NEW YORK STATE BRIDGE AUTHORITY

Management’s Discussion and Analysis,
Financial Statements and
Supplementary Information

December 31, 2017 and 2016

(With Independent Auditors’ Report Thereon)

NEW YORK STATE BRIDGE AUTHORITY

Contents

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EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Governing Board
New York State Bridge Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Bridge Authority (the Authority), as of and for the years ended December 31, 2017 and 2016, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, Bridge System Assessments on pages 33 and 34, the Schedule of Funding Progress for Other Postemployment Benefits on page 35, the Schedule of Authority's Proportionate Share of the Net Pension Liability on Page 36, and the Schedule of Authority's Employer Pension Contributions on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2018, on the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes Rules, and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the Authority's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 5, 2018

NEW YORK STATE BRIDGE AUTHORITY

Management's Discussion and Analysis

December 31, 2017

The management's discussion and analysis serves to introduce the other elements of the financial section of this annual report. Included are the basic financial statements, notes to financial statements and other supplementary financial information. The objective of this analysis is to enhance the understandability and usefulness of the external financial reports. As in previous years, the Authority is providing a comparative analysis of certain financial information.

FINANCIAL HIGHLIGHTS

Toll revenue in 2017 totaled $58.8 million, $0.2 million below 2016 and $2.2 million above 2015. Other income was $0.8 million, an increase of $0.2 million from prior year and $0.1 million above 2016.

Total operating expenses of $51.1 million increased by $13.1 million. This 34% increase was primarily the result of increased rehabilitation, reconstruction, and bridge repairs, an increase of $12.5 million from 2016, as the Authority uses the modified approach for reporting its bridge infrastructure.

Net position at December 31, 2017 was $67.9 million, which increased $6.1 million from the prior year.

BASIC FINANCIAL STATEMENTS

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. These statements are designed to afford an overview of the Authority's finances and consist of the Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows.

The notes to financial statements include additional information necessary to provide a further understanding of the basic financial statements.

Other supplemental financial information serves to give the reader additional information with respect to the condition of the bridge system and capital improvement expenditures.

FINANCIAL STATEMENT ANALYSIS

Statements of Net Position

The statements of net position present information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and reporting net position at year end. Increases or decreases in net position may indicate whether or not the Authority's financial position is improving. A condensed summary of the Authority's statements of net position is shown on the following pages.

Net position may serve over time as a useful indicator of the Authority's financial position. As of December 31, 2017 and 2016, assets and deferred outflows exceeded liabilities and deferred inflows by $67,884,718 and $61,746,132, respectively.

The Authority's financial position is the product of several financial transactions including the net results of activities, the valuation of certain assets and liabilities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the Authority's financial position as of December 31, 2017 and 2016:

	2017	2016
Current assets	$ 92,295,141	89,808,139
Capital assets (net of depreciation)	25,746,258	27,271,806
Bridge system	84,358,269	84,358,269
Total assets	202,399,668	201,438,214
Deferred outflows of resources - pensions	3,234,631	6,341,474
Current liabilities	13,920,077	13,634,020
Noncurrent liabilities	123,219,504	131,672,463
Total liabilities	137,139,581	145,306,483
Deferred inflows of resources - pensions	610,000	727,073
Net position	$ 67,884,718	61,746,132

Changes in the Authority's net position can be determined by reviewing the following condensed statements of revenue, expenses, and changes in net position for the years ended December 31, 2017 and 2016:

	2017	2016
Operating revenue	$ 59,652,617	59,605,461
Operating expenses	51,083,728	37,998,293
Operating income	8,568,889	21,607,168
Nonoperating revenue (expenses)	(2,430,303)	(1,331,651)
Change in net position	6,138,586	20,275,517
Net position at beginning of year	61,746,132	41,470,615
Net position at end of year	$ 67,884,718	61,746,132

Statements of Revenue, Expenses and Changes in Net Position

Toll receipts, accounting for the majority of operating revenue, totaled $58.8 million in 2017, a decrease of $0.2 million over 2016. An increase in traffic during 2017 of 0.58% was offset by the mix of traffic responsible for the 0.28% decrease in toll revenues. Traffic increases were from passenger vehicles while commercial vehicles declined, 0.80% and -2.73% respectively. Revenue increased from passenger and declined from commercial vehicles by 1.03% and -3.22% respectively. The passenger category contributed $0.4 million and the commercial category contributed -$0.6 million to the overall decrease in 2017.

Operating expenses increased $13.1 million for the year as rehabilitation, reconstruction, and bridge repairs increased by $12.5 million due mainly to the increased activities system wide. Salaries increased by $0.2 million due contractually obligated wage and salary increases. Employee benefits expenses decreased $0.1 million, reflecting both a decrease in provisions for Governmental Accounting Standards Board (GASB) Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and the decrease in provisions associated with Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27." Equipment increased by $0.1 million associated with improved security capability procurements. Depreciation increased by $0.1 million as the Authority replaced elements vehicle fleet consistent with replacement policy.

Nonoperating revenue, which is from interest income on investments was $0.9 million for 2017, up $0.2 million from prior year as interest rates and funds available to invest in longer maturities both increased. Historically low interest rates on government obligations in which the Authority invests continued throughout 2017 and have kept interest income low.

Nonoperating expenses consists primarily of interest. Interest paid on the Authority's outstanding bonds totaled approximately $2.9 million for 2017. This $0.9 million increase is attributable to the maturity of outstanding principal on the Series 2011 debt issuance which was issued at a premium. The Authority did not issue any new debt in 2017. The Authority refinanced its General Revenue Bonds, Series 2002 (the "Series 2002 Bonds") in December 2011 issuance with the Series 2011 and made the last payment on its General Revenue Bonds, Series 1997 and Series 2002 Bonds on January 1, 2012. In April 2012, the Authority issued the Series 2012 General Revenue Bonds to support the Capital Program.

Statements of Cash Flows

The statements of cash flows present information on the major sources and uses of cash during the year, showing net cash provided or used in operating, capital financing and investing activities.

Net cash of $13.9 million provided by operating activities for 2017 decreased by $12.6 million compared to 2016. This was primarily the result of the increase of expenditures associated with the repairs rehabilitation and reconstruction. The Authority performed steel repairs and painting at the Newburgh-Beacon Bridge and sidewalk improvements at the Rip Van Winkle Bridge in 2017.

Financing activities consumed $12 million of cash in 2017, substantially consistent with 2016.

Cash flows from 2017 investing activities resulted in net a cash outflow of $2.3 million, which includes interest earned on investments and net cash resulting from the purchase and sale of investments.

AUTHORITY BUDGET

The Authority's 2017 budget projected collections of $58.9 million, a $0.1 million decrease over 2016. Actual toll revenue fell below budget projections by $0.1 million as passenger traffic improved and commercial traffic decreased. Overall traffic increased from 2016 by 0.4 million vehicles. This net increase was attributable to a 0.5 million increase in passenger vehicle traffic and a 0.1 million decrease in commercial vehicle traffic. The increase in traffic was offset by a change in the mix of traffic and resulted in the $0.2 million decrease in revenue compared to 2016. The Authority budgeted $0.6 million of other income and actual results were $0.8 million mostly from higher advertising. Additionally, because interest rates on Authority investments increased more than expected, despite remaining at historically low levels, interest income of $0.9 million was substantially higher than budget of $0.4 million.

Operating expenses, which were budgeted to be $69.7 million, were $51.1 million. Repairs, rehabilitation, and reconstruction was budgeted for $35.2 million, but actual was $20.1 million as the rehabilitation, reconstruction, and bridge repair of the deck on an approach structure at the Newburgh-Beacon Bridge was awarded later in the year than originally expected due to the Authority rebidding the job where it received a lower proposal. That project is expected to be completed on schedule in 2019. In addition, work at the Walkway Over the Hudson progressed later than expected as results from recent inspections were reflected in the reduced scope of work. The day-to-day operating budget, which was forecasted at $34.4 million, came in at $30.9 million. Operating reductions compared to budget arose from several different expense types. Salaries were $1.2 million lower due to lower than expected staffing expenditures associated with more retirements than anticipated and lower contractually obligated wage and salary increases associated with a contract settled in 2017. Employee benefits were $0.9 million lower as a result of both lower employee health insurance costs related to Governmental Accounting Standards Board (GASB) Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and the impact of provisions associated with GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27." Maintenance and repairs were lower by $0.5 million as a result of lower costs associated with lower general repairs and maintenance, and lower fuel costs than projected.

The Authority's five year capital plan budgeted $35.2 million in 2017 while actual costs totaled $20.2 million. The $15 million variance was the result of delays in construction at the approach for Newburgh-Beacon Bridge which was rebid to obtain a less expensive proposal and delays for steel repairs at the Walkway Over the Hudson which reduced the scope of work based on inspection results.

TOTAL CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2017, the Authority's net investment in capital assets was $110.1 million. Capital assets include bridges, roads, buildings, and equipment. In order to finance the commitment to its program of rehabilitation and improvement of the bridge facilities, in March 2002, the Authority issued $50 million General Revenue Bonds having a final maturity on January 1, 2017. In December 2011, the Authority refunded these bonds and issued its $32.4 million Series 2011 Bonds with a final maturity on January 1, 2017. In April 2012, the Authority issued $90.3 million General Revenue Bonds, the Series 2012 Bonds, in further support of the capital program. All Authority revenue is pledged to repay these bonds. As of December 31, 2017, $97.5 million of debt remained outstanding and funds were in reserve to retire $7.5 million bonds on January 1, 2018.

In 2017, Standard & Poor's affirmed the Authority's AA- rating and stable outlook on its outstanding bonds. Moody's Investors Service in 2016 affirmed the Aa3 rating on the Authorities General Revenue Bonds with a stable outlook.

MODIFIED APPROACH FOR INFRASTRUCTURE ASSETS

The Authority has adopted the modified approach in reporting its infrastructure assets. This is an alternative to depreciating its bridge facilities, which requires the Authority to maintain its infrastructure at a certain measurable standard and report the associated cost as preservation (rehabilitation, reconstruction and bridge repair) expenses.

The condition of the Authority's bridge facilities is determined through annual inspections performed in accordance with New York State Department of Transportation (NYSDOT) requirements and Federal Highway Administration guidelines. The yearly inspections by the Authority's consulting engineers, Modjeski & Masters, Inc., measures the ability of each facility to function structurally, utilizing a NYSDOT condition rating ranging between 1 and 7. The Authority's policy is to keep the overall condition rating of each vehicular bridge at a 5, meaning that the bridge shows minor deterioration but is functioning as originally designed.

ADDITIONAL INFORMATION

This report is provided for the use of the Authority's bondholders, the investment community and members of the public interested in the Authority's affairs. Questions with regard to this financial report or requests for additional information may be addressed to the Treasurer, New York State Bridge Authority, P.O. Box 1010, Highland, New York 12528.

NEW YORK STATE BRIDGE AUTHORITY

Statements of Net Position

December 31, 2017 and 2016

	2017	2016
Assets:		
Current assets:		
Cash and equivalents	$ 969,364	1,280,730
Investments	86,811,489	84,037,112
Accounts receivable	2,540,628	2,738,499
Prepaid expenses	1,973,660	1,751,798
Total current assets	92,295,141	89,808,139
Noncurrent assets:		
Capital assets, net of accumulated depreciation	25,746,258	27,271,806
Bridge system	84,358,269	84,358,269
Total noncurrent assets	110,104,527	111,630,075
Total assets	202,399,668	201,438,214
Deferred outflows of resources - pension	3,234,631	6,341,474
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	1,917,981	1,990,586
Accrued wages, payroll taxes and fringe benefits	613,911	699,533
Contracts payable	1,177,627	871,567
Accrued interest on bonds	1,894,849	2,071,625
General revenue bonds, current portion, net	8,315,709	8,000,709
Total current liabilities	13,920,077	13,634,020
Noncurrent liabilities:		
Accrued fringe benefits	29,517,849	27,748,517
Unearned revenues	907,203	383,603
Net pension liability - proportionate share-ERS	3,598,778	6,028,960
General revenue bonds, net	89,195,674	97,511,383
Total noncurrent liabilities	123,219,504	131,672,463
Commitments and contingencies (note 13)		
Total liabilities	137,139,581	145,306,483
Deferred inflows of resources - pension	610,000	727,073
Net position:		
Net investment in capital assets	110,104,527	111,630,075
Restricted for:		
Debt service	18,792,765	18,451,725
Insurance	11,075,866	10,639,186
Maintenance reserve	49,496,812	47,822,259
Unrestricted (deficit)	(121,585,252)	(126,797,113)
Total net position	$ 67,884,718	61,746,132

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2017 and 2016

	2017	2016
Operating revenue:		
Toll revenue	$ 58,824,417	58,989,745
Other income	828,200	615,716
Total operating revenue	59,652,617	59,605,461
Operating expenses:		
Salaries	10,799,786	10,595,883
Employee benefits	8,393,266	8,482,632
Utilities	675,226	550,009
Insurance	1,871,059	1,784,340
Professional services	678,112	702,850
Supplies and materials	285,326	278,325
Equipment expense	327,549	235,878
Maintenance and repairs	631,529	528,336
Electronic toll costs	4,181,971	4,258,461
Depreciation	2,373,188	2,256,065
Other	700,755	664,448
Total operating expenses before rehabilitation, reconstruction and bridge repairs	30,917,767	30,337,227
Rehabilitation, reconstruction and bridge repairs	20,165,961	7,661,066
Total operating expenses	51,083,728	37,998,293
Operating income	8,568,889	21,607,168
Nonoperating revenue (expenses):		
Interest income	867,752	675,973
Changes in fair value of investments	(372,065)	-
Interest and other expenses	(2,925,990)	(2,007,624)
Total nonoperating revenue (expenses)	(2,430,303)	(1,331,651)
Increase in net position	6,138,586	20,275,517
Net position:		
Beginning of the year, as previously stated	61,746,132	41,470,615
End of year	$ 67,884,718	61,746,132

See accompanying notes to financial statements.

NEW YORK STATE BRIDGE AUTHORITY
Statements of Cash Flows
Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Toll revenue	$ 59,022,288	58,134,897
Payments to suppliers	(8,686,914)	(8,667,620)
Payments to contractors	(20,818,980)	(7,665,236)
Payments for wages and employee benefits	(16,949,755)	(15,864,057)
Other receipts	1,351,800	562,190
Net cash provided by operating activities	13,918,439	26,500,174
Cash flows from capital financing activities:		
Purchases of capital assets	(847,640)	(458,433)
Principal paid on bonds payable	(8,000,709)	(8,985,377)
Interest paid on bonds payable	(3,102,766)	(2,153,748)
Net cash used in capital financing activities activities	(11,951,115)	(11,597,558)
Cash flows from investing activities:		
Change in invested funds	(3,146,442)	(25,804,694)
Interest on investments	867,752	675,973
Net cash used in investing activities	(2,278,690)	(25,128,721)
Net change in cash and equivalents	(311,366)	(10,226,105)
Cash and equivalents at beginning of year	1,280,730	11,506,835
Cash and equivalents at end of year	$ 969,364	1,280,730
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	8,568,889	21,607,168
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	2,373,188	2,256,065
Changes in:		
Accounts receivable	197,871	(854,848)
Prepaid expenses	(221,862)	51,609
Accounts payable and accrued expenses	(72,605)	(480,795)
Accrued wages, payroll taxes and fringe benefits	2,243,298	3,214,457
Unearned revenue	523,600	(53,526)
Contracts payable	306,060	760,044
Net cash provided by operating activities	$ 13,918,439	26,500,174

See accompanying notes to financial statements.

(1) Organization

(a) Nature of Activities

The New York State Bridge Authority (the Authority) is a Public Benefit Corporation created in 1932 and existing pursuant to Title 2, of Article 3 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York (the Act). The Act provides that the Authority shall continue its corporate existence and operate and maintain its bridge facilities so long as it shall have bonds or other obligations outstanding and until its existence shall be terminated by law. The Authority currently operates and maintains the Rip Van Winkle, Kingston-Rhinecliff, Mid-Hudson, Newburgh-Beacon, and Bear Mountain bridges crossing over the Hudson River. The Authority also holds and maintains the structure for the Walkway Over the Hudson pedestrian bridge. The Authority consists of a seven member Board appointed by the Governor with the advice and consent of the Senate. The Authority's financial statements are included in the New York State Comprehensive Annual Financial Report.

(b) Reporting Entity

The financial reporting entity is based on criteria set forth by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the organizations for which the Authority is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Authority. The Authority is a component unit of New York State. The decision to include a potential component unit in the Authority's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following entity is not included in the Authority's financial statements:

Historic Bridges of the Hudson Valley, Inc.

This organization is a private not-for-profit entity organized for the purpose of establishing a museum to educate the public regarding bridges spanning the Hudson River. The organizations board of directors includes one member of the Authority's board as well as Authority management. The Authority's Board does not appoint members of this organizations governing board.

The Authority provided a payment of $77,286 and $77,286 in 2017 and 2016, respectively, for services related to education and obtaining grants to fund a future museum. It is anticipated the Organization will continue to run on donations and future grants from New York State and other entities.

(2) Significant Accounting Policies

(a) Basis of Presentation, Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

The operations of the Authority are reported under the business-type activities model and, as such, are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Within this measurement focus, all assets and liabilities, and deferred inflows and outflows of resources associated with operations are included in the statement of net position with revenues recorded when earned and expenses recorded when incurred. The business-type activities model requires the Authority to include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows. The statements require the classification of net position into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced (as applicable) by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Substantially all of the outstanding borrowings at December 31, 2017 and 2016 are to finance the cost of rehabilitation, reconstruction and bridge repair expenses which are treated as period costs. As such, this debt is not considered for purposes of determining that portion of net position invested in capital assets.

Restricted - This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets”.

For internal accounting and reporting, the accounts of the Authority are maintained in conformity with fund accounting. Fund accounting facilitates the observance of statutory limitations and restrictions on the use of resources.

The following funds were established by the Authority in compliance with Article V, Section 5.02 of the General Revenue Bond Resolution (“Series 1997 Resolution”) adopted December 19, 1996. These funds are grouped by fund type in accordance with generally accepted accounting principles for governmental entities. All monies are to be transferred to such funds in accordance with terms outlined below, and held in depository by the designated Trustee, with the exception of the operating fund.

(2) Significant Accounting Policies, Continued

(a) Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

(1) General Fund

(a) Revenue Fund

Established to receive daily tolls and make payments to the designated funds in accordance with the terms outlined below.

(b) Operating Fund

Established to make payments from amounts received from the revenue fund, as may be required for the reasonable and necessary operating expenditures of the Authority. Amounts to be maintained in the operating fund are limited to amounts not more than sufficient to provide for reasonable and necessary operating expenditures for the remainder of the current month and ensuing two months.

(c) General Fund

Established to hold monies not required by other Authority designated funds, for any other lawful corporate purpose of the Authority.

(2) Debt Service Funds

(a) Debt Service Fund

Established to make principal and interest payments to the Trustee or paying agent required by the Series 1997 Resolution, from amounts received from the revenue fund.

(b) Debt Service Reserve Fund

Established to receive payments from the revenue fund to the extent necessary to make the amount in such fund, as of the date of the calculation, equal to the maximum amount of principal and interest due to be paid on bonds then outstanding in the then current or any future fiscal year to which the calculation relates, excluding interest to be paid from monies held in the debt service fund.

(c) Subordinated Indebtedness Fund

Established to issue evidences of indebtedness payable out of, and which may be secured by a pledge of, such amounts in the subordinated indebtedness fund or general fund as may from time to time be available for the purpose of payment thereof.

(d) Rebate Fund

Established to hold monies for rebates of certain investment earnings.

(3) Capital Projects Fund

(a) Construction Fund

Established to hold monies paid into it from the sale of bonds to pay for costs of “The Project” or any “Additional Projects” as defined in the Series 1997 Resolution. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms of the Series 1997 Resolution.

(2) Significant Accounting Policies, Continued

(a) Basis of Presentation, Measurement Focus and Basis of Accounting, Continued

(3) Capital Projects Fund, Continued

(b) Maintenance Reserve Fund

Established to make payments from amounts received from the revenue fund, for the cost of construction of additions, improvements or betterments to, or reconstruction of Authority bridge facilities, renewals or replacements of Authority facilities and for the purchase of major or extraordinary vehicles and equipment necessary to operate and/or maintain the Authority bridge facilities.

(c) Insurance Fund

Established to receive payments from the revenue fund to the extent that, together with multi-risk insurance, it shall provide for the adequate protection against the physical loss or damage of a bridge facility. Additionally, the Authority may pay into a separate account in this fund, amounts sufficient to provide coverage, in addition to, or instead of, such commercial insurance policies required by the Series 1997 Resolution.

(b) Cash Deposits and Investments

The Authority is limited under its investment guidelines to the investment of funds in obligations of the United States of America (United States Government Securities), the State of New York or certificates of deposit. All cash and funds invested in certificates of deposit in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York, with a market value, combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the trustee may also be secured by obligations guaranteed by the United States of America. Investments, consisting principally of U.S. Treasury obligations and certificates of deposit with a remaining maturity of one year or less at the time of purchase, are stated at cost plus accrued interest.

During the year ended December 31, 2016, the Authority adopted the provisions of GASB Statement No. 72 - “Fair Value Measurement and Application.” The primary objective is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this Statement requires the Authority to disclose its valuation techniques. See note 4 for the financial statement impact of the implementation on the financial statements.

During 2017, the Authority also began recording its investments at market value, an insignificant change of $709,486 between the cost and market value at December 31, 2016 in which the Authority has elected to not restate the 2016 financial statements.

(2) Significant Accounting Policies, Continued

(b) Cash Deposits and Investments, Continued
Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(c) Capital Assets

Capital assets include buildings, furniture and equipment and the Walkway Over the Hudson structure. Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

Buildings	30 years
Furniture and equipment	3 - 10 years
Walkway Over the Hudson structure	20 years

(d) Bridge System

The bridge system consists of five bridges (6 spans) spanning the Hudson River together with the related toll plazas and approaches. The bridge system is reported at historical cost. The Authority uses the modified approach to account for the bridge system. Under the modified approach expenditures for additions and improvements to eligible infrastructure assets, which increase capacity or efficiency of the assets rather than

(2) Significant Accounting Policies, Continued

(d) Bridge System, Continued

preserve their lives, are capitalized. All other expenditures, including preservation costs, are expensed in the period incurred and the bridge system is not depreciated. The Authority performs condition assessments on the bridge system, makes annual estimates of the outlay necessary to maintain and preserve the assets at predetermined condition levels and documents that the assets are being maintained at the predetermined condition level.

(e) Real Property

Real property utilized by the Authority is held in the name of the State of New York. The Authority has, however, the right to possess and, with the approval of the Commissioner of Transportation, to sell, lease, exchange, or otherwise dispose of any property or rights therein, not necessary for its corporate purpose.

(f) Compensated Absences

In conformity with pronouncements of GASB, the Authority accrues vacation and other benefits as earned by its employees.

(g) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(h) Operating Revenue

Operating revenues consist principally of toll revenue.

(i) Unearned Revenue

The Authority provides access to fiber cables across its bridges through a contract leasing arrangement to various interested users for a term no longer than ten years. One user has paid in advance the entire amount of two separate leases, the long-term balance remaining is $907,203 and $383,603 at December 31, 2017 and 2016, respectively.

(j) Nonoperating Revenue

Nonoperating revenues consist principally of interest income.

(k) Operations

Provisions of the Series 1997 Resolution require that revenue in excess of expenses for operation and maintenance of the bridge system be used first for the payment of interest and principal on outstanding bonds, then for debt service reserve, subordinated indebtedness (if any), insurance, maintenance reserve, construction and finally general fund requirements. It also requires that expenses for operation and maintenance of the bridge system shall not include any provisions for depreciation of the bridge facilities and equipment, other noncash operating activity (employee benefits) or any principal payment on bonds outstanding or any other debt obligation of the Authority.

(2) Significant Accounting Policies, Continued

(k) Operations, Continued

The Authority's right to operate and collect tolls for the use of the Newburgh-Beacon Bridge is governed in part by an agreement dated December 15, 1988, between the Authority, the State of New York and the United States Department of Transportation. Consistent with the terms of Section 120(c)(2) of Public Law 100-17 and Section 402 of Title II of Public Law 101-45, the Agreement permits the use of revenues collected at that bridge only for construction and reconstruction, debt service, proper operation and maintenance of the bridges, approach roads and support facilities subject to the jurisdiction of the Authority.

(l) Deferred Outflows and Inflows of Resources

In the Statements of Net Position, in addition to assets, the Authority will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the Authority's proportion of the collective net pension asset or liability and difference during the measurement period between the Authority's contributions and its proportion share of total contributions to the pension systems not included in pension expense along with changes in actuarial assumptions. The second item is the Authority contributions to the pension system subsequent to the measurement date.

The Authority also records a deferred inflows of resources, representing an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The amounts recorded at December 31, 2017 and 2016 represent the change in the proportion between the Authority's pension contributions and proportionate share of contributions and differences between expected and actual experience.

(m) Reclassifications

Certain balances in the year ended December 31, 2016 have been reclassified for presentation purposes.

(3) Cash and Equivalents

The carrying amount of the Authority's deposits with financial institutions at December 31, 2017 totaled $969,364 and the bank balance was $2,059,628. The bank balance is collateralized/ secured as follows:

Amount insured by FDIC	$	250,000
Collateral held by a third party in the Authority's name		2,710,328
	$	2,960,328

(4) Investments

The cost and market value of investments (United States Government Securities) held by the Authority as of December 31, 2017 and 2016 are summarized as follows:

	2017		2016	
Restricted	Cost	Market	Cost	Market
Debt Service Reserve Fund - U.S. Treasury Notes	$ 11,206,000	11,289,363	11,292,833	11,195,573
Debt Service Fund - U.S. Treasury Notes	9,303,000	9,396,435	9,230,292	9,105,000
Insurance Fund - U.S. Treasury Notes	11,046,000	11,075,058	10,635,600	10,501,374
Maintenance Reserve Fund - U.S. Treasury Notes and Bills	50,851,000	50,669,307	48,693,777	48,360,894
Total Restricted	82,406,000	82,430,163	79,852,502	79,162,841
Revenue Fund (Unrestricted) - U.S. Treasury Notes	4,362,000	4,381,326	4,184,610	4,164,785
Total	$ 86,768,000	86,811,489	84,037,112	83,327,626

All Authority investment securities are held by the financial institution's trust department in the entity's name. At December 31, 2017, the Authority's investments and maturities were as follows:

Investment Type	Fair Value	Less than one year	1 to 5 years
U.S. Treasury Notes and Bills	$ 86,811,489	55,989,363	30,822,126

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's policy is to record the U.S. Treasury Notes and Bills at cost plus accrued interest as it intends to hold these securities to maturity.

The Authority has the following recurring fair value measurements as of December 31, 2017:

- U.S. Treasury securities of $86,811,489 are valued using quoted market prices (Level 1 inputs).

(5) Funds Held For Restricted Purposes

At December 31, 2017 and 2016, funds held for restricted purposes by fund category consisted of the following:

	2017				
		Cash and Equivalents	United States Governmental Securities	Related Liabilities	Total
Debt Service Funds:					
Debt service fund	$	1,053	9,396,435	(1,894,849)	7,502,639
Debt service reserve fund		763	11,289,363	-	11,290,126
Fund total		1,816	20,685,798	(1,894,849)	18,792,765
Capital Projects Funds:					
Insurance fund		808	11,075,058	-	11,075,866
Maintenance reserve fund		5,131	50,669,307	(1,177,626)	49,496,812
Fund total		5,939	61,744,365	(1,177,626)	60,572,678
Combined total	$	7,755	82,430,163	(3,072,475)	79,365,443

	2016				
		Cash and Equivalents	United States Governmental Securities	Related Liabilities	Total
Debt Service Funds:					
Debt service fund	$	224	9,230,292	(2,071,625)	7,158,891
Debt service reserve fund		-	11,292,834	-	11,292,834
Fund total		224	20,523,126	(2,071,625)	18,451,725
Capital Projects Funds:					
Insurance fund		3,585	10,635,601	-	10,639,186
Maintenance reserve fund		49	48,693,777	(871,567)	47,822,259
Fund total		3,634	59,329,378	(871,567)	58,461,445
Combined total	$	3,858	79,852,504	(2,943,192)	76,913,170

(6) Capital Assets

Capital assets at December 31, 2017 and 2016 consist of the following:

	2017			
	Balance December 31, 2016	Additions	Disposals	Balance December 31, 2017
Walkway Over The Hudson - structure	$ 32,758,706	-	-	32,758,706
Buildings	8,128,929	136,016	-	8,264,945
Furniture and equipment	8,775,302	731,602	(457,449)	9,049,455
	49,662,937	867,618	(457,449)	50,073,106
Less accumulated depreciation	(22,391,131)	(2,373,188)	437,471	(24,326,848)
	$ 27,271,806	(1,505,570)	(19,978)	25,746,258

	2016			
	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
Walkway Over The Hudson - structure	$ 32,758,706	-	-	32,758,706
Buildings	8,128,929	-	-	8,128,929
Furniture and equipment	8,584,041	460,681	(269,420)	8,775,302
	49,471,676	460,681	(269,420)	49,662,937
Less accumulated depreciation	(20,402,238)	(2,256,065)	267,172	(22,391,131)
	$ 29,069,438	(1,795,384)	(2,248)	27,271,806

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to $2,373,188 and $2,256,065 , respectively.

In 2010, the pedestrian bridge known as the Walkway Over The Hudson was transferred to the Authority at a historical cost of $32,758,706. Additionally, the Authority received fully depreciated equipment of $80,000.

(7) Bridge System

The bridge system consists of five bridges (six spans) spanning the Hudson River together with the related toll plazas and approaches. The bridge system is recorded at cost and consists of the following at December 31, 2017 and 2016:

(7) Bridge System, Continued

Bridge Facility	Opened	2017	2016
Rip Van Winkle Bridge	1935	$ 2,299,147	2,299,147
Kingston-Rhinecliff Bridge	1957	20,536,609	20,536,609
Mid-Hudson Bridge	1930	12,957,846	12,957,846
Newburgh-Beacon Bridge	1963 and 1980	44,223,796	44,223,796
Bear Mountain Bridge	1924	4,340,871	4,340,871
		$ 84,358,269	84,358,269

(8) Bonded Indebtedness

On December 15, 2011, the Authority issued $32,410,000 in General Revenue Bonds (Series 2011) with an average interest rate of 2.6% to advance refund $35,535,000 of outstanding Series 2002 Bonds with an average interest rate of 3.4%. The net proceeds of $36,472,358 were deposited in a trust with an agent to provide for future debt service payments on the bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) was approximately $3.3 million.

On May 22, 2012, the Authority issued $90,325,000 in General Revenue Bonds (Series 2012) in the open market in order to provide funds to finance a portion of the costs of the 2012 Project, which consisted of certain reconstruction and rehabilitation projects for the Authority's bridge system. The proceeds were used to (a) fund the debt service reserve fund to the level required by the bond resolution and (b) pay the costs of issuance of the Series 2012 bonds.

Changes in indebtedness for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017				
	Balances at December 31, 2016	Additions	Deductions	Balances at December 31, 2017	Due within one year
Series 2011	$ 6,975,000	-	(6,975,000)	-	-
Series 2012	89,880,000	-	(160,000)	89,720,000	7,450,000
Subtotal	96,855,000	-	(7,135,000)	89,720,000	7,450,000
Unamortized bond premium	8,657,092	-	(865,709)	7,791,383	865,709
Total revenue bonds	$ 105,512,092	-	(8,000,709)	97,511,383	8,315,709

(8) Bond Indebtedness, Continued

	2016				
	Balances at December 31, 2015	Additions	Deductions	Balances at December 31, 2016	Due within one year
Series 2011	$ 13,665,000	-	(6,690,000)	6,975,000	6,975,000
Series 2012	90,035,000	-	(155,000)	89,880,000	160,000
Subtotal	103,700,000	-	(6,845,000)	96,855,000	7,135,000
Unamortized bond premium	10,797,469	-	(2,140,377)	8,657,092	865,709
Total revenue bonds	$ 114,497,469	-	(8,985,377)	105,512,092	8,000,709

The bonds have serial maturities as of December 31, 2017 as follows:

	Principal	Interest	Total
2018	$ 7,450,000	3,491,700	10,941,700
2019	7,745,000	3,181,900	10,926,900
2020	8,055,000	2,859,700	10,914,700
2021	8,380,000	2,524,500	10,904,500
2022	8,710,000	2,176,100	10,886,100
2023 - 2027	49,380,000	4,629,300	54,009,300
	89,720,000	18,863,200	108,583,200
Plus: unamortized bond premium	7,791,383	-	7,791,383
	$ 97,511,383	18,863,200	116,374,583

The Series 2012 and 2011 Bonds, which bear interest at rates ranging from 2% to 5%, are general obligations of the Authority and are payable from and secured by a pledge of all monies or revenues of the Authority, including tolls and other revenues derived from the operations of the Authority's bridge facilities.

The Series 2012 Bonds maturing on or after January 1, 2023 are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at any time on or after January 1, 2022, at the redemption price of par plus accrued interest to the redemption date. The Bonds are subject to optional redemption on any date prior to maturity at the option of the Authority, as a whole or in part at the Make-Whole Redemption Price.

The Series 2011 Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at the redemption price of par plus accrued interest to the redemption date.

(9) Retirement Plan

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Authority (the Authority), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Authority and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 who generally contribute 3.0 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2017	$ 1,520,797
2016	1,445,031
2015	1,678,527

(9) Retirement Plan, Continued

(b) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Authority reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Authority.

Actual valuation date	4/1/2016	4/1/2015
Measurement date	3/31/2017	3/31/2016
Net pension liability	$ 3,598,778	6,028,960
Authority's proportion of the Plan's net pension liability	0.0383003%	0.0375630%

For the year ended December 31, 2017 and 2016, the Authority recognized pension expense of $2,061,442 and $2,161,948 for ERS, respectively. At December 31, 2017 the Authority's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 90,182	546,495	30,466	714,633
Changes of assumption	1,229,474	-	1,607,742	-
Net difference between projected and actual earnings on pension plan , investments	718,822	-	3,576,710	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	55,555	63,505	42,783	12,440
Authority's contributions subsequent to the measurement date	1,140,598	-	1,083,773	-
Total	$ 3,234,631	610,000	6,341,474	727,073

(9) Retirement Plan, Continued

(b) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Authority contributions subsequent to the March 31, 2017 measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	ERS
2018	$ 681,157
2019	681,157
2020	612,474
2021	(490,754)
2022	-
Thereafter	-

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

(9) Retirement Plan, Continued

(c) Actuarial Assumptions, Continued

The long term 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 (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	March 31, 2017
Asset type:	
Domestic equity	4.55%
International equity	6.35%
Real estate	5.80%
Private equity	7.75%
Absolute return strategies	4.00%
Opportunities portfolio	5.89%
Real assets	5.54%
Bonds and mortgages	1.31%
Cash	(0.25%)
Inflation - indexed bonds	1.50%

* The real rate of return is net of the long-term inflation assumption of 2.50%.

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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.

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

(9) Retirement Plan, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption, Continued

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension (asset) liability	$ 11,493,783	3,598,778	(3,076,434)

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of all participating employers as of the respective valuation dates, were as follows:

	(Dollars in Millions)	
Measurement date	3/31/2017	3/31/2016
Employers' total pension liability	$(177,400)	(172,303)
Plan net position	168,004	156,253
Employers' net pension asset/(liability)	$ (9,396)	(16,050)
Ratio of plan net position to the Employers' total pension asset/(liability)	94.7%	90.7%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2017 and 2016 represent the projected employer contribution for the period of April 1, 2017 through March 31, 2018 and April 1, 2016 through March 31, 2017, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(10) Postemployment Benefits

The Authority implemented the accounting and disclosure requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB) effective for its fiscal year beginning January 1, 2007. The Authority previously recorded a liability for retiree health benefits for only those who had retired, and not for active employees, as required by GASB Statement No. 45.

Plan Description - The Authority provides continuation of medical coverage to employees that retire at age 55 with five years of service if hired before April 1, 1975 or ten years of service if hired after April 1, 1975. For employees with a date of retirement before April 1, 1983 and at least five years of service, the Authority contributes 100% of costs for employees and 75% for an employee's spouse. For employees with a date of retirement after April 1, 1983 and at least ten years of service, the Authority contributes 90% for employees and 75% for an employee's spouse.

(10) Postemployment Benefits, Continued

The Authority provides certain health care benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees' Retirement System, while working for the Authority. The Authority, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. The increase in the OPEB liability for the years ended December 31, 2017 and 2016 totaled $1,700,375 and $2,414,250, respectively. At December 31, 2017 and 2016, the OPEB liability included in noncurrent accrued fringe benefits was $28,848,996 and $27,148,621, respectively. The amount charged to expense was $2,956,558 and $3,654,778 for the years ended December 31, 2017 and 2016, respectively.

The actuarial accrued liability (AAL) was $43,131,594 and $54,080,890 for the years ended December 31, 2017 and 2016, respectively. The decrease in the AAL is related to changes in demographic assumptions and the healthcare cost trend rate was reset to 8.0% in 2017, grading down 1.0%per annum to an ultimate rate of 5.0% in years 2020 and later.

The number of participants as of January 1, 2017 was as follows:

Active employees	112
Retired employees	118
Total	230

Funding Policy - The Authority currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Benefit Obligations and Normal Cost		2017	2016
Actuarial accrued liability (AAL):			
Retired employees	$	21,450,158	25,584,847
Active employees		21,681,436	28,496,043
Total	$	43,131,594	54,080,890
Underfunded actuarial accrued liability (UAAL)	$	43,131,594	54,080,890
Normal cost	$	985,348	1,149,970

Level Dollar Amortization

Calculation of ARC under projected Unit Credit Method:

		2017	2016
Amortization of UAAL over 30 years with interest to end of year	$	2,385,240	2,728,306
Normal costs with interest to end of year		1,090,386	1,274,752
Annual required contribution (ARC)	$	3,475,626	4,003,058

(10) Postemployment Benefits, Continued

Annual OPEB Cost and Net OPEB Obligation	2017	2016
Annual required contribution	$ 3,475,626	4,003,058
Interest on net OPEB obligation	1,039,792	947,326
Adjustment to annual required contribution	(1,558,860)	(1,295,606)
Annual OPEB cost (expense)	2,956,558	3,654,778
Contributions made on a pay-as-you-go basis	(1,256,183)	(1,240,528)
Increase in net OPEB obligation	1,700,375	2,414,250
Net OPEB obligation at beginning of year	27,148,621	24,734,371
Net OPEB obligation at end of year	$ 28,848,996	27,148,621

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/17	$ 3,475,626	2,956,558	1,256,183	42.5%	28,848,996
12/31/16	4,003,058	3,654,778	1,240,528	33.9%	27,148,621
12/31/15	3,799,452	3,515,429	1,153,077	32.8%	24,734,371

Actuarial methods and assumptions:	2017	2016
Funding interest rate	3.83%	3.83%
2017 and 2016 medical trend rate, respectively	8.00%	8.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate reached	2020	2018
Annual payroll growth rate	2.50%	2.50%
Actuarial cost method	Attained Age	Attained Age
The remaining amortization period at year-end	19 years	20 years

(11) Administrative Services Assessment

Through the Public Authorities Law Section 2975, the State of New York (the State) established a cost recovery of central governmental services to various public authorities. This statute directs the New York State Division of the Budget to determine the amount to be assessed to each public authority. The State Treasurer imposes and collects the assessments which are deposited into the State's general fund. The administrative services assessment for the Authority for the years ended December 31, 2017 and 2016 amounted to $369,000.

(12) Risk Management

The Authority purchases commercial insurance policies in varying amounts for general liability, vehicle liability, damage to fixed assets, and public officials and employee liability coverage. The Authority also pays unemployment claims to the State as incurred. There are no claims relating to the bridge facilities, however, the Authority has funded a reserve of $11,075,866 at December 31, 2017 to meet its deductible should a claim arise.

(13) Commitments and Contingencies

The Authority is a defendant in a number of lawsuits. While the outcome of these lawsuits or other proceedings against the Authority cannot be predicted with certainty, the Authority does not expect that these matters will have a material adverse effect on its financial position.

(14) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Authority.

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related for tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Authority.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the Authority. This Statement is not expected to have a material effect on the financial statements of the Authority.

(14) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 85 - "Omnibus 2017." This Statement, issued in March 2017, addresses issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Authority.

GASB Statement No. 86 - "Certain Debt Extinguishment Issues." This Statement, issued in May 2017, addresses issues related to in substance defeasances occurring through repayment of debt from existing resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of Authority.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Authority. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

NEW YORK STATE BRIDGE AUTHORITY

Required Supplementary Information

Bridge System Assessments

December 31, 2016

	Number of Bridges					
	2017		2016		2015	
Condition Rating*	Number	%	Number	%	Number	%
New	-	-	-	-	-	-
Minor Deterioration	9	100%	9	100%	9	100%
Serious Deterioration	-	-	-	-	-	-
Totally Deteriorated	-	-	-	-	-	-
Total	9	100%	9	100%	9	100%

*The condition of the Authority's bridge system is determined using annual inspection procedures. The inspections are conducted in accordance with New York State Department of Transportation (NYSDOT) requirements and Federal Highway Administration Guidelines. The NYSDOT bridge condition rating, which is an assessment of the ability to function structurally, is determined during biennial inspections using a numerical condition scale ranging from 1.0 (totally deteriorated) to 7.0 (new condition). The complete NYSDOT numerical rating scale is as follows:

1 - Totally deteriorated, or in failed condition.
2 - Used to shade between ratings 1 and 3.
3 - Serious deterioration, or not functioning as originally designed.
4 - Used to shade between 3 and 5.
5 - Minor deterioration, but functioning as originally designed.
6 - Used to shade between 5 and 7.
7 - New condition, no deterioration.

The number of bridges included in the annual inspection process includes the six spans crossing the Hudson River and three overpasses. The Walkway Over the Hudson, which is a pedestrian bridge, is excluded.

It is the Authority's policy to keep the overall condition number of each bridge at a condition rating of at least 5.0. Presently, all bridges are inspected annually with three bridges receiving the more thorough biennial inspections and three receiving maintenance inspections.

Estimated-to-Actual Capital Improvement Expenditures in ($000's):

	2017	2016	2015	2014	2013
Estimated	$ 35,200	14,729	36,180	80,814	54,953
Actual	20,166	7,661	36,635	56,135	34,446

Significant variations between the estimated, or budgeted, and actual costs of capital improvements are noted in each year.

In 2013, capital improvement projections exceeded actual results because of delays on two projects at the Newburgh-Beacon Bridge. The paint project was projected to be completed in 2013 ahead of schedule, but unanticipated delays during 2013 delayed its completion to 2014, or later. The redecking job was delayed as a result of unanticipated issues encountered in the awarding and commencement of work than had been projected before awarding the contract.

In 2014, capital improvement projections exceeded actual results primarily as a result of slower than projected progress on the redecking of the Newburgh-Beacon Bridge. A late start to the year as a result of weather impacting the start of work in the spring and the contractor rescheduling elements of the project into 2015 as allowed under the contract drove the variance to original estimate. The work originally expected to be completed in 2014 is expected to be completed within the overall original contracted project timeline ending in 2015.

In 2015, actual capital improvement costs exceeded projections. This was a result of activities carried over from 2014. The redecking project for the Newburgh Beacon south span was completed in 2015 on time and materially on budget.

In 2016 capital improvement costs of $7.7 million were below budget projections of $14.7 million. The Rip Van Winkle railing construction contract was awarded substantially lower than originally projected. In addition delays in fabrication reduced spending in 2016 on the project by over $2.0 million. The two year railing project is expected to be completed on time and lower than original budget. Highway improvements at the Kingston Rhinecliff Bridge that were originally projected for $1.0 million had been pushed back to later years in the capital program due to more favorable conditions than anticipated based on annual inspections. Security camera replacements totaling $1.0 million were initiated late in the year as technology enhancements were evaluated and will be spent in 2017. A roof replacement at the Mid-Hudson Bridge for $0.5 million was moved to 2017 due to weather concerns.

In 2017 capital improvement costs of $20.2 million were below the estimate of $35.2 million as a result of two projects beginning later than expected. The first project, the redecking of an approach structure at Newburgh-Beacon, was rebid in 2017 saving the Authority $3.5 million over the initial bid. The project is expected to commence in 2018 and run two years. The second project, repairs at the WOTH, was delayed as recent inspections indicated more favorable conditions that reduced the scope of work. The revised project will begin in 2018.

NEW YORK STATE BRIDGE AUTHORITY

Required Supplementary Information

Scheduling of Funding Progress for Other Postemployment Benefits (OPEB)

December 31, 2017

The schedule of funding progress presents the results of OPEB valuations for the past three years. All determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

For Year Ended	Valuation Date	Actual Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Ratio UAAL to Budget Covered Payroll
12/31/17	1/1/2017	$ -	$ 43,131,594	$ 43,131,594	0.0%	$ 10,378,206	416%
12/31/16	1/1/2016	$ -	$ 54,080,890	$ 54,080,890	0.0%	$ 10,389,435	521%
12/31/15	1/1/2015	$ -	$ 52,095,684	$ 52,095,684	0.0%	$ 9,885,850	527%

NEW YORK STATE BRIDGE AUTHORITY
Required Supplementary Information
Schedule of Authority's Proportionate Share of the Net Pension Liability
Year ended December 31, 2017

NYSERS Pension Plan

	2017	2016
Authority's proportion of the net pension liability	0.0383003%	0.0375630%
Authority's proportionate share of the net pension liability	$ 3,598,778	$ 6,028,960
Authority's covered payroll	$ 10,378,206	$ 10,389,435
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	34.68%	58.03%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%

* The amounts presented for each fiscal year were determined as of the March 31, 2017 and 2016 measurement dates of the plans.

NEW YORK STATE BRIDGE AUTHORITY
Required Supplementary Information
Schedule of Authority's Employer Pension Contributions
Year ended December 31, 2017

NYSERS Pension Plan

	2017	2016	2015	2014	2013
Contractually required contribution	$ 1,520,797	1,445,031	1,678,527	1,876,986	2,050,908
Contributions in relation to the contractually required contribution	1,520,797	1,445,031	1,678,527	1,876,986	2,050,908
Contribution deficiency (excess)	$ -	-	-	-	-
District's covered employee payroll	$ 10,378,206	10,389,435	9,885,850	10,118,000	10,047,059
Contributions as a percentage of covered employee payroll	14.65%	13.91%	16.98%	18.55%	20.41%

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' 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

The Governing Board
New York State Bridge Authority:

We have audited, in accordance with the 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, the financial statements of the New York State Bridge Authority (the Authority), as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 5, 2018

EFPR GROUP, CPAs PLLC
6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT PROGRAM COMPLIANCE

The Governing Board
New York State Bridge Authority:

We have audited the New York State Bridge Authority's (the Authority) compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended December 31, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Authority's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Investment Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance for the investment program in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 5, 2018