NIAGARA FALLS
BRIDGE COMMISSION

Financial Statements and Additional Information
For the Years Ended
October 31, 2009 and 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 statements of financial position of Niagara Falls Bridge Commission (the "Commission") as of October 31, 2009 and 2008, and the related statements of activities and changes in unrestricted net assets, and of cash flows for the years 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 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 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 audits provide 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years 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 2009 financial statements taken as a whole. The additional information on pages 15 through 18 is presented for the purposes of additional analysis and is not a required part of the 2009 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole.

Chiampou Travis Besaw & Kershner LLP

January 4, 2010

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,482,556	$ 12,191,643
Accounts receivable	3,978,770	1,202,667
Prepaid expenses	356,782	355,049
Investments	13,721,355	25,584,330
Total current assets	32,539,463	39,333,689
NONCURRENT ASSETS:		
Investments	56,961,480	59,490,119
Land, bridges, buildings and equipment, net	186,546,087	178,274,199
Construction in progress - 30 year plan	895,246	870,255
Construction in progress - other	78,674,943	47,531,458
Total assets	$ 355,617,219	$ 325,499,720
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	$ 5,220,000	$ 4,955,000
Current portion of postretirement benefit obligation	236,548	331,463
Accounts payable	8,296,875	11,026,787
Accrued wages and related withholdings	1,116,299	1,144,858
Other accrued expenses	413,699	1,226,321
Bond interest payable	261,802	280,594
Deposits payable	766,628	628,924
Deferred income	349,059	208,255
Total current liabilities	16,660,910	19,802,202
NONCURRENT LIABILITIES:		
Postretirement benefit obligation	13,079,969	10,905,157
Interest rate swap	6,220,251	4,967,216
Bonds payable, net	54,246,930	59,245,741
Total liabilities	90,208,060	94,920,316
UNRESTRICTED NET ASSETS:		
Revenue	1,499,351	1,194,142
Operation	(13,567,483)	(9,717,720)
General	53,688,172	68,001,458
Renewal and replacement	(5,579,088)	(11,670,619)
Debt sinking	(6,438,582)	(5,164,628)
Construction	193,309,392	166,208,749
	222,911,762	208,851,382
Cumulative effect of currency translation	42,497,397	21,728,022
Total unrestricted net assets	265,409,159	230,579,404
Total liabilities and unrestricted net assets	$ 355,617,219	$ 325,499,720

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2009 and 2008

	2009	2008
REVENUES:		
Toll income	$ 15,199,771	$ 17,776,115
Rental income	10,150,848	11,329,104
Conditional facilities contribution	5,278,927	-
Investment income	3,818,191	4,310,526
Miscellaneous	177,744	240,754
Total revenues	34,625,481	33,656,499
EXPENSES:		
Administrative	4,930,101	6,058,547
Maintenance	3,805,053	5,033,212
Toll	3,661,135	4,136,690
Management information systems	843,313	775,043
Security	569,228	626,828
Depreciation	5,332,777	5,965,293
Interest on indebtedness	5,090,098	5,085,768
Amortization of bond financing expenses	221,189	944,883
Loss on disposal of asset	178,269	-
Foreign currency exchange loss	-	40,190
Total expenses	24,631,163	28,666,454
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN (LOSS) ON INVESTMENTS, LOSS ON PERMANENT WRITE DOWN OF INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	9,994,318	4,990,045
UNREALIZED GAIN (LOSS) ON INVESTMENTS	4,066,061	(598,886)
LOSS ON PERMANENT WRITE DOWN OF INVESTMENTS	-	(1,304,814)
CHANGE IN FOREIGN CURRENCY TRANSLATION (See Note 2)	20,769,376	(41,492,121)
CHANGE IN UNRESTRICTED NET ASSETS	34,829,755	(38,405,776)
UNRESTRICTED NET ASSETS - beginning of year	230,579,404	268,985,180
UNRESTRICTED NET ASSETS - end of year	$ 265,409,159	$ 230,579,404

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets before unrealized gain (loss) on investments, loss on permanent write down of investments and change in foreign currency translation	$ 9,994,318	$ 4,990,045
Adjustments to reconcile change in unrestricted net assets before unrealized gain (loss) on investments, loss on permanent write down of investments and change in foreign currency translation:		
Depreciation	5,332,777	5,965,293
Amortization of bond financing expenses and bond discount	221,189	944,883
Change in fair value of interest rate swaps	1,253,035	611,976
Amortization of investment premiums	96,182	128,075
Amortization of investment discounts	(252,503)	(958,466)
Gain (loss) on sale of investments	(437,883)	446,047
Gain on disposal of property	(6,803)	(13,827)
Loss on disposal of asset	178,269	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,423,824)	(42,983)
Prepaid expenses	13,292	69,202
Accounts payable	(10,785,610)	(5,914,284)
Accrued wages and related withholdings	(84,440)	94,234
Other accrued expenses	(837,218)	1,085,034
Bond interest payable	(18,792)	-
Deposits payable	79,547	75,319
Deferred income	125,298	138,945
Postretirement benefit obligation	1,711,827	1,488,466
Net cash provided by operating activities	4,158,661	9,107,959
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	33,610,255	81,944,623
Purchases of investments	(12,089,599)	(39,076,978)
Purchases of land, bridges, buildings and equipment	(19,890,385)	(24,297,797)
Net cash provided by investing activities	1,630,271	18,569,848
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond principal payments	(4,955,000)	(21,700,000)
Cash used for early bond redemption	-	(1,071,603)
Net cash used in financing activities	(4,955,000)	(22,771,603)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,456,981	(1,043,749)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,290,913	3,862,455
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,191,643	8,329,188
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,482,556	$ 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, 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 U.S. 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.

Current accounting standards require 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 statements 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.

Current accounting standards also 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.

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 $13,567,483 and $9,717,720, respectively, as of October 31, 2009 and 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, rents receivable from Duty Free and General Services Administration and reimbursement from the Government of Canada for construction of new Canada Border Services Agency facilities at the Queenston plaza. During 2009, the Commission was awarded a conditional facilities contribution in the amount of $62 million (Canadian) for the construction of the new facilities. Included in accounts receivable at October 31, 2009 is approximately $2,400,000 due under this facilities contribution agreement.

Investments – Under current accounting standards, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Valuation and Income Recognition – In 2009, the Commission adopted new 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.

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, 2009 and 2008:

U.S. Government Obligations and Corporate Bonds: Under the Commission's current investment asset strategy, the majority of the Commission's investment assets are classified in Level 1. These assets include government agency bonds, corporate and treasury bonds, inflation protection securities, and money market funds. 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 majority of the Commission's investment assets are classified in Level 2. These assets include government agency bonds, corporate and treasury bonds and money market funds. Quoted prices for these securities are based on similar assets in active markets in Canada.

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 securities are recorded on a trade date basis. Interest income is recorded on the accrual basis.

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 $5,332,777 and $5,965,293, respectively, for the years ended October 31, 2009 and 2008. 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

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 the customers' average monthly charges.

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.

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, 2009 and 2008 were .82597 and 1.00877, respectively and resulted in an exchange loss of ($1,742,498) for the year ended October 31, 2009 and an exchange gain of $24,371 for the year ended October 31, 2008. Assets and liabilities are translated at currency exchange rates prevailing at the statement of financial position date. The spot rates as of October 31, 2009 and 2008 were .93279 and .82762, respectively and resulted in an exchange gain of $20,769,376 for the year ended October 31, 2009 and an exchange loss of ($41,492,121) for the year ended October 31, 2008.

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 current accounting standards. 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 statements of financial position and changes in the fair value are included in interest expense in the statements of activities and changes in unrestricted net assets.

Statement of Cash Flows – Interest paid was $3,855,854 and $4,102,033, respectively, for the years ended October 31, 2009 and 2008. Accounts payable as of October 31, 2009 and 2008 included $8,052,415 and $10,054,854 related to additions to land, bridges, buildings and equipment.

Subsequent events – Management of the Commission has evaluated the effects of all subsequent events through January 4, 2010 to determine if events or transactions occurring through January 4, 2010 require potential adjustment or disclosure in the financial statements.

3. INVESTMENTS

Investments consisted of the following as of October 31, 2009 and 2008:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
U.S. government obligations	$ 21,548,844	$ 23,253,225	$ 27,221,769	$ 28,145,816
Canadian government obligations (stated in U.S. dollars)	895,678	947,287	12,102,335	12,569,236
Canadian corporate bonds (stated in U.S. dollars)	20,191,441	21,552,252	26,248,276	26,526,170
U.S. corporate bonds	22,623,601	24,930,071	18,307,166	17,833,227
	$ 65,259,564	$ 70,682,835	$ 83,879,546	$ 85,074,449

Investment maturity as of October 31, 2009, and 2008 is as follows:

	2009 Fair Value	2008 Fair Value
Due in less than one year	$ 13,721,355	$ 25,584,330
Due from one to five years	38,380,963	40,019,257
Due in greater than five years	18,580,517	19,470,862
	$ 70,682,835	$ 85,074,449

The Commission's investment income, consisting of interest income and amortization of discounts and premiums, was $3,818,191 and $4,310,526, respectively, for the years ended October 31, 2009 and 2008. The unrealized gain on the adjustment of fair value of the investments was $4,066,061 for the year ended October 31, 2009, while the unrealized loss on the adjustment of fair value of investments was $598,886 for the year ended October 31, 2008.

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 at October 31, 2009. 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.

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, 2009:

	Level 1	Level 2	Total
U.S. government obligations	$ 23,253,225	$ -	$ 23,253,225
Canadian government obligations (stated in U.S. dollars)	-	947,287	947,287
Canadian corporate bonds (stated in U.S. dollars)	-	21,552,252	21,552,252
U.S. corporate bonds	24,930,071	-	24,930,071
	$ 48,183,296	$ 22,499,539	$ 70,682,835

4. FAIR VALUE MEASUREMENTS (continued)

The following table presents the balances of the assets of the Commission measured at fair value on a recurring basis at October 31, 2008:

	Level 1	Level 2	Total
U.S. government obligations	$ 28,145,816	$ -	$ 28,145,816
Canadian government obligations (stated in U.S. dollars)	-	12,569,236	12,569,236
Canadian corporate bonds (stated in U.S. dollars)	-	26,526,170	26,526,170
U.S. corporate bonds	17,833,227	-	17,833,227
	$ 45,979,043	$ 39,095,406	$ 85,074,449

Liabilities subject to measurement at fair value on a recurring basis, and the basis for determining fair value, as of October 31, 2009 and 2008, are as follows:

	Fair Value as Determined By Significant Unobservable Inputs (Level 3)	
	2009	2008
Interest rate swap contract	$ 6,220,251	$ 4,967,216

The fair value of the interest rate swap contract was determined by an independent valuation utilizing a proprietary valuation model. A reconciliation of the beginning and ending balances for the interest rate swap contract measured at fair value using Level 3 inputs is as follows:

Balance, beginning of year	$ 4,967,216
Total valuation adjustment	1,253,035
Balance, end of year	$ 6,220,251

5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET

A summary of land, bridges, building, and equipment as of October 31, 2009 and 2008, is as follows:

	2009	2008
Land	$ 5,295,263	$ 5,206,096
Bridges	118,678,598	108,658,175
Buildings	98,842,639	94,825,538
Equipment	8,007,428	8,030,126
Other	60,695	56,165
	230,884,623	216,776,100
Less accumulated depreciation	(44,338,536)	(38,501,901)
	$ 186,546,087	$ 178,274,199

5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET (continued)

Additionally, the Commission has construction in progress – 30 year plan of $895,246 and $870,255 and construction in progress - other of $78,674,943 and $47,531,458, respectively, as of October 31, 2009 and 2008. Construction in progress consists primarily of construction costs related to bridge renovations, reconstruction of the Queenston plaza and painting of the Whirlpool Rapids Bridge.

6. 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, 2009 and 2008, bridge revenue bonds payable consisted of the following:

	2009	2008
Total outstanding bonds	$ 60,935,000	$ 65,890,000
Discount on bond issuance	(209,370)	(250,150)
Prepaid bond financing costs	(1,258,700)	(1,439,109)
	59,466,930	64,200,741
Less: current portion	(5,220,000)	(4,955,000)
	$ 54,246,930	$ 59,245,741

Principal payments on the outstanding bonds are due as follows:

2010	$ 5,220,000
2011	5,495,000
2012	5,780,000
2013	6,085,000
2014	6,405,000
Thereafter	31,950,000
	$ 60,935,000

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. Bonds outstanding on the 1993 issuance total $60,935,000 as of October 31, 2009.

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, 2009.

6. 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. On November 7, 2008, a floating rate event occurred due to the downgrade in the long term rating of the Commissions' bond insurer. In accordance with the terms of the swap agreement, an alternative floating rate went into effect for the Series 1993A bonds on November 13, 2008. As a result of the 1993A bonds being in an alternative rate mode, the Commission is in the process of remarketing the Series A bonds and replacing these variable rate bonds with fixed rate bonds and terminating the swap agreement. This remarketing of the Series A bonds may result in additional bond issuance costs. In addition, the Commission is in the process of funding a Sinking Fund Debt Service Reserve to replace the current surety bond due to a rating downgrade of the surety bond provider. This reserve will be funded from the Commission's unrestricted reserves.

The swap agreement in effect as of October 31, 2009 is as follows:

Bond Issuance	Notional	Maturity Date	Fixed Rate	Variable Rate	Fair Value
Series 1993A	$ 30,700,000	October 1, 2019	4.950%	3.00%	$(6,220,251)

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 as of October 31, 2009. The Commission recorded an increase of $1,253,035 and $611,976 to interest expense in fiscal 2009 and 2008, respectively, related to the change in the fair value of its swap agreement from year to year. 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.

7. 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 statements of financial position as a portion of the cost of bridges and related structures and is not separately determinable.

7. LEASES (continued)

A schedule by year of minimum future rentals receivable for the next five years under noncancelable operating leases in effect as of October 31, 2009, is as follows:

2010	$ 6,613,832
2011	6,136,273
2012	6,100,144
2013	5,599,246
2014	5,007,043

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 $370,000 and $400,000, respectively, for the years ended October 31, 2009 and 2008.

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

The accumulated postretirement benefit obligation as of October 31, 2009 and 2008 is summarized below:

	2009	2008
Retirees	$ (3,161,742)	$ (4,482,468)
Active participants	(9,794,724)	(12,062,481)
Total	$ (12,956,466)	$ (16,544,949)
Plan assets at fair value	$ -	$ -
Payments for beneficiaries	$ 244,463	$ 288,425
Accumulated benefit postretirement benefit obligation in excess of plan assets	$ (12,956,466)	$ (16,544,949)
Unrecognized transition obligation	477,131	575,771
Prior service cost not yet recognized	355,330	385,329
Unrecognized (gain)/loss	(1,192,512)	4,347,229
Accrued postretirement benefit cost	$ (13,316,517)	$ (11,236,620)

9. POSTRETIREMENT BENEFITS (continued)

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 5.75% for October 31, 2009 and 6.25% for October 31, 2008. The Commission does not contribute to the postretirement plans.

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

2010	$ 236,548
2011	266,096
2012	285,584
2013	308,538
2014	344,015
2015 - 2019	2,527,891

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, 2009

ASSETS	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Cash and cash equivalents	$ 1,704,579	$ 516,815	$ 12,015,147	$ 200,636	$ 43,471	$ 1,908	$ 14,482,556
Accounts receivable	989,890	43,254	-	2,945,626	-	-	3,978,770
Prepaid expenses	-	356,782	-	-	-	-	356,782
Investments	-	-	70,682,835	-	-	-	70,682,835
Land, bridges, buildings and equipment, net	-	-	-	-	-	186,546,087	186,546,087
Construction in progress - 30 year plan	-	-	-	-	-	895,246	895,246
Construction in progress - other	-	-	-	-	-	78,674,943	78,674,943
Total assets	$ 2,694,469	$ 916,851	$ 82,697,982	$ 3,146,262	$ 43,471	$266,118,184	$355,617,219
LIABILITIES AND UNRESTRICTED NET ASSETS							
Accounts payable	$ -	$ 244,460	$ -	$ 8,052,415	$ -	-	$ 8,296,875
Accrued wages and related withholdings	-	1,116,299	-	-	-	-	1,116,299
Other accrued expenses	-	91,534	-	322,165	-	-	413,699
Bond interest payable	-	-	-	-	261,802	-	261,802
Deposits payable	766,628	-	-	-	-	-	766,628
Deferred income	349,059	-	-	-	-	-	349,059
Retirement benefit liability	-	13,316,517	-	-	-	-	13,316,517
Interest rate swap	-	-	-	-	6,220,251	-	6,220,251
Bonds payable - net	-	-	-	-	-	59,466,930	59,466,930
Total liabilities	1,115,687	14,768,810	-	8,374,580	6,482,053	59,466,930	90,208,060
UNRESTRICTED NET ASSETS							
Revenue	1,499,351	-	-	-	-	-	1,499,351
Operation	-	(13,567,483)	-	-	-	-	(13,567,483)
General	-	-	53,688,172	-		-	53,688,172
Renewal and replacement	-	-	-	(5,579,088)	-	-	(5,579,088)
Debt sinking	-	-	-	-	(6,438,582)	-	(6,438,582)
Construction	-	-	-	-	-	193,309,392	193,309,392
	1,499,351	(13,567,483)	53,688,172	(5,579,088)	(6,438,582)	193,309,392	222,911,762
Cumulative effect of currency translation	79,431	(284,476)	29,009,810	350,770	-	13,341,862	42,497,397
Total unrestricted net assets	1,578,782	(13,851,959)	82,697,982	(5,228,318)	(6,438,582)	206,651,254	265,409,159
Total liabilities and unrestricted net assets	$ 2,694,469	$ 916,851	$ 82,697,982	$ 3,146,262	$ 43,471	$266,118,184	$355,617,219

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS BY NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2009

REVENUES:	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Toll income	$ 15,199,771	$ -	$ -	$ -	$ -	$ -	$ 15,199,771
Rental income	10,150,848	-	-	-	-	-	10,150,848
Conditional facilities contribution	-	-	-	5,278,927	-	-	5,278,927
Investment income	730	11,904	3,801,958	3,556	28	15	3,818,191
Miscellaneous	100,051	28,638	-	49,055	-	-	177,744
Total revenues	25,451,400	40,542	3,801,958	5,331,538	28	15	34,625,481
EXPENSES:							
Administrative	-	4,642,954	66,263	-	220,884	-	4,930,101
Maintenance	-	3,460,698	-	344,355	-	-	3,805,053
Toll	(4,894)	3,666,029	-	-	-	-	3,661,135
Mangagement information systems	-	843,313	-	-	-	-	843,313
Security	-	569,228	-	-	-	-	569,228
Depreciation	-	-	-	-	-	5,332,777	5,332,777
Interest on indebtedness	-	-	-	-	5,090,098	-	5,090,098
Amortization of bond financing expenses	-	-	-	-	-	221,189	221,189
Loss on disposal of Asset	-	-	-	-	-	178,269	178,269
Total expenses	(4,894)	13,182,222	66,263	344,355	5,310,982	5,732,235	24,631,163
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	25,456,294	(13,141,680)	3,735,695	4,987,183	(5,310,954)	(5,732,220)	9,994,318
UNREALIZED GAIN ON INVESTMENTS	-	-	4,066,061	-	-	-	4,066,061
CHANGE IN FOREIGN CURRENCY TRANSLATION	60,934	(413,410)	3,831,613	(307,483)	-	17,597,722	20,769,376
CHANGE IN UNRESTRICTED NET ASSETS	25,517,228	(13,555,090)	11,633,369	4,679,700	(5,310,954)	11,865,502	34,829,755
TRANSFER OF NET ASSETS	(25,151,085)	9,291,917	(22,115,042)	1,104,347	4,037,000	32,832,863	-
UNRESTRICTED NET ASSETS - beginning of year	1,212,639	(9,588,786)	93,179,655	(11,012,365)	(5,164,628)	161,952,889	230,579,404
UNRESTRICTED NET ASSETS - end of year	$ 1,578,782	$ (13,851,959)	$ 82,697,982	$ (5,228,318)	$ (6,438,582)	$ 206,651,254	$ 265,409,159

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2009

	Total	Foreign Exchange	Sub-Total	U.S. Operations in U.S. $	Canadian Operations in CA $
REVENUES:					
Toll income	$ 15,199,771	$ (1,385,692)	$ 16,585,463	$ 8,623,088	$ 7,962,375
Rental income	10,150,848	(537,854)	10,688,702	7,598,122	3,090,580
Conditional facilities contribution	5,278,927	(1,112,258)	6,391,185	-	6,391,185
Investment income	3,818,191	(277,770)	4,095,961	2,499,857	1,596,104
Miscellaneous	177,744	(18,354)	196,098	90,632	105,466
Total revenues	34,625,481	(3,331,928)	37,957,409	18,811,699	19,145,710
EXPENSES:					
Administrative	4,930,101	(444,314)	5,374,415	2,821,324	2,553,091
Maintenance	3,805,053	(286,939)	4,091,992	2,443,198	1,648,794
Toll	3,661,135	(318,334)	3,979,469	2,150,280	1,829,189
Management information systems	843,313	(28,506)	871,819	708,021	163,798
Security	569,228	(39,373)	608,601	382,374	226,227
Depreciation	5,332,777	(471,964)	5,804,741	3,092,773	2,711,968
Interest on indebtedness	5,090,098	-	5,090,098	5,090,098	-
Amortization of bond financing expenses	221,189	-	221,189	221,189	-
Loss on disposal of asset	178,269	-	178,269	178,269	-
Total expenses	24,631,163	(1,589,430)	26,220,593	17,087,526	9,133,067
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 9,994,318	$ (1,742,498)	$ 11,736,816	$ 1,724,173	$ 10,012,643

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2008

REVENUES:	Total	Foreign Exchange	Sub-Total	U.S. Operations in U.S. $	Canadian Operations in CA $
Toll income	$ 17,776,115	$ 66,040	$ 17,710,075	$ 10,179,777	$ 7,530,298
Rental income	11,329,104	26,154	11,302,950	8,320,750	2,982,200
Conditional facilities contribution	-	-	-	-	-
Investment income	4,310,526	23,422	4,287,104	1,616,486	2,670,618
Miscellaneous	240,754	1,438	239,316	75,356	163,960
Total revenues	33,656,499	117,054	33,539,445	20,192,369	13,347,076
EXPENSES:					
Administrative	6,058,547	24,451	6,034,096	3,246,063	2,788,033
Maintenance	5,033,212	25,472	5,007,740	2,103,172	2,904,568
Toll	4,136,690	16,891	4,119,799	2,193,869	1,925,930
Management information systems	775,043	682	774,361	696,609	77,752
Security	626,828	1,334	625,494	473,462	152,032
Depreciation	5,965,293	23,504	5,941,789	3,261,668	2,680,121
Interest on indebtedness	5,085,768	-	5,085,768	5,085,768	-
Amortization of bond financing expenses	944,883	-	944,883	944,883	-
Foreign currency exchange loss	40,190	349	39,841	-	39,841
Total expenses	28,666,454	92,683	28,573,771	18,005,494	10,568,277
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 4,990,045	$ 24,371	$ 4,965,674	$ 2,186,875	$ 2,778,799