BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

2020 Annual Report

OUR MISSION…

To be known as the premier Canada/U.S. international crossing providing excellence in customer service and an effective conduit for trade and tourism.

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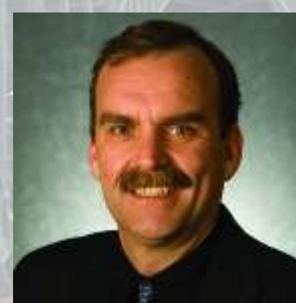

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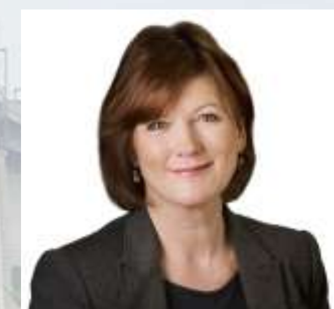

Debbie Zimmerman

CHAIRMAN'S REPORT

2020 was unfortunately dominated by COVID-19.

Less than a month after being elected Chair, the border was closed on March 21, 2020, to all but essential travel by both federal governments and has remained closed.

Immediately, car traffic dropped by 95% ending the year down by almost 80% compared to 2019. Trucks initially dropped by 25% but recovered to end the year down by approximately 5%.

The Authority pivoted quickly to respond, recognizing the Peace Bridge is critical infrastructure integral to keeping essential supply chains functioning and providing support to the Customs functions on both sides of the border. COVID-19 protocols were immediately put in place to protect Authority employees and tenants in accordance with public health directives.

A mid-year revised budget in June 2020 was put forth and was approved to reduce expenditures by approximately $10 million by deferring capital projects and cutting all but essential spending. The 2021 budget in October recognized the border restrictions would likely remain in place through at least the 1st quarter of 2021 and even when lifted (likely partially), car traffic would only return to 25% of pre-pandemic levels. Truck traffic is anticipated to be at 95% pre-pandemic levels.

Amidst all of this, the Authority continued to comply with all bond covenants including debt service coverage requirements and maintained an A+ credit rating.

Capital projects that were contractually committed to, continued, notably the bridge painting and bridge lighting projects. The 3-year bridge rehabilitation project was completed on time and under budget.

The toll structure was revamped in December to encourage touchless toll collection by promoting E-ZPass through higher cash tolls.

2021 will continue to bring uncertainty with no established border reopening plans resulting in ongoing revenue reductions related to car tolls and rental revenue, particularly from the Duty Free stores.

Kenneth A. Manning
Chairman

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Fort Erie Public Bridge Authority

We have audited the accompanying financial statements of Buffalo and Fort Erie Public Bridge Authority (the Authority), a business-type activity, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

February 26, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Years Ended December 31, 2020, 2019 and 2018 *(Unaudited)*

The management of the Buffalo and Fort Erie Public Bridge Authority (hereinafter referred to as the Authority) offers the following overview and analysis of the Authority's financial activities as of and for the years ended December 31, 2020, 2019 and 2018 which should be read in conjunction with the Authority's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Effective January 1, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement requires the Authority to include in its statement of net position its net other postemployment benefits (OPEB) liability as well as deferred outflows and deferred inflows of resources related to OPEB. The cumulative effect of this change was a decrease in net position at January 1, 2018 totaling $9,079,000.

The balance sheets present information on all 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.

MANAGEMENT'S DISCUSSION & ANALYSIS *(…continued)*

FINANCIAL STATEMENT ANALYSIS

Comparative Balance Sheets as of December 31:

U.S. $, in thousands	**2020**	**2019**	**2018**
Assets			
Current assets	$ 79,607	$ 94,734	$ 95,723
Restricted assets	19,374	19,678	36,026
Net pension asset	7,390	3,582	5,322
Capital assets, net	249,913	239,199	215,763
Total assets	356,284	357,193	352,834
Deferred outflows of resources	2,977	4,826	13,146
Total assets and deferred outflows of resources	**$ 359,261**	**$ 362,019**	**$ 365,980**
Liabilities			
Current liabilities	$ 10,453	$ 12,536	$ 16,713
Noncurrent liabilities	97,072	105,999	122,882
Total liabilities	107,525	118,535	139,595
Deferred inflows of resources	6,706	3,721	2,291
Net position			
Net investment in capital assets	147,659	131,766	120,067
Restricted	14,981	16,893	16,376
Unrestricted	82,390	91,104	87,651
Total net position	245,030	239,763	224,094
Total liabilities, deferred inflows of resources, and net position	**$ 359,261**	**$ 362,019**	**$ 365,980**

As noted earlier, net position serves as an indicator of the Authority's overall financial strength. The Authority's net position increased by $5,267,000 in 2020, $15,669,000 during 2019, and decreased by $1,266,000 during 2018 resulting from the Authority's operating and non-operating activities each year. The decrease in 2018 is primarily attributed to the cumulative effect of the adoption of GASB 75 which resulted in a decrease in beginning net position of $9,079,000. The effect of this and other variances between 2020 and 2019 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 and 2018 totaled $188,000, and $19,497,000 and are recorded as restricted assets. The net investment in capital assets at December 31, 2020, 2019, and 2018 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. Deferred outflows of resources related to OPEB also include the Authority's contributions subsequent to the measurement date of $370,000, $876,000, and $10,718,000 at December 31, 2020, 2019 and 2018, respectively.

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

U.S. $, in thousands	2020	2019	2018
Operating revenues			
Toll revenues	$ 16,910	$ 22,118	$ 22,213
Other revenues	7,662	8,813	8,859
Total operating revenues	24,572	30,931	31,072
Operating expenses			
Toll collection and traffic control	1,643	2,211	2,387
Maintenance of bridge, buildings, plazas & equipment	3,761	4,694	4,639
Administration	3,437	3,117	3,294
Pension	283	673	1,033
Other postemployment benefits	(3,650)	(1,162)	1,327
Other expenses	1,177	1,157	1,171
Bad debt	2,500	-	-
Loss on asset impairment	306	-	2,224
Depreciation	8,053	6,242	5,711
Total operating expenses	17,510	16,932	21,786
Operating income	7,062	13,999	9,286
Non-operating revenues (expenses)			
Interest income	1,534	3,325	2,269
Interest expense	(3,476)	(3,570)	(3,660)
Grant revenue	-	1,814	-
Currency remeasurement	147	101	(82)
Total non-operating revenue (expense)	(1,795)	1,670	(1,473)
Change in net position	5,267	15,669	7,813
Net position, beginning of year	239,763	224,094	225,360
Restatement - GASB 75	-	-	(9,079)
Net position, end of year	$ 245,030	$ 239,763	$ 224,094

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

Toll volumes decreased 63% in 2020 compared to 2019 due to the 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 was deemed essential travel by both governments. Overall, 2020 toll revenues decreased approximately 24% as a result of a 79% decrease in auto and bus revenues offset by an 8% increase in truck revenues. Commercial tolls also increased due to a scheduled toll increase on trucks effective January 1, 2020. Toll revenue decreased slightly in 2019 from 2018 (less than 1%) despite a 2.9% decrease in traffic volumes due to the elimination of the E-ZPass discount on commercial tolls.

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 the 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, 2020, 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.

Operating expenses increased $578,000 or 3.4% from 2019 to 2020. The increase is primarily due to recording $2,500,000 in bad debt expense attributable to duty free rent discussed previously and asset impairment losses of $306,000, offset by an increase in OPEB revenue of $2,488,000 compared to 2019. OPEB revenue totaled $1,162,000 for the year ended December 31, 2019 and increased to $3,650,000 for the year ended December 31, 2020. This increase was primarily a result of the difference between actual and expected return on plan assets and a decrease in the healthcare cost trend rate used in the actuarial calculation. Toll traffic and maintenance operating expense categories decreased $1,501,000 due to decreased activity and staffing as a result of the border restrictions. Depreciation increased $1,811,000 from 2019 due mainly to the completion of the toll system replacement and bridge redecking projects.

Operating expenses decreased $4,854,000 or 22% in 2019 compared to 2018. The primary driver in the decrease in operating expenses in 2019 was due to a one time impairment loss of $2,224,000 recognized in 2018 and a decrease in OPEB expense of $2,489,000 from 2018. OPEB expense amounted to $1,327,000 for the year ended December 31, 2018 as compared to OPEB income of $1,162,000 for the year ended December 31, 2019. This was primarily a result of a decrease in the healthcare cost trend rate used in the actuarial calculation.

Total non-operating net revenue (expense) decreased $3,465,000 in 2020 and increased $3,143,000 in 2019. Interest income declined approximately $1,791,000 in 2020 as the Authority used its capital improvement reserve to fund capital projects that were already in progress. Additionally, the investment mix held in the capital improvement reserve was reallocated to more liquid investments which further reduced interest income. In 2019, the Authority received a one-time capital grant from Transport Canada in the amount of $1,814,000, which was used to fund RFID readers at Canadian customs, a new toll system, and border analytics software. Additionally, interest income increased $1,056,000 in 2019 compared to 2018.

CAPITAL ASSETS AND LONG-TERM DEBT

The Authority's total investment in capital assets as of December 31, 2020 approximated $249,913,000 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 $19,082,000 in 2020 and $29,714,000 in 2019, as the Authority continued the Peace Bridge rehabilitation and bridge coatings projects, 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, 2020 amounted to $14,950,000.

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

In June 2017, the Authority issued $70,800,000 in 30 year fixed rate Toll Bridge System Revenue Bonds at a premium of $12,915,000, to finance the redecking and rehabilitation of the Peace Bridge, make a deposit to the debt service reserve account, and to pay certain costs of issuance of the Series 2017 bonds. The proceeds were also used to pay for costs 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 US/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 have been extended approximately every 30 days since March 2020 and remain in place through December 31, 2020 and are expected to continue into 2021. The Authority has been designated 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 of the travel restrictions is currently unknown, the Authority has experienced traffic declines in 2020 as compared to the previous year in both passenger and commercial 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 2021.

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 has remained closed during the ongoing border restrictions. 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 $2,500,000 bad debt allowance related to the 2020 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, 2020 the Authority has sufficient reserves to pay debt service and meet its operating expenses. Assets include approximately $78,000,000 of unrestricted cash and cash equivalents, representing nearly 3,000 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 2021 budget was developed to include the implementation of 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.

In 2018, the Authority established an independent trust for the purpose of providing benefits associated with the Authority's OPEB plans in the amount of $10,000,000. The Authority intends to fund the Trust annually based on investment returns and actuarially determined calculations. Payments to the OPEB Trust totaled $370,000 in 2020 and $878,000 in 2019.

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

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

BALANCE SHEETS, *in thousands*

December 31,	2020	2019
Assets		
Current assets:		
Cash	$ 951	$ 641
Accounts receivable, net	1,699	2,132
Prepaid expenses	297	194
Investments	76,660	91,767
	79,607	94,734
Noncurrent assets:		
Restricted assets:		
Cash	12,188	12,322
Investments	7,186	7,356
	19,374	19,678
Net pension asset	7,390	3,582
Capital assets, net (Note 5)	249,913	239,199
	276,677	262,459
Total assets	356,284	357,193
Deferred Outflows of Resources		
Defeasance loss	146	213
Deferred outflows of resources related to pensions	2,461	3,737
Deferred outflows of resources related to OPEB	370	876
Total deferred outflows of resources	2,977	4,826
Total assets and deferred outflows of resources	$ 359,261	$ 362,019
Liabilities		
Current liabilities:		
Current portion of bonds payable	$ 2,690	$ 2,550
Accounts payable and accrued liabilities	4,643	6,720
Accrued compensation and benefits	737	820
Other current liabilities	2,383	2,446
	10,453	12,536
Noncurrent liabilities:		
Bonds payable	95,203	98,771
Net OPEB liability	1,869	7,228
	97,072	105,999
Total liabilities	107,525	118,535
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	4,129	2,019
Deferred inflows of resources related to OPEB	2,577	1,702
Total deferred inflows of resources	6,706	3,721
Net Position		
Net investment in capital assets	147,659	131,766
Restricted	14,981	16,893
Unrestricted	82,390	91,104
Total net position	245,030	239,763
Total liabilities, deferred inflows of resources, and net position	$ 359,261	$ 362,019

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, *in thousands*

For the years ended December 31,	2020	2019
Operating revenues:		
Commercial tolls	$ 15,269	$ 14,294
Passenger tolls	1,641	7,824
Rentals	7,448	8,585
Other	214	228
Total operating revenues	24,572	30,931
Operating expenses:		
Toll collection and traffic control	1,643	2,211
Maintenance of bridge, buildings, plazas, and equipment	3,761	4,694
Administration	3,437	3,117
Pension	283	673
Other postemployment benefits	(3,650)	(1,162)
Canadian property taxes and U.S. equalization payments	977	957
Payments to New York State	200	200
Bad debt	2,500	-
Loss on asset impairment	306	-
Depreciation	8,053	6,242
Total operating expenses	17,510	16,932
Operating income	7,062	13,999
Non-operating revenues (expenses):		
Interest income	1,534	3,325
Interest expense	(3,476)	(3,570)
Currency remeasurement	147	101
Grant revenue	-	1,814
Total non-operating revenues (expenses)	(1,795)	1,670
Change in net position	5,267	15,669
Net position - beginning of year	239,763	224,094
Net position - end of year	$ 245,030	$ 239,763

STATEMENTS OF CASH FLOWS, *in thousands*

For the years ended December 31,		2020		2019
Operating activities:				
Toll revenue	$	17,085	$	21,813
Payments to suppliers		(8,676)		(6,096)
Payments for wages and employee benefits		(5,073)		(6,136)
Other revenues		6,716		8,815
Net operating activities		10,052		18,396
Capital and related financing activities:				
Property and equipment expenditures		(21,024)		(33,954)
Interest payments on debt		(4,351)		(4,463)
Principal payments on debt		(2,550)		(2,440)
Grant proceeds		1,100		714
Net capital and related financing activities		(26,825)		(40,143)
Investing activities:				
Sales of investments		15,277		18,759
Interest proceeds		1,534		3,325
Net investing activities		16,811		22,084
Effect of exchange rate changes		138		136
Change in cash		176		473
Cash - beginning		12,963		12,490
Cash - ending	$	13,139	$	12,963
Reconciliation of operating income to net cash provided from operating activities:				
Operating income	$	7,062	$	13,999
Adjustments to reconcile operating income to net cash provided from operating activities:				
Depreciation		8,053		6,242
Net pension and OPEB activity		(4,414)		(1,951)
Loss on disposal		315		-
Changes in assets and liabilities:				
Accounts receivable		(547)		(16)
Prepaid expenses		(101)		168
Accounts payable and accrued liabilities		(217)		(68)
Accrued compensation and benefits		(99)		22
	$	10,052	$	18,396

STATEMENTS OF FIDUCIARY NET POSITION, *in thousands*

December 31,	Pension and Other Employee Benefit Trust Funds **2020**	2019
Assets		
Current assets:		
Cash and short-term investments	**$ 615**	$ 964
Noncurrent assets:		
Investments - equity and fixed income securities	**53,961**	47,416
Total assets	**54,576**	48,380
Net Position		
Net position held in trust for pension benefits	**42,321**	38,201
Net position held in trust for OPEB benefits	**12,255**	10,179
	$ 54,576	$ 48,380

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Reporting Entity

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

Basis of Presentation

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

Measurement Focus

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

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

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

NOTES TO FINANCIAL STATEMENTS *(…continued)*

1. Summary of Significant Accounting Policies: cont'd

Use of Estimates

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

Cash

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

Investments

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

Restricted Assets

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

Bond – trustee accounts established to receive amounts necessary to meet current principal and interest payments and to maintain a sufficient balance in a debt service reserve fund.
Government payments – holds amounts necessary to fund payments to the State of New York as required under current legislation.
Operating expense reserve – holds amounts necessary to pay current year operating expenses as defined, plus an operating reserve equal to one-sixth of the operating expenses of the Authority for the preceding year.

Capital Assets

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

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

	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

NOTES TO FINANCIAL STATEMENTS *(…continued)*

1. Summary of Significant Accounting Policies: cont'd

Currency Translation

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

Compensated Absences

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

Pensions

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

Other Postemployment Benefits (OPEB)

The net OPEB liability, deferred outflows and deferred inflows of resources, OPEB expense, and information about and changes in the fiduciary net position of the Authority's defined benefit healthcare plans (Note 8) have been measured on the same basis as reported by the plans. For this purpose, benefit payments in the plans are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

Net Position

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

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

2. Deposits and Investments:

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

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2020, $5,757,000 of the Authority's bank deposits were uncollateralized and therefore exposed to custodial credit risk.

The Authority's exposure to foreign currency risk derives from its deposits denominated in Canadian currency totaling $6,182,000 (USD) at December 31, 2020.

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investments had the following maturities at December 31, 2020:

	Less than 1 year	1-5 years
Money market funds	$ 13,234	$ -
Commercial paper	150	-
Corporate bonds	4,590	14,778
Federal notes	7,186	43,908
	$ 25,160	$ 58,686

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.

NOTES TO FINANCIAL STATEMENTS *(...continued)*

3. Accounts Receivable, net:

(in thousands)	2020	2019
Accounts receivable for rental and tolls	$ 4,200	$ 2,133
Less allowance for doubtful accounts (Note 9)	2,501	1
	$ 1,699	$ 2,132

4. Investments:

(in thousands)	2020	2019
Unrestricted:		
U.S. Treasury notes	$ -	$ 2,737
Federal Home Loan Mortgage Corporation	18,800	7,946
Federal Home Loan Bank notes	1,016	-
Federal Farm Credit notes	11,552	7,565
Federal National Mortgage Association notes	12,540	2,503
Corporate bonds	19,368	21,303
Commercial paper	150	46,316
Cash equivalents	-	1,299
Money market fund	13,234	2,098
	$ 76,660	$ 91,767
Restricted:		
U.S. Treasury notes	$ 7,186	$ 7,168
Cash equivalents	-	188
	$ 7,186	$ 7,356

5. Capital Assets:

(in thousands)		January 1, 2020		Additions		Reclassifications and Disposals		December 31, 2020
Non-depreciable capital assets:								
Land	$	25,243	$	-	$	-	$	25,243
Construction-in-progress		12,248		19,082		(6,199)		25,131
Total non-depreciable assets		37,491		19,082		(6,199)		50,374
Depreciable capital assets:								
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		292,432		-		4,793		297,225
Less accumulated depreciation:								
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		(90,724)		(8,053)		1,091		(97,686)
Total depreciable assets, net		201,708		(8,053)		5,884		199,539
	$	239,199	$	11,029	$	(315)	$	249,913

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

NOTES TO FINANCIAL STATEMENTS *(…continued)*

5. Capital Assets: cont'd

Net investment in capital assets as of December 31, 2020 and 2019 consists of the following (in thousands):

	2020	2019
Capital assets, net of accumulated depreciation	$ 249,913	$ 239,199
Bonds and related premiums, net of unspent proceeds	(97,893)	(101,133)
Capital asset purchases included in accounts payable	(2,363)	(4,305)
Accrued interest	(2,144)	(2,208)
Defeasance loss	146	213
	$ 147,659	$ 131,766

6. Bond Indebtedness:

(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	-
	$ 101,321	$ -	$ (3,428)	$97,893	$ 2,690

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

6. Bond Indebtedness: cont'd

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 $146,000 and $213,000 at December 31, 2020 and 2019.

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

Debt service requirements are as follows (in thousands):

Years ending December 31,	Principal	Interest
2021	$ 2,690	$ 4,153
2022	2,830	4,012
2023	2,980	3,863
2024	3,140	3,706
2025	5,150	3,540
2026-2030	10,670	16,226
2031-2035	13,620	13,277
2036-2040	17,370	9,615
2041-2045	22,180	4,715
2046-2047	5,120	256
	$85,750	$63,363

7. Pension Plans:

Defined Benefit Plans

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

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

Employees Covered by Benefit Terms: At December 31, 2020 and 2019, the following employees were covered by the Defined Benefit Plans:

	2020		2019	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Inactive employees or beneficiaries currently receiving benefits	44	58	44	58
Inactive employees entitled to but not yet receiving benefits	-	1	-	1
Active employees	14	15	14	15
	58	74	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, 2020 and 2019, the Authority's contribution rate to the Canadian Plan was 35% and 33%, respectively, of covered payroll and 10% and 9% of covered payroll for the U.S. Plan, respectively.

NOTES TO FINANCIAL STATEMENTS *(…continued)*

7. Pension Plans: cont'd

Net Pension Asset

The net pension asset was measured as of December 31, 2019 based on an actuarial valuation as of January 1, 2019, rolled forward to December 31, 2019. There have been no significant changes in benefits or other plan provisions from the beginning of the year to the end of the year.

Actuarial Assumptions: Based on the size of the plans, it was not deemed appropriate to perform an experience study. The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Canadian Plan	U.S. Plan
Inflation	2.25%	2.75%
Salary increases	2.75%	2.75%
Investment rate of return	4.5%, compounded annually, net of all expenses	6.5%, compounded annually, net of all expenses
Mortality	CPM2014 Mortality Table with generational improvements projected using Scale B – no assumed preretirement deaths	RP-2014 Healthy Mortality Table rolled back to 2006, projected generationally with Scale BB improvements – no assumed preretirement deaths
Discount rate	4.5%	6.5%
COLA increases	0.93% COLA assumed (1.11% previously)	0.85% COLA assumed (1.14% previously)

7. Pension Plans: cont'd

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Canadian Plan		
Canadian equities	6%	5.3%
International equities	14%	5.3%
Fixed income	70%	(0.1%)
Real estate	10%	6.0%
	100%	
U.S. Plan		
U.S. equities	32%	5.8%
International equities	6%	3.1%
Fixed income	35%	0.1%
Multi-asset	20%	3.5%
Real estate	5%	2.8%
Cash	2%	(0.1%)
	100%	

Discount rate: The projection of cash flows used to determine the respective discount rates assumed that the Authority's contributions will continue to follow the current funding policy. Based on this assumption, the Authority's fiduciary net position was projected to be sufficient to make all projected future benefit payments of the Defined Benefit Plans' current members. Therefore, the discount rate equals the long-term rate of return of 4.5% (Canadian Plan) and 6.5% (U.S. Plan).

NOTES TO FINANCIAL STATEMENTS *(…continued)*

7. Pension Plans: cont'd

Changes in the Net Pension Asset

Canadian Plan (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at 12/31/18	$ (13,033)	$ 15,405	$2,372
Effect of currency exchange rate changes	(601)	714	113
Changes for the year:			
Service cost	(156)	-	(156)
Interest	(604)	-	(604)
Differences between expected and actual experience	217	-	217
Employer contributions	-	411	411
Net investment loss	-	(64)	(64)
Benefit payments	750	(750)	-
Administrative expenses	-	(101)	(101)
Net changes	207	(504)	(297)
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

7. Pension Plans: cont'd

Changes in the Net Pension Asset

U.S. Plan (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at 12/31/18	$(22,081)	$25,031	$2,950
Changes for the year:			
Service cost	(62)	-	(62)
Interest	(1,281)	-	(1,281)
Employer contributions	-	167	167
Differences between expected and actual experience	(485)	-	(485)
Changes of assumptions	1,094	-	1,094
Net investment loss	-	(856)	(856)
Benefit payments	1,623	(1,623)	-
Administrative expenses	-	(133)	(133)
Net changes	889	(2,445)	(1,556)
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

7. Pension Plans: cont'd

The following presents the Authority's net pension asset for the Defined Benefit Plans calculated using the discount rate of 4.5% (Canadian Plan) and 6.5% (U.S. Plan) and the impact of using a discount rate that is 1.0% higher or lower than the current rate as of December 31, 2020.

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Canadian Plan	$ 1,666	$ 3,271	$ 4,613
U.S. Plan	$ 1,875	$ 4,119	$ 6,011

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

For the years ended December 31, 2020 and 2019, the Authority recognized pension income of $37,000 and pension expense of $99,000 for the Canadian Plan and pension expense of $69,000 and $207,000 for the U.S. Plan. At December 31, 2020 and 2019, the Authority reported deferred outflows and deferred inflows of resources as follows:

	2020			
	Canadian Plan		U.S. Plan	
(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 475	$ 1,129	$ 1,489	$ 3,000
Changes of assumptions	-	-	-	-
Changes in experience	22	-	37	-
Authority contributions subsequent to the measurement date	341	-	97	-
	$ 838	$ 1,129	$ 1,623	$ 3,000

NOTES TO FINANCIAL STATEMENTS *(…continued)*

7. Pension Plans: cont'd

	2020			
	Canadian Plan		U.S. Plan	
(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 475	$ 1,129	$ 1,489	$ 3,000
Changes of assumptions	-	-	-	-
Changes in experience	22	-	37	-
Authority contributions subsequent to the measurement date	341	-	97	-
	$ 838	$ 1,129	$ 1,623	$ 3,000

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

Years ending December 31,	
2021	$ (547)
2022	(655)
2023	(142)
2024	(762)
	$ (2,106)

7. Pension Plans: cont'd

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 $112,000 and $113,000 in 2020 and 2019, respectively. The Authority makes all required contributions when due.

8. OPEB:

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

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

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

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

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

8. OPEB: cont'd

At December 31, 2020 and 2019, employees covered by the Plan include:

	2020		2019	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Active employees	14	14	14	14
Inactive employees or beneficiaries currently receiving	75	53	75	53
Inactive employees entitled to but not yet receiving	-	-	-	-
	89	67	89	67

Net OPEB Liability

The Authority's net OPEB liability of $1,869,000 was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019, rolled forward to December 31, 2019.

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 investments and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	32%	5.8%
International equities	6%	3.1%
Fixed income	35%	0.1%
Multi-asset	20%	3.5%
Real estate	5%	2.8%
Cash	2%	(0.1%)
	100%	

NOTES TO FINANCIAL STATEMENTS *(…continued)*

8. OPEB: cont'd

The total OPEB liability in the December 31, 2019 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: 5.5% (5.75% previously) grading down by 0.25% each year to 4.5%
- U.S. Plan: 6.0% (6.25% previously) grading down by 0.25% each year to 5.0%

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: RPH-2014, using Projection Scale BB
- Canadian Plan: CIA CPM-2014 Combined Mortality with CIA Scale CPM-B

Retirement:
- Expected dates for each active employee based upon their unreduced pension eligibility

Salary:
- Increases of 2.75%

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

8. OPEB: cont'd

Changes in the Net OPEB Liability

(in thousands)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2018	$ (20,638)	$ -	$ (20,638)
Effect of foreign currency exchange rate changes	(228)	-	(228)
Changes for the year:			
Employer contributions	-	10,765	10,765
Net investment income	-	178	178
Service cost	(106)	-	(106)
Interest	(1,234)	-	(1,234)
Differences between expected and actual experience	1,657	-	1,657
Changes of assumptions	2,378		2,378
Benefit payments	764	(764)	-
Net changes	3,459	10,179	13,638
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
Change of assumptions	3,674	-	3,674
Benefit payments	736	(736)	-
Administrative expenses	-	(23)	(23)
Net changes	3,500	2,076	5,576
Balances at December 31, 2020	$ (14,124)	$ 12,255	$ (1,869)

8. OPEB: cont'd

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

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Net OPEB Liability	$ (4,419)	$(1,869)	$(978)

The following presents the sensitivity of the Authority's net OPEB liability to changes in the healthcare cost trend rates, including what the Authority's net OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates of 6.0% to 4.5%:

(in thousands)	1.0% Decrease	At Current Trend rate	1.0% Increase
Net OPEB Liability	$ (918)	$(1,869)	$(4,485)

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

For the years ended December 31, 2020 and 2019, the Authority recognized OPEB income of $3,650,000 and $1,162,000. At December 31, 2020 and 2019, the Authority reported deferred outflows and deferred inflows of resources as follows:

	2020		2019	
(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,102	$ -	$ 135
Changes of assumptions	-	1,403	-	912
Changes in experience	-	72	-	655
Authority contributions subsequent to the measurement date	370	-	876	-
	$ 370	$ 2,577	$ 876	$ 1,702

8. OPEB: cont'd

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (cont'd)

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows (in thousands):

Years ending December 31,		
2021	$	(1,759)
2022		(284)
2023		(284)
2024		(250)
	$	(2,577)

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 $4,260,000 and $5,483,000 in gross rental income in 2020 and 2019 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 a $2,500,000 bad debt allowance relative to the default status of the lease.

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 $2,422,000 and $2,267,000 in 2020 and 2019.

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

Years ending December 31,		
2021	$	6,612
2022		6,612
2023		6,612
2024		6,647
2025		6,683
Thereafter		53,167
	$	86,333

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.

NOTES TO FINANCIAL STATEMENTS *(…continued)*

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 $1,627,000 and $1,486,000 included in accrued liabilities as of December 31, 2020 and 2019 to current and former management employees due under separate deferred compensation agreements. Payments made under these agreements totaled $4,800 in 2020 and 2019.

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, 2020, the Authority had contractual commitments of approximately $4,390,000 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)	2020	2019
Debt service funds:		
Debt service fund	$ 4,927	$ 4,801
Debt reserve fund	7,086	7,146
Operating expense reserve	2,968	4,946
	$ 14,981	$ 16,893

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 operations. Financial markets also experienced significant fluctuations in value.

Beginning in March 2020 and continuing subsequent to December 31, 2020, the Authority experienced significant decline in toll volume; the governments of the U.S and Canada limited border crossings to essential travel only beginning March 21, 2020. 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 impact on travelers, employees, and vendors, none of which can be predicted.

CROSSING PATHS BUILDING FUTURES
THE PEACE BRIDGE

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