NIAGARA FALLS
BRIDGE COMMISSION

Financial Statements and Additional Information
For the Years Ended
October 31, 2016 and 2015
with
Independent Auditors' Report

NIAGARA FALLS BRIDGE COMMISSION

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of
Niagara Falls Bridge Commission
Lewiston, New York

We have audited the accompanying financial statements of Niagara Falls Bridge Commission (the "Commission"), which comprise the statements of financial position as of October 31, 2016 and 2015, and the related statements of activities and changes in unrestricted net assets, and of cash flows for the years then ended, and the related notes to the financial statements.

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 Commission as of October 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information included on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Champion Tran Besaw & Kershaw LLP

December 23, 2016

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,683,377	$ 13,508,177
Accounts receivable	2,427,667	2,981,140
Prepaid expenses	424,951	450,648
Investments	14,347,404	27,656,598
Total current assets	26,883,399	44,596,563
NONCURRENT ASSETS:		
Investments	55,311,010	51,367,080
Land, bridges, buildings and equipment, net	270,663,244	274,459,452
Construction in progress - 30 year plan	30,975,535	15,821,275
Construction in progress - other	14,763,545	16,314,103
Total assets	$ 398,596,733	$ 402,558,473
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	$ 6,100,000	$ 5,800,000
Current portion of postretirement benefit obligation	532,740	500,993
Accounts payable	5,989,764	4,619,614
Accrued wages and related withholdings	1,169,980	1,125,130
Other accrued expenses	271,116	195,467
Bond interest payable	177,175	196,508
Deferred income	1,004,849	1,020,693
Total current liabilities	15,245,624	13,458,405
NONCURRENT LIABILITIES:		
Postretirement benefit obligation	20,928,119	19,684,698
Bonds payable, net	47,246,769	53,199,651
Total liabilities	83,420,512	86,342,754
UNRESTRICTED NET ASSETS:		
Revenue	898,180	813,548
Operation	(23,284,389)	(21,465,413)
General	43,957,393	41,689,318
Renewal and replacement	(2,652,324)	(1,073,363)
Debt sinking	3,922,453	3,861,744
Construction	301,271,118	296,436,914
	324,112,431	320,262,748
Cumulative effect of currency translation	(8,936,210)	(4,047,029)
Total unrestricted net assets	315,176,221	316,215,719
Total liabilities and unrestricted net assets	$ 398,596,733	$ 402,558,473

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

	2016	2015
REVENUES:		
Toll income	$ 18,038,700	$ 18,054,132
Rental income	10,727,329	11,076,138
Construction reimbursement	829,106	5,587,538
Investment income, net	1,350,720	1,729,712
Miscellaneous	180,726	145,125
Total revenues	31,126,581	36,592,645
EXPENSES:		
Administration and overhead	5,724,163	5,747,799
Maintenance	4,861,700	4,910,843
Toll	2,312,338	2,453,054
Management information systems	917,062	845,222
Security	788,203	751,677
Postretirement	1,376,007	1,097,899
Depreciation	9,298,417	9,211,308
Interest on indebtedness	2,338,761	2,619,917
Amortization of bond financing expenses	147,119	186,695
Loss (gain) on disposal of bridge related assets	(99,994)	21,114
Total expenses	27,663,776	27,845,528
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN (LOSS) ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	3,462,805	8,747,117
UNREALIZED GAIN (LOSS) ON INVESTMENTS	386,878	(257,031)
CHANGE IN FOREIGN CURRENCY TRANSLATION (See Note 2)	(4,889,181)	(31,692,991)
CHANGE IN UNRESTRICTED NET ASSETS	(1,039,498)	(23,202,905)
UNRESTRICTED NET ASSETS - beginning of year	316,215,719	339,418,624
UNRESTRICTED NET ASSETS - end of year	$ 315,176,221	$ 316,215,719

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets before unrealized gain (loss) on investments and change in foreign currency translation	$ 3,462,805	$ 8,747,117
Adjustments to reconcile change in unrestricted net assets before unrealized gain (loss) on investments and change in foreign currency translation to net cash flows provided by operating activities:		
Depreciation	9,298,417	9,211,308
Amortization of bond financing expenses	147,119	186,695
Loss on sale of investments	250,586	105,003
Loss (gain) on disposal of property	(108,258)	11,962
Changes in operating assets and liabilities:		
Accounts receivable	587,443	483,057
Prepaid expenses	22,090	(71,239)
Accounts payable	1,392,017	(132,073)
Accrued wages and related withholdings	57,017	80,980
Other accrued expenses	75,846	21,192
Bond interest payable	(19,333)	(23,802)
Deferred income	(2,335)	(83,346)
Postretirement benefit obligation	1,376,007	1,097,899
Net cash provided by operating activities	16,539,421	19,634,753
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	35,433,487	37,996,755
Purchases of investments	(26,433,146)	(29,058,611)
Purchases of land, bridges, buildings, equipment and construction in progress	(23,504,051)	(24,751,432)
Net cash used in investing activities	(14,503,710)	(15,813,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond principal payments	(5,800,000)	(6,750,000)
Net cash used in financing activities	(5,800,000)	(6,750,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(60,511)	(723,501)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,824,800)	(3,652,036)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,508,177	17,160,213
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,683,377	$ 13,508,177

See notes to financial statements.

1. ORGANIZATION

The Niagara Falls Bridge Commission (the "Commission") is a public instrumentality created by an Act of the Congress of the United States (Chapter 490, 75th Congress, 3rd Session, as amended) (the "Act") to own, operate and maintain the Rainbow, Whirlpool-Rapids and Lewiston-Queenston bridges across the Niagara River. The Extra Provincial Corporations Act of the Province of Ontario, Canada licenses the Niagara Falls Bridge Commission. Canada and the United States are equally represented on the Niagara Falls Bridge Commission by an eight-member Board of Commissioners. The Commission has no stockholders or equity holders. The Act provides that upon retirement of the Bridge Revenue Bonds, the bridges will be transferred to the State of New York and the Province of Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The provisions of the Bond Indenture with the Commission's bondholders (the "bond agreement") govern the disposition of revenues and prescribe certain accounting practices of the Commission, which include the conditions for transfer of funds between the various accounts held by the Commission or the trustee and the use of such funds. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are reflected in United States currency. The accounting policies followed by the Commission in preparing financial statements are set forth below.

Reporting and Accounting Guidelines – The financial statements are prepared on the accrual basis of accounting in accordance with current accounting standards, which establish standards for external reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. As of October 31, 2016 and 2015, the Commission had only unrestricted net assets.

Current accounting standards require that an allocation be made of support costs to the functional activity of the Commission. The Commission's primary functional purpose is to own and operate the Rainbow, Whirlpool-Rapids and Lewiston-Queenston bridges across the Niagara River. All support costs, primarily interest and depreciation, have been charged to that function.

The unrestricted net assets of the Commission consist of the following:

Revenue Net Assets – Revenue net assets represent toll and non-toll revenues which are transferred to other various net asset subgroups to be used for their specific purposes. Non-toll revenues are to be used for payment of operations and maintenance expenses and for renewal and replacement. Toll revenues are first to be used for operating purposes if there is a deficiency of non-toll revenue. The remaining excess of toll revenue must be expended in the following order: (1) to meet debt service requirements of the outstanding bond issues, (2) any remaining renewal and replacement expenses not paid for by non-toll revenues are to be paid for by toll revenues, and (3) any excess is to be deposited into the general net asset subgroup.

Operation Net Assets – Operation net assets represent the portion of expendable funds that are available for all reasonable and necessary operation and maintenance expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Net Assets – General net assets consist of undesignated net assets obtained from excess toll revenues, after the replenishment of debt sinking requirements, which may be used for any lawful purpose of the Commission. In addition, a portion of general net assets has been designated to cover net operation deficits that result from the accrual of liabilities, in particular the long-term postretirement benefit liability. The amount designated for such operation deficit is $23,284,389 and $21,465,413 as of October 31, 2016 and 2015, respectively.

Renewal and Replacement Net Assets – Renewal and replacement net assets represent net assets designated for major or extraordinary renewal, replacement, resurfacing or reconstruction of the Toll Bridge System.

Debt Sinking Net Assets – Debt sinking net assets represent net assets set aside to meet debt service requirements.

Construction Net Assets – Construction net assets represent net assets designated for the capital program for improvements and expansion of the bridges, tolls and toll plazas.

Cash and Cash Equivalents – Cash and cash equivalents are highly liquid investments (valued at cost, which approximates fair value) acquired with original maturities of three months or less.

Accounts Receivable – Accounts receivable primarily represents rents receivable from Duty Free and General Services Administration, EZ Pass payments receivable from other EZ Pass agencies and reimbursement from Duty Free America for construction of a new Duty Free store at the Lewiston plaza. Included in accounts receivable at October 31, 2016 and 2015 is approximately $510,000 and $1,234,000, respectively, due from Duty Free America for construction of a new Duty Free store. During 2014, the Commission implemented EZ Pass as an additional form of electronic toll collection which involves collection of tolls via the use of electronic transponders issued by other participating agencies. These agencies then forward payment to the Commission for amounts collected through their transponders. Included in accounts receivable at October 31, 2016 and 2015 is approximately $798,000 and $745,000, respectively, due from EZ Pass agencies.

Investments – Investments in marketable securities with readily determinable fair values, and all investments in debt securities, are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in unrestricted net assets. If, and when, a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value.

Investment Valuation and Income Recognition – The Commission follows accounting standards that were established to determine the fair value of assets and liabilities which are subject to reporting at fair value. This guidance established a hierarchy for the determination of fair value, as well as disclosure requirements relative to those assets and liabilities. The hierarchy identified three levels of input. Level 1 inputs are generally quoted market prices for identical assets or liabilities, which are actively traded on an exchange. Level 2 inputs generally consist of market prices for identical assets which are not actively traded or market prices of similar assets or liabilities which are actively traded on an exchange. Level 3 inputs are referred to as unobservable inputs and consist primarily of information derived by management where Level 1 and Level 2 inputs are not available. These may include such things as present value of expected future cash flows or other valuation methodologies. Under the hierarchy, Level 1 inputs are the most preferred followed by Level 2 and Level 3. Level 3 inputs are to be used when neither Level 1 nor Level 2 inputs are available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value as of October 31, 2016 and 2015:

U.S. Government Obligations and Corporate Bonds: Under the Commission's current investment asset strategy, the majority of the Commission's investment assets in this category are classified as Level 1. These assets include government agency bonds, and corporate and treasury bonds. Quoted prices for these securities are provided to the Commission by published market sources.

Canadian Government Obligations and Corporate Bonds: Under the Commission's current investment asset strategy, the Commission's investment assets in this category are classified as Level 1. These assets consist of guaranteed interest certificates. Quoted prices for these securities are based on the original cost plus the amount of interest these investments have earned.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Commission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Commission presents unrealized gains and losses on investments in the statements of activities and changes in unrestricted net assets.

Purchases and sales of obligations and bonds are recorded on a trade date basis. Interest income is recorded on the accrual basis.

Land, Bridges, Building, and Equipment – Land, bridges, building, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets and amounted to $9,298,417 and $9,211,308 for the years ended October 31, 2016 and 2015, respectively. Depreciation is not recorded in the year of acquisition. The estimated useful lives used are as follows:

Bridges	62 – 120 years
Buildings	20 – 50 years
Equipment	3 – 15 years

Deferred Income – Deferred income represents prepaid toll payments received as part of the Commission's electronic toll program. The program consists of prepaid deposits linked to an electronic card. Each time a participating patron crosses a bridge, the card is read and their account balance is decreased as toll revenue is recognized.

Revenue Recognition – The two primary recurring sources of revenue for the Commission consist of toll and rental income. The Commission recognizes toll income as earned and accepts payment in both United States and Canadian currency. The Commission also recognizes monthly rental income from various duty-free shops on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation – The revenues, expenses, assets and liabilities recorded in Canadian currency have been translated into United States currency in the accompanying financial statements based on the appropriate rates of exchange. Revenues and expenses are translated using an average of the currency exchange rates which prevailed during the fiscal year. The average of the currency exchange rates for the years ended October 31, 2016 and 2015 were .75356 and .80363, respectively, and resulted in exchange gains of $676,002 and $533,856 for the years ended October 31, 2016 and 2015, respectively. Assets and liabilities are translated at currency exchange rates prevailing at the statement of financial position date. The spot rates as of October 31, 2016 and 2015 were .7457 and .7648, respectively and resulted in exchange losses of $(4,889,181) and $(31,692,991) as of October 31, 2016 and 2015, respectively.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – No provision for income tax is recorded because the Commission is a tax-exempt organization as a public instrumentality.

Statement of Cash Flows – Interest paid was $2,358,093 and $2,643,718 for the years ended October 31, 2016 and 2015, respectively. Accounts payable as of October 31, 2016 and 2015, included $5,164,056 and $3,770,165 related to additions to land, bridges, buildings, equipment and construction in progress, respectively.

Subsequent Events – Management of the Commission has evaluated the effects of all subsequent events through December 23, 2016 the date which the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the financial statements.

3. INVESTMENTS

Investments consisted of the following as of October 31, 2016 and 2015:

	2016		2015	
	Cost	**Fair Value**	**Cost**	**Fair Value**
U.S. government obligations	$ 7,547,170	$ 7,577,669	$ 5,969,809	$ 6,030,958
U.S. treasury obligations	22,367,271	22,542,403	37,198,988	37,314,723
Canadian corporate bonds (stated in U.S. dollars)	17,896,800	18,465,893	18,023,810	18,464,018
U.S. corporate bonds	20,028,982	20,544,291	16,448,636	16,726,806
Global corporate bonds	518,375	528,158	496,540	487,173
	$ 68,358,598	$ 69,658,414	$ 78,137,783	$ 79,023,678

3. INVESTMENTS (continued)

Investment maturity as of October 31, 2016 and 2015 is as follows:

	2016 Fair Value	2015 Fair Value
Due in less than one year	$ 14,347,404	$ 27,656,598
Due from one to five years	39,805,260	36,242,642
Due in greater than five years	15,505,750	15,124,438
	$ 69,658,414	$ 79,023,678

The Commission's investment income, consisting of interest income and amortization of discounts and premiums, was $1,350,720 and $1,729,712 for the years ended October 31, 2016 and 2015, respectively. The unrealized gain (loss) on the adjustment of fair value of the investments was $386,878 and $(257,031) for the years ended October 31, 2016 and 2015, respectively.

The Commission regularly assesses its investment portfolio in order to determine if unrealized losses on individual securities held represent an other-than-temporary decline in fair value, in which case a realized loss would be recognized. The Commission did not deem any securities to be other-than-temporarily impaired as of and for the years ended October 31, 2016 or 2015.

4. FAIR VALUE MEASUREMENTS

The Commission uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures (as discussed in Note 2). The following table presents the balances of the assets of the Commission measured at fair value on a recurring basis at October 31:

	2016	2015
Level 1:		
Bonds:		
U.S. government agencies	$ 7,577,669	$ 6,030,958
U.S. treasury obligations	22,542,403	37,314,723
Canadian guaranteed interest certificates	18,465,893	18,464,018
U.S. corporate bonds	20,544,291	16,726,806
Global corporate bonds	528,158	487,173
Total assets reported at fair value	$ 69,658,414	$ 79,023,678

5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET

A summary of land, bridges, buildings and equipment as of October 31, 2016 and 2015, is as follows:

	2016	2015
Land and land improvements	$ 30,338,827	$ 27,258,467
Bridges	123,639,296	124,998,479
Buildings and leasehold improvements	191,508,355	189,191,238
Equipment	8,454,064	7,854,342
	353,940,542	349,302,526
Less accumulated depreciation	83,277,298	74,843,074
	$ 270,663,244	$ 274,459,452

Additionally, the Commission has construction in progress – 30 year plan of $30,975,535 and $15,821,275 as of October 31, 2016 and 2015, respectively. This represents construction projects funded by the 2014 bond issue. Also, the Commission has construction in progress – other of $14,763,545 and $16,314,103 as of October 31, 2016 and 2015, respectively. This consists of construction projects funded by the reserves of the Commission. Construction in progress consists primarily of construction costs related to bridge renovations, reconstruction of the Lewiston and Queenston plazas and Rainbow Bus Inspection building renovations.

6. BONDS PAYABLE

The outstanding bonds are presented net of the discount and premium on bond issuance and financing costs. The discount, premium and financing costs are being amortized on a basis consistent with principal payment due on the bonds.

As of October 31, 2016 and 2015, bridge revenue bonds payable consisted of the following:

	2016	2015
Total outstanding bonds:		
Series 2014A	$ 33,830,000	$ 33,830,000
Series 1993A	19,400,000	25,200,000
	53,230,000	59,030,000
Net premium on bond issuance	783,803	843,905
Prepaid bond financing costs	(667,034)	(874,254)
	53,346,769	58,999,651
Less current portion	6,100,000	5,800,000
	$ 47,246,769	$ 53,199,651

6. BONDS PAYABLE (continued)

Principal payments on the outstanding bonds are due as follows:

2017	$ 6,100,000
2018	6,500,000
2019	6,800,000
2020	795,000
2021	835,000
Thereafter	32,200,000
	$ 53,230,000

On July 9, 1993, the Commission issued $133,035,000 of Toll Bridge System Revenue Bonds consisting of $30,700,000 Series 1993A Weekly Adjustable/Fixed Rate Bonds maturing on October 1, 2019 and $102,335,000 of Series 1993B 5.2% Fixed Rate Bonds which matured on October 1, 2015. On February 25, 2010 the Commission remarketed the Series 1993A Bonds and replaced these variable rate bonds with 4% fixed rate bonds. The Commission maintains a Sinking Fund Debt Service Reserve representing 125% of the average annual debt service. The balance in the Sinking Fund Debt Service Reserve was approximately $4,085,800 and $4,036,600 as of October 31, 2016 and 2015, respectively.

On October 1, 2014, the Commission issued $33,830,000 of Toll Bridge System Revenue Bonds Series 2014A maturing on October 1, 2044. The net proceeds of approximately $34,200,000 (after issuance costs and premiums received) are to be used for reconstruction and expansion at the Lewiston Bridge.

The bonds provide, among other things, that the Commission meet specified requirements for debt service coverage. The Commission was in compliance with these requirements as of October 31, 2016.

7. LEASES

The Commission's leasing operations consist primarily of renting various bridge facilities to third parties under operating-type leases, some of which contain renewal options and escalation clauses.

The cost of the leased facilities is included in the statements of financial position as a portion of the cost of bridges and related structures and is not separately determinable.

A schedule by year of minimum future rentals receivable for the next five years under noncancelable operating leases in effect as of October 31, 2016, is as follows:

2017	$5,989,568
2018	3,987,193
2019	1,423,195
2020	1,423,986
2021	1,396,689

The above minimum future rentals for the next five years does not include contingent rentals which may be received under lease agreements based upon gross sales of the lessee.

8. PENSION PLANS

The Commission has defined contribution pension plans covering substantially all full-time employees. The retirement contribution is generally based on length of service and annual compensation. Employees may elect to contribute 3% of their salary to the United States plans and 5% of their salary to the Canadian plans. Contributions by the Commission under the plans amounted to approximately $432,000 and $442,000 for the years ended October 31, 2016 and 2015, respectively.

9. POSTRETIREMENT BENEFITS

The Commission has postretirement medical, dental and group life plans. To be eligible to receive benefits in the plans, the employee must be full-time with twenty (20) years of service and have reached age fifty (50) for both United States and Canadian employees.

The accumulated postretirement benefit obligation as of October 31, 2016 and 2015 is summarized below:

	2016	2015
Retirees	$ (7,116,955)	$ (6,609,139)
Active participants	(22,687,068)	(18,975,118)
Total	$ (29,804,023)	$ (25,584,257)
Plan assets at fair value	$ -	$ -
Payments for beneficiaries	$ 383,930	$ 362,695

	2016	2015
Accumulated postretirement benefit obligation in excess of plan assets	$ (29,804,023)	$ (25,584,257)
Prior service cost not yet recognized	168,897	279,820
Unrecognized loss	8,174,267	5,118,746
Accrued postretirement benefit cost	$ (21,460,859)	$ (20,185,691)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8% for the United States for the first year, then decreasing 1% each subsequent year until a floor of 5% is reached. The assumed health care cost trend rate for Canada was 8% for the first year and 5% for all subsequent years. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 4.25% for October 31, 2016 and 2015, respectively.

Benefit payments, which reflect expected future service, are expected to be paid for the years ending October 31 are approximately as follows:

2017	$ 533,000
2018	611,000
2019	666,000
2020	722,000
2021	804,000
2022 - 2026	5,937,000

10. CONTINGENCIES

The Commission is involved in various legal actions arising in the ordinary course of its operations. The Commission believes its ultimate liability, if any, in connection with these matters will not have a material effect on the Commission's results of operations or financial position.

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NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF FINANCIAL POSITION BY NET ASSETS
OCTOBER 31, 2016

ASSETS	**Revenue**	**Operation**	**General**	**Renewal and Replacement**	**Debt Sinking**	**Construction**	**Total**
Cash and cash equivalents	$ 246,526	$ 604,417	$ 6,333,545	$ 16,773	$ 610,581	$ 1,871,535	$ 9,683,377
Accounts receivable	1,853,400	64,339	-	509,928	-	-	2,427,667
Prepaid expenses	-	424,951	-	-	-	-	424,951
Investments	-	-	61,170,117	-	3,489,047	4,999,250	69,658,414
Land, bridges, buildings and equipment, net	-	-	-	-	-	270,663,244	270,663,244
Construction in progress - 30 year plan	-	-	-	-	-	30,975,535	30,975,535
Construction in progress - other	-	-	-	-	-	14,763,545	14,763,545
Total assets	$ 2,099,926	$ 1,093,707	$ 67,503,662	$ 526,701	$ 4,099,628	$ 323,273,109	$ 398,596,733
LIABILITIES AND UNRESTRICTED NET ASSETS							
Accounts payable	$ 60,786	$ 766,874	$ -	$ 2,292,640	$ -	$ 2,869,464	$ 5,989,764
Accrued wages and related withholdings	-	1,169,980	-	-	-	-	1,169,980
Other accrued expenses	-	148,130	-	122,986	-	-	271,116
Bond interest payable	-	-	-	-	177,175	-	177,175
Deferred income	1,004,849	-	-	-	-	-	1,004,849
Postretirement benefit obligation	-	21,460,859	-	-	-	-	21,460,859
Bonds payable, net	-	-	-	-	-	53,346,769	53,346,769
Total liabilities	1,065,635	23,545,843	-	2,415,626	177,175	56,216,233	83,420,512
UNRESTRICTED NET ASSETS:							
Revenue	898,180	-	-	-	-	-	898,180
Operation	-	(23,284,389)	-	-	-	-	(23,284,389)
General	-	-	43,957,393	-	-	-	43,957,393
Renewal and replacement	-	-	-	(2,652,324)	-	-	(2,652,324)
Debt sinking	-	-	-	-	3,922,453	-	3,922,453
Construction	-	-	-	-	-	301,271,118	301,271,118
	898,180	(23,284,389)	43,957,393	(2,652,324)	3,922,453	301,271,118	324,112,431
Cumulative effect of currency translation	136,111	832,253	23,546,269	763,399	-	(34,214,242)	(8,936,210)
Total unrestricted net assets	1,034,291	(22,452,136)	67,503,662	(1,888,925)	3,922,453	267,056,876	315,176,221
Total liabilities and unrestricted net assets	$ 2,099,926	$ 1,093,707	$ 67,503,662	$ 526,701	$ 4,099,628	$ 323,273,109	$ 398,596,733

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS BY NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2016

	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
REVENUES:							
Toll income	$ 18,038,700	$ -	$ -	$ -	$ -	$ -	$ 18,038,700
Rental income	10,727,329	-	-	-	-	-	10,727,329
Construction reimbursement	-	-	-	829,106	-	-	829,106
Investment income	981	1,499	1,318,005	539	34,965	(5,269)	1,350,720
Miscellaneous	157,363	21,863	-	1,500	-	-	180,726
Total revenues	28,924,373	23,362	1,318,005	831,145	34,965	(5,269)	31,126,581
EXPENSES:							
Administration and overhead	-	5,659,101	65,062	-	-	-	5,724,163
Maintenance	-	4,802,569	-	59,131	-	-	4,861,700
Toll	(54)	2,312,392	-	-	-	-	2,312,338
Management information systems	-	917,062	-	-	-	-	917,062
Security	-	788,203	-	-	-	-	788,203
Postretirement	-	1,376,007	-	-	-	-	1,376,007
Depreciation	-	-	-	-	-	9,298,417	9,298,417
Interest on indebtedness	-	-	-	-	2,338,761	-	2,338,761
Amortization of bond financing expenses	-	-	-	-	-	147,119	147,119
Gain on disposal of bridge related assets	-	-	-	-	-	(99,994)	(99,994)
Total expenses	(54)	15,855,334	65,062	59,131	2,338,761	9,345,542	27,663,776
CHANGE IN UNRESTRICTED NET ASSETS BEFORE REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	28,924,427	(15,831,972)	1,252,943	772,014	(2,303,796)	(9,350,811)	3,462,805
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	-	-	355,415	-	4,505	26,958	386,878
CHANGE IN FOREIGN CURRENCY TRANSLATION	2,067	110,901	(515,742)	19,989	-	(4,506,396)	(4,889,181)
CHANGE IN UNRESTRICTED NET ASSETS	28,926,494	(15,721,071)	1,092,616	792,003	(2,299,291)	(13,830,249)	(1,039,498)
TRANSFER OF NET ASSETS	(28,839,793)	14,012,994	659,718	(2,350,974)	2,360,000	14,158,055	-
UNRESTRICTED NET ASSETS - beginning of year	947,590	(20,744,059)	65,751,328	(329,954)	3,861,744	266,729,070	316,215,719
UNRESTRICTED NET ASSETS - end of year	$ 1,034,291	$ (22,452,136)	$ 67,503,662	$ (1,888,925)	$ 3,922,453	$ 267,056,876	$ 315,176,221

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2016

	Total	Foreign Exchange	Subtotal	U.S. Operations in U.S. $	Canadian Operations in CA $
REVENUES:					
Toll income	$ 18,038,700	$ (1,527,225)	$ 19,565,925	$ 13,368,803	$ 6,197,122
Rental income	10,727,329	(1,042,713)	11,770,042	7,538,955	4,231,087
Construction reimbursement	829,106	-	829,106	829,106	-
Investment income	1,350,720	(129,204)	1,479,924	955,642	524,282
Miscellaneous	180,726	(49,859)	230,585	28,269	202,316
Total revenues	31,126,581	(2,749,001)	33,875,582	22,720,775	11,154,807
EXPENSES:					
Administration and overhead	5,724,163	(958,207)	6,682,370	2,794,192	3,888,178
Maintenance	4,861,700	(688,289)	5,549,989	2,757,072	2,792,917
Toll	2,312,338	(237,832)	2,550,170	1,585,102	965,068
Management information systems	917,062	(13,114)	930,176	876,957	53,219
Security	788,203	(102,562)	890,765	474,591	416,174
Postretirement	1,376,007	(66,816)	1,442,823	1,171,698	271,125
Depreciation	9,298,417	(1,358,183)	10,656,600	5,145,410	5,511,190
Interest on indebtedness	2,338,761	-	2,338,761	2,338,761	-
Amortization of bond financing expenses	147,119	-	147,119	147,119	-
Gain on disposal of bridge related assets	(99,994)	-	(99,994)	(99,994)	-
Total expenses	27,663,776	(3,425,003)	31,088,779	17,190,908	13,897,871
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 3,462,805	$ 676,002	$ 2,786,803	$ 5,529,867	$ (2,743,064)

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2015

	Total	Foreign Exchange	Subtotal	U.S. Operations in U.S. $	Canadian Operations in CA $
REVENUES:					
Toll income	$ 18,054,132	$ (1,264,320)	$ 19,318,452	$ 12,879,896	$ 6,438,556
Rental income	11,076,138	(770,070)	11,846,208	7,924,622	3,921,586
Construction reimbursement	5,587,538	-	5,587,538	5,587,538	-
Investment income	1,729,712	(128,155)	1,857,867	1,205,234	652,633
Miscellaneous	145,125	(28,740)	173,865	27,510	146,355
Total revenues	36,592,645	(2,191,285)	38,783,930	27,624,800	11,159,130
EXPENSES:					
Administration and overhead	5,747,799	(751,897)	6,499,696	2,670,657	3,829,039
Maintenance	4,910,843	(529,668)	5,440,511	2,743,174	2,697,337
Toll	2,453,054	(213,145)	2,666,199	1,580,755	1,085,444
Management information systems	845,222	(23,628)	868,850	748,526	120,324
Security	751,677	(79,295)	830,972	427,162	403,810
Postretirement	1,097,899	(47,330)	1,145,229	904,202	241,027
Depreciation	9,211,308	(1,080,178)	10,291,486	4,790,674	5,500,812
Interest on indebtedness	2,619,917	-	2,619,917	2,619,917	-
Amortization of bond financing expenses	186,695	-	186,695	186,695	-
Loss on disposal of bridge related assets	21,114	-	21,114	21,114	-
Total expenses	27,845,528	(2,725,141)	30,570,669	16,692,876	13,877,793
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 8,747,117	$ 533,856	$ 8,213,261	$ 10,931,924	$ (2,718,663)