NASSAU COUNTY BRIDGE AUTHORITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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Nassau County Bridge Authority
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Nassau County Bridge Authority
Lawrence, NY 11559

We have audited the accompanying general purpose financial statements of Nassau County Bridge Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Nassau County Bridge Authority's basic financial statements as listed in the table of contents.

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.

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Nassau County Bridge Authority's financial statements as of and for the year ended December 31, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nassau County Bridge Authority as of December 31, 2015 and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, be presented to supplement the basic financial statements. Such information, although not a required 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Nassau County Bridge Authority. The supplementary information is presented for purposed of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of Nassau County Bridge Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Alan I. Blass, CPA

Alan I. Blass, CPA, CFE, P.C.
New York, New York 10001
March 24, 2016

Management's Discussion and Analysis
Year Ended December 31, 2015
UNAUDITED

Introduction

The following discussion and analysis of the financial performance and activity of the Nassau County Bridge Authority is intended to provide an introduction to and understanding of the financial statements of the Nassau County Bridge Authority, which includes the operation of the Atlantic Beach Bridge, for the year ended December 31, 2015, with comparative information for the year ended December 31, 2014. This section has been prepared by the management of the Nassau County Bridge Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

- The Nassau County Bridge Authority's position increased by $200,106.

  A) All capital expenditures for 2015 increased by $238,010, primarily due to the bridge infrastructure grid project and new projects for the Timber Fender System and the water tower roofing and waterproofing improvement.

  B) Current Assets increased $1,413,546, primarily due to an increase in cash and cash equivalents of $1,517,919 and a decrease in Prepaid Expenses of $105,292.
- Gross operating revenues increased by $355,257 in 2015.
- Operating expenditures of $6,033,538 reflect a decrease of $84,058 from the 2014 total of $6,117,596. Decreases in retirement plan and other post – employment benefits of $258,992 as well as a decrease in employee benefits of $48,043, increases in depreciation of $140,318 and salaries of $81,201 comprise the majority of the net decrease in 2015.
- Total Interest Income increased by $4,684 from 2014. The increase is due to an increase in interest from Capital One of $3,135 and Bank of New York / Mellon of $1,549.
- In April 2010, The Nassau Bridge Authority issued $11,145,000 in Series 2010 Bonds, fixed rate bonds with level debt service and a final maturity of 2040. Proceeds of the Series 2010 Bonds, together with an equity contribution in the amount of $1,600,000, were issued to: a) finance the costs of certain structural, mechanical and electrical improvements to the Atlantic Beach Bridge, b) fund a debt service reserve fund, and c) pay the costs of issuance. As part of the plan of finance, the Authority defeased its outstanding Series 1997A and 1997B bonds with a combination of cash and restricted funds.
- Other income includes non-operating revenue from lease agreements with Verizon and PSEG Long Island, as well as income generated from advertising sources.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: management's discussion and analysis, the basic financial statements and the notes to the financial statements. The basic financial statements include: the Statement of Net Position, the Statements of Changes in Net Position and the Statements of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the financial position of the Nassau County Bridge Authority at the end of the fiscal year and includes all assets, liabilities and Deferred Inflows and Outflows of the Authority. Net position retained by the Authority for capital construction and replacement represent the difference between total assets and total liabilities. For presentation purposes only, Deferred Inflows and Outflows are presented as a separate component of the statement yet may be combined with Assets and Liabilities. A summarized comparison of the Authority's balance sheets at December 31, 2015 and 2014 are as follows:

	2015	2014
Assets		
Current assets	$ 11,369,160	$ 9,955,614
Non-current assets:		
Property and Equipment (net)	26,992,752	28,566,236
Other non-current assets	5,133,769	5,524.494
Total assets	$43,495,681	$44,046,344
Plus Deferred Outflow of Resources: Pension Liability	80,874	-0-
Total Assets Plus Deferred Outflows of Resources	$43,576,555	$44,046,344
Liabilities		
Current liabilities	$ 735,314	$ 1,557,972
Non-current liabilities		
Bonds	9,450,000	9,675,000
Other non-current liabilities	3,924,627	3,282,622
Total liabilities	$14,109,941	$14,515,594
Plus: Net Position	$ 29,196,384	$29,316,685
Total Liabilities and Net Position	$43,306,325	$43,832,279
Plus Deferred Inflow of Resources: Deferred Revenue from Decal sales	$ 270,230	$ 214,065
Total Liabilities and Net Position plus Deferred of Resources	$43,576,555	$44,046,344

Statement of Changes in Net Position

The change in net position is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. A summarized comparison of the Authority's Statements of Revenues, Expenses and Changes in Net Position at December 31, 2015 and 2014 are as follows:

	2015	2014
Operating revenues	$ 6,534,522	$ 6,179,265
Operating expenses	(4,222,044)	(4,446,420)
Depreciation & Amortization	(1,811,494)	(1,671,176)
Operating profit (Loss)	500,984	61,669
Net non-operating revenue (expenses)	(300,878)	(395,318)
Change in net position	$ 200,106	$ (333,649)

Revenues

Operating revenues totaled $ 6,534,522 in 2015 and $ 6,179,265 in 2014, which is an increase in revenues of $ 355,257.

Expenses

A summary of operating expenses, including depreciation and amortization, through December 31, 2015 and 2014 are as follows:

	2015	2014
Operating expenses:		
Employee compensation & benefits	$ 3,323,199	$ 3,553,686
Contract services	677,773	647,105
Materials, equipment & other	103,382	111,031
Utilities	117,690	134,598
Total operating expenses	$ 4,222,044	$ 4,446,420
Depreciation	1,811,494	1,671,176
Total	$ 6,033,538	$ 6,117,596

Non-Operating Revenues and Expenses

	2015	2014
Interest income	$ 23,226	$ 18,542
Other income	47,472	44,965
Pension Liability Adjustment Income	80,874	
Interest expense – bonds	(452,450)	(458,825)
Net non-operating revenues (expenses)	$(300,878)	($395,318)

- Interest income increased in 2015 by $ 4,684.
- See Financial Highlights section for detailed explanation.

Capital Improvements & Equipment

During 2015, the Authority incurred $ 238,010 in capital asset expenditures. These additions were primarily associated with the bridge mechanical, electrical and grid project, the Timber Fender System restoration and the Water Tower roofing and waterproofing renovation.
See additional information on the Authority's capital investments in the footnotes to the financial statements.

Capital Financing and Debt Management

As at December 31, 2015, outstanding bonds of the Nassau County Bridge Authority totaled $9,675,000. Principal payments on the Series 2010 bonds in the amount of $220,000 were paid during 2015.

The Toll Covenant Requirements as prescribed in the bond resolution have been met. The calculations used in this determination are as follows:

2015 Total Aggregate Debt Service		$ 672,450
Covenant Requirement – 100%		x 100%
Covenant Net Revenue - Required		672,450
Net Revenue – 2015	$ 200,106	
Add: Bond Interest	452,450	
Other Post-Employment Benefits	330,770	
Depreciation	1,811,494	
Covenant Net Revenue - Actual		2,794,820
Surplus – Actual over Required		**$ 2,122,370**

Employee Contract Negotiations

In March 2013, a new four year contract was agreed to between the union and the Authority. The agreement is in full force and effect for the period of April 1, 2013 through March 31, 2017.

Net Pension Liability

During the year ended December 31, 2015, the Authority adopted newly issued Government Accounting Standards Board Statements 68 and 71. Required supplementary information is disclosed in the footnotes to the financial statements.

GASB 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB 27* Establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions via pension plans that are covered under the scope of GASB 68. Net Pension Liability at December 31, 2015 was $320,407.

GASB 71 – *Pension Transitions for Contributions Made Subsequent to the Transition Date* Addresses an issue related to GASB 68 – Amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined pension plan after the measurement date of the beginning net pension liability. For the year ended December 31, 2015, this amount was $265,061.

Nassau County Bridge Authority
Statement of Net Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 11,314,501	$ 9,796,562
Other Receivable	6,739	6,490
Prepaid Expenses	31,119	136,411
Inventory	16,801	16,151
Total Current Assets	11,369,160	9,955,614
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,133,769	3,524,494
Bond Covenant Restricted Cash and Cash Equivalents	2,000,000	2,000,000
Property and Equipment, net	26,992,752	28,566,236
Total Noncurrent Assets	32,126,521	34,090,730
Total Assets	**43,495,681**	**44,046,344**
Plus: Deferred Outflow of Resources	80,874	-
Total Assets Plus Deferred Outflow of Resources	**$ 43,576,555**	**$ 44,046,344**
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable & Accrued Expenses	$ 457,600	$ 1,282,926
Current Portion of Long-Term Debt	225,000	220,000
Current Portion of Compensated Absences	52,714	55,046
Total Current Liabilities	**735,314**	**1,557,972**
Noncurrent Liabilities:		
Long Term Debt, net of current	9,450,000	9,675,000
Compensated Absences Payable, net of current	420,023	429,195
Net Other Post-Employment Benefits Payable	3,184,197	2,853,427
Net Pension Liability	320,407	-
Total Noncurrent Liabilities	**13,374,627**	**12,957,622**
Total Liabilities	**14,109,941**	**14,515,594**
Plus Net Position	**29,196,384**	**29,316,685**
Total Liabilities and Net Position	**43,306,325**	**43,832,279**
Plus Deferred Inflow of Resources		
Deferred Revenue from Decal Sales	270,230	214,065
Total Liabilities, net Position Plus Deferred Inflow of Resources	**$ 43,576,555**	**$ 44,046,344**

See accompanying notes to financial statements

Nassau County Bridge Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2015 and 2014

	2015	2014
Operating Revenue	$ 6,534,522	$ 6,179,265
Operating Expenses	6,033,538	6,117,596
Operating Profit	500,984	61,669
Nonoperating Revenue (Expense)		
Interest Revenue	23,226	18,542
Other Revenue	47,472	44,965
Pension Liability Adjustment Income	80,874	-
Bond Interest Expense	(452,450)	(458,825)
Net Nonoperating Revenue (Expenses)	(300,878)	(395,318)
Change in Net Position	200,106	(333,649)
Net Position - Beginning of Year	29,316,685	29,650,334
Prior Period Adjustment of Pension Liability	(320,407)	-
Net Position - End of Year	**$ 29,196,384**	**$ 29,316,685**

See accompanying notes to financial statements

Nassau County Bridge Authority
Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and other sources	$ 6,639,418	$ 6,211,629
Cash payments to suppliers for goods and services	(2,078,908)	(3,174,903)
Cash payments to employees	(1,969,162)	(2,069,841)
Cash payments for employee related benefits	(624,372)	(640,774)
Net cash provided by operations	**1,966,976**	**326,111**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash receipts from non-operating sources	47,472	44,965
Net cash provided by non-capital financing activities	**47,472**	**44,965**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets - Net of Marchiselli Grant	(238,010)	(815,155)
Principal Paid on Capital Debt	(220,000)	(210,000)
Interest paid on bonds	(452,450)	(460,400)
Net cash used for capital and related financing activities	**(910,460)**	**(1,485,555)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	23,226	18,542
Net cash provided by investing activities	**23,226**	**18,542**
Net Increase (Decrease) in Cash and Cash Equivalents	1,127,214	(1,095,937)
Cash & Cash Equivalents at Beginning of Year	15,321,056	16,416,993
Cash & Cash Equivalents at End of Year	**$ 16,448,270**	**$ 15,321,056**

	2015	2014
Reconciliation of Operating Profit (Loss) to Net Cash Provided by Operating Activities:		
Operating Profit (Loss)	500,984	61,669
Adjustments to reconcile operating profit to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,811,494	1,671,176
Change in Assets and Liabilities:		
Increase / Decrease in:		
Other Receivables	(249)	6,175
Prepaid Expenses	105,292	63,681
Inventory	(650)	(7,559)
Accounts Payable & Accrued Expenses	(825,326)	(1,854,759)
Compensated Absences & Termination Pay	(11,504)	(101,022)
Net Other Post-Employment Benefits Payable	330,770	529,580
Deferred Inflow of Resources - Deferred Revenue from Decal Sales	56,165	(42,830)
Net Cash Provided by Operating Activities	**$ 1,966,976**	**$ 326,111**

See accompanying notes to financial statements

Nassau County Bridge Authority
Notes to Financial Statements

For the Year Ended December 31, 2015

Introduction

The Nassau County Bridge Authority is a Public Benefit Corporation created by the New York State Legislature pursuant to Chapter 893 of the Laws of 1945.

The Nassau County Bridge Authority operates and maintains the Atlantic Beach Bridge across Reynolds Channel between the Villages of Lawrence and Atlantic Beach in Nassau County.

The Bridge Authority, pursuant to the state law, is composed of a five-member board which is appointed by the County Executive of Nassau County with approval of the Nassau County Legislature. Each board member serves a five year term without compensation. The board is presently comprised of a chairman and four board members.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Nassau County Bridge Authority (Authority) are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standard Board (GASB) pronouncements.

a. Investments

Investments consist of United States Treasury Bills in the amounts of $3,146,000 and $3,524,000 as of December 31, 2015 and December 31, 2014, respectively. These investments were secured by the Treasurer of Nassau County on behalf of the Authority pursuant to Section 39 of the General Municipal Law. Section 39 provides that investments and deposits must be collateralized with securities which are delivered to the custodial bank and held in safekeeping in the name of the Nassau County Treasurer.

b. Inventories

Salt and sand are carried in an inventory account at an average cost and are subsequently charged to expenditures when consumed.

c. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Concentration of Credit Risk

Financial instruments which potentially subject the Authority to concentrations of credit risk are cash, cash equivalents and investments. The Authority limits its credit risk by placing its cash, cash equivalents and investments, based upon economic conditions, with highly rated banks, U.S. Government securities, treasury bills and certificates of deposit. The Federal Deposit Insurance Corporation (FDIC) insures deposits in most banks and savings associations located in the United States. The maximum insurance coverage provided is currently $250,000 per depositor, per insured bank. FDIC Insurance is backed by the full faith and credit of the United States government.

e. Cash and Cash Equivalents

The Authority considers investments with a maturity of three months or less when purchased to be cash equivalents.

f. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are comprised of monies related to the 2010 bond resolution. The minimum amount required as per the bond resolution is $2,000,000 (see Note 4 below). Additionally, the total amount of restricted cash and cash equivalents, designated for the 2012 Capital Construction Project, at December 31, 2015 and 2014 was $ 3,133,769 and $3,524,494, respectively.

g. Property and Equipment

Property and equipment are recorded at cost. Title and interest in the bridge structure and real estate operated by the Bridge Authority are held in the name of Nassau County. The assets are depreciated from the time they are placed in service under the Straight Line Method. Furniture, Fixtures and Equipment are depreciated over their applicable rates, ranging from four to twenty years. Bridge rehabilitation costs are depreciated over 25 years while building improvements are depreciated over 39 years. Expenditures for repairs and maintenance are expensed as incurred.

h. Pension Plan

Financial reporting information pertaining to NCBA's participation in the New York State and Local Retirement System is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Note 2 – Property and Equipment, net

Property and Equipment, net, consists of the following:

	Cost at 12/31/15	Accumulated Depreciation	Net 12/31/15
Building Improvements	$ 2,390,065	$ 809,462	$ 1,580,603
Bridge Rehabilitation	35,082,045	21,802,223	13,279,822
Furniture, Fixtures & Equipment	1,663,852	1,444,752	219,100
Roadway	2,426,095	1,022,146	1,403,949
Computer Equipment	186,450	178,804	7,646
Tollbooth Equipment	209,683	196,261	13,422
Tollbooth HVAC System	663,310	463,047	200,263
Lock Motor Replacement	268,850	90,513	178,337
NW Bulkhead Rehabilitation	60,150	15,046	45,104
Gas Meter	26,964	9,436	17,528
Fuel Tank Replacement	52,845	4,104	48,741
Bridge Infrastructure Project – WIP	9,384,900	117,311	9,267,589
Timber Fender System	569,329	14,233	555,096
Bridge Tower Renovation	83,850	2.096	81,754
Open Grating & Painting - WIP	93,798	-	93,798
Total	$53,162,186	$26,169,434	$26,992,752

Note 3 – Long-Term Debt

In April 2010, The Nassau Bridge Authority issued $11,145,000 in Series 2010 Bonds, fixed rate bonds with level debt service and a final maturity of 2040. Proceeds of the Series 2010 Bonds, together with an equity contribution in the amount of $1,600,000, were issued to: a) finance the costs of certain structural, mechanical and electrical improvements to the Atlantic Beach Bridge, b) fund a debt service reserve fund, and c) pay the costs of issuance. As part of the plan of finance, the Authority defeased its outstanding Series 1997A and 1997B bonds with a combination of cash and restricted funds. The 2010 Bonds are special obligations of the Authority and secured by a pledge of toll revenues. As additional security for the bondholders, the Authority has covenanted that is will establish tolls in order to produce revenues in each fiscal year in an amount not less than 100% of maximum annual debt service (MADS). The Authority has further covenanted that on each June 30 and December 31, the Authority shall maintain cash and unrestricted investments in the amount of at least $2,000,000. If the cash and unrestricted investments on any June 30 and December 31 is below $2,000,000, the Authority will establish tolls in order to produce net revenues in such fiscal year, in an amount not less than 115% of the MADS. The Authority has also covenanted that this will not effect any reductions in toll rates for any motor vehicles which will reduce the total gross revenues for any fiscal year by more than five percent (5%) of the prior fiscal year.

The Bond Resolution permits the issuance of additional bonds on parity with the Series 2010 Bonds for the purpose of (a) raising funds to pay any part of the cost of completing the project or the costs of another project, (b) refunding any outstanding bonds, or (c) any combination of these purposes. Written certificates of both the consulting engineer and the accountant, among other things, must be obtained for the issuance of additional bonds for any purpose other than the refunding of bonds.

The Authority is obligated to pay principal and interest on the Series 2010 bonds as follows:

Year	Amount	Interest
2016	225,000	447,500
2017	230,000	440,750
2018	240,000	431,550
2019	250,000	421,950
2020	260,000	411,950
And thereafter	8,470,000	4,977,425
	$9,675,000	$7,131,125

Note 4 – Pension Plan

Plan Description

The Authority, via Nassau County, participates in the New York State and Local Employees' Retirement System ("ERS"), which is part of the New York State and Local Retirement System (NYSLRS). The NYSLRS provides retirement benefits as well as death and disability benefits to members.

Funding Policy

The NYSLRS is noncontributory for those ERS members who joined the New York State and Local Employees' Retirement System prior to July 27, 1976. Employees who joined the NYSLRS after that date must contribute 3% of their salary, however, NYS legislation passed in 2000, suspending the 3% contribution for those employees who have ten or more years of credited service. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. In

December 2009, the Governor signed a bill requiring ERS members hired January 2010 and later to contribute 3% of their salary for all their years of public service, increasing the numbers of years required to vest for retirement benefits from 5 to 10 years, and placing a limitation on the annual amount of overtime credited as retirement earnings. Employees who joined the system on or after April l, 2012 are required to contribute between 3% and 6% depending upon their salary for their entire career.

The Common Retirement Fund ("Fund") was established to hold all the assets and income of the NYSLRS in a single unified investment program. The Fund's assets come from three main sources: employee or member contributions, investment income and participating employer contributions. The value of the Fund and the rate of return on the investments directly affect the employer's annual contribution rates. Each year, the State evaluates the Fund's assets and compares the value of those assets to the funds needed to pay current and future benefits. The difference between these two amounts is spread over the future working lifetimes of active members to actuarially determine the annual contribution rates.

Membership Tiers

Pension legislation enacted in 1973, 1976, 1983, 2009 and 2012 established distinct classes of membership. For convenience, the System uses a tier concept to distinguish these groups, generally:

Tier 1 - Those persons who last became members before July 1, 1973.

Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.

Tier 3 - Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.

Tier 4 - Generally, those persons who last became members on or after September 1, 1983, but before January 1, 2010.

Tier 5 - Those persons who last became members on or after January 1, 2010, but before April 1, 2012.

Tier 6 - Those persons who first became members on or after April 1, 2012.

Vesting

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Employer Contributions

Participating employers are required to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for the fiscal year ended March 31, 2015 was approximately 20.1 percent of payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2015, the applicable interest rate was 7.5 percent.

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to the System; however, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are **not** required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Benefits

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

In accordance with U.S. generally accepted accounting principles, the money-weighted rate of return on plan investments, net of investment expenses, was 6.98% for the year ended March 31, 2015. The money-weighted rate of return expresses investment performance after consideration of the impact of the changing amounts actually invested. For internal purposes, the System evaluates investment performance using the time-weighted rate of return, gross of certain investment expenses, which was 7.16% for the year ended March 31, 2015.

NET PENSION LIABILITY OF NASSAU COUNTY BRIDGE AUTHORITY

At March 31, 2015, NCBA recorded a liability of $239,533 for its proportionate share of the net pension liability, measured as follows:

Employers' total pension liability	$11,670,197
Less: Fiduciary Net Position	11,430,664
Employers' net pension liability	***239,533***

PENSION EXPENSE

Pension expense includes certain current period changes in the net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

For the year ended March 31, 2015, the Authority recognized a pension expense of $211,776, its share of the total pension expense, as follows:

Proportionate Share of Plan Pension Expense	$216,113
Net Amortization of Deferred Amounts from Charges in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions.	($4,337)
Total Pension Expense	**$ 211,776**

BALANCE OF DEFERRED OUTFLOWS AND INFLOWS

At March 31, 2015, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to the pension benefits:

Deferred Outflows of Resources

- Differences between expected and actual experience	$7,668
- Net difference between projected and actual earnings on Pension plan investments	41,604
Total – Deferred Outflows	314,333

Deferred Inflows of Resources

- Changes in proportion and differences between Employer contributions and proportionate share of contributions	(17,346)
Total Net Deferred Outflows (Inflows) of Resources	**$31,926**

$265,061 has been reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended March 31, 2016.

Other amounts reported as collective deferred (inflows) / outflows of resources related to pensions totaling $31,926, will be recognized in pension expense as follows:

Year Ending March 31:	
2016	$7,982
2017	$7,982
2018	$7,981
2019	$ 7,981
2020	$0
Thereafter	$0

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The following assumptions were used:

Inflation	2.7%
Salary increases	4.9%
Investment rate of return (Net of investment expense, including inflation)	7.5%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System experience with adjustments for mortality improvements based on the Society of

Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015:

Domestic equity	7.30%
International	8.55
Private equity	11.00
Real estate	8.25
Absolute return	6.75
Opportunistic	8.60
Real assets	8.65
Bonds and	4.00
Cash	2.25
Inflation-indexed	4.00

Discount Rate

The discount rate used to calculate the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System'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.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current assumption (in thousands):

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	$1,596,589	$239,533	($906,159)

Deferred Outflows of Resources and deferred Inflows of Resources

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period, reflecting the average remaining service life of active and inactive NCBA members. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The difference for the fiscal year ending March 31, 2015 is $7,668.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of active and inactive NCBA members. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The difference between expected and actual experience for the fiscal year ending March 31, 2015 is $ - 0 -.

Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments

The difference between the expected rate of return of 7.5% and actual investment earnings on pension plan investments amortized over a five-year closed period in accordance with Statement 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The difference between expected and actual experience for the fiscal year ending March 31, 2015 is $ 41,604.

Note 5 – Retirement Plan Contributions

Pursuant to an agreement with the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO, Nassau County Bridge Authority Unit, Nassau County Local 830 (hereinafter referred to as the "CSEA") commencing April 1, 2013 and terminating March 31, 2017, the Authority provided retirement benefits for all its full-time employees under the provisions of the Improved Career Retirement Plan for employees of participating Authorities of the New York State Employees' Retirement System. Contributions to the retirement system totaled $265,061 and $325,423 in 2015 and 2014, respectively.

Note 6 – Medical, Dental & Life Insurance

Pursuant to an agreement with the CSEA commencing April 1, 2013 and terminating March 31, 2017, the Authority provided coverage at no cost for all full-time employees and retired employees (and their respective eligible dependents) hired on or before June 30, 1987 who are enrolled under the Empire Plan (Core Plus Enhancements) of the New York State Government Employees Health Insurance Plan. The union and NCBA are currently in negotiations for a new contract. In the interim, the old contract terms are still in effect.

For all full-time employees hired on or after July 1, 1987, the Authority shall contribute 85% of the premium cost and the employees shall contribute 15% by payroll deduction. The contribution percentages change upon the enrolled eligible employee reaching their sixteenth, eighteenth and twentieth anniversary date.

For all full-time employees hired on or after July 1, 1987 and who subsequently retire with ten (10) or more years of service, the Authority shall pay 100% of the cost of the premium or subscription charges for health insurance coverage of such retired employees and their eligible dependents.

The Authority shall provide a fully paid non-contributory dental insurance plan for all of the full-time employees of the bargaining unit electing to participate in such a plan. Employees hired after July 1, 1987 shall contribute 15% of the premium costs or subscription charges.

Any member who elects to waive their Health Insurance Coverage shall be entitled to receive, in lieu of the coverage, $2,000 (for family coverage) and $1,200 (for individual coverage). This payment would be made at the end of the plan year for each year waived.

Note 7 – Other Post-Employment Benefits

Effective January 1, 2009, the Nassau County Bridge Authority was required to comply with GASB 45, which is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (than pension) post-employment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan.

GASB 45 was established by the GASB in July 2004 due to the growing concern over the potential magnitude of government employer obligations for post-employment benefits. GASB 45 will:

1. Recognize the cost of OPEB benefits in the period when services are received.
2. Provide information about the actuarial liabilities for the promised benefits.
3. Provide information useful in assessing potential demands on future cash flows.

SUPPLEMENTARY SCHEDULES

Nassau County Bridge Authority
Statement of Operating Expenses
December 31, 2015 and 2014

	2015	2014
Salaries	$ 1,968,309	$ 1,887,108
Depreciation	1,811,494	1,671,176
Employee Benefits	604,179	652,222
Insurance	408,261	398,212
Retirement Plan	265,061	325,243
Payroll Taxes	154,880	159,533
Utilities	109,726	127,339
Other Post-Employment Benefits	330,770	529,580
Repairs & Maintenance	94,822	104,990
Professional Fees	174,690	143,903
Biennial Inspection	11,226	-
Pass Cards & Decals	19,331	16,346
Office Expense	22,060	22,650
Automobile	18,970	41,617
Telephone	7,964	7,259
Uniforms	7,511	11,850
Armored Carrier	5,810	5,616
Payroll Service	8,843	8,646
Bonded Trustee & Call fees	7,244	2,685
Computer	2,387	1,621
Total Operating Expenses	**$ 6,033,538**	**$ 6,117,596**

See accompanying notes to financial statements

NASSAU COUNTY BRIDGE AUTHORITY

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

March 31, 2015

(Unaudited)

Total pension liability:	
Service cost	$ 211,989
Interest	821,170
Difference between expected and actual experience	9,584
Benefit payments	(626,064)
Other, net	(5,487)
Net change in total pension liability	411,192
Total pension liability–beginning	11,259,004
Total pension liability–ending	***11,670,197***
Fiduciary net position:	
Contributions–employer	346,940
Contributions–member	19,286
Net investment income (loss)	750,313
Benefit payments	(626,064)
Refunds of contributions	(5,487)
Administrative expense	6,619
Other additions	13,697
Net change in fiduciary net position	492,066
Fiduciary net position– beginning	10,938,259
Fiduciary net position–ending	***11,430,664***
Net pension liability–ending	**239,533**
Ratio of fiduciary net position to total pension liability	97.9 %
Covered-employee payroll	1,735,733
Net pension liability as a percentage of covered-employee payroll	13.8 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to financial statements

NASSAU COUNTY BRIDGE AUTHORITY

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

March 31, 2015

(Unaudited)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Changes in benefit terms:

There were no significant legislative changes in benefits for the April 1, 2014 actuarial valuation.

Changes in Assumptions:

There were no significant legislative changes in actuarial assumption for the April 1, 2014 actuarial valuation.

Methods and assumptions used in calculations of actuarially determined contributions:

The April 1, 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2015. The following actuarial methods and assumptions were used:

Actuarial cost method – The system is funded using the Aggregate Cost Method, all unfunded actuarial liabilities are evenly (as a percentage of projected pay) amortized over the remaining worker lifetimes of the valuation cohort.

Asset valuation period – 5-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.

Inflation - 2.7%

Salary scale - 4.9%

Investment rate of return – 7.5% compounded annually, net of investment expenses, including inflation.

NASSAU COUNTY BRIDGE AUTHORITY

STATEMENT OF FIDUCIARY NET POSITION

March 31, 2015

(Unaudited)

Assets:	
Investments	$ 11,112,479
Securities lending collateral — invested	373,170
Forward foreign exchange contracts	44,978
Receivables	401,186
Capital assets, net of accumulated depreciation	8,447
Total assets	11,940,260
Total Liabilities	509,596
Net Position, restricted for pension benefits	***$ 11,430,664***

This financial report is designed to provide a general overview of the NCBA's proportionate share of the plan's fiduciary net position. The complete detailed report may be obtained from the New York State and Local Retirement System, 110 State Street, Albany, New York 12244- 0001. The report can also be accessed on the Comptroller's website at www.osc.state.ny.us/pension/cafr.htm.

See accompanying notes to financial statements

NASSAU COUNTY BRIDGE AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

March 31, 2015

(Unaudited)

Additions:	
Income from investing activities	$748,380
Income from securities lending activities	1,933
Total net investment income	750,313
Contributions	379,924
Total additions	1,130,237
Deductions:	
Benefits paid	(631,552)
Administrative expenses	(6,619)
Total deductions	(638,171)
Net increase	492,066
Net position, restricted for pension benefits — beginning of year	10,938,598
Net position, restricted for pension benefits — end of year	***$ 11,430,664***

This financial report is designed to provide a general overview of the NCBA's proportionate share of the changes in the plan's fiduciary net position. The complete detailed report may be obtained from the New York State and Local Retirement System, 110 State Street, Albany, New York 12244- 0001. The report can also be accessed on the Comptroller's website at www.osc.state.ny.us/pension/cafr.htm.

See accompanying notes to financial statements

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Nassau County Bridge Authority
Lawrence, NY 11559

We have audited the financial statements of the Nassau County Bridge Authority as of and for the year ended December 31, 2015, and have issued our report thereon dated March 24, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nassau County Bridge Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nassau County Bridge Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and the State of New York Office of the State Comptroller, and is not intended to be, and should not be used, by anyone other than these specified parties.

Alan I. Blass, CPA

Alan I. Blass, CPA, CFE, P.C.
New York, New York

March 24, 2016