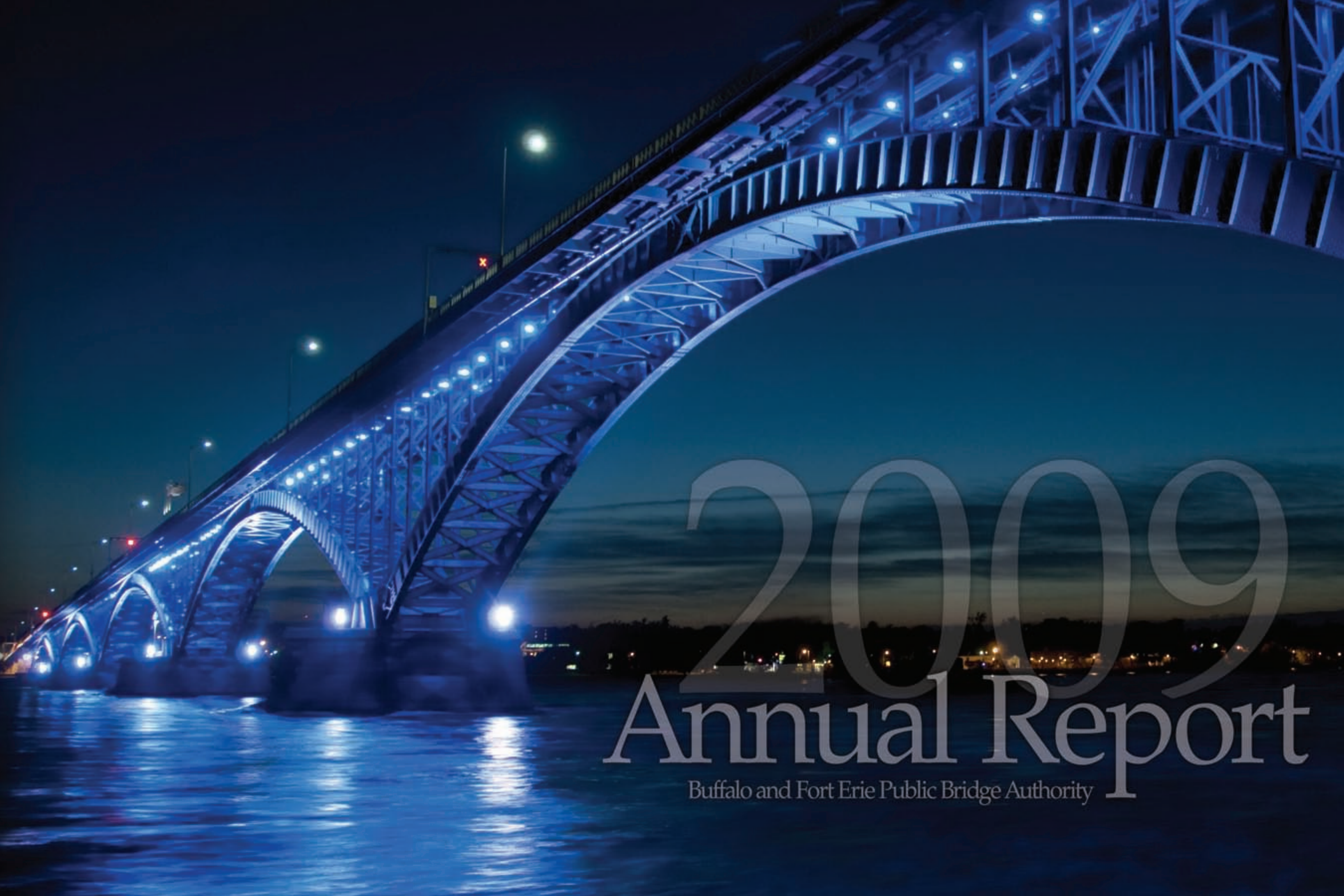


2009 Annual Report

Buffalo and Fort Erie Public Bridge Authority

Mission Statement

To be known as the premier

Canada/U.S. international crossing providing excellence

in customer service and an effective conduit

for trade and tourism.

Cover image courtesy of Mike Venezia

2009 Board of Directors

Front Row: Left to Right

Henry J. Froese | Anna T. Tartaglia | Catherine S. Dennahower | John B. Maggiore

Back Row:

Anthony M. Annunziata | Kimberly A. Minkel | Gerald J. Lewandowski | Mary L. Fickel | Kenneth A. Schoetz

Chairman's Report

The Peace Bridge was not immune from the deep recession of 2009.

Commercial traffic declined by 13%, while passenger vehicles declined by 5%. Notwithstanding these declines, the Peace Bridge recorded the best performance of all the major border crossings between Canada and the United States; and is the busiest border crossing for cars with 4.8 million vehicles crossing, 14% higher than the next busiest crossing.

Traffic declines led to a revenue reduction of $2.2 million. This resulted in aggressive efforts to control and reduce expenditures by $1.2 million, although $1 million of these savings were invested in the Authority's pension plans. Overall net assets increased by $9 million and current assets exceeded $53 million.

2009 saw the Peace Bridge relit with a high-tech LED lighting system that was very well received by the public and results in significant energy savings, while dramatically improving the overall aesthetics of the bridge. The $5 million dollar renovation project for U.S. Customs and Border Protection (CBP) was completed in the vacated Authority administrative offices. This has improved CBP's functionality and efficiency, while at the same time resulting in increased lease revenue to the Authority for the use of this space.

In Canada, design work began on the construction of a fifth commercial inspection lane for the Canada Border Services Agency. To facilitate this construction as well as provide the necessary land for future bridge construction, approximately 5 acres of land were acquired from the Niagara Parks Commission. Also completed in 2009 were the improvements to Queen Street, a partnership project with the Town of Fort Erie along the entire northern edge of the Peace Bridge properties and plaza.

The environmental process required for the Capacity Expansion continued to move slowly towards a Record of Decision, which is now expected in late 2010.

Anthony Annunziata
Chairman

Image courtesy of Jamielee Greene

Independent Auditor's Report

The Board of Directors
Buffalo and Fort Erie Public Bridge Authority
Buffalo, New York

We have audited the accompanying balance sheets of Buffalo and Fort Erie Public Bridge Authority (the Authority) as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis preceding the basic financial statements and schedules of funding progress for defined benefit pension plans and other postemployment benefits on page 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Lumsden & McCormick, LLP

February 10, 2010

Management's Discussion & Analysis

Image courtesy of Caroline Esposito

For the Years ended December 31, 2009 and 2008 (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 for the years ended December 31, 2009 and 2008, which should be read in conjunction with the Authority's basic financial statements and notes to the basic financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. It begins by presenting and explaining the basic 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 sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets serve as a relative indicator as to whether the Authority's financial position is strengthening or weakening over time.

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

The statement of cash flows provides an analysis of the sources and uses of cash. The cash flow statement shows net cash provided or used in operating, capital financing and investing activities.

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

Management's Discussion & Analysis continued

Financial Statement Analysis

Comparative Balance Sheets as of December 31:
U.S. $, in thousands

	2009	2008
Assets		
Current assets	$ 53,444	$ 47,844
Restricted assets	11,259	8,006
Capital assets, net	148,755	148,885
Other assets	436	536
Total assets	**$ 213,894**	**$ 205,271**
Liabilities and net assets		
Current liabilities	$ 6,395	$ 6,728
Non-current liabilities	43,557	43,624
Total liabilities	49,952	50,352
Net assets:		
Invested in capital assets, net of related debt	104,430	102,827
Restricted	11,059	7,806
Unrestricted	48,453	44,286
Total net assets	163,942	154,919
Total liabilities and net assets	**$ 213,894**	**$ 205,271**

As noted earlier, net assets serves as an indicator of the Authority's overall financial position. The Authority's net assets and unrestricted investments have increased by approximately $9 million and $8 million, respectively, during 2009 as a result of net income earned through all Authority activities. Restricted net assets are reserved for debt service, governmental payments and operating reserves, as required by the Authority's bond indenture. Restricted net assets increased due to increases in debt service and operating reserve requirements. Substantially all unrestricted net assets have been designated by the Board of Directors for acquisition or construction of capital projects and/or major repairs and replacements.

Statements of Revenues, Expenses, and Changes in Net Assets for the years ended December 31:
U.S. $, in thousands

	2009	2008
Operating revenue		
Toll revenues	$ 20,553	$ 22,755
Other revenues	8,431	8,433
Total operating revenues	28,984	31,188
Operating expenses		
Toll collection and traffic control	3,412	3,588
Maintenance of bridge and facilities	4,341	4,889
Administration	2,521	3,051
Contributions to pension plans	2,362	1,377
Other postemployment benefits	1,636	1,599
Other expenses	1,003	1,104
Depreciation	5,515	5,356
Total operating expenses	20,790	20,964
Operating Income	8,194	10,224
Non-operating revenues (expenses)		
Interest income	667	1,277
Interest expense	(1,998)	(1,993)
Currency remeasurement	249	(418)
Other non-operating revenue (expense)	180	(145)
Total non-operating net expense	(902)	(1,279)
Capital contributions	1,731	1,076
Increase in net assets	9,023	10,021
Net assets, beginning of year	154,919	144,898
Net assets, end of year	$ 163,942	$ 154,919

As a bi-national toll bridge operator, the Authority earns revenue and incurs expenses in both U.S. and Canadian dollars. All Canadian revenue and expenses are converted to U.S. dollars at the average rate of exchange for the year. The average exchange rate for 2009 approximated the average exchange rate for 2008, thus the change in the exchange rate had a negligible impact on comparative revenues and expenses.

Management's Discussion & Analysis continued

Toll revenues declined during 2009 due to the 13% decrease in commercial vehicle volume, while toll rates remained unchanged. Passenger vehicle volume declined by 5%, while other operating revenues remained stable in 2009 compared to 2008.

Operating expenses decreased by $174,000 or .8%. This decrease is primarily attributable to savings achieved through staffing reductions, a decrease in legal expenditures, and declines in commodity prices impacting utility and fuel expenses. These savings were partially offset by an increase in pension contributions necessitated by the deterioration in the funding status of the plans due to the significant declines in the market value of investments experienced throughout 2008.

Total non-operating net expense decreased by approximately $377,000. Despite increases in investments, investment income was negatively impacted by sustained declines in investment rates. Currency remeasurement was positively impacted by the strengthening of the Canadian dollar as of the balance sheet date.

Capital Assets and Long Term Debt

The Authority's total investment in capital assets as of December 31, 2009 approximated $149 million, 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.

In August 2005, the Authority issued $44.1 million in 2005 Series Toll Bridge System Revenue Refunding Bonds, bearing interest at 3% through June 30, 2007. On July 1, 2007, the 2005 Series Bonds were remarketed at an interest rate of 4% through July 1, 2010.

The principal of, purchase or redemption price of, and interest on, the Series 2005 Bonds are payable from funds drawn under an irrevocable, direct-pay letter of credit issued by the New York Agency of Scotiabank. Moody's Investors Service, Inc., Standard & Poor's Rating Services, Inc., and Fitch Ratings have assigned ratings of "Aa1"/"VMIG-1", "AA-"/"A-1+", and "AA-"/"F1+", respectively, to the 2005 Series Bonds.

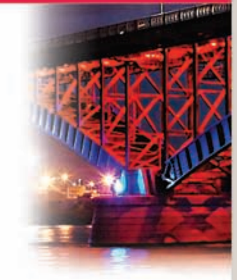


Image courtesy of Alex Frakking

Facts that will impact Financial Position

Design and construction of a capacity expansion project resulting from the Bi-National Integrated Environmental Review Process is expected to require a future bond offering or other debt financing. The Authority may not have sufficient financial capability to fund the entire cost of construction and maintenance of this project, although it does expect to contribute materially to such cost. A draft finance plan has been developed to consider enhancement of the current financial capacity of the Authority to undertake the project and to determine the availability of other funding sources.

Various factors may affect the timing and costs ultimately required to implement certain provisions of the capacity expansion project, which remains in the environmental assessment phase. Consequently, it is not currently possible to accurately predict the timing of the issuance or the amount of any financing that may be required to implement the capacity expansion project.

During 2006, the Authority applied for and received a $25 million earmark for planning, design, and construction of certain capacity expansion project components under the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" or "SAFETEA-LU". Subsequent to approving the earmark, the Federal government reduced the state appropriation, including the $25 million earmark by approximately 10%. In addition, a portion of the available earmark has been and will be used towards funding completion of the environmental review process. The remaining available funding will be analyzed in conjunction with the overall finance plan and will be used to establish the financial threshold for evaluating project alternatives and the selection of a preferred alternative.

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 Lynne M. Bogdan, Finance Manager, 100 Queen Street, Fort Erie, ON L2A 3S6.

Balance Sheets

December 31,	2009	2008
Assets		
Current assets:		
Cash	$ 486,619	$ 1,190,937
Accounts receivable, net	1,192,365	2,683,857
Grants receivable	236,459	443,581
Prepaid expenses and other assets	166,544	168,231
Investments	51,361,548	43,357,701
	53,443,535	47,844,307
Non-current assets:		
Restricted assets:		
Cash	2,828,527	3,185,636
Investments	8,430,332	4,820,078
	11,258,859	8,005,714
Capital assets, net	148,755,340	148,885,344
Deferred financing costs	435,879	536,075
	149,191,219	149,421,419
Total assets	$ 213,893,613	$ 205,271,440

See accompanying notes.

Balance Sheets continued

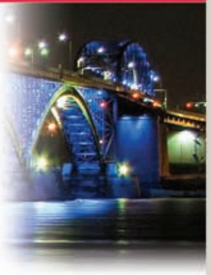


Image courtesy of George Garner

December 31,	2009	2008
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,901,534	$ 3,756,052
Current portion of long term debt	1,380,000	-
Accrued interest payable	882,408	882,404
Allowance for unredeemed tokens and deferred toll revenue	1,016,843	996,481
Accrued compensation and benefits	1,014,576	893,515
Due to other governments	200,000	200,000
	6,395,361	6,728,452
Non-current liabilities:		
Bonds payable	41,391,916	42,630,447
Other postemployment benefits	2,164,801	993,100
	43,556,717	43,623,547
Total liabilities	49,952,078	50,351,999
Net Assets		
Invested in capital assets, net of related debt	104,429,924	102,827,253
Restricted	11,058,859	7,805,714
Unrestricted	48,452,752	44,286,474
Total net assets	163,941,535	154,919,441
Total liabilities and net assets	$ 213,893,613	$ 205,271,440

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended December 31,	2009	2008
Operating revenues:		
Commercial tolls	$ 13,647,114	$ 15,692,250
Passenger tolls	6,906,015	7,062,807
Rentals	8,254,163	8,248,116
Other	175,419	184,391
Total operating revenues	28,982,711	31,187,564
Operating expenses:		
Toll collection and traffic control	3,412,163	3,588,073
Maintenance of bridge, buildings, plazas and equipment	4,341,181	4,889,262
Administration	2,520,662	3,050,551
Contributions to pension plans	2,362,451	1,377,058
Other postemployment benefits	1,636,142	1,599,196
Canadian property taxes and U.S. equalization payments	802,700	903,760
Payments to New York State	200,000	200,000
Depreciation	5,514,746	5,355,648
Total operating expenses	20,790,045	20,963,548
Operating income	8,192,666	10,224,016
Non-operating revenues (expenses):		
Interest income	667,463	1,276,609
Interest expense	(1,998,324)	(1,993,371)
Currency remeasurement	249,250	(418,189)
Other non-operating revenue (expense)	179,828	(144,348)
Total non-operating net expense	(901,783)	(1,279,299)
Increase in net assets before grant contributions	7,290,883	8,944,717
Capital contributions from grants	1,731,211	1,076,649
Increase in net assets	9,022,094	10,021,366
Net assets - beginning of year	154,919,441	144,898,075
Net assets - end of year	$ 163,941,535	$ 154,919,441

See accompanying notes.

Statements of Cash Flow

For the years ended December 31,	2009	2008
Cash flows from operating activities:		
Toll revenue	$ 20,491,793	$ 22,749,913
Payments to suppliers	(5,133,776)	(5,556,059)
Payments for wages and employee benefits	(9,284,446)	(8,962,297)
Other revenues	9,993,421	8,517,845
Net cash provided from operating activities	16,066,992	16,749,402
Cash flows from capital financing activities:		
Acquisition and construction of capital assets	(7,301,501)	(4,272,961)
Capital contributions from grants	1,938,333	1,747,365
Interest paid on debt	(1,856,851)	(1,852,201)
Proceeds on asset disposal	322,636	-
Net cash used for capital financing activities	(6,897,383)	(4,377,797)
Cash flows from investing activities:		
Net deposits to investments	(11,614,101)	(10,329,037)
Interest income	667,463	1,276,609
Net cash used for investing activities	(10,946,638)	(9,052,428)
Effect of exchange rate changes	715,602	(639,542)
Net increase (decrease) in cash	(1,061,427)	2,679,635
Cash, beginning of year	4,376,573	1,696,938
Cash, end of year	$ 3,315,146	$ 4,376,573
Reconciliation of operating income to net cash provided from operating activities:		
Operating income	$ 8,192,666	$ 10,224,016
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	5,514,746	5,355,648
Allowance for unredeemed tokens and deferred toll revenue	(13,483)	(8,597)
Changes in assets and liabilities:		
Accounts receivable	1,514,799	80,752
Prepaid expense and other assets	13,800	(9,158)
Accounts payable and accrued liabilities	843,276	1,098,702
Deferred revenue	1,188	8,039
	$ 16,066,992	$ 16,749,402

Image courtesy of John Spirko

See accompanying notes.

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Buffalo and Fort Erie Public Bridge Authority (the Authority) was established through a legislative act as a public benefit corporation to own and operate an international toll bridge connecting the United States and Canada. The Enabling Act, under which the Authority was created, provides that on July 1, 2020 or when all bonds issued by the Authority have been discharged (current bonds final maturity date is January 1, 2025), whichever shall be later, the Authority's functions shall cease.

Basis of Presentation

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989.

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 assets 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 re-measurement.

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 and U.S. mortgage and government agency obligations and are stated at fair market value.

Summary of Significant Accounting Policies continued


Image courtesy of Joanne Zuba

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

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

	Capitalization policy	Estimated useful life
Bridge infrastructure	$ 5,000	10-150 years
Buildings and improvements	$ 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 maintains accounts within its accounting records in either United States or Canadian dollars. The Authority translates all Canadian asset and liability accounts at the year end exchange rate, except for property and equipment accounts, which are translated at historical rates in effect in the year of acquisition. The statement of revenues and expenses is converted at the average rate of exchange for the year. Translation gains and losses are included as a component of non-operating revenues (expenses) as a currency re-measurement.

Compensated Absences

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

Notes to Basic Financial Statements continued

Summary of Significant Accounting Policies continued

Net Assets

- **Invested in capital assets, net of related debt** – 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 net assets** – consists of net assets subject to externally imposed restrictions by creditors (such as through debt covenants), federal or state laws or enabling legislation.
- **Unrestricted** – consists of all other net assets that do not meet 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.

Reclassification

The 2008 financial statements have been reclassified to conform to the presentation adopted for 2009.

2. Deposits and Investments

The Authority's policy is to obtain collateral for its cash deposits from U.S. financial institutions. Cash deposits maintained in banks within the United States are covered by U.S. Federal Deposit Insurance and by collateral held by custodial banks in the Authority's name based upon the average daily funds available as determined by the banks. Canada Deposit Insurance covers cash deposits up to $95,329 ($100,000 CAD) maintained in 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, 2009, $2,201,123 of the Authority's bank deposits were exposed to custodial credit risk.

The Authority's exposure to foreign currency risk derives from its deposits in Canadian denominated deposits totaling $2,348,486 (USD).

The Authority manages its investments pursuant to the bond resolution, which defines the nature and maturity of allowable investments. In general, the Authority invests conservatively in short-term U.S. and Canadian government agency securities and certificates of deposit.

Notes to Basic Financial Statements continued

Image courtesy of Ken Batz

3. Accounts Receivable, net

	2009	2008
Accounts receivable	$ 1,202,365	$ 2,693,857
Less allowance for doubtful accounts	10,000	10,000
	$ 1,192,365	$ 2,683,857

4. Investments

	2009	2008
Unrestricted:		
U.S. Treasury & mortgage notes	$ 50,149,098	$ 39,553,601
Money market funds	1,212,450	3,804,100
	$ 51,361,548	$ 43,357,701
Restricted:		
U.S. Treasury notes	$ 6,112,237	$ 4,796,648
Money market funds	2,312,498	-
Accrued interest receivable	5,597	23,430
	$ 8,430,332	$ 4,820,078

Notes to Basic Financial Statements continued

5. Capital Assets

	January 1, 2009	Additions	Reclassifications and Disposals	December 31, 2009
Capital assets not being depreciated:				
Land	$ 22,478,160	$ 1,895,825	$ (580,182)	$ 23,793,803
Construction-in-progress	21,743,183	4,360,095	(5,589,869)	20,513,409
	44,221,343	6,255,920	(6,170,051)	44,307,212
Capital assets being depreciated:				
Bridge	53,833,386	-	1,006,933	54,840,319
Buildings and plazas	93,022,491	-	(564,108)	92,458,383
Equipment - general	4,803,795	8,284	(232,207)	4,579,872
Equipment - toll	5,133,456	58,147	-	5,191,603
Total depreciated assets	156,793,128	66,431	210,618	157,070,177
Less accumulated depreciation:				
Bridge	(22,725,068)	(1,775,344)	215,048	(24,285,364)
Buildings and plazas	(22,436,413)	(2,950,709)	4,551,778	(20,835,344)
Equipment - general	(2,838,249)	(486,115)	254,998	(3,069,366)
Equipment - toll	(4,129,397)	(302,578)	-	(4,431,975)
Total accumulated depreciation	(52,129,127)	(5,514,746)	5,021,824	(52,622,049)
Total depreciated assets, net	104,664,001	(5,448,315)	5,232,442	104,448,128
Total capital assets, net	$ 148,885,344	$ 807,605	$ (937,609)	$ 148,755,340


Image courtesy of Unknown Photographer

Capital Assets continued

	January 1, 2009	Additions	Reclassifications and Disposals	December 31, 2008
Capital assets not being depreciated:				
Land	$ 22,478,160	$ -	$ -	$ 22,478,160
Construction-in-progress	18,938,600	5,363,233	(2,558,650)	21,743,183
	41,416,760	5,363,233	(2,558,650)	44,221,343
Capital assets being depreciated:				
Bridge	53,827,736	-	5,650	53,833,386
Buildings and plazas	90,707,419	15,022	2,300,050	93,022,491
Equipment - general	4,413,343	195,766	194,686	4,803,795
Equipment - toll	5,064,870	68,586	-	5,133,456
Total depreciated assets	154,013,368	279,374	2,500,386	156,793,128
Less accumulated depreciation:				
Bridge	(20,974,479)	(1,750,589)	-	(22,725,068)
Buildings and plazas	(20,031,980)	(2,407,758)	3,325	(22,436,413)
Equipment - general	(2,368,972)	(480,064)	10,787	(2,838,249)
Equipment - toll	(3,412,160)	(717,237)	-	(4,129,397)
Total accumulated depreciation	(46,787,591)	(5,355,648)	14,112	(52,129,127)
Total depreciated assets, net	107,225,777	(5,076,274)	2,514,498	104,664,001
Total capital assets, net	$ 148,642,537	$ 286,959	$ (44,152)	$ 148,885,344

Notes to Basic Financial Statements continued

6. Bond Indebtedness

	January 1, 2009	Increases	Decreases	December 31, 2009	Due Within One Year
Serial Bonds	$ 44,120,000	$ -	$ -	$ 44,120,000	$ 1,380,000

	January 1, 2008	Increases	Decreases	December 31, 2008	Due Within One Year
Serial Bonds	$ 44,120,000	$ -	$ -	$ 44,120,000	$ -

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 $43,639,394 (after payment of $480,606 for underwriting fees and other issuance costs) plus $4,788,824 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 $2,242,465. This difference, reported in the accompanying balance sheets as a reduction of bonds payable, is being charged to operations through the year 2024 using the effective interest method. The net difference is $1,348,084 and $1,489,553 at December 31, 2009 and 2008.

The Series 2005 bonds, which are special revenue obligations of the Authority, were issued as variable rate obligations. They bore an initial term rate interest of 3% through July 1, 2007. On July 1, 2007 the bonds were remarketed at an interest rate of 4% until July 1, 2010, payable semi-annually on July 1 and January 1, beginning January 1, 2008. On July 1, 2010, the bonds will be subject to mandatory tender without a bondholder right to retain, at which time the bonds will be subject to alternate methods of determining interest rates from time to time and conversion to a fixed rate of interest to maturity.

Under an irrevocable letter of credit issued by a bank, the trustee is entitled to draw an amount sufficient to pay the principal of the bonds when due, the purchase price of the bonds tendered by the holders and not remarketed, and up to 199 days interest. This letter of credit has an initial stated amount of $46,558,856 and accrues interest on the stated amount at .195% per annum. It will expire on August 4, 2010 unless earlier terminated or extended.


Image courtesy of Richard Meredithill

Bond Indebtedness continued

Debt service requirements based on the 4% rate in effect at year end are as follows:

Years ending December 31,	Principal	Interest
2010	$ 1,380,000	$ 1,709,600
2011	2,185,000	1,622,200
2012	2,265,000	1,531,600
2013	2,350,000	1,437,600
2014	2,440,000	1,340,000
2015-2019	13,595,000	5,107,200
2020-2024	16,280,000	2,074,200
2025	3,625,000	-
	$ 44,120,000	$ 14,822,400

7. Pension Plans

Plan Descriptions

The Authority maintains two non-contributory, single-employer defined benefit pension plans: the 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, and provide retirement, death benefits and certain annual cost of living adjustments to plan members and beneficiaries. The Board of Directors has the authority to establish and amend benefit provisions. Separate financial statements are not required, nor have they been prepared for either pension plan.

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% of each qualified employee's covered salary annually. Contributions to the defined contribution plans totaled $2,400 in 2009 and $5,000 in 2008. The Authority makes all required contributions when due.

Notes to Basic Financial Statements continued

Pension Plans continued

Funding Policy and Annual Pension Cost of Defined Benefit Plans

The Authority pays the full cost of all benefits provided under the Defined Benefit Plans, and its policy is to fund the annual required contributions each year.

Annual required contributions are actuarially determined no less frequently than every other year and are computed based on Canadian governmental funding requirements to eliminate certain annual deficiencies in level dollar amounts over five year periods.

Annual required contributions and payments to the Defined Benefit Plans totaled approximately $2.4 million in 2009, $1.4 million in 2008 and $1.6 million in 2007.

Actuarial Methods and Assumptions

The following information is as of the most recent actuarial valuations:

	Canadian Retirement Plan	United States Retirement Plan
Actuaral valuation date	12/31/08	1/1/08
Actuarial cost method	Projected Unit Credit	
Asset valuation method	Market value basis	
Actuarial assumptions:		
Investment rate of return	5.5%	6.0%
Projected salary increases	3.5%	3.5%
Includes inflation at	2.0%	2.5%
Cost of living adjustments	1.5%	1.0%

Funded Status and Funding Progress

The funded status of the Canadian plan as of December 31, 2008, the most recent actuarial evaluation date, is as follows:

Schedule of Funding Progress

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Canadian Plan	$ 10,752,000	$ 13,580,000	$ (2,828,000)	79%	$ 1,800,000	157%

Pension Plans continued

Funded Status and Funding Progress continued

The funded status of the U.S. plan as of January 1, 2008, the most recent actuarial evaluation date, is as follows:

Schedule of Funding Progress

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
U.S. Plan	$18,416,000	$18,341,000	$75,000	100%	$2,693,000	N/A

The schedule of funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the UAALs for benefits.

8. Other Postemployment Benefits

The Authority maintains two single-employer defined benefit postemployment healthcare plans (the Plans), one covering certain Canadian employees and one plan covering certain U.S. employees. The Plans provide benefits in the form of insurance premium payments for coverage of eligible retires and spouses. Plan provisions and Authority and member contribution rates are determined through negotiations between the Authority and its employees or the collective bargaining units that represent its employees. The Plans do not issue a publicly available financial report.

Eligibility is based on the 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 after September 19, 2003 but prior to July 27, 2007 (union) or after November 21, 2003 but prior to December 31, 2008 (non-union), upon attainment of age 50 with 10 years of service

Notes to Basic Financial Statements continued

Other Postemployment Benefits continued

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

The Authority adopted GASB Statement No. 45 for the year ended December 31, 2008. The objective of this statement is to improve the faithfulness and usefulness of financial information presented with respect to postemployment benefits other than pensions (OPEB). For the Authority, that involves the above-described Plans. GASB Statement No. 45 requires that the Authority recognize the cost of these benefits during the periods when employees render the services that will ultimately entitle them to the benefits, rather than continuing to use the "pay as you go" method (recognize the cost as the retiree premiums and reimbursements are paid). This cost is referred to as the annual required contribution (ARC) and includes:

— amortization of the unfunded actuarial liability (UAAL) for the current year, the UAAL being the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year

— the actuarially-determined cost of future OPEB ascribed to, or "earned", in the current year (normal cost)

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (the Authority is using the maximum period allowed by GASB Statement No. 45 of 30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding of the Plans is less than the ARC. This liability is reflected on the balance sheets as other postemployment benefits. The Authority's Board of Directors has the authority to establish funding policy for the Plans. The current policy is to fund the Plans to the extent of premium payments and reimbursements on the "pay as you go" basis.


Image courtesy of Cindy Vojin

Other Postemployment Benefits continued

The following table summarizes the Authority's ARC, the amount actually contributed to the Plans, and changes in the Authority's net OPEB obligation for the years ended December 31, 2009 and 2008:

	2009	2008
Annual required contribution		
Normal cost	$ 707,614	$ 693,360
Amortization of UAAL	928,270	905,836
Annual required contribution	1,635,884	1,599,196
Interest on OPEB obligation	40,419	-
ARC adjustment	(40,161)	-
Annual OPEB cost	1,636,142	1,599,196
Contributions made	464,441	606,096
Increase in net OPEB obligation	1,171,701	993,100
Net OPEB obligation - beginning of year	993,100	-
Net OPEB obligation - end of year	$ 2,164,801	$ 993,100

The Authority's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 were:

Year Ended December 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 1,636,142	28%	$ 2,164,801
2008	$ 1,599,196	38%	$ 993,100

Notes to Basic Financial Statements continued

Other Postemployment Benefits continued

The actuarial analysis supporting the GASB Statement No. 45 implementation was completed using valuation dates of January 1, 2009 and 2008, and a measurement date of January 1, 2008. As of January 1, 2009, the total actuarial accrued liability for future benefits was $24,901,307. Since there are no Plan assets, the entire liability is unfunded.

The annual payroll of employees eligible to be covered by the Plans was $4,520,771, thus the ratio of the UAAL to covered payroll was approximately 551%. The schedule of funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the UAALs for benefits.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in health care costs and interest rates. The Plans will be subject to routine actuarial revaluations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Similarly, the January 1, 2009 and 2008 valuations reflected the Plans' benefits and cost sharing between the Authority and members of the Plans in effect at the time. Any changes in these factors will impact the results of future valuations.

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

Healthcare cost trend:

Canadian Plan:	9.5% grading down by 0.5% each year through 2018, and 4.5% per year thereafter.
U.S. Plan:	10% grading down by 0.5% each year through 2018, and 5.0% per year thereafter.

Actuarial cost method:

Projected unit credit

Discount rate:

4%

Amortization methods:

30 years, open, level percentage of pay

Image courtesy of Meghan Rogers

9. Rentals

The Authority, as lessor, has entered into non-cancelable operating leases with a U.S. duty-free enterprise and a Canadian duty-free enterprise. The Authority recognized approximately $5.8 million and $6.2 million in rental income in 2009 and 2008, respectively, from the duty-free enterprises. This amount included approximately $2.2 million and $2.5 million of additional contingent rental payments based upon the sales levels of the lessees in 2009 and 2008, respectively.

The Authority maintains a twelve-year lease through 2010, subject to optional renewal, with the Canadian duty-free enterprise. Based upon the agreement, the minimum rental payments to be received by the Authority are approximately $1.5 million for 2010; subsequent years' minimum rental is based on 75% of the immediately preceding year's minimum and contingent rental payments.

The Authority maintains a five-year lease with the U.S. duty-free enterprise. This lease is subject to three 5 year renewals, with the last renewal period expiring in 2020. Based upon the agreement, the minimum rental payments to be received by the Authority are approximately $1.8 million for 2010; subsequent years' minimum rental is based on 50% of the immediately preceding year's minimum and contingent rental payments.

The Authority also leases certain real property space 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.

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. 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.

Notes to Basic Financial Statements continued

Commitments and Contingencies continued

Grants

The Authority receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. Based on prior experience, the Authority expects any such amounts to be immaterial.

The Authority is a party to a funding agreement whereby the U.S. Federal Government has agreed to fund the bi-national integrated environmental process related to the proposed construction of a capacity expansion project, up to a maximum of $20.3 million. The terms and conditions of the agreement specify that if the Authority suspends or delays work on the aforementioned process, or takes other actions resulting in the loss of federal participation, the Authority must repay all amounts received under the funding agreement. Potential recoveries under this agreement as of December 31, 2009 approximate $18.5 million. The Authority has no plans to suspend or delay work on the project and completion of the environmental process is expected in 2010. Capacity expansion costs continue to be recorded as construction-in-progress at December 31, 2009. In the event that the expansion project is suspended or delayed for an extended period, the future benefit of expenditures may be unpaid and subject to adjustment.

Operating Lease Commitments

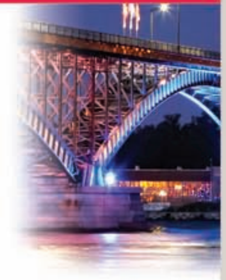
In October 2005, a new duty-free store opened on the U.S. plaza and the old store was demolished. The new store, constructed at a cost of $2.8 million and financed by the operator, is expected to be temporary in nature, as completion of the Authority's capacity expansion project may require the reconfiguration or relocation of the U.S. plaza. In the event that relocation of the temporary store is required prior to 2015, the Authority's lease with the duty free operator requires partial reimbursement, on a descending scale ranging from 25% to 5%, for the cost of construction of such temporary store.

Contractual Commitments

As of December 31, 2009 the Authority had contractual commitments of approximately $1.2 million, primarily related to on-going capital construction projects.

Litigation

The Authority is involved in legal proceedings, which, in the opinion of management, will not have a material adverse effect upon the financial position of the Authority.



12. Net Assets

Unrestricted – Designated Net Assets

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

Restricted Net Assets

	2009	2008
Debt service funds:		
Debt service fund	$ 2,269,130	$ 885,714
Debt service reserve fund	3,848,979	3,934,779
Operating expense reserve account	4,940,750	2,985,221
Total restricted assets	$ 11,058,859	$ 7,805,714

Required Supplementary Information unaudited

Schedules of Funding Progress for Defined Benefit Pension Plans and Other Postemployment Benefits

Canadian Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	$ 10,752,000	$ 13,580,000	$ (2,828,000)	79%	$ 1,800,000	157%
1/1/08	$ 13,970,000	$ 13,833,000	$ 137,000	101%	$ 2,045,000	N/A
1/1/07	$ 11,930,000	$ 11,762,000	$ 168,000	101%	$ 1,903,000	N/A

U.S. Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/08	$ 18,416,000	$ 18,341,000	$ 75,000	100%	$ 2,693,000	N/A
1/1/06	$ 14,415,000	$ 17,453,000	$ (3,038,000)	83%	$ 2,822,000	108%
1/1/04	$ 11,301,000	$ 14,661,000	$ (3,360,000)	77%	$ 3,203,000	105%

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/09	$ -	$ 24,901,307	$ (24,901,307)	0%	$ 4,520,771	551%
1/1/08	$ -	$ 22,804,848	$ (22,804,848)	0%	$ 4,509,632	506%

Notes


Image courtesy of Cathy Whitford

Notes

Image courtesy of John Spirko.

Image courtesy of Jefferey Barnes.

Image courtesy of Ken Batz.

Image courtesy of Paul Black.

Photographer unknown.

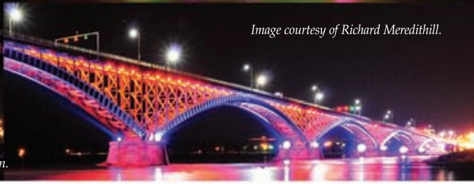


Image courtesy of Richard Meredithill.

The Buffalo and Fort Erie Public Bridge Authority has unveiled a dramatic new lighting system for the Peace Bridge.

"This is a 21st century transformation made possible by advanced, energy efficient light emitting diode (LED) technology and the federal Transportation Enhancement Program" said Anthony Annunziata, Chairman of the Peace Bridge Authority.

The $1.2 million system controlled by sophisticated computer software will allow for unlimited color combinations and animations, as well as, unique colors for occurrences such as New Years, July 4, St. Patrick's Day, Bills and Sabres games and specific requests. At the same time the system will be much more energy efficient, require less maintenance, and provide better security lighting.

Mr. Ken Schoetz, Vice-Chairman of the Authority said, "Many people know that at the turn of the last century Buffalo was known as the "City of Light," celebrating one of the first cities illuminated by hydro-electric power. The Peace Bridge Authority is pleased that over 100 years later we can deliver a project that builds on this heritage, utilizing state of the art technology and energy efficiency."

Buffalo and Fort Erie Public Bridge Authority

905-871-1608
mobile.peacebridge.com
100 Queen Street • Fort Erie, ON L2A 3S6

716-884-6744
peacebridge.com
1 Peace Bridge Plaza • Buffalo, NY 14213-2494