

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Financial Statements and Management's
Discussion and Analysis

March 31, 2012

(With Independent Auditors' Report Thereon)

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Financial Statements:	
Statement of Net Assets - Proprietary Funds	9 - 10
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	11 - 12
Statement of Cash Flows - Proprietary Funds	13 - 14
Notes to Financial Statements	15 - 31
Schedule 1 - Schedule of Revenues, Expenses and Changes in Net Assets - Bridge Fund	32
Schedule 2 - Schedule of Revenues, Expenses and Changes in Net Assets - Port Fund	33- 34
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	35 - 36
Independent Accountants' Report on Investment Compliance	37 - 38

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ogdensburg Bridge and Port Authority
Ogdensburg, New York:

We have audited the accompanying financial statements of the Ogdensburg Bridge and Port Authority (the Authority) as of and for the year ended March 31, 2012, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2011 financial statements and, in our report dated June 9, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ogdensburg Bridge and Port Authority as of March 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in a appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2012 on our consideration of Ogdensburg Bridge and Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary schedules are the responsibility of management and were derived from and relate 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 29, 2012

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Management's Discussion and Analysis
March 31, 2012

INTRODUCTION

Our discussion and analysis of the Ogdensburg Bridge & Port Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended March 31, 2012. Please read it in conjunction with the Authority's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts:

- Management's Discussion and Analysis
- Audited Financial Statements
- Other Supplementary Information

BACKGROUND AND HIGHLIGHTS

In 1950, Governor Thomas E. Dewey signed a bill (Article 3, Title 8), creating the Ogdensburg Bridge Authority. Later, in 1958, legislation (Article 6, Title 3), created the Ogdensburg Port Authority. In 1961, the two Authorities were combined into the Ogdensburg Bridge and Port Authority (Amended Article 3, Title 8). Today, the Ogdensburg Bridge and Port Authority manages \$74.8 million in assets including:

- The Ogdensburg-Prescott International Bridge
- The Port of Ogdensburg
- A short-line railroad (New York and Ogdensburg Railway)
- The Ogdensburg International Airport (OGS)
- The Commerce Park / Heavy Industrial Park (Foreign Trade Zone 118)
- The Ogdensburg Border Station, Inc.

Each asset operates according to the Authority's central mission:

"While remaining self-sustaining, the Authority creates sound economic business development through the promotion of buildings and river, road, rail and air transportation. This is accomplished by providing exceptional customer service, safe and secure facilities, good environmental stewardship, and focused professionalism."

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Management's Discussion and Analysis, Continued

Ogdensburg-Prescott International Bridge

The initial phase of the Ogdensburg-Prescott International Bridge Rehabilitation Project was completed in December 2011, funded by an agreement with the New York State Department of Transportation (NYSDOT) at a cost of \$23.8 million. The project was completed on time and under budget employing over seventy-one individuals and injecting over \$3.1 million in wages into the local economy. The project entailed the complete re-decking of the suspension portion of the bridge, electrical upgrades, and new railing for the entire length of the bridge. With Phase One Bridge Rehabilitation complete the Authority continues to promote the \$95 million in unmet capital need for Approach Span Rehabilitation to protect the region's economy. Continued rehabilitation of the United States and Canadian approaches will ensure safe and reliable international commerce for the foreseeable future. In addition, results of difficult CSEA labor negotiations will reduce the Authority's future cost structure by 20% while permanently capping the Authority's healthcare costs.

Port of Ogdensburg

In 2011, the St. Lawrence Seaway Development Corporation recognized the Port with the Pacesetter Award for improved cargo. The Port saw two new customers; one added 55,000 tons of salt and the other is Canada's largest private grain company. Increased quantities of dried distillers grains, cottonseed, corn gluten and citrus pulp were also handled at the Port facilities during year.

The Authority achieved a significant milestone when the USACE (Corps) determined a "federal interest" in dredging the Ogdensburg Harbor as part of a Preliminary Section 107 Study. This completed the first stage of a 2006 effort with the Corps.

Design plans were completed for the \$1.2 million Port Access Road with the project placed to bid by NYSDOT in spring 2012. The new road will improve the Port's ability to handle over-weight and over-dimensional cargo, remove truck traffic from residential Paterson Street within the City of Ogdensburg, and will secure the economic future of the Port.

The longshoreman labor agreement was renegotiated resulting in capped healthcare costs and capped wages positioning the Authority favorably for the future.

The Authority plans to continue its aggressive marketing efforts during 2012 by retooling its marketing and promotional efforts to attract additional project cargoes and new bulk commodities to generate future employment. A new strategic direction for the Authority will be possible in 2012. Refocusing marketing efforts will present the Board with several options for inclusion into the Authority's strategic plan.

Efforts continue to develop additional business and employment within the Port segment of the Authority at the New York and Ogdensburg Railway, Authority Industrial Parks, and the Ogdensburg International Airport.

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Management's Discussion and Analysis, Continued

Short-line Railroad

Contracts for \$2.8 million in rail rehabilitation funding from NYSDOT were executed with a \$0.5 million in grant commitment received from NYSED for future rail bridge rehabilitation. Contractual disagreements with New York & Ogdensburg Railway (NYOG) were favorably resolved and negotiations for a new agreement continue.

The NYOG is operated under lease by Vermont Rail System of Burlington, Vermont. Rail traffic continues to improve. Products handled included fertilizer, road salt, feed grain, glass cullet, iron oxide, and paper. Agricultural products show the most promise for continued growth along with the delivery of wind turbine blades via rail. The railway also operates Seaway Bulk Services (SBS), a rail/truck multi-modal facility at the Port of Ogdensburg, handling resins, lubricants, pellets, agricultural products, chemicals, etc. Commodities are trans-loaded between rail and truck at this facility connecting rail service to industries throughout the region.

Continued rehabilitation of the line is critical to maintaining transportation capabilities of both the Authority rail and Port facilities. See NYOG: <http://www.vrs.us.com/railroads/nyog.html> and SBS: <http://www.vrs.us.com/partners/sbs.html> for more information.

Ogdensburg International Airport

While a revenue-producing challenge for the Authority, the airport remains an essential component of the region's overall economic development profile.

During 2011, the Authority completed the \$0.5 million Ogdensburg Airport Security Project and added three sections of a perimeter access road to utilize excess funds for future growth. Cape Air, a Massachusetts-based airline, continues daily passenger flights out of Ogdensburg under the Essential Air Service (EAS) program with United States Department of Transportation. With three daily direct flights to Albany, New York, area residents have found the passenger service convenient and affordable. Passenger traffic was up over 3,000 commuter passengers this past year, which represents a 65% increase. This is a significant increase and demonstrates the importance of passenger service at the Ogdensburg International Airport.

Commerce Park / Heavy Industrial Park

The Commerce Park/Industrial Park remains a challenge for the Authority given the economic climate. The Authority-financed 24,000 square foot building is now completely filled by defense manufacturers including a recent expansion by Allen-Vanguard and continued operations by Tulmar Manufacturing. To increase park occupancy, the Authority engaged DCG Corplan Consulting to complete an Economic Development and Marketing and Attraction Plan. The results of this plan will be utilized to develop new strategies and initiatives to attract new businesses and employment into the parks.

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Management's Discussion and Analysis, Continued

Commerce Park, which has been developed by the Authority over the past 20+ years, is home to over 25 companies that employ over 500 area residents in a mix of Authority-owned and privately-owned facilities. Thirteen buildings in Commerce Park are utilized primarily for light manufacturing and distribution. At a total of 312,472 square feet of space, Commerce Park generates a modest revenue stream. Of the eight buildings (160,200 square feet) owned by the Authority, these tenants continue to provide jobs to citizens of our community and have made a major commitment to northern New York.

The park is anchored by a variety of industrial firms, including Allen-Vanguard, ara Shoes, and T-Base Communications. Other businesses in the park include the St. Lawrence Federal Credit Union, A.N. Deringer, Inc., DeFelsko Corporation, Corporate Center, Lincare, FedEx, Strader-Ferris International and a number of other small businesses. The Authority's heavy industrial park is home to ACCO Brands, Inc. The office products company is one of the area's largest employers. Graymont Materials, Inc. also operates a cement batch plant in the heavy industrial park.

The Authority continues efforts to attract additional jobs and investment to northern New York. Additional capital investments will be required in order to maintain our infrastructure so we can expand our operational revenues. The Authority is extremely limited in available funds. We continue to seek outside funding sources such as local, State, and Federal grants and work closely with our elected government representatives to secure the funding needed for future projects.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements consist of four components:

- Statement of net assets
- Statement of revenues, expenses and changes in net assets
- Statement of cash flows
- Notes to financial statements

The *statement of net assets* presents information on all of the Authority's assets and liabilities at a certain date, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during a period of time. These changes are recorded on the accrual basis of accounting, as more fully described in the notes to the financial statements.

The *statement of cash flows* reconciles the Authority's operating income (loss) as reported on the accrual basis of accounting with the net cash provided by (used in) operating activities.

The *notes to financial statements* provide additional information that is an integral part of the financial statements taken as a whole.

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Authority's financial position. As of March 31, 2012 and 2011, assets exceeded liabilities by \$49,468,330 and \$33,150,507, respectively.

The Authority's financial position is the product of several financial transactions including the net results of activities, the valuation of certain assets and liabilities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the Authority's financial position as of March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 4,837,667	7,834,629
Capital assets (net of depreciation)	69,639,647	53,305,552
Other noncurrent assets	<u>298,126</u>	<u>349,215</u>
Total assets	<u>\$ 74,775,440</u>	<u>61,489,396</u>
Current liabilities	1,362,110	3,740,636
Noncurrent liabilities	<u>23,945,000</u>	<u>24,598,253</u>
Total liabilities	25,307,110	28,338,889
Net assets	<u>49,468,330</u>	<u>33,150,507</u>
Total liabilities and net assets	<u>\$ 74,775,440</u>	<u>61,489,396</u>

Changes in the Authority's net assets can be determined by reviewing the following condensed statements of revenues, expenses, and changes in net assets for the years ended March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Operating revenue and grants	\$ 5,477,172	6,883,577
Operating expenses	<u>6,238,379</u>	<u>6,096,731</u>
Operating income (loss)	(761,207)	786,846
Nonoperating revenue and grants	<u>17,079,030</u>	<u>9,309,444</u>
Change in net assets	16,317,823	10,096,290
Net assets at beginning of year	<u>33,150,507</u>	<u>23,054,217</u>
Net assets at end of year	<u>\$ 49,468,330</u>	<u>33,150,507</u>

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Management's Discussion and Analysis, Continued

CAPITAL ASSETS

The following table is an analysis of the Authority's capital assets as of March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Original cost	\$ 104,439,990	75,373,167
Accumulated depreciation	<u>(35,005,399)</u>	<u>(33,251,305)</u>
	69,434,591	42,121,862
Construction in progress	<u>205,056</u>	<u>11,183,690</u>
Total capital assets	\$ <u>69,639,647</u>	<u>53,305,552</u>

LONG TERM DEBT

The following table is an analysis of long-term debt as of March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Advances due State of New York	\$ 18,971,959	19,030,424
Bonds payable	3,965,000	4,505,000
Mortgages and notes payable	1,415,220	1,470,982
Accrued employee retirement	<u>75,915</u>	<u>24,589</u>
	24,428,094	25,030,995
Less current portion of debt	<u>(847,648)</u>	<u>(735,014)</u>
Total long-term debt	\$ <u>23,580,446</u>	<u>24,295,981</u>

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority at One Bridge Plaza, Ogdensburg, New York 13669.

OGDENSBURG BRIDGE AND
 PORT AUTHORITY
 Statement of Net Assets - Proprietary Funds
 March 31, 2012
 with comparative totals for 2011

<u>Assets</u>	<u>Bridge</u> <u>Fund</u>	<u>Port</u> <u>Fund</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Current assets:				
Cash and cash equivalents	\$ 3,136,064	783,429	3,919,493	2,231,799
Restricted deposits	-	454	454	454
Total cash and cash equivalents	<u>3,136,064</u>	<u>783,883</u>	<u>3,919,947</u>	<u>2,232,253</u>
Accounts receivable	176,121	54,956	231,077	235,642
Grants receivable	152,428	396,037	548,465	5,243,215
Inventories	4,917	49,654	54,571	25,727
Prepaid expenses	<u>73,445</u>	<u>10,162</u>	<u>83,607</u>	<u>97,792</u>
Total current assets	<u>3,542,975</u>	<u>1,294,692</u>	<u>4,837,667</u>	<u>7,834,629</u>
Noncurrent assets:				
Security deposits	8,460	139,573	148,033	176,034
Interfund loans	8,294,580	(8,294,580)	-	-
Debt issue costs, less accumulated amortization of \$196,251 in 2012 and \$173,163 in 2011	150,093	-	150,093	173,181
Capital assets, net of accumulated depreciation	<u>42,139,158</u>	<u>27,500,489</u>	<u>69,639,647</u>	<u>53,305,552</u>
Total noncurrent assets	<u>50,592,291</u>	<u>19,345,482</u>	<u>69,937,773</u>	<u>53,654,767</u>
Total assets	<u>\$54,135,266</u>	<u>20,640,174</u>	<u>74,775,440</u>	<u>61,489,396</u>

See accompanying notes to financial statements.

**OGDENSBURG BRIDGE AND
 PORT AUTHORITY**
 Statement of Net Assets - Proprietary Funds, Continued

<u>Liabilities and Net Assets</u>	<u>Bridge Fund</u>	<u>Port Fund</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Current liabilities:				
Accounts payable and accrued expenses	\$ 187,108	213,207	400,315	746,059
Accrued vacation compensation	59,238	54,455	113,693	120,851
Restricted deposits	-	454	454	454
Line of credit	-	-	-	2,100,000
Current portion of accrued employee retirement	5,006	-	5,006	5,738
Current portion of due to State of New York	150,000	58,465	208,465	133,465
Current portion of bonds payable	575,000	-	575,000	540,000
Current portion of notes payable	-	59,177	59,177	55,811
Deferred income	-	-	-	38,258
Total current liabilities	<u>976,352</u>	<u>385,758</u>	<u>1,362,110</u>	<u>3,740,636</u>
Noncurrent liabilities:				
Lease and escrow deposits	8,460	139,573	148,033	128,007
Accrued expenses	70,909	-	70,909	18,851
Postemployment benefits other than pensions	96,742	119,779	216,521	174,265
Due to State of New York, excluding current portion	16,723,824	2,039,670	18,763,494	18,896,959
Bonds payable, excluding current portion	3,390,000	-	3,390,000	3,965,000
Notes payable, excluding current portion	-	1,356,043	1,356,043	1,415,171
Total noncurrent liabilities	<u>20,289,935</u>	<u>3,655,065</u>	<u>23,945,000</u>	<u>24,598,253</u>
Total liabilities	<u>21,266,287</u>	<u>4,040,823</u>	<u>25,307,110</u>	<u>28,338,889</u>
Net Assets:				
Invested in capital assets, net of related debt	21,450,427	23,987,134	45,437,561	26,372,327
Unrestricted	<u>11,418,552</u>	<u>(7,387,783)</u>	<u>4,030,769</u>	<u>6,778,180</u>
Total net assets	<u>32,868,979</u>	<u>16,599,351</u>	<u>49,468,330</u>	<u>33,150,507</u>
Contingencies (note 14)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$54,135,266</u>	<u>20,640,174</u>	<u>74,775,440</u>	<u>61,489,396</u>

See accompanying notes to financial statements.

**OGDENSBURG BRIDGE AND
 PORT AUTHORITY**
 Statement of Revenues, Expenses, and Changes
 in Net Assets - Proprietary Funds
 Year ended March 31, 2012
 with comparative totals for 2011

	Bridge <u>Fund</u>	Port <u>Fund</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Operating revenues:				
Bridge tolls	\$ 2,162,277	-	2,162,277	2,051,139
Rentals	1,409,585	936,503	2,346,088	3,954,783
Fuel sales (net of fuel purchases of \$80,215 in 2012 and \$62,634 in 2011)	-	6,305	6,305	7,706
Port operating fees	-	583,644	583,644	718,802
Construction projects	202,540	634	203,174	-
Operating grants	-	75,536	75,536	75,851
Miscellaneous	33,420	66,728	100,148	75,296
Total operating revenues	<u>3,807,822</u>	<u>1,669,350</u>	<u>5,477,172</u>	<u>6,883,577</u>
Operating expenses:				
Salaries and wages	777,719	771,715	1,549,434	1,637,845
Payroll taxes and benefits	518,761	427,415	946,176	759,805
Automotive	50,078	53,540	103,618	113,214
Building and grounds maintenance	125,611	80,809	206,420	223,215
Equipment repairs and maintenance	19,191	148,284	167,475	258,575
Fuel and utilities	88,173	159,411	247,584	222,676
Bridge inspections	-	-	-	102,000
Insurance	157,412	97,548	254,960	248,673
Telephone and postage	13,287	24,494	37,781	36,997
Advertising	11,458	57,095	68,553	66,166
Professional fees	116,897	302,724	419,621	410,990
Depreciation	743,929	1,383,582	2,127,511	1,786,871
Amortization	23,088	-	23,088	23,088
Office supplies	10,844	8,119	18,963	26,139
Travel and meetings	5,875	14,274	20,149	31,294
New York State assessments and fees	-	-	-	91,358
Miscellaneous	7,852	39,194	47,046	57,825
Total operating expenses	<u>2,670,175</u>	<u>3,568,204</u>	<u>6,238,379</u>	<u>6,096,731</u>
Operating income (loss)	<u>1,137,647</u>	<u>(1,898,854)</u>	<u>(761,207)</u>	<u>786,846</u>

(Continued)

See accompanying notes to financial statements.

OGDENSBURG BRIDGE AND
 PORT AUTHORITY
 Statement of Revenues, Expenses, and Changes
 in Net Assets - Proprietary Funds, Continued

	Bridge Fund	Port Fund	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Non-operating income (expense):				
Federal and State grants	\$ 16,272,575	1,155,659	17,428,234	9,645,648
Interest income	928	1,396	2,324	5,908
Loss on foreign currency exchange	(21,660)	-	(21,660)	(5,954)
Interest expense	(250,003)	(79,865)	(329,868)	(392,664)
Gain on disposal of capital assets	-	-	-	56,506
Total non-operating income	<u>16,001,840</u>	<u>1,077,190</u>	<u>17,079,030</u>	<u>9,309,444</u>
Change in net assets	17,139,487	(821,664)	16,317,823	10,096,290
Net assets at beginning of year	<u>15,729,492</u>	<u>17,421,015</u>	<u>33,150,507</u>	<u>23,054,217</u>
Net assets at end of year	<u>\$ 32,868,979</u>	<u>16,599,351</u>	<u>49,468,330</u>	<u>33,150,507</u>

See accompanying notes to financial statements.

OGDENSBURG BRIDGE AND
 PORT AUTHORITY
 Statement of Cash Flows - Proprietary Funds
 Year ended March 31, 2012
 with comparative totals for 2011

	Bridge Fund	Port Fund	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Cash flows from operating activities:				
Receipts from customers	\$ 3,704,645	1,663,298	5,367,943	5,985,562
Operating grants	-	75,536	75,536	75,851
Payments to employees	(698,371)	(788,277)	(1,486,648)	(1,640,342)
Other payments	<u>(1,457,635)</u>	<u>(1,417,476)</u>	<u>(2,875,111)</u>	<u>(2,444,962)</u>
Net cash provided by (used in) operating activities	<u>1,548,639</u>	<u>(466,919)</u>	<u>1,081,720</u>	<u>1,976,109</u>
Cash flows from non-capital financing activities - operating subsidies and transfers to other funds	<u>(1,032,221)</u>	<u>1,032,221</u>	-	-
Cash flows from capital financing activities:				
Net proceeds (repayments) on line of credit	(2,100,000)	-	(2,100,000)	2,100,000
Principal paid on capital debt	(540,000)	(114,227)	(654,227)	(1,412,103)
Capital expenditures	(16,809,843)	(1,651,763)	(18,461,606)	(10,012,101)
Federal and State grants	20,722,854	1,400,130	22,122,984	5,391,906
Proceeds from sale of capital assets	-	-	-	56,506
Interest paid on capital debt	<u>(250,003)</u>	<u>(79,865)</u>	<u>(329,868)</u>	<u>(392,664)</u>
Net cash provided by (used in) capital financing activities	<u>1,023,008</u>	<u>(445,725)</u>	<u>577,283</u>	<u>(4,268,456)</u>
Cash flows from investing activities:				
Interest income	928	1,396	2,324	5,908
Loss on foreign currency exchange	(21,660)	-	(21,660)	(5,954)
Change in restricted deposits	-	48,027	48,027	(48,026)
Change in investments	-	-	-	1,105,045
Net cash provided by (used in) investing activities	<u>(20,732)</u>	<u>49,423</u>	<u>28,691</u>	<u>1,056,973</u>
Net change in cash and equivalents	1,518,694	169,000	1,687,694	(1,235,374)
Cash and equivalents at beginning of year	<u>1,617,370</u>	<u>614,883</u>	<u>2,232,253</u>	<u>3,467,627</u>
Cash and equivalents at end of year	<u>\$ 3,136,064</u>	<u>783,883</u>	<u>3,919,947</u>	<u>2,232,253</u>

(Continued)

See accompanying notes to financial statements.

OGDENSBURG BRIDGE AND
 PORT AUTHORITY
 Statement of Cash Flows - Proprietary Funds, Continued

	Bridge <u>Fund</u>	Port <u>Fund</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,137,647	(1,898,854)	(761,207)	786,846
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Noncash rental income	-	-	-	(750,000)
Depreciation and amortization expense	767,017	1,383,582	2,150,599	1,809,959
Change in:				
Receivables	(74,266)	78,831	4,565	(43,022)
Inventories	-	(28,844)	(28,844)	(5,308)
Prepaid expenses	14,089	96	14,185	53,125
Accounts payable and accrued expenses	(285,555)	(16,021)	(301,576)	94,904
Postemployment benefits other than pensions	18,618	23,638	42,256	58,747
Deferred income	<u>(28,911)</u>	<u>(9,347)</u>	<u>(38,258)</u>	<u>(29,142)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,548,639</u>	<u>(466,919)</u>	<u>1,081,720</u>	<u>1,976,109</u>
Supplemental cash flow information - non-cash investing activity - building received in lieu of lease payments	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>750,000</u>

See accompanying notes to financial statements.

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Notes to Financial Statements

March 31, 2012

(1) Organization

The Ogdensburg Bridge and Port Authority (the Authority) was created pursuant to the Public Authorities Law of the State of New York (the State) by an enactment entitled "Ogdensburg Bridge Authority Act," on April 18, 1950. The name of the Authority was amended from "Ogdensburg Bridge Authority" to "Ogdensburg Bridge and Port Authority" on April 1, 1960.

The Authority was created for the purpose of constructing, operating and maintaining the international bridge across the St. Lawrence River. The operations of the bridge are accounted for in the Bridge Fund. The Port Fund operations of the Authority consist of the Ogdensburg International Airport, Port of Ogdensburg, New York and Ogdensburg Railway, and an industrial park all of which are accounted for as separate units within that fund.

The reporting entity of the Authority is based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 - "The Financial Reporting Entity." The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present the activities of the Authority and its component unit, the Ogdensburg Border Station, Inc. (the Border Station). The decision to include a potential component unit in the Authority's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria the following is a brief description of the component unit included in the Authority's reporting entity.

Ogdensburg Border Station, Inc. - The Ogdensburg Border Station, Inc. was created as a local development company for the purpose of constructing a new border station for the U.S. Customs and to issue taxable revenue bonds for financing the cost. The governing body of the Authority is the same as the governing body of the Border Station. Separate audited financial statements of the Border Station can be found at the Authority's business office. The Border Station is independent of the Authority with respect to financial transactions. The Authority charged management fees to the Border Station in the amount of \$317,158 and \$327,500 during the years ended March 31, 2012 and 2011, respectively, for managing and maintaining the customs border station buildings and grounds.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles for government entities as prescribed by the GASB as a proprietary fund.

(c) Operating Measure

Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are bridge tolls, building rentals and port operating fees. Principal operating expenses are the costs of providing these services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

(d) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash and Equivalents

For purposes of reporting cash flows, cash and equivalents includes money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

(f) Investments

The investment policy of the Authority stipulates that the Authority may invest in obligations of the State, the United States government, repurchase agreements, or money market deposit accounts. Repurchase agreements must be collateralized by obligations guaranteed by the United States government, which are equal in value to the repurchase agreement. The agreements shall not exceed sixty days and payment shall be made only upon delivery of collateral to the Authority's agent. All investments and related collateral are held by the Authority's agent in the Authority's name.

(g) Receivables

Accounts receivable are stated at net estimated realizable value by writing off bad debts as they are determined to be uncollectible. An allowance for bad debts is not considered material; accordingly, no allowance is maintained.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(g) Receivables, Continued

Grants receivable from Federal and State agencies are recorded at the time the right to receive such funds occur.

(h) Inventories

Inventories were taken by physical count at the end of the year and are stated at cost on the first-in, first-out method.

(i) Prepaid Expenses

Expenses paid in advance of the period to be benefited are recorded as an asset and are expensed over the period of time to be benefited.

(j) Capital Assets

Investments in capital assets are stated at cost. Expenditures for maintenance, repairs, renewals, and improvements, which do not materially extend the useful lives of the assets, are charged to operations when incurred. Infrastructure assets, such as roads and bridges, are recorded at cost and depreciated over their estimated useful lives. Grants received from other governmental agencies to partially finance capital projects are shown as grant income and are not offset against the cost of the facilities. Donated facilities are shown at estimated fair market value at the date of acquisition. Effective for the year ended March 31, 2002, the Authority changed its depreciation policy to record depreciation on infrastructure assets in order to conform with the provisions of GASB Statement No. 34. The Authority's capital asset policy defines capitalization of an expenditure when the dollar amount exceeds \$2,500.

The straight-line method of depreciation is generally used for capital assets, based on their estimated useful lives. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	20 - 50 years
Improvements/infrastructure	10 - 50 years
Bridges	50 - 100 years
Vehicles and equipment	3 - 20 years

(k) Real Estate Sales

The Authority accounts for real estate sales under the accrual method when certain criteria are met. Under the accrual method, profit or loss is recognized when a sale transaction has been consummated.

(l) Foreign Currency Translation

The Authority translates Canadian assets and liabilities to U.S. currency at rates of exchange in effect at the financial statement date. Expense items are translated at average exchange rates prevailing during the reporting period. Revenues are converted on a daily basis.

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(m) Retirement Benefits

The Authority provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State and Local Employees' Retirement System (the System). The System provides various plans and options, some of which require employee contributions.

(n) Compensated Absences

Union employees and management/confidential employees are allowed to accumulate earned sick time up to a maximum of 160 days and 200 days, respectively. Vacation time earned as of an employee's anniversary date in excess of 30 days may not be carried forward. Upon termination, unused sick leave may be credited toward retirement and/or health benefits, while vacation time accumulates up to 30 days will be paid to the employee.

As of March 31, 2012 and 2011, the liabilities for accrued vacation leave amounted to \$113,693 and \$120,851, respectively.

(o) Capitalized Interest

The Authority capitalizes net interest costs as part of the cost of constructing industrial building projects and infrastructure projects in the industrial parks. The Authority did not have any interest capitalized for the years ended March 31, 2012 and 2011.

(p) Postemployment Benefits Other Than Pensions (OPEB)

In addition to providing the retirement benefits described in note 2(m), the Authority provides postemployment health insurance coverage to its retired employees and their survivors. The payment of this benefit is not governed by any employment contract and is done at the discretion of the members of the Board of the Authority.

The Authority pays a substantial portion of the cost of premiums to an insurance company which provides health care insurance. The Authority will pay 75% of health insurance premiums for future retirees with 20 years of active service until age 65. At that time, the retiree will be responsible for the entire premium cost and the Authority will not reimburse retirees for the cost of Medicare.

The Authority also provides Medicare Part B reimbursement coverage for eligible retired employees.

In 2004, the GASB released Statement No. 45 (GASB 45) concerning health and other non-pension benefits for retired public employees. GASB 45 was issued to provide more complete and reliable financial reporting regarding the costs and financial obligations that governments incur when they provide OPEB as part of employee compensation. In 2008, the Authority implemented GASB 45.

(q) Deferred Revenue and Revenue Recognition

The Authority recognizes revenue when earned. Cash receipts received from rental operations are deferred until the month they are earned.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(r) Advertising Costs

Advertising costs are charged to operations when incurred and amounted to \$68,553 and \$66,166 for the years ended March 31, 2012 and 2011, respectively.

(s) Pollution Remediation Obligations

In accordance with the GASB Statement No. 49 - "Accounting for Pollution Remediation Obligations," management has concluded that no obligating event has occurred that would require recognition of a future pollution remediation obligation in the accompanying financial statements.

(t) Subsequent Events

The Authority has evaluated events after March 31, 2012, and through June 29, 2012, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during the period that would require recognition or disclosure are properly addressed in these financial statements.

(3) Cash and Investments

The Authority's investment policies are governed by State statutes. In addition, the Authority has its own written investment policy. The Authority's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The chief financial officer is authorized to use demand and time accounts and certificates of deposit. Permissible instruments include U.S. treasury bills. Collateral is required for demand and time deposits and certificates of deposit for all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits are valued at cost or cost plus interest and are categorized as either: (1) insured, (2) collateralized with the securities held by the financial institution's trust department or agency in the Authority's name, or (3) uncollateralized.

Total financial institution (bank) balances at March 31, 2012 were \$4,189,905. These deposits are categorized as follows:

<u>1</u>	<u>2</u>	<u>3</u>
\$ <u>1,029,227</u>	<u>3,160,678</u>	<u>-</u>

OGDENSBURG BRIDGE AND
PORT AUTHORITY

Notes to Financial Statements, Continued

(3) Cash and Investments, Continued

In compliance with State regulations for bridge and port authorities, the expenditure of their revenues must be authorized by the Comptroller of the State. As of March 31, 2012 and 2011, the Authority had \$582,768 and \$385,048, respectively, in demand deposit accounts subject to State authorization. In addition, the Authority was authorized to establish revolving checking and savings accounts to enable the Authority to process its own checks subject to post audit by the State. As of March 31, 2012 and 2011, the Authority had \$339,286 and \$196,476, respectively, in revolving checking accounts for this purpose.

The restricted deposit account represents an employees' direct benefit fund for the International Longshoremens Association with a balance of \$454 at March 31, 2012 and 2011.

The Authority, in accordance with State approval, has established a capital improvement reserve account in the Bridge Fund for the deposit of excess monies resulting from a bridge toll rate increase which will be used to fund capital improvement projects. The balances in this account amounted to \$534,973 and \$369,917 at March 31, 2012 and 2011, respectively.

(4) Cash with Fiscal Agent

Pursuant to the terms of a bond issue, the Authority's component unit, the Border Station, was required to enter into a trust indenture with Manufacturers and Traders Trust Company (M&T Bank). The indenture requires that bank accounts be established as follows:

- Base rental account - deposit rents from the United States General Services Administration (GSA).
- Operating expense account - receipts of operating expenses from GSA.
- Redemption account - deposit proceeds from the issuance of bonds.
- Capitalized interest - deposit of interest during construction.

The balance for these accounts, included in cash and equivalents, amounted to \$182,763 and \$178,701 at March 31, 2012 and 2011, respectively.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(5) Capital Assets

Capital assets of the Bridge Fund for the year ended March 31, 2012 were as follows:

	<u>Balance at</u> <u>April 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>March 31,</u> <u>2012</u>
Capital assets, not being depreciated:				
Land	\$ 135,000	-	-	135,000
Construction in progress	<u>10,227,568</u>	<u>-</u>	<u>(10,227,568)</u>	<u>-</u>
Total capital assets not being depreciated	<u>10,362,568</u>	<u>-</u>	<u>(10,227,568)</u>	<u>135,000</u>
Capital assets, being depreciated:				
Land improvements	328,801	1,970,255	-	2,299,056
Buildings	26,469,389	24,973,703	(373,417)	51,069,675
Machinery and equipment	<u>1,785,234</u>	<u>93,453</u>	<u>-</u>	<u>1,878,687</u>
Total capital assets being depreciated	<u>28,583,424</u>	<u>27,037,411</u>	<u>(373,417)</u>	<u>55,247,418</u>
Less accumulated depreciation for:				
Land improvements	(295,920)	(120,433)	-	(416,353)
Buildings	(11,313,184)	(511,193)	373,417	(11,450,960)
Machinery and equipment	<u>(1,263,644)</u>	<u>(112,303)</u>	<u>-</u>	<u>(1,375,947)</u>
Total accumulated depreciation	<u>(12,872,748)</u>	<u>(743,929)</u>	<u>373,417</u>	<u>(13,243,260)</u>
Total capital assets, being depreciated, net	<u>15,710,676</u>	<u>26,293,482</u>	<u>-</u>	<u>42,004,158</u>
Total capital assets, net	<u>\$26,073,244</u>	<u>26,293,482</u>	<u>(10,227,568)</u>	<u>42,139,158</u>

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(5) Capital Assets, Continued

Capital assets of the Port Fund for the year ended March 31, 2012 were as follows:

	<u>Balance at</u> <u>April 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>March 31,</u> <u>2012</u>
Capital assets, not being depreciated:				
Land	\$ 3,615,571	-	-	3,615,571
Construction in progress	<u>956,122</u>	<u>205,056</u>	<u>(956,122)</u>	<u>205,056</u>
Total capital assets not being depreciated	<u>4,571,693</u>	<u>205,056</u>	<u>(956,122)</u>	<u>3,820,627</u>
Capital assets, being depreciated:				
Land improvements	12,056,282	-	-	12,056,282
Buildings	27,757,429	2,148,135	-	29,905,564
Machinery and equipment	<u>3,225,461</u>	<u>254,694</u>	<u>-</u>	<u>3,480,155</u>
Total capital assets being depreciated	<u>43,039,172</u>	<u>2,402,829</u>	<u>-</u>	<u>45,442,001</u>
Less accumulated depreciation for:				
Land improvements	(4,154,025)	(379,937)	-	(4,533,962)
Buildings	(13,729,987)	(866,858)	-	(14,596,845)
Machinery and equipment	<u>(2,494,545)</u>	<u>(136,787)</u>	<u>-</u>	<u>(2,631,332)</u>
Total accumulated depreciation	<u>(20,378,557)</u>	<u>(1,383,582)</u>	<u>-</u>	<u>(21,762,139)</u>
Total capital assets, being depreciated, net	<u>22,660,615</u>	<u>1,019,247</u>	<u>-</u>	<u>23,679,862</u>
Total capital assets, net	<u>\$27,232,308</u>	<u>1,224,303</u>	<u>(956,122)</u>	<u>27,500,489</u>

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(6) Donated Property

On January 31, 2011, the Authority received title to a building from Sanmina-SCI Corporation in partial satisfaction of a lease termination fee. The building was recorded at its estimated market value of \$750,000, as determined by an independent appraisal and the Authority on the date of transfer.

On December 26, 1974, the Authority received from the St. Regis Paper Company, all of the line of railroad extending from Norwood, New York to Waddington, New York, known as the Norwood & St. Lawrence Railroad, and its related assets. The railroad was recorded at its estimated market value as determined by the Authority on the date of transfer, of \$783,022, which was the original cost on the books of St. Regis Paper Company.

(7) Construction in Progress

Construction in progress at March 31, 2012 consists of the following:

Port Fund:

Airport master plan	\$ 27,655
Airport environmental assessment	27,561
Industrial park infrastructure	41,722
Port access road	<u>108,118</u>
Total construction in progress	\$ <u>205,056</u>

(8) Interfund Loans

The Bridge Fund has subsidized, through direct loans or allocation of expenses, the costs of operating the Port Fund from 1961 to the present in the amount of \$8,294,580, inasmuch as the Port Fund has been unable to generate consistent income over the years to meet its operating expenses. The actual amount of this interfund account has been understated since not all overhead and other indirect expenses incurred by the Bridge Fund have been allocated to the Port Fund for its proportionate share.

(9) Line of Credit

The Authority maintains a line of credit agreement with a financial institution providing for total available borrowings of \$5,000,000 and maturing on June 30, 2012. Outstanding borrowings bear interest at the prime rate and are collateralized by an assignment of the Authority's contract with New York State Department of Transportation (NYSDOT) related to the bridge rehabilitation project. There was no balance outstanding as of March 31, 2012. There was \$2,100,000 outstanding as of March 31, 2011 under this facility.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(10) Long-Term Debt

Long-term debt at March 31, 2012 and 2011 consists of the following:

<u>(a) Accrued Employee Retirement</u>	<u>2012</u>	<u>2011</u>
The Authority elected to amortize an amount due to the New York State Retirement System in the amount of \$53,808 for the year ended March 31, 2005. The amortized amount will be repaid over a ten-year period with interest at 5%.	\$ 5,006	24,589
Less current portion	(5,006)	(5,738)
Accrued employee retirement, excluding current portion	\$ <u> -</u>	<u>18,851</u>

(b) Due to State of New York for First Instance Advances

<u>Appropriations</u>	<u>Amount appropriated</u>	<u>Amount advanced to 3/31/12</u>	<u>Amount repaid to 3/31/12</u>	<u>Amount due at 3/31/12</u>
Chapter 864-1956	\$ 15,000,000	15,006,084	3,425,925	11,580,159
Chapter 218-1958	<u>7,000,000</u>	<u>6,690,717</u>	<u>100,000</u>	<u>6,590,717</u>
	<u>\$ 22,000,000</u>	<u>21,696,801</u>	<u>3,525,925</u>	18,170,876
Add - New York State Auditor's adjustment in 1974 to record first instance advances to finance port terminal construction cost				<u>684,098</u>
Amount due New York State				\$ <u>18,854,974</u>

The original debt repayment agreement with the State provided for the payment of net revenues to the State when monies exceed the sum of \$250,000 and \$200,000 in the Bridge and Port Fund comptroller's cash accounts, respectively. Transfer of monies from the Bridge Fund to the Port Fund is taken into consideration in determining this amount.

The Authority and the Director of the Budget of the State (Director) entered into a new agreement during the fiscal year ended March 30, 1980, which increased the dollar limits to \$400,000 in the Bridge Fund and \$250,000 in the Port Fund. At such time monies held in these funds exceeded these limits, the excess was to be deposited into a capital construction fund in the State Comptroller's custody. The agreement also provided for an annual repayment, commencing July 1, 1979, of 50% of gross annual revenues less annual expenditures approved by the Director for the preceding fiscal year of the Authority as so certified by an external audit, provided however, that the minimum annual repayment could not be less than \$50,000. This agreement expired on March 31, 1990.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(10) Long-Term Debt, Continued

(b) Due to State of New York for First Instance Advances, Continued

A first supplemental agreement was executed on February 25, 1986, which allowed the Authority to establish a capital improvement account not to exceed \$500,000 in the maintenance undistributed item of both the Bridge Fund and Port Fund budgets. The monies in these accounts could not be considered when computing the amounts of money in either fund.

A second supplemental agreement was entered into on May 29, 1995 with the Director. This agreement superseded all prior agreements with the State and provided that the Authority was to repay the State an amount of \$150,000 on March 31, 1996 and 1997, and \$75,000 each year beginning in March 1998 through 2005. This agreement was considered effective for the period April 1, 1990 through March 31, 2005.

The agreement provided that in addition to the fixed repayment amounts, the Authority was to pay all monies held in the Bridge Fund in excess of \$750,000, provided however, that monies in the bridge economic development account/capital improvement account up to \$850,000 and the monies in the bridge revolving fund up to \$320,000 were not to be considered. Also, monies held in the Port Fund in excess of \$750,000 were to be paid to the State, provided however, that monies in the port economic development account/capital improvement account up to \$850,000 and that monies in the port revolving fund up to \$300,000 were not to be considered. As of March 31, 2009, the Authority had not exceeded these cash limits and consequently no additional debt payment was required.

A third supplemental agreement was entered into during the year ended March 31, 2004 which provided for annual payments of \$75,000 for the years ending March 31, 2004 through March 31, 2009 and provided an emergency deferral of any payment due in the event the Authority encounters extraordinary financial circumstances.

The State approved the Authority's request for a loan repayment forbearance on the annual \$75,000 payments that were due on March 31, 2004, 2005 and 2006 pursuant to the repayment agreement, to allow the Authority to build up its revenue base and make overdue capital investments. The \$75,000 payments that were due on March 31, 2007, 2008 and 2009 were made by the Authority.

A fourth supplemental agreement was entered into which provides for annual payments of \$75,000 for the years ending March 31, 2010 through March 31, 2014, and provides an emergency waiver of any payment due in the event the Authority encounters extraordinary financial circumstances

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(10) Long-Term Debt, Continued

(c) Note Payable - New York State Department of Transportation

The Authority was awarded funding from the New York State Department of Transportation in the amount of \$1,300,000 for partial financing of a construction project to develop an access road, water and sewer lines. Of this amount, 40% is considered a loan up to a maximum amount of \$520,000 to be repaid over five years beginning one year after acceptance by NYSDOT with interest at 0%. A total of \$389,823 has been disbursed as loan proceeds. A new loan repayment agreement, dated April 2004, provides for repayments beginning on June 30, 2006, with annual payments of \$38,977 through June 30, 2009, and \$58,465 from June 2010 to June 2013. Additionally, \$75,000 is due annually to the State under the forth supplemental agreement as described in part (b) of this note. The balance due on this note amounted to \$116,985 and \$175,450 at March 31, 2012 and 2011, respectively.

(d) Total Due to State of New York

	<u>2012</u>	<u>2011</u>
Amount due New York State - First Instance Advances	\$ 18,854,974	18,854,974
Amount due New York State Department of Transportation - note payable	<u>116,985</u>	<u>175,450</u>
	18,971,959	19,030,424
Less current portion	<u>(208,465)</u>	<u>(133,465)</u>
Total due to State of New York, excluding current portion	<u>\$ 18,763,494</u>	<u>18,896,959</u>

(e) Notes Payable

Notes payable at March 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Loan with Community Bank, N.A., dated July 22, 2008, with a variable rate of interest adjusted every five years at the current five year T-Bill rate plus 2.25%, (5.43% at March 31, 2012), in the amount of \$1,600,000 for the construction of a 24,000 square foot shell building. The note is payable in equal monthly payments of \$11,302 with a 20-year term.	\$ 1,415,220	1,470,982
Less current portion	<u>(59,177)</u>	<u>(55,811)</u>
Notes payable, excluding current portion	<u>\$ 1,356,043</u>	<u>1,415,171</u>

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(10) Long-Term Debt, Continued

(f) Bonds Payable

The Border Station issued taxable lease revenue bonds, dated July 2, 2002, in the amount of \$7,910,000. These bonds mature January 1, 2018 with interest of 5.715%. The bonds are secured by a trust indenture with M&T Bank, as trustee, and by an assignment agreement dated July 1, 2002 which assigns to the trustee the right, title and interest in the GSA lease agreement. The mortgage grants to the trustee for the benefit of the owners of the bonds a leasehold mortgage and security interest in the border facility. The balance on the bond issue amounted to \$3,965,000 and \$4,505,000 at March 31, 2012 and 2011, respectively.

(g) Long-Term Debt Maturities

Long-term debt maturities over the next five years and thereafter as of March 31, 2012 are as follows:

2013	\$	842,642
2014		800,983
2015		781,048
2016		819,602
2017		863,708
Thereafter		<u>20,244,196</u>
	\$	<u>24,352,179</u>

(11) Pension Plan

(a) General Information

The Authority participates in the New York State and Local Employees' Retirement System. This System is a cost sharing, multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

(b) Plan Descriptions

(1) Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as a sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(11) Pension Plan, Continued

(b) Plan Descriptions, Continued

(2) Funding Policies

The System is noncontributory except for employees who joined the System after July 27, 1976 who contribute 3% of their salary. Employees in the System for more than ten years are no longer required to contribute. The Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Authority is required to contribute at an actuarially determined rate.

The required contributions for the current year and two preceding years are as follows:

2012	\$ 297,709
2011	163,363
2010	<u>170,744</u>

(12) Postemployment Benefits Other Than Pensions

Total expenditures charged to operations for the years ended March 31, 2012 and 2011 amounted to \$87,228 and \$104,459, respectively. At March 31, 2012 and 2011, the postemployment benefit liability for retired employees amounted to \$216,521 and \$174,265, respectively.

The number of participants as of April 1, 2011 was as follows:

Active employees	24
Retired employees	<u>13</u>
Total	<u>37</u>

Funding Policy - The Authority currently pays for postretirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Details of the benefit obligation and OPEB cost are as follows as of and for the years ended March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
<u>Benefit Obligations and Normal Cost</u>		
Actuarial accrued liability (AAL):		
Retired employees	\$ 445,702	454,825
Active employees	<u>471,805</u>	<u>643,791</u>
Total	\$ <u>917,507</u>	<u>1,098,616</u>
Underfunded actuarial accrued liability (UAAL)	\$ <u>917,507</u>	<u>1,098,616</u>

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(12) Postemployment Benefits Other Than Pensions, Continued

	<u>2012</u>	<u>2011</u>
Normal cost for fiscal year	\$ 31,041	38,528
Amortization of unfunded UAAL	<u>56,187</u>	<u>65,931</u>
Annual required contribution	\$ <u>87,228</u>	<u>104,459</u>
<u>Annual OPEB Cost and Net OPEB Obligation</u>		
Annual OPEB cost	\$ 87,228	104,459
Contribution made on a pay-as-you-go basis	<u>(44,972)</u>	<u>(45,712)</u>
Increase in net OPEB obligation	42,256	58,747
Net OPEB obligation at beginning of year	<u>174,265</u>	<u>115,518</u>
Net OPEB obligation at end of year	\$ <u>216,521</u>	<u>174,265</u>
Actuarial methods and assumptions:		
Funding interest rate	4.0%	4.0%
Current year medical trend rate (health/drugs)	10.5%	10.5%
Next year medical trend rate (health/drugs)	7.25%	10.5%
Ultimate trend rate (health/drugs)	4.2%	5.0%
Year ultimate trend rate rendered	2022	2022
Actuarial cost method	Projected	Projected
	Unit Credit	Unit Credit
The remaining amortization period	26 years	27 years

(13) Operating Leases

The Authority executed a lease agreement with the United States of America, dated July 2, 2002, for rental of the new border station building to the General Services Administration. The lease provides for annual lease payments of \$1,069,860 beginning October 1, 2003, for a term of fifteen years. The lease provides for a change in rent should operating costs differ from the base costs of \$161,200 specified in the lease. Effective October 1, 2010, rents were changed to \$1,135,503 based on changes in consumer price index.

The Authority is the lessor of a customs building in the Bridge Fund and various industrial buildings and airport buildings in the Port Fund under operating leases expiring in various years through 2018.

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(13) Operating Leases, Continued

Estimated minimum future rentals to be received on non-cancelable leases as of March 31, 2012 for each of the next five years are as follows:

	<u>GSA</u>	<u>Other</u>	<u>Total</u>
2013	\$ 1,135,503	804,900	1,940,403
2014	1,135,503	622,875	1,758,378
2015	1,135,503	519,411	1,654,914
2016	1,135,503	434,850	1,570,353
2017	<u>1,135,503</u>	<u>332,557</u>	<u>1,468,060</u>

(14) Contingencies

A summons and complaint was served against the Authority for breach of contract by a developer seeking damages of approximately \$5,000,000. This case, commenced in April 1992 in New York State Supreme Court for St. Lawrence County, is still pending. The Authority moved for summary judgment in October 2004 and an order dated March 25, 2005, substantially granted the Authority's motion. That determination was affirmed by the Appellate Division, Third Department in February 2006. In the single claim that survives, the plaintiff now seeks approximately \$500,000. A motion by the Authority to dismiss the case, based on the plaintiff's failure to timely file a Note of Issue and Statement of Readiness for trial, was denied by the lower court in September 2005. As a protective measure, the Authority filed a Notice of Appeal therefrom, but has not yet perfected the appeal. After a non-jury trial, in November 2006, the Supreme Court dismissed the action in all respects. The plaintiff appealed but on March 20, 2008, the Appellate Division, Third Department, issued a decision affirming the trial verdict. In February 2009, the plaintiff obtained permission to appeal to the New York Court of Appeals, and on October 20, 2009, that court, while affirming the dismissal of the plaintiff's claims for lost profits and benefit-of-the-bargain damages, ruled that the plaintiff was entitled to a further opportunity to prove "reliance damages" if it could. A second bench trial on that issue was held in March 2011; no decision has been rendered yet. Outside counsel for the Authority has not concluded that the likelihood of an unfavorable outcome of this matter is either "remote" or "probable" and expresses no opinion as to its likely outcome. The Authority believes the suit is without merit and is vigorously defending its position.

The Authority has commenced action in Supreme Court for St. Lawrence County asserting a breach of construction contract claim against a project contractor and the contractor's surety. The contractor has responded with a counterclaim against the Authority in the amount of \$107,157 presumably relating to the balance of the contract price. The Authority has served a reply to the counterclaim, denying the allegations. The contractor and surety have also commenced a third party action against the manufacturer of materials used for the project. In January 2009, settlement discussions were unsuccessful. Since the fall of 2010, the

OGDENSBURG BRIDGE AND
PORT AUTHORITY
Notes to Financial Statements, Continued

(14) Contingencies, Continued

Authority has commenced discussions with the New York State Department of Transportation in an attempt to resolve issues concerning approval of the project. These discussions have been ongoing and if successful, will lead to further discussions with the defendants on possible settlement of the litigation. Document discovery has been on hold since the Department of Transportation discussions were initiated by the Authority. Outside counsel for the Authority has not concluded that the likelihood of an unfavorable outcome of this matter is either “remote” or “probable” and expresses no opinion as to its likely outcome.

A notice of claim dated August 31, 2005, was filed against the Authority by a neighboring production facility placing the Authority on notice that the facility will bring suit against the Authority to protect its plant operations and its legal rights. A summons and complaint dated September 14, 2006, was then served against the Authority alleging that the Authority has allowed salt particulates to become airborne and contaminate the neighboring facility, resulting in the facility to be in violation of New York State Department of Environmental Conservation emissions regulations. The Authority believes the suit is without merit and intends to vigorously contest the case. It is not possible to evaluate the likelihood of an unfavorable outcome or an estimate of any potential loss.

A notice of claim dated March 5, 2010, was filed against the Authority by an employee of an Authority tenant alleging personal injuries were sustained from a fall during the course of employment on Authority property. A Workers’ Compensation Board examination was completed on May 11, 2010. Discovery is still ongoing, making any determination premature and based upon incomplete information. The outcome of this matter is not determinable as of the audit date.

A notice of claim dated May 13, 2011, was filed against the Authority by an employee of an Authority contractor alleging personal injuries were sustained on February 22, 2011, during the course of employment on Authority property. An initial meeting with the claims adjuster was held on May 18, 2011 at the Authority and the claim has not yet been assigned to counsel. It is not possible to evaluate the outcome of this matter as of the audit date.

Financial awards from Federal, State, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Authority for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

OGDENSBURG BRIDGE AND
 PORT AUTHORITY
 Schedule of Revenues, Expenses, and Changes
 in Net Assets - Bridge Fund
 Year ended March 31, 2012
 with comparative totals for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Bridge tolls	\$ 2,162,277	2,051,139
Rentals	1,409,585	1,272,738
Miscellaneous	235,960	38,011
Total operating revenues	<u>3,807,822</u>	<u>3,361,888</u>
Operating expenses:		
Salaries and wages	777,719	722,560
Payroll taxes and benefits	518,761	322,470
Automotive	50,078	45,569
Building and grounds maintenance	125,611	121,705
Equipment repairs and maintenance	19,191	79,391
Fuel and utilities	88,173	91,979
Bridge inspection	-	102,000
Insurance	157,412	151,782
Telephone and postage	13,287	11,968
Advertising	11,458	15,790
Professional fees	116,897	70,749
Depreciation	743,929	515,577
Amortization	23,088	23,088
Office supplies	10,844	20,353
Travel and meetings	5,875	1,983
New York State assessments and fees	-	87,825
Miscellaneous	7,852	13,589
Total operating expenses	<u>2,670,175</u>	<u>2,398,378</u>
Operating income	<u>1,137,647</u>	<u>963,510</u>
Non-operating income (expense):		
Federal and State grants	16,272,575	8,669,182
Interest income	928	2,788
Loss on foreign currency exchange	(21,660)	(5,954)
Interest expense	(250,003)	(280,287)
Gain on disposal of capital assets	-	2,499
Total non-operating income	<u>16,001,840</u>	<u>8,388,228</u>
Change in net assets	17,139,487	9,351,738
Net assets at beginning of year	<u>15,729,492</u>	<u>6,377,754</u>
Net assets at end of year	<u>\$ 32,868,979</u>	<u>15,729,492</u>

OGDENSBURG BRIDGE AND PORT AUTHORITY
 Schedule of Revenues, Expenses and Changes
 in Net Assets - Port Fund
 Year Ended March 31, 2012
 with comparative totals for 2011

	<u>Airport</u>	<u>Industrial Properties</u>	<u>Railroad</u>	<u>Marine Terminal</u>	<u>Total</u>	
					<u>2012</u>	<u>2011</u>
Operating revenues:						
Rentals	\$ 63,466	639,069	-	233,968	936,503	2,682,045
Fuel sales (net of fuel purchases of \$80,215 in 2012 and \$62,634 in 2011)	6,305	-	-	-	6,305	7,706
Port operating fees	-	-	-	583,644	583,644	718,802
Construction projects	420	214	-	-	634	-
Operating grants	75,536	-	-	-	75,536	75,851
Miscellaneous	<u>668</u>	<u>310</u>	<u>57,830</u>	<u>7,920</u>	<u>66,728</u>	<u>37,285</u>
Total operating revenues	<u>146,395</u>	<u>639,593</u>	<u>57,830</u>	<u>825,532</u>	<u>1,669,350</u>	<u>3,521,689</u>
Operating expenses:						
Salaries and wages	116,838	243,380	-	411,497	771,715	915,285
Payroll taxes and benefits	97,374	165,980	-	164,061	427,415	437,335
Automotive	3,989	1,557	-	47,994	53,540	67,645
Building and grounds maintenance	17,099	29,812	-	33,898	80,809	101,510
Equipment repairs and maintenance	8,920	9,228	-	130,136	148,284	179,184
Fuel and utilities	35,140	97,529	-	26,742	159,411	130,697
Insurance	12,120	34,011	-	51,417	97,548	96,891
Telephone and postage	11,084	3,555	-	9,855	24,494	25,029
Advertising	1,174	27,989	-	27,932	57,095	50,376
Professional fees	103,628	118,253	76,519	4,324	302,724	340,241
Depreciation	514,425	328,481	263,395	277,281	1,383,582	1,271,294

(Continued)

OGDENSBURG BRIDGE AND PORT AUTHORITY
 Schedule of Revenues, Expenses, and Changes
 in Net Assets - Port Fund, Continued

	Airport	Industrial Properties	Railroad	Marine Terminal	Total	
					2012	2011
Operating expenses, continued:						
Office supplies	\$ 2,679	1,870	-	3,570	8,119	5,786
Travel and meetings	360	718	-	13,196	14,274	29,311
New York State assessments and fees	-	-	-	-	-	3,533
Miscellaneous	3,938	6,616	21,667	6,973	39,194	44,236
Total operating expenses	928,768	1,068,979	361,581	1,208,876	3,568,204	3,698,353
Operating loss	(782,373)	(429,386)	(303,751)	(383,344)	(1,898,854)	(176,664)
Non-operating income (expense):						
Federal and State grants	1,070,578	29,670	-	55,411	1,155,659	976,466
Interest income	188	931	-	277	1,396	3,120
Interest expense	-	(79,865)	-	-	(79,865)	(112,377)
Gain on disposal of capital assets	-	-	-	-	-	54,007
Total non-operating income (expense)	1,070,766	(49,264)	-	55,688	1,077,190	921,216
Change in net assets	\$ 288,393	(478,650)	(303,751)	(327,656)	(821,664)	744,552
Net assets at beginning of year					17,421,015	16,676,463
Net assets at end of year					\$ 16,599,351	17,421,015

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Ogdensburg Bridge and Port Authority
Ogdensburg, New York:

We have audited the financial statements of the Ogdensburg Bridge and Port Authority (the Authority) as of and for the year ended March 31, 2012, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management of the Authority, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 29, 2012

INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
Ogdensburg Bridge and Port Authority
Ogdensburg, New York:

We have examined the Ogdensburg Bridge and Port Authority's (the Authority) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2012. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2012.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management of the Authority, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 29, 2012