NIAGARA FALLS
BRIDGE COMMISSION

Financial Statements and Additional Information
For the Years Ended
October 31, 2012 and 2011
with
Independent Auditors' Report

NIAGARA FALLS BRIDGE COMMISSION

TABLE OF CONTENTS

ChiampouTravis
Besaw & Kershner LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

45 Bryant Woods North | Amherst | New York 14228 | Phone 716 630 2400 Fax 716 630 2401 | chiampou.com

Charles W. Chiampou, CPA, JD
Robert J. Travis, CPA
Kelly G. Besaw, CPA, CVA
Eugene G. Kershner, CPA
Gerald F. Pullano, CPA
D. Scott Sutherland, CPA
Stephen R. Brady, CPA, JD
Jon K. Pellish, CPA
Eric D. Colca, CPA, CVA
Mike Schaffstall, CPA
Garret R. Alexin, CPA, MBA

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, 2012 and 2011, 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, 2012 and 2011, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information included on pages 14 through 17 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Chiampou Travis Besaw & Kershner LLP

January 8, 2013

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,655,130	$ 10,941,449
Accounts receivable	2,294,310	939,773
Prepaid expenses	244,316	273,608
Investments	5,068,023	8,687,374
Total current assets	15,261,779	20,842,204
NONCURRENT ASSETS:		
Investments	66,401,431	66,228,531
Land, bridges, buildings and equipment, net	243,958,825	246,158,626
Construction in progress - 30 year plan	673,591	673,591
Construction in progress - other	95,835,491	77,075,615
Total assets	$ 422,131,117	$ 410,978,567
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	$ 6,085,000	$ 5,780,000
Current portion of postretirement benefit obligation	324,053	253,869
Accounts payable	6,918,870	7,686,563
Accrued wages and related withholdings	1,176,545	1,092,105
Other accrued expenses	177,053	173,427
Bond interest payable	162,446	187,734
Deferred income	1,129,188	988,362
Total current liabilities	15,973,155	16,162,060
NONCURRENT LIABILITIES:		
Postretirement benefit obligation	16,492,619	15,394,638
Bonds payable, net	37,267,604	43,111,584
Total liabilities	69,733,378	74,668,282
UNRESTRICTED NET ASSETS:		
Revenue	581,740	813,873
Operation	(17,046,708)	(15,797,842)
General	39,729,776	42,913,227
Renewal and replacement	(4,096,027)	(3,424,906)
Debt sinking	4,990,105	5,505,096
Construction	271,038,869	247,843,282
	295,197,755	277,852,730
Cumulative effect of currency translation	57,199,984	58,457,555
Total unrestricted net assets	352,397,739	336,310,285
Total liabilities and unrestricted net assets	$ 422,131,117	$ 410,978,567

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012	2011
REVENUES:		
Toll income	$ 18,677,759	$ 18,098,132
Rental income	12,482,098	12,191,758
Conditional facilities contribution	8,156,545	10,022,053
Investment income	3,209,804	2,836,931
Construction reimbursement	597,241	-
Miscellaneous	75,354	127,814
Total revenues	43,198,801	43,276,688
EXPENSES:		
Administration and overhead	5,376,948	5,695,148
Maintenance	4,664,469	4,135,051
Toll	2,617,387	2,694,168
Management information systems	820,046	818,557
Security	740,671	553,235
Postretirement	1,188,464	1,087,423
Depreciation	7,472,557	6,740,709
Interest on indebtedness	2,227,512	2,517,247
Amortization of bond financing expenses	241,020	250,214
Loss on disposal of bridge related assets	381,171	6,395,485
Total expenses	25,730,245	30,887,237
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	17,468,556	12,389,451
UNREALIZED LOSS ON INVESTMENTS	(123,531)	(49,126)
CHANGE IN FOREIGN CURRENCY TRANSLATION (See Note 2)	(1,257,571)	5,633,241
CHANGE IN UNRESTRICTED NET ASSETS	16,087,454	17,973,566
UNRESTRICTED NET ASSETS - beginning of year	336,310,285	318,336,719
UNRESTRICTED NET ASSETS - end of year	$ 352,397,739	$ 336,310,285

See notes to financial statements.

NIAGARA FALLS BRIDGE COMMISSION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets before unrealized loss on investments and change in foreign currency translation	$ 17,468,556	$ 12,389,451
Adjustments to reconcile change in unrestricted net assets before unrealized loss on investments and change in foreign currency translation:		
Depreciation	7,472,557	6,740,709
Amortization of bond financing expenses	241,020	250,214
Amortization of investment premiums	130,428	116,761
Gain on sale of investments	(696,266)	(79,954)
Gain on disposal of property	(9,039)	(16,007)
Loss on disposal of bridge related assets	381,171	6,395,485
Changes in operating assets and liabilities:		
Accounts receivable	(1,888,745)	4,792,253
Prepaid expenses	28,734	95,515
Accounts payable	(723,273)	(1,421,884)
Accrued wages and related withholdings	87,337	39,107
Other accrued expenses	3,626	(227,651)
Bond interest payable	(25,288)	(24,040)
Deposits payable	-	(36,606)
Deferred income	143,322	81,653
Postretirement benefit obligation	1,188,464	1,087,423
Net cash provided by operating activities	23,802,604	30,182,429
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	30,916,792	14,609,662
Purchases of investments	(26,633,275)	(15,598,777)
Purchases of land, bridges, buildings and equipment	(25,548,228)	(18,636,335)
Net cash used in investing activities	(21,264,711)	(19,625,450)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bond principal payments	(5,780,000)	(5,495,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(44,212)	76,067
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,286,319)	5,138,046
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,941,449	5,803,403
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,655,130	$ 10,941,449

See notes to financial statements.

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Net Assets – General net assets consist of undesignated net assets obtained from excess toll revenues, after the replenishment of debt sinking requirements, which may be used for any lawful purpose of the Commission. In addition, a portion of general net assets has been designated to cover net operation deficits that result from the accrual of liabilities, in particular the long-term postretirement benefit liability. The amount designated for such operation deficit is $17,046,708 and $15,797,842 as of October 31, 2012 and 2011, respectively.

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

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

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

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

Accounts Receivable – Accounts receivable primarily represents rents receivable from Duty Free and General Services Administration 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, 2012 is approximately $736,000 due under this facilities contribution agreement. There were no amounts due under this agreement at October 31, 2011.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Following is a description of the valuation methodologies used for investments measured at fair value as of October 31, 2012 and 2011:

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 \$7,472,557 and \$6,740,709 for the years ended October 31, 2012 and 2011, respectively. Depreciation is not recorded in the year of acquisition. The estimated useful lives used are as follows:

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

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

Letter of Credit – At October 31, 2012, a letter of credit of approximately \$250,000 CAD was issued under an agreement with the Royal Bank of Canada, expiring July 13, 2013, which is being maintained as security for the self-insured portion of the deductible on liability insurance. The agreement provides a maximum commitment of \$250,000 CAD and requires an annual commitment fee of \$3,700 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, 2012 and 2011 were .9954 and 1.0139, respectively, and resulted in exchange gains (losses) of $(54,388) and $161,349 for the years ended October 31, 2012 and 2011, respectively. Assets and liabilities are translated at currency exchange rates prevailing at the statement of financial position date. The spot rates as of October 31, 2012 and 2011 were 1.001 and 1.0065, respectively and resulted in an exchange loss of $(1,257,571) for the year ended October 31, 2012 and an exchange gain of $5,633,241 for the year ended October 31, 2011.

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 $2,252,799 and $2,541,247 for the years ended October 31, 2012 and 2011, respectively. Accounts payable as of October 31, 2012 and 2011, included $6,432,183 and $7,105,170 related to additions to land, bridges, buildings and equipment, respectively.

Reclassifications – Certain reclassifications were made to the 2011 financial statements to conform to the 2012 presentation.

Subsequent Events – Management of the Commission has evaluated the effects of all subsequent events through January 8, 2013, the date which the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the financial statements.

3. INVESTMENTS

Investments consisted of the following as of October 31, 2012 and 2011:

	2012		2011	
	Cost	**Fair Value**	**Cost**	**Fair Value**
U.S. government obligations	$ 24,775,782	$ 26,359,290	$ 18,200,635	$ 19,920,300
Canadian corporate bonds (stated in U.S. dollars)	21,987,841	25,495,551	28,022,287	30,098,901
U.S. corporate bonds	18,386,865	19,614,613	23,214,691	24,896,704
	$ 65,150,488	$ 71,469,454	$ 69,437,613	$ 74,915,905

3. INVESTMENTS (continued)

Investment maturity as of October 31, 2012 and 2011 is as follows:

	2012 Fair Value	2011 Fair Value
Due in less than one year	$ 5,068,023	$ 8,687,374
Due from one to five years	56,423,382	56,441,560
Due in greater than five years	9,978,049	9,786,971
	$ 71,469,454	$ 74,915,905

The Commission's investment income, consisting of interest income and amortization of discounts and premiums, was $3,209,804 and $2,836,931 for the years ended October 31, 2012 and 2011, respectively. The unrealized loss on the adjustment of fair value of the investments was $(123,531) and $(49,126) for the years ended October 31, 2012 and 2011, 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, 2012 or 2011.

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, 2012:

	Level 1	Level 2	Total
U.S. government obligations	$ 26,359,290	$ -	$ 26,359,290
Canadian corporate bonds (stated in U.S. dollars)	-	25,495,551	25,495,551
U.S. corporate bonds	19,614,613	-	19,614,613
	$ 45,973,903	$ 25,495,551	$ 71,469,454

The following table presents the balances of the assets of the Commission measured at fair value on a recurring basis at October 31, 2011:

	Level 1	Level 2	Total
U.S. government obligations	$ 19,920,300	$ -	$ 19,920,300
Canadian corporate bonds (stated in U.S. dollars)	-	30,098,901	30,098,901
U.S. corporate bonds	24,896,704	-	24,896,704
	$ 44,817,004	$ 30,098,901	$ 74,915,905

5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET

A summary of land, bridges, buildings and equipment as of October 31, 2012 and 2011, is as follows:

	2012	2011
Land and land improvements	$ 17,684,119	$ 11,531,828
Bridges	137,925,534	138,316,171
Buildings	136,091,448	137,202,238
Equipment	7,488,770	10,446,219
	299,189,871	297,496,456
Less accumulated depreciation	55,231,046	51,337,830
	$ 243,958,825	$ 246,158,626

Additionally, the Commission has construction in progress – 30 year plan of $673,591 as of October 31, 2012 and 2011, and construction in progress - other of $95,835,491 and $77,075,615 as of October 31, 2012 and 2011, respectively. Construction in progress consists primarily of construction costs related to bridge renovations, reconstruction of the Queenston plaza and outcropping removal at Lewiston. Included in the accompanying statements of activities and changes in unrestricted net assets for the years ended October 31, 2012 and 2011, is a conditional facilities contribution in the amount of $8,156,545 and $10,022,053, respectively, that has been received by the Commission to partially offset the construction in progress costs.

The Commission recorded a loss of $381,171 and $6,395,485 for the years ended October 31, 2012 and 2011, respectively, on the disposal of bridge-related assets related to the write off of the remaining value of the old Commission and Canada Border Services Agency facilities which were demolished as a result of the bridge renovations and reconstruction project at the Queenston Plaza.

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, 2012 and 2011, bridge revenue bonds payable consisted of the following:

	2012	2011
Total outstanding bonds:		
Series 1993A	$ 30,700,000	$ 30,700,000
Series 1993B	13,740,000	19,520,000
	44,440,000	50,220,000
Premium/discount on bond issuance	91,491	100,256
Prepaid bond financing costs	(1,178,887)	(1,428,672)
	43,352,604	48,891,584
Less: current portion	6,085,000	5,780,000
	$ 37,267,604	$ 43,111,584

6. BONDS PAYABLE (continued)

Principal payments on the outstanding bonds are due as follows:

2013	$ 6,085,000
2014	6,405,000
2015	6,750,000
2016	5,800,000
2017	6,100,000
Thereafter	13,300,000
	$ 44,440,000

On July 9, 1993, the Commission issued $133,035,000 of Toll Bridge System Revenue Bonds consisting of $30,700,000 Series 1993A Weekly Adjustable/Fixed Rate Bonds maturing on October 1, 2019 and $102,335,000 of Series 1993B 5.2% Fixed Rate Bonds maturing on October 1, 2015. On February 25, 2010 the Commission remarketed the Series 1993A Bonds and replaced these variable rate bonds with 4% fixed rate bonds. In 2010, the Commission established a Sinking Fund Debt Service Reserve representing 10% of the total outstanding bond balance to replace the previous surety bond. The balance in the Sinking Fund Debt Service Reserve was approximately $5,151,300 and $5,657,600 as of October 31, 2012 and 2011, 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, 2012.

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, 2012, is as follows:

2013	$ 6,694,056
2014	5,985,056
2015	6,034,326
2016	6,080,029
2017	5,138,790

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 $455,000 and $441,000 for the years ended October 31, 2012 and 2011, respectively.

9. POSTRETIREMENT BENEFITS

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

The accumulated postretirement benefit obligation as of October 31, 2012 and 2011 is summarized below:

	2012	2011
Retirees	$ (4,949,360)	$ (4,022,779)
Active participants	(18,982,674)	(12,886,959)
Total	$ (23,932,034)	$ (16,909,738)
Plan assets at fair value	$ -	$ -
Payments for beneficiaries	$ 255,186	$ 245,624

	2012	2011
Accumulated postretirement benefit obligation in excess of plan assets	$ (23,932,034)	$ (16,909,738)
Unrecognized transition obligation	90,913	225,132
Prior service cost not yet recognized	746,864	945,641
Unrecognized loss	6,277,585	90,458
Accrued postretirement benefit cost	$ (16,816,672)	$ (15,648,507)

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 4.0% for October 31, 2012 and 4.75% for October 31, 2011, 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:

2013	$ 324,053
2014	357,085
2015	405,152
2016	484,183
2017	553,241
2018 - 2022	3,790,998

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.

11. SUBSEQUENT EVENTS

Subsequent to October 31, 2012, the Commission received $2.5 million in payment for termination of a lease agreement related to property at the Whirlpool Bridge.

* * * * * *

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF FINANCIAL POSITION BY NET ASSETS
OCTOBER 31, 2012

ASSETS	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Cash and cash equivalents	$ 420,504	$ 648,313	$ 4,037,683	$ 1,852,348	$ 696,282	$ -	$ 7,655,130
Accounts receivable	1,387,613	33,333	-	873,364	-	-	2,294,310
Prepaid expenses	-	244,316	-	-	-	-	244,316
Investments	-	-	67,013,185	-	4,456,269	-	71,469,454
Land, bridges, buildings and equipment, net	-	-	-	-	-	243,958,825	243,958,825
Construction in progress - 30 year plan	-	-	-	-	-	673,591	673,591
Construction in progress - other	-	-	-	-	-	95,835,491	95,835,491
Total assets	$ 1,808,117	$ 925,962	$ 71,050,868	$ 2,725,712	$ 5,152,551	$ 340,467,907	$ 422,131,117
LIABILITIES AND UNRESTRICTED NET ASSETS							
Accounts payable	$ -	$ 486,687	$ -	$ 6,432,183	$ -	$ -	$ 6,918,870
Accrued wages and related withholdings	-	1,176,545	-	-	-	-	1,176,545
Other accrued expenses	-	54,067	-	122,986	-	-	177,053
Bond interest payable	-	-	-	-	162,446	-	162,446
Deferred income	1,129,188	-	-	-	-	-	1,129,188
Postretirement benefit obligation	-	16,816,672	-	-	-	-	16,816,672
Bonds payable, net	-	-	-	-	-	43,352,604	43,352,604
Total liabilities	1,129,188	18,533,971	-	6,555,169	162,446	43,352,604	69,733,378
UNRESTRICTED NET ASSETS							
Revenue	581,740	-	-	-	-	-	581,740
Operation	-	(17,046,708)	-	-	-	-	(17,046,708)
General	-	-	39,729,776	-	-	-	39,729,776
Renewal and replacement	-	-	-	(4,096,027)	-	-	(4,096,027)
Debt sinking	-	-	-	-	4,990,105	-	4,990,105
Construction	-	-	-	-	-	271,038,869	271,038,869
	581,740	(17,046,708)	39,729,776	(4,096,027)	4,990,105	271,038,869	295,197,755
Cumulative effect of currency translation	97,189	(561,301)	31,321,092	266,570	-	26,076,434	57,199,984
Total unrestricted net assets	678,929	(17,608,009)	71,050,868	(3,829,457)	4,990,105	297,115,303	352,397,739
Total liabilities and unrestricted net assets	$ 1,808,117	$ 925,962	$ 71,050,868	$ 2,725,712	$ 5,152,551	$ 340,467,907	$ 422,131,117

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS BY NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2012

	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
REVENUES:							
Toll income	$ 18,677,759	$ -	$ -	$ -	$ -	$ -	$ 18,677,759
Rental income	12,482,098	-	-	-	-	-	12,482,098
Conditional facilities contribution	-	-	-	8,156,545	-	-	8,156,545
Investment income	455	2,856	3,102,875	21,158	82,460	-	3,209,804
Construction reimbursement	-	-	-	-	-	597,241	597,241
Miscellaneous	35,695	31,640	-	8,019	-	-	75,354
Total revenues	31,196,007	34,496	3,102,875	8,185,722	82,460	597,241	43,198,801
EXPENSES:							
Administration and overhead	-	5,316,440	60,508	-	-	-	5,376,948
Maintenance	-	4,568,641	-	95,828	-	-	4,664,469
Toll	749	2,616,638	-	-	-	-	2,617,387
Management information systems	-	820,046	-	-	-	-	820,046
Security	-	740,671	-	-	-	-	740,671
Postretirement	-	1,188,464	-	-	-	-	1,188,464
Depreciation	-	-	-	-	-	7,472,557	7,472,557
Interest on indebtedness	-	-	-	-	2,227,512	-	2,227,512
Amortization of bond financing expenses	-	-	-	-	-	241,020	241,020
Loss on disposal of assets	-	-	-	-	-	381,171	381,171
Total expenses	749	15,250,900	60,508	95,828	2,227,512	8,094,748	25,730,245
CHANGE IN UNRESTRICTED NET ASSETS BEFORE REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	31,195,258	(15,216,404)	3,042,367	8,089,894	(2,145,052)	(7,497,507)	17,468,556
REALIZED AND UNREALIZED LOSS ON INVESTMENTS	-	-	(100,592)	-	(22,939)	-	(123,531)
CHANGE IN FOREIGN CURRENCY TRANSLATION	(1,745)	24,600	(196,539)	12,646	-	(1,096,533)	(1,257,571)
CHANGE IN UNRESTRICTED NET ASSETS	31,193,513	(15,191,804)	2,745,236	8,102,540	(2,167,991)	(8,594,040)	16,087,454
TRANSFER OF NET ASSETS	(31,427,391)	13,967,538	(6,125,226)	(8,761,016)	1,653,000	30,693,095	-
UNRESTRICTED NET ASSETS - beginning of year	912,807	(16,383,743)	74,430,858	(3,170,981)	5,505,096	275,016,248	336,310,285
UNRESTRICTED NET ASSETS - end of year	$ 678,929	$ (17,608,009)	$ 71,050,868	$ (3,829,457)	$ 4,990,105	$ 297,115,303	$ 352,397,739

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2012

	Total	Foreign Exchange	Subtotal	U.S. Operations in U.S. $	Canadian Operations in CA $
REVENUES:					
Toll income	$ 18,677,759	$ (42,854)	$ 18,720,613	$ 9,404,699	$ 9,315,914
Rental income	12,482,098	(15,455)	12,497,553	9,137,822	3,359,731
Conditional facilities contribution	8,156,545	(37,693)	8,194,238	-	8,194,238
Investment income	3,209,804	(4,328)	3,214,132	2,273,286	940,846
Construction reimbursement	597,241	(2,759)	600,000	-	600,000
Miscellaneous	75,354	(181)	75,535	36,340	39,195
Total revenues	43,198,801	(103,270)	43,302,071	20,852,147	22,449,924
EXPENSES:					
Administration and overhead	5,376,948	(13,884)	5,390,832	2,372,508	3,018,324
Maintenance	4,664,469	(10,838)	4,675,307	2,319,287	2,356,020
Toll	2,617,387	(6,155)	2,623,542	1,285,556	1,337,986
Management information systems	820,046	(650)	820,696	679,408	141,288
Security	740,671	(1,485)	742,156	419,252	322,904
Postretirement	1,188,464	(1,401)	1,189,865	885,236	304,629
Depreciation	7,472,557	(14,056)	7,486,613	4,431,116	3,055,497
Interest on indebtedness	2,227,512	-	2,227,512	2,227,512	-
Amortization of bond financing expenses	241,020	-	241,020	241,020	-
Loss on disposal of bridge related assets	381,171	(413)	381,584	291,637	89,947
Total expenses	25,730,245	(48,882)	25,779,127	15,152,532	10,626,595
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 17,468,556	$ (54,388)	$ 17,522,944	$ 5,699,615	$ 11,823,329

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY
FOR THE YEAR ENDED OCTOBER 31, 2011

	Total	Foreign Exchange	Subtotal	U.S. Operations in U.S. $	Canadian Operations in CA $
REVENUES:					
Toll income	$ 18,098,132	$ 116,148	$ 17,981,984	$ 9,625,931	$ 8,356,053
Rental income	12,191,758	44,458	12,147,300	8,948,954	3,198,346
Conditional facilities contribution	10,022,053	137,396	9,884,657	-	9,884,657
Investment income	2,836,931	13,301	2,823,630	1,866,841	956,789
Miscellaneous	127,814	1,042	126,772	51,778	74,994
Total revenues	43,276,688	312,345	42,964,343	20,493,504	22,470,839
EXPENSES:					
Administration and overhead	5,695,148	43,753	5,651,395	2,503,589	3,147,806
Maintenance	4,135,051	27,738	4,107,313	2,111,732	1,995,581
Toll	2,694,168	18,807	2,675,361	1,322,332	1,353,029
Management information systems	818,557	2,123	816,434	663,703	152,731
Security	553,235	3,324	549,911	310,772	239,139
Postretirement	1,087,423	3,867	1,083,556	805,370	278,186
Depreciation	6,740,709	37,172	6,703,537	4,029,239	2,674,298
Interest on indebtedness	2,517,247	-	2,517,247	2,517,247	-
Amortization of bond financing expenses	250,214	-	250,214	250,214	-
Loss on disposal of bridge related assets	6,395,485	14,212	6,381,273	5,358,813	1,022,460
Total expenses	30,887,237	150,996	30,736,241	19,873,011	10,863,230
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	$ 12,389,451	$ 161,349	$ 12,228,102	$ 620,493	$ 11,607,609