NASSAU COUNTY BRIDGE AUTHORITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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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, 2016, 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, 2015.

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, 2016 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 3 through 7, 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 16, 2017 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, CFE

Alan I. Blass, CPA, CFE, P.C.
New York, New York 10001
March 16, 2017

Management's Discussion and Analysis
Year Ended December 31, 2016
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, 2016, with comparative information for the year ended December 31, 2015. 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 decreased by $106,124.

  A) All capital expenditures for 2016 increased by $2,188,043, primarily due to the bridge open grating and painting project.

  B) Current Assets increased $1,937,531, primarily due to an increase in cash and cash equivalents of $1,805,635 and an increase in Prepaid Expenses of $139,589.

- Gross operating revenues decreased by $43,827 in 2016.
- Operating expenditures of $6,223,578 reflect an increase of $109,040 from the 2015 total of $6,033,538. An increase in depreciation of $275,554 and decrease in salaries of $81,033 comprise the majority of the net increase in 2016.
- Total Interest Income increased by $13,206 from 2015. The increase is due to an increase in interest from Capital One of $2,244 and Bank of NY / Mellon of $10,962.
- 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, 2016 and 2015 are as follows:

	2016	2015
Assets		
Current assets	$ 13,306,691	$ 11,369,160
Non-current assets:		
Property and Equipment (net)	27,093,747	26,992,752
Other non-current assets	4,108,960	5,133.769
Total assets	$ 44,509,398	$ 43,495,681
Deferred Outflows of Resources	950,052	80,874
Total Assets Plus Deferred Outflows of Resources	$ 45,459,450	$ 43,576,555
Liabilities		
Current liabilities	$ 1,667,567	$ 735,314
Non-current liabilities		
Bonds	9,220,000	9,450,000
Other non-current liabilities	4,995,100	3,924,627
Total liabilities	$15,882,667	$ 14,109,941
Deferred Inflows of Resources	486,523	270,230
Net Position	**$ 29,090,260**	**$ 29,196,384**
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 45,459,450	$ 43,576,555

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, 2016 and 2015 are as follows:

	2016	2015
Operating revenues	$ 6,490,695	$ 6,534,522
Operating expenses	(4,136,530)	(4,222,044)
Depreciation & Amortization	(2,087,048)	(1,811,494)
Operating profit (Loss)	267,117	500,984
Net non-operating revenue (expenses)	(373,241)	(381,752)
Change in net position	$ (106,124)	$ 119,232

Revenues

Operating revenues totaled $ 6,490,695 in 2016 and $ 6,534,522 in 2015, which is a decrease in revenues of $ 43,827.

Expenses

A summary of operating expenses, including depreciation and amortization, through December 31, 2016 and 2015 are as follows:

	2016	2015
Operating expenses:		
Employee compensation & benefits	$ 3,279,615	$ 3,323,199
Contract services	612,077	677,773
Materials, equipment & other	114,434	103,382
Utilities	130,404	117,690
Total operating expenses	$ 4,136,530	$ 4,222,044
Depreciation	2,087,048	1,811,494
Total	$ 6,223,578	$ 6,033,538

Non-Operating Revenues and Expenses

	2016	2015
Interest income	$ 36,432	$ 23,226
Other income	36,139	47,472
Pension Liability Adjustment Income (Expense)	-0-	80,874
Interest expense – bonds	(445,812)	(452,450)
Net non-operating revenues (expenses)	$ (373,241)	$ (300,878)

- Interest income increased in 2016 by $ 13,206.
- See Financial Highlights section for detailed explanation.

Capital Improvements & Equipment

During 2016, the Authority incurred $ 2,188,043 in capital asset expenditures. These additions were primarily associated with the bridge open grating and painting project. 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, 2016, outstanding bonds of the Nassau County Bridge Authority totaled $9,450,000. Principal payments on the Series 2010 bonds in the amount of $225,000 were paid during 2016.

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

2016 Total Aggregate Debt Service		$ 670,812
Covenant Requirement – 100%		x 100%
Covenant Net Revenue - Required		670,812
Change in Net Position – 2016	$ (106,124)	
Add: Bond Interest	445,812	
Other Post-Employment Benefits	344,939	
Depreciation	2,087,048	
Covenant Net Revenue - Actual		2,771,675
Surplus – Actual over Required		**$ 2,100,863**

Employee Contract Negotiations

Beginning in January 2015, a new collective bargaining agreement was entered into between the union and the Authority. The agreement is in full force and effect for the period of January 1, 2015 through December 31, 2017.

Investments at Fair Value

During the year ended December 31, 2016, the Authority adopted newly issued Government Accounting Standards Board Statement 72. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Required supplementary information is disclosed in the footnotes to the financial statements.

GASB 72 – *Fair Value Measurement and Application*
Generally requires state and local governments to measure investments at fair value. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. At December 31, 2016, the Authority's investments were not subject to fair value measurement.

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, 2016 was $1,041,507.

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, 2016, this amount was $279,534.

Nassau County Bridge Authority
Statement of Net Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 13,120,136	$ 11,314,501
Other Receivable	2,752	6,739
Prepaid Expenses	170,708	31,119
Inventory	13,095	16,801
Total Current Assets	13,306,691	11,369,160
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,108,960	3,133,769
Bond Covenant Restricted Cash and Cash Equivalents	2,000,000	2,000,000
Property and Equipment, net	27,093,747	26,992,752
Total Noncurrent Assets	31,202,707	32,126,521
Total Assets	**44,509,398**	**43,495,681**
Deferred Outflow of Resources	950,052	80,874
Total Assets Plus Deferred Outflow of Resources	**$ 45,459,450**	**$ 43,576,555**
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable & Accrued Expenses	$ 1,362,836	$ 457,600
Current Portion of Long-Term Debt	230,000	225,000
Current Portion of Compensated Absences	74,731	52,714
Total Current Liabilities	**1,667,567**	**735,314**
Noncurrent Liabilities:		
Long Term Debt, net of current	9,220,000	9,450,000
Compensated Absences Payable, net of current	424,457	420,023
Net Other Post-Employment Benefits Payable	3,529,136	3,184,197
Net Pension Liability	1,041,507	320,407
Total Noncurrent Liabilities	**14,215,100**	**13,374,627**
Total Liabilities	**15,882,667**	**14,109,941**
Deferred Inflow of Resources: Net Pension Liability	148,078	
Decal Sales	338,445	270,230
Total Liabilities and Deferred Inflows of Resources	16,369,190	14,380,171
Net Position	29,090,260	29,196,384
Total Liabilities, Deferred Inflows of Resources and Net Position	**45,459,450**	**43,576,555**

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, 2016 and 2015

	2016	2015
Operating Revenue	$ 6,490,695	$ 6,534,522
Operating Expenses	6,223,578	6,033,538
Operating Profit	267,117	500,984
Nonoperating Revenue (Expense)		
Interest Revenue	36,432	23,226
Other Revenue	36,139	47,472
Bond Interest Expense	(445,812)	(452,450)
Net Nonoperating Revenue (Expenses)	(373,241)	(381,752)
Change in Net Position	(106,124)	119,232
Net Position - Beginning of Year	29,196,384	29,316,685
Prior Period Adjustment of Pension Liability	-	(239,533)
Net Position - End of Year	**$ 29,090,260**	**$ 29,196,384**

See accompanying notes to financial statements

Nassau County Bridge Authority
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and other sources	$ 7,158,242	$ 6,639,418
Cash payments to suppliers for goods and services	(1,116,199)	(2,078,908)
Cash payments to employees	(1,854,747)	(1,969,162)
Cash payments for employee related benefits	(620,186)	(624,372)
Net cash provided by operations	**3,567,110**	**1,966,976**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash receipts from non-operating sources	36,139	47,472
Net cash provided by non-capital financing activities	**36,139**	**47,472**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(2,188,043)	(238,010)
Principal Paid on Capital Debt	(225,000)	(220,000)
Interest paid on bonds	(445,812)	(452,450)
Net cash used for capital and related financing activities	**(2,858,855)**	**(910,460)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	36,432	23,226
Net cash provided by investing activities	**36,432**	**23,226**
Net Increase in Cash and Cash Equivalents	780,826	1,127,214
Cash & Cash Equivalents at Beginning of Year	16,448,270	15,321,056
Cash & Cash Equivalents at End of Year	**$ 17,229,096**	**$ 16,448,270**

	2016	2015
Reconciliation of Operating Profit (Loss) to Net Cash Provided by Operating Activities:		
Operating Profit (Loss)	267,117	500,984
Adjustments to reconcile operating profit to Net Cash Provided by Operating Activities:		
Depreciation Expense	2,087,048	1,811,494
Change in Assets and Liabilities:		
Increase / Decrease in:		
Other Receivables	3,987	(249)
Prepaid Expenses	(139,589)	105,292
Inventory	3,706	(650)
Accounts Payable & Accrued Expenses	905,236	(825,326)
Compensated Absences & Termination Pay	26,451	(11,504)
Net Other Post-Employment Benefits Payable	344,939	330,770
Deferred Inflow of Resources - Deferred Revenue from Decal Sales	68,215	56,165
Net Cash Provided by Operating Activities	**$ 3,567,110**	**$ 1,966,976**

See accompanying notes to financial statements

For the Year Ended December 31, 2016

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 $2,111,000 and $3,146,000 as of December 31, 2016 and December 31, 2015, 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, 2016 and 2015 was $ 2,108,960 and $3,133,769, 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 12/31/16	Accumulated Depreciation	Net 12/31/16
Building Improvements	$ 2,390,065	$ 871,467	$1,518,598
Bridge Rehabilitation	35,082,045	23,170,807	11,911,238
Furniture, Fixtures & Equipment	1,782,936	1,357,908	425,028
Roadway	2,426,095	1,142,328	1,283,767
Computer Equipment	186,450	182,073	4,377
Tollbooth Equipment	209,683	200,729	8,954
Tollbooth HVAC System	663,310	507,246	156,064
Lock Motor Replacement	268,850	101,267	167,583
NW Bulkhead Rehabilitation	60,150	17,452	42,698
Gas Meter	26,964	10,784	16,180
Fuel Tank Replacement	52,845	7,627	45,218
Bridge Infrastructure Project – WIP	9,384,900	492,707	8,892,193
Timber Fender System	542,537	40,690	501,847
Bridge Tower Renovation	85,350	6.363	78,987
Open Grating & Painting - WIP	2,041,015	-	2,041,015
Total	$55,203,195	$28,109,448	$27,093,747

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
2017	230,000	440,750
2018	240,000	431,550
2019	250,000	421,950
2020	260,000	411,950
2021	270,000	401,550
And thereafter	8,200,000	4,575,875
	$9,450,000	$6,683,625

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 five to ten 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, except for correction officers, 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 ERS for the fiscal year ended March 31, 2016 was approximately 18.2 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, 2016, 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 twenty years. If the member retires with twenty 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 thirty 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 twenty percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than twenty 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 twenty years. If a member retires with between twenty and thirty years of service, the benefit is two percent of final average salary for each year of service. If a member retires with more than thirty years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over thirty 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 ten 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.

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 twenty years. If a member retires with twenty 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 twenty years of service, an additional benefit of two percent of final average salary is applied for each year of service over twenty 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.

Rates of Return

In accordance with U.S. generally accepted accounting principles, the money-weighted rate of return on plan investments, net of investment expenses, was 0.03% for the year ended March 31, 2016. 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 0.19% for the year ended March 31, 2016.

NET PENSION LIABILITY OF NASSAU COUNTY BRIDGE AUTHORITY

At March 31, 2016, NCBA recorded a liability of $1,041,507 for its proportionate share of the net pension liability, measured as follows:

Employers' total pension liability	$11,180,781
Less: Fiduciary Net Position	10,139,274
Employers' net pension liability	***1,041,507***

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, 2016, the Authority recognized a pension expense of $361,099, its share of the total pension expense, as follows:

Proportionate Share of Plan Pension Expense	$372,075
Net Amortization of Deferred Amounts from Charges in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	($10,976)
Total Pension Expense	***$ 361,099***

BALANCE OF DEFERRED OUTFLOWS AND INFLOWS

At March 31, 2016, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to the pension benefits:

Deferred Outflows of Resources

- Changes in Assumptions	277,739
- Net difference between projected and actual earnings on Pension plan investments	576,275
Total – Deferred Outflows	**854,014**

Deferred Inflows of Resources

- Differences Between Expected and Actual Experience	(125,858)
- Changes in proportion and differences between Employer contributions and proportionate share of contributions	(22,220)
Total – Deferred Inflows	**(148,078)**
Total Net Deferred Outflows (Inflows) of Resources	**$705,936**

$265,061 has been reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date and 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 $705,936, will be recognized in pension expense as follows:

Year Ending March 31:

2017	$178,143
2018	$178,143
2019	$178,143
2020	$171,507
2021	$ 0
Thereafter	$ 0

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The following assumptions were used:

Inflation	2.5%
Salary increases	3.8%
Investment rate of return (Net of investment expense, including inflation)	7.0%
Cost of Living Adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015. The long term expected rate of return on pension plan investments was determined using a building – block method in which best-estimate ranges of expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016:

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0 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 7.0 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 (6.0 percent) or one percentage point higher (8.0 percent) than the current assumption (in thousands):

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	$2,348,523	$1,041,507	($62,865)

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, 2016 is outflows of $5,264 and inflows of $123,453.

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, 2016 is outflows of $ 277,739.

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

The difference between the expected rate of return of 7.0% 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, 2016 is outflows of $ 617,879.

Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions

An individual employer's proportionate share will almost certainly change from measurement date to measurement date, and the financial impact of this change must be quantified. In addition, to the extent that an employer makes actual contributions during the year that are different from its allocated proportionate share of contributions, this difference must also be tracked and accounted for. The change at March 31, 2016 is inflows of $39,566.

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. Cash contributions to the retirement system totaled $279,534 and $265,061 in 2016 and 2015, respectively.

Note 6 – Medical, Dental, Optical & Life Insurance

Pursuant to an agreement with the CSEA commencing January 1, 2015 and terminating December 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. Effective January 1, 2015, all new employees will be enrolled in the Excelsior Plan of New York State Government Employees Health Insurance Plan, or a substantially similar plan as selected by the Authority in the NYSHIP.

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.

All current employees who are on the Empire Plan and have achieved twenty years of service will pay a 5% contribution of the premium. For the life of this contract, employees who were increased from 0% to 5% contribution will be given a $1,500 annual stipend.

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

For any employee who elects to waive annual coverage will receive a reimbursement in lieu of coverage $2,000 for Family and $1,200 for Individual coverage. This reimbursement would be made at the end of the plan year for each year waived. To be eligible, the employee will need to provide written proof of alternative coverage and provide a written waiver of coverage each year.

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.

All employees shall be entitled to receive the CSEA Platinum Plus12 Family Optical Plan Insurance Coverage. Premium payments shall be made 50% by the Authority and 50% by the employee. Any member who elects to waive coverage shall be entitled to receive $80 in lieu of the coverage. This reimbursement would be made at the end of the plan year for each year waived. To be eligible, the employee will need to provide a written waiver of coverage each year.

All employees shall be entitled to group term life insurance in the face amount of $15,000.

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.

Note 8 - GASB 72 – *Fair Value Measurement and Application*

During the year ended December 31, 2016, the Authority adopted newly issued Government Accounting Standards Board Statement 72. This statement generally requires state and local governments to measure investments at fair value and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. At December 31, 2016, the Authority's investments were not subject to fair value measurement.

SUPPLEMENTARY SCHEDULES

Nassau County Bridge Authority
Statement of Operating Expenses
December 31, 2016 and 2015

	2016	2015
Salaries	$ 1,887,276	$ 1,968,309
Depreciation	2,087,048	1,811,494
Employee Benefits	620,186	604,179
Insurance	405,632	408,261
Retirement Plan	279,534	265,061
Payroll Taxes	147,680	154,880
Utilities	121,662	109,726
Other Post-Employment Benefits	344,939	330,770
Repairs & Maintenance	79,835	94,822
Professional Fees	126,610	174,690
Biennial Inspection	35,062	11,226
Pass Cards & Decals	16,865	19,331
Office Expense	23,667	22,060
Automobile	12,029	18,970
Interest Expense - Truck Purchase Leases	2,935	-
Telephone	8,742	7,964
Uniforms	2,237	7,511
Armored Carrier	6,049	5,810
Payroll Service	9,339	8,843
Bonded Trustee & Call fees	2,756	7,244
Computer	3,495	2,387
Total Operating Expenses	**$ 6,223,578**	**$ 6,033,538**

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, 2016

(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, 2016

(Unaudited)

Assets:	
Investments	$ 9,845,657
Securities lending collateral — invested	646,658
Forward foreign exchange contracts	6,617
Receivables	356,052
Capital assets, net of accumulated depreciation	10,444
Total assets	10,865,428
Total Liabilities	726,154
Net Position, restricted for pension benefits	$ 10,139,274

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, 2016

(Unaudited)

Additions:	
Loss from investing activities	$ (23,849)
Income from securities lending activities	2,625
Total net investment income	(21,224)
Contributions	313,762
Total additions	292,538
Deductions:	
Benefits paid	(608,356)
Administrative expenses	(6,036)
Total deductions	(614,392)
Net decrease	(321,854)
Net position, restricted for pension benefits — beginning of year	10,461,128
Net position, restricted for pension benefits — end of year	**$ 10,139,274**

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

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, 2016, and have issued our report thereon dated March 16, 2017. 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.

<u>Internal Control Over Financial Reporting</u>

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, CFE

Alan I. Blass, CPA, CFE, P.C.
New York, New York
March 16, 2017