BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

FINANCIAL STATEMENTS

December 31, 2017

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Fort Erie Public Bridge Authority

We have audited the accompanying financial statements of Buffalo and Fort Erie Public Bridge Authority (the Authority), a business-type activity, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Lumsden & McCormick, LLP

February 23, 2018

Buffalo and Fort Erie Public Bridge Authority
Management's Discussion and Analysis

December 31, 2017, 2016, and 2015
(Unaudited)

The management of the Buffalo and Fort Erie Public Bridge Authority (hereinafter referred to as the Authority) offers the following overview and analysis of the Authority's financial activities as of and for the years ended December 31, 2017, 2016 and 2015 which should be read in conjunction with the Authority's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. It begins by presenting and explaining the financial statements. These statements have been prepared according to accounting principles generally accepted in the United States of America (GAAP). Revenues and expenses are recorded using the accrual basis of accounting, meaning that they are recorded and recognized by the Authority as earned/incurred, regardless of when cash is received or paid.

Effective January 1, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the Authority to include in its statement of net position its net pension asset, deferred outflows and deferred inflows of resources for the pension provided to Authority employees and administered by the Authority. The cumulative effect of this change was an increase in net position at January 1, 2015 totaling $3,903,000.

The balance sheets present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position serve as a relative indicator as to whether the Authority's financial position is strengthening or weakening over time.

The statements of revenues, expenses, and changes in net position show the results of the Authority's operations during the year and reflect both operating and non-operating activities. Changes in net position reflect the operational impact of the current year's activities on the financial position of the Authority.

The statements of cash flows provide an analysis of the sources and uses of cash. The cash flow statements show net cash provided or used in operating, capital and related financing, and investing activities.

The notes to the financial statements include additional information which provides a further understanding of the financial statements.

FINANCIAL STATEMENT ANALYSIS

Comparative Balance Sheets as of December 31:

U.S. $, in thousands	2017	2016	2015
Assets			
Current assets	$ 96,851	$ 90,901	$ 96,930
Restricted assets	63,346	9,625	10,229
Net pension asset	3,115	3,374	5,430
Capital assets, net	190,298	156,282	139,457
Total assets	353,610	260,182	252,046
Deferred outflows of resources			
Defeasance loss	380	477	582
Deferred outflows of resources from pensions	3,010	2,806	800
Total deferred outflows	3,390	3,283	1,382
Total assets and deferred outflows of resources	**$ 357,000**	**$ 263,465**	**$ 253,428**
Liabilities and net position			
Current liabilities	$ 14,868	$ 11,782	$ 9,264
Noncurrent liabilities	116,160	34,516	36,257
Total liabilities	131,028	46,298	45,521
Deferred inflows of resources			
Deferred inflows of resources from pensions	612	561	722
Net position			
Net investment in capital assets	119,366	122,929	105,869
Restricted	15,653	9,425	10,029
Unrestricted	90,341	84,252	91,287
Total net position	225,360	216,606	207,185
Total liabilities, deferred inflows and net position	**$ 357,000**	**$ 263,465**	**$ 253,428**

As noted earlier, net position serves as an indicator of the Authority's overall financial strength. The Authority's net position increased by $8,754,000 during 2017 and $9,421,000 during 2016 resulting from the Authority's operating and non-operating activities each year.

In 2017, the Authority issued $70,800,000 Toll System Revenue Bonds at a premium of $12,915,000, the proceeds of which are required to be used for the bridge redecking and rehabilitation project, coatings project, and enhancements to the U.S. plaza regarding inspection capacity. The net investment in capital assets at December 31, 2017 reflects that activity as it consists of the Authority's net capital assets offset by any payables and debt outstanding used to finance the capital asset purchases. Unspent bond proceeds at December 31, 2017 totaling $45,916,000 are recorded as restricted assets. As required by the Authority's bond indenture, the restricted portion of net position is reserved for debt service, governmental payments, and operating reserves. Restricted amounts fluctuate based upon the amount of required debt service and operating reserve requirements. Substantially all unrestricted net position has been designated by the Board of Directors for acquisition or construction of capital projects and/or major repairs and replacements.

Deferred outflows of resources from pensions totaling $3,010,000 and $2,806,000 at December 31, 2017 and 2016 represent the difference between actual and expected investment earnings which are required to be amortized over a five year period.

Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31:

U.S. $, in thousands	2017	2016	2015
Operating revenues			
Toll revenues	$ 21,151	$ 21,321	$ 21,441
Other revenues	8,968	7,913	7,643
Total operating revenues	30,119	29,234	29,084
Operating expenses			
Toll collection and traffic control	2,679	3,043	3,087
Maintenance of bridge, buildings, plazas & equip.	4,393	5,070	5,857
Administration	2,927	2,472	3,034
Pension	1,046	758	224
Other postemployment benefits	1,658	1,682	1,656
Other expenses	1,193	1,151	1,115
Depreciation	5,551	5,374	4,899
Total operating expenses	19,447	19,550	19,872
Operating income	10,672	9,684	9,212
Non-operating revenues (expenses)			
Interest income	824	419	188
Interest expense	(2,267)	(708)	(774)
Bond issuance costs	(495)	-	-
Currency remeasurement	20	26	(90)
Total non-operating net expense	(1,918)	(263)	(676)
Change in net position	8,754	9,421	8,536
Net position, beginning of year	216,606	207,185	194,746
Restatement - GASB 68	-	-	3,903
Net position, end of year	**$ 225,360**	**$ 216,606**	**$ 207,185**

As a bi-national toll bridge operator, the Authority earns revenue and incurs expenses in both U.S. and Canadian dollars. Beginning in 2017, Canadian revenues and expenses are converted to U.S. dollars at the average exchange rate for the month in which the transaction occurs. Prior to 2017, all Canadian revenue and expenses were converted to U.S. dollars at the annual average exchange rate. The U.S. vs Canadian dollar exchange rate remained relatively consistent during 2017. Fluctuations in the exchange rate during 2016 resulted in an improvement in the currency remeasurement to U.S. dollars compared to 2015.

Toll revenues decreased slightly each year due to a 2.0% decline in commercial crossings in 2017, and a 1.3% and 1.2% decline in passenger and commercial crossings, respectively, in 2016. Toll rates have remained unchanged for all years presented. Other revenues, consisting primarily of rental income, were positively impacted by a new agreement with the Canadian duty-free operator in 2016, as well as an increase in rental income attributable to U.S. Government agencies.

Operating expenses remained relatively consistent in all categories for all years presented. Various bridge related projects result in year to year fluctuations in maintenance expenses. Salaries and benefits increased $224,000 in 2017 and $702,000 in 2016, primarily attributable to rising pension costs.

Total non-operating net expense increased $1,655,000 in 2017 primarily due to increased interest related to the Series 2017 bonds issued in June 2017, and non-recurring bond issuance costs of $495,000. This increase is offset by an increase in investment income on restricted assets of $397,000.

Total non-operating net expense decreased $413,000 in 2016 due to the increase in investment income on restricted assets of $249,000, as well as a reduction in interest expense of $66,000 due to a reduction in outstanding principal and a decrease in the effective interest rate paid on the bonds. Currency remeasurement was positively impacted by the performance of the Canadian dollar during 2016.

CAPITAL ASSETS AND LONG-TERM DEBT

The Authority's total investment in capital assets as of December 31, 2017 approximated $190,298,000 representing 53% of the Authority's total assets. Capital assets consist of land, the Peace Bridge, buildings and plaza improvements, equipment, and construction-in-progress. Capital asset additions totaled $39,676,000 in 2017 and $22,800,000 in 2016, as the Authority continued the Peace Bridge rehabilitation project (see description below) and other capital projects and equipment purchases.

In August 2005, the Authority issued $44,120,000 in Series 2005 Toll Bridge System Revenue Refunding Bonds, bearing interest at 3% through July 1, 2007. On July 1, 2007, the bonds were remarketed at an interest rate of 4% through July 1, 2010. On July 1, 2010, the bonds were again remarketed at an interest rate of 2.625% until July 1, 2014, at which time the bonds were refunded.

In June 2014, the Authority issued $28,840,000 in fixed rate Toll Bridge System Revenue Refunding Bonds at a premium of $4,262,000, to currently refund $33,500,000 of outstanding Series 2005 bonds, with interest rates ranging from 4% to 5%, and a true interest cost of 2.22%. The Series 2014 bond proceeds of $33,102,000 plus $3,710,000 in Series 2005 bond reserve monies were used to refund the Series 2005 bonds under a mandatory tender and establish the Series 2014 debt reserves.

Standard & Poor's Rating Services and Fitch Ratings have assigned ratings of "A+" and "A" respectively, to the Series 2014 Bonds.

In June 2017, the Authority issued $70,800,000 in 30 year fixed rate Toll Bridge System Revenue Bonds at a premium of $12,915,000, to finance the redecking and rehabilitation of the Peace Bridge, make a deposit to the debt service reserve account and to pay certain costs of issuance of the Series 2017 bonds. The proceeds may also be used to pay the cost of the Peace Bridge coatings and enhancements to the U.S. plaza devoted to inspection capacity. The Series 2017 bonds were issued on a parity with the Series 2014 bonds, with fixed interest rates of 5%, and a true interest cost of 3.71%. Principal repayments begin upon the repayment of the Series 2014 bonds (January 1, 2025) and continue until January 1, 2047.

Standard & Poor's Rating Services have assigned a rating of "A+" to the Series 2017 Bonds.

FACTS THAT WILL IMPACT FINANCIAL POSITION

In October 2016, the Authority began the construction project to "re-deck" and rehabilitate the Peace Bridge. This project will continue for a period of three years with an anticipated total cost of approximately $100,000,000. Replacement of the concrete bridge deck will be conducted during the off-peak travel season (October 15th – May 1st). During construction, the bridge will be reduced at times to 2 lanes. Following each off-peak season, the bridge will be returned to a condition that will facilitate 3 lanes of travel. While lane restrictions are in place during active construction times, the impact on traffic and toll revenues has been minimal.

In October 2016, the Board approved the allocation of up to $10,000,000 of excess unrestricted funds for the establishment of an independent trust for the purpose of providing benefits associated with the Authority's defined benefit postemployment healthcare plans (OPEB). The establishment of the trust is also in anticipation of the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The Authority plans to establish and fund this trust during 2018.

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of the Authority for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Karen L. Costa, Chief Financial Officer, 100 Queen Street, Fort Erie, ON L2A 3S6.

Balance Sheets (in thousands)

December 31,	2017	2016
Assets		
Current assets:		
Cash	$ 2,454	$ 523
Accounts receivable, net	999	1,177
Prepaid expenses and other assets	597	850
Investments	94,709	88,351
	98,759	90,901
Noncurrent assets:		
Restricted assets:		
Cash	3,677	3,413
Investments	57,761	6,212
	61,438	9,625
Net pension asset	3,115	3,374
Capital assets, net (Note 5)	190,298	156,282
	254,851	169,281
Total assets	353,610	260,182
Deferred outflows of resources		
Defeasance loss	380	477
Deferred outflows of resources related to pensions	3,010	2,806
	3,390	3,283
Total assets and deferred outflows of resources	$ 357,000	$ 263,465
Liabilities		
Current liabilities:		
Current portion of bonds payable	$ 2,320	$ 2,220
Accounts payable and accrued liabilities	8,805	7,662
Accrued compensation and benefits	795	779
Other current liabilities	2,948	1,121
	14,868	11,782
Noncurrent liabilities:		
Bonds payable	105,625	25,008
Other postemployment benefits	10,535	9,508
	116,160	34,516
Total liabilities	131,028	46,298
Deferred inflows of resources		
Deferred inflows of resources related to pensions	612	561
Net Position		
Net investment in capital assets	119,366	122,929
Restricted	15,653	9,425
Unrestricted	90,341	84,252
Total net position	225,360	216,606
Total liabilities, deferred inflows of resources, and net position	$ 357,000	$ 263,465

See accompanying notes.

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

For the years ended December 31,	2017	2016
Operating revenues:		
Commercial tolls	$ 15,328	$ 15,426
Passenger tolls	5,823	5,895
Rentals	8,864	7,601
Other	104	312
Total operating revenues	30,119	29,234
Operating expenses:		
Toll collection and traffic control	2,679	3,043
Maintenance of bridge, buildings, plazas, and equipment	4,393	5,070
Administration	2,923	2,472
Pension	1,046	758
Other postemployment benefits	1,662	1,682
Canadian property taxes and U.S. equalization payments	993	951
Payments to New York State	200	200
Depreciation	5,551	5,374
Total operating expenses	19,447	19,550
Operating income	10,672	9,684
Non-operating revenues (expenses):		
Interest income	824	419
Interest expense	(2,267)	(708)
Currency remeasurement	20	26
Bond closing costs	(495)	-
Total non-operating net expense	(1,918)	(263)
Change in net position	8,754	9,421
Net position - beginning of year	216,606	207,185
Net position - end of year	$ 225,360	$ 216,606

See accompanying notes.

Statements of Cash Flows (in thousands)

For the years ended December 31,	2017	2016
Operating activities:		
Toll revenue	$ 21,237	$ 21,065
Payments to suppliers	(4,613)	(5,685)
Payments for wages and employee benefits	(7,715)	(7,578)
Other revenues	9,075	7,860
Net operating activities	17,984	15,662
Capital and related financing activities:		
Acquisition and construction of capital assets	(38,706)	(20,393)
Interest paid on debt	(1,222)	(1,220)
Principal payments on debt	(2,220)	(2,130)
Proceeds from long-term debt issued, including premium	83,715	-
Costs of issuance of long-term debt	(495)	-
Proceeds from asset disposal and other	18	46
Net capital and related financing activities	41,090	(23,697)
Investing activities:		
Decrease (increase) in investments	(57,907)	6,553
Interest income	824	419
Net investing activities	(57,083)	6,972
Effect of exchange rate changes	204	224
Change in cash	2,195	(839)
Cash - beginning	3,936	4,775
Cash - ending	6,131	3,936
Reconciliation of operating income to net cash provided from operating activities:		
Operating income	10,672	9,684
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	5,551	5,374
Net pension activity	6	(55)
(Gain) loss on disposal	(14)	501
Changes in assets and liabilities:		
Accounts receivable	178	(236)
Prepaid expenses and other assets	253	(516)
Accounts payable, accrued liabilities, and other	295	(99)
Accrued compensation and other postemployment benefits	1,043	1,009
	$ 17,984	$ 15,662

See accompanying notes.

Statements of Fiduciary Net Position (in thousands)

	Pension Trust Funds	
December 31,	**2017**	2016
Assets		
Current assets:		
Cash and short term investments	**$ 2,096**	$ 1,253
Noncurrent assets:		
Investments - equity and fixed income securities	**36,397**	35,858
Total assets	**38,493**	37,111
Net Position		
Net position held in trust for pension benefits	**$ 38,493**	$ 37,111

See accompanying notes.

Statements of Change in Fiduciary Net Position (in thousands)

	Pension Trust Funds	
December 31,	**2017**	2016
Additions:		
Employer contributions	**$ 717**	$ 820
Net investment income (loss)	**1,849**	(482)
Effect of foreign currency exchange rate changes	**876**	495
Total additions	**3,442**	833
Deductions:		
Benefits	**1,983**	2,283
Administrative expenses	**77**	106
Total deductions	**2,060**	2,389
Change in net position	**1,382**	(1,556)
Net position held in trust for pension benefits - beginning of year	**37,111**	38,667
Net position held in trust for pension benefits - end of year	**$ 38,493**	$ 37,111

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Reporting Entity

Buffalo and Fort Erie Public Bridge Authority (the Authority) was established through a legislative act as a public benefit corporation to own and operate an international toll bridge connecting the United States and Canada. The enabling Act, under which the Authority was created, provides that on July 1, 2020, or when all bonds issued by the Authority have been discharged (current final maturity date is January 1, 2047), whichever shall be later, the powers, jurisdiction, and duties of the Board shall cease and the property and assets acquired and held by the Authority within the State of New York and within Canada shall be under jurisdiction of the State of New York and Her Majesty The Queen in Right of Canada, respectively.

Basis of Presentation

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as non-operating activities and include investment income, interest paid on capital debt, and the net effect of currency remeasurement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

At various times, cash in financial institutions may exceed insured limits and subject the Authority to concentrations of credit risk.

Investments

Investments consist of cash equivalents, money market funds, commercial paper, corporate bonds, and U.S. mortgage and government agency obligations and are stated at fair value on a recurring basis as determined by quoted prices in active markets.

Restricted Assets

The Authority established the following accounts in order to comply with bond resolution requirements:

Bond – trustee accounts established to receive amounts necessary to meet current principal and interest payments and to maintain a sufficient balance in a debt service reserve fund.

Government payments – holds amounts necessary to fund payments to the State of New York as required under current legislation.

Operating expense reserve – holds amounts necessary to pay current year operating expenses as defined, plus an operating reserve equal to one-sixth of the operating expenses of the Authority for the preceding year.

Capital Assets

Capital assets are reported at historical cost. For assets being depreciated, expense is calculated over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization policy	Estimated useful life
Bridge infrastructure	$ 5,000	10-150 years
Buildings and plazas	$ 5,000	10-40 years
Equipment - general	$ 1,000	3-10 years
Equipment - toll system	$ 1,000	7 years

Currency Translation

Due to its bi-national operations, the Authority accounts for transactions in either United States dollars (USD) or Canadian dollars (CAD). The Authority translates all Canadian asset and liability accounts at the year end exchange rate, except for property and equipment, which is translated at historical rates in effect in the year of acquisition. The statement of revenues, expenses, and changes in net position is converted at the average monthly exchange rate for the month in which the transaction occurs (average annual exchange rate in 2016). Translation gains and losses are included as a component of non-operating revenues (expenses) as a currency remeasurement.

Compensated Absences

The Authority provides for vacation, sick, and compensatory time that is attributable to services already rendered and vested. The liabilities are recorded based on employees' rates of pay as of the end of the year, and include all payroll-related liabilities.

Pensions

The net pension asset, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position of the Authority's defined benefit pension plans (Note 7) have been measured on the same basis as reported by the plans. For this purpose, benefit payments in the plans are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

Net Position

- *Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of the assets.
- *Restricted* – consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, subject to externally imposed restrictions by creditors (such as through debt covenants), federal or state laws, or enabling legislation.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the definition of the above restrictions and are available for general use of the Authority.

The Authority has adopted a policy of using restricted funds, when available, prior to unrestricted funds.

2. Deposits and Investments:

The Authority's policy is to obtain collateral from U.S. financial institutions for its cash deposits. Cash deposits maintained in banks within the United States are covered by U.S. Federal Deposit Insurance and by collateral held by a custodial bank in the Authority's name based upon the average daily funds available as determined by the bank. Canada Deposit Insurance covers a portion of cash deposits maintained at banks within Canada.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2017, $2,741,000 of the Authority's bank deposits were exposed to custodial credit risk.

The Authority's exposure to foreign currency risk derives from its deposits denominated in Canadian currency totaling $3,129,000 (USD).

The Authority manages its investments pursuant to the bond resolution, which defines the nature and maturity of allowable investments.

3. Accounts Receivable, net:

(in thousands)	**2017**	2016
Accounts receivable for rental and tolls	**$ 1,000**	$ 1,178
Less allowance for doubtful accounts	**1**	1
	$ 999	$ 1,177

4. Investments:

(in thousands)	**2017**	2016
Unrestricted:		
U.S. Treasury notes	**$ 29,990**	$ 59,977
Federal Home Loan Mortgage Corporation notes	**10,015**	9,982
Federal Home Loan Bank notes	**1,893**	-
Federal Farm Credit Notes	**3,443**	-
Federal National Mortgage Association notes	**-**	10,018
Corporate bonds	**18,170**	-
Commercial paper	**23,837**	-
Cash equivalents	**2,099**	-
Money market funds	**5,262**	8,374
	$ 94,709	$ 88,351
Restricted:		
U.S. Treasury notes	**$ 22,004**	$ 6,212
Federal Home Loan Mortgage Corporation notes	**652**	-
Federal Home Loan Bank notes	**2,091**	-
Federal Farm Credit Notes	**1,546**	-
Commercial paper	**18,312**	-
Cash equivalents	**13,063**	-
Money market funds	**93**	-
	$ 57,761	$ 6,212

5. Capital Assets:

(in thousands)	January 1, 2017	Additions	Reclassifications and Disposals	**December 31, 2017**
Non-depreciable capital assets:				
Land	$ 25,243	$ -	$ -	**$ 25,243**
Construction-in-progress	16,457	39,676	(3,584)	**52,549**
Total non-depreciable assets	41,700	39,676	(3,584)	**77,792**
Depreciable capital assets:				
Bridge	72,877	-	47	**72,924**
Buildings and plazas	116,845	-	2,425	**119,270**
Equipment - general	5,325	-	910	**6,235**
Equipment - toll system	4,523	-	(25)	**4,498**
Total depreciable assets	199,570	-	3,357	**202,927**
Less accumulated depreciation:				
Bridge	(35,658)	(1,875)	8	**(37,525)**
Buildings and plazas	(41,369)	(3,104)	-	**(44,473)**
Equipment - general	(3,599)	(521)	74	**(4,046)**
Equipment - toll system	(4,362)	(51)	36	**(4,377)**
Total accumulated depreciation	(84,988)	(5,551)	118	**(90,421)**
Total depreciable assets, net	114,582	(5,551)	3,475	**112,506**
	$ 156,282	$ 34,125	$ (109)	**$ 190,298**

(in thousands)	January 1, 2016	Additions	Reclassifications and Disposals	December 31, 2016
Non-depreciable capital assets:				
Land	$ 25,243	$ -	$ -	$ 25,243
Construction-in-progress	6,835	22,162	(12,540)	16,457
Total non-depreciable assets	32,078	22,162	(12,540)	41,700
Depreciable capital assets:				
Bridge	63,762	-	9,115	72,877
Buildings and plazas	115,455	-	1,390	116,845
Equipment - general	4,907	620	(202)	5,325
Equipment - toll system	4,521	18	(16)	4,523
Total depreciable assets	188,645	638	10,287	199,570
Less accumulated depreciation:				
Bridge	(33,929)	(1,721)	(8)	(35,658)
Buildings and plazas	(39,467)	(3,200)	1,298	(41,369)
Equipment - general	(3,547)	(398)	346	(3,599)
Equipment - toll system	(4,323)	(55)	16	(4,362)
Total accumulated depreciation	(81,266)	(5,374)	1,652	(84,988)
Total depreciable assets, net	107,379	(4,736)	11,939	114,582
	$ 139,457	$ 17,426	$ (601)	$ 156,282

Net investment in capital assets as of December 31, 2017 and 2016 consists of the following (in thousands):

	2017	2016
Capital assets, net of accumulated depreciation	**$ 190,298**	$ 156,282
Bonds and related premiums, net of unspent proceeds	**(62,029)**	(27,228)
Capital asset purchases included in accounts payable	**(6,880)**	(6,013)
Accrued interest	**(2,403)**	(589)
Defeasance loss	**380**	477
	$ 119,366	$ 122,929

6. Bond Indebtedness:

(in thousands)	January 1, 2017	Increases	Decreases	**December 31, 2017**	**Due Within One Year**
Series 2014 bonds	$ 24,480	$ -	$ (2,220)	**$ 22,260**	**$ 2,320**
Unamortized premium 2014 refunding	2,748	-	(547)	**2,201**	
Series 2017 bonds	-	70,800	-	**70,800**	**-**
Unamortized premium 2017 bond issue	-	12,915	(231)	**12,684**	**-**
	$ 27,228	$ 83,715	$ (2,998)	**$ 107,945**	**$ 2,320**

(in thousands)	January 1, 2016	Increases	Decreases	December 31, 2016	Due Within One Year
Serial bonds	$ 26,610	$ -	$ (2,130)	$ 24,480	$ 2,220
Unamortized premium 2014 refunding	3,323	-	(575)	2,748	-
	$ 29,933	$ -	$ (2,705)	$ 27,228	$ 2,220

In August 2005, the Authority issued $44,120,000 in variable rate Toll Bridge System Revenue Refunding Bonds to currently refund $43,915,000 of outstanding 1995 Series bonds with interest rates ranging from 5.125% to 6.0%. The net proceeds of $43,639,000 (after payment of $481,000 for underwriting fees and other issuance costs) plus $4,789,000 in Series 1995 bond reserve monies were used to refund the original bonds and establish the series 2005 debt reserves.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,242,000. This defeasance loss, reported in the accompanying balance sheets as a deferred outflow, is being charged to operations through the year 2024 using the effective interest method. The net difference is $380,000 and $477,000 at December 31, 2017 and 2016.

The Series 2005 bonds, which were special revenue obligations of the Authority, were issued as variable rate obligations. They bore an initial term rate interest of 3% through July 1, 2007. On July 1, 2007, the bonds were remarketed at an interest rate of 4% until July 1, 2010. On July 1, 2010, the bonds were again remarketed at an interest rate of 2.625% until July 1, 2014, when the bonds were subject to mandatory tender without a bondholder right to retain.

In June 2014, the Authority issued $28,840,000 in fixed rate Toll Bridge System Revenue Refunding Bonds at a premium of $4,262,000, with interest rates ranging from 4% to 5%, to currently refund $33,500,000 of outstanding Series 2005 bonds. The Series 2014 bond proceeds of $33,102,000 plus $3,710,000 in Series 2005 bond reserve monies were used to refund the Series 2005 bonds under mandatory tender and establish the Series 2014 debt reserves.

In June 2017, the Authority issued $70,800,000 in fixed rate Toll Bridge System Revenue Bonds at a premium of $12,915,000, and interest rates of 5%. The Series 2017 bond proceeds totaling $83,715,000 will be used to partially fund a $100,000,000 bridge redecking and rehabilitation project and to establish the Series 2017 debt reserves. Remaining funds, if any, may also be used for the coatings project and enhancements to the U.S. plaza regarding inspection capacity. The bonds were structured so that principal repayments will begin upon the payoff of the Series 2014 bonds (January 1, 2025) and will continue until January 1, 2047.

Debt service requirements are as follows (in thousands):

Years ending December 31,	Principal	Interest
2018	$ 2,320	$ 4,513
2019	2,440	4,415
2020	2,550	4,288
2021	2,690	4,153
2022	2,830	4,012
2023-2027	15,230	17,908
2028-2032	11,765	15,131
2033-2037	15,010	11,881
2038-2042	19,155	7,734
2043-2047	19,070	2,442
	$ 93,060	$ 76,477

7. Pension Plans:

Defined Benefit Plans

The Authority maintains two non-contributory, single-employer defined benefit pension plans: Pension Plan for Employees of Buffalo and Fort Erie Public Bridge Authority in the United States (U.S. Plan) and Pension Plan for Employees of Buffalo and Fort Erie Public Bridge Authority in Canada (Canadian Plan), collectively, the Defined Benefit Plans. The Defined Benefit Plans cover full and part-time employees hired before September 29, 2006 (union) and January 1, 2009 (non-union) in the United States, and before July 27, 2007 (union) and January 1, 2009 (non-union) in Canada. The Board of Directors has the responsibility to establish and amend benefit provisions. Audited financial statements of the Defined Benefit Plans are not required and have not been prepared.

Benefits: The Defined Benefit Plans provide retirement, death benefits, and if applicable, certain annual cost of living adjustments to members and beneficiaries. Cost of living adjustments are effective when the most recent actuarial valuation reports reveal a surplus which is greater than twice the annual service cost. The cost of living adjustment, on a percentage basis, is equal to 50% of the change in consumer price indices based on the average change over the 12 month period ending on September 30th of the calendar year prior to the effective date of the adjustment. The cost of living adjustments are included in the Authority's annual pension cost only in the applicable years.

Employees Covered by Benefit Terms: At December 31, 2017, the following employees were covered by the Defined Benefit Plans:

	Canadian Plan	U.S. Plan
Inactive employees or beneficiaries currently receiving benefits	44	51
Inactive employees entitled to but not yet receiving benefits	-	2
Active employees	16	22
	60	75

Employees Covered by Benefit Terms: At December 31, 2016, the following employees were covered by the Defined Benefit Plans:

	Canadian Plan	U.S. Plan
Inactive employees or beneficiaries currently receiving benefits	45	44
Inactive employees entitled to but not yet receiving benefits	-	2
Active employees	17	32
	62	78

Contributions: The Authority pays the full cost of all benefits provided under the Defined Benefit Plans. As a federally regulated pension plan, the Canadian plan is funded based upon an actuarial valuation and funding standards established by the *Pension Benefits Standard Act*. The Authority's policy with respect to the U.S. plan is to fund the greater of the annual required contribution or the current year service cost, as actuarially determined. Actuarial valuations are prepared no less frequently than every other year. For the years ended December 31, 2017 and 2016, the Authority's contribution rate to the Canadian Plan was 43% and 37% of covered payroll. The contribution rate to the U.S. Plan was 11% and 10% of covered payroll.

Net Pension Asset

The net pension asset was measured as of December 31, 2016 based on an actuarial valuation as of January 1, 2017. There have been no significant changes in benefits or other plan provisions from the beginning of the year to the end of the year.

Actuarial Assumptions: Based on the size of the plans, it was not deemed appropriate to perform an experience study. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Canadian Plan	U.S. Plan
Inflation	2.25%	2.75%
Salary increases	2.75%	2.75%
Investment rate of return	5%, compounded annually, net of all expenses	6%, compounded annually, net of all expenses
Mortality	CPM2014 Mortality Table with generational mortality improvements projected using Scale B - no assumed preretirement deaths	RP-2014 Healthy Mortality Table rolled back to 2006, projected generationally with Scale BB improvements - no assumed preretirement deaths
Discount rate	5.00%	6.00%
COLA increases	.67% COLA assumed	.73% COLA assumed

The long-term expected rates of return on plan assets were determined using best estimate ranges of expected future real rates of return (expected returns, net of pension plan investments and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Canadian Plan		
Canadian equities	30%	6.0%
Foreign equities	20%	6.0%
Fixed income	50%	0.2%
Cash equivalents	-	0.1%
	100%	
U.S. Plan		
Domestic equities	40%	8.4%
International equities	10%	7.0%
Fixed income	47%	1.3%
Cash	3%	0.8%
	100%	

Discount rate: The projection of cash flows used to determine the respective discount rates assumed that the Authority's contributions will continue to follow the current funding policy. Based on this assumption, the Authority's fiduciary net position was projected to be sufficient to make all projected future benefit payments of the Defined Benefit Plans' current members. A municipal bond rate of 3.20% was used in the development of the blended GASB discount rate after that point for the Defined Benefit Plans. The 3.20% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016. Based on the long-term rate of return of 5.0% (Canadian Plan) and 6.0% (U.S. Plan) and the municipal bond rate of 3.20%, the blended GASB discount rate would be 5.0% (Canadian Plan) and 6.0% (U.S. Plan).

Changes in the Net Pension Asset

Canadian Plan (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at 12/31/15	$ (11,581)	$ 13,283	$ 1,702
Effect of foreign currency exchange rate changes	(431)	495	64
Changes for the year:			
Service cost	(207)	-	(207)
Interest	(593)	-	(593)
Employer contributions	-	554	554
Net investment income	-	175	175
Benefit payments	673	(673)	-
Administrative expense	-	(41)	(41)
Net changes	(127)	15	(112)
Balances at 12/31/16	(12,139)	13,793	1,654
Effect of foreign currency exchange rate changes	(772)	876	104
Changes for the year:			
Service cost	(124)	-	(124)
Interest	(633)	-	(633)
Differences between expected and actual experience	(191)	-	(191)
Changes of assumptions	(187)	-	(187)
Employer contributions	-	498	498
Net investment income	-	995	995
Benefit payments	750	(750)	-
Administrative expense	-	(24)	(24)
Net changes	(385)	719	334
Balances at 12/31/17	$ (13,296)	$ 15,388	$ 2,092

Changes in the Net Pension Asset (continued)

U.S. Plan (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at 12/31/15	$ (21,656)	$ 25,384	$ 3,728
Changes for the year:			
Service cost	(283)	-	(283)
Interest	(1,269)	-	(1,269)
Employer contributions	-	266	266
Net investment income (loss)	-	(657)	(657)
Benefit payments	1,610	(1,610)	-
Administrative expense	-	(65)	(65)
Net changes	58	(2,066)	(2,008)
Balances at 12/31/16	(21,598)	23,318	1,720
Changes for the year:			
Service cost	(138)	-	(138)
Interest	(1,269)	-	(1,269)
Differences between expected and actual experience	(207)	-	(207)
Changes of assumptions	(103)	-	(103)
Employer contributions	-	219	219
Net investment income	-	854	854
Benefit payments	1,233	(1,233)	-
Administrative expense	-	(53)	(53)
Net changes	(484)	(213)	(697)
Balances at 12/31/17	$ (22,082)	$ 23,105	$ 1,023

The following presents the Authority's net pension asset (liability) for the plans calculated using the discount rate of 5.0% (Canadian Plan) and 6.0% (U.S. Plan) and the impact of using a discount rate that is 1.0% higher or lower than the current rate as of December 31, 2017.

(in thousands)	**1.0% Decrease**	**At Current Discount Rate**	**1.0% Increase**
Authority's Canadian Plan net pension asset	$ 745	$ 2,092	3,565
Authority's U.S. Plan net pension asset (liability)	$ (1,565)	$ 1,023	$ 3,182

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

For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of $143,000 and $85,000, respectively, for the Canadian Plan and $765,000 and $550,000, respectively, for the U.S. Plan. At December 31, 2017 and 2016, the Authority reported deferred outflows and deferred inflows of resources as follows:

	Canadian Plan		U.S. Plan	
2017 (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 481	$ 587	$ 1,849	$ 25
Authority contributions subsequent to the measurement date	523	-	157	-
	$ 1,004	$ 587	$ 2,006	$ 25

	Canadian Plan		U.S. Plan	
2016 (in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 408	$ 523	$ 1,711	$ 38
Authority contributions subsequent to the measurement date	468	-	219	-
	$ 876	$ 523	$ 1,930	$ 38

Authority contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Years ending December 31,	
2018	$ 697
2019	388
2020	585
2021	48
	$ 1,718

Payable to the Pension Plans

No contributions were payable to the pension plans at December 31, 2017 and 2016.

Defined Contribution Plans

The Authority has also established two non-contributory defined contribution money purchase plans which separately cover U.S. and Canadian employees hired subsequent to the eligibility dates of the Defined Benefit Plans described above.

The defined contribution plans require the Authority to contribute 6.0% of each qualified employee's covered salary annually. Contributions to the defined contribution plans totaled $104,000 and $87,000 in 2017 and 2016, respectively. The Authority makes all required contributions when due.

8. Other Postemployment Benefits (OPEB):

The Authority maintains two single-employer defined benefit postemployment healthcare plans (the Plans), one covering certain Canadian employees and one plan covering certain U.S. employees. The Plans provide benefits in the form of insurance premium payments for coverage of eligible retirees and dependents. Plan provisions and Authority and member contribution rates are determined by the Authority. The Plans do not issue publicly available financial reports.

Eligibility is based on date of hire, attainment of retirement age, and years of service. The Authority pays 100% of the health, dental, and life insurance premiums for employees meeting the following criteria:

Canadian Plan
Full-time employees hired prior to September 19, 2003 (union) or November 21, 2003 (non-union), upon attainment of age 50 with 2 years of service.

Full-time employees hired on or after September 19, 2003 but prior to July 27, 2007 (union) or on or after November 21, 2003 but prior to December 31, 2008 (non-union), upon attainment of age 50 with 10 years of service.

U.S. Plan
Full-time employees hired prior to July 18, 2003 (union) or November 21, 2003 (non-union), upon attainment of age 50 with 2 years of service.

Full-time employees hired on or after July 18, 2003 but prior to September 29, 2006 (union) or on or after November 21, 2003 but prior to December 31, 2008 (non-union), upon attainment of age 50 with 10 years of service.

Accounting standards require that the Authority recognize the cost of postemployment benefits during the periods when employees render the services that will ultimately entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.

- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (the Authority is using the maximum period of 30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding of the Plans is less than the ARC. This liability is reflected on the balance sheet as other postemployment benefits. The Authority's Board of Directors has the authority to establish funding policies for the Plans. The current policy is to fund the Plans to the extent of premium payments and reimbursements on the pay as you go basis.

The following table summarizes the Authority's annual OPEB for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Annual required contribution		
Normal cost	**$ 360**	$ 569
Amortization of UAAL	**1,488**	1,278
Annual required contribution	**1,848**	1,847
Interest on OPEB obligation	**337**	299
ARC adjustment	**(523)**	(464)
Annual OPEB cost	**1,662**	1,682
Contribution made	**(635)**	(628)
Increase in net OPEB obligation	**1,027**	1,054
Net OPEB obligation - beginning of year	**9,508**	8,454
Net OPEB obligation - end of year	**$ 10,535**	$ 9,508

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years were as follows (in thousands):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 1,662	38%	$ 10,535
2016	$ 1,682	37%	$ 9,508
2015	$ 1,656	64%	$ 8,454

As of January 1, 2017, the total actuarial accrued liability for future benefits was $28,300,000. Since there are no Plan assets, the entire liability is unfunded. The annual payroll of employees eligible to be covered by the Plans was $2,061,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1373%.

The schedule of funding progress presented as required supplementary information (RSI) following the notes to the financial statements presents multi-year trend information about whether the actuarial values of plan assets, if any, are increasing or decreasing over time relative to the UAAL for benefits.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, changes in healthcare costs, and interest rates. The Plans will be subject to routine actuarial valuations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Similarly, the valuations reflect the Plans' benefits and cost sharing between the Authority and members of the Plans in effect at the time. Any changes in these factors will impact the results of future valuations.

The actuarial calculations reflect a long-term perspective and use techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

Healthcare cost trend:

Canadian Plan: 6.25% grading down by 0.25% each year to 4.5%

U.S. Plan: 6.75% grading down by 0.25% each year to 5%

Actuarial cost method:

Projected unit credit to decrement age

Discount rate:

3.5%

Amortization methods:
30 years, open, level dollar

Mortality:
US RPH-2014, using Projection Scale BB
Canada CIA CPM-2014 Combined Mortality with CIA Scale CPM-B

Retirement:
Provided by the Authority for active employees based upon their unreduced pension eligibility

Termination:
Rates calibrated to produce 3% aggregate turnover of the active data based on the Authority's historical experience

The increase in the unfunded actuarial accrued liability from the previous valuation is primarily due to revised mortality improvement scales as indicated above.

9. Rentals:

The Authority, as lessor, has entered into non-cancelable operating leases with separate U.S. and Canadian duty-free enterprises through December 31, 2020 and October 31, 2031, respectively. The Authority recognized $6,100,000 and $4,900,000 in rental income in 2017 and 2016, respectively, from the duty-free enterprises. The leases provide for annual minimum and contingent lease payments to the Authority.

The Authority also leases space to a governmental entity under a non-cancelable ten year operating lease expiring June 2019. Rental revenue received by the Authority under this lease totaled $2,000,000 and $1,950,000 in 2017 and 2016, respectively.

Minimum amounts to be received under the leases are as follows (in thousands):

2018	$	6,374
2019		5,290
2020		4,372
2021		3,077
2022		3,077
Thereafter		27,693
	$	49,883

The Authority also leases certain real property under cancelable operating leases to commercial enterprises and governmental agencies. These leases are generally maintained on a month-to-month basis.

10. Deferred Compensation Plan:

All employees of the Authority in the United States are offered participation in a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan permits eligible participants to defer a portion of their salary until future years. Under the plan, amounts deferred are not available to employees until separation, retirement, death, or unforeseen emergency. All amounts deferred under the plan, all property, and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust until paid or made available to the employee or other beneficiary.

The Authority also has unfunded liabilities of $1,080,000 and $990,000 included in accrued liabilities as of December 31, 2017 and 2016 to current and former management employees due under separate deferred compensation agreements. Payments made under these agreements totaled $8,200 and $8,000 in 2017 and 2016.

11. Commitments and Contingencies:

Risk Management

The Authority purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, injuries to employees, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. Losses resulting from acts of terrorism have been excluded from property and excess liability policies. The Terrorism Risk Insurance Act of 2002 of the United States governs coverage for acts of terrorism under the general liability policy.

Contractual Commitments

As of December 31, 2017, the Authority had contractual commitments of approximately $40,000,000 primarily related to ongoing capital construction projects.

Litigation

The Authority is involved in various legal proceedings, the outcome of which cannot be determined at this time.

12. Net Position:

Unrestricted - Designated

The Board of Directors has designated available unrestricted amounts for acquisition or construction of capital projects and maintenance, and approved an allocation up to $10,000,000 of excess unrestricted funds for the establishment of an irrevocable trust to provide postemployment healthcare benefits (Note 8).

Restricted

(in thousands)	**2017**	2016
Debt service funds:		
Debt service fund	**$ 4,723**	$ 2,813
Debt service reserve fund	**7,016**	3,300
Operating expense reserve account	**3,914**	3,312
Total restricted assets	**$ 15,653**	$ 9,425

Required Supplementary Information
Schedule of Funding Progress Postemployment Benefit Plans
(in thousands)

December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2015	$ -	$ 23,300	$ 23,300	-	$ 3,156	738%
1/1/2016	$ -	$ 24,300	$ 24,300	-	$ 2,844	854%
1/1/2017	$ -	$ 28,300	$ 28,300	-	$ 2,061	1373%

Required Supplementary Information
Schedule of Changes in the Authority's Net Pension Asset and Related Ratios - Canadian Plan
(in thousands)

As of the measurement date of December 31,	2016	2015	2014
Total pension liability			
Service cost	$ 124	$ 207	$ 190
Interest	633	593	565
Benefit payments, including refunds of employee contributions	(750)	(673)	(565)
Differences between expected and actual experience	191	-	-
Changes of assumptions	187	-	-
Net change in total pension liability	385	127	190
Total pension liability - beginning	12,139	11,581	11,391
Effect of foreign currency exchange rate changes	772	431	-
Total pension liability - ending	$ 13,296	$ 12,139	$ 11,581
Plan fiduciary net position			
Employer contributions	$ 498	$ 554	$ 647
Net investment income	995	175	1,432
Benefit payments, including refunds of employee contributions	(750)	(673)	(565)
Administrative expense	(24)	(41)	(19)
Net change in plan fiduciary net position	719	15	1,495
Plan fiduciary net position - beginning	13,793	13,283	11,788
Foreign currency exchange	876	495	-
Plan fiduciary net position - ending	$ 15,388	$ 13,793	$ 13,283
Authority's net pension asset - ending	$ 2,092	$ 1,654	$ 1,702
Plan fiduciary net position as a percentage of the total pension liability	115.7%	113.6%	114.7%
Covered payroll	$ 1,216	$ 1,272	$ 1,207
Authority's net pension asset as a percentage of covered payroll	172.0%	130.0%	141.0%

** Data prior to 2014 is unavailable.*

Required Supplementary Information
Schedule of Changes in the Authority's Net Pension Asset and Related Ratios - U.S. Plan
(in thousands)

As of the measurement date of December 31,	2016	2015	2014
Total pension liability			
Service cost	$ 138	$ 283	$ 267
Interest	1,269	1,269	1,252
Benefit payments, including refunds of employee contributions	(1,233)	(1,610)	(936)
Difference between expected and actual experience	207	-	-
Changes of assumptions	103	-	-
Net change in total pension liability	484	(58)	583
Total pension liability - beginning	21,598	21,656	21,073
Total pension liability - ending	$ 22,082	$ 21,598	$ 21,656
Plan fiduciary net position			
Employer contributions	$ 219	$ 266	$ 300
Net investment income	854	(657)	1,515
Benefit payments, including refunds of employee contributions	(1,233)	(1,610)	(936)
Administrative expense	(53)	(65)	(42)
Net change in plan fiduciary net position	(213)	(2,066)	837
Plan fiduciary net position - beginning	23,318	25,384	24,547
Plan fiduciary net position - ending	$ 23,105	$ 23,318	$ 25,384
Authority's net pension asset - ending	$ 1,023	$ 1,720	$ 3,728
Plan fiduciary net position as a percentage of the total pension liability	104.6%	108.0%	117.2%
Covered payroll	$ 1,430	$ 2,157	$ 2,099
Authority's net pension asset as a percentage of covered payroll	71.5%	79.7%	177.6%

** Data prior to 2014 is unavailable.*

Required Supplementary Information
Schedule of Canadian Plan Contributions (in thousands)

December 31,	2017	2016	2015
Actuarially determined contribution	$ 523	$ 468	$ 534
Contributions in relation to the actuarially determined contribution	523	468	534
Contribution deficiency (surplus)	$ -	$ -	$ -
Covered payroll	$ 1,216	$ 1,272	$ 1,207
Contributions as a percentage of covered payroll	43.01%	36.79%	44.24%

Notes to Schedule

Valuation date	January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Straight-line, closed
Remaining amortization period	5 years
Asset valuation method	Market value of assets
Inflation	2.25% per annum
Salary increases	2.75% per annum
Investment rate of return	5.0% per annum, net of investment expenses
Retirement age	Active participants are assumed to retire at age 59. Active participants over age 59 are assuemed to retire one year from the current valuation ddate. Terminated vested participants with 10 or more years of credited service are assumed to retire at age 60; otherwise, age 65.
Mortality	CPM2014 Mortality Table with generational mortality improvements No preretirement deaths are assumed
COLA increases	.67% assumed for 2017

** Data prior to 2015 is unavailable.*

Required Supplementary Information
Schedule of U.S. Plan Contributions (in thousands)

December 31,	2017	2016	2015
Actuarially determined contribution	$ 157	$ 286	$ 270
Contributions in relation to the actuarially determined contribution	157	219	266
Contribution deficiency	$ -	$ 67	$ 4
Covered payroll	$ 1,430	$ 2,157	$ 2,099
Contributions as a percentage of covered payroll	10.98%	10.15%	12.67%

Notes to Schedule

Valuation date	January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	7 years
Asset valuation method	Fair market value, adjusted for any contributions and benefit payments in-transit
Inflation	2.75% per annum
Salary increases	2.75% per annum
Investment rate of return	6.0%, compounded annually, net of all expenses
Retirement age	Participants are assumed to retire at age 60; participants who have already reached age 60 are assumed to retire one year from current valuation date
Mortality	RP-2014 Healthy Mortality Table Fully rolled back to 2006 projected generationally with Scale BB Improvement No preretirement deaths are assumed
COLA increases	.73% assumed for 2017
Funding requirement	Contributions are required to be the greater of the actuarially determined funding amount or the calculated 'normal cost'

** Data prior to 2015 is unavailable.*