

**BUFFALO AND FORT ERIE  
PUBLIC BRIDGE AUTHORITY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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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, 2019 and 2018, 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, 2019 and 2018, 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.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

February 28, 2020

**Buffalo and Fort Erie Public Bridge Authority**  
**Management's Discussion and Analysis**  
**December 31, 2019, 2018, and 2017**  
**(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, 2019, 2018 and 2017 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, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement requires the Authority to include in its statement of net position its net other postemployment benefits (OPEB) liability as well as deferred outflows and deferred inflows of resources related to OPEB. The cumulative effect of this change was a decrease in net position at January 1, 2018 totaling \$9,079,000.

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:

<i>U.S. \$, in thousands</i>	2019	2018	2017
<b>Assets</b>			
Current assets	\$ 94,734	\$ 95,723	\$ 98,759
Restricted assets	19,678	36,026	61,438
Net pension asset	3,582	5,322	3,115
Capital assets, net	239,199	215,763	190,298
Total assets	357,193	352,834	353,610
<b>Deferred outflows of resources</b>	4,826	13,146	3,390
<b>Total assets and deferred outflows of resources</b>	\$ 362,019	\$ 365,980	\$ 357,000
<b>Liabilities</b>			
Current liabilities	\$ 12,536	\$ 16,713	\$ 14,868
Noncurrent liabilities	105,999	122,882	116,160
Total liabilities	118,535	139,595	131,028
<b>Deferred inflows of resources</b>	3,721	2,291	612
<b>Net position</b>			
Net investment in capital assets	131,766	120,067	119,366
Restricted	16,893	16,376	15,653
Unrestricted	91,104	87,651	90,341
Total net position	239,763	224,094	225,360
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ 362,019	\$ 365,980	\$ 357,000

As noted earlier, net position serves as an indicator of the Authority's overall financial strength. The Authority's net position increased by \$15,669,000 during 2019, decreased by \$1,266,000 during 2018 and increased \$8,754,000 during 2017 resulting from the Authority's operating and non-operating activities each year. The decrease in 2018 is primarily attributed to the cumulative effect of the adoption of GASB 75 which resulted in a decrease in beginning net position of \$9,079,000. The effect of this and other variances between 2019 and 2018 are detailed on page iii.

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. Unspent bond proceeds at December 31, 2019, 2018, and 2017 totaling \$188,000, \$19,497,000, and \$45,916,000 are included in restricted assets, respectively. The net investment in capital assets at December 31, 2019, 2018, and 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. 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 and deferred inflows of resources primarily represent actuarially determined amounts related to the Authority's pension and OPEB plans that will be amortized through pension and OPEB expense over several years. Pension items are primarily the difference between the actual and expected investment earnings which are required to be amortized over a five year period. Deferred outflows of resources related to OPEB are primarily related to the Authority's contributions subsequent to the measurement date that amounted to \$876,000 and \$10,718,000 at December 31, 2019 and 2018, respectively.

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

<i>U.S. \$, in thousands</i>	2019	2018	2017
<b>Operating revenues</b>			
Toll revenues	\$ 22,118	\$ 22,213	\$ 21,151
Other revenues	8,813	8,859	8,968
<b>Total operating revenues</b>	<b>30,931</b>	<b>31,072</b>	<b>30,119</b>
<b>Operating expenses</b>			
Toll collection and traffic control	2,211	2,387	2,679
Maintenance of bridge, buildings, plazas & equipment	4,694	4,639	4,393
Administration	3,117	3,294	2,927
Pension	673	1,033	1,046
Other postemployment benefits	(1,162)	1,327	1,658
Other expenses	1,157	1,171	1,193
Loss on asset impairment	-	2,224	-
Depreciation	6,242	5,711	5,551
<b>Total operating expenses</b>	<b>16,932</b>	<b>21,786</b>	<b>19,447</b>
<b>Operating income</b>	<b>13,999</b>	<b>9,286</b>	<b>10,672</b>
<b>Non-operating revenues (expenses)</b>			
Interest income	3,325	2,269	824
Interest expense	(3,570)	(3,660)	(2,267)
Bond issuance costs	-	-	(495)
Grant revenue	1,814	-	-
Currency remeasurement	101	(82)	20
<b>Total non-operating revenue (expense)</b>	<b>1,670</b>	<b>(1,473)</b>	<b>(1,918)</b>
<b>Change in net position</b>	<b>15,669</b>	<b>7,813</b>	<b>8,754</b>
Net position, beginning of year	224,094	225,360	216,606
Restatement - GASB 75		(9,079)	
<b>Net position, end of year</b>	<b>\$ 239,763</b>	<b>\$ 224,094</b>	<b>\$ 225,360</b>

As a bi-national toll bridge operator, the Authority earns revenue and incurs expenses in both U.S. and Canadian dollars. Canadian revenues and expenses are converted to U.S. dollars at the average exchange rate for the month in which the transaction occurs. Fluctuations in the exchange rates result in an improvement or deterioration in the currency remeasurement to U.S. dollars.

Despite a 2.9% decrease in traffic volumes, toll revenue in 2019 decreased only slightly from 2018 (less than 1%) due to the elimination of the E-ZPass discount on commercial tolls effective July 1, 2019. Toll revenues increased in 2018 from 2017 due to an increase in the auto toll rate of \$.75 that was effective January 1, 2018. Other revenues, consisting primarily of rental income, were positively impacted by a new agreement with U.S. Government agencies. The slight decline in 2019 is due mainly to a decrease in sales at the duty free stores, mitigated by an increase in the rents attributed to government agencies.

Operating expenses decreased \$4,854,000 or 22% from 2018 to 2019. The decrease is primarily due to a one time impairment loss of \$2,224,000 recognized in 2018 and a decrease in OPEB of \$2,489,000 from 2018. OPEB expense amounted to \$1,327,000 for the year ended December 31, 2018 as compared to OPEB income of \$1,162,000 for the year ended December 31, 2019. This was primarily a result of a decrease in the healthcare cost trend rate used in the actuarial calculation. Operating expenses increased \$2,339,000 or 12% in 2018 compared to 2017. The primary driver in the increase in operating expenses in 2018 is the asset impairment loss of \$2,224,000 representing the remaining book value of assets replaced as a result of the bridge redecking project.

Total non-operating net revenue (expense) increased \$3,143,000 in 2019 and \$445,000 in 2018. In 2019, the Authority received a capital grant from Transport Canada in the amount of \$1,814,000, which was used to fund RFID readers at Canadian customs, a new toll system, and border analytics software. Additionally, interest income increased \$1,056,000 compared to 2018. The increase in 2018 was mainly attributable to a full year of bond interest expense totaling \$3,660,000, mitigated by an increase in interest income of \$1,445,000.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

The Authority's total investment in capital assets as of December 31, 2019 approximated \$239,199,000 representing 67% 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 \$29,714,000 in 2019 and \$33,428,000 in 2018, as the Authority continued the Peace Bridge rehabilitation project (see description below) and other capital projects and equipment purchases.

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. The outstanding balance of the 2014 bonds at December 31, 2019 amounted to \$17,500,000.

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 redeck and rehabilitate the Peace Bridge. This project continued for a period of three years with a total cost of approximately \$100,000,000. The impact on traffic and toll revenues during the construction period was minimal and the bridge returned to normal operations in 2019. The Authority continues to invest in strategic capital projects that will improve the Peace Bridge and Authority facilities.

In 2018, the Authority established an independent trust for the purpose of providing benefits associated with the Authority's OPEB plans in the amount of \$10,000,000. The Authority intends to fund the Trust annually based on investment returns and actuarially determined calculations. Payments to the OPEB Trust totaled \$876,000 in 2019.

## **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.



BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**Balance Sheets (in thousands)**

December 31,	2019	2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 641	\$ 3,096
Accounts receivable, net	2,132	1,016
Prepaid expenses	194	361
Investments	91,767	91,250
	<u>94,734</u>	<u>95,723</u>
<b>Noncurrent assets:</b>		
Restricted assets:		
Cash	12,322	9,394
Investments	7,356	26,632
	<u>19,678</u>	<u>36,026</u>
Net pension asset	3,582	5,322
Capital assets, net (Note 5)	239,199	215,763
	<u>262,459</u>	<u>257,111</u>
<b>Total assets</b>	<u><b>357,193</b></u>	<u><b>352,834</b></u>
<b>Deferred Outflows of Resources</b>		
Defeasance loss	213	292
Deferred outflows of resources related to pensions	3,737	2,136
Deferred outflows of resources related to OPEB	876	10,718
<b>Total deferred outflows of resources</b>	<u><b>4,826</b></u>	<u><b>13,146</b></u>
<b>Total assets and deferred outflows of resources</b>	<u><b>\$ 362,019</b></u>	<u><b>\$ 365,980</b></u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Current portion of bonds payable	\$ 2,550	\$ 2,440
Accounts payable and accrued liabilities	6,720	10,698
Accrued compensation and benefits	820	790
Other current liabilities	2,446	2,785
	<u>12,536</u>	<u>16,713</u>
<b>Noncurrent liabilities:</b>		
Bonds payable	98,771	102,244
Net OPEB liability	7,228	20,638
	<u>105,999</u>	<u>122,882</u>
<b>Total liabilities</b>	<u><b>118,535</b></u>	<u><b>139,595</b></u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	2,019	2,290
Deferred inflows of resources related to OPEB	1,702	1
<b>Total deferred inflows of resources</b>	<u><b>3,721</b></u>	<u><b>2,291</b></u>
<b>Net Position</b>		
Net investment in capital assets	131,766	120,067
Restricted	16,893	16,376
Unrestricted	91,104	87,651
<b>Total net position</b>	<u><b>239,763</b></u>	<u><b>224,094</b></u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u><b>\$ 362,019</b></u>	<u><b>\$ 365,980</b></u>

See accompanying notes.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

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

For the years ended December 31,	2019	2018
<b>Operating revenues:</b>		
Commercial tolls	\$ 14,294	\$ 14,704
Passenger tolls	7,824	7,509
Rentals	8,585	8,753
Other	228	106
<b>Total operating revenues</b>	<b>30,931</b>	<b>31,072</b>
<b>Operating expenses:</b>		
Toll collection and traffic control	2,211	2,387
Maintenance of bridge, buildings, plazas, and equipment	4,694	4,639
Administration	3,117	3,294
Pension	673	1,033
Other postemployment benefits	(1,162)	1,327
Canadian property taxes and U.S. equalization payments	957	971
Payments to New York State	200	200
Loss on asset impairment	-	2,224
Depreciation	6,242	5,711
<b>Total operating expenses</b>	<b>16,932</b>	<b>21,786</b>
<b>Operating income</b>	<b>13,999</b>	<b>9,286</b>
<b>Non-operating revenues (expenses):</b>		
Interest income	3,325	2,269
Interest expense	(3,570)	(3,660)
Currency remeasurement	101	(82)
Grant revenue	1,814	-
<b>Total non-operating revenues (expenses)</b>	<b>1,670</b>	<b>(1,473)</b>
<b>Change in net position</b>	<b>15,669</b>	<b>7,813</b>
<b>Net position - beginning of year</b>	<b>224,094</b>	<b>216,281</b>
<b>Net position - end of year</b>	<b>\$ 239,763</b>	<b>\$ 224,094</b>

See accompanying notes.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**Statements of Cash Flows (in thousands)**

For the years ended December 31,	2019	2018
<b>Operating activities:</b>		
Toll revenue	\$ 21,813	\$ 22,144
Payments to suppliers	(6,096)	(4,492)
Payments for wages and employee benefits	(6,136)	(18,069)
Other revenues	8,815	8,915
<b>Net operating activities</b>	<b>18,396</b>	<b>8,498</b>
<b>Capital and related financing activities:</b>		
Acquisition and construction of capital assets	(33,954)	(31,763)
Interest paid on debt	(4,463)	(4,660)
Principal payments on debt	(2,440)	(2,320)
Grant proceeds	714	-
<b>Net capital and related financing activities</b>	<b>(40,143)</b>	<b>(38,743)</b>
<b>Investing activities:</b>		
Decrease in investments	18,759	34,588
Interest income	3,325	2,269
<b>Net investing activities</b>	<b>22,084</b>	<b>36,857</b>
Effect of exchange rate changes	136	(253)
<b>Change in cash</b>	<b>473</b>	<b>6,359</b>
Cash - beginning	12,490	6,131
Cash - ending	\$ 12,963	\$ 12,490
<b>Reconciliation of operating income to net cash provided from operating activities:</b>		
Operating income	\$ 13,999	\$ 9,286
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	6,242	5,711
Net pension and OPEB activity	(1,951)	(9,284)
(Gain) loss on disposal	-	2,252
Changes in assets and liabilities:		
Accounts receivable	(16)	(17)
Prepaid expenses	168	234
Accounts payable and accrued liabilities	(68)	306
Accrued compensation and benefits	22	10
	\$ 18,396	\$ 8,498

See accompanying notes.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

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**Statements of Fiduciary Net Position (in thousands)**

December 31,	Pension and Other Employee Benefit Trust Funds	
	<b>2019</b>	2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments	<u>\$ 964</u>	\$ 713
<b>Noncurrent assets:</b>		
Investments - equity and fixed income securities	<u>47,416</u>	39,723
<b>Total assets</b>	<u><b>48,380</b></u>	40,436
<b>Net Position</b>		
Net position held in trust for pension benefits	<b>38,201</b>	40,436
Net position held in trust for OPEB benefits	<b>10,179</b>	-
	<u><b>\$ 48,380</b></u>	\$ 40,436

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**Statements of Changes in Fiduciary Net Position (in thousands)**

December 31,	Pension and Other Employee Benefit Trust Funds	
	2019	2018
<b>Additions:</b>		
Employer contributions	\$ 11,343	\$ 641
Net investment income (loss)	(742)	4,692
Effect of foreign currency exchange rate changes	714	(1,131)
<b>Total additions</b>	<b>\$ 11,315</b>	<b>\$ 4,202</b>
<b>Deductions:</b>		
Benefits paid to participants or beneficiaries	\$ 3,137	\$ 2,071
Administrative expenses	234	188
<b>Total deductions</b>	<b>3,371</b>	<b>2,259</b>
<b>Change in net position</b>	<b>7,944</b>	<b>1,943</b>
<b>Net position - beginning of year</b>	<b>40,436</b>	<b>38,493</b>
<b>Net position - end of year</b>	<b>\$ 48,380</b>	<b>\$ 40,436</b>

See accompanying notes.

## Notes to Financial Statements

December 31, 2019

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### 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.

The Authority uses a fiduciary fund to report assets held in trust for pension and other postemployment benefits (OPEB). The Pension and Other Employee Benefit Trust Fund accounts for the assets held in trust for the U.S. and Canadian defined benefit plans (Note 7) and the U.S and Canadian single-employer defined benefit postemployment healthcare plans (Note 8).

#### 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, the 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:

	<b>Capitalization policy</b>	<b>Estimated useful life</b>
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. 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.

## Other Postemployment Benefits (OPEB)

The net OPEB liability, deferred outflows and deferred inflows of resources, OPEB expense, and information about and changes in the fiduciary net position of the Authority's defined benefit healthcare plans (Note 8) 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, 2019, \$6,205,000 of the Authority's bank deposits were uncollateralized and therefore exposed to custodial credit risk.

The Authority's exposure to foreign currency risk derives from its deposits denominated in Canadian currency totaling \$6,561,000 (USD) at December 31, 2019.

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)	2019	2018
Accounts receivable for rental and tolls	\$ 2,133	\$ 1,017
Less allowance for doubtful accounts	1	1
	<u>\$ 2,132</u>	<u>\$ 1,016</u>



#### 4. Investments:

(in thousands)	2019	2018
Unrestricted:		
U.S. Treasury notes	\$ 2,737	\$ 3,026
Federal Home Loan Mortgage Corporation notes	7,946	7,379
Federal Home Loan Bank notes	-	8,740
Federal Farm Credit notes	7,565	12,041
Federal National Mortgage Association notes	2,503	3,993
Corporate bonds	21,303	18,252
Commercial paper	46,316	33,344
Cash equivalents	1,299	2,397
Money market fund	2,098	2,078
	<b>\$ 91,767</b>	<b>\$ 91,250</b>
Restricted:		
U.S. Treasury notes	\$ 7,168	\$ 9,957
Federal Home Loan Bank notes	-	2,098
Federal Farm Credit notes	-	1,554
Commercial paper	-	7,578
Cash equivalents	188	5,444
Money market funds	-	1
	<b>\$ 7,356</b>	<b>\$ 26,632</b>

#### 5. Capital Assets:

(in thousands)	January 1, 2019	Additions	Reclassifications and Disposals	December 31, 2019
Non-depreciable capital assets:				
Land	\$ 25,243	\$ -	\$ -	\$ 25,243
Construction-in-progress	80,117	29,714	(97,583)	12,248
Total non-depreciable assets	105,360	29,714	(97,583)	37,491
Depreciable capital assets:				
Bridge	64,955	-	92,453	157,408
Buildings and plazas	123,991	-	774	124,765
Equipment - general	7,018	-	(199)	6,819
Equipment - toll system	4,499	-	(1,059)	3,440
Total depreciable assets	200,463	-	91,969	292,432
Less accumulated depreciation:				
Bridge	(33,607)	(2,235)	-	(35,842)
Buildings and plazas	(47,693)	(3,245)	-	(50,938)
Equipment - general	(4,361)	(623)	1,185	(3,799)
Equipment - toll system	(4,399)	(139)	4,393	(145)
Total accumulated depreciation	(90,060)	(6,242)	5,578	(90,724)
Total depreciable capital assets, net	110,403	(6,242)	97,547	201,708
	<b>\$ 215,763</b>	<b>\$ 23,472</b>	<b>\$ (36)</b>	<b>\$ 239,199</b>

(in thousands)	January 1, 2018	Additions	Reclassifications and Disposals	December 31, 2018
<b>Non-depreciable capital assets:</b>				
Land	\$ 25,243	\$ -	\$ -	25,243
Construction-in-progress	52,549	32,289	(4,721)	80,117
Total non-depreciable assets	<u>77,792</u>	<u>32,289</u>	<u>(4,721)</u>	<u>105,360</u>
<b>Depreciable capital assets:</b>				
Bridge	72,924	-	(7,969)	64,955
Buildings and plazas	119,270	-	4,721	123,991
Equipment - general	6,235	1,110	(327)	7,018
Equipment - toll system	4,498	29	(28)	4,499
Total depreciable assets	<u>202,927</u>	<u>1,139</u>	<u>(3,603)</u>	<u>200,463</u>
<b>Less accumulated depreciation:</b>				
Bridge	(37,525)	(1,841)	5,759	(33,607)
Buildings and plazas	(44,473)	(3,220)	-	(47,693)
Equipment - general	(4,046)	(600)	285	(4,361)
Equipment - toll system	(4,377)	(50)	28	(4,399)
Total accumulated depreciation	<u>(90,421)</u>	<u>(5,711)</u>	<u>6,072</u>	<u>(90,060)</u>
Total depreciable capital assets, net	<u>112,506</u>	<u>(4,572)</u>	<u>2,469</u>	<u>110,403</u>
	<u>\$ 190,298</u>	<u>\$ 27,717</u>	<u>\$ (2,252)</u>	<u>\$ 215,763</u>

Net investment in capital assets as of December 31, 2019 and 2018 consists of the following (in thousands):

	2019	2018
Capital assets, net of accumulated depreciation	\$ 239,199	\$ 215,763
Bonds and related premiums, net of unspent proceeds	(101,133)	(85,187)
Capital asset purchases included in accounts payable	(4,305)	(8,545)
Accrued interest	(2,208)	(2,256)
Defeasance loss	213	292
	<u>\$ 131,766</u>	<u>\$ 120,067</u>

## 6. Bond Indebtedness:

(in thousands)	January 1, 2019	Increases	Decreases	December 31, 2019	Due Within One Year
Series 2014 bonds	\$ 19,940	\$ -	(2,440)	\$ 17,500	\$ 2,550
Unamortized premium 2014 refunding	1,709	-	(459)	1,250	-
Series 2017 bonds	70,800	-	-	70,800	-
Unamortized premium 2017 bond issue	12,235	-	(464)	11,771	-
	<u>\$ 104,684</u>	<u>\$ -</u>	<u>(3,363)</u>	<u>\$ 101,321</u>	<u>\$ 2,550</u>

(in thousands)	January 1, 2018	Increases	Decreases	December 31, 2018	Due Within One Year
Series 2014 bonds	\$ 22,260	\$ -	\$ (2,320)	\$ 19,940	\$ 2,440
Unamortized premium 2014 refunding	2,201	-	(492)	1,709	-
Series 2017 bonds	70,800	-	-	70,800	-
Unamortized premium 2017 bond issue	12,684	-	(449)	12,235	-
	<b>\$ 107,945</b>	<b>\$ -</b>	<b>\$ (3,261)</b>	<b>\$ 104,684</b>	<b>\$ 2,440</b>

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 \$213,000 and \$292,000 at December 31, 2019 and 2018.

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, with an interest rate of 5%. The Series 2017 bond proceeds totaling \$83,715,000 were 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
2020	\$ 2,550	\$ 4,288
2021	2,690	4,153
2022	2,830	4,012
2023	2,980	3,863
2024	3,140	3,706
2025-2029	13,475	16,734
2030-2034	12,970	13,926
2035-2039	16,545	10,442
2040-2044	21,120	5,771
2045-2047	10,000	756
	<b>\$ 88,300</b>	<b>\$ 67,651</b>

## 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 30<sup>th</sup> 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, 2019 and 2018, the following employees were covered by the Defined Benefit Plans:

	2019		2018	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Inactive employees or beneficiaries currently receiving benefits	44	58	44	51
Inactive employees entitled to but not yet receiving benefits	-	1	-	2
Active employees	14	15	16	22
	<b>58</b>	<b>74</b>	60	75

*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 Standards 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, 2019 and 2018, the Authority's contribution rate to the Canadian Plan was 33% and 48%, respectively, of covered payroll and 9% and 11% of covered payroll for the U.S. Plan, respectively.

### Net Pension Asset

The net pension asset was measured as of December 31, 2018 based on an actuarial valuation as of January 1, 2019. 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, 2019 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	4.5%, compounded annually, net of all expenses	6.5%, compounded annually, net of all expenses (6% previously)
Mortality	CPM2014 Mortality Table with generational 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	4.5%	6.5% (6% previously)
COLA increases	1.11% COLA assumed (.78% previously)	1.14% COLA assumed (.73% previously)

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
<b>Canadian Plan</b>		
Canadian equities	6%	5.3%
International equities	14%	5.4%
Fixed income	70%	1.1%
Real estate	10%	6.0%
	<b>100%</b>	
<b>U.S. Plan</b>		
U.S. equities	32%	6.2%
International equities	6%	5.9%
Fixed income	35%	0.4%
Multi-asset	20%	4.3%
Real estate	5%	5.4%
Cash	2%	2.9%
	<b>100%</b>	

*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. Therefore, the discount rate equals the long-term rate of return of 4.5% (Canadian Plan) and 6.5% (U.S. Plan).

## Changes in the Net Pension Asset

<b>Canadian Plan</b> (in thousands)	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Asset</b>
Balances at 12/31/17	\$ (13,296)	\$ 15,388	\$ 2,092
Effect of currency exchange rate changes	977	(1,131)	(154)
Changes for the year:			
Service cost	(126)	-	(126)
Interest	(605)	-	(605)
Changes of assumptions	(680)	-	(680)
Employer contributions	-	484	484
Net investment income	-	1,429	1,429
Benefit payments	697	(697)	-
Administrative expense	-	(68)	(68)
Net changes	<u>(714)</u>	<u>1,148</u>	<u>434</u>
Balances at 12/31/18	\$ (13,033)	\$ 15,405	\$ 2,372
Effect of currency exchange rate changes	<b>(601)</b>	<b>714</b>	<b>113</b>
Changes for the year:			
Service cost	<b>(156)</b>	-	<b>(156)</b>
Interest	<b>(604)</b>	-	<b>(604)</b>
Differences between expected and actual experience	<b>217</b>	-	<b>217</b>
Changes of assumptions	-	-	-
Employer contributions	-	<b>411</b>	<b>411</b>
Net investment loss	-	<b>(64)</b>	<b>(64)</b>
Benefit payments	<b>750</b>	<b>(750)</b>	-
Administrative expense	-	<b>(101)</b>	<b>(101)</b>
Net changes	<u><b>207</b></u>	<u><b>(504)</b></u>	<u><b>(297)</b></u>
Balances at 12/31/19	<u><b>\$ (13,427)</b></u>	<u><b>\$ 15,615</b></u>	<u><b>\$ 2,188</b></u>

## U.S. Plan

(in thousands)			
Balances at 12/31/17	\$ (22,082)	\$ 23,105	\$ 1,023
Changes for the year:			
Service cost	(84)	-	(84)
Interest	(1,289)	-	(1,289)
Employer contributions	-	157	157
Net investment income	-	3,263	3,263
Benefit payments	1,374	(1,374)	-
Administrative expense	-	(120)	(120)
Net changes	<u>1</u>	<u>1,926</u>	<u>1,927</u>
Balances at 12/31/18	\$ (22,081)	\$ 25,031	\$ 2,950
Changes for the year:			
Service cost	<b>(62)</b>	-	<b>(62)</b>
Interest	<b>(1,281)</b>	-	<b>(1,281)</b>
Employer contributions	-	<b>167</b>	<b>167</b>
Differences between expected and actual experience	<b>(485)</b>	-	<b>(485)</b>
Changes of assumptions	<b>1,094</b>	-	<b>1,094</b>
Net investment loss	-	<b>(856)</b>	<b>(856)</b>
Benefit payments	<b>1,623</b>	<b>(1,623)</b>	-
Administrative expense	-	<b>(133)</b>	<b>(133)</b>
Net changes	<u><b>889</b></u>	<u><b>(2,445)</b></u>	<u><b>(1,556)</b></u>
Balances at 12/31/19	<u><b>\$ (21,192)</b></u>	<u><b>\$ 22,586</b></u>	<u><b>\$ 1,394</b></u>

The following presents the Authority's net pension asset (liability) for the Defined Benefit Plans calculated using the discount rate of 4.5% (Canadian Plan) and 6.5% (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, 2019.

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Canadian Plan	\$ 584	\$ 2,188	\$ 3,527
U.S. Plan	\$ (897)	\$ 1,394	\$ 3,323

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

For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of \$99,000 and \$461,000 for the Canadian Plan and \$207,000 and \$338,000 for the U.S. Plan. At December 31, 2019 and 2018, the Authority reported deferred outflows and deferred inflows of resources as follows:

(in thousands)	2019			
	Canadian Plan		U.S. Plan	
	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	\$ 728	\$ 558	\$ 2,481	\$ 1,076
Changes of assumptions	-	-	-	313
Changes in experience	-	72	138	-
Authority contributions subsequent to the measurement date	298	-	92	-
	<b>\$ 1,026</b>	<b>\$ 630</b>	<b>\$ 2,711</b>	<b>\$ 1,389</b>
(in thousands)	2018			
	Canadian Plan		U.S. Plan	
	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	\$ 201	\$ 843	\$ 1,164	\$ 1,447
Changes of assumptions	211	-	-	-
Authority contributions subsequent to the measurement date	394	-	166	-
	<b>\$ 806</b>	<b>\$ 843</b>	<b>\$ 1,330</b>	<b>\$ 1,447</b>

Authority contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Years ending December 31,	
2020	\$ 757
2021	(155)
2022	108
2023	618
	<b>\$ 1,328</b>

## 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 \$113,000 and \$114,000 in 2019 and 2018, respectively. The Authority makes all required contributions when due.

## 8. OPEB:

The Authority maintains two single-employer defined benefit postemployment healthcare plans (the Plans), one covering certain Canadian employees and one 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.

The Plans are closed to new entrants subsequent to December 31, 2008.

At December 31, 2019 and 2018, employees covered by the Plan include:

	2019		2018	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Active employees	14	14	16	20
Inactive employees or beneficiaries currently receiving benefits	75	53	35	45
Inactive employees entitled to but not yet receiving benefits	-	-	-	-
	<b>89</b>	<b>67</b>	51	65



## Net OPEB Liability

The Authority's net OPEB liability of \$7,228,000 was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to December 31, 2018.

The Authority established a qualified trust as defined by GASB Statement No. 74 and No. 75 which was funded with an initial cash contribution of \$10,000,000 during the year ended December 31, 2018. The Plan has adopted a funding policy and began making contributions in 2019 that are projected to cover all future benefit payments. Therefore, the discount rate is equal to the long-term rate of return.

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
U.S. equities	32%	6.2%
International equities	6%	5.9%
Fixed income	35%	0.4%
Multi-asset	20%	4.3%
Real estate	5%	5.4%
Cash	2%	2.9%
	<b>100%</b>	

The total OPEB liability in the December 31, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Healthcare cost trend:**

Canadian Plan: 5.75% (6.25% previously) grading down by 0.25% each year to 4.5%

U.S. Plan: 6.25% (6.75% previously) grading down by 0.25% each year to 5%

**Discount rate:**

Discount rate at measurement date is 6% which is equal to the long-term rate of return on the trust assets

**Mortality:**

U.S. Plan: RPH-2014, using Projection Scale BB

Canadian Plan: CIA CPM-2014 Combined Mortality with CIA Scale CPM-B

**Retirement:**

Expected dates for each active employee 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

## Changes in the Net OPEB Liability

(in thousands)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2017	\$ (20,419)	\$ -	\$ (20,419)
Effect of foreign currency exchange rate changes	298	-	298
Changes for the year:			
Employer contributions	-	-	-
Service cost	(100)	-	(100)
Interest	(1,190)	-	(1,190)
Differences between expected and actual experience	(9)	-	(9)
Benefit payments	782	-	782
Net changes	( 219)	-	(219)
Balances at December 31, 2018	\$ (20,638)	\$ -	\$ (20,638)
Effect of foreign currency exchange rate changes	(228)		(228)
Changes for the year:			
Employer contributions	-	<b>10,765</b>	<b>10,765</b>
Net investment income	-	<b>178</b>	<b>178</b>
Service cost	<b>(106)</b>	-	<b>(106)</b>
Interest	<b>(1,234)</b>	-	<b>(1,234)</b>
Differences between expected and actual experience	<b>1,657</b>	-	<b>1,657</b>
Change of assumptions	<b>2,378</b>	-	<b>2,378</b>
Benefit payments	<b>764</b>	<b>(764)</b>	-
Net changes	<b>3,459</b>	<b>10,179</b>	<b>13,638</b>
Balances at December 31, 2019	<b>\$ (17,407)</b>	<b>\$ 10,179</b>	<b>\$ (7,228)</b>

The following presents the sensitivity of the Authority's net OPEB liability to changes in the discount rate, including what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate of 6%:

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Net OPEB Liability	\$ (9,692)	(7,228)	\$ (5,198)

The following presents the sensitivity of the Authority's net OPEB liability to changes in the healthcare cost trend rates, including what the Authority's net OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates of 6.25% to 4.5%:

(in thousands)	1.0% Decrease	At Current Trend rate	1.0% Increase
Net OPEB Liability	\$ (5,249)	(7,228)	\$ (9,612)

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

For the years ended December 31, 2019 and 2018, the Authority recognized OPEB income of \$1,162,000 and OPEB expense of \$1,327,000, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows and deferred inflows of resources as follows:

(in thousands)	2019		2018	
	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	\$ -	\$ 135	\$ -	\$ -
Changes of assumptions	-	912	-	-
Changes in experience	-	655	-	1
Authority contributions subsequent to the measurement date	876	-	10,718	-
	<b>\$ 876</b>	<b>\$ 1,702</b>	<b>\$ 10,718</b>	<b>\$ 1</b>

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows (in thousands):

Years ending December 31,	
2020	\$ 1,601
2021	34
2022	34
2023	33
	<b>\$ 1,702</b>

## 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, 2025 and October 31, 2031, respectively. The Authority recognized \$5,483,000 and \$5,916,000 in rental income in 2019 and 2018, 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 twenty year operating lease expiring June 30, 2039. Rental revenue received by the Authority under this lease totaled \$2,267,000 and \$2,062,000 in 2019 and 2018.

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

2020	\$ 6,634
2021	6,634
2022	6,634
2023	6,634
2024	6,670
Thereafter	61,215
	<b>\$ 94,421</b>

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 \$1,425,000 and \$1,178,000 included in accrued liabilities as of December 31, 2019 and 2018 to current and former management employees due under separate deferred compensation agreements. Payments made under these agreements totaled \$4,800 and \$7,800 in 2019 and 2018.

## 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, 2019, the Authority had contractual commitments of approximately \$19,281,000 primarily related to ongoing capital construction projects.

### Litigation

The Authority is involved in various legal proceedings, the outcome of which is not expected to have significant impact on the financial position of the Authority.

## 12. Net Position:

### Unrestricted - Designated

The Board of Directors has designated available unrestricted amounts for acquisition or construction of capital projects and maintenance.

### Restricted

(in thousands)	2019	2018
Debt service funds:		
Debt service fund	\$ 4,801	\$ 4,796
Debt reserve fund	7,146	7,016
Operating expense reserve account	4,946	4,564
	<u>\$ 16,893</u>	<u>\$ 16,376</u>

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**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,	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 156	\$ 126	\$ 124	\$ 207	\$ 190
Interest	604	605	633	593	565
Benefit payments, including refunds of employee contributions	(750)	(697)	(750)	(673)	(565)
Differences between expected and actual experience	(217)	680	191	-	-
Changes of assumptions	-	-	187	-	-
Net change in total pension liability	(207)	714	385	127	190
Total pension liability - beginning	13,033	13,296	12,139	11,581	11,391
Effect of foreign currency exchange rate changes	601	(977)	772	431	-
<b>Total pension liability - ending</b>	<b>\$ 13,427</b>	<b>\$ 13,033</b>	<b>\$ 13,296</b>	<b>\$ 12,139</b>	<b>\$ 11,581</b>
<b>Plan fiduciary net position</b>					
Employer contributions	\$ 411	\$ 484	\$ 498	\$ 554	\$ 647
Net investment income (loss)	(64)	1,429	995	175	1,432
Benefit payments, including refunds of employee contributions	(750)	(697)	(750)	(673)	(565)
Administrative expense	(101)	(68)	(24)	(41)	(19)
Net change in plan fiduciary net position	(504)	1,148	719	15	1,495
Plan fiduciary net position - beginning	15,405	15,388	13,793	13,283	11,788
Effect of foreign currency exchange rate changes	714	(1,131)	876	495	-
<b>Plan fiduciary net position - ending</b>	<b>\$ 15,615</b>	<b>\$ 15,405</b>	<b>\$ 15,388</b>	<b>\$ 13,793</b>	<b>\$ 13,283</b>
<b>Net pension asset - ending</b>	<b>\$ 2,188</b>	<b>\$ 2,372</b>	<b>\$ 2,092</b>	<b>\$ 1,654</b>	<b>\$ 1,702</b>
Plan fiduciary net position as a percentage of the total pension liability	116.3%	118.2%	115.7%	113.6%	114.7%
Covered payroll	\$ 895	\$ 863	\$ 965	\$ 949	\$ 868
Net pension asset as a percentage of covered payroll	244.5%	275.0%	216.8%	174.2%	196.0%
Foreign currency exchange rate:	1.30	1.36	1.26	1.34	1.39

\* Data prior to 2014 is unavailable.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**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,	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 62	\$ 84	\$ 138	\$ 283	\$ 267
Interest	1,281	1,289	1,269	1,269	1,252
Benefit payments, including refunds of employee contributions	(1,623)	(1,374)	(1,233)	(1,610)	(936)
Difference between expected and actual experience	485	-	207	-	-
Changes of assumptions	(1,094)	-	103	-	-
Net change in total pension liability	(889)	(1)	484	(58)	583
Total pension liability - beginning	22,081	22,082	21,598	21,656	21,073
<b>Total pension liability - ending</b>	<b>\$ 21,192</b>	<b>\$ 22,081</b>	<b>\$ 22,082</b>	<b>\$ 21,598</b>	<b>\$ 21,656</b>
<b>Plan fiduciary net position</b>					
Employer contributions	\$ 167	\$ 157	\$ 219	\$ 266	\$ 300
Net investment income (loss)	(856)	3,263	854	(657)	1,515
Benefit payments, including refunds of employee contributions	(1,623)	(1,374)	(1,233)	(1,610)	(936)
Administrative expense	(133)	(120)	(53)	(65)	(42)
Net change in plan fiduciary net position	(2,445)	1,926	(213)	(2,066)	837
Plan fiduciary net position - beginning	25,031	23,105	23,318	25,384	24,547
<b>Plan fiduciary net position - ending</b>	<b>\$ 22,586</b>	<b>\$ 25,031</b>	<b>\$ 23,105</b>	<b>\$ 23,318</b>	<b>\$ 25,384</b>
<b>Net pension asset - ending</b>	<b>\$ 1,394</b>	<b>\$ 2,950</b>	<b>\$ 1,023</b>	<b>\$ 1,720</b>	<b>\$ 3,728</b>
Plan fiduciary net position as a percentage of the total pension liability	106.6%	113.4%	104.6%	108.0%	117.2%
Covered payroll	\$ 1,023	\$ 1,469	\$ 1,430	\$ 2,157	\$ 2,099
Net pension asset as a percentage of covered payroll	136.3%	200.8%	71.5%	79.7%	177.6%

\* Data prior to 2014 is unavailable.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

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

December 31,	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 298	\$ 415	\$ 523	\$ 468	\$ 534
Contributions in relation to the actuarially determined contribution	298	415	523	468	534
Contribution deficiency (surplus)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 895	\$ 863	\$ 965	\$ 949	\$ 868
Contributions as a percentage of covered payroll	33.30%	48.12%	54.19%	49.30%	61.50%
Foreign currency exchange rate:	1.30	1.36	1.26	1.34	1.39
The following is a summary of changes of assumptions:					
Inflation	2.25%	2.25%	2.25%	2.25%	2.25%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	4.50%	4.50%	5.00%	5.00%	5.00%
Cost of living adjustments	1.11%	0.78%	0.67%	1.01%	1.01%
Discount rate	4.50%	4.50%	5.00%	5.00%	5.00%

\* Data prior to 2015 is unavailable.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

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

December 31,	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 92	\$ 166	\$ 157	\$ 286	\$ 270
Contributions in relation to the actuarially determined contribution	92	166	157	219	266
Contribution deficiency (surplus)	\$ -	\$ -	\$ -	\$ 67	\$ 4
Covered payroll	\$ 1,023	\$ 1,469	\$ 1,430	\$ 2,157	\$ 2,099
Contributions as a percentage of covered payroll	8.99%	11.30%	10.98%	10.15%	12.67%
The following is a summary of changes of assumptions:					
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	6.50%	6.00%	6.00%	6.00%	6.00%
Cost of living adjustments	1.14%	0.73%	0.73%	0.83%	0.83%
Discount rate	6.50%	6.00%	6.00%	6.00%	6.00%

\* Data prior to 2015 is unavailable.



BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**Required Supplementary Information**  
**Schedule of Changes in the Authority's Net**  
**OPEB Liability and Related Ratios (in thousands)**

December 31,	2019	2018
<b>Total OPEB liability - beginning</b>	\$ 20,638	\$ 20,419
Effect of foreign currency exchange rate changes	228	(298)
Changes for the year:		
Service cost	106	100
Interest	1,234	1,190
Differences between expected and actual experience	(1,657)	9
Changes of assumptions	(2,378)	-
Benefit payments	(764)	(782)
Net change in total OPEB liability	(3,459)	517
<b>Total OPEB liability - ending</b>	<b>\$ 17,407</b>	<b>\$ 20,638</b>
<b>Plan fiduciary net position - beginning</b>	<b>\$ -</b>	<b>\$ -</b>
Changes for the year:		
Employer contributions	10,765	-
Net investment income	178	-
Benefit payments	(764)	-
Administrative expense	-	-
Net change in plan fiduciary net position	10,179	-
<b>Plan fiduciary net position - ending</b>	<b>\$ 10,179</b>	<b>\$ -</b>
<b>Net OPEB liability - ending</b>	<b>\$ 7,228</b>	<b>\$ 20,638</b>
Plan fiduciary net position as a percentage of the total OPEB liability	58.5%	0%
Covered-employee payroll	\$ 1,800	\$ 2,149
Net OPEB liability as a percentage of covered-employee payroll	401.6%	960.4%
The following is a summary of changes of assumptions:		
Healthcare cost trend rate (U.S.)	6.25% to 5.0%	6.75% to 5.0%
Healthcare cost trend rate (Canadian)	5.75% to 4.5%	6.25% to 4.5%
Salary increases	2.75%	2.75%
Investment rate of return	6.00%	6.00%
Discount rate	6.00%	6.00%

Data prior to 2018 is unavailable.