomo Bridge continued through 2017 with the first span opened to traffic in August of 2017. \$539.7 million was invested in the project during 2017.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2018 and 2017

2017 Financial Highlights - Continued

- The State of New York has committed \$1.99 billion to fund the Governor Mario M. Cuomo Bridge and other Thruway capital projects via the Thruway Stabilization Program. Since the inception of the program in 2015, the State of New York has contributed \$1.18 billion to the Authority.
- On January 1, 2017, control of the Canal Corporation and Canal System was transferred to the New York State Power Authority (Power Authority) pursuant to enacted legislation of the State of New York. On this date, Canal Corporation assets of \$653.7 million and liabilities of \$114.2 million were transferred to the Power Authority. The Authority's Statement of Revenue, Expenses and Changes in Net Position includes a special item of \$539.5 million representing the net position of the Canal Corporation transferred to the Power Authority.

Overview of the Financial Statements

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

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

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

On January 1, 2017, the New York State Canal Corporation was transferred from the Authority to the New York State Power Authority (Note 13). Additionally, during 2017, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Note 1u). The effect of the transfer of the New York State Canal Corporation to the New York State Power Authority and adoption of GASB Statement No. 75 must be considered when comparing the Authority's financial results as of and for the years ended December 31, 2018, 2017 and 2016.

Financial Analysis of the Authority

Net Position

The Authority's net position at December 31, 2018 was approximately \$1.11 billion, a 39.9% increase compared to December 31, 2017 (see Table A-1). In 2018, total assets increased 2.8% to \$8.51 billion and total liabilities decreased 0.9% to \$7.47 billion. The Authority's net position at December 31, 2017 was approximately \$794.1 million, a 55.9% decrease compared to December 31, 2016. In 2017, total assets decreased 7.8% to \$8.28 billion, and total liabilities increased 3.4% to \$7.54 billion.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2018 and 2017

Financial Analysis of the Authority - Continued

Net Position - Continued

Table A-1

Net Position
December 31, 2018, 2017, and 2016
(In millions of dollars)

	2018	2017 (Restated)	2016	Percentage Change 2018-2017
Unrestricted current assets	\$ 480.3	\$ 453.0	\$ 458.2	6.0
Restricted assets	719.7	782.5	1,178.8	(8.0)
Capital assets	<u>7,311.2</u>	<u>7,043.4</u>	<u>7,339.0</u>	<u>3.8</u>
Total assets	<u>8,511.2</u>	<u>8,278.9</u>	<u>8,976.0</u>	<u>2.8</u>
Deferred outflows	<u>144.7</u>	<u>61.6</u>	<u>125.0</u>	<u>134.9</u>
Current liabilities	2,204.6	628.1	639.1	251.0
Noncurrent liabilities	<u>5,264.1</u>	<u>6,909.7</u>	<u>6,650.8</u>	<u>(23.8)</u>
Total liabilities	<u>7,468.7</u>	<u>7,537.8</u>	<u>7,289.9</u>	<u>(0.9)</u>
Deferred inflows	<u>76.4</u>	<u>8.6</u>	<u>12.4</u>	<u>788.4</u>
Total net position	<u>\$ 1,110.8</u>	<u>\$ 794.1</u>	<u>\$ 1,798.7</u>	<u>39.9</u>

Restricted assets decreased \$62.8 million, or 8.0% compared to 2017. The decrease is primarily due to the use of debt proceeds to pay interest costs. In 2018, proceeds generated from the issuance of General Revenue Junior Indebtedness Obligations, Series 2013A were used to pay \$39.8 million of interest and proceeds generated from the issuance of General Revenue Junior Indebtedness Obligations, Series 2016A were used to pay \$20.5 million of interest. Additional information regarding restricted assets and General Revenue Junior Indebtedness Obligations, Series 2013A and Series 2016A is presented in Notes 4 and 5, respectively.

Capital assets increased \$267.8 million, or 3.8% compared to 2017. This increase is primarily due to the Authority's continued investment in the Governor Mario M. Cuomo Bridge, as well as ongoing investments to preserve existing infrastructure across the Thruway System. Additional information regarding capital assets is presented in Notes 3.

Current liabilities increased \$1.58 billion, or 251.0%, and noncurrent liabilities decreased \$1.65 billion, or 23.8% compared to 2017. General Revenue Junior Indebtedness Obligations - Series 2013A in the amount of \$1.6 billion mature on May 1, 2019 and are reflected as a current liability as of December 31, 2018. Additional information regarding the Authority's debt and repayment of the General Revenue Junior Indebtedness Obligations - Series 2013A is presented in Notes 5 and 12, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2018 and 2017

Financial Analysis of the Authority - Continued

Net Position - Continued

The Authority's Statement of Net Position as of December 31, 2017 was restated for the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes new financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. Non-current liabilities were restated from \$6,401.5 million to \$6,909.7 million, an increase of \$508.2 million and net position was restated from \$1,302.3 million to \$794.1 million, a corresponding decrease of \$508.2 million. Additional information regarding the adoption of GASB Statement No. 75 and other postemployment benefit obligations can be found in Notes 1u and 9, respectively.

Changes in Net Position

Net position increased by \$316.7 million in 2018 (see Table A-2). The Authority's total operating revenues for 2018 were \$799.4 million, an increase of \$7.2 million, or 0.9% compared to 2017. Total operating expenses, including depreciation and amortization for 2018 were \$811.2 million, a decrease of \$70.6 million, or 8.0% compared to 2017. Net position decreased by \$1.00 billion in 2017 compared to 2016. The Authority's total operating revenues for 2017 were \$792.2 million, an increase of \$40.2 million, or 5.3% compared to 2016. Total operating expenses including depreciation and amortization for 2017 were \$881.8 million, a decrease of \$142.2 million, or 13.9% compared to 2016.

Table A-2

Changes in Net Position
Years ended December 31, 2018, 2017, and 2016
(In millions of dollars)

	2018	2017	2016	Percentage Change 2018-2017
OPERATING REVENUE				
Tolls	\$ 736.5	\$ 731.5	\$ 708.3	0.7
Concessions	14.9	14.9	14.8	-
Other	48.0	45.8	28.9	4.8
Total operating revenue	<u>799.4</u>	<u>792.2</u>	<u>752.0</u>	<u>0.9</u>
OPERATING EXPENSES				
Salaries	146.0	140.8	158.3	3.7
Post employment obligations	83.3	69.3	89.7	20.2
Employee benefits	64.6	67.4	82.1	(4.2)
State Police - Troop T services	58.1	60.6	45.8	(4.1)
Professional and other services	51.1	45.5	43.6	12.3
Supplies, materials and rentals	25.1	21.6	19.8	16.2
Maintenance and repairs	17.6	18.7	23.1	(5.9)
Utilities	6.3	5.6	6.1	12.5
Insurance and claims	4.3	5.0	5.5	(14.0)
Equipment	1.0	1.2	0.8	(16.7)
Other	0.1	7.1	4.5	(98.6)
Depreciation and amortization	353.7	439.0	544.7	(19.4)
Total operating expenses	<u>811.2</u>	<u>881.8</u>	<u>1,024.0</u>	<u>(8.0)</u>
Operating loss	<u>(11.8)</u>	<u>(89.6)</u>	<u>(272.0)</u>	<u>(86.8)</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2018 and 2017

Financial Analysis of the Authority - Continued

Changes in Net Position - Continued

	2018	2017	2016	Percentage Change 2018-2017
NON-OPERATING ITEMS				
Interest expense	(178.9)	(161.4)	(155.3)	10.8
Debt issuance expense	(2.9)	-	(5.1)	-
Non-operating revenue	13.9	6.7	44.8	107.5
Gain (loss) on disposals and other	(0.5)	(0.3)	(10.3)	66.7
Net non-operating items	(168.4)	(155.0)	(125.9)	8.6
Loss before capital contributions and special item	(180.2)	(244.6)	(397.9)	(26.3)
Capital contributions	496.9	287.7	388.9	72.7
Special item - Transfer of Canal Corporation	-	(539.5)	-	(100.0)
CHANGE IN NET POSITION	316.7	(496.4)	(9.0)	(163.8)
NET POSITION, beginning of year	794.1	1,798.7	1,807.7	(55.9)
NET POSITION, end of year prior to restatement	1,110.8	1,302.3	1,807.7	(14.7)
Effect of adoption of GASB 75	-	(508.2)	-	(100.0)
NET POSITION, end of year, as restated	\$ 1,110.8	\$ 794.1	\$ 1,798.7	39.9

Toll revenue increased \$5.0 million, or 0.7% compared to 2017. This increase is primarily due to a system wide increase in commercial truck traffic.

Salary costs increased \$5.2 million, or 3.7% compared to 2017. This increase is primarily due to incentives aimed at retaining toll collection employees during the Authority's transition to cashless tolling. Additional information regarding the Authority's transition to cashless tolling is presented in the Other Significant Matters section of the Management's Discussion and Analysis.

Postemployment obligations consist primarily of health insurance benefits provided to retirees. In 2018, the Authority adopted the provisions of a new accounting standard related to postemployment obligations - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Additional information regarding GASB Statement No. 75 and Postemployment Benefits Other Than Pension can be found in Notes 1u and 9, respectively.

Professional and other services increased \$5.6 million, or 12.3% compared to 2017. This increase is primarily due to the Authority's ongoing shift from cash based toll collection to cashless tolling. The Authority's cashless tolling programs, E-ZPass and Tolls by Mail, are administered by a third-party vendor. Additional information regarding the Authority's transition to cashless tolling is presented in the Other Significant Matters section of the Management's Discussion and Analysis.

Other costs decreased \$7.0 million, or 98.3% compared to 2017. In 2017, the Authority incurred costs of \$6.5 million for an administrative cost recovery fee charged by the State of New York. In 2018, the State of New York waived this fee.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2018 and 2017

Financial Analysis of the Authority - Continued

Changes in Net Position - Continued

Depreciation and amortization decreased \$85.3 million, or 19.4% compared to 2017. The removal of the Tappan Zee Bridge from service and the opening Governor Mario M. Cuomo Bridge are the primary factors contributing to this decrease.

In December 2015, the useful life of the Tappan Zee Bridge was adjusted to align with the anticipated date it would be taken out of service (August 2017). From December 2015 through August 2017, the Authority recognized the remaining book value of the Tappan Zee Bridge through depreciation expense approximating \$22 million per month. As a result, 2017 depreciation expense on the Tappan Zee Bridge was \$176 million. In August 2017, the westbound span of the Governor Mario M. Cuomo Bridge, with a cost to date of approximately \$1.8 billion, was placed in service carrying both eastbound and westbound traffic. Based on a 100-year useful life, 2017 and 2018 depreciation expense on the westbound span were \$6.9 million and \$19.2 million, respectively. In September 2018, the eastbound span of the Governor Mario M. Cuomo Bridge, with a cost to date of approximately \$1.6 billion, was put into service. 2018 depreciation expense on the eastbound span was \$5.6 million. The replacement of the Tappan Zee Bridge with the Governor Mario M. Cuomo Bridge resulted in a year-to-date decrease of \$158.1 million.

Effective January 1, 2018, the Authority changed its estimated useful life for pavement resurfacing projects on the mainline of the Thruway System. This change is based on evidence indicating that the average life for this type of project has diminished. In 2018, the Authority recognized \$59 million of additional depreciation expense related to reducing the estimated useful life for this type of project.

The increased depreciation expense due to changing the estimated useful life of certain pavement resurfacing projects partially offset the decrease related to the removal of the Tappan Zee Bridge and the opening of the Governor Mario M. Cuomo Bridge.

Interest expense increased \$17.5 million, or 10.8% compared to 2017. This increase is primarily due to a reduction in the amount of interest costs capitalized on the Governor Mario M. Cuomo Bridge project. Financing costs associated with a project are only allowed to be capitalized while assets are being constructed. Based on the westbound and eastbound spans of the Governor Mario M. Cuomo Bridge being placed into service in August 2017 and September 2018, respectively, the amount of interest cost the Authority was allowed to capitalize in 2018 decreased \$29.9 million, or 55.6% compared to 2017, which increased 2018 interest expense. The increase due to the change in interest costs capitalized was partially offset by lower overall interest costs on the Authority's General Revenue Bonds.

Capital contributions increased \$209.2 million, or 72.7% compared to 2017. This increase is primarily due to the timing of when the Authority used Thruway Stabilization Program contributions from the State of New York to fund capital projects including the Governor Mario M. Cuomo Bridge project. Additional information regarding the Thruway Stabilization Program can be found in Note 10. Reimbursements from the State of New York for construction of Welcome Centers in New Baltimore and Grand Island also contributed to this increase.

In 2017, the Authority recognized a special expense of \$539.5 million related to the January 1, 2017 transfer of the Canal Corporation and Canal System to the Power Authority. Additional information regarding the Power Authority assuming financial and operational responsibility for the Canal Corporation and Canal System can be found in Note 13.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2018 and 2017

Capital Assets and Debt Administration

Capital Assets

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

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

Table A-3

Capital Assets
December 31, 2018, 2017, and 2016
(In millions of dollars)

	2018	2017	2016	Percentage Change 2018-2017
Land and land improvements	\$ 806.1	\$ 801.8	\$ 830.0	0.5
Construction work in progress	363.3	2,102.0	3,267.7	(82.7)
Thruway System	10,900.0	9,603.7	8,112.4	13.5
Canal System	-	-	655.4	-
Equipment	241.2	233.5	259.1	3.3
Less accumulated depreciation	(4,999.4)	(5,697.6)	(5,785.6)	(12.3)
 Total net capital assets	 \$ 7,311.2	 \$ 7,043.4	 \$ 7,339.0	 3.8

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

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2018 and 2017

Capital Assets and Debt Administration - Continued

Capital Assets - Continued

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

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

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

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

Debt Administration

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

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2018 and 2017

Capital Assets and Debt Administration - Continued

Debt Administration - Continued

Long-term debt includes general revenue bonds and junior indebtedness obligations of varying rates and maturities issued primarily to fund a portion of the Authority's Multi-Year Capital Plan and New NY Bridge Project costs for construction of the Governor Mario M. Cuomo Bridge. At December 31, 2018, the Authority had approximately \$5.86 billion in general revenue bonds and junior indebtedness obligations outstanding, a decrease of \$178.9 million or approximately 2.96% compared to the amount of general revenue bonds and junior indebtedness obligations outstanding as of December 31, 2017 (see Table A-4).

In March 2018, the Authority issued General Revenue Bonds, Series L which generated proceeds of \$667.3 million. These proceeds were used to refund outstanding General Revenue Bonds, Series H. General Revenue Bonds, Series L mature in various amounts through January 1, 2037.

Of the \$3.27 billion in general revenue bonds outstanding, approximately \$25.1 million are insured by Assured Guaranty Municipal (formerly Financial Security Assurance Inc.) and are rated A1 by Moody's and AA by Standard and Poor's (S&P). The Authority's remaining general revenue bonds are rated A1 by Moody's and A by S&P. Of the \$2.58 billion in junior indebtedness obligations outstanding, approximately \$45.7 million are insured by Assured Guaranty Municipal Corp and are rated A2 by Moody's and AA by S&P. The remaining junior indebtedness obligations are rated A2 by Moody's and A- by S&P.

In December 2013, the Authority entered into a \$1.6 billion loan agreement (TIFIA Loan) with the United States Department of Transportation, acting through the Federal Highway Administration. 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 General Revenue 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 required to be drawn no later than one year after substantial completion of the New NY Bridge Project (defined as the date on which both spans of the bridge were open to vehicular traffic), which occurred on September 12, 2018.

Also in December 2013, and in conjunction with the TIFIA loan, the Authority issued \$1.6 billion of Junior Indebtedness Obligations, Series 2013A, to fund initial costs of the New NY Bridge Project. The 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%.

At December 31, 2017, the Authority had approximately \$6,037.0 billion in general revenue bonds and junior indebtedness obligations, a decrease of \$130.9 million, or 2.1% from December 31, 2016.

Table A-4

Outstanding Debt
Years ended December 31, 2018 and 2017
(In millions of dollars)

	Year Ended December 31, 2018			Ending Balance
	Beginning Balance	Additions	Reductions	
General Revenue Bonds	\$ 3,408.2	\$ 667.3	\$ (801.3)	\$ 3,274.2
Junior Indebtedness Obligations	2,628.8	-	(44.9)	2,583.9
Total bonds and notes	<u>\$ 6,037.0</u>	<u>\$ 667.3</u>	<u>(846.2)</u>	<u>\$ 5,858.1</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis

December 31, 2018 and 2017

Capital Assets and Debt Administration - Continued

Debt Administration - Continued

	Year Ended December 31, 2017			Ending Balance
	Beginning Balance	Additions	Reductions	
General Revenue Bonds	\$ 3,494.2	\$ -	\$ (86.0)	\$ 3,408.2
Junior Indebtedness Obligations	<u>2,673.7</u>	<u>-</u>	<u>(44.9)</u>	<u>2,628.8</u>
Total bonds and notes	<u>\$ 6,167.9</u>	<u>\$ -</u>	<u>\$ (130.9)</u>	<u>\$ 6,037.0</u>

More detailed information regarding the Authority's debt and repayment of the General Revenue Junior Indebtedness Obligations - Series 2013A is presented in Notes 5 and 12, respectively.

Other Significant Matters

Governor Mario M. Cuomo Bridge

In January 2013, the Authority entered into a design-build agreement to construct what was then known as the New NY Bridge to replace the existing Tappan Zee Bridge. The New NY Bridge, now known as the Governor Mario M. Cuomo Bridge, is a twin-span structure crossing the Hudson River between Rockland and Westchester counties. The bridge has a 100-year design life and consists of eight general purpose lanes, as well as emergency access lanes. The bridge conforms to current seismic, safety, and geometric requirements; has adequate shoulders to manage traffic incidents and emergencies; and will soon be able to accommodate bicycle and pedestrian use. The westbound span of the Governor Mario M. Cuomo Bridge was placed in service in August of 2017 and the eastbound span was placed in service in September of 2018. Through December 31, 2018, costs of \$3.84 billion have been incurred on the project, \$275.7 million of which was spent in 2018.

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

Thruway Stabilization Program

In 2015, the State of New York created the \$1.285 billion Thruway Stabilization Program to partially fund the Governor Mario M. Cuomo Bridge, as well as other Thruway capital projects. In 2016, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. The Authority intends to use \$1.2 billion from this program on the Governor Mario M. Cuomo Bridge and \$785 million on other Thruway capital projects and needs. Through December 31, 2018, the program has provided \$1.62 billion to the Authority, consisting of \$1.09 billion related to the Governor Mario M. Cuomo Bridge and \$527.9 million related to other Thruway capital projects.

New York State Thruway Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis December 31, 2018 and 2017

Other Significant Matters - Continued

Cashless Tolling

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

Postemployment Benefit Obligations

Effective December 31, 2017, the Authority implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement establishes new financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. The adoption of this statement was applied retroactively, requiring a restatement of the Authority's Statement of Net Position as of December 31, 2017. Additional information regarding the adoption of GASB Statement No. 75 and other postemployment benefit obligations can be found in Notes 1u and 9, respectively.

Canal Corporation

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

Additional information regarding the transfer of the Canal Corporation is available in Note 13.

Contacting the New York State Thruway Authority's Financial Management

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Statements of Net Position (in thousands of dollars)

	December 31,	
	2018	2017 (Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 377,073	\$ 312,157
Investments	6,015	21,366
Receivables, net	76,181	100,574
Material and other supplies	18,982	17,224
Prepaid items	2,057	1,679
Restricted assets	347,227	355,439
Total current assets	827,535	808,439
NON-CURRENT ASSETS		
Restricted assets	372,480	427,028
Capital assets, not being depreciated	1,169,500	2,903,797
Capital assets, net of accumulated depreciation	6,141,732	4,139,562
Total non-current assets	7,683,712	7,470,387
 Total assets	 8,511,247	 8,278,826
DEFERRED OUTFLOWS OF RESOURCES		
Loss on bond refunding	9,165	11,760
OPEB resources	71,093	-
Pension resources	64,480	49,858
Total deferred outflows of resources	144,738	61,618
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	268,245	265,006
Unearned revenue	97,984	83,357
Accrued interest payable	132,583	137,011
Bonds payable due within one year	1,705,783	142,735
Total current liabilities	2,204,595	628,109
NON-CURRENT LIABILITIES		
Bonds payable	4,152,274	5,894,250
Other long-term liabilities	1,111,855	1,015,419
Total non-current liabilities	5,264,129	6,909,669
 Total liabilities	 7,468,724	 7,537,778
DEFERRED INFLOWS OF RESOURCES		
Gain on bond refunding	25,568	-
Pension resources	50,890	8,604
Total deferred inflows of resources	76,458	8,604
NET POSITION		
Net investment in capital assets	1,694,741	1,319,243
Restricted for		
Debt service	71,759	83,189
Capital	126,713	144,224
Unrestricted (deficit)	(782,410)	(752,594)
Total net position	\$ 1,110,803	\$ 794,062

See accompanying Notes to Financial Statements.

New York State Thruway Authority

(A Component Unit of the State of New York)

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

	Years Ended December 31,	
	2018	2017
OPERATING REVENUES		
Tolls	\$ 736,504	\$ 731,505
Concessions	14,880	14,883
Other	48,017	45,821
Total operating revenues	799,401	792,209
OPERATING EXPENSES		
Salaries	146,000	140,812
Postemployment obligations	83,251	69,316
Employee benefits	64,602	67,418
State Police - Troop T services	58,143	60,572
Professional and other services	51,062	45,452
Supplies, materials and rentals	25,105	21,615
Maintenance and repairs	17,589	18,709
Utilities	6,317	5,580
Insurance and claims	4,285	4,959
Equipment	943	1,176
Other	120	7,118
Depreciation and amortization	353,732	439,047
Total operating expenses	811,149	881,774
Operating loss	(11,748)	(89,565)
NON-OPERATING REVENUES AND EXPENSES		
Investment income	5,493	2,866
Interest expense	(178,894)	(161,413)
Debt issuance cost	(2,932)	(9)
Federal, state and other aid	8,393	3,766
Loss on disposal of assets	(469)	(267)
Net non-operating items	(168,409)	(155,057)
Loss before capital contributions and special item	(180,157)	(244,622)
CAPITAL CONTRIBUTIONS	496,898	287,713
SPECIAL ITEM, transfer of Canal Corporation to NYS Power Authority	-	(539,518)
Total capital contributions and special item	496,898	(251,805)
CHANGE IN NET POSITION	316,741	(496,427)
NET POSITION, <i>beginning of year</i>	794,062	1,798,699
NET POSITION, <i>end of year prior to restatement</i>	1,110,803	1,302,272
Effect of adoption of GASB 75	-	(508,210)
NET POSITION, <i>end of year, as restated</i>	\$ 1,110,803	\$ 794,062

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,	
	2018	2017
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from toll collections	\$ 746,364	\$ 728,778
Cash received from concession sales	15,065	14,848
Other operating cash receipts	44,646	43,057
Personal service payments	(150,486)	(137,208)
Fringe benefits payments	(103,686)	(94,130)
E-ZPass and Tolls by Mail account management payments	(42,454)	(42,034)
Cash payments to vendors and contractors	(133,275)	(128,939)
	376,174	384,372
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES		
Federal, state and other aid	47,988	18,554
CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	667,293	-
Federal, state and other capital contributions	222,181	167,836
Acquisition/construction of capital assets	(342,785)	(682,085)
Principal paid on debt	(752,735)	(70,990)
Interest and issuance costs paid on debt	(275,427)	(281,507)
Proceeds from sale of capital assets	985	301
	(480,488)	(866,445)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of investments	(699,294)	(761,247)
Proceeds from sales and maturities of investments	739,856	1,193,989
Interest and dividends on investments	5,779	5,798
	46,341	438,540
Net decrease in cash and cash equivalents	(9,985)	(24,979)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	686,308	711,287
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 676,323	\$ 686,308

See accompanying Notes to Financial Statements.

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (11,748)	\$ (89,565)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	353,732	439,047
Capitalized interest	1	880
Net changes in assets, liabilities, deferred outflows and deferred inflows		
Receivables	(15,202)	1,982
Material and supplies	(1,758)	124
Other assets	(378)	(834)
Accounts payables and accrued expenses	80,328	(9,513)
Deferred outflows	(85,714)	46,793
Deferred inflows	42,286	(1,920)
Unearned revenue	14,627	(2,622)
	<u>\$ 376,174</u>	<u>\$ 384,372</u>
RECONCILIATION TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 377,073	\$ 312,157
Restricted cash and cash equivalents (Note 2)	299,250	374,151
	<u>\$ 676,323</u>	<u>\$ 686,308</u>
NON-CASH CAPITAL ACTIVITIES		
Payments made to vendors by the State of New York under Thruway Stabilization Program	<u>\$ 243,270</u>	<u>\$ 25,000</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies

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

a. Financial Reporting Entity

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

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

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

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

b. Basis of Accounting

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

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

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

b. Basis of Accounting - Continued

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

c. Cash, Cash Equivalents, and Investments

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

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

d. Estimates

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

e. Receivables

Receivables consist primarily of receivables from commercial transportation companies and Federal and State governments under various grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. Receivables also include amounts attributable to the Authority's cashless tolling system. Receivables are reported net of an allowance for uncollectible amounts. The allowance for doubtful receivables amounted to \$10,284,000 and \$11,163,000 at December 31, 2018 and 2017, respectively.

f. Materials and Other Supplies

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

g. Unearned Revenue

Unearned revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and annual permit revenues collected in advance. E-ZPass customer accounts with negative balances (amounts due to the Authority) are reported as an offset to unearned revenue. At December 31, 2018 and 2017, E-ZPass accounts with negative balances, net of allowances for doubtful accounts, amount to \$1,460,000 and \$977,000, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

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

h. Restricted Assets

Certain proceeds of the Thruway revenue bonds and notes are restricted by applicable bond covenants for construction or set aside as reserves to ensure repayment of the Authority's bonds. Certain other assets are accumulated and restricted in accordance with the bond resolutions for the purpose of paying interest and principal debt payments that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining reserve funds at required levels.

i. Toll Revenues

Toll revenues are stated net of volume and other discounts approximating \$28.0 million and \$27.4 million in 2018 and 2017, respectively.

j. Pensions

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

k. Other Postemployment Benefits

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

l. Compensated Absences

Permanent employees of the Authority accrue vacation leave as part of their benefit package. Unused vacation days up to a maximum of 30 days are considered vested and paid upon retirement or termination. The liability for vested vacation leave approximates \$8,970,000 and \$9,201,000 at December 31, 2018 and 2017, respectively, and is recorded as a long-term liability.

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

m. Bond and Note Premiums

Bond and note premiums are presented as components of bonds payable. The premiums are amortized over the life of the bonds and notes on a method that approximates the effective interest method. Net amortization related to bond and note premiums were approximately \$62,003,000 and \$59,920,000 for 2018 and 2017, respectively, and are included as an offset to interest expense.

n. Deferred Outflows and Deferred Inflows of Resources

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

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

o. Net Position

Net position is classified as follows:

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

p. Capital Contributions

Capital contributions consist primarily of funds provided by the State of New York (Note 10).

q. Arbitrage

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements, and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability for the years ended December 31, 2018 and 2017.

r. Income Taxes

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

s. Non-Exchange Transactions

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

Operating revenues include fees of \$29.9 million and \$31.9 million for the years ended December 31, 2018 and December 31, 2017, respectively.

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

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

t. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through April 4, 2019, the date the financial statements were available to be issued (Note 12).

u. Adoption of Accounting Standard

During 2018, the Authority implemented the provisions of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. GASB 75 replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. GASB 75 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.

The adoption of GASB 75 was applied retroactively. As a result of the adoption of GASB 75, the Authority measured and recognized OPEB amounts in accordance with GASB 75, included additional disclosures in Note 9, presented a schedule of other postemployment benefits liability and OPEB as a percentage of covered payroll as required supplementary information, and restated the postemployment benefit obligation and net position by \$508,210,000 each to \$959,969,000 and \$794,062,000 at December 31, 2017, respectively.

Note 2 - Cash and Investments

The Authority's cash and investments as of December 31, 2018 and 2017, were as follows (in thousands):

	Carrying Value	
	2018	2017
Unrestricted		
Cash		
Demand deposits	\$ 92,632	\$ 96,279
Toll change funds	190	150
Total unrestricted cash	<u>92,822</u>	<u>96,429</u>
Cash equivalents		
U.S. government discount notes	9,573	29,963
U.S. treasury securities	211,577	87,781
Time Deposits	219	
Commercial paper	62,882	97,984
Total unrestricted cash equivalents	<u>284,251</u>	<u>215,728</u>
Total unrestricted cash and cash equivalents	<u>\$ 377,073</u>	<u>\$ 312,157</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 2 - Cash and Investments - Continued

	Carrying Value	
	2018	2017
Restricted		
Cash		
Demand deposits	\$ 70,152	\$ 60,707
Other deposits	2,501	2,630
Total restricted cash	72,653	63,337
Cash equivalents		
U.S. government discount notes	80,138	-
U.S. treasury securities	96,479	130,015
Commercial paper	49,980	180,799
Total restricted cash equivalents	226,597	310,814
Total restricted cash and cash equivalents	\$ 299,250	\$ 374,151
	Carrying Value	
	2018	2017
Investments		
Unrestricted		
Commercial paper	\$ -	\$ 4,962
U.S. treasury securities	5,063	15,414
Time deposits	952	990
Total unrestricted investments	\$ 6,015	\$ 21,366
Restricted		
U.S. government discount notes	\$ 26,047	\$ -
Commercial paper	100,751	111,298
U.S. treasury securities	171,639	212,201
Total restricted investments	\$ 298,437	\$ 323,499

At December 31, 2018 and 2017, the fair value of the Authority's cash and investments approximated the carrying value (amortized cost).

The Authority requires collateral, in the form of federal government obligations or agency instruments guaranteed by the federal government, for all investments in repurchase agreements. The Authority also requires delivery to its trustee/custodian of all securities purchased and collateral for repurchase agreements, regardless of the seller institution. All Authority investment securities are classified as securities acquired by a financial institution for the Authority and held by the Authority's trustee/custodian in the Authority's name. Bank balances, which are comprised of demand and other deposits, are fully insured or collateralized as of December 31, 2018 and 2017. Amounts are collateralized with securities transferred to and held by the Authority's trustee/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, 2018 and 2017

Note 2 - Cash and Investments - Continued

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

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

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

Interest rate risk is also addressed in the Authority's policy which requires the purchase of securities with the intention of holding them to maturity and does not limit the term of any investment. It is the Authority's practice to invest funds to the date of the anticipated need of the funds. The Authority does not own any investments at December 31, 2018 that mature in 2020 or beyond.

As of December 31, 2018, the Authority had the following concentrations of investments:

<u>Investments</u>	<u>Credit Exposure Security</u>	<u>% of Total</u>
<u>Agency Obligations</u>		
Federal Home Loan Banks	A-1+/P-1/na	14.2%
<u>Commercial Paper</u>		
Koch Resources LLC	A-1+/P-1/na	7.0%
Toronto Dominion HDG USA, INC	A-1+/P-1/na	10.1%
Toyota Motor Credit Corporation	A-1+/P-1/F1	9.1%
<u>U.S. Government Securities</u>		
Treasury Bills	A-1+/P-1/F1+	59.6%

Note 3 - Capital Assets

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 3 - Capital Assets - Continued

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

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

The following schedules summarize the capital assets of the Authority and related changes for the years ended December 31, 2018 and 2017 (in thousands):

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 3 - Capital Assets - Continued

	December 31, 2016	Additions	Reductions	December 31, 2017
Capital assets, not being depreciated				
Land and land improvements	\$ 829,970	\$ 1,110	\$ (29,248)	\$ 801,832
Construction in progress	3,267,671	751,168	(1,916,874)	2,101,965
Total capital assets, not being depreciated	<u>4,097,641</u>	<u>752,278</u>	<u>(1,946,122)</u>	<u>2,903,797</u>
Capital assets, being depreciated				
Thruway System	8,112,437	1,857,872	(366,597)	9,603,712
Canal System (Note 13)	655,418	-	(655,418)	-
Equipment	259,125	36,553	(62,140)	233,538
Total capital assets, being depreciated	<u>9,026,980</u>	<u>1,894,425</u>	<u>(1,084,155)</u>	<u>9,837,250</u>
Less accumulated depreciation for				
Thruway System	(5,510,689)	(419,184)	366,664	(5,563,209)
Canal System (Note 13)	(113,831)	-	113,831	-
Equipment	(161,102)	(19,807)	46,430	(134,479)
Total accumulated depreciation	<u>(5,785,622)</u>	<u>(438,991)</u>	<u>526,925</u>	<u>(5,697,688)</u>
Net value of capital assets, being depreciated	<u>3,241,358</u>	<u>1,455,434</u>	<u>(557,230)</u>	<u>4,139,562</u>
Capital assets, net	<u>\$ 7,338,999</u>	<u>\$ 2,207,712</u>	<u>\$ (2,503,352)</u>	<u>\$ 7,043,359</u>

Depreciation expense related to capital assets was \$353,676,000 and \$438,991,000 for the years ended December 31, 2018 and 2017, respectively. The Authority periodically reviews and, when deemed necessary, adjusts the estimated useful lives of its capital assets. Effective January 1, 2018, the Authority changed its estimated useful life for pavement resurfacing projects on the mainline of the Thruway System from 10 years to 8 years.

The Authority incurred \$202.8 million in total interest expense in 2018, of which \$23.6 million was capitalized, and an additional \$0.3 million was offset against interest earned on the proceeds from various debt issuances. The Authority incurred \$215.3 million in total interest expense in 2017, of which \$51.4 million was capitalized and an additional \$2.5 million was offset against interest earned on the proceeds from various debt issuances.

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

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):

	<u>2018</u>	<u>2017</u>
Restricted current		
Cash and cash equivalents	\$ 165,767	\$ 226,314
Investments	91,892	46,623
Receivables	89,568	82,502
Total	<u>347,227</u>	<u>355,439</u>
Restricted non-current		
Cash and cash equivalents	133,483	147,837
Investments	206,545	276,876
Interest receivable	-	80
Receivables	24,241	-
Other	8,211	2,235
Total	<u>372,480</u>	<u>427,028</u>
Total restricted assets	<u>\$ 719,707</u>	<u>\$ 782,467</u>

The related balances at December 31, 2018 and 2017 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, 2018 and 2017 were \$144,110,000 and 159,838,000, respectively.

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve-month period on all outstanding General Revenue Bonds secured by the Senior Debt Service Reserve Fund. Amounts held in this restricted fund at December 31, 2018 and 2017 were \$180,973,000 and \$181,093,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Amounts remaining upon completion or abandonment of such projects is required to be transferred to other funds in accordance with the terms outlined in the bond resolutions. The fund also holds in escrow monies received from the State of New York to fund the Authority's Multi-Year Capital Program. The amounts held in this restricted fund at December 31, 2018 and 2017 were \$37,251,000 and \$28,887,000, 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, 2018 and 2017 were \$113,553,000 and \$109,905,000, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 4 - Restricted Assets - Continued

Junior Indebtedness Fund: Established to hold moneys received from the sale of Junior Indebtedness Obligations. Amounts in the Junior Indebtedness Fund are used to: 1) fund the Facilities Capital Improvement Fund for a portion of the cost of the Authority's New NY Bridge Project as defined in the Junior Indebtedness Bond Resolution; 2) fund certain debt service payments on the Series 2013A and Series 2016A Junior Indebtedness Obligations; and 3) satisfy the Junior Indebtedness Debt Service Reserve requirements on the Series 2016A Junior Indebtedness Obligations. The amounts held in this restricted fund at December 31, 2018 and 2017 were \$137,560,000 and \$180,379,000, respectively.

Facilities Capital Improvement Fund: Established to hold funds determined to be necessary or appropriate by the Authority Board to fund project costs of facilities or to set up reserves to fund such costs. The Authority has elected to use this fund to hold certain revenues, debt proceeds, and other monies dedicated to the Governor Mario M. Cuomo Bridge. The amounts held in this restricted fund at December 31, 2018 and 2017, were \$103,758,000 and \$119,735,000, 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, 2018 and 2017 were \$2,502,000 and \$2,630,000, respectively.

Note 5 - Long-Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2018 and 2017, are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2017 Balance	Additions	Reductions	December 31, 2018 Balance	Due Within One Year
General revenue bonds						
2007 Series H	10/07	\$ 717,025	\$ -	\$ (717,025)	\$ -	\$ -
2012 Series I	7/12	1,041,835	-	(22,335)	1,019,500	23,310
2014 Series J	2/14	650,625	-	(13,375)	637,250	14,030
2014 Series K	12/14	743,865	-	-	743,865	4,825
2018 Series L	3/18	-	596,220	-	596,220	29,595
Unamortized bond premiums		<u>254,829</u>	<u>71,073</u>	<u>(48,552)</u>	<u>277,350</u>	<u>17,070</u>
General revenue bonds and unamortized premiums		<u>3,408,179</u>	<u>667,293</u>	<u>(801,287)</u>	<u>3,274,185</u>	<u>88,830</u>
Junior indebtedness obligations						
Series 2013 A	12/13	1,600,000	-	-	1,600,000	1,600,000
Series 2016 A	5/16	850,000	-	-	850,000	-
Unamortized bond premiums		<u>178,806</u>	<u>-</u>	<u>(44,934)</u>	<u>133,872</u>	<u>16,953</u>
Junior indebtedness obligations and unamortized premiums		<u>2,628,806</u>	<u>-</u>	<u>(44,934)</u>	<u>2,583,872</u>	<u>1,616,953</u>
Total bonds and unamortized premiums		<u><u>\$ 6,036,985</u></u>	<u><u>\$ 667,293</u></u>	<u><u>\$ (846,221)</u></u>	<u><u>\$ 5,858,057</u></u>	<u><u>\$ 1,705,783</u></u>
Other long-term liabilities						
Postemployment benefit obligation		\$ 959,969	\$ 154,344	\$ (30,553)	\$ 1,083,760	\$ -
Net pension liability		46,249	-	(30,630)	15,619	-
Compensated absences		9,201	-	(231)	8,970	-
Service based retention- incentive		-	3,506	-	3,506	-
Total other long-term liabilities		<u><u>\$ 1,015,419</u></u>	<u><u>\$ 157,850</u></u>	<u><u>\$ (61,414)</u></u>	<u><u>\$ 1,111,855</u></u>	<u><u>\$ -</u></u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 5 - Long-Term Liabilities - Continued

	Date of Issuance	December 31, 2016 Balance	Additions	Reductions	December 31, 2017 Balance	Due Within One Year
General revenue bonds						
2007 Series H	10/07	\$ 757,845	\$ -	\$ (40,820)	\$ 717,025	\$ 47,105
2012 Series I	7/12	1,059,220	-	(17,385)	1,041,835	22,335
2014 Series J	2/14	663,410	-	(12,785)	650,625	13,375
2014 Series K	12/14	743,865	-	-	743,865	-
Unamortized bond premiums		<u>269,815</u>	<u>-</u>	<u>(14,986)</u>	<u>254,829</u>	<u>14,987</u>
General revenue bonds and unamortized premiums		<u>3,494,155</u>	<u>-</u>	<u>(85,976)</u>	<u>3,408,179</u>	<u>97,802</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>223,739</u>	<u>-</u>	<u>(44,933)</u>	<u>178,806</u>	<u>44,933</u>
Junior indebtedness obligations and unamortized premiums		<u>2,673,739</u>	<u>-</u>	<u>(44,933)</u>	<u>2,628,806</u>	<u>44,933</u>
Total bonds and unamortized premiums		<u>\$ 6,167,894</u>	<u>\$ -</u>	<u>\$ (130,909)</u>	<u>\$ 6,036,985</u>	<u>\$ 142,735</u>
		December 31, 2016 Balance	Additions	Reductions	GASB 75 Restatement	December 31, 2017 (Restated)
Other long-term liabilities						
Postemployment benefit obligation		\$ 504,480	\$ 69,316	\$ (122,037)	\$ 508,210	\$ 959,969
Net pension liability		99,135	-	(52,886)	-	46,249
Compensated absences		<u>10,236</u>	<u>-</u>	<u>(1,035)</u>	<u>-</u>	<u>9,201</u>
Total other long-term liabilities		<u>\$ 613,851</u>	<u>\$ 69,316</u>	<u>\$ (175,958)</u>	<u>\$ 508,210</u>	<u>\$ 1,015,419</u>

The debt service requirements for the Authority's senior bonds as of December 31, 2018 are as follows (in thousands):

Due	Principal	Interest	Total
2019	\$ 71,760	\$ 143,208	\$ 214,968
2020	100,945	139,326	240,271
2021	105,725	134,352	240,077
2022	104,005	129,225	233,230
2023	131,705	123,468	255,173
2024 - 2028	773,120	509,511	1,282,631
2029 - 2033	864,280	296,809	1,161,089
2034 - 2038	468,465	143,886	612,351
2039 - 2043	354,775	42,547	397,322
2044	22,055	510	22,565
Unamortized premiums	<u>277,350</u>	<u>-</u>	<u>277,350</u>
	<u>\$ 3,274,185</u>	<u>\$ 1,662,842</u>	<u>\$ 4,937,027</u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 5 - Long-Term Liabilities - Continued

The debt service requirements for the Authority's junior indebtedness obligations as of December 31, 2018 are as follows (in thousands):

Due	Principal	Interest	Total
2019	\$ 1,600,000	\$ 107,214	\$ 1,707,214
2020	-	40,950	40,950
2021	250	40,946	41,196
2022	250	40,937	41,187
2023	250	40,927	41,177
2024 - 2028	20,250	203,066	223,316
2029 - 2033	69,330	191,828	261,158
2034 - 2038	100,335	170,582	270,917
2039 - 2043	125,900	144,170	270,070
2044 - 2048	160,585	108,719	269,304
2049 - 2053	202,845	65,587	268,432
2054 - 2056	170,005	12,542	182,547
Unamortized premiums	133,872	-	133,872
	<u>\$ 2,583,872</u>	<u>\$ 1,167,468</u>	<u>\$ 3,751,340</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 were comprised of both Serial Bonds and Term Bonds, with varying rates and maturities.

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

The Series H Bonds were fully defeased in March 2018 using the proceeds of General Revenue Bonds - Series L. There are no outstanding Series H Bonds as of December 31, 2018.

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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 5 - Long-Term Liabilities - Continued

The Series I Bonds are comprised of both Serial Bonds and Term Bonds with varying rates and maturities. The amounts outstanding at December 31, 2018, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> (in thousands)
Serial Bonds	4.0% to 5.0%	2019 - 2032	\$ 453,205
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>\$ 1,019,500</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, 2018, are as follows:

<u>Type</u>	<u>Rates</u>	<u>Maturity</u>	<u>Amount</u> (in thousands)
Serial Bonds	3.0% to 5.0%	2019 - 2036	\$ 486,730
Term Bonds	5.00%	2041	87,235
Term Bonds	4.63%	2044	63,285
			<u>\$ 637,250</u>

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

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 5 - Long-Term Liabilities - Continued

The Series K Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2018, 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 Bonds - Series L: In March 2018, the Authority issued \$596,220,000 of Series L General Revenue Refunding Bonds to: (1) refund the Authority's outstanding General Revenue Bonds, Series H (for a net present value savings of \$83,145,000) and (2) pay bond issuance costs. Series L Bonds maturing on or after January 1, 2028, are callable at the option of the Authority, in whole or in part, beginning January 1, 2029, at par plus accrued interest.

The Series L Bonds are comprised of Serial Bonds with varying rates and maturities. The amounts outstanding at December 31, 2018 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 - 2037	<u>\$ 596,220</u>

General Revenue Senior Bonds - Revenue Pledge and Security: The General Revenue Bonds (Series I through L) are all direct obligations of the Authority, secured by a pledge of tolls and other revenue as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12-month period. At both December 31, 2018 and 2017, 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, 2018, 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. Additional information regarding the Series 2013A JIO's is presented in Note 12.

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, 2018 and 2017

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, 2018 are as follows:

Type	Rates	Maturity	Amount (in thousands)
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.

Note 6 - Special Bond Programs

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

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

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge, and multi-modal capital project expenditures under established State programs. The Authority did not issue Local Highway and Bridge Service Contract Bonds in 2018. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$121,400,000 and \$218,930,000 at December 31, 2018 and 2017, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 6 - Special Bond Programs - Continued

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 2018. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,389,245,000 and \$1,622,115,000 at December 31, 2018 and 2017, 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 2018. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were \$1,262,500,000 and \$1,382,900,000 at December 31, 2018 and 2017, 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.

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

b. Contributions

Employees in ERS Tier I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary, and Tier VI employees who contribute between 3% and 6% of their salary. The Comptroller annually certifies the rates, expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers. The Authority's contributions for the preceding ten years can be found in the schedule of pension contributions on page 48.

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

The Authority reported liabilities of \$15,619,000 and \$46,249,000 at December 31, 2018 and 2017, respectively. The net pension liability was measured as of March 31, 2018 and 2017, respectively, and the total pension liability was determined by actuarial valuations as of April 1, 2017 and 2016, respectively. The proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement dates. The Thruway Authority's proportionate share was .48% and .49% as of March 31, 2018 and 2017, respectively.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 7 - Retirement Benefits - Continued

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

The Authority recognized pension expense of \$19,488,000 and \$26,799,000 for the years ended December 31, 2018 and 2017, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources for 2018 and 2017 as follows (in thousands):

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,571	\$ 4,603	\$ 1,159	\$ 7,023
Changes of assumptions	10,356	-	15,800	-
Net differences between projected and actual investment earnings on pension plan investments	22,685	44,778	9,238	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,414	1,509	2,636	1,581
Authority contributions subsequent to the measurement date	22,454	-	21,026	-
Totals	\$ 64,480	\$ 50,890	\$ 49,859	\$ 8,604

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

Year ending December 31,	
2019	\$ 3,950
2020	3,158
2021	(11,008)
2022	(4,964)
Total	\$ (8,864)

d. Actuarial Assumptions

The pension liabilities at March 31, 2018 and 2017 were determined by using actuarial valuations as of April 1, 2017 and April 1, 2016, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2018 and March 31, 2017. The actuarial valuation used the actuarial experience study for the period April 2010 - March 2015 and the following actuarial assumptions, which were consistent from year to year:

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 7 - Retirement Benefits - Continued

d. Actuarial Assumptions - Continued

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	3.8 percent, indexed by service
Investment rate of return, including inflation	7.0 percent compounded annually, net of expenses
Cost of Living Adjustment	1.3 percent
Decrement	Based on FY 2010-2015 experience
Mortality improvement	Society of Actuaries' Scale MP-2014

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

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:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.6%
International equity	14.00%	6.4%
Private equity	10.00%	7.5%
Real estate	10.00%	5.6%
Bonds and mortgages	17.00%	1.3%
Other	13.00%	0.0%-5.7%
	<u>100.00%</u>	

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.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 7 - Retirement Benefits - Continued

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

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

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 118,175	\$ 15,619	\$ (71,140)

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2018 and 2017 respectively, were as follows (amounts in thousands):

	2018	2017
Employers' total pension liability	\$ 183,400,590	\$ 177,400,586
Plan net position	(180,173,145)	(168,004,363)
Employers' net pension liability	\$ 3,227,445	\$ 9,396,223
Ratio of plan net position to the employers' total pension liability	98.2%	94.7%

Note 8 - Deferred Compensation Plan

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

Note 9 - Other Postemployment Benefits

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 9 - Other Postemployment Benefits - Continued

A summary of participants as of the October 1, 2017 actuarial measurement date is as follows:

Actives	1,986
Vestees	4
Disabled	100
Retirees	1,933
Surviving Spouse	<u>323</u>
Total	<u><u>4,346</u></u>

Plan Description and Benefits Provided

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

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

a. Plan Types

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

Medicare Part B Reimbursement - The Authority reimburses the retiree and his/her Medicare eligible spouse for the Medicare Part B premium.

b. Eligibility

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

c. Benefit/Cost Sharing

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

d. Survivor Benefit

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 9 - Other Postemployment Benefits - Continued

Plan Description and Benefits Provided - Continued

e. Funding Policy

The Authority contributes to the plan to satisfy obligations on a pay-as-you-go basis. For both of the years ended December 31, 2018 and 2017, the Authority paid \$30,553,000 annually on behalf of retirees.

Net OPEB Liability

The total OPEB liability for the Authority's years ended December 31, 2018 and December 31, 2017 were measured as of December 31, 2017 and December 31, 2016, respectively, using an actuarial valuation dated October 1, 2017.

The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	
December 31, 2017 measurement date	3.31 percent
December 31, 2016 measurement date	3.81 percent
Annual payroll growth rate	2.50 percent
Healthcare cost trend rates	Society of Actuaries Long Term Medical Trend Model v.2014_b
Mortality rates	Recommended Actuarial Assumptions for New York State / SUNY GASB 45 Valuation (dated 12/27/2012)

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

Changes in the Net OPEB Liability (in thousands)

Balance as of December 31, 2017	<u>\$ 959,969</u>
Changes for the year	
Service cost	29,485
Interest	35,993
Benefit payments	(30,553)
Change in assumptions and other inputs	<u>88,866</u>
Net changes	<u>123,791</u>
Balance as of December 31, 2018	<u><u>\$ 1,083,760</u></u>

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 9 - Other Postemployment Benefits - Continued

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

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

	1% Decrease 2.31%	Current Discount 3.31%	1% Increase 4.31%
Net OPEB liability	\$ 1,298,787	\$ 1,083,760	\$ 916,207

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

	1% Decrease 2.90%	Medical Trend Rate 3.90%	1% Increase 4.90%
Net OPEB liability	\$ 903,199	\$ 1,083,760	\$ 1,320,104

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

The Authority recognized OPEB expense of \$83,251,000 for the year ended December 31, 2018. The Authority reported deferred outflows of resources of \$71,093,000 at December 31, 2018 related to OPEB.

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

Year ending December 31,	
2019	\$ 17,773
2020	17,773
2021	17,773
2022	17,774
Total	\$ 71,093

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 10 - Thruway Stabilization Program

The State of New York (State), as part of its 2015-2016 enacted budget, created a \$1.285 billion Thruway Stabilization Program for the payment of costs related to the Governor Mario M. Cuomo Bridge and bridge-related transportation improvements, and for other costs of the Thruway Authority including, but not limited to, its core capital program. As part of its 2016-2017 enacted budget, the State committed an additional \$700 million to the program bringing the total commitment to \$1.985 billion. The Authority intends to use \$1.2 billion of these funds to pay for Governor Mario M. Cuomo Bridge related costs and \$785 million to pay for capital program costs other than the Governor Mario M. Cuomo Bridge. In 2018 and 2017, capital contributions of \$441.8 million and \$281.0 million were reported in the Authority's statement of revenues, expenses and changes in net position, respectively. As of December 31, 2018, the program has contributed a total of \$1.620 billion to the Authority, consisting of \$1.092 billion for the Governor Mario M. Cuomo Bridge and \$527.9 million for other Thruway capital projects.

Note 11 - Contingencies and Commitments

a. Governor Mario M. Cuomo Bridge Claims

In 2013, the Authority entered into a \$3.14 billion design-build contract with Tappan Zee Constructors, LLC (TZC) to replace the Tappan Zee Bridge. Both spans of the new Governor Mario M. Cuomo Bridge, the replacement of the Tappan Zee Bridge, are in service, however certain elements of the project remain in progress. Through December 31, 2018, contract change orders totaling \$180 million have been approved, increasing the value of TZC's contract to \$3.32 billion.

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

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

b. Other Claims and Litigation

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

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 11 - Contingencies and Commitments - Continued

b. Other Claims and Litigation - Continued

Changes in the Authority's claims liability in years 2016 through 2018 were as follows (in thousands):

Year	Beginning of Year Liability	Claims and Changes in Payments Estimates	Claim Liability Payments	End of Year Liability
2016	\$ 4,000	\$ 1,587	\$ (4,437)	\$ 1,150
2017	1,150	3,200	(1,000)	3,350
2018	3,350	610	(750)	3,210

In addition, there are claims where liability is not probable, but is possible and estimable. The estimated loss on these claims approximated \$1.0 million at December 31, 2018, 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.

c. Insurance

Loss of revenues is insured through a use and occupancy policy that covers any interruption in excess of 15 days. Property damage to bridges is insured through various policies from major insurance companies equal to the maximum probable loss from a single occurrence (with deductibles ranging from \$2.5 million to \$10.0 million). In addition, the Authority purchases insurance for workers' compensation benefits and various liability exposures.

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self-insured for third-party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$12.9 million.

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

d. Construction Commitments

At December 31, 2018, 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	\$ 707,800
Personal service and miscellaneous	91,400
Total	\$ 799,200

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 11 - Contingencies and Commitments - Continued

e. Environmental Remediation

The Authority records in its financial statements a cost estimate for environmental remediation at a number of sites on Thruway Authority property which have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs are developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2018. 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. Environmental remediation liability amounts are not material.

f. 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, 2018:

<u>Year</u>	<u>Future Minimum Lease Revenue (in thousands)</u>
2019	\$ 16,500
2020	9,800
2021	9,600
2022	7,400
2023	3,400
Thereafter	<u>14,800</u>
Total	<u>\$ 61,500</u>

Note 12 - General Revenue Junior Indebtedness Obligations - Series 2013A

General Revenue Junior Indebtedness Obligations - Series 2013A (the Series 2013A JIO's), in the amount of \$1.6 billion, are term bonds, payable in a single bullet maturity on May 1, 2019. Additional information regarding Series 2013A JIO's is presented in Note 5.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 12 - General Revenue Junior Indebtedness Obligations - Series 2013A - Continued

In April 2019, the Authority's Board authorized the issuance of approximately \$1.6 billion of Series 2019A Junior Indebtedness Obligations Anticipation Notes (the Series 2019A JIANS). The Authority will issue the Series 2019A JIANS, in an amount approximating \$1.6 billion, and use the proceeds to pay the Series 2013A JIO's maturing on May 1, 2019.

In December 2013, the Authority entered into a \$1.6 billion loan agreement (TIFIA Loan) with the United States Department of Transportation, acting through the Federal Highway Administration, for the purpose of financing construction of the New NY Bridge Project. The proceeds of the TIFIA Loan are required to be drawn no later than one year after substantial completion of the New NY Bridge Project (defined as the date on which both spans of the bridge were open to vehicular traffic), which occurred on September 12, 2018. The Authority has reserved the right to pay, but is not obligated to pay, all or a portion of the principal of the Series 2019A JIANS using TIFIA Loan proceeds.

In April 2019, the Authority's Board also authorized the issuance of up to \$2.2 billion of Series 2019B Junior Indebtedness Obligations (Series 2019B JIO's) to repay the Series 2019A JIANS; pay interest costs on the Series 2019B JIO's; establish a debt service reserve for the Series 2019B JIO's; and pay costs of issuance.

Note 13 - Canal Corporation and Canal System Transfer

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

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

The legislation authorizing the January 1, 2017 transfer also authorized the Authority and Power Authority to enter into an agreement whereby the Authority would continue to provide certain services after January 1, 2017 to ensure operational continuity of the Canal Corporation and Canal System during the post-transfer period. In 2018 and 2017, the Authority recognized non-operating revenues of \$0.3 and \$1.9 million, respectively, from the Power Authority as reimbursement for post-transfer services provided to the Canal Corporation.

Note 14 - Accounting Standards Issued But Not Yet Implemented

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

GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

New York State Thruway Authority

(A Component Unit of the State of New York)

Notes to Financial Statements December 31, 2018 and 2017

Note 14 - Accounting Standards Issued But Not Yet Implemented - Continued

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effect for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB No. 89). This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interest*. This statement will provide financial reporting uses with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement requires the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement are effective for reporting periods beginning after December 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)

Notes to Financial Statements December 31, 2018 and 2017

Note 15 - Reclassifications

Certain amounts have been reclassified in the previously issued 2017 financial statements as follows:

Costs associated with pavement resurfacing projects that did achieve their estimated useful life prior to being removed from service were previously included in Loss on disposal of assets on the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Costs of approximately \$9,609,000 have been reclassified within Depreciation expense.

The reclassification resulted in no change to overall change in net position for the year ended December 31, 2017.

New York State Thruway Authority

(A Component Unit of the State of New York)

Required Supplementary Information Schedule of Other Postemployment Benefits Liability and OPEB as a Percentage of Covered Payroll (in millions of dollars)

	December 31, 2018
Beginning of the year	<u>\$ 959,969</u>
Charges for the year	
Service cost	29,485
Interest	35,993
Changes in assumptions and other inputs	88,866
Benefit payments	<u>(30,553)</u>
Net changes	<u>123,791</u>
End of year	<u>\$ 1,083,760</u>
Covered payroll	146,100
OPEB liability as a percentage of covered payroll	741.79%

Data not available prior to the 2018 implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

New York State Thruway Authority

(A Component Unit of the State of New York)

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

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

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

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

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

(in thousands of dollars)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	22,454	21,026	24,795	28,815	30,537	35,800	34,627	37,125	22,132	12,682
Contributions in relation to the contractually required contribution	22,454	21,026	24,795	28,815	30,537	35,800	34,627	37,125	22,132	12,682
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	157,528	145,099	163,041	164,994	176,546	174,784	183,464	181,625	186,206	187,805
Contributions as a percentage of covered-employee payroll	14%	14%	15%	17%	17%	20%	19%	20%	12%	7%

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