NIAGARA FALLS
BRIDGE COMMISSION

Financial Statements and Additional Information
For the Year Ended
October 31, 2008
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 statement of financial position of Niagara Falls Bridge Commission (the "Commission") as of October 31, 2008, and the related statements of activities and changes in unrestricted net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 14 and 15 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chiampou Travis Besaw & Kershner LLP

January 14, 2009

NIAGARA FALLS BRIDGE COMMISSION

STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2008

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 12,191,643
Accounts receivable	1,202,667
Prepaid expenses	355,049
Investments	25,584,330
Total current assets	39,333,689
NONCURRENT ASSETS:	
Investments	59,490,119
Land, bridges, buildings and equipment, net	178,274,199
Construction in progress - 30 year plan	870,255
Construction in progress - other	47,531,458
Total assets	$ 325,499,720

LIABILITIES AND UNRESTRICTED NET ASSETS

CURRENT LIABILITIES:	
Current portion of bonds payable	$ 4,955,000
Current portion of postretirement benefit obligation	331,463
Accounts payable	11,026,787
Accrued wages and related withholdings	1,144,858
Other accrued expenses	1,226,321
Bond interest payable	280,594
Deposits payable	628,924
Deferred income	208,255
Total current liabilities	19,802,202
NONCURRENT LIABILITIES:	
Postretirement benefit obligation	10,905,157
Interest rate swap	4,967,216
Bonds payable, net	59,245,741
Total liabilities	94,920,316
UNRESTRICTED NET ASSETS:	
Revenue	1,194,142
Operation	(9,717,720)
General	68,001,458
Renewal and replacement	(11,670,619)
Debt sinking	(5,164,628)
Construction	166,208,749
	208,851,382
Cumulative effect of currency translation	21,728,022
Total unrestricted net assets	230,579,404
Total liabilities and unrestricted net assets	$ 325,499,720

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS FOR THE YEAR ENDED OCTOBER 31, 2008

REVENUES:	
Toll income	$ 17,776,115
Rental income	11,329,104
Investment income	4,310,526
Miscellaneous	240,754
Total revenues	33,656,499
EXPENSES:	
Administrative	6,058,547
Maintenance	5,033,212
Toll	4,136,690
Management information systems	775,043
Security	626,828
Depreciation	5,965,293
Interest on indebtedness	5,085,768
Amortization of bond financing expenses	944,883
Foreign currency exchange loss	40,190
Total expenses	28,666,454
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS, LOSS ON PERMANENT WRITE DOWN OF INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	4,990,045
UNREALIZED LOSS ON INVESTMENTS	(598,886)
LOSS ON PERMANENT WRITE DOWN OF INVESTMENTS	(1,304,814)
CHANGE IN FOREIGN CURRENCY TRANSLATION	(41,492,121)
CHANGE IN UNRESTRICTED NET ASSETS	(38,405,776)
UNRESTRICTED NET ASSETS - beginning of year, as previously reported	271,332,933
PRIOR PERIOD ADJUSTMENT	(2,347,753)
UNRESTRICTED NET ASSETS - beginning of year, as restated	268,985,180
UNRESTRICTED NET ASSETS - end of year	$ 230,579,404

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in unrestricted net assets before unrealized loss on investments, loss on permanent write down of investments and change in foreign currency translation	$ 4,990,045
Adjustments to reconcile change in unrestricted net assets before unrealized loss on investments, loss on permanent write down of investments and change in foreign currency translation:	
Depreciation	5,965,293
Amortization of bond financing expenses and bond discount	944,883
Change in fair value of interest rate swaps	611,976
Amortization of investment premiums	128,075
Amortization of investment discounts	(958,466)
Gain on sale of investments	446,047
Gain on disposal of property	(13,827)
Changes in operating assets and liabilities:	
Accounts receivable	(42,983)
Prepaid expenses	69,202
Accounts payable	(5,914,284)
Accured wages and related withholdings	94,234
Other accrued expenses	1,085,034
Deposits payable	75,319
Deferred income	138,945
Postretirement benefit obligation	1,488,466
Net cash provided by operating activities	9,107,959
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	81,944,623
Purchases of investments	(39,076,978)
Purchases of land, bridges, buildings and equipment	(24,297,797)
Net cash provided by investing activities	18,569,848
CASH FLOWS FROM FINANCING ACTIVITIES:	
Bond principal payments	(21,700,000)
Cash used for early bond redemption	(1,071,603)
Net cash used in financing activities	(22,771,603)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,043,749)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,862,455
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,329,188
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,191,643

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 and operate three international bridges across the Niagara River. 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 Statement of Financial Accounting Standards (SFAS) 117, *Financial Statements of Not-for-Profit Organizations*. SFAS 117 established 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.

FASB Statement No. 117 requires classification of net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of these classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the statement of activities and changes in unrestricted net assets. The Commission reports contributions of land, bridges, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted or temporarily restricted support. Contributions with restrictions that are met in the same reporting period are reported as unrestricted support. In the absence of explicit donor stipulations about how long-lived assets must be maintained, the Commission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

FASB Statement No. 117 also requires that allocation be made of support costs to the functional activity of the Commission. The Commission's primary functional purpose is to own and operate three international bridges across the Niagara River. All support costs, primarily interest and depreciation, have been charged to that function.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 $9,717,720 at October 31, 2008.

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 toll fares receivable from commercial credit account customers.

Investments – Under SFAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values, and all investments in debt securities, are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement 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.

Cost of Bridges and Related Structures – Bridges and related structures are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets and amounted to $5,965,293 for the year ended October 31, 2008. Depreciation is not recorded in the year of acquisition. The estimated useful lives used are as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits Payable – Deposits payable are amounts received from commercial credit customers as refundable deposits on their accounts, held as collateral in case of default on account. The deposit amount is two times their average monthly charges.

Deferred Income – Deferred income is 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.

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. Assets and liabilities are translated at currency exchange rates prevailing at the statement of financial position date.

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.

Derivatives – The Commission accounts for its derivatives in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The Commission's derivative instruments consist of an interest rate swap related to its bonds payable. The interest rate swap is presented at fair value in the statement of financial position and changes in the fair value are included in interest expense in the statement of activities and changes in unrestricted net assets.

Statement of Cash Flows – Interest paid during the year ended October 31, 2008 was $4,102,033. Accounts payable as of October 31, 2008, included $11,230,949 related to additions to land, bridges, buildings and equipment.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

New Accounting Pronouncements – In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. FASB Statement No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities. Both FASB Statements No. 157 and 159 are effective for the first fiscal year beginning on or after November 15, 2007. The Commission has not completed the process of evaluating the impact that will result from adopting FASB Statements No. 157 and 159 and is, therefore, unable to disclose the impact that adopting FASB Statements No. 157 and 159 will have on its financial statements.

3. **INVESTMENTS**

Investments consisted of the following as of October 31, 2008:

Description of Securities	Cost	Fair Value
U.S. government obligations	$ 27,221,769	$ 28,145,816
Canadian government obligations (stated in U.S. dollars)	9,070,779	12,569,236
Canadian corporate bonds (stated in U.S. dollars)	26,302,950	26,526,170
U.S. corporate bonds	18,307,166	17,833,227
	$ 80,902,664	$ 85,074,449

Investment maturity as of October 31, 2008, is as follows:

	Cost	Fair Value
Due in less than one year	$ 22,134,749	$ 25,584,330
Due from one to five years	38,957,755	40,019,257
Due in greater than five years	19,810,160	19,470,862
	$ 80,902,664	$ 85,074,449

For the year ended October 31, 2008, the Commission's investment income, consisting of interest income and amortization of discounts and premiums, was $4,310,526 and the unrealized loss on the adjustment of fair value of investments was $598,886.

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. For the year ended October 31, 2008, the Commission identified four securities where the decline in fair value of those securities were deemed other-than-temporary and the costs basis of these investments was reduced and a realized loss of $1,304,814 was recognized.

3. INVESTMENTS (continued)

The following table illustrates unrealized investment losses by investment type and duration of impairment:

	Less Than 12 Months		Greater Than 12 Months	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government obligations	$ 2,773,460	$ 322,650	$ 2,031,150	$ 32,035
Canadian government obligations (stated in U.S. dollars)	-	-	5,045,277	534,023
U.S. corporate bonds	6,176,799	516,423	5,161,490	322,965
	$ 8,950,259	$ 839,073	$12,237,917	$ 889,023

The reasons underlying management's judgment that the unrealized losses are not other-than-temporary are detailed below:

U.S. and Canadian Government Obligations – The unrealized losses on the Commission's investments in obligations of U.S. and Canadian governments were caused by interest rate changes and are minor in relation to the portfolio value (representing approximately 1% of the fair value of the impaired securities). Because the decline in fair value is attributable to changes in interest rates and not credit quality, and the Commission has the ability and intent to hold the securities until recovery of fair value, the Commission does not consider these investments to be other-than-temporarily impaired as of October 31, 2008.

U.S. Corporate Bonds – The Commission invests primarily in highly-rated corporate debt securities and accordingly, the decline in fair value is primarily attributed to interest rate changes. In most cases, the severity of the unrealized loss represent less than 5% of the cost basis on a security-by-security basis and, on an overall basis, total unrealized losses on corporate debt securities represent approximately 1% of the corporate bond portfolio. As the Commission has the ability and intent to hold these investments until maturity and recovery of fair value, the Commission does not consider these investments to be other-than-temporarily impaired as of October 31, 2008.

4. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET

A summary of land, bridges, building, and equipment as of October 31, 2008, is as follows:

Land	$ 5,206,096
Bridges	108,658,175
Buildings	94,825,538
Equipment	8,030,126
Other	56,165
	216,776,100
Less accumulated depreciation	(38,501,901)
	$ 178,274,199

4. LAND, BRIDGES, BUILDINGS AND EQUIPMENT – NET (continued)

Additionally, as of October 31, 2008, the Commission has construction in progress – 30 year plan and construction in progress - other of $870,255 and $47,531,458, respectively. Construction in progress consists primarily of construction costs related to bridge renovations, reconstruction of the Queenston plaza and painting of the Whirlpool Rapids Bridge.

5. BONDS PAYABLE

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

As of October 31, 2008, bridge revenue bonds payable consisted of the following:

	1993 Bonds
Total outstanding bonds	$ 65,890,000
Discount on bond issuance	(250,150)
Prepaid bond financing costs	(1,439,109)
	$ 64,200,741

Principal payments on the outstanding bonds are due as follows:

2009	$ 4,955,000
2010	5,220,000
2011	5,495,000
2012	5,780,000
2013	6,085,000
2014-2018	31,555,000
2019-2021	6,800,000
	$ 65,890,000

On September 18, 2003, the Commission issued $32,825,000 in Toll Bridge System Revenue Bonds, Series 2003A (Auction Rate Securities) and series 2003B, at an interest rate of 3.415%, maturing on October 1, 2021. During 2008, the Commission retired the remaining $21,700,000 of Series 2003 Toll Bridge System Revenue Bonds. The bonds were retired using Commission reserves, and retirement costs of approximately $335,000 were incurred during 2008.

On July 9, 1993, the Commission issued $133,035,000 of Weekly Adjustable/Fixed Rate Toll Bridge System Revenue Bonds, Series 1993A and Toll Bridge System Revenue Bonds, Series 1993B, at an interest rate of 4.95%, maturing on October 1, 2021. On May 8, 2008, the Commission publicly re-offered $30,700,000 of Series 1993A Adjustable Rate Bonds and incurred costs of approximately $1,073,000 in connection with the re-offer. As part of this re-offering, the prior insurer, FGIC, was replaced by Assured Guaranty. Bonds outstanding on the 1993 issuance total $65,890,000 as of October 31, 2008.

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, 2008.

5. BONDS PAYABLE (continued)

The Commission maintains an interest-rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earning fluctuations caused by interest-rate volatility. The Commission's specific goal is to minimize the impact of changes in interest rates on its variable rate long-term debt. In order to achieve this, the Commission has entered into an interest rate swap agreement to effectively convert a portion of its variable-rate bonds to fixed-rate. Under the swap agreement, the Commission agrees with a counterparty to exchange the difference between fixed-rate and variable-rate interest amounts calculated by reference to an agreed notional principal amount.

The swap agreement in effect as of October 31, 2008 is as follows:

Bond Issuance	Notional	Maturity Date	Fixed Rate	Variable Rate	Fair Value
Series 1993A	$30,700,000	October 1, 2019	4.950%	7.00%	$(4,967,216)

The notional amount varies at the following future dates:

Bond Issuance	Period Start Date	Period End Date	Notional
Series 1993A	August 12, 1993	September 30, 2015	$30,700,000
	October 1, 2015	September 30, 2016	25,200,000
	October 1, 2016	September 30, 2017	19,400,000
	October 1, 2017	September 30, 2018	13,300,000
	October 1, 2018	September 30, 2019	6,800,000

The estimated fair value of the swap agreement represents the estimated amounts that the Commission would pay to terminate the agreement as calculated by the counterparties. The fair value of this swap agreement is presented as a liability on the Commission's statement of financial position at October 31, 2008. The Commission recorded$611,976 as an increase to interest expense in fiscal 2008 related to the change in the fair value of its swap agreement from October 31, 2007. The swap agreement is secured by a pledge of the net revenues (defined as gross revenues less operation and maintenance expenses) on parity with the Series 1993 Bonds. Such pledge is subordinate to the payment of operation and maintenance expenses (defined as actual costs and expenses incurred in operating and maintaining the Toll Bridge System, exclusive of any capital expenditures) of the Toll Bridge System.

6. LEASES

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

The cost of the leased facilities is included in the statement 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, 2008, is as follows:

2009	$ 6,931,004
2010	6,433,532
2011	6,058,529
2012	6,003,817
2013	5,360,287
Total minimum future rentals	$ 30,787,169

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

7. 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 $400,000 for the year ended October 31, 2008.

8. 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-five (55) for United States employees, and age fifty (50) for Canadian employees.

8. POSTRETIREMENT BENEFITS (continued)

The accumulated postretirement benefit obligation is summarized below:

Retirees	$ (4,482,468)
Active participants	(12,062,481)
Total	$ (16,544,949)
Plans assets at fair value	$ -
Payments for beneficiaries	$ 288,425
Accumulated postretirement benefit obligation in excess of plan assets	$ (16,544,949)
Unrecognized transition obligation	575,771
Prior service cost not yet recognized	385,329
Unrecognized loss	4,347,229
Accrued postretirement benefit cost	$ (11,236,620)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 12% for the United States and 10% for Canada for the first year, then decreasing 1% for each subsequent year until a floor of 5% is reached, after which it remains constant. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 6.25%. The Commission does not contribute to the postretirement plans.

The following benefit payments, which reflect expected future service, are expected to be paid for the years ending October 31:

2009	$ 331,463
2010	411,918
2011	480,325
2012	548,089
2013	615,149
2014-2018	4,412,662
	$ 6,799,606

9. 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.

10. PRIOR PERIOD ADJUSTMENT

Unrestricted net assets as of November 1, 2007 have been adjusted in the amount of $2,347,753 to correct an error in the capitalization of interest costs recorded in the years 2004 through 2007. Had the error not been made, change in unrestricted net assets for the year ended October 31, 2007 would have been reduced by $795,500.

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NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF FINANCIAL POSITION BY NET ASSETS
OCTOBER 31, 2008

ASSETS	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Cash and cash equivalents	$ 1,037,812	$ 2,956,894	$ 8,105,206	$ 6,802	$ 83,182	$ 1,747	$ 12,191,643
Accounts receivable	1,012,006	5,249	-	185,412	-	-	1,202,667
Prepaid expenses	-	355,049	-	-	-	-	355,049
Investments	-	-	85,074,449	-	-	-	85,074,449
Land, bridges, buildings and equipment, net	-	-	-	-	-	178,274,199	178,274,199
Construction in progress - 30 year plan	-	-	-	-	-	870,255	870,255
Construction in progress - other	-	-	-	-	-	47,531,458	47,531,458
Total assets	$ 2,049,818	$ 3,317,192	$ 93,179,655	$ 192,214	$ 83,182	$226,677,659	$325,499,720
LIABILITIES AND UNRESTRICTED NET ASSETS							
Accounts payable	$ -	$ 447,904	$ -	$ 10,054,854	$ -	$ 524,029	$ 11,026,787
Accrued wages and related withholdings	-	1,144,858	-	-	-	-	1,144,858
Other accrued expenses	-	76,596	-	1,149,725	-	-	1,226,321
Bond interest payable	-	-	-	-	280,594	-	280,594
Deposits payable	628,924	-	-	-	-	-	628,924
Deferred income	208,255	-	-	-	-	-	208,255
Retirement benefit liability	-	11,236,620	-	-	-	-	11,236,620
Interest rate swap	-	-	-	-	4,967,216	-	4,967,216
Bonds payable - net	-	-	-	-	-	64,200,741	64,200,741
Total liabilities	837,179	12,905,978	-	11,204,579	5,247,810	64,724,770	94,920,316
UNRESTRICTED NET ASSETS							
Revenue	1,194,142	-	-	-	-	-	1,194,142
Operation	-	(9,717,720)	-	-	-	-	(9,717,720)
General	-	-	68,001,458	-		-	68,001,458
Renewal and replacement	-	-	-	(11,670,619)	-	-	(11,670,619)
Debt sinking	-	-	-	-	(5,164,628)	-	(5,164,628)
Construction	-	-	-	-	-	166,208,749	166,208,749
	1,194,142	(9,717,720)	68,001,458	(11,670,619)	(5,164,628)	166,208,749	208,851,382
Cumulative effect of currency translation	18,497	128,934	25,178,197	658,254	-	(4,255,860)	21,728,022
Total unrestricted net assets	1,212,639	(9,588,786)	93,179,655	(11,012,365)	(5,164,628)	161,952,889	230,579,404
Total liabilities and unrestricted net assets	$ 2,049,818	$ 3,317,192	$ 93,179,655	$ 192,214	$ 83,182	$226,677,659	$325,499,720

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS BY NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2008

REVENUES:	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Toll income	$ 17,776,115	$ -	$ -	$ -	$ -	$ -	$ 17,776,115
Rental income	11,329,104	-	-	-	-	-	11,329,104
Investment income	2,490	28,019	5,121,618	12,616	3,967	(858,184)	4,310,526
Miscellaneous	187,581	36,318	-	16,855	-	-	240,754
Total revenues	29,295,290	64,337	5,121,618	29,471	3,967	(858,184)	33,656,499
EXPENSES:							
Administrative	-	5,838,223	78,404	-	141,920	-	6,058,547
Maintenance	-	3,701,448	-	1,331,764	-	-	5,033,212
Toll	(7,238)	4,143,928	-	-	-	-	4,136,690
Mangagement information systems	-	775,043	-	-	-	-	775,043
Security	-	626,828	-	-	-	-	626,828
Depreciation	-	-	-	-	-	5,965,293	5,965,293
Interest on indebtedness	-	-	-	-	5,085,768	-	5,085,768
Amortization of bond financing expenses	-	-	-	-	-	944,883	944,883
Foreign currency exchange loss	-	-	40,190	-	-	-	40,190
Total expenses	(7,238)	15,085,470	118,594	1,331,764	5,227,688	6,910,176	28,666,454
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS, LOSS ON PERMANENT WRITE DOWN OF INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	29,302,528	(15,021,133)	5,003,024	(1,302,293)	(5,223,721)	(7,768,360)	4,990,045
UNREALIZED LOSS ON INVESTMENTS	-	-	(598,886)	-	-	-	(598,886)
LOSS ON PERMANENT WRITE DOWN OF INVESTMENTS	-	-	(1,304,814)	-	-	-	(1,304,814)
CHANGE IN FOREIGN CURRENCY TRANSLATION	(125,846)	761,977	(12,403,828)	1,606,708	-	(31,331,132)	(41,492,121)
CHANGE IN UNRESTRICTED NET ASSETS	29,176,682	(14,259,156)	(9,304,504)	304,415	(5,223,721)	(39,099,492)	(38,405,776)
TRANSFER OF NET ASSETS	(30,219,035)	15,226,837	(43,532,241)	(5,211,575)	7,029,971	56,706,043	-
UNRESTRICTED NET ASSETS - beginning of year, as previously reported	2,254,992	(10,556,467)	146,016,400	(6,105,205)	(4,623,125)	144,346,338	271,332,933
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(2,347,753)	-	(2,347,753)
UNRESTRICTED NET ASSETS - end of year	$ 1,212,639	$ (9,588,786)	$ 93,179,655	$(11,012,365)	$ (5,164,628)	$ 161,952,889	$ 230,579,404