BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

2023 Annual Report

OUR MISSION…

That the Peace Bridge be known as the premier Canada/U.S. international border crossing, an effective steward for trade and tourism, and excellence in customer care.

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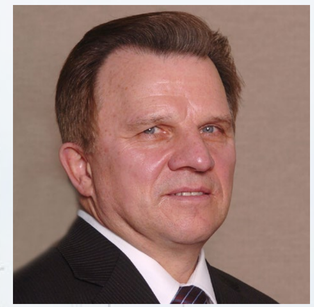

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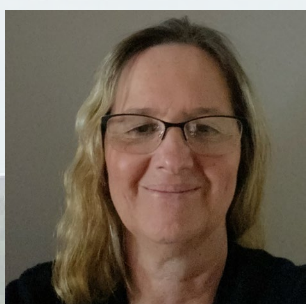

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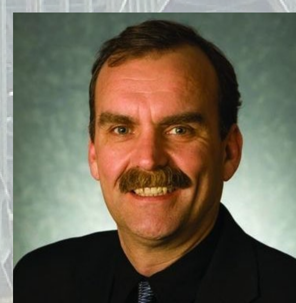

Patrick J.
Robson

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Fort Erie Public Bridge Authority

Opinion

We have audited the financial statements of Buffalo and Fort Erie Public Bridge Authority (the Authority), a business-type activity, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2023 and 2022, 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 (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Lumsden & McCormick, LLP

February 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Unaudited)*

December 31, 2023

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, 2023, 2022 and 2021, which should be read in conjunction with the Authority's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The balance sheets present information on all the Authority's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, resulting in 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, noncapital financial and investing activities.

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

FINANCIAL STATEMENT ANALYSIS
Balance Sheets as of December 31:

U.S. $, in thousands	2023	2022	2021
Assets			
Current assets	$ 111,199	$ 86,588	$ 82,883
Restricted assets	16,343	17,408	17,104
Noncurrent lease receivable	46,879	50,448	55,394
Net pension asset	3,515	10,804	9,405
Net OPEB asset	-	2,771	604
Capital assets, net	231,948	239,698	244,755
Total assets	409,884	407,717	410,145
Deferred outflows of resources	10,576	1,245	2,123
Total assets and deferred outflows of resources	$ 420,460	$ 408,962	$ 412,268
Liabilities			
Current liabilities	$ 9,146	$ 8,703	$ 8,988
Noncurrent liabilities	84,768	87,790	91,544
Total liabilities	93,914	96,493	100,532
Deferred inflows of resources	53,898	59,551	64,917
Net position			
Net investment in capital assets	142,893	146,658	148,000
Restricted	15,437	16,010	14,895
Unrestricted	114,318	90,250	83,924
Total net position	272,648	252,918	246,819
Total liabilities, deferred inflows of resources, and net position	$ 420,460	$ 408,962	$ 412,268

As noted above, net position serves as an indicator of the Authority's overall financial strength. The Authority's net position increased by $19,730,000 in 2023, $6,099,000 during 2022, and $1,789,000 during 2021, resulting from the Authority's operating and non-operating activities each year. The effects of the variances are detailed on pages iii and iv.

The net investment in capital assets at December 31, 2023, 2022, and 2021, reflects the Authority's net capital assets offset by any payables and outstanding debt 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.

Pension assets decreased $7,289,000 from 2022 ($1,399,000 increase from 2021) as a result of investment losses and the corresponding decreases in the fair market value of plan assets. Capital assets decreased $7,750,000 from 2022 ($5,057,000 decrease from 2021) resulting primarily from depreciation expense exceeding capital additions.

Noncurrent liabilities include the Authority's net OPEB liability and bonds the Authority used for the bridge redecking and rehabilitation project, coatings project, and enhancements to the U.S. plaza regarding inspection capacity.

Deferred outflows and deferred inflows of resources also include 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, changes in healthcare cost trends, and the Authority's contributions subsequent to the plans' measurement dates.

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

U.S. $, in thousands	2023	2022	2021
Operating revenues			
Toll revenues	$ 28,708	$ 23,133	$ 18,165
Other revenues	8,470	6,517	5,697
Total operating revenues	37,178	29,650	23,862
Operating expenses			
Toll collection and traffic control	1,891	1,531	1,386
Maintenance of bridge, buildings, plazas, and equipment	4,387	3,817	3,918
Administration	4,617	4,085	3,509
Pension	(139)	(760)	(408)
Other postemployment benefits	498	(1,676)	(2,855)
Other expenses	1,273	1,244	1,261
Bad debts	248	2,068	3,192
(Gain)/loss on asset disposals/impairment	(40)	(26)	2,268
Depreciation	8,582	8,459	8,143
Total operating expenses	21,317	18,742	20,414
Operating income	15,861	10,908	3,448
Non-operating revenues (expenses)			
Net increase (decrease) in fair value of investments	1,872	(4,376)	(767)
Interest income	4,914	3,406	2,460
Interest expense	(3,179)	(3,281)	(3,381)
Currency remeasurement	262	(558)	29
Total non-operating revenues (expenses)	3,869	(4,809)	(1,659)
Change in net position	19,730	6,099	1,789
Net position, beginning of year	252,918	246,819	245,030
Net position, end of year	$ 272,648	$ 252,918	$ 246,819

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

Toll volumes increased 35% in 2023 compared to 2022 due to the removal of all remaining border restrictions on non-essential travel that were 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 increased 52% and 38%, respectively. Trade and commerce was deemed essential travel by both governments and not subject to the restrictions. Overall, in 2023, toll revenues increased approximately 24% with an increase of 67% in auto revenues and an 8% increase in truck and bus revenues. Truck toll revenue accounts for 64% of the Authority's toll revenue. The increase in truck revenue was due to a 1% increase in volume coupled with an increase in truck toll rates effective January 1, 2023. The auto toll revenue increase was due to increased volumes in 2023. Traffic volumes increased 85% and toll revenues increased 27% from 2021 to 2022 due to the removal of virtually all of the COVID-19 border restrictions by September 2022.

Other revenues consist primarily of rental income, the largest portion of which is attributed to leases with duty-free businesses. The rent from the duty-free stores was negatively impacted by the border restrictions on non-essential travel that resulted in sharp declines in duty free sales. Both the U.S. and the Canadian duty-free stores are required to pay a minimum base rent; however, due to COVID-19 border restrictions, the stores have been unable to make the minimum base rent payments since April 2020. The Authority entered into successive rent deferral agreements with the US duty-free store which provides for the repayment of past due amounts over 5 years at a variable interest rate of prime plus .25%. The Authority entered into a rent deferral agreement with the Canadian duty-free store which expired in July 2020. At December 31, 2023, the Canadian duty-free store is in default of the lease and the deferral agreement. Gross duty-free rent increased 33% from 2022 to 2023 in conjunction with increased traffic volumes as well as a court order on the Canadian duty-free operator to pay the minimum base rent as stated in the lease beginning in May 2023. Bad debt expense of $248,000, $2,068,000 and $3,912,000 was recognized for 2023, 2022 and 2021, respectively, related to these duty-free lease agreements.

Operating expenses increased $2,575,000 or 13.7% from 2022 to 2023. The increase is primarily due to pension and OPEB expense. Fluctuations in pension and OPEB are primarily the result of changes in assumptions and plan experience used in the actuarial calculations. As a result, the Authority recognized expense of $359,000 and income of $2,436,000 and $3,263,000, respectively, related to its pension and OPEB plans for the years ended 2023, 2022 and 2021. In addition, operating expenses related to tolls, maintenance and administration increased $1,462,000 which was mitigated by a decrease in bad debt expense of $1,820,000 in 2023 compared to 2022 attributable to the duty-free rent discussed previously.

Operating expenses decreased $1,672,000 or 8.2% in 2022 compared to 2021. The primary driver in the decrease in operating expenses in 2022 was due to the recognition of a one-time asset impairment loss of $2,268,000 in 2021 related to the previous bridge coatings project. Additionally, a decrease in bad debts of $1,124,000 was attributable to the duty-free rent as discussed previously.

Total non-operating net expenses decreased $8,678,000 in 2023 from 2022 and increased $3,150,000 in 2022 from 2021. The increase in the fair value of investments totaled $1,872,000 in 2023 compared to a decrease of $4,376,000 in 2022. The Authority typically holds its investments to maturity.

CAPITAL ASSETS AND LONG-TERM DEBT

The Authority's total investment in capital assets as of December 31, 2023 approximated $231,948,000 representing 57% 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 $837,000 in 2023 and $4,381,000 in 2022, as the Authority completed Peace Bridge pier rehabilitation and other capital projects and equipment purchases.

In June 2014, the Authority issued $28,840,000 in fixed rate Toll Bridge System Revenue Refunding Bonds at a premium of $4,262,000, to currently refund $33,500,000 of outstanding Series 2005 bonds, with interest rates ranging from 4% to 5%, and a true interest cost of 2.22%. The Series 2014 bond proceeds of $33,102,000 plus $3,710,000 in Series 2005 bond reserve monies were used to refund the Series 2005 bonds under a mandatory tender and establish the Series 2014 debt reserves. The outstanding balance of the 2014 bonds at December 31, 2023 was $6,450,000.

Fitch Ratings has assigned "A" ratings 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 the cost of the Peace Bridge coatings and enhancements to the U.S. plaza devoted to inspection capacity. The Series 2017 bonds were issued on a parity with the Series 2014 bonds, with fixed interest rates of 5%, and a true interest cost of 3.71%. Principal repayments begin upon the repayment of the Series 2014 bonds (January 1, 2025) and continue until January 1, 2047.

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

FACTORS THAT WILL IMPACT FINANCIAL POSITION

The COVID-19 pandemic has had health, financial, and economic impacts across the world. Effective March 21, 2020, the United States and Canada enacted a joint initiative temporarily restricting all non-essential travel across the U.S/Canadian border. On September 30, 2022, Canada dropped all remaining COVID border requirements. As of May 2023, the last border restriction that remained (all non-U.S. residents entering the U.S. via the land border must be vaccinated for COVID) was ended. The Authority has been designated as an essential business by both countries and all Authority staff are able to report to work and are not prevented from crossing the border to do so.

While the type or possibility of any future travel restrictions are currently unknown, the Authority experienced traffic declines in 2021 as compared to 2020 in passenger crossings when the non-essential travel restrictions were put in place. In 2022, the Authority experienced a significant increase in passenger traffic to approximately 50% of pre-pandemic levels and in 2023, passenger traffic ended the year at approximately 85% of pre-pandemic levels. While it is believed that passenger traffic will return to pre-pandemic levels, it is unknown how long that may take and the Authority expects that current traffic levels may continue in 2024 and may impact toll and duty-free revenues.

During 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 experienced decreased sales since 2020 and were unable to make the minimum base rent payments as per their respective leases.

The U.S. duty-free store remained open during the border restrictions (at reduced hours) and continued to pay a percentage of actual sales made each month as rent. In January 2023, the Authority and the US duty-free store operator agreed to a new lease amendment that establishes the repayment of the deferred rent from April 2020 through December 2022 at an interest rate of prime plus .25%. The amount deferred is the difference between the minimum rent (based on 2019 sales levels) and the amounts paid to the Authority. The U.S. duty-free store paid rent in accordance with the lease agreement during 2023.

The Canadian duty-free store closed in March 2020 and reopened in September 2021. Its deferral agreement expired July 31, 2020 and the Canadian duty-free lease is currently in default. Due to the default status, the Authority has recognized a $6,754,000 bad debt allowance related to the 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, 2023 the Authority has sufficient reserves to pay debt service and meet its operating expenses. Assets include approximately $105,000,000 of unrestricted cash, cash equivalents, and investments, representing nearly 3,000 days cash on hand.

As the recovery from the impact of the COVID-19 border restrictions continue, the Authority will closely monitor the impacts of any new restrictions on its operations, revenues, and liquidity. The Authority's 2024 budget was developed to include traffic at levels experienced in 2023 and more normalized expenses related to operations while continuing to implement fiscally conservative operating budgets where appropriate, and to continue to keep short-term operating and long-term capital expenses in line with budgeted revenues.

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,	2023	2022
Assets		
Current assets:		
Cash	$ 16,863	$ 5,625
Leases and accounts receivable, net	5,815	4,263
Prepaid expenses	399	388
Investments	88,122	76,312
	111,199	86,588
Noncurrent assets:		
Restricted assets:		
Cash	9,005	10,412
Investments	7,338	6,996
	16,343	17,408
Leases receivable	46,879	50,448
Net pension asset	3,515	10,804
Net OPEB asset	-	2,771
Capital assets, net (Note 5)	231,948	239,698
	298,685	321,129
Total assets	409,884	407,717
Deferred outflows of resources		
Defeasance loss	15	46
Deferred outflows of resources related to pensions	7,820	981
Deferred outflows of resources related to OPEB	2,741	218
Total deferred outflows of resources	10,576	1,245
Total assets and deferred outflows of resources	$ 420,460	$ 408,962

BALANCE SHEETS, *in thousands (…continued)*

Liabilities		
Current liabilities:		
Current portion of bonds payable	**$ 3,140**	$ 2,980
Accounts payable and accrued liabilities	**2,904**	2,723
Accrued compensation and benefits	**933**	758
Other current liabilities	**2,169**	2,242
	9,146	8,703
Noncurrent liabilities:		
Bonds payable	**83,936**	87,790
Net OPEB liability	**832**	-
	84,768	87,790
Total liabilities	**93,914**	96,493
Deferred inflows of resources		
Deferred inflows of resources related to leases	**50,448**	53,869
Deferred inflows of resources related to pensions	**2,435**	3,823
Deferred inflows of resources related to OPEB	**1,015**	1,859
Total deferred inflows of resources	**53,898**	59,551
Net position		
Net investment in capital assets	**142,834**	146,658
Restricted	**15,437**	16,010
Unrestricted	**114,377**	90,250
Total net position	**272,648**	252,918
Total liabilities, deferred inflows of resources, and net position	**$ 420,460**	$ 408,962

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

For the years ended December 31,	2023	2022
Operating revenues:		
Commercial tolls	$ 18,307	$ 16,899
Passenger tolls	10,401	6,234
Rentals	8,114	5,870
Other	356	647
Total operating revenues	37,178	29,650
Operating expenses:		
Toll collection and traffic control	1,891	1,531
Maintenance of bridge, buildings, plazas, and equipment	4,387	3,817
Administration	4,617	4,085
Pension	(139)	(760)
Other postemployment benefits	498	(1,676)
Canadian property taxes and U.S. equalization payments	1,073	1,044
Payments to New York State	200	200
Bad debts	248	2,068
Gain on asset disposal/impairment	(40)	(26)
Depreciation	8,582	8,459
Total operating expenses -	21,317	18,742
Operating income	15,861	10,908
Non-operating revenues (expenses):		
Net increase (decrease) in fair value of investments	1,872	(4,376)
Interest income	4,914	3,406
Interest expense	(3,179)	(3,281)
Currency remeasurement	262	(558)
Total non-operating net expenses	3,869	(4,809)
Change in net position	19,730	6,099
Net position - beginning of year	252,918	246,819
Net position - end of year	$ 272,648	$ 252,918

STATEMENTS OF CASH FLOWS, *in thousands*

For the years ended December 31,	2023	2022
Operating activities:		
Toll revenue	$ 27,751	$ 24,049
Payments to suppliers	(7,379)	(9,003)
Payments for wages and employee benefits	(5,483)	(4,712)
Other revenues	8,031	6,389
Net operating activities	22,920	16,723
Capital and related financing activities:		
Property and equipment expenditures, net	(980)	(3,460)
Interest payments on debt	(3,936)	(4,082)
Principal payments on debt	(2,980)	(2,830)
Net capital and related financing activities	(7,896)	(10,372)
Noncapital financing activities:		
Interest receipts on rental leases	2,155	2,669
Investing activities:		
Purchases of investments, net	(10,280)	(7,127)
Interest proceeds	2,759	737
Net investing activities	(7,521)	(6,390)
Effect of exchange rate changes	173	(357)
Change in cash	9,831	2,273
Cash - beginning	16,037	13,764
Cash - ending	$ 25,868	$ 16,037
Reconciliation of operating income to net cash provided from operating activities:		
Operating income	$ 15,861	$ 10,908
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	8,582	8,459
Bad debts	248	2,068
Net pension and OPEB activity	(672)	(3,154)
Gain on asset disposal/impairment	(40)	(26)
Changes in assets and liabilities:		
Leases and accounts receivable	(1,552)	(1,280)
Prepaid expenses	(10)	(85)
Accounts payable and accrued liabilities	334	(181)
Accrued compensation and benefits	169	14
	$ 22,920	$ 16,723

STATEMENTS OF FIDUCIARY NET POSITION, *in thousands*

	Pension and Other Employee Benefit Trust Funds	
December 31,	**2023**	2022
Assets		
Current assets:		
Cash and short-term investments	**$ 416**	$ 884
Noncurrent assets:		
Investments - equity and fixed income securities	**48,039**	59,137
Total assets	**48,455**	60,021
Net Position		
Net position held in trust for pension benefits	**36,596**	45,326
Net position held in trust for OPEB benefits	**11,859**	14,695
	$ 48,455	$ 60,021

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION, *in thousands*

	Pension and Other Employee Benefit Trust Funds	
December 31,	**2023**	2022
Additions:		
Employer contributions	**$ 544**	$ 688
Net investment income (loss)	**(9,300)**	5,841
Effect of foreign currency exchange rate changes	**378**	(1,177)
Total additions	**(8,378)**	5,352
Deductions:		
Benefits paid to participants or beneficiaries	**2,975**	2,844
Administrative expenses	**213**	253
Total deductions	**3,188**	3,097
Change in net position	**(11,566)**	2,255
Net position - beginning of year	**60,021**	57,766
Net position - end of year	**$ 48,455**	$ 60,021

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 His Majesty The King in Right of Canada, respectively.

Basis of Presentation

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

Measurement Focus

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

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

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

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

1. Summary of Significant Accounting Policies: *(…continued)*

Cash

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

Investments

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

Restricted Assets

The Authority established the following accounts in order to comply with bond resolutions and other requirements:

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

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

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

Leases Receivable and Deferred Inflows of Resources

Leases receivable are reported at the present value of future receipts related to assets the Authority has conveyed a noncancellable right to use for a period over one year. Deferred inflows of resources are recognized at the original present value of the lease receivable and recognized as revenue over the lease term.

NOTES TO FINANCIAL STATEMENTS *(…continued)*

1. Summary of Significant Accounting Policies: *(…continued)*

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 assets are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Bridge infrastructure	$ 5,000	10-150 years
Buildings and plazas	$ 5,000	10-40 years
Equipment - general	$ 1,000	3-10 years
Equipment - toll system	$ 1,000	7 years

Currency Translation

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

Compensated Absences

The Authority provides for vacation, sick, and compensatory time that is attributable to services already rendered. 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 (income), 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.

1. Summary of Significant Accounting Policies: *(...continued)*

Other Postemployment Benefits (OPEB)

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

Net Position

The Authority is required to classify net position into three categories:

- *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 determination 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.

NOTES TO FINANCIAL STATEMENTS *(…continued)*

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, 2023, $11,412,000 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 $9,804,000 (USD) at December 31, 2023.

Interest rate risk is the risk that the value of investments will decrease as a result of a change in interest rates. The Authority's investments had the following maturities at December 31, 2023:

(in thousands)	Less than 1 year	1-5 years
Money market funds	$ 9,271	$ -
Commercial paper	5,972	-
Corporate bonds	2,538	7,156
Federal notes	16,117	54,406
	$ 33,898	$ 61,562

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. Leases and Accounts Receivable, net:

(in thousands)	2023	2022
Leases and accounts receivable for rental and tolls	$ 59,448	$ 62,472
Less allowance for doubtful accounts	6,754	7,761
Less noncurrent portion	46,879	50,448
	$ 5,815	$ 4,263

The Authority, as lessor, has entered into non-cancelable leases with separate U.S. and Canadian duty-free enterprises through December 31, 2025 and October 31, 2031, respectively. The Authority recognized $6,499,000 and $4,898,000 in rental and interest income (at 4%) in 2023 and 2022 from these duty-free enterprises. The leases provide for annual minimum payments and contingent payments based on the lessees' sales revenue.

Due to the border restrictions imposed by the U.S and Canadian governments in response to the COVID-19 pandemic, neither duty-free enterprise has made payments based on original agreements. The Authority has recognized an allowance for uncollectible accounts of $6,754,000 and $7,761,000 at December 31, 2023 and 2022. In 2022, the Authority entered into an agreement with the U.S. duty-free enterprise to pay past due amounts over five years. Amounts outstanding under this agreement total $804,000 and are included in leases and accounts receivable on the accompanying balance sheet at December 31, 2023.

The Authority also leases space to a governmental entity under a non-cancelable twenty-year lease expiring June 30, 2039. Rental and interest income (at 4%) received by the Authority under this lease totaled $2,769,000 and $2,650,000 in 2023 and 2022.

The Authority also leases certain real property under cancelable month-to-month leases to commercial enterprises and governmental agencies.

4. Investments:

(in thousands)	2023	2022
Unrestricted:		
Federal Home Loan Mortgage Corporation notes	$ 10,985	$ 10,563
Federal Home Loan Bank notes	25,597	12,175
Federal Farm Credit notes	13,500	10,445
Federal National Mortgage Association notes	10,955	9,904
Corporate bonds	9,694	4,485
Commercial paper	5,972	17,555
U.S. Treasury notes	2,148	3,490
Money market fund	9,271	7,695
	$ 88,122	$ 76,312
Restricted:		
U.S. Treasury notes	$ 7,338	$ 6,996

5. Capital Assets:

(in thousands)	January 1, 2023	Additions	Reclassifications and Disposals	December 31, 2023
Non-depreciable capital assets:				
Land	$ 25,459	$ -	$ -	$ 25,459
Construction-in-progress	1,629	837	(1,625)	841
Total non-depreciable assets	27,088	837	(1,625)	26,300
Depreciable capital assets:				
Bridge	165,149	-	(6)	165,143
Buildings and plazas	128,606	-	938	129,544
Equipment - general	6,362	-	302	6,664
Equipment - toll system	4,309	-	221	4,530
Total depreciable assets	304,426	-	1,455	305,881
Less accumulated depreciation:				
Bridge	(25,640)	(4,423)	6	(30,057)
Buildings and plazas	(59,811)	(3,206)	-	(63,017)
Equipment - general	(4,939)	(480)	133	(5,286)
Equipment - toll system	(1,426)	(473)	26	(1,873)
Total accumulated depreciation	(91,816)	(8,582)	165	(100,233)
Total depreciable assets, net	212,610	(8,582)	1,620	205,648
	$ 239,698	$ (7,745)	$ (5)	$ 231,948

5. Capital Assets: *(...continued)*

(in thousands)	January 1, 2022	Additions	Reclassifications and Disposals	December 31, 2022
Non-depreciable capital assets:				
Land	$ 24,278	$ -	$ 1,181	$ 25,459
Construction-in-progress	1,868	4,381	(4,620)	1,629
Total non-depreciable assets	26,146	4,381	(3,439)	27,088
Depreciable capital assets:				
Bridge	162,727	-	2,422	165,149
Buildings and plazas	128,596	-	10	128,606
Equipment - general	6,970	-	(608)	6,362
Equipment - toll system	4,245	-	64	4,309
Total depreciable assets	302,538	-	1,888	304,426
Less accumulated depreciation:				
Bridge	(21,340)	(4,300)	-	(25,640)
Buildings and plazas	(56,623)	(3,188)	-	(59,811)
Equipment - general	(4,962)	(527)	550	(4,939)
Equipment - toll system	(1,004)	(444)	22	(1,426)
Total accumulated depreciation	(83,929)	(8,459)	572	(91,816)
Total depreciable assets, net	218,609	(8,459)	2,460	212,610
	$ 244,755	$ (4,078)	$ (979)	$ 239,698

5. Capital Assets: *(…continued)*

Net investment in capital assets as of December 31, 2023 and 2022 consists of the following (in thousands):

	2023	2022
Capital assets, net of accumulated depreciation	$ 231,948	$ 239,698
Bonds and related premiums	(87,076)	(90,770)
Capital asset purchases included in accounts payable	(122)	(310)
Accrued interest	(1,931)	(2,006)
Defeasance loss	15	46
	$ 142,834	$ 146,658

6. Bond Indebtedness:

(in thousands)	January 1, 2023	Increases	Decreases	December 31, 2023	Due Within One Year
Series 2014 bonds	$ 9,430	$ -	$ (2,980)	$ 6,450	$ 3,140
Unamortized premium 2014 refunding	269	-	(177)	92	-
Series 2017 bonds	70,800	-	-	70,800	-
Unamortized premium 2017 bond issue	10,271	-	(537)	9,734	-
	$ 90,770	$ -	$ (3,694)	$ 87,076	$ 3,140

(in thousands)	January 1, 2022	Increases	Decreases	December 31, 2022	Due Within One Year
Depreciable capital assets:					
Series 2014 bonds	$ 12,260	$ -	$ (2,830)	$ 9,430	$ 2,980
Unamortized premium 2014 refunding	525	-	(256)	269	-
Series 2017 bonds	70,800	-	-	70,800	-
Unamortized premium 2017 bond issue	10,789	-	(518)	10,271	-
	$ 94,374	$ -	$ (3,604)	$ 90,770	$ 2,980

6. Bond Indebtedness: ***(…continued)***

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 $15,000 and $46,000 at December 31, 2023 and 2022, respectively.

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

Debt service requirements are as follows (in thousands):

Years ending December 31,	Principal	Interest
2024	$ 3,140	$ 3,706
2025	5,150	3,540
2026	1,930	3,448
2027	2,030	3,352
2028	2,130	3,250
2029-2033	12,350	14,544
2034-2038	15,760	11,130
2039-2043	20,115	6,777
2044-2046	14,645	1,488
	$77,250	$51,235

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 the December 31, 2022 and 2021 valuation dates, the following employees were covered by the Defined Benefit Plans:

	2022		2021	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Active employees	8	11	11	13
Inactive employees or beneficiaries currently receiving benefits	48	55	46	58
Inactive employees entitled to but not yet receiving benefits	-	1	-	1
	56	67	57	72

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, 2023 and 2022, the Authority's contribution rate to the Canadian Plan was 28% and 40%, respectively, of covered payroll and 12% and 11%, respectively, of covered payroll for the U.S. Plan.

NOTES TO FINANCIAL STATEMENTS *(…continued)*

7. Pension Plans: *(…continued)*

Net Pension Asset

The net pension asset reported at December 31, 2023 was measured as of December 31, 2022 based on an actuarial valuation as of December 31, 2022. The net pension asset reported at December 31, 2022 was measured as of December 31, 2021 based on an actuarial valuation as of December 31, 2021. 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 December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Canadian Plan	U.S. Plan
Inflation	2.25%	2.75%
Salary increases	2.75%	2.75%
Investment rate of return	5.75%, compounded annually, net of all expenses (4.25% previously)	6.5%, compounded annually, net of all expenses
Mortality	CPM2014 Mortality Table with generational improvements projected using Scale B – no assumed preretirement deaths	Various Pub-2010 mortality tables, projected generationally with Scale MP-2021 improvements – no assumed preretirement deaths
Discount rate	5.75% (4.25% previously)	6.5%
COLA increases	3.43% COLA assumed (2.19% previously)	4.1% COLA assumed (2.70% previously)

7. Pension Plans: *(...continued)*

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	5%	5.3%
International equities	11%	5.3%
Fixed income	79%	2.4%
Real estate	3%	6.0%
Cash	2%	0.1%
	100%	
U.S. Plan		
U.S. equities	30%	6.2%
International equities	5%	7.3%
Fixed income	41%	2.4%
Multi-asset	17%	3.9%
Real estate	5%	7.1%
Cash	2%	0.2%
	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 5.75% (Canadian Plan) and 6.5% (U.S. Plan).

NOTES TO FINANCIAL STATEMENTS *(…continued)*

7. Pension Plans: *(…continued)*

Changes in the Net Pension Asset

Canadian Plan (in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at 12/31/21	$ (14,415)	$ 17,772	$ 3,357
Effect of currency exchange rate changes	956	(1,177)	(221)
Changes for the year:			
Service cost	(94)	-	(94)
Interest	(560)	-	(560)
Differences between expected and actual experience	(180)	-	(180)
Changes of assumptions	-	-	-
Employer contributions	-	290	290
Net investment income	-	729	729
Benefit payments	755	(755)	-
Administrative expenses	-	(69)	(69)
Net changes	(79)	195	116
Balances at 12/31/22	$ (13,538)	$ 16,790	$ 3,252
Effect of currency exchange rate changes	(306)	378	72
Changes for the year:			
Service cost	(73)	-	(73)
Interest	(574)	-	(574)
Differences between expected and actual experience	(724)	-	(724)
Changes of assumptions	1,998	-	1,998
Employer contributions	-	164	164
Net investment income (loss)	-	(2,327)	(2,327)
Benefit payments	843	(843)	-
Administrative expenses	-	(65)	(65)
Net changes	1,470	(3,071)	(1,601)
Balances at 12/31/23	$ (12,374)	$ 14,097	$ 1,723

7. Pension Plans: *(…continued)*

Changes in the Net Pension Asset

U.S. Plan

(in thousands)						
Balances at 12/31/21	$	(20,622)	$	26,670	$	6,048
Changes for the year:						
Service cost		(54)		-		(54)
Interest		(1,298)		-		(1,298)
Differences between expected and actual experience		(415)		-		(415)
Change of assumptions		(39)		-		(39)
Employer contributions		-		107		107
Net investment income		-		3,359		3,359
Benefit payments		1,444		(1,444)		-
Administrative expenses		-		(156)		(156)
Net changes		(362)		1,866		1,504
Balances at 12/31/22	$	(20,984)	$	28,536	$	7,552
Changes for the year:						
Service cost		(51)		-		(51)
Interest		(1,320)		-		(1,320)
Differences between expected and actual experience		169		-		169
Changes of assumptions		-		-		-
Employer contributions		-		102		102
Net investment income (loss)		-		(4,537)		(4,537)
Benefit payments		1,479		(1,479)		-
Administrative expenses		-		(123)		(123)
Net changes		277		(6,037)		(5,760)
Balances at 12/31/23	$	(20,707)	$	22,499	$	1,792

7. Pension Plans: *(…continued)*

The following presents the Authority's net pension asset (liability) for the Defined Benefit Plans calculated using the discount rate of 5.75% (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, 2023.

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Canadian Plan	$ 452	$ 1,723	$ 2,806
U.S. Plan	$ (300)	$ 1,792	$ 3,576

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

For the years ended December 31, 2023 and 2022, respectively, the Authority recognized pension income of $789,000 and pension expense of $56,000 for the Canadian Plan and pension expense of $225,000 and pension income of $990,000 for the U.S. Plan. At December 31, 2023 and 2022, the Authority reported deferred outflows and deferred inflows of resources as follows:

	2023			
	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	$ 2,432	$ (355)	$ 5,075	$ (2,065)
Changes of assumptions	-	-	-	-
Changes in experience	-	-	-	(15)
Authority contributions subsequent to the measurement date	234	-	79	-
	$ 2,666	$ (355)	$ 5,154	$ (2,080)

7. Pension Plans: *(…continued)*

	2022			
	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	$ 149	$ (608)	$ 462	$ (3,215)
Changes of assumptions	-	-	9	-
Changes in experience	-	-	96	-
Authority contributions subsequent to the measurement date	159	-	106	-
	$ 308	$ (608)	$ 673	$ (3,215)

Authority contributions subsequent to the measurement date are recognized as an addition to the net pension asset in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources at December 31, 2023 related to pensions will be recognized in pension income as follows (in thousands):

Years ending December 31,	
2024	$ 445
2025	1,216
2026	1,535
2027	1,876
	$ 5,072

7. Pension Plans: ***(…continued)***

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 $135,000 and $124,000 in 2023 and 2022, respectively. The Authority makes all required contributions when due.

8. OPEB:

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

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

<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.

8. OPEB: *(…continued)*

At the December 31, 2023 and 2022 valuation dates, employees covered by the Plan include:

	2023		2022	
	Canadian Plan	U.S. Plan	Canadian Plan	U.S. Plan
Active employees	8	10	12	12
Inactive employees or beneficiaries currently receiving benefits	62	74	56	72
Inactive employees entitled to but not yet receiving benefits	-	-	-	-
	70	84	68	84

Net OPEB Asset (Liability)

The Authority's net OPEB asset of $832,000 at December 31, 2023 was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The Authority's net OPEB asset of $2,771,000 at December 31, 2022 was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2021.

The Authority established a qualified trust as defined by GASB Statement Nos. 74 and 75 which was funded with an initial cash contribution of $10,000,000 during the year ended December 31, 2018. The Plan has adopted a funding policy and began making contributions in 2019 that are projected to cover all future benefit payments. Therefore, the discount rate is equal to the long-term rate of return.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	30%	6.2%
International equities	5%	7.3%
Fixed income	41%	2.4%
Multi-asset	17%	3.9%
Real estate	5%	7.1%
Cash	2%	0.2%
	100%	

8. OPEB: *(…continued)*

The total OPEB asset in the December 31, 2022 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: 4.864% (5.125% previously) reduced to an ultimate rate of 4% after 2040
U.S. Plan: 7.50% (5.625% previously) reduced to an ultimate rate of 4.51% after 2041

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:
Canadian Plan: CIA CPM-2014 Combined Mortality with CIA Scale CPM-B
U.S. Plan: General Pub-2010 Headcount Weighted Mortality using Projection Scale MP-2020

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

Salary:
Increases of 2.75%

8. OPEB: *(…continued)*

Changes in the Net OPEB Asset (Liability)

(in thousands)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset (Liability)
Balances at December 31, 2021	$ (12,720)	$ 13,324	$ 604
Effect of foreign currency exchange rate changes	(31)	-	(31)
Changes for the year:			
Employer contributions	-	291	291
Net investment income	-	1,753	1,753
Service cost	(45)	-	(45)
Interest	(721)	-	(721)
Differences between expected and actual experience	146	-	146
Changes of assumptions	802	-	802
Benefit payments	645	(645)	-
Administrative expenses	-	(28)	(28)
Net changes	827	1,371	2,198
Balances at December 31, 2022	$ (11,924)	$ 14,695	$ 2,771
Effect of foreign currency exchange rate changes	106	-	106
Changes for the year:			
Employer contributions	-	278	278
Net investment income (loss)	-	(2,436)	(2,436)
Service cost	(40)	-	(40)
Interest	(678)	-	(678)
Differences between expected and actual experience	(239)	-	(239)
Change of assumptions	(569)	-	(569)
Benefit payments	653	(653)	-
Administrative expenses	-	(25)	(25)
Net changes	(873)	(2,836)	(3,709)
Balances at December 31, 2023	$ (12,691)	$ 11,859	$ (832)

8. OPEB: *(...continued)*

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

(in thousands)	1.0% Decrease	At Current Discount Rate	1.0% Increase
Net OPEB Asset (liability)			
	$ (3,099)	$ (832)	$ (351)

The following presents the sensitivity of the Authority's net OPEB asset to changes in the healthcare cost trend rates, including what the Authority's net OPEB asset (liability) would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates of 7.5% to 4.0%:

(in thousands)	1.0% Decrease	At Current Trend rate	1.0% Increase
Net OPEB Asset (liability)	$ (398)	$ (832)	$ (3,028)

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

For the years ended December 31, 2023 and 2022, respectively, the Authority recognized OPEB expense of $498,000 and OPEB income of $1,676,000. At December 31, 2023 and 2022, the Authority reported deferred outflows and deferred inflows of resources as follows:

	2023		2022	
(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	$ 2,425	$ (1,015)	$ -	$ (1,583)
Changes of assumptions	-	-	-	(233)
Changes in experience	10	-	-	(43)
Authority contributions subsequent to the measurement date	306	-	218	-
	$ 2,741	$ (1,015)	$ 218	$ (1,859)

8. OPEB: *(…continued)*

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB *(…continued)*

Authority contributions subsequent to the measurement date are recognized as an addition to (reduction of) the net OPEB asset (liability) in the subsequent year. 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,	
2024	$ 73
2025	311
2026	430
2027	606
	$ 1,420

9. 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 $2,112,000 and $1,806,000 included in accrued liabilities as of December 31, 2023 and 2022 to current and former management employees due under separate deferred compensation agreements. Payments made under these agreements totaled $4,800 in 2023 and 2022, respectively.

10. 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, 2023, the Authority had contractual commitments of approximately $1,130,000 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.

11. Net Position:

Unrestricted – Designated

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

Restricted

(in thousands)	2023	2022
Debt service funds:		
Debt service fund	$ 5,373	$ 5,029
Debt reserve fund	7,091	6,902
Operating expense reserve account	2,973	4,079
	$ 15,437	$16,010

Required Supplementary Information (Unaudited)

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

As of the measurement date of December 31	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ (73)	$ (94)	$ (104)	$ (137)	$ (156)	$ (126)	$ (124)	$ (207)	$ (190)
Interest	(574)	(560)	(610)	(603)	(604)	(605)	(633)	(593)	(565)
Differences between expected and actual experience	(724)	(180)	(265)	(77)	217	(680)	(191)	-	-
Changes of assumptions	1,998	-	(380)	-	-	-	(187)	-	-
Benefit payments, including refunds of employee contributions	843	755	762	744	750	697	750	673	565
Net change in total pension liability	1,470	(79)	(597)	(73)	207	(714)	(385)	(127)	(190)
Total pension liability - beginning	(13,538)	(14,415)	(13,710)	(13,427)	(13,033)	(13,296)	(12,139)	(11,581)	(11,391)
Effect of foreign currency exchange rate changes	(306)	956	(108)	(210)	(601)	977	(772)	(431)	-
Total pension liability - ending	$ (12,374)	$ (13,538)	$ (14,415)	$ (13,710)	$ (13,427)	$ (13,033)	$ (13,296)	$ (12,139)	$ (11,581)
Plan fiduciary net position									
Employer contributions	$ 164	$ 290	$ 342	$ 282	$ 411	$ 484	$ 498	$ 554	$ 647
Net investment income (loss)	(2,327)	729	1,151	1,660	(64)	1,429	995	175	1,432
Benefit payments, including refunds of employee contributions	(843)	(755)	(762)	(744)	(750)	(697)	(750)	(673)	(565)
Administrative expense	(65)	(69)	(74)	(76)	(101)	(68)	(24)	(41)	(19)
Net change in plan fiduciary net position	(3,071)	195	657	1,122	(504)	1,148	719	15	1,495
Plan fiduciary net position - beginning	16,790	17,772	16,981	15,615	15,405	15,388	13,793	13,283	11,788
Effect of foreign currency exchange rate changes	378	(1,177)	134	244	714	(1,131)	876	495	-
Plan fiduciary net position – ending	$ 14,097	$ 16,790	$ 17,772	$ 16,981	$ 15,615	$ 15,405	$ 15,388	$ 13,793	$ 13,283
Net pension asset - ending	$ 1,723	$ 3,252	$ 3,357	$ 3,271	$ 2,188	$ 2,372	$ 2,092	$ 1,654	$ 1,702
Plan fiduciary net position as a percentage of the total pension liability	113.9%	124.0%	123.3%	123.9%	116.3%	118.2%	115.7%	113.6%	114.7%
Covered payroll	$ 582	$ 730	$ 809	$ 930	$ 895	$ 863	$ 965	$ 949	$ 868
Net pension asset as a percentage of covered payroll	296.0%	445.5%	415.0%	351.7%	244.5%	275.0%	216.8%	174.2%	196.0%
Foreign currency exchange rate:	1.33	1.36	1.27	1.28	1.30	1.36	1.26	1.34	1.39

Data prior to 2014 is unavailable.

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

As of the measurement date of December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$ (51)	$ (54)	$ (50)	$ (49)	$ (62)	$ (84)	$ (138)	$ (283)	$ (267)
Interest	(1,320)	(1,298)	(1,335)	(1,333)	(1,281)	(1,289)	(1,269)	(1,269)	(1,252)
Differences between expected and actual experience	169	(415)	441	(131)	(485)	-	(207)	-	-
Changes of assumptions	-	(39)	58	-	1,094	-	(103)	-	-
Benefit payments, including refunds of employee contributions	1,479	1,444	1,485	1,484	1,623	1,374	1,233	1,610	936
Net change in total pension liability	277	(362)	599	(29)	889	1	(484)	58	(583)
Total pension liability - beginning	(20,984)	(20,622)	(21,221)	(21,192)	(22,081)	(22,082)	(21,598)	(21,656)	(21,073)
Total pension liability - ending	$ (20,707)	$ (20,984)	$ (20,622)	$ (21,221)	$ (21,192)	$ (22,081)	$ (22,082)	$ (21,598)	$ (21,656)
Plan fiduciary net position									
Employer contributions	$ 102	$ 107	$ 106	$ 87	$ 167	$ 157	$ 219	$ 266	$ 300
Net investment income (loss)	(4,537)	3,359	2,823	4,275	(856)	3,263	854	(657)	1,515
Benefit payments, including refunds of employee contributions	(1,479)	(1,444)	(1,485)	(1,484)	(1,623)	(1,374)	(1,233)	(1,610)	(936)
Administrative expense	(123)	(156)	(114)	(124)	(133)	(120)	(53)	(65)	(42)
Net change in plan fiduciary net position	(6,037)	1,866	1,330	2,754	(2,445)	1,926	(213)	(2,066)	837
Plan fiduciary net position - beginning	28,536	26,670	25,340	22,586	25,031	23,105	23,318	25,384	24,547
Plan fiduciary net position - ending	$ 22,499	$ 28,536	$ 26,670	$ 25,340	$ 22,586	$ 25,031	$ 23,105	$ 23,318	$ 25,384
Net pension asset - ending	$ 1,792	$ 7,552	$ 6,048	$ 4,119	$ 1,394	$ 2,950	$ 1,023	$ 1,720	$ 3,728
Plan fiduciary net position as a percentage of the total pension liability	108.7%	136.0%	129.3%	119.4%	106.6%	113.4%	104.6%	108.0%	117.2%
Covered payroll	$ 819	$ 942	$ 928	$ 987	$ 1,023	$ 1,469	$ 1,430	$ 2,157	$ 2,099
Net pension asset as a percentage of covered payroll	218.8%	801.7%	651.7%	417.3%	136.3%	200.8%	71.5%	79.7%	177.6%

Data prior to 2014 is unavailable.

Required Supplementary Information (Unaudited)

Schedule of Canadian Plan Contributions (in thousands)

December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 178	$ 159	$ 308	$ 341	$ 298	$ 415	$ 523	$ 468	$ 534
Contributions in relation to the actuarially determined contribution	164	290	342	282	411	484	498	554	647
Contribution deficiency (surplus)	$ 14	$ (131)	$ (34)	$ 59	$ (113)	$ (69)	$ 25	$ (86)	$ (113)
Covered payroll	$ 582	$ 730	$ 809	$ 930	$ 895	$ 863	$ 965	$ 949	$ 868
Contributions as a percentage of covered payroll	28.18%	39.73%	42.27%	30.32%	45.92%	56.12%	51.60%	58.36%	61.50%
Foreign currency exchange rate:	1.33	1.36	1.27	1.28	1.30	1.36	1.26	1.34	1.39
The following is a summary of assumptions:									
Inflation	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	5.75%	4.25%	4.25%	4.50%	4.50%	4.50%	5.00%	5.00%	5.00%
Cost of living adjustments	3.43%	2.19%	0.26%	0.93%	1.11%	0.78%	0.67%	1.01%	1.01%
Discount rate	5.75%	4.25%	4.25%	4.50%	4.50%	4.50%	5.00%	5.00%	5.00%

Data prior to 2015 is unavailable.

Required Supplementary Information (Unaudited)

Schedule of U.S. Plan Contributions (in thousands)

December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 79	$ 106	$ 102	$ 97	$ 92	$ 166	$ 157	$ 286	$ 270
Contributions in relation to the actuarially determined contribution	102	107	106	87	167	157	219	266	300
Contribution deficiency (surplus)	$ (23)	$ (1)	$ (4)	$ 10	$ (75)	$ 9	$ (62)	$ 20	$ (30)
Covered payroll	$ 819	$ 942	$ 928	$ 987	$ 1,023	$ 1,469	$ 1,430	$ 2,157	$ 2,099
Contributions as a percentage of covered payroll	12.45%	11.36%	11.42%	8.81%	16.32%	10.69%	15.31%	12.33%	14.29%
The following is a summary of assumptions:									
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	6.50%	6.50%	6.50%	6.50%	6.50%	6.00%	6.00%	6.00%	6.00%
Cost of living adjustments	4.10%	2.70%	0.69%	0.85%	1.14%	0.73%	0.73%	0.83%	0.83%
Discount rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.00%	6.00%	6.00%	6.00%

Data prior to 2015 is unavailable.

Required Supplementary Information (Unaudited)

Schedule of Changes in the Authority's Net

OPEB Asset (Liability) and Related Ratios (in thousands)

December 31,	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ (11,924)	$ (12,720)	$ (14,124)	$ (17,407)	$ (20,638)	$ (20,419)
Effect of foreign currency exchange rate changes	106	(31)	(162)	(217)	(228)	298
Changes for the year:						
Service cost	(40)	(45)	(52)	(69)	(106)	(100)
Interest	(678)	(721)	(825)	(1,031)	(1,234)	(1,190)
Differences between expected and actual experience	(239)	146	140	190	1,657	(9)
Changes of assumptions	(569)	802	1,600	3,674	2,378	-
Benefit payments	653	645	703	736	764	782
Net change in total OPEB liability	(873)	827	1,566	3,500	3,459	(517)
Total OPEB liability - ending	$ (12,691)	$ (11,924)	$ (12,720)	$ (14,124)	$ (17,407)	$ (20,638)
Plan fiduciary net position - beginning	$ 14,695	$ 13,324	$ 12,255	$ 10,179	$ -	$ -
Changes for the year:						
Employer contributions	278	291	409	878	10,765	-
Net investment income (loss)	(2,436)	1,753	1,386	1,957	178	-
Benefit payments	(653)	(645)	(703)	(736)	(764)	-
Administrative expenses	(25)	(28)	(23)	(23)	-	-
Net change in plan fiduciary net position	(2,836)	1,371	1,069	2,076	10,179	-
Plan fiduciary net position - ending	$ 11,859	$ 14,695	$ 13,324	$ 12,255	$ 10,179	$ -
Net OPEB asset (liability) - ending	$ (832)	$ 2,771	$ 604	$ (1,869)	$ (7,228)	$ (20,638)

Plan fiduciary net position as a percentage of the total OPEB asset (liability)	93.4%	123.2%	104.7%	86.8%	58.5%	0%
Covered-employee payroll	$ 1,339	$ 1,767	$ 1,829	$ 1,819	$ 1,806	$ 2,149
Net OPEB asset (liability) as a percentage of covered-employee payroll	-62.1%	157.0%	33.0%	-102.7%	-400.2%	-960.4%

The following is a summary of changes of assumptions:

Healthcare cost trend rate (U.S.)	7.50% to 4.51%	5.63% to 4.75%	5.75% to 4.75%	6.00% to 5.00%	6.25% to 5.00%	6.75% to 5.00%
Healthcare cost trend rate (Canadian)	4.86% to 4.00%	5.13% to 4.25%	5.25% to 4.25%	5.50% to 4.50%	5.75% to 4.50%	6.25% to 4.50%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Discount rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Data prior to 2018 is unavailable.


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