

**BUFFALO AND FORT ERIE  
PUBLIC BRIDGE AUTHORITY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Buffalo and Fort Erie Public Bridge Authority

### Opinion

We have audited the 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

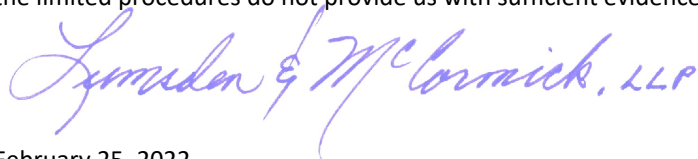
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

February 25, 2022

**Management's Discussion and Analysis (Unaudited)**

December 31, 2021

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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, 2021, 2020 and 2019 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.

The balance sheets present information on all 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

### Balance Sheets as of December 31:

<i>U.S. \$, in thousands</i>	2021	2020	2019
<b>Assets</b>			
Current assets	\$ 79,437	\$ 79,607	\$ 94,734
Restricted assets	17,104	19,374	19,678
Net pension asset	9,405	7,390	3,582
Net OPEB asset	604	-	-
Capital assets, net	244,755	249,913	239,199
<b>Total assets</b>	<b>351,305</b>	<b>356,284</b>	<b>357,193</b>
<b>Deferred outflows of resources</b>	<b>2,123</b>	<b>2,977</b>	<b>4,826</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 353,428</b>	<b>\$ 359,261</b>	<b>\$ 362,019</b>
<b>Liabilities</b>			
Current liabilities	\$ 8,988	\$ 10,453	\$ 12,536
Noncurrent liabilities	91,544	97,072	105,999
<b>Total liabilities</b>	<b>100,532</b>	<b>107,525</b>	<b>118,535</b>
<b>Deferred inflows of resources</b>	<b>6,077</b>	<b>6,706</b>	<b>3,721</b>
<b>Net position</b>			
Net investment in capital assets	148,000	147,659	131,766
Restricted	14,895	14,981	16,893
Unrestricted	83,924	82,390	91,104
<b>Total net position</b>	<b>246,819</b>	<b>245,030</b>	<b>239,763</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 353,428</b>	<b>\$ 359,261</b>	<b>\$ 362,019</b>

As noted above, net position serves as an indicator of the Authority's overall financial strength. The Authority's net position increased by \$1,789,000 in 2021, \$5,267,000 during 2020, and \$15,669,000 during 2019 resulting from the Authority's operating and non-operating activities each year. The effects of the variances 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 were required to be used for the bridge redecking and rehabilitation project, coatings project, and enhancements to the U.S. plaza regarding inspection capacity. All bond proceeds were spent by December 31, 2020. Unspent bond proceeds at December 31, 2019 totaled \$188,000 and are recorded as restricted assets. The net investment in capital assets at December 31, 2021, 2020, and 2019, 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. Deferred items arise primarily from the differences between actual and expected investment earnings and changes in healthcare cost trends and the Authority's contributions subsequent to the plans' measurement dates.

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

<i>U.S. \$, in thousands</i>	2021	2020	2019
<b>Operating revenues</b>			
Toll revenues	\$ 18,165	\$ 16,910	\$ 22,118
Other revenues	8,123	7,662	8,813
<b>Total operating revenues</b>	<b>26,288</b>	<b>24,572</b>	<b>30,931</b>
<b>Operating expenses</b>			
Toll collection and traffic control	1,386	1,643	2,211
Maintenance of bridge, buildings, plazas and equipment	3,918	3,761	4,694
Administration	3,509	3,437	3,117
Pension	(408)	283	673
Other postemployment benefits	(2,855)	(3,650)	(1,162)
Other expenses	1,261	1,177	1,157
Bad debts	3,192	2,500	-
Loss on asset disposals/impairment	2,268	306	-
Depreciation	8,143	8,053	6,242
<b>Total operating expenses</b>	<b>20,414</b>	<b>17,510</b>	<b>16,932</b>
<b>Operating income</b>	<b>5,874</b>	<b>7,062</b>	<b>13,999</b>
<b>Non-operating revenues (expenses)</b>			
Net increase (decrease) in fair value of investments	(767)	1,450	3,216
Interest income	34	84	109
Interest expense	(3,381)	(3,476)	(3,570)
Grant revenue	-	-	1,814
Currency remeasurement	29	147	101
<b>Total non-operating revenues (expenses)</b>	<b>(4,085)</b>	<b>(1,795)</b>	<b>1,670</b>
<b>Change in net position</b>	<b>1,789</b>	<b>5,267</b>	<b>15,669</b>
<b>Net position, beginning of year</b>	<b>245,030</b>	<b>239,763</b>	<b>224,094</b>
<b>Net position, end of year</b>	<b>\$ 246,819</b>	<b>\$ 245,030</b>	<b>\$ 239,763</b>

As a bi-national toll bridge operator, the Authority earns revenues 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.

Toll volumes decreased 5% in 2021 compared to 2020 due to the continued border restrictions on non-essential travel put in place by the governments of the U.S. and Canada on March 21, 2020 in response to the COVID-19 pandemic. The auto and bus categories of travel were impacted the most as trade and commerce is deemed essential travel by both governments. Overall, toll revenues increased approximately 7.4% as a result of a 9.2% increase in truck revenues, offset by a 8.6% decrease in auto and bus revenues. Truck toll revenue accounts for 92% of the Authority's toll revenue. The increase in truck revenue was due to a toll increase effective January 1, 2020, as well as increased volume in 2021. Toll revenue decreased 24% in 2020 from 2019 due to the impact of the COVID-19 border restrictions put in place by the US and Canadian governments as previously described.

Other revenues consist primarily of rental income, the largest portion of which is attributed to leases with duty-free businesses. The rent from the duty-free stores was negatively impacted by the border restrictions on non-essential travel that resulted in sharp declines in duty free sales. Both the U.S. and the Canadian duty-free stores are required to pay a minimum base rent, however, due to COVID-19 border restrictions, the Authority entered into rent deferral agreements with both stores. These agreements permit the deferral of base rent for a period of time with repayment over 12 months at an interest rate of 4%. At December 31, 2021, the Canadian duty-free store was in default of their lease and the deferral agreement. The decrease of the duty-free rent was mitigated by an increase in the rents attributed to government agencies. Bad debt expense of \$3,192,000 and \$2,500,000 was recognized for 2021 and 2020 related to these duty-free lease agreements.

Operating expenses increased \$2,904,000 or 16.6% from 2020 to 2021. The increase is primarily due to the recognition of a one-time asset impairment loss of \$2,268,000 related to the previous bridge coatings project. The new bridge coatings project was completed in 2021. An increase in bad debt expense of \$692,000 is attributable to duty-free rent discussed previously. Fluctuations in pension and OPEB are primarily the result of changes in assumptions used in the actuarial calculations. As a result, the Authority recognized income of \$3,263,000, \$3,367,000, and \$489,000 related to its pension and OPEB plans for the years ended 2021, 2020, and 2019.

Operating expenses increased \$578,000 or 3.4% in 2020 compared to 2019. The primary driver in the increase in operating expenses in 2020 was due to recording \$2,500,000 in bad debt expense attributable to duty free rent which was mitigated by an increase in OPEB income of \$2,488,000 from 2019.

Total non-operating net expenses increased \$2,290,000 in 2021 and \$3,465,000 in 2020. The Authority utilized its capital improvement reserve to fund capital projects that were already in progress. As a result, the investments held in the capital improvement reserve were reallocated to more liquid investments and other short-term fixed income investments which reduced investment earnings. The fair value of investments declined approximately \$2,217,000 in 2021 and \$1,791,000 in 2020. Additionally, capital grant revenue of \$1,814,000 received in 2019 did not occur in 2020.

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

The Authority's total investment in capital assets as of December 31, 2021 approximated \$244,755,000 representing 70% 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 \$6,319,000 in 2021 and \$19,082,000 in 2020, as the Authority continued the Peace Bridge rehabilitation and bridge coatings projects 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, 2021 was \$12,260,000.

Fitch Ratings has assigned ratings of "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**

The COVID-19 pandemic has had health, financial, and economic impacts across the world. Effective March 21, 2020, the United States and Canada enacted a joint initiative temporarily restricting all non-essential travel across the U.S./Canadian border. Supply chains, including trucking, were not impacted by these restrictions. Americans and Canadians also crossing the land border every day to do essential work or for other urgent or essential reasons were not impacted. These restrictions were extended approximately every 30 days from March 2020 through August 8, 2021. On August 9, 2021, Canada began to allow non-essential travel provided the individual was fully vaccinated and received a negative COVID test within 72 hours of entry into Canada. On November 30, 2021, Canada removed the test requirement for Canadian citizens for trips to the U.S. that were 72 hours or less. On December 21, 2021, in response to the presence of the Omicron variant and increasing positive cases, Canada reinstated its negative test requirement for all travel across land borders with the U.S. On November 8, 2021, the U.S. began allowing fully vaccinated non-essential travelers to enter the US with no requirement of a negative COVID test. We expect some form of border restrictions to continue into 2022.

Beginning in January 2022, both governments are requiring all truck drivers (even though they are still designated essential) to be fully vaccinated to be able to cross into the United States and Canada. The duration of such requirements is uncertain given the potential economic and supply chain impacts. The Authority has been designated as an essential business by both countries and all Authority staff are able to report to work and are not prevented from crossing the border to do so.

While the duration and type of future travel restrictions are currently unknown, the Authority has experienced traffic declines in 2021 as compared to the previous year in passenger crossings since the non-essential travel restrictions were put in place. The Authority anticipates that traffic declines will continue to impact toll revenues and duty-free revenues in 2022.

Due to the border restrictions imposed by the U.S and Canadian governments in response to the COVID-19 pandemic, both of the Authority's duty-free enterprise tenants entered into rent deferral agreements with the Authority. These agreements allowed for the deferral of minimum rent due under the lease agreements for a specified period of time at an interest rate of 4% per annum.

The U.S. duty-free store has remained open during the ongoing border restrictions (at reduced hours) and continues to pay a percentage of actual sales made each month as rent. The amount deferred is the difference between the minimum rent (based on 2019 sales levels) and the amounts paid to the Authority.

The Canadian duty-free store closed in March 2020 and reopened in September 2021. Its deferral agreement expired July 31, 2020 and the Canadian duty-free lease is currently in default. Due to the default status, the Authority has recognized a \$5,692,000 bad debt allowance related to the 2020 and 2021 deferred rent due by the Canadian duty-free operator.

Despite the loss of toll revenue and the deferral of the duty-free rent payments, at December 31, 2021 the Authority has sufficient reserves to pay debt service and meet its operating expenses. Assets include approximately \$77,000,000 of unrestricted cash and cash equivalents, representing nearly 2,570 days cash on hand.

As the COVID-19 border restrictions continue, the Authority continues to closely monitor the impacts of these restrictions on its operations, revenues, and liquidity. The Authority's 2022 budget was developed to include the continued operating cost curtailment measures and the deferral of non-critical capital projects until a later date to reduce short-term operating and long-term capital expenses.

## **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,	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 3,753	\$ 951
Accounts receivable, net	1,913	1,699
Prepaid expenses	307	297
Investments	73,464	76,660
	<u>79,437</u>	<u>79,607</u>
<b>Noncurrent assets:</b>		
Restricted assets:		
Cash	10,011	12,188
Investments	7,093	7,186
	<u>17,104</u>	<u>19,374</u>
Net pension asset	9,405	7,390
Net OPEB asset	604	-
Capital assets, net (Note 5)	244,755	249,913
	<u>271,868</u>	<u>276,677</u>
<b>Total assets</b>	<b><u>351,305</u></b>	<b><u>356,284</u></b>
<b>Deferred outflows of resources</b>		
Defeasance loss	89	146
Deferred outflows of resources related to pensions	1,761	2,461
Deferred outflows of resources related to OPEB	273	370
<b>Total deferred outflows of resources</b>	<b><u>2,123</u></b>	<b><u>2,977</u></b>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 353,428</u></b>	<b><u>\$ 359,261</u></b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Current portion of bonds payable	\$ 2,830	\$ 2,690
Accounts payable and accrued liabilities	3,085	4,643
Accrued compensation and benefits	759	737
Other current liabilities	2,314	2,383
	<u>8,988</u>	<u>10,453</u>
<b>Noncurrent liabilities:</b>		
Bonds payable	91,544	95,203
Net OPEB liability	-	1,869
	<u>91,544</u>	<u>97,072</u>
<b>Total liabilities</b>	<b><u>100,532</u></b>	<b><u>107,525</u></b>
<b>Deferred inflows of resources</b>		
Deferred inflows of resources related to pensions	4,214	4,129
Deferred inflows of resources related to OPEB	1,863	2,577
<b>Total deferred inflows of resources</b>	<b><u>6,077</u></b>	<b><u>6,706</u></b>
<b>Net position</b>		
Net investment in capital assets	148,000	147,659
Restricted	14,895	14,981
Unrestricted	83,924	82,390
<b>Total net position</b>	<b><u>246,819</u></b>	<b><u>245,030</u></b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 353,428</u></b>	<b><u>\$ 359,261</u></b>

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,	2021	2020
<b>Operating revenues:</b>		
Commercial tolls	\$ 16,646	\$ 15,269
Passenger tolls	1,519	1,641
Rentals	7,810	7,448
Other	313	214
<b>Total operating revenues</b>	<b>26,288</b>	<b>24,572</b>
<b>Operating expenses:</b>		
Toll collection and traffic control	1,386	1,643
Maintenance of bridge, buildings, plazas, and equipment	3,918	3,761
Administration	3,509	3,437
Pension	(408)	283
Other postemployment benefits	(2,855)	(3,650)
Canadian property taxes and U.S. equalization payments	1,061	977
Payments to New York State	200	200
Bad debts	3,192	2,500
Loss on asset disposal/impairment	2,268	306
Depreciation	8,143	8,053
<b>Total operating expenses</b>	<b>20,414</b>	<b>17,510</b>
<b>Operating income</b>	<b>5,874</b>	<b>7,062</b>
<b>Non-operating revenues (expenses):</b>		
Net increase (decrease) in fair value of investments	(767)	1,450
Interest income	34	84
Interest expense	(3,381)	(3,476)
Currency remeasurement	29	147
<b>Total non-operating net expenses</b>	<b>(4,085)</b>	<b>(1,795)</b>
<b>Change in net position</b>	<b>1,789</b>	<b>5,267</b>
<b>Net position - beginning of year</b>	<b>245,030</b>	<b>239,763</b>
<b>Net position - end of year</b>	<b>\$ 246,819</b>	<b>\$ 245,030</b>

See accompanying notes.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

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

For the years ended December 31,	2021	2020
<b>Operating activities:</b>		
Toll revenue	\$ 17,727	\$ 17,085
Payments to suppliers	(8,839)	(8,676)
Payments for wages and employee benefits	(5,020)	(5,073)
Other revenues	8,266	6,716
<b>Net operating activities</b>	<b>12,134</b>	<b>10,052</b>
<b>Capital and related financing activities:</b>		
Property and equipment expenditures	(7,222)	(21,024)
Interest payments on debt	(4,222)	(4,351)
Principal payments on debt	(2,690)	(2,550)
Grant proceeds	-	1,100
<b>Net capital and related financing activities</b>	<b>(14,134)</b>	<b>(26,825)</b>
<b>Investing activities:</b>		
Sales of investments	1,755	18,177
Change in fair value of investments	767	(1,450)
Interest proceeds	34	84
<b>Net investing activities</b>	<b>2,556</b>	<b>16,811</b>
Effect of exchange rate changes	69	138
<b>Change in cash</b>	<b>625</b>	<b>176</b>
<b>Cash - beginning</b>	<b>13,139</b>	<b>12,963</b>
<b>Cash - ending</b>	<b>\$ 13,764</b>	<b>\$ 13,139</b>
<b>Reconciliation of operating income to net cash provided from operating activities:</b>		
Operating income	\$ 5,874	\$ 7,062
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	8,143	8,053
Net pension and OPEB activity	(4,320)	(4,414)
Loss on asset disposal/impairment	2,268	315
Changes in assets and liabilities:		
Accounts receivable	(295)	(547)
Prepaid expenses	(11)	(101)
Accounts payable and accrued liabilities	447	(217)
Accrued compensation and benefits	28	(99)
	<b>\$ 12,134</b>	<b>\$ 10,052</b>

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>2021</b>	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments	\$ <b>328</b>	\$ 615
<b>Noncurrent assets:</b>		
Investments - equity and fixed income securities	<b>57,438</b>	53,961
<b>Total assets</b>	<b>57,766</b>	54,576
<b>Net Position</b>		
Net position held in trust for pension benefits	<b>44,442</b>	42,321
Net position held in trust for OPEB benefits	<b>13,324</b>	12,255
	<b>\$ 57,766</b>	\$ 54,576

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	
	2021	2020
<b>Additions:</b>		
Employer contributions	\$ 857	\$ 1,247
Net investment income	5,360	7,892
Effect of foreign currency exchange rate changes	134	244
<b>Total additions</b>	<b>\$ 6,351</b>	<b>\$ 9,383</b>
<b>Deductions:</b>		
Benefits paid to participants or beneficiaries	\$ 2,950	\$ 2,964
Administrative expenses	211	223
<b>Total deductions</b>	<b>3,161</b>	<b>3,187</b>
<b>Change in net position</b>	<b>3,190</b>	<b>6,196</b>
<b>Net position - beginning of year</b>	<b>54,576</b>	<b>48,380</b>
<b>Net position - end of year</b>	<b>\$ 57,766</b>	<b>\$ 54,576</b>

**Notes to Financial Statements**

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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 when 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 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.

Assets held in trust for pension (Note 7) and other postemployment benefits (OPEB) (Note 8) are reported in the Pension and Other Employee Benefit Trust Fund.

**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 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 and other 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 amount 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:

	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. Revenues and expenses are 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 asset (liability), deferred outflows and deferred inflows of resources, net OPEB income, 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, 2021, \$3,924,000 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 \$4,431,000 (USD) at December 31, 2021.

Interest rate risk is the risk that the value of investments will decrease as a result of a change in interest rates. The Authority's investments had the following maturities at December 31, 2021 (in thousands):

	Less than	
	1 year	1-5 years
Money market funds	\$ 5,611	\$ -
Commercial paper	5,248	-
Corporate bonds	-	16,387
Federal notes	200	53,111
	<u>\$ 11,059</u>	<u>\$ 69,498</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investments in corporate bonds are all within investment grade categories.

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)	2021	2020
Accounts receivable for rental and tolls	\$ 7,606	\$ 4,200
Less allowance for doubtful accounts (Note 9)	(5,693)	(2,501)
	<u>\$ 1,913</u>	<u>\$ 1,699</u>

### 4. Investments:

(in thousands)	2021	2020
Unrestricted:		
Federal Home Loan Mortgage Corporation notes	\$ 11,524	\$ 18,800
Federal Home Loan Bank notes	12,369	1,016
Federal Farm Credit notes	11,336	11,552
Federal National Mortgage Association notes	10,789	12,540
Corporate bonds	16,387	19,368
Commercial paper	5,248	150
U.S. Treasury notes	200	-
Money market fund	5,611	13,234
	<u>\$ 73,464</u>	<u>\$ 76,660</u>
Restricted:		
U.S. Treasury notes	\$ 7,093	\$ 7,186

### 5. Capital Assets:

(in thousands)	January 1, 2021	Additions	Reclassifications and Disposals	December 31, 2021
Non-depreciable capital assets:				
Land	\$ 25,243	\$ -	\$ (965)	\$ 24,278
Construction-in-progress	25,131	6,319	(29,582)	1,868
Total non-depreciable assets	<u>50,374</u>	<u>6,319</u>	<u>(30,547)</u>	<u>26,146</u>
Depreciable capital assets:				
Bridge	157,864	-	4,863	162,727
Buildings and plazas	128,197	-	399	128,596
Equipment - general	6,911	-	59	6,970
Equipment - toll system	4,253	-	(8)	4,245
Total depreciable assets	<u>297,225</u>	<u>-</u>	<u>5,313</u>	<u>302,538</u>
Less accumulated depreciation:				
Bridge	(38,483)	(3,873)	21,016	(21,340)
Buildings and plazas	(54,234)	(3,229)	840	(56,623)
Equipment - general	(4,384)	(606)	28	(4,962)
Equipment - toll system	(585)	(435)	16	(1,004)
Total accumulated depreciation	<u>(97,686)</u>	<u>(8,143)</u>	<u>21,900</u>	<u>(83,929)</u>
Total depreciable assets, net	<u>199,539</u>	<u>(8,143)</u>	<u>27,213</u>	<u>218,609</u>
	<u>\$ 249,913</u>	<u>\$ (1,824)</u>	<u>\$ (3,334)</u>	<u>\$ 244,755</u>

(in thousands)	January 1, 2020	Additions	Reclassifications and Disposals	December 31, 2020
<b>Non-depreciable capital assets:</b>				
Land	\$ 25,243	\$ -	\$ -	25,243
Construction-in-progress	12,248	19,082	(6,199)	25,131
Total non-depreciable assets	<u>37,491</u>	<u>19,082</u>	<u>(6,199)</u>	<u>50,374</u>
<b>Depreciable capital assets:</b>				
Bridge	157,408	-	456	157,864
Buildings and plazas	124,765	-	3,432	128,197
Equipment - general	6,819	-	92	6,911
Equipment - toll system	3,440	-	813	4,253
Total depreciable assets	<u>292,432</u>	<u>-</u>	<u>4,793</u>	<u>297,225</u>
<b>Less accumulated depreciation:</b>				
Bridge	(35,842)	(3,641)	1,000	(38,483)
Buildings and plazas	(50,938)	(3,296)	-	(54,234)
Equipment - general	(3,799)	(658)	73	(4,384)
Equipment - toll system	(145)	(458)	18	(585)
Total accumulated depreciation	<u>(90,724)</u>	<u>(8,053)</u>	<u>1,091</u>	<u>(97,686)</u>
Total depreciable assets, net	<u>201,708</u>	<u>(8,053)</u>	<u>5,884</u>	<u>199,539</u>
	<u>\$ 239,199</u>	<u>\$ 11,029</u>	<u>\$ (315)</u>	<u>\$ 249,913</u>

Net investment in capital assets as of December 31, 2021 and 2020 consists of the following (in thousands):

	2021	2020
Capital assets, net of accumulated depreciation	\$ 244,755	\$ 249,913
Bonds and related premiums	(94,374)	(97,893)
Capital asset purchases included in accounts payable	(393)	(2,363)
Accrued interest	(2,077)	(2,144)
Defeasance loss	89	146
	<u>\$ 148,000</u>	<u>\$ 147,659</u>

## 6. Bond Indebtedness:

(in thousands)	January 1, 2021	Increases	Decreases	December 31, 2021	Due Within One Year
Series 2014 bonds	\$ 14,950	\$ -	\$ (2,690)	\$ 12,260	\$ 2,830
Unamortized premium 2014 refunding	854	-	(329)	525	-
Series 2017 bonds	70,800	-	-	70,800	-
Unamortized premium 2017 bond issue	11,289	-	(500)	10,789	-
	<u>\$ 97,893</u>	<u>\$ -</u>	<u>\$ (3,519)</u>	<u>\$ 94,374</u>	<u>\$ 2,830</u>

(in thousands)	January 1, 2020	Increases	Decreases	December 31, 2020	Due Within One Year
Series 2014 bonds	\$ 17,500	\$ -	\$ (2,550)	\$ 14,950	\$ 2,690
Unamortized premium 2014 refunding	1,250	-	(396)	854	-
Series 2017 bonds	70,800	-	-	70,800	-
Unamortized premium 2017 bond issue	11,771	-	(482)	11,289	-
	<u>\$ 101,321</u>	<u>\$ -</u>	<u>\$ (3,428)</u>	<u>\$ 97,893</u>	<u>\$ 2,690</u>

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. The Series 2005 bonds refunded Series 1995 bonds which 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 defeasance loss remaining is \$89,000 and \$146,000 at December 31, 2021 and 2020.

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. 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
2022	\$ 2,830	\$ 4,012
2023	2,980	3,863
2024	3,140	3,706
2025	5,150	3,540
2026	1,930	3,448
2027-2031	11,205	15,693
2032-2036	14,300	12,696
2037-2041	18,240	8,646
2042-2046	23,285	3,606
	<u>\$ 83,060</u>	<u>\$ 59,210</u>

**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, 2021 and 2020, the following employees were covered by the Defined Benefit Plans:

	2021		2020	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Active employees	14	13	14	15
Inactive employees or beneficiaries currently receiving benefits	44	58	44	58
Inactive employees entitled to but not yet receiving benefits	-	1	-	1
	58	72	58	74

*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, 2021 and 2020, the Authority's contribution rate to the Canadian Plan was 38% and 37%, respectively, of covered payroll and 12% and 10% of covered payroll for the U.S. Plan, respectively.

### Net Pension Asset

The net pension asset was measured as of December 31, 2020 based on an actuarial valuation as of January 1, 2020, rolled forward to December 31, 2020. 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, 2020 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	4.25%, compounded annually, net of all expenses (4.5% previously)	6.5%, compounded annually, net of all expenses
Mortality	CPM2014 Mortality Table with generational improvements projected using Scale B – no assumed preretirement deaths	Various Pub-2010 mortality tables, projected generationally with Scale MP-2020 improvements – no assumed preretirement deaths
Discount rate	4.25% (4.5% previously)	6.5%
COLA increases	0.26% COLA assumed (0.93% previously)	0.69% COLA assumed (0.85% 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	5%	5.3%
International equities	10%	5.3%
Fixed income	80%	0.8%
Real estate	5%	6.0%
	<u>100%</u>	
<b>U.S. Plan</b>		
U.S. equities	30%	5.5%
International equities	5%	3.5%
Fixed income	41%	0.6%
Multi-asset	17%	4.0%
Real estate	5%	3.2%
Cash	2%	-
	<u>100%</u>	

*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 4.25% (Canadian Plan) and 6.5% (U.S. Plan).

## Changes in the Net Pension Asset

<b>Canadian Plan</b> (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at 12/31/19	\$ (13,427)	\$ 15,615	\$ 2,188
Effect of currency exchange rate changes	(210)	244	34
Changes for the year:			
Service cost	(137)	-	(137)
Interest	(603)	-	(603)
Differences between expected and actual experience	(77)	-	(77)
Employer contributions	-	282	282
Net investment income	-	1,660	1,660
Benefit payments	744	(744)	-
Administrative expenses	-	(76)	(76)
Net changes	(73)	1,122	1,049
Balances at 12/31/20	\$ (13,710)	\$ 16,981	\$ 3,271
Effect of currency exchange rate changes	(108)	134	26
Changes for the year:			
Service cost	(104)	-	(104)
Interest	(610)	-	(610)
Differences between expected and actual experience	(265)	-	(265)
Changes of assumptions	(380)	-	(380)
Employer contributions	-	342	342
Net investment income	-	1,151	1,151
Benefit payments	762	(762)	-
Administrative expenses	-	(74)	(74)
Net changes	(597)	657	60
Balances at 12/31/21	\$ (14,415)	\$ 17,772	\$ 3,357
<b>U.S. Plan</b> (in thousands)			
Balances at 12/31/19	\$ (21,192)	\$ 22,586	\$ 1,394
Changes for the year:			
Service cost	(49)	-	(49)
Interest	(1,333)	-	(1,333)
Employer contributions	-	87	87
Differences between expected and actual experience	(131)	-	(131)
Net investment income	-	4,275	4,275
Benefit payments	1,484	(1,484)	-
Administrative expenses	-	(124)	(124)
Net changes	(29)	2,754	2,725
Balances at 12/31/20	\$ (21,221)	\$ 25,340	\$ 4,119
Changes for the year:			
Service cost	(50)	-	(50)
Interest	(1,335)	-	(1,335)
Employer contributions	-	106	106
Differences between expected and actual experience	441	-	441
Changes of assumptions	58	-	58
Net investment income	-	2,823	2,823
Benefit payments	1,485	(1,485)	-
Administrative expenses	-	(114)	(114)
Net changes	599	1,330	1,929
Balances at 12/31/21	\$ (20,622)	\$ 26,670	\$ 6,048

The following presents the Authority's net pension asset for the Defined Benefit Plans calculated using the discount rate of 4.25% (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, 2021.

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Canadian Plan	\$ 1,655	\$ 3,357	\$ 4,780
U.S. Plan	\$ 3,873	\$ 6,048	\$ 7,889

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

For the years ended December 31, 2021 and 2020, the Authority recognized pension expense of \$267,000 and pension income of \$37,000 for the Canadian Plan and pension income of \$1,056,000 and pension expense of \$69,000 for the U.S. Plan. At December 31, 2021 and 2020, the Authority reported deferred outflows and deferred inflows of resources as follows:

(in thousands)	2021			
	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	\$ 319	\$ 1,048	\$ 924	\$ 3,051
Changes of assumptions	63	-	-	13
Changes in experience	44	-	-	102
Authority contributions subsequent to the measurement date	308	-	103	-
	<u>\$ 734</u>	<u>\$ 1,048</u>	<u>\$ 1,027</u>	<u>\$ 3,166</u>
(in thousands)	2020			
	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	\$ 475	\$ 1,129	\$ 1,489	\$ 3,000
Changes of assumptions	-	-	-	-
Changes in experience	22	-	37	-
Authority contributions subsequent to the measurement date	341	-	97	-
	<u>\$ 838</u>	<u>\$ 1,129</u>	<u>\$ 1,623</u>	<u>\$ 3,000</u>

Authority contributions subsequent to the measurement date are recognized as an addition to the net pension asset in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources at December 31, 2021 related to pensions will be recognized in pension expense as follows (in thousands):

Years ending December 31,	
2022	\$ (987)
2023	(466)
2024	(1,088)
2025	(323)
	<u>\$ (2,864)</u>



## 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 \$114,000 and \$112,000 in 2021 and 2020, 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, including Authority and member contribution rates, are determined by the Authority and collective bargaining agreements. 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.

At December 31, 2021 and 2020, employees covered by the Plan include:

	2021		2020	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Active employees	12	12	14	14
Inactive employees or beneficiaries currently receiving benefits	56	72	53	75
Inactive employees entitled to but not yet receiving benefits	-	-	-	-
	<u>68</u>	<u>84</u>	<u>67</u>	<u>89</u>

## Net OPEB Asset

The Authority's net OPEB asset of \$604,000 at December 31, 2021 was measured as of December 31, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of January 1, 2020, rolled forward to December 31, 2020.

The Authority established a qualified trust as defined by GASB Statement Nos. 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 plan expenses 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%	5.8%
International equities	6%	3.5%
Fixed income	35%	0.6%
Multi-asset	20%	4.0%
Real estate	5%	3.2%
Cash	2%	0%
	100%	

The total OPEB asset in the December 31, 2020 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: 5.25% (5.5% previously) grading down by 0.125% each year to 4.25%

U.S. Plan: 5.75% (6.0% previously) grading down by 0.125% each year to 4.75%

**Discount rate:**

Discount rate at measurement date is 6.0% which is equal to the long-term rate of return on the trust assets

**Mortality:**

U.S. Plan: General Pub-2010 Headcount Weighted Mortality using Projection Scale MP-2020

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

**Salary:**

Increases of 2.75%

**Termination:**

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

### Changes in the Net OPEB Asset (Liability)

(in thousands)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset (Liability)
Balances at December 31, 2019	\$ (17,407)	\$ 10,179	\$ (7,228)
Effect of foreign currency exchange rate changes	(217)	-	(217)
Changes for the year:			
Employer contributions	-	878	878
Net investment income	-	1,957	1,957
Service cost	(69)	-	(69)
Interest	(1,031)	-	(1,031)
Differences between expected and actual experience	190	-	190
Changes of assumptions	3,674		3,674
Benefit payments	736	(736)	-
Administrative expenses	-	(23)	(23)
Net changes	<u>3,500</u>	<u>2,076</u>	<u>5,576</u>
Balances at December 31, 2020	\$ (14,124)	\$ 12,255	\$ (1,869)
Effect of foreign currency exchange rate changes	(162)	-	(162)
Changes for the year:			
Employer contributions	-	409	409
Net investment income	-	1,386	1,386
Service cost	(52)	-	(52)
Interest	(825)	-	(825)
Differences between expected and actual experience	140	-	140
Change of assumptions	1,600	-	1,600
Benefit payments	703	(703)	-
Administrative expenses	-	(23)	(23)
Net changes	<u>1,566</u>	<u>1,069</u>	<u>2,635</u>
Balances at December 31, 2021	<u>\$ (12,720)</u>	<u>\$ 13,324</u>	<u>\$ 604</u>

The following presents the sensitivity of the Authority's net OPEB asset to changes in the discount rate, including what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate of 6.0%:

(in thousands)	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
Net OPEB Asset (Liability)	<u>\$ (1,687)</u>	<u>\$ 604</u>	<u>\$ 1,176</u>

The following presents the sensitivity of the Authority's net OPEB asset to changes in the healthcare cost trend rates, including what the Authority's net OPEB asset would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates of 5.75% to 4.25%:

(in thousands)	At Current		
	1.0% Decrease	Trend rate	1.0% Increase
Net OPEB Asset (Liability)	<u>\$ 1,137</u>	<u>\$ 604</u>	<u>\$ (1,627)</u>

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

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB income of \$2,855,000 and \$3,650,000. At December 31, 2021 and 2020, the Authority reported deferred outflows and deferred inflows of resources as follows:

(in thousands)	2021		2020	
	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	\$ -	\$ 1,302	\$ -	\$ 1,102
Changes of assumptions	-	485	-	1,403
Changes in experience	25	76	-	72
Authority contributions subsequent to the measurement date	248	-	370	-
	<u>\$ 273</u>	<u>\$ 1,863</u>	<u>\$ 370</u>	<u>\$ 2,577</u>

Authority contributions subsequent to the measurement date are recognized as an addition to the net OPEB asset in the subsequent year. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense (income) as follows (in thousands):

Years ending December 31,	
2022	\$ (939)
2023	(406)
2024	(372)
2025	(121)
	<u>\$ (1,838)</u>

## 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 \$4,494,000 and \$4,260,000 in gross rental income in 2021 and 2020 from the duty-free enterprises. The leases provide for annual minimum and contingent lease payments to the Authority.

Due to the border restrictions imposed by the U.S and Canadian governments in response to the COVID-19 pandemic, both duty-free enterprises entered into rent deferral agreements with the Authority. These agreements allowed for the deferral of minimum rent due under the lease agreements for a specified period of time at an interest rate of 4% per annum. The Canadian duty-free rent deferral agreement expired July 31, 2020 and the duty-free lease is currently in default. The Authority has recognized an allowance for uncollectible accounts of \$5,693,000 and \$2,500,000 at December 31, 2021 and 2020.

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 \$2,480,000 and \$2,422,000 in 2021 and 2020.

Minimum amounts, assuming all rentals are received under the leases, are as follows (in thousands):

Years ending December 31,	
2022	\$ 6,962
2023	6,962
2024	6,998
2025	7,034
2026	5,829
Thereafter	49,086
	<u>\$ 82,871</u>

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 salaries 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 \$1,890,000 and \$1,627,000 included in accrued liabilities as of December 31, 2021 and 2020 to current and former management employees due under separate deferred compensation agreements. Payments made under these agreements totaled \$4,800 in 2021 and 2020.

**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, 2021, the Authority had contractual commitments of approximately \$1,200,000 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)	2021	2020
Debt service funds:		
Debt service fund	\$ 4,918	\$ 4,927
Debt reserve fund	7,002	7,086
Operating expense reserve account	2,975	2,968
	\$ 14,895	\$ 14,981

### **13. Risks and Uncertainties:**

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. On March 7, 2020, the Governor of the State of New York declared a disaster emergency in the State of New York, ordered all non-essential businesses State-wide to be closed, and required other restrictive social distancing and related measures. On March 17, 2020, the premier of the province of Ontario declared a state of emergency in the province of Ontario and ordered all non-essential businesses to be closed along with other restrictive measures. Efforts to fight the widespread disease resulted in a severe disruption of Authority operations. Financial markets also experienced significant fluctuations in value.

In response to the pandemic, various travel restrictions have been imposed by the U.S. and Canadian governments since March 2020, negatively impacting passenger tolls during this time. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its continued impact on travelers, employees, and vendors, none of which can be predicted.

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,	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 104	\$ 137	\$ 156	\$ 126	\$ 124	\$ 207	\$ 190
Interest	610	603	604	605	633	593	565
Benefit payments, including refunds of employee contributions	(762)	(744)	(750)	(697)	(750)	(673)	(565)
Differences between expected and actual experience	265	77	(217)	680	191	-	-
Changes of assumptions	380	-	-	-	187	-	-
Net change in total pension liability	597	73	(207)	714	385	127	190
Total pension liability - beginning	13,710	13,427	13,033	13,296	12,139	11,581	11,391
Effect of foreign currency exchange rate changes	108	210	601	(977)	772	431	-
Total pension liability - ending	\$ 14,415	\$ 13,710	\$ 13,427	\$ 13,033	\$ 13,296	\$ 12,139	\$ 11,581
Plan fiduciary net position							
Employer contributions	\$ 342	\$ 282	\$ 411	\$ 484	\$ 498	\$ 554	\$ 647
Net investment income (loss)	1,151	1,660	(64)	1,429	995	175	1,432
Benefit payments, including refunds of employee contributions	(762)	(744)	(750)	(697)	(750)	(673)	(565)
Administrative expense	(74)	(76)	(101)	(68)	(24)	(41)	(19)
Net change in plan fiduciary net position	657	1,122	(504)	1,148	719	15	1,495
Plan fiduciary net position - beginning	16,981	15,615	15,405	15,388	13,793	13,283	11,788
Effect of foreign currency exchange rate changes	134	244	714	(1,131)	876	495	-
Plan fiduciary net position - ending	\$ 17,772	\$ 16,981	\$ 15,615	\$ 15,405	\$ 15,388	\$ 13,793	\$ 13,283
Net pension asset - ending	\$ 3,357	\$ 3,271	\$ 2,188	\$ 2,372	\$ 2,092	\$ 1,654	\$ 1,702
Plan fiduciary net position as a percentage of the total pension liability	123.3%	123.9%	116.3%	115.7%	115.7%	113.6%	114.7%
Covered payroll	\$ 809	\$ 930	\$ 895	\$ 863	\$ 965	\$ 949	\$ 868
Net pension asset as a percentage of covered payroll	415.0%	351.7%	244.5%	275.0%	216.8%	174.2%	196.0%
Foreign currency exchange rate:	1.27	1.28	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,	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 50	\$ 49	\$ 62	\$ 84	\$ 138	\$ 283	\$ 267
Interest	1,335	1,333	1,281	1,289	1,269	1,269	1,252
Benefit payments, including refunds of employee contributions	(1,485)	(1,484)	(1,623)	(1,374)	(1,233)	(1,610)	(936)
Difference between expected and actual experience	(441)	131	485	-	207	-	-
Changes of assumptions	(58)	-	(1,094)	-	103	-	-
Net change in total pension liability	(599)	29	(889)	(1)	484	(58)	583
Total pension liability - beginning	21,221	21,192	22,081	22,082	21,598	21,656	21,073
Total pension liability - ending	\$ 20,622	\$ 21,221	\$ 21,192	\$ 22,081	\$ 22,082	\$ 21,598	\$ 21,656
<b>Plan fiduciary net position</b>							
Employer contributions	\$ 106	\$ 87	\$ 167	\$ 157	\$ 219	\$ 266	\$ 300
Net investment income (loss)	2,823	4,275	(856)	3,263	854	(657)	1,515
Benefit payments, including refunds of employee contributions	(1,485)	(1,484)	(1,623)	(1,374)	(1,233)	(1,610)	(936)
Administrative expense	(114)	(124)	(133)	(120)	(53)	(65)	(42)
Net change in plan fiduciary net position	1,330	2,754	(2,445)	1,926	(213)	(2,066)	837
Plan fiduciary net position - beginning	25,340	22,586	25,031	23,105	23,318	25,384	24,547
Plan fiduciary net position - ending	\$ 26,670	\$ 25,340	\$ 22,586	\$ 25,031	\$ 23,105	\$ 23,318	\$ 25,384
Net pension asset - ending	\$ 6,048	\$ 4,119	\$ 1,394	\$ 2,950	\$ 1,023	\$ 1,720	\$ 3,728
Plan fiduciary net position as a percentage of the total pension liability	129.3%	119.4%	106.6%	113.4%	104.6%	108.0%	117.2%
Covered payroll	\$ 928	\$ 987	\$ 1,023	\$ 1,469	\$ 1,430	\$ 2,157	\$ 2,099
Net pension asset as a percentage of covered payroll	651.7%	417.3%	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,	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 308	\$ 341	\$ 298	\$ 415	\$ 523	\$ 468	\$ 534
Contributions in relation to the actuarially determined contribution	308	341	298	415	523	468	534
Contribution deficiency (surplus)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 809	\$ 930	\$ 895	\$ 863	\$ 965	\$ 949	\$ 868
Contributions as a percentage of covered payroll	38.07%	36.67%	33.30%	48.12%	54.19%	49.30%	61.50%
Foreign currency exchange rate:	1.27	1.28	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%	2.25%	2.25%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	4.25%	4.50%	4.50%	4.50%	5.00%	5.00%	5.00%
Cost of living adjustments	0.26%	0.93%	1.11%	0.78%	0.67%	1.01%	1.01%
Discount rate	4.25%	4.50%	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,	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 102	\$ 97	\$ 92	\$ 166	\$ 157	\$ 286	\$ 270
Contributions in relation to the actuarially determined contribution	102	97	92	166	157	219	266
Contribution deficiency (surplus)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67	\$ 4
Covered payroll	\$ 928	\$ 987	\$ 1,023	\$ 1,469	\$ 1,430	\$ 2,157	\$ 2,099
Contributions as a percentage of covered payroll	10.99%	9.83%	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%	2.75%	2.75%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	6.50%	6.50%	6.50%	6.00%	6.00%	6.00%	6.00%
Cost of living adjustments	0.69%	0.85%	1.14%	0.73%	0.73%	0.83%	0.83%
Discount rate	6.50%	6.50%	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 Asset (Liability) and Related Ratios (in thousands)**

December 31,	2021	2020	2019	2018
<b>Total OPEB liability - beginning</b>	\$ (14,124)	\$ (17,407)	\$ (20,638)	\$ (20,419)
Effect of foreign currency exchange rate changes	(162)	(217)	(228)	298
Changes for the year:				
Service cost	(52)	(69)	(106)	(100)
Interest	(825)	(1,031)	(1,234)	(1,190)
Differences between expected and actual experience	140	190	1,657	(9)
Changes of assumptions	1,600	3,674	2,378	-
Benefit payments	703	736	764	782
Net change in total OPEB liability	1,566	3,500	3,459	(517)
<b>Total OPEB liability - ending</b>	<b>\$ (12,720)</b>	<b>\$ (14,124)</b>	<b>\$ (17,407)</b>	<b>\$ (20,638)</b>
<b>Plan fiduciary net position - beginning</b>	\$ 12,255	\$ 10,179	\$ -	\$ -
Changes for the year:				
Employer contributions	409	878	10,765	-
Net investment income	1,386	1,957	178	-
Benefit payments	(703)	(736)	(764)	-
Administrative expenses	(23)	(23)	-	-
Net change in plan fiduciary net position	1,069	2,076	10,179	-
<b>Plan fiduciary net position - ending</b>	<b>\$ 13,324</b>	<b>\$ 12,255</b>	<b>\$ 10,179</b>	<b>\$ -</b>
<b>Net OPEB asset (liability) - ending</b>	<b>\$ 604</b>	<b>\$ (1,869)</b>	<b>\$ (7,228)</b>	<b>\$ (20,638)</b>
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	104.7%	86.8%	58.5%	0%
Covered-employee payroll	\$ 1,829	\$ 1,819	\$ 1,806	\$ 2,149
Net OPEB asset (liability) as a percentage of covered-employee payroll	33.0%	102.7%	400.2%	960.4%
The following is a summary of changes of assumptions:				
Healthcare cost trend rate (U.S.)	5.75% to 4.75%	6.0% to 5.0%	6.25% to 5.0%	6.75% to 5.0%
Healthcare cost trend rate (Canadian)	5.25% to 4.25%	5.5% to 4.5%	5.75% to 4.5%	6.25% to 4.5%
Salary increases	2.75%	2.75%	2.75%	2.75%
Investment rate of return	6.00%	6.00%	6.00%	6.00%
Discount rate	6.00%	6.00%	6.00%	6.00%

Data prior to 2018 is unavailable.