NIAGARA FALLS
BRIDGE COMMISSION

Financial Statements and Additional Information
For the Years Ended
October 31, 2010 and 2009
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, 2010 and 2009, 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, 2010 and 2009, 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 2010 financial statements taken as a whole. The additional information on pages 14 through 17 is presented for the purposes of additional analysis and is not a required part of the 2010 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

Chiampou Travis Besaw & Kershner LLP

December 28, 2010

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,803,403	$ 14,482,556
Accounts receivable	6,261,143	3,978,770
Prepaid expenses	364,767	356,782
Investments	6,157,718	13,721,355
Total current assets	18,587,031	32,539,463
NONCURRENT ASSETS:		
Investments	66,477,471	56,961,480
Land, bridges, buildings and equipment, net	205,746,399	186,546,087
Construction in progress - 30-year plan	906,821	895,246
Construction in progress - other	106,715,969	78,674,943
Total assets	$ 398,433,691	$ 355,617,219
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	$ 5,495,000	$ 5,220,000
Current portion of postretirement benefit obligation	246,781	236,548
Accounts payable	8,915,307	8,296,875
Accrued wages and related withholdings	1,040,325	1,116,299
Other accrued expenses	393,647	413,699
Bond interest payable	211,774	261,802
Deposits payable	35,592	766,628
Deferred income	893,878	349,059
Total current liabilities	17,232,304	16,660,910
NONCURRENT LIABILITIES:		
Postretirement benefit obligation	14,223,299	13,079,969
Interest rate swap	-	6,220,251
Bonds payable, net	48,641,369	54,246,930
Total liabilities	80,096,972	90,208,060
UNRESTRICTED NET ASSETS:		
Revenue	753,430	1,499,351
Operation	(14,588,489)	(13,567,483)
General	38,407,853	53,688,172
Renewal and replacement	(2,141,875)	(5,579,088)
Debt sinking	5,999,138	(6,438,582)
Construction	237,082,349	193,309,392
	265,512,406	222,911,762
Cumulative effect of currency translation	52,824,313	42,497,397
Total unrestricted net assets	318,336,719	265,409,159
Total liabilities and unrestricted net assets	$ 398,433,691	$ 355,617,219

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
REVENUES:		
Toll income	$ 16,286,038	$ 15,199,771
Rental income	11,063,693	10,150,848
Conditional facilities contribution	32,167,980	5,278,927
Investment income	3,986,113	3,818,191
Miscellaneous	188,896	177,744
Total revenues	63,692,720	34,625,481
EXPENSES:		
Administration & overhead	4,999,512	4,862,800
Maintenance	3,463,740	3,187,102
Toll	3,158,871	2,813,232
Management information systems	796,273	771,844
Security	503,492	462,023
Postretirement	979,233	1,711,829
Depreciation	5,753,370	5,332,777
Interest on indebtedness	1,336,290	5,090,098
Amortization of bond financing expenses	244,365	221,189
Loss on disposal of asset	-	178,269
Total expenses	21,235,146	24,631,163
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	42,457,574	9,994,318
UNREALIZED GAIN ON INVESTMENTS	143,070	4,066,061
CHANGE IN FOREIGN CURRENCY TRANSLATION (See Note 2)	10,326,916	20,769,376
CHANGE IN UNRESTRICTED NET ASSETS	52,927,560	34,829,755
UNRESTRICTED NET ASSETS - beginning of year	265,409,159	230,579,404
UNRESTRICTED NET ASSETS - end of year	$ 318,336,719	$ 265,409,159

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets before unrealized gain on investments and change in foreign currency translation	$ 42,457,574	$ 9,994,318
Adjustments to reconcile change in unrestricted net assets before unrealized gain on investments and change in foreign currency translation to net cash provided by operating activities:		
Depreciation	5,753,370	5,332,777
Amortization of bond financing expenses and bond discount	244,365	221,189
Change in fair value of interest rate swaps	(1,458,527)	1,253,035
Amortization of investment premiums	110,955	96,182
Amortization of investment discounts	(2,760)	(252,503)
Gain on sale of investments	(1,274,787)	(437,883)
Gain on disposal of property	(51,566)	(6,803)
Loss on disposal of asset	-	178,269
Changes in operating assets and liabilities:		
Accounts receivable	(1,906,774)	(2,423,824)
Prepaid expenses	(778)	13,292
Accounts payable	(7,880,136)	(10,785,610)
Accrued wages and related withholdings	(101,621)	(84,440)
Other accrued expenses	(31,860)	(837,218)
Bond interest payable	(50,028)	(18,792)
Deposits payable	(748,711)	79,547
Deferred income	530,890	125,298
Postretirement benefit obligation	979,233	1,711,827
Net cash provided by operating activities	36,568,839	4,158,661
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	35,614,556	33,610,255
Purchases of investments	(35,202,914)	(12,089,599)
Purchases of land, bridges, buildings and equipment	(35,956,791)	(19,890,385)
Net cash provided by (used in) investing activities	(35,545,149)	1,630,271
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond principal payments	(5,220,000)	(4,955,000)
Swap termination payment	(4,761,724)	
Bond remarketing costs, net	(354,927)	-
Net cash used in financing activities	(10,336,651)	(4,955,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	633,808	1,456,981
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,679,153)	2,290,913
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,482,556	12,191,643
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,803,403	$ 14,482,556

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 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.

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 $14,588,489 and $13,567,483, respectively, as of October 31, 2010 and 2009.

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 designated 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 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, 2010 and 2009 is approximately $5,400,000 and $2,400,000, respectively, 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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a description of the valuation methodologies used for investments measured at fair value as of October 31, 2010 and 2009:

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, 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 in this category are classified as 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 $5,753,370 and $5,332,777, respectively, for the years ended October 31, 2010 and 2009. 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

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.

Letter of Credit – At October 31, 2010, a letter of credit of approximately $285,000 Canadian Dollars (CAD) has been issued under an agreement with a Canadian bank, expiring June 13, 2011, which is being maintained as security for workers compensation payments in Canada. The agreement provides a maximum commitment of $285,000 CAD and requires an annual commitment fee of $3,900 CAD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010 and 2009 were .96349 and .82597, respectively, and resulted in an exchange loss of ($1,301,722) and ($1,742,498) for the years then ended. Assets and liabilities are translated at currency exchange rates prevailing at the statement of financial position date. The spot rates as of October 31, 2010 and 2009 were .98150 and .93279, respectively, and resulted in an exchange gain of $10,326,916 and $20,769,376 for the years then ended.

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 $2,844,846 and $3,855,854, respectively, for the years ended October 31, 2010 and 2009. Accounts payable as of October 31, 2010 and 2009 included $8,316,217 and $8,052,415 related to additions to land, bridges, buildings and equipment.

Subsequent Events – Management of the Commission has evaluated the effects of all subsequent events through December 28, 2010, 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.

Reclassifications – Certain reclassifications were made to the 2009 financial statements in order to conform to the 2010 presentation.

3. INVESTMENTS

Investments consisted of the following as of October 31, 2010 and 2009:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
U.S. government obligations	$ 19,594,185	$ 21,524,337	$ 21,548,844	$ 23,253,225
Canadian government obligations (stated in U.S. dollars)	-	-	895,678	947,287
Canadian corporate bonds (stated in U.S. dollars)	25,854,004	26,789,634	20,191,441	21,552,252
U.S. corporate bonds	22,193,331	24,321,218	22,623,601	24,930,071
	$ 67,641,520	$ 72,635,189	$ 65,259,564	$ 70,682,835

3. INVESTMENTS (continued)

Investment maturity as of October 31, 2010, and 2009 is as follows:

	2010 Fair Value	2009 Fair Value
Due in less than one year	$ 6,157,718	$ 13,721,355
Due from one to five years	53,383,625	38,380,963
Due in greater than five years	13,093,846	18,580,517
	$ 72,635,189	$ 70,682,835

The Commission's investment income, consisting of interest income, realized gains and amortization of discounts and premiums, was $3,986,113 and $3,818,191, respectively, for the years ended October 31, 2010 and 2009. The unrealized gains on the adjustment of fair value of the investments were $143,070 and $4,066,061 for the years ended October 31, 2010 and 2009, 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 for the years ended October 31, 2010 and 2009.

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, 2010:

	Level 1	Level 2	Total
U.S. government obligations	$ 21,524,337	$ -	$ 21,524,337
Canadian corporate bonds (stated in U.S. dollars)	-	26,789,634	26,789,634
U.S. corporate bonds	24,321,218	-	24,321,218
	$ 45,845,555	$ 26,789,634	$ 72,635,189

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

Liabilities subject to measurement at fair value on a recurring basis, and the basis for determining fair value, as of October 31, 2010 and 2009, are as follows:

4. FAIR VALUE MEASUREMENTS (continued)

	Fair Value as Determined By Significant Unobservable Inputs (Level 3)	
	2010	**2009**
Interest rate swap contract	$ -	$ 6,220,251

The interest rate swap contract on the 1993A bonds was terminated in February 2010 (see Note 6). 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	$ 6,220,251
Valuation adjustment	(1,458,527)
Termination of swap agreement	(4,761,724)
Balance, end of year	$ -

The Commission recorded a decrease of ($1,458,527) and an increase of $1,253,035 to interest expense in fiscal years 2010 and 2009, respectively, related to the change in the fair value of its swap agreement from year to year.

5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET

A summary of land, bridges, buildings and equipment as of October 31, 2010 and 2009, is as follows:

	2010	2009
Land	$ 5,336,563	$ 5,295,263
Bridges	139,481,037	118,678,598
Buildings	100,808,115	98,842,639
Equipment	10,231,490	8,007,428
Other	62,794	60,695
	255,919,999	230,884,623
Less accumulated depreciation	(50,173,600)	(44,338,536)
	$ 205,746,399	$ 186,546,087

Additionally, the Commission has construction in progress - 30-year plan of $906,821 and $895,246 and construction in progress - other of $106,715,969 and $78,674,943, respectively, as of October 31, 2010 and 2009. Construction in progress consists primarily of construction costs related to bridge renovations, reconstruction of the Queenston plaza and the painting of the Whirlpool-Rapids Bridge. Included in the accompanying Statements of Activities for the years ended October 31, 2010 and 2009, is a conditional facilities contribution in the amount of $32,167,980 and $5,278,927, respectively, that has been received by the Commission to partially offset the construction in progress costs.

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, 2010 and 2009, bridge revenue bonds payable consisted of the following:

	2010	2009
Total outstanding bonds	$ 55,715,000	$ 60,935,000
Premium (discount) on bond issuance	105,489	(209,370)
Prepaid bond financing costs	(1,684,120)	(1,258,700)
	54,136,369	59,466,930
Less: current portion	(5,495,000)	(5,220,000)
	$ 48,641,369	$ 54,246,930

Principal payments on the outstanding bonds are due as follows:

2011	$ 5,495,000
2012	5,780,000
2013	6,085,000
2014	6,405,000
2015	6,750,000
Thereafter	25,200,000
	$ 55,715,000

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 Fixed Rate Bonds maturing on October 1, 2021. On October 31, 2010, the bonds outstanding on the 1993A issue were $30,700,000, and $25,015,000 on the 1993B issue, respectively.

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, 2010.

The Series 1993A Weekly Adjustable/Fixed Rate Bonds utilized an interest rate swap agreement to effectively convert a portion of its variable-rate bonds to fixed-rate. On November 7, 2008, a ratings downgrade to the Commission's bond insurer caused the Series 1993A bonds to enter an alternative floating rate in accordance with the terms of the swap agreement.

As a result of the Series 1993A bonds being in an alternative rate mode, the Commission remarketed the Series 1993A bonds on February 25, 2010, and replaced these variable-rate bonds with 4% fixed-rate bonds and terminated the swap agreement. The remarketing of the Series 1993A bonds resulted in a swap termination payment of $4,761,724, bond issuance costs of approximately $659,000, and the Commission received a premium of approximately $304,000. In addition, the Commission established a Sinking Fund Debt Service Reserve of approximately $6,093,500, representing 10% of the total outstanding bond balance to replace the previous surety bond.

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.

A schedule by year of minimum future rentals receivable for the next five years under noncancelable operating leases in effect as of October 31, 2010, is as follows:

2011	$ 7,122,213
2012	6,614,309
2013	5,916,594
2014	5,202,021
2015	5,249,901

The above minimum future rentals for the next five years do 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 $408,000 and $370,000, respectively, for the years ended October 31, 2010 and 2009.

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).

The accumulated postretirement benefit obligation as of October 31, 2010 and 2009 is summarized below:

	2010	2009
Retirees	$ (3,661,140)	$ (3,161,742)
Active participants	(10,491,108)	(9,794,724)
Total	$ (14,152,248)	$ (12,956,466)
Plan assets at fair value	$ -	$ -
Payments for beneficiaries	$ 232,436	$ 244,463

9. POSTRETIREMENT BENEFITS (continued)

Accumulated benefit postretirement benefit obligation in excess of plan assets	$ (14,152,248)	$ (12,956,466)
Unrecognized transition obligation	355,464	477,131
Prior service cost not yet recognized	1,135,010	355,330
Unrecognized gain	(1,808,306)	(1,192,512)
Accrued postretirement benefit cost	$ (14,470,080)	$ (13,316,517)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 12% for the United States 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 trend rate for Canada was 10% for the first year and 5% for all subsequent years. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 5.25% for October 31, 2010 and 5.75% for October 31, 2009, respectively. 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:

2011	$ 246,781
2012	268,345
2013	287,986
2014	320,354
2015	345,123
2016 - 2020	2,494,080

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, 2010

	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
ASSETS							
Cash and cash equivalents	$ 946,460	$ 691,191	$ 2,760,124	$ 1,376,222	$ 29,406	$ -	$ 5,803,403
Accounts receivable	834,508	38,224	-	5,388,411	-	-	6,261,143
Prepaid expenses	-	364,767	-	-	-	-	364,767
Investments	-	-	66,453,683	-	6,181,506	-	72,635,189
Land, bridges, buildings and equipment, net	-	-	-	-	-	205,746,399	205,746,399
Construction in progress - 30-year plan	-	-	-	-	-	906,821	906,821
Construction in progress - other	-	-	-	-	-	106,715,969	106,715,969
Total assets	$ 1,780,968	$ 1,094,182	$ 69,213,807	$ 6,764,633	$ 6,210,912	$ 313,369,189	$398,433,691
LIABILITIES AND UNRESTRICTED NET ASSETS							
Accounts payable	$ -	$ 599,090	$ -	$ 8,316,217	$ -	$ -	$ 8,915,307
Accrued wages and related withholdings	-	1,040,325	-	-	-	-	1,040,325
Other accrued expenses	-	55,245	-	338,402	-	-	393,647
Bond interest payable	-	-	-	-	211,774	-	211,774
Deposits payable	35,592	-	-	-	-	-	35,592
Deferred income	893,878	-	-	-	-	-	893,878
Postretirement benefit liability	-	14,470,080	-	-	-	-	14,470,080
Bonds payable, net	-	-	-	-	-	54,136,369	54,136,369
Total liabilities	929,470	16,164,740	-	8,654,619	211,774	54,136,369	80,096,972
UNRESTRICTED NET ASSETS							
Revenue	753,430	-	-	-	-	-	753,430
Operation	-	(14,588,489)	-	-	-	-	(14,588,489)
General	-	-	38,407,853	-	-	-	38,407,853
Renewal and replacement	-	-	-	(2,141,875)	-	-	(2,141,875)
Debt sinking	-	-	-	-	5,999,138	-	5,999,138
Construction	-	-	-	-	-	237,082,349	237,082,349
	753,430	(14,588,489)	38,407,853	(2,141,875)	5,999,138	237,082,349	265,512,406
Cumulative effect of currency translation	98,068	(482,069)	30,805,954	251,889	-	22,150,471	52,824,313
Total unrestricted net assets	851,498	(15,070,558)	69,213,807	(1,889,986)	5,999,138	259,232,820	318,336,719
Total liabilities and unrestricted net assets	$ 1,780,968	$ 1,094,182	$ 69,213,807	$ 6,764,633	$ 6,210,912	$ 313,369,189	$398,433,691

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS BY NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2010

	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
REVENUES:							
Toll income	$ 16,286,038	$ -	$ -	$ -	$ -	$ -	$ 16,286,038
Rental income	11,063,693	-	-	-	-	-	11,063,693
Conditional facilities contribution	-	-	-	32,167,980	-	-	32,167,980
Investment income	652	2,091	3,846,134	16,064	121,169	3	3,986,113
Miscellaneous	111,786	72,476	-	4,634	-	-	188,896
Total revenues	27,462,169	74,567	3,846,134	32,188,678	121,169	3	63,692,720
EXPENSES:							
Administration & overhead	-	4,877,844	53,283	-	68,385	-	4,999,512
Maintenance	-	3,269,727	-	194,013	-	-	3,463,740
Toll	14,400	3,144,471	-	-	-	-	3,158,871
Mangagement information systems	-	796,273	-	-	-	-	796,273
Security	-	503,492	-	-	-	-	503,492
Postretirement	-	979,233	-	-	-	-	979,233
Depreciation	-	-	-	-	-	5,753,370	5,753,370
Interest on indebtedness	-	-	-	-	1,336,290	-	1,336,290
Amortization of bond financing expenses	-	-	-	-	-	244,365	244,365
Total expenses	14,400	13,571,040	53,283	194,013	1,404,675	5,997,735	21,235,146
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	27,447,769	(13,496,473)	3,792,851	31,994,665	(1,283,506)	(5,997,732)	42,457,574
UNREALIZED GAIN ON INVESTMENTS	-	-	(51,665)	-	194,735	-	143,070
CHANGE IN FOREIGN CURRENCY TRANSLATION	18,637	(197,593)	1,796,144	(98,881)	-	8,808,609	10,326,916
CHANGE IN UNRESTRICTED NET ASSETS	27,466,406	(13,694,066)	5,537,330	31,895,784	(1,088,771)	2,810,877	52,927,560
TRANSFER OF NET ASSETS	(28,193,690)	12,475,467	(19,021,505)	(28,557,452)	13,526,491	49,770,689	-
UNRESTRICTED NET ASSETS - beginning of year	1,578,782	(13,851,959)	82,697,982	(5,228,318)	(6,438,582)	206,651,254	265,409,159
UNRESTRICTED NET ASSETS - end of year	$ 851,498	$ (15,070,558)	$ 69,213,807	$ (1,889,986)	$ 5,999,138	$ 259,232,820	$ 318,336,719

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2010

	Total	Foreign Exchange	Sub-Total	U.S. Operations in USD	Canadian Operations in CAD
REVENUES:					
Toll income	$ 16,286,038	$ (276,251)	$ 16,562,289	$ 8,995,809	$ 7,566,480
Rental income	11,063,693	(111,933)	11,175,626	8,109,804	3,065,822
Conditional facilities contribution	32,167,980	(1,218,957)	33,386,937	-	33,386,937
Investment income	3,986,113	(33,727)	4,019,840	3,096,062	923,778
Miscellaneous	188,896	(3,424)	192,320	98,528	93,792
Total revenues	63,692,720	(1,644,292)	65,337,012	20,300,203	45,036,809
EXPENSES:					
Administration & overhead	4,999,512	(98,917)	5,098,429	2,389,122	2,709,307
Maintenance	3,463,740	(57,521)	3,521,261	1,945,769	1,575,492
Toll	3,158,871	(61,317)	3,220,188	1,540,758	1,679,430
Management information systems	796,273	(6,127)	802,400	634,567	167,833
Security	503,492	(8,069)	511,561	290,552	221,009
Postretirement	979,233	(8,315)	987,548	759,813	227,735
Depreciation	5,753,370	(102,304)	5,855,674	3,053,564	2,802,110
Interest on indebtedness	1,336,290	-	1,336,290	1,336,290	-
Amortization of bond financing expenses	244,365	-	244,365	244,365	-
Total expenses	21,235,146	(342,570)	21,577,716	12,194,800	9,382,916
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 42,457,574	$ (1,301,722)	$ 43,759,296	$ 8,105,403	$ 35,653,893

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 USD	Canadian Operations in CAD
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:					
Administration & overhead	4,862,800	(446,636)	5,309,436	2,743,008	2,566,428
Maintenance	3,187,102	(264,572)	3,451,674	1,931,408	1,520,266
Toll	2,813,232	(287,315)	3,100,547	1,449,593	1,650,954
Management information systems	771,844	(26,714)	798,558	645,056	153,502
Security	462,023	(36,685)	498,708	287,924	210,784
Post Retirement	1,711,829	(55,544)	1,767,373	1,448,208	319,165
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