

**BUFFALO AND FORT ERIE
PUBLIC BRIDGE AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2012

Table of Contents

December 31, 2012

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Balance Sheets

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedules of Funding Progress for Defined Benefit Pension Plans and Other Postemployment Benefits

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Fort Erie Public Bridge Authority

We have audited the accompanying financial statements of Buffalo and Fort Erie Public Bridge Authority (the Authority), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 audit. 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 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 Authority as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 2 to the financial statements, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in 2012.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages i through vi (preceding the financial statements) and schedules of funding progress for defined benefit pension plans and other postemployment benefits on page 16 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2013 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

February 22, 2013

Buffalo and Fort Erie Public Bridge Authority

Management's Discussion and Analysis

For the Years ended December 31, 2012, 2011 and 2010

(Unaudited)

The management of the Buffalo and Fort Erie Public Bridge Authority (hereinafter referred to as the Authority) offers the following overview and analysis of the Authority's financial activities for the years ended December 31, 2012, 2011 and 2010, which should be read in conjunction with the Authority's basic financial statements and notes to the basic financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. It begins by presenting and explaining the basic financial statements. These statements have been prepared according to accounting principles generally accepted in the United States of America (GAAP). Revenues and expenses are recorded using the accrual basis of accounting, meaning that they are recorded and recognized by the Authority as earned/incurred, regardless of when cash is received or paid.

In 2012, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires reporting of deferred outflows and inflows of resources separately from assets and liabilities and replaces net assets with net position. Prior year amounts have been reclassified to conform with the requirements of GASB No. 63.

The balance sheet presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position serve as a relative indicator as to whether the Authority's financial position is strengthening or weakening over time.

The statement of revenues, expenses, and changes in net position shows the results of the Authority's operations during the year and reflects both operating and non-operating activities. Changes in net position reflect the operational impact of the current year's activities on the financial position of the Authority.

The statement of cash flows provides an analysis of the sources and uses of cash. The cash flow statement shows net cash provided or used in operating, capital and related financing, and investing activities.

The notes to the basic financial statements include additional information needed to provide a further understanding of the basic financial statements.

FINANCIAL STATEMENT ANALYSIS

Comparative Balance Sheets as of December 31:

U.S. \$, in thousands

	2012	2011	2010
Assets			
Current assets	\$ 94,125	\$ 81,011	\$ 67,149
Restricted assets	10,822	10,550	11,814
Capital assets, net	116,864	119,346	145,760
Total assets	221,811	210,907	224,723
Deferred outflows of resources			
Financing costs	460	581	701
Total assets and deferred outflows of resources	\$ 222,271	\$ 211,488	\$ 225,424
Liabilities and net assets			
Current liabilities	\$ 6,388	\$ 5,722	\$ 7,733
Noncurrent liabilities	40,846	41,827	42,762
Total liabilities	47,234	47,549	50,495
Net position:			
Net investment in capital assets	78,530	79,213	102,736
Restricted	10,622	10,350	11,614
Unrestricted	85,885	74,376	60,579
Total net position	175,037	163,939	174,929
Total liabilities and net position	\$ 222,271	\$ 211,488	\$ 225,424

As noted earlier, net position serves as an indicator of the Authority's overall financial strength. The Authority's net position increased by approximately \$11 million during 2012 as a result of net income earned through all Authority activities. As required by the Authority's bond indenture, the restricted portion of net position is reserved for debt service, governmental payments, and operating reserves. Restricted amounts fluctuate based upon required debt service and operating reserve requirements. Substantially all unrestricted amounts of net position have been designated by the Board of Directors for acquisition or construction of capital projects and/or major repairs and replacements.

The Authority's net investment in capital assets decreased by \$24 million and capital assets declined by \$26 million during 2011, primarily due to the write-off of previously capitalized environmental review costs of almost \$22 million. The write-off was precipitated by the 2011 decision by the Authority's Board to end the eleven-year bi-national environmental review, which was formally terminated in January 2012 by the lead agency for the review, the United States Federal Highway Administration ("FHWA"). The Authority had initiated the Bi-National Integrated Environmental Process ("BNIEP") in October 2001 to evaluate the impacts and alternatives for increasing bridge capacity, and expanding and reconfiguring the U.S. plaza and connecting roadway system. The BNIEP included extensive analyses and study over the eleven-year period, the costs of which were funded primarily by Federal grants and capitalized as construction-in-progress. While the amount of

the write-off represents a material change in the assets of the Authority, it does not affect the Authority's overall financial strength or ability to service its debt. And although the environmental review has been terminated, the project costs incurred provided the Authority with data and insight into the environmental factors that affect its ongoing operations and that may form a backdrop for any future plans.

There were multiple reasons for terminating the BNIEP. Among them, significant spatial challenges and environmental impacts were identified, and the cost of implementing the proposed project exceeded the Authority's ability to secure adequate funding. In addition, the community and U.S. Federal and state resource agencies raised concerns related to historic impacts, relocations, and other environmental impacts associated with constructing and operating the proposed project. As such, FHWA, in cooperation with the Authority and the New York State Department of Transportation, formally advised the public that a Final Environmental Impact Statement would not be issued related to the BNIEP.

Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31:

U.S. \$, in thousands

	2012	2011	2010
Operating revenue			
Toll revenues	\$ 22,491	\$ 22,341	\$ 22,030
Other revenues	11,003	10,724	9,786
Total operating revenues	<u>33,494</u>	<u>33,065</u>	<u>31,816</u>
Operating expenses			
Toll collection and traffic control	3,656	3,695	3,396
Maintenance of bridge and facilities	4,996	5,022	5,091
Administration	2,849	2,707	2,747
Contributions to pension plans	1,363	1,605	1,519
Other postemployment benefits	1,768	1,799	1,755
Other expenses	1,087	1,104	1,074
Depreciation	5,455	5,628	5,633
Total operating expenses	<u>21,174</u>	<u>21,560</u>	<u>21,215</u>
Operating income	<u>12,320</u>	<u>11,505</u>	<u>10,601</u>
Non-operating revenues (expenses)			
Interest income	277	400	443
Interest expense	(1,393)	(1,472)	(1,745)
Currency remeasurement	1	18	56
Other non-operating revenue (expense)	(107)	(119)	(107)
Total non-operating net expense	<u>(1,222)</u>	<u>(1,173)</u>	<u>(1,353)</u>
Capital contributions	-	414	1,739
Special item - asset impairment loss	-	(21,736)	-
Change in net position	11,098	(10,990)	10,987
Net position, beginning of year	163,939	174,929	163,942
Net position, end of year	<u>\$ 175,037</u>	<u>\$ 163,939</u>	<u>\$ 174,929</u>

As a bi-national toll bridge operator, the Authority earns revenue and incurs expenses in both U.S. and Canadian dollars. All Canadian revenue and expenses are converted to U.S. dollars at the average rate of exchange for the year, which remained relatively unchanged during 2012 compared to 2011. The Canadian dollar strengthened against the U.S. dollar during 2011, resulting in an increase in the remeasured value of both the revenue earned and expenses incurred in Canadian dollars.

Toll revenues increased slightly during 2012 and 2011 due to the .8% and 2.8% increase, respectively, in commercial vehicle volume, while toll rates remained unchanged. Passenger vehicle crossings remained relatively static from 2011 and 2010 levels. Other revenues, consisting primarily of rental income, were favorably impacted by increases in rental income from duty-free operators.

Operating expenses decreased by \$386,000 or 1.8% during 2012. Pension expense declined by \$242,000 as investment performance of defined benefit pension plan assets improved during 2011. In addition, depreciation expense decreased by \$173,000, as fully depreciated assets remain in service. Operating expenses increased by \$345,000 or 1.6% during 2011, with the strengthening of the Canadian dollar accounting for \$265,000 of the increase.

Total non-operating net expense increased \$49,000 in 2012, primarily due to a decrease in interest income. Despite increases in assets invested, investment income was negatively impacted by sustained declines in investment rates. This decrease in income was partially offset by a decrease in interest expense due to a reduction in bonds outstanding. During 2011, total non-operating net expense decreased by \$180,000 from 2010, primarily due to a decrease in interest expense as principal payments reduced bonds outstanding, and, effective July 1, 2010, a reduction in the bond interest rate.

In 2011, there is a special item for asset impairment loss for almost \$22 million, which is described within the section entitled, "Comparative Balance Sheets as of December 31."

CAPITAL ASSETS AND LONG TERM DEBT

The Authority's total investment in capital assets as of December 31, 2012 approximated \$117 million, representing 53% of the Authority's total assets. Capital assets consist of land, the Peace Bridge, buildings and plaza improvements, equipment, and construction-in-progress. As described within the section entitled, "Comparative Balance Sheets as of December 31," capital assets declined by \$26 million during 2011.

In August 2005, the Authority issued \$44.1 million in 2005 Series Toll Bridge System Revenue Refunding Bonds, bearing interest at 3% through July 1, 2007. On July 1, 2007, the bonds were remarketed at an interest rate of 4% through July 1, 2010. On July 1, 2010, the bonds were again remarketed at an interest rate of 2.625% through July 1, 2014. On July 1, 2014, the bonds will be subject to mandatory tender without a bondholder right to retain, at which time the bonds will be subject to alternate methods of determining interest rates from time to time and possible conversion to a fixed rate of interest to maturity.

The principal of, purchase or redemption price of, and interest on, the Series 2005 Bonds are payable from funds drawn under an irrevocable, direct-pay letter of credit issued by the U.S. Bank. Standard & Poor's Rating Services and Fitch Ratings have assigned ratings of "AA-"/"A-1+", and "AA-" respectively, to the 2005 Series Bonds.

FACTS THAT WILL IMPACT FINANCIAL POSITION

The Authority's long-term capital plan was premised on the Board's expectation that upgrades and improvements to structural steel and the structural deck of the Peace Bridge could be most efficiently undertaken after a then anticipated companion bridge was completed and traffic could be temporarily diverted to a new bridge. Consequently, deck replacement and structural steel and other significant upgrades and improvements were deferred pending the outcome of the environmental review process. That review process was terminated by FHWA as of January 10, 2012.

As a result of FHWA's action to terminate the environmental review, the Authority is in the process of planning and assessing modifications to the existing Peace Bridge and the U.S. Federal inspection plaza to improve the operational efficiency of the crossing and to ensure its longevity. In addition to reconfiguring, and possibly expanding, the U.S. Federal inspection plaza, the Authority expects to widen the bridge approach on the U.S. side of the border and re-deck the Peace Bridge “under traffic.”

While the Authority has not fully analyzed re-decking methodologies and plans, it is expected that the re-decking would be implemented in stages beginning in 2015. Although a maintenance and protection of traffic plan would be developed to minimize the negative impact, the Authority believes that some negative impact on traffic flow and related toll revenue is likely. At this time, the Authority cannot accurately estimate the magnitude of that impact. The Authority will take all reasonable steps to minimize the negative effect on toll revenue.

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of the Authority for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Lynne M. Bogdan, Finance Manager, 100 Queen Street, Fort Erie, ON L2A 3S6.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

Balance Sheets

December 31,	2012	2011
Assets		
Current assets:		
Cash	\$ 1,190,506	\$ 209,272
Accounts receivable, net	1,159,021	1,076,500
Grants receivable	-	20,331
Prepaid expenses and other assets	662,128	622,653
Investments	91,113,723	79,082,317
	<u>94,125,378</u>	<u>81,011,073</u>
Noncurrent assets:		
Restricted assets:		
Cash	4,111,211	3,304,919
Investments	6,711,070	7,245,412
	<u>10,822,281</u>	<u>10,550,331</u>
Capital assets, net (Note 6)	116,863,688	119,345,712
	<u>127,685,969</u>	<u>129,896,043</u>
Total assets	<u>221,811,347</u>	<u>210,907,116</u>
Deferred outflows of resources		
Financing costs	\$ 460,146	\$ 580,671
Total assets and deferred outflows of resources	<u>\$ 222,271,493</u>	<u>\$ 211,487,787</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,883,252	\$ 1,334,998
Current portion of long term debt	2,350,000	2,265,000
Accrued interest payable	524,316	555,323
Allowance for unredeemed tokens and unearned toll revenue	359,139	355,120
Accrued compensation and benefits	1,071,833	1,011,754
Due to other governments	200,000	200,000
	<u>6,388,540</u>	<u>5,722,195</u>
Noncurrent liabilities:		
Bonds payable	35,000,037	37,218,801
Other postemployment benefits	5,846,084	4,607,712
	<u>40,846,121</u>	<u>41,826,513</u>
Total liabilities	<u>47,234,661</u>	<u>47,548,708</u>
Net Position		
Net investment in capital assets	78,530,130	79,213,162
Restricted	10,622,281	10,350,329
Unrestricted	85,884,421	74,375,588
Total net position	<u>175,036,832</u>	<u>163,939,079</u>
Total liabilities and net position	<u>\$ 222,271,493</u>	<u>\$ 211,487,787</u>

See accompanying notes.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2012	2011
Operating revenues:		
Commercial tolls	\$ 15,654,974	\$ 15,464,870
Passenger tolls	6,836,269	6,875,986
Rentals	10,644,060	10,477,565
Other	359,108	246,214
Total operating revenues	33,494,411	33,064,635
Operating expenses:		
Toll collection and traffic control	3,656,283	3,693,941
Maintenance of bridge, buildings, plazas and equipment	4,996,283	5,021,870
Administration	2,849,344	2,707,304
Contributions to pension plans	1,363,147	1,604,920
Other postemployment benefits	1,767,861	1,798,698
Canadian property taxes and U.S. equalization payments	887,034	904,335
Payments to New York State	200,000	200,000
Depreciation	5,454,598	5,628,480
Total operating expenses	21,174,550	21,559,548
Operating income	12,319,861	11,505,087
Non-operating revenues (expenses):		
Interest income	277,179	400,167
Interest expense	(1,393,144)	(1,472,012)
Currency remeasurement	1,051	18,275
Other non-operating expense	(107,194)	(118,895)
Total non-operating net expense	(1,222,108)	(1,172,465)
Change in net position before special item and grant contributions	11,097,753	10,332,622
Capital contributions from grants	-	413,407
Special item - asset impairment loss	-	(21,736,166)
Change in net position	11,097,753	(10,990,137)
Net position - beginning of year	163,939,079	174,929,216
Net position - end of year	\$ 175,036,832	\$ 163,939,079

See accompanying notes.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

Statements of Cash Flows

For the years ended December 31,	2012	2011
Operating activities:		
Toll revenue	\$ 22,567,427	\$ 21,890,319
Payments to suppliers	(5,582,193)	(6,209,727)
Payments for wages and employee benefits	(8,752,196)	(9,191,544)
Other revenues	10,857,589	10,729,768
Net operating activities	19,090,627	17,218,816
Capital and related financing activities:		
Acquisition and construction of capital assets	(2,606,795)	(1,766,035)
Capital contributions from grants	20,331	1,200,058
Interest paid on debt	(1,292,915)	(1,365,713)
Principal payment on debt	(2,265,000)	(2,185,000)
Proceeds from asset disposal	13,331	4,675
Net capital and related financing activities	(6,131,048)	(4,112,015)
Investing activities:		
Increase in investments, net	(11,497,064)	(13,197,487)
Interest income	277,179	400,167
Net investing activities	(11,219,885)	(12,797,320)
Effect of exchange rate changes	47,832	(18,751)
Change in cash	1,787,526	290,730
Cash - beginning	3,514,191	3,223,461
Cash - ending	\$ 5,301,717	\$ 3,514,191
Reconciliation of operating income to net cash provided from operating activities:		
Operating income	\$ 12,319,861	\$ 11,505,087
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	5,454,598	5,628,480
Allowance for unredeemed tokens and unearned toll revenue	(727)	(700,767)
Other postemployment benefits	1,265,352	1,182,800
Changes in assets and liabilities:		
Accounts receivable	(77,274)	254,270
Prepaid expenses and other assets	(37,159)	(170,948)
Accounts payable and accrued liabilities	157,368	(482,055)
Unearned revenue	8,608	1,949
	\$ 19,090,627	\$ 17,218,816

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Reporting Entity

Buffalo and Fort Erie Public Bridge Authority (the Authority) was established through a legislative act as a public benefit corporation to own and operate an international toll bridge connecting the United States and Canada. The enabling Act, under which the Authority was created, provides that on July 1, 2020, or when all bonds issued by the Authority have been discharged (current bonds' final maturity date is January 1, 2025), whichever shall be later, the Authority's functions shall cease.

Basis of Presentation

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Measurement Focus

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as non-operating activities and include investment income, interest paid on capital debt, and the net effect of currency remeasurement.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

At various times, cash in financial institutions may exceed insured limits and subject the Authority to concentrations of credit risk.

Investments

Investments consist of money market funds, short term commercial paper, and U.S. mortgage and government agency obligations and are stated at fair market value.

Restricted Assets

The Authority established the following accounts in order to comply with bond resolution requirements:

Bond – trustee accounts established to receive amounts necessary to meet current principal and interest payments and to maintain a sufficient balance in a debt service reserve fund.

Government payments - holds amounts necessary to fund payments to the State of New York as required under current legislation.

Operating expense reserve - holds amounts necessary to pay current year operating expenses as defined, plus an operating reserve equal to one-sixth of the operating expenses of the Authority for the preceding year.

Capital Assets

Capital assets are reported at actual historical cost. For assets being depreciated, expense is calculated over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization policy	Estimated useful life
Bridge infrastructure	\$ 5,000	10-150 years
Buildings and improvements	\$ 5,000	10-40 years
Equipment - general	\$ 1,000	3-10 years
Equipment - toll system	\$ 1,000	7 years

Currency Translation

Due to its bi-national operations, the Authority maintains accounts within its accounting records in either United States dollars (USD) or Canadian dollars (CAD). The Authority translates all Canadian asset and liability accounts at the year-end exchange rate, except for property and equipment accounts, which are translated at historical rates in effect in the year of acquisition. The statement of revenues, expenses, and changes in net position is converted at the average rate of exchange for the year. Translation gains and losses are included as a component of non-operating revenues (expenses) as a currency remeasurement.

Compensated Absences

The Authority provides for vacation, sick, and compensatory time that is attributable to services already rendered and vested. The liabilities are recorded based on employees' rates of pay as of the end of the year, and include all payroll-related liabilities.

Net Position

- *Net investment in capital assets* - consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of the assets.
- *Restricted* - consists of assets, net of related liabilities and deferred inflows of resources, subject to externally imposed restrictions by creditors (such as through debt covenants), federal or state laws, or enabling legislation.
- *Unrestricted* - consists of all other amounts that do not meet the definition of the above restrictions and are available for general use of the Authority.

The Authority has adopted a policy of using restricted funds, when available, prior to unrestricted funds.

2. Change in Accounting Principle

In 2012, the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires reporting of deferred outflows and inflows of resources separately from assets and liabilities and replaces net assets with net position. Prior year amounts have been reclassified to conform with the requirements of GASB No. 63.

3. Deposits and Investments:

The Authority's policy is to obtain collateral for its cash deposits from U.S. financial institutions. Cash deposits maintained in banks within the United States are covered by U.S. Federal Deposit Insurance (\$250,000) and by collateral held by custodial banks in the Authority's name based upon the average daily funds available as determined by the banks. Canada Deposit Insurance covers cash deposits up to \$100,000 (\$100,000 CAD) maintained in banks within Canada.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2012, \$2,967,860 of the Authority's bank deposits were exposed to custodial credit risk.

The Authority's exposure to foreign currency risk derives from its deposits in Canadian denominated deposits totaling \$3,347,608 (USD).

The Authority manages its investments pursuant to the bond resolution, which defines the nature and maturity of allowable investments. In general, the Authority invests conservatively in short-term U.S. and Canadian government agency securities and certificates of deposit.

4. Accounts Receivable, net:

	2012	2011
Accounts receivable	\$ 1,160,021	\$ 1,079,500
Less allowance for doubtful accounts	1,000	3,000
	<u>\$ 1,159,021</u>	<u>\$ 1,076,500</u>

5. Investments:

	2012	2011
Unrestricted:		
U.S. Treasury & mortgage notes	\$ 82,100,529	\$ 77,608,921
Money market funds	2,014,391	1,473,396
Short-term commercial paper	6,998,803	-
	<u>\$ 91,113,723</u>	<u>\$ 79,082,317</u>
Restricted:		
U.S. Treasury notes	\$ 6,697,409	\$ 6,695,413
Money market funds	-	536,338
Accrued interest receivable	13,661	13,661
	<u>\$ 6,711,070</u>	<u>\$ 7,245,412</u>

6. Capital Assets:

	January 1, 2012	Additions	Reclassifications and Disposals	December 31, 2012
Non-depreciable capital assets:				
Land	\$ 23,793,803	\$ 1,279,897	\$ -	\$ 25,073,700
Construction-in-progress	148,112	1,495,648	(390,015)	1,253,745
Total non-depreciable assets	<u>23,941,915</u>	<u>2,775,545</u>	<u>(390,015)</u>	<u>26,327,445</u>
Capital assets being depreciated:				
Bridge	54,840,319	-	-	54,840,319
Buildings and plazas	94,399,306	-	169,035	94,568,341
Equipment - general	4,768,661	144,403	(802,829)	4,110,235
Equipment - toll	5,195,383	52,626	(843,258)	4,404,751
Total depreciable assets	<u>159,203,669</u>	<u>197,029</u>	<u>(1,477,052)</u>	<u>157,923,646</u>
Less accumulated depreciation:				
Bridge	(27,507,078)	(1,599,419)	-	(29,106,497)
Buildings and plazas	(27,445,096)	(3,348,963)	(7,931)	(30,801,990)
Equipment - general	(3,830,355)	(389,641)	1,031,740	(3,188,256)
Equipment - toll	(5,017,343)	(116,575)	843,258	(4,290,660)
Total accumulated depreciation	<u>(63,799,872)</u>	<u>(5,454,598)</u>	<u>1,867,067</u>	<u>(67,387,403)</u>
Total depreciable assets, net	<u>95,403,797</u>	<u>(5,257,569)</u>	<u>390,015</u>	<u>90,536,243</u>
	<u>\$ 119,345,712</u>	<u>\$ (2,482,024)</u>	<u>\$ -</u>	<u>\$ 116,863,688</u>

	January 1, 2011	Additions	Reclassifications and Disposals	December 31, 2011
Non-depreciable capital assets:				
Land	\$ 23,793,803	\$ -	\$ -	\$ 23,793,803
Construction-in-progress	21,316,557	718,912	(21,887,357)	148,112
Total non-depreciable assets	45,110,360	718,912	(21,887,357)	23,941,915
Capital assets being depreciated:				
Bridge	54,840,319	-	-	54,840,319
Buildings and plazas	94,191,396	165,118	42,792	94,399,306
Equipment - general	4,621,080	90,886	56,695	4,768,661
Equipment - toll	5,216,936	-	(21,553)	5,195,383
Total depreciable assets	158,869,731	256,004	77,934	159,203,669
Less accumulated depreciation:				
Bridge	(25,907,658)	(1,599,420)	-	(27,507,078)
Buildings and plazas	(24,115,593)	(3,329,503)	-	(27,445,096)
Equipment - general	(3,464,083)	(414,931)	48,659	(3,830,355)
Equipment - toll	(4,732,717)	(284,626)	-	(5,017,343)
Total accumulated depreciation	(58,220,051)	(5,628,480)	48,659	(63,799,872)
Total depreciable assets, net	100,649,680	(5,372,476)	126,593	95,403,797
	\$ 145,760,040	\$ (4,653,564)	\$ (21,760,764)	\$ 119,345,712

In October 2001, the Authority initiated a Bi-National Integrated Environmental Process (BNIEP) to evaluate the impacts and alternatives for increasing bridge capacity, and expanding and reconfiguring the U.S. plaza and connecting roadway system. Extensive environmental analyses were conducted over the past eleven years, the costs of which were funded primarily by federal grants and capitalized by the Authority as construction-in-progress.

As the BNIEP progressed, significant spatial challenges and environmental impacts were identified, and the cost of implementing the proposed project exceeded the Authority's ability to secure adequate funding. In addition, the community and U.S. Federal and state resource agencies raised concerns related to historic impacts, relocations, and other environmental impacts associated with constructing and operating the proposed project. As such, the U.S. Federal Highway Administration, in cooperation with the Authority and the New York State Department of Transportation, formally advised the public that a Final Environmental Impact Statement will not be issued related to the BNIEP. As a result of this decision, previously capitalized costs of almost \$22 million were written off as an asset impairment loss in 2011.

7. Bond Indebtedness:

	January 1, 2012	Increases	Decreases	December 31, 2012	Due Within One Year
Serial Bonds	\$ 40,555,000	\$ -	\$ (2,265,000)	\$ 38,290,000	\$ 2,350,000
	January 1, 2011	Increases	Decreases	December 31, 2011	Due Within One Year
Serial Bonds	\$ 42,740,000	\$ -	\$ (2,185,000)	\$ 40,555,000	\$ 2,265,000

In August 2005, the Authority issued \$44,120,000 in variable rate Toll Bridge System Revenue Refunding Bonds to currently refund \$43,915,000 of outstanding 1995 Series bonds with interest rates ranging from 5.125% to 6.0%. The net proceeds of \$43,639,394 (after payment of \$480,606 for underwriting fees and other issuance costs) plus \$4,788,824 in Series 1995 bond reserve monies were used to refund the original bonds and establish the series 2005 debt reserves.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,242,465. This difference, reported in the accompanying balance sheets as a reduction of bonds payable, is being charged to operations through the year 2024 using the effective interest method. The net difference is \$939,963 and \$1,071,199 at December 31, 2012 and 2011.

The Series 2005 bonds, which are special revenue obligations of the Authority, were issued as variable rate obligations. They bore an initial term rate interest of 3% through July 1, 2007. On July 1, 2007, the bonds were remarketed at an interest rate of 4% until July 1, 2010. On July 1, 2010, the bonds were again remarketed at an interest rate of 2.625% until July 1, 2014. Interest is payable semi-annually on January 1 and July 1. On July 1, 2014, the bonds will be subject to mandatory tender without a bondholder right to retain, at which time the bonds will be subject to alternate methods of determining interest rates from time to time and possible conversion to a fixed rate of interest to maturity.

Under an irrevocable letter of credit issued by a bank, the trustee is entitled to draw an amount sufficient to pay the principal of the bonds when due, the purchase price of the bonds tendered by the holders and not remarketed, and up to 199 days' interest. This letter of credit has an initial stated amount of \$43,360,176 (\$38,845,604 outstanding at December 31, 2012) and will expire on July 15, 2014, unless earlier terminated or extended.

Debt service requirements based on the 2.625% rate in effect at year end are as follows:

Years ending December 31,	Principal	Interest
2013	\$ 2,350,000	\$ 943,425
2014	2,440,000	879,375
2015	2,530,000	812,963
2016	2,620,000	744,188
2017	2,715,000	672,919
2018-2022	15,145,000	2,200,669
2023-2025	10,490,000	282,056
	<u>\$ 38,290,000</u>	<u>\$ 6,535,595</u>

8. Pension Plans:

Plan Descriptions

The Authority maintains two non-contributory, single-employer defined benefit pension plans: Pension Plan for Employees of Buffalo and Fort Erie Public Bridge Authority in the United States (U.S. Plan) and Pension Plan for Employees of Buffalo and Fort Erie Public Bridge Authority in Canada (Canadian Plan), (collectively, the Defined Benefit Plans). The Defined Benefit Plans cover full and part-time employees hired before September 29, 2006 (union) and January 1, 2009 (non-union) in the United States, and before July 27, 2007 (union) and January 1, 2009 (non-union) in Canada, and provide retirement, death benefits and certain annual cost of living adjustments to plan members and beneficiaries. The Board of Directors has the authority to establish and amend benefit provisions. Separate financial statements are not required, nor have they been prepared for either pension plan.

The Authority has also established two non-contributory defined contribution money purchase plans which separately cover U.S. and Canadian employees hired subsequent to the eligibility dates of the Defined Benefit Plans described above. The defined contribution plans require the Authority to contribute 6% of each qualified employee's covered salary annually. Contributions to the defined contribution plans totaled \$23,000 in 2012, \$23,000 in 2011, and \$9,000 in 2010. The Authority also has a liability of \$510,000 under separate supplemental retirement agreements. The Authority makes all required contributions when due.

Funding Policy and Annual Pension Cost of Defined Benefit Plans

The Authority pays the full costs of all benefits provided under the Defined Benefit Plans, and its policy is to fund the annual required contributions each year. Annual required contributions are actuarially determined no less frequently than every other year.

The Authority's annual pension cost for the current year is as follows:

	Canadian Plan	U.S. Plan		Canadian Plan	U.S. Plan
Annual required contribution	\$ 784,000	\$ 472,000	Actuarial valuation date	1/1/2012	1/1/2012
Interest on net pension obligation	20,000	14,000	Actuarial cost method	Projectd Unit Cost	
Annual pension cost	804,000	486,000	Asset valuation method	Market value basis	
Contributions made	(886,000)	(500,000)	Actuarial assumptions:		
Increase in net pension asset	(82,000)	(14,000)	Investment rate of return	5.25%	6.0%
Net pension asset, beginning of year	(38,000)	(51,000)	Projected salary increases	3.5%	3.5%
Net pension asset, end of year	\$ (120,000)	\$ (65,000)	Includes inflation at	2.7%	2.75%
	Canadian Plan	U.S. Plan			
Annual Pension Cost (APC):					
2012	\$ 804,000	\$ 486,000			
2011	\$ 798,000	\$ 710,000			
2010	\$ 785,000	\$ 685,000			
Percentage of APC Contributed:					
2012	110%	103%			
2011	81%	94%			
2010	124%	114%			
Net Pension Asset:					
2012	\$ 120,000	\$ 65,000			
2011	\$ 38,000	\$ 51,000			
2010	\$ 194,000	\$ 95,000			

Funded Status and Funding Progress

The funded status of the Canadian plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

Schedule of Funding Progress						
	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Canadian Plan	\$ 13,307,000	\$ 14,604,000	\$ 1,297,000	91%	\$ 1,642,000	79%

The funded status of the U.S. plan as of January 1, 2012, the most recent actuarial evaluation date, is as follows:

Schedule of Funding Progress						
	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
U.S. Plan	\$ 19,992,000	\$ 20,511,000	\$ 519,000	97%	\$ 2,584,000	20%

The schedule of funding progress presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the UAALs for benefits.

9. Other Postemployment Benefits:

The Authority maintains two single-employer defined benefit postemployment healthcare plans (the Plans), one covering certain Canadian employees and one plan covering certain U.S. employees. The Plans provide benefits in the form of insurance premium payments for coverage of eligible retirees and spouses. Plan provisions and Authority and member contribution rates are determined through negotiations between the Authority and its employees or the collective bargaining units that represent its employees. The Plans do not issue publicly available financial reports.

Eligibility is based on date of hire, attainment of retirement age, and years of service. The Authority pays 100% of the health, dental, and life insurance premiums for employees meeting the following criteria:

Canadian Plan

Full-time employees hired prior to September 19, 2003 (union) or November 21, 2003 (non-union), upon attainment of age 50 with 2 years of service.

Full-time employees hired on or after September 19, 2003 but prior to July 27, 2007 (union) or on or after November 21, 2003 but prior to December 31, 2008 (non-union), upon attainment of age 50 with 10 years of service.

U.S. Plan

Full-time employees hired prior to July 18, 2003 (union) or November 21, 2003 (non-union), upon attainment of age 50 with 2 years of service.

Full-time employees hired on or after July 18, 2003 but prior to September 29, 2006 (union) or on or after November 21, 2003 but prior to December 31, 2008 (non-union), upon attainment of age 50 with 10 years of service.

GASB Statement No. 45 requires that the Authority recognize the cost of postemployment benefits during the periods when employees render the services that will ultimately entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (the Authority is using the maximum period allowed by GASB Statement No. 45 of 30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding of the Plans is less than the ARC. This liability is reflected on the balance sheets as other postemployment benefits. The Authority's Board of Directors has the authority to establish funding policy for the Plans. The current policy is to fund the Plans to the extent of premium payments and reimbursements on the "pay as you go" basis.

The following table summarizes the Authority's annual OPEB for the years ended December 31, 2012 and 2011:

	2012	2011
Annual required contribution		
Normal cost	\$ 627,205	\$ 608,085
Amortization of UAAL	1,230,419	1,188,901
Annual required contribution	1,857,624	1,796,986
Interest on OPEB obligation	162,185	119,836
ARC adjustment	(251,948)	(118,124)
Annual OPEB cost	1,767,861	1,798,698
Contribution made	(529,489)	(605,349)
Increase in net OPEB obligation	1,238,372	1,193,349
Net OPEB obligation - beginning of year	4,607,712	3,414,363
Net OPEB obligation - end of year	<u>\$ 5,846,084</u>	<u>\$ 4,607,712</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,767,861	30%	\$ 5,846,084
2011	1,798,698	34%	4,607,712
2010	1,754,815	29%	3,414,363

The GASB Statement No. 45 actuarial valuation was completed using valuation dates of January 1, 2012, 2011 and 2010, and measurement dates of January 1, 2011 and January 1, 2008. As of January 1, 2012, the total actuarial accrued liability for future benefits was \$23,422,000. Since there are no Plan assets, the entire liability is unfunded.

The annual payroll of employees eligible to be covered by the Plans was \$3,880,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 604%. The schedule of funding progress presented as required supplementary information (RSI) following the notes to the financial statements presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the UAALs for benefits.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in healthcare costs and interest rates. The Plans will be subject to routine actuarial revaluations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Similarly, the January 1, 2012 and 2011 valuations reflected the Plans' benefits and cost sharing between the Authority and members of the Plans in effect at the time. Any changes in these factors will impact the results of future valuations.

The actuarial calculations reflect a long-term perspective and utilize techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

Healthcare cost trend:

Canadian Plan: 8.5% grading down by 0.5% each year through 2018, and 4.5% per year thereafter

U.S. Plan: 9.0% grading down by 0.5% each year through 2018, and 5.0% per year thereafter

Actuarial cost method:

Projected unit credit

Discount rate:

3.5%

Amortization methods:

30 years, open, level dollar

Mortality:

US and Canada

UP1994, projected to 2015 using scale AA

Retirement:

Provided by the Authority for active employees based upon their unreduced pension eligibility

Termination:

Rates calibrated to produce 3% aggregate turnover of the active data based on the Authority's historical experience.

10. Rentals:

The Authority, as lessor, has entered into non-cancelable operating leases with a U.S. duty-free enterprise and a Canadian duty-free enterprise. The Authority recognized approximately \$7.5 million and \$7.4 million in rental income in 2012 and 2011, respectively, from the duty-free enterprises. This amount included approximately \$3.1 million and \$3.4 million of additional contingent rental payments based upon the sales levels of the lessees in 2012 and 2011, respectively.

The Authority maintains a lease through 2016 with the Canadian duty-free enterprise. Based upon the agreement, the minimum rental payments to be received by the Authority are approximately \$2.1 million for 2013; subsequent years' minimum rental is based on 75% of the immediately preceding year's minimum and contingent rental payments.

The Authority maintains a five-year lease with the U.S. duty-free enterprise. This lease is subject to three 5-year renewals, with the last renewal period expiring in 2020. Based upon the agreement, the minimum rental payments to be received by the Authority are approximately \$2.3 million for 2013; subsequent years' minimum rental is based on 50% of the immediately preceding year's minimum and contingent rental payments.

The Authority also leases space to a governmental entity under a non-cancelable ten year operating lease expiring June 2019. Rental revenue received by the Authority amounted to \$2.0 million in 2012 and 2011.

Minimum amounts to be received under this lease are as follows:

2013	\$ 1,985,927
2014	1,638,717
2015	1,344,924
2016	1,344,924
2017	1,344,924
Thereafter	1,961,347
	<u>\$ 9,620,763</u>

The Authority also leases certain real property space under cancelable operating leases to commercial enterprises and governmental agencies. These leases are generally maintained on a month-to-month basis.

11. Deferred Compensation Plan:

All employees of the Authority in the United States are offered participation in a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan permits eligible participants to defer a portion of their salary until future years. Under the plan, amounts deferred are not available to employees until separation, retirement, death, or unforeseen emergency.

All amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust until paid or made available to the employee or other beneficiary.

12. Commitments and Contingencies:

Risk Management

The Authority purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, injuries to employees, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. Losses resulting from acts of terrorism have been excluded from property and excess liability policies. The Terrorism Risk Insurance Act of 2002 of the United States governs coverage for acts of terrorism under the general liability policy.

Grants

In 2011, the Authority received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. Based on prior experience, the Authority expects any such amounts to be immaterial.

The Authority was a party to a funding agreement whereby the U.S. Federal Government agreed to fund the BNIEP up to a maximum of \$22 Million. The terms and conditions of the agreement specified that if the Authority suspended or delayed work on the aforementioned process, or took other actions resulting in the loss of Federal participation, the Authority would be required to repay all amounts received under the funding agreement. The BNIEP has been terminated for reasons unrelated to actions requiring the repayment of funds and the Authority has received confirmation from the U.S. Federal Government and the State of New York that repayment of funds will not be required.

Operating Lease Commitments

In October 2005, a new duty-free store opened on the U.S. plaza and the old store was demolished. The new store, constructed at a cost of \$2.8 million and financed by the operator, is expected to be temporary in nature, as completion of the Authority's capacity expansion project may require the reconfiguration or relocation of the U.S. plaza. In the event that relocation of the temporary store is required prior to 2015, the Authority's lease with the duty-free operator requires partial reimbursement, on a descending scale ranging from 25% to 5%, for the cost of construction of such temporary store.

Contractual Commitments

As of December 31, 2012, the Authority had contractual commitments of approximately \$3.6 million, primarily related to ongoing capital construction projects.

Litigation

The Authority is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of the Authority.

13. Net Position:

Unrestricted - Designated

The Board of Directors has designated available unrestricted amounts for acquisition or construction of capital projects and maintenance.

Restricted

	2012	2011
Debt service funds:		
Debt service fund	\$ 2,853,912	\$ 2,797,605
Debt service reserve fund	3,778,463	3,835,658
Operating expense reserve account	3,989,906	3,717,066
Total restricted assets	<u>\$ 10,622,281</u>	<u>\$ 10,350,329</u>

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY

**Required Supplementary Information (Unaudited)
Schedules of Funding Progress for Defined Benefit Pension Plans
and Other Postemployment Benefits**

For the year ended December 31, 2012

Canadian Defined Benefit Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ 13,307,000	\$ 14,604,000	\$ 1,297,000	91%	\$ 1,642,000	79%
1/1/2010	\$ 12,474,000	\$ 14,332,000	\$ 1,858,000	87%	\$ 1,748,000	106%
1/1/2009	\$ 10,752,000	\$ 13,580,000	\$ 2,828,000	79%	\$ 1,800,000	157%

U.S. Defined Benefit Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ 19,992,000	\$ 20,511,000	\$ 519,000	97%	\$ 2,584,000	20%
1/1/2010	\$ 18,285,000	\$ 19,761,000	\$ 1,476,000	93%	\$ 2,848,000	52%
1/1/2008	\$ 18,416,000	\$ 18,341,000	\$ (75,000)	100%	\$ 2,693,000	N/A

Other Postemployment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 23,422,000	\$ 23,422,000	0%	\$ 3,880,000	604%
1/1/2011	\$ -	\$ 22,394,000	\$ 22,394,000	0%	\$ 4,133,000	542%
1/1/2010	\$ -	\$ 26,333,000	\$ 26,333,000	0%	\$ 4,852,000	543%