

**NIAGARA FALLS  
BRIDGE COMMISSION**

Financial Statements and Additional Information  
For the Years Ended  
October 31, 2013 and 2012  
with  
Independent Auditors' Report

NIAGARA FALLS BRIDGE COMMISSION

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Niagara Falls Bridge Commission (the "Commission"), which comprise the statements of financial position as of October 31, 2013 and 2012, and the related statements of activities and changes in unrestricted net assets, and of cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of October 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

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

*Chiamen Desai, Keshav LLP*

January 7, 2014

**NIAGARA FALLS BRIDGE COMMISSION**

**STATEMENTS OF FINANCIAL POSITION  
OCTOBER 31, 2013 AND 2012**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 12,265,734	\$ 7,655,130
Accounts receivable	877,233	2,294,310
Prepaid expenses	619,767	244,316
Investments	15,294,428	5,068,023
Total current assets	<u>29,057,162</u>	<u>15,261,779</u>
<b>NONCURRENT ASSETS:</b>		
Investments	55,430,826	66,401,431
Land, bridges, buildings and equipment, net	320,142,405	243,958,825
Construction in progress - 30 year plan	673,591	673,591
Construction in progress - other	11,551,611	95,835,491
Total assets	<u>\$ 416,855,595</u>	<u>\$ 422,131,117</u>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of bonds payable	\$ 6,405,000	\$ 6,085,000
Current portion of postretirement benefit obligation	362,922	324,053
Accounts payable	4,529,141	6,918,870
Accrued wages and related withholdings	1,270,560	1,176,545
Other accrued expenses	238,613	177,053
Bond interest payable	135,824	162,446
Deferred income	1,267,968	1,129,188
Total current liabilities	<u>14,210,028</u>	<u>15,973,155</u>
<b>NONCURRENT LIABILITIES:</b>		
Postretirement benefit obligation	18,001,268	16,492,619
Bonds payable, net	31,093,953	37,267,604
Total liabilities	<u>63,305,249</u>	<u>69,733,378</u>
<b>UNRESTRICTED NET ASSETS:</b>		
Revenue	(207,610)	581,740
Operation	(16,597,728)	(17,046,708)
General	44,924,414	39,729,776
Renewal and replacement	(3,993,875)	(4,096,027)
Debt sinking	4,378,984	4,990,105
Construction	278,669,146	271,038,869
	<u>307,173,331</u>	<u>295,197,755</u>
Cumulative effect of currency translation	46,377,015	57,199,984
Total unrestricted net assets	<u>353,550,346</u>	<u>352,397,739</u>
Total liabilities and unrestricted net assets	<u>\$ 416,855,595</u>	<u>\$ 422,131,117</u>

See notes to financial statements.

**NIAGARA FALLS BRIDGE COMMISSION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS  
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>REVENUES:</b>		
Toll income	\$ 17,844,607	\$ 18,677,759
Rental income	12,702,681	12,482,098
Conditional facilities contribution	4,063,562	8,156,545
Investment income	2,371,024	3,209,804
Construction reimbursement	-	597,241
Miscellaneous	2,638,222	75,354
Total revenues	<u>39,620,096</u>	<u>43,198,801</u>
<b>EXPENSES:</b>		
Administration and overhead	5,709,084	5,376,948
Maintenance	4,977,522	4,664,469
Toll	2,638,150	2,617,387
Management information systems	837,956	820,046
Security	772,861	740,671
Postretirement	1,735,689	1,188,464
Depreciation	7,763,914	7,472,557
Interest on indebtedness	1,922,728	2,227,512
Amortization of bond financing expenses	231,349	241,020
Loss on disposal of bridge-related assets	-	381,171
Total expenses	<u>26,589,253</u>	<u>25,730,245</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	13,030,843	17,468,556
UNREALIZED LOSS ON INVESTMENTS	(1,055,267)	(123,531)
CHANGE IN FOREIGN CURRENCY TRANSLATION (See Note 2)	<u>(10,822,969)</u>	<u>(1,257,571)</u>
CHANGE IN UNRESTRICTED NET ASSETS	1,152,607	16,087,454
UNRESTRICTED NET ASSETS - beginning of year	<u>352,397,739</u>	<u>336,310,285</u>
UNRESTRICTED NET ASSETS - end of year	<u><u>\$ 353,550,346</u></u>	<u><u>\$ 352,397,739</u></u>

See notes to financial statements.

**NIAGARA FALLS BRIDGE COMMISSION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in unrestricted net assets before unrealized loss on investments and change in foreign currency translation	\$ 13,030,843	\$ 17,468,556
Adjustments to reconcile change in unrestricted net assets before unrealized loss on investments and change in foreign currency translation to net cash flows provided by operating activities:		
Depreciation	7,763,914	7,472,557
Amortization of bond financing expenses	231,349	241,020
Amortization of investment premiums	16,045	130,428
Gain on sale of investments	(168,754)	(696,266)
Gain on disposal of property	(18,233)	(9,039)
Loss on disposal of bridge-related assets	-	381,171
Changes in operating assets and liabilities:		
Accounts receivable	751,406	(1,888,745)
Prepaid expenses	(383,820)	28,734
Accounts payable	(2,219,417)	(723,273)
Accrued wages and related withholdings	121,034	87,337
Other accrued expenses	61,562	3,626
Bond interest payable	(26,622)	(25,288)
Deferred income	168,683	143,322
Postretirement benefit obligation	1,735,689	1,188,464
Net cash provided by operating activities	<u>21,063,679</u>	<u>23,802,604</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	13,846,874	30,916,792
Purchases of investments	(14,512,448)	(26,633,275)
Purchases of land, bridges, buildings and equipment	(9,522,308)	(25,548,228)
Net cash used in investing activities	<u>(10,187,882)</u>	<u>(21,264,711)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Bond principal payments	(6,085,000)	(5,780,000)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(180,193)</u>	<u>(44,212)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,610,604	(3,286,319)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>7,655,130</u>	<u>10,941,449</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 12,265,734</u></u>	<u><u>\$ 7,655,130</u></u>

See notes to financial statements.

## NIAGARA FALLS BRIDGE COMMISSION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

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#### 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, 75<sup>th</sup> Congress, 3<sup>rd</sup> 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 \$16,597,728 and \$17,046,708 as of October 31, 2013 and 2012, 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, 2013.

*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, 2013 and 2012:

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

*Canadian Government Obligations and Corporate Bonds:* Under the Commission's current investment asset strategy, the 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 \$7,763,914 and \$7,472,557 for the years ended October 31, 2013 and 2012, 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** – On July 14, 2011, a letter of credit was issued under an agreement with the Royal Bank of Canada as security for the self-insured portion of the deductible on liability insurance. The letter of credit is automatically renewed each July until such time as either party elects not to renew. 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. Included in miscellaneous revenues at October 31, 2013 is a one-time lease termination payment from the Canadian National Railway of \$2,451,000.

**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, 2013 and 2012 were .98083 and .9954, respectively, and resulted in exchange losses of \$(145,266) and \$(54,388) for the years ended October 31, 2013 and 2012, 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, 2013 and 2012 were .959 and 1.001, respectively and resulted in an exchange losses of \$(10,822,969) and \$(1,257,571) for the years ended October 31, 2013 and 2012, respectively.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**Statement of Cash Flows** – Interest paid was \$1,949,350 and \$2,252,799 for the years ended October 31, 2013 and 2012, respectively. Accounts payable as of October 31, 2013 and 2012, included \$3,965,526 and \$6,432,183 related to additions to land, bridges, buildings and equipment, respectively.

**Subsequent Events** – Management of the Commission has evaluated the effects of all subsequent events through January 7, 2014, 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 have been made to the 2012 financial statements in order to conform to the 2013 presentation.

## 3. INVESTMENTS

Investments consisted of the following as of October 31, 2013 and 2012:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
U.S. government obligations	\$ 8,127,137	\$ 8,403,964	\$ 7,743,821	\$ 8,296,783
U.S. treasury obligations	17,127,783	17,349,696	17,031,962	18,062,507
Canadian corporate bonds (stated in U.S. dollars)	22,874,764	27,608,088	21,890,954	25,495,551
U.S. corporate bonds	15,785,347	16,381,031	17,872,426	19,085,632
Global corporate bonds	1,010,979	982,475	514,439	528,981
	<u>\$ 64,926,010</u>	<u>\$ 70,752,254</u>	<u>\$ 65,053,602</u>	<u>\$ 71,469,454</u>

### 3. INVESTMENTS (continued)

Investment maturity as of October 31, 2013 and 2012 is as follows:

	<b>2013</b>	<b>2012</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Due in less than one year	\$ 15,294,428	\$ 5,068,023
Due from one to five years	45,885,605	56,423,382
Due in greater than five years	<u>9,545,221</u>	<u>9,978,049</u>
	<u>\$ 70,725,254</u>	<u>\$ 71,469,454</u>

The Commission's investment income, consisting of interest income and amortization of discounts and premiums, was \$2,371,024 and \$3,209,804 for the years ended October 31, 2013 and 2012, respectively. The unrealized loss on the adjustment of fair value of the investments was \$(1,055,267) and \$(123,531) for the years ended October 31, 2013 and 2012, respectively.

The Commission regularly assesses its investment portfolio in order to determine if unrealized losses on individual securities held represent an other-than-temporary decline in fair value, in which case a realized loss would be recognized. The Commission did not deem any securities to be other-than-temporarily impaired as of and for the years ended October 31, 2013 or 2012.

### 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:

	<b>2013</b>	<b>2012</b>
<i>Level 1:</i>		
Bonds:		
U.S. government agencies	\$ 8,403,964	\$ 8,296,783
U.S. treasury obligations	17,349,696	18,062,507
U.S. corporate bonds	16,381,031	19,085,632
Global corporate bonds	982,475	528,981
<i>Level 2:</i>		
Canadian corporate bonds	<u>27,608,088</u>	<u>25,495,551</u>
Total assets reported at fair value	<u>\$ 70,725,254</u>	<u>\$ 71,469,454</u>

**5. LAND, BRIDGES, BUILDINGS AND EQUIPMENT, NET**

A summary of land, bridges, buildings and equipment as of October 31, 2013 and 2012, is as follows:

	<b>2013</b>	<b>2012</b>
Land and land improvements	\$ 27,781,087	\$ 17,684,119
Bridges	135,811,975	137,925,534
Buildings and leasehold improvements	211,088,826	136,091,448
Equipment	<u>7,000,226</u>	<u>7,488,770</u>
	381,682,114	299,189,871
Less accumulated depreciation	<u>61,539,709</u>	<u>55,231,046</u>
	<u>\$ 320,142,405</u>	<u>\$ 243,958,825</u>

Additionally, the Commission has construction in progress – 30 year plan of \$673,591 as of October 31, 2013 and 2012, and construction in progress – other of \$11,551,611 and \$95,835,491 as of October 31, 2013 and 2012, 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, 2013 and 2012, is a conditional facilities contribution in the amount of \$4,063,562 and \$8,156,545, respectively, that has been received by the Commission to partially offset the construction in progress costs.

The Commission recorded a loss of \$381,171 for the year ended October 31, 2012 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 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, 2013 and 2012, bridge revenue bonds payable consisted of the following:

	<b>2013</b>	<b>2012</b>
Total outstanding bonds:		
Series 1993A	\$ 30,700,000	\$ 30,700,000
Series 1993B	<u>7,655,000</u>	<u>13,740,000</u>
	38,355,000	44,440,000
Premium/discount on bond issuance	79,011	91,491
Prepaid bond financing costs	<u>(935,058)</u>	<u>(1,178,887)</u>
	37,498,953	43,352,604
Less: current portion	<u>6,405,000</u>	<u>6,085,000</u>
	<u>\$ 31,093,953</u>	<u>\$ 37,267,604</u>

**6. BONDS PAYABLE (continued)**

Principal payments on the outstanding bonds are due as follows:

2014	\$ 6,405,000
2015	6,750,000
2016	5,800,000
2017	6,100,000
2018	6,500,000
2019	<u>6,800,000</u>
	<u>\$ 38,355,000</u>

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 \$4,512,900 and \$5,151,300 as of October 31, 2013 and 2012, 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, 2013.

**7. LEASES**

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

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

A schedule by year of minimum future rentals receivable for the next five years under noncancelable operating leases in effect as of October 31, 2013, is as follows:

2014	\$ 7,216,632
2015	6,940,589
2016	6,916,760
2017	6,002,625
2018	4,795,112

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 \$471,000 and \$455,000 for the years ended October 31, 2013 and 2012, 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, 2013 and 2012 is summarized below:

	2013	2012
Retirees	\$ (5,472,331)	\$ (4,949,360)
Active participants	<u>(19,195,744)</u>	<u>(18,982,674)</u>
Total	<u>\$ (24,668,075)</u>	<u>\$ (23,932,034)</u>
Plan assets at fair value	<u>\$ -</u>	<u>\$ -</u>
Payments for beneficiaries	<u>\$ 261,988</u>	<u>\$ 255,186</u>
	2013	2012
Accumulated postretirement benefit obligation in excess of plan assets	\$ (24,668,075)	\$ (23,932,034)
Unrecognized transition obligation	10,855	90,913
Prior service cost not yet recognized	546,711	746,864
Unrecognized loss	<u>5,746,319</u>	<u>6,277,585</u>
Accrued postretirement benefit cost	<u>\$ (18,364,190)</u>	<u>\$ (16,816,672)</u>

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 4.5% for October 31, 2013 and 4.0% for October 31, 2012, respectively.

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

2014	\$ 362,922
2015	414,735
2016	498,505
2017	574,221
2018	664,402
2019 - 2023	4,663,780

**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, 2013, the Commission purchased 21.8 acres of land located in Lewiston, New York near the Lewiston-Queenston Bridge for the purchase price of \$1.7 million.

\* \* \* \* \*



NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF FINANCIAL POSITION BY NET ASSETS  
OCTOBER 31, 2013

ASSETS	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
Cash and cash equivalents	\$ 319,423	\$ 2,935,480	\$ 6,978,441	\$ 241,017	\$ 1,791,373	\$ -	\$ 12,265,734
Accounts receivable	846,209	7,587	-	23,437	-	-	877,233
Prepaid expenses	-	431,270	-	188,497	-	-	619,767
Investments	-	-	68,001,819	-	2,723,435	-	70,725,254
Land, bridges, buildings and equipment, net	-	-	-	-	-	320,142,405	320,142,405
Construction in progress - 30 year plan	-	-	-	-	-	673,591	673,591
Construction in progress - other	-	-	-	-	-	11,551,611	11,551,611
Total assets	<u>\$ 1,165,632</u>	<u>\$ 3,374,337</u>	<u>\$ 74,980,260</u>	<u>\$ 452,951</u>	<u>\$ 4,514,808</u>	<u>\$ 332,367,607</u>	<u>\$ 416,855,595</u>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>							
Accounts payable	\$ -	\$ 563,615	\$ -	\$ 3,965,526	\$ -	\$ -	\$ 4,529,141
Accrued wages and related withholdings	-	1,270,560	-	-	-	-	1,270,560
Other accrued expenses	-	115,627	-	122,986	-	-	238,613
Bond interest payable	-	-	-	-	135,824	-	135,824
Deferred income	1,267,968	-	-	-	-	-	1,267,968
Postretirement benefit obligation	-	18,364,190	-	-	-	-	18,364,190
Bonds payable, net	-	-	-	-	-	37,498,953	37,498,953
Total liabilities	<u>1,267,968</u>	<u>20,313,992</u>	<u>-</u>	<u>4,088,512</u>	<u>135,824</u>	<u>37,498,953</u>	<u>63,305,249</u>
<b>UNRESTRICTED NET ASSETS</b>							
Revenue	(207,610)	-	-	-	-	-	(207,610)
Operation	-	(16,597,728)	-	-	-	-	(16,597,728)
General	-	-	44,924,414	-	-	-	44,924,414
Renewal and replacement	-	-	-	(3,993,875)	-	-	(3,993,875)
Debt sinking	-	-	-	-	4,378,984	-	4,378,984
Construction	-	-	-	-	-	278,669,146	278,669,146
	<u>(207,610)</u>	<u>(16,597,728)</u>	<u>44,924,414</u>	<u>(3,993,875)</u>	<u>4,378,984</u>	<u>278,669,146</u>	<u>307,173,331</u>
Cumulative effect of currency translation	105,274	(341,927)	30,055,846	358,314	-	16,199,508	46,377,015
Total unrestricted net assets	<u>(102,336)</u>	<u>(16,939,655)</u>	<u>74,980,260</u>	<u>(3,635,561)</u>	<u>4,378,984</u>	<u>294,868,654</u>	<u>353,550,346</u>
Total liabilities and unrestricted net assets	<u>\$ 1,165,632</u>	<u>\$ 3,374,337</u>	<u>\$ 74,980,260</u>	<u>\$ 452,951</u>	<u>\$ 4,514,808</u>	<u>\$ 332,367,607</u>	<u>\$ 416,855,595</u>

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS BY NET ASSETS  
FOR THE YEAR ENDED OCTOBER 31, 2013

	Revenue	Operation	General	Renewal and Replacement	Debt Sinking	Construction	Total
REVENUES:							
Toll income	\$ 17,844,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,844,607
Rental income	12,702,681	-	-	-	-	-	12,702,681
Conditional facilities contribution	-	-	-	4,063,562	-	-	4,063,562
Investment income	517	3,804	2,280,419	31,925	74,322	(19,963)	2,371,024
Miscellaneous	2,597,153	41,069	-	-	-	-	2,638,222
Total revenues	<u>33,144,958</u>	<u>44,873</u>	<u>2,280,419</u>	<u>4,095,487</u>	<u>74,322</u>	<u>(19,963)</u>	<u>39,620,096</u>
EXPENSES:							
Administration and overhead	-	5,649,960	59,124	-	-	-	5,709,084
Maintenance	-	4,938,727	-	38,795	-	-	4,977,522
Toll	75	2,638,075	-	-	-	-	2,638,150
Management information systems	-	837,956	-	-	-	-	837,956
Security	-	772,861	-	-	-	-	772,861
Postretirement	-	1,735,689	-	-	-	-	1,735,689
Depreciation	-	-	-	-	-	7,763,914	7,763,914
Interest on indebtedness	-	-	-	-	1,922,728	-	1,922,728
Amortization of bond financing expenses	-	-	-	-	-	231,349	231,349
Total expenses	<u>75</u>	<u>16,573,268</u>	<u>59,124</u>	<u>38,795</u>	<u>1,922,728</u>	<u>7,995,263</u>	<u>26,589,253</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	33,144,883	(16,528,395)	2,221,295	4,056,692	(1,848,406)	(8,015,226)	13,030,843
REALIZED AND UNREALIZED LOSS ON INVESTMENTS	-	-	(992,552)	-	(62,715)	-	(1,055,267)
CHANGE IN FOREIGN CURRENCY TRANSLATION	8,085	219,375	(1,265,246)	91,744	-	(9,876,927)	(10,822,969)
CHANGE IN UNRESTRICTED NET ASSETS	33,152,968	(16,309,020)	(36,503)	4,148,436	(1,911,121)	(17,892,153)	1,152,607
TRANSFER OF NET ASSETS	(33,934,233)	16,977,374	3,965,895	(3,954,540)	1,300,000	15,645,504	-
UNRESTRICTED NET ASSETS - beginning of year	678,929	(17,608,009)	71,050,868	(3,829,457)	4,990,105	297,115,303	352,397,739
UNRESTRICTED NET ASSETS - end of year	<u>\$ (102,336)</u>	<u>\$ (16,939,655)</u>	<u>\$ 74,980,260</u>	<u>\$ (3,635,561)</u>	<u>\$ 4,378,984</u>	<u>\$ 294,868,654</u>	<u>\$ 353,550,346</u>

NIAGARA FALLS BRIDGE COMMISSION

SCHEDULE OF ACTIVITIES BY FUNCTIONAL CURRENCY  
FOR THE YEAR ENDED OCTOBER 31, 2013

	<u>Total</u>	<u>Foreign Exchange</u>	<u>Subtotal</u>	<u>U.S. Operations in U.S. \$</u>	<u>Canadian Operations in CA \$</u>
REVENUES:					
Toll income	\$ 17,844,607	\$ (177,957)	\$ 18,022,564	\$ 8,739,435	\$ 9,283,129
Rental income	12,702,681	(66,068)	12,768,749	9,322,323	3,446,426
Conditional facilities contribution	4,063,562	(79,421)	4,142,983	-	4,142,983
Investment income	2,371,024	(15,006)	2,386,030	1,603,265	782,765
Miscellaneous	2,638,222	(25,803)	2,664,025	1,318,025	1,346,000
Total revenues	<u>39,620,096</u>	<u>(364,255)</u>	<u>39,984,351</u>	<u>20,983,048</u>	<u>19,001,303</u>
EXPENSES:					
Administration and overhead	5,709,084	(61,545)	5,770,629	2,560,119	3,210,510
Maintenance	4,977,522	(49,032)	5,026,554	2,468,797	2,557,757
Toll	2,638,150	(26,003)	2,664,153	1,307,687	1,356,466
Management information systems	837,956	(3,279)	841,235	670,180	171,055
Security	772,861	(6,620)	779,481	434,133	345,348
Postretirement	1,735,689	(6,454)	1,742,143	1,405,473	336,670
Depreciation	7,763,914	(66,056)	7,829,970	4,384,211	3,445,759
Interest on indebtedness	1,922,728	-	1,922,728	1,922,728	-
Amortization of bond financing expenses	231,349	-	231,349	231,349	-
Total expenses	<u>26,589,253</u>	<u>(218,989)</u>	<u>26,808,242</u>	<u>15,384,677</u>	<u>11,423,565</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION					
	<u>\$ 13,030,843</u>	<u>\$ (145,266)</u>	<u>\$ 13,176,109</u>	<u>\$ 5,598,371</u>	<u>\$ 7,577,738</u>

NIAGARA FALLS BRIDGE COMMISSION

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

	<u>Total</u>	<u>Foreign Exchange</u>	<u>Subtotal</u>	<u>U.S. Operations in U.S. \$</u>	<u>Canadian Operations in CA \$</u>
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	<u>43,198,801</u>	<u>(103,270)</u>	<u>43,302,071</u>	<u>20,852,147</u>	<u>22,449,924</u>
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	<u>25,730,245</u>	<u>(48,882)</u>	<u>25,779,127</u>	<u>15,152,532</u>	<u>10,626,595</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED LOSS ON INVESTMENTS AND CHANGE IN FOREIGN CURRENCY TRANSLATION	<u>\$ 17,468,556</u>	<u>\$ (54,388)</u>	<u>\$ 17,522,944</u>	<u>\$ 5,699,615</u>	<u>\$ 11,823,329</u>