

OGDENSBURG BORDER STATION, INC.

Financial Statements

March 31, 2008 and 2007

(With Independent Auditor's Report Thereon)

OGDENSBURG BORDER STATION, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ogdensburg Border Station, Inc.:

We have audited the accompanying statements of financial position of Ogdensburg Border Station, Inc. as of March 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ogdensburg Border Station, Inc. as of March 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2008 on our consideration of Ogdensburg Border Station, Inc.'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.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 6, 2008

OGDENSBURG BORDER STATION, INC.
 Statements of Financial Position
 March 31, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash:		
Operations	\$ 98,867	92,298
Cash with fiscal agents	174,479	163,150
Total cash	273,346	255,448
Receivables	24,456	25,356
Prepaid management fees	11,336	-
Due from Ogdensburg Bridge and Port Authority	42,456	42,456
Total current assets	351,594	323,260
Property and equipment, at cost:		
Building and improvements	7,257,469	7,257,469
Equipment	38,097	38,097
Total property and equipment	7,295,566	7,295,566
Less accumulated depreciation	(674,115)	(523,585)
Net property and equipment	6,621,451	6,771,981
Other assets:		
Debt issue costs, net of accumulated amortization of \$103,899 in 2008 and \$80,811 in 2007	242,445	265,533
Security deposits	1,297	4,314
Total other assets	243,742	269,847
Total assets	\$ 7,216,787	7,365,088
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	-	171
Deferred income	400	-
Accrued interest payable	85,225	91,440
Current portion of bonds payable	460,000	435,000
Total current liabilities	545,625	526,611
Security deposits	1,297	4,314
Bonds payable, excluding current portion	5,505,000	5,965,000
Total liabilities	6,051,922	6,495,925
Unrestricted net assets	1,164,865	869,163
Total liabilities and net assets	\$ 7,216,787	7,365,088

See accompanying notes to financial statements.

OGDENSBURG BORDER STATION, INC.
 Statements of Activities
 Years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted revenue:		
Rental income	\$ 1,128,585	1,128,939
Interest income	15,821	15,211
Miscellaneous	-	2,252
Total unrestricted revenue	<u>1,144,406</u>	<u>1,146,402</u>
Unrestricted expenses:		
Management fees	315,540	311,218
Interest expense	359,546	383,334
Depreciation	150,530	150,531
Amortization	23,088	23,088
Miscellaneous	-	36
Total unrestricted expenses	<u>848,704</u>	<u>868,207</u>
Increase in unrestricted net assets	295,702	278,195
Unrestricted net assets at beginning of year	<u>869,163</u>	<u>590,968</u>
Unrestricted net assets at end of year	<u>\$ 1,164,865</u>	<u>869,163</u>

See accompanying notes to financial statements.

OGDENSBURG BORDER STATION, INC.
 Statements of Cash Flows
 Years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating activities:		
Rental receipts	\$ 1,129,885	1,177,954
Interest income	15,821	15,211
Operating payments	<u>(692,808)</u>	<u>(720,797)</u>
Net cash provided by operating activities	452,898	472,368
Cash flow from financing activities - principal paid on bonds payable	<u>(435,000)</u>	<u>(410,000)</u>
Net increase in cash	17,898	62,368
Cash at beginning of year	<u>255,448</u>	<u>193,080</u>
Cash at end of year	<u>\$ 273,346</u>	<u>255,448</u>
 Cash flows from operating activities:		
Increase in unrestricted net assets	295,702	278,195
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	173,618	173,619
Change in:		
Receivables	900	49,015
Prepaid management fees	(11,336)	-
Accounts payable	(171)	(20,351)
Retainage payable	-	(2,252)
Deferred income	400	-
Accrued interest payable	<u>(6,215)</u>	<u>(5,858)</u>
Net cash provided by operating activities	<u>\$ 452,898</u>	<u>472,368</u>

See accompanying notes to financial statements.

OGDENSBURG BORDER STATION, INC.

Notes to Financial Statements

March 31, 2008 and 2007

(1) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

Ogdensburg Border Station, Inc. (the Company) was created on June 17, 2002 as a Local Development Corporation under the not-for-profit laws of the State of New York. The Ogdensburg Border Station, Inc. was created for the purpose of constructing, operating and maintaining a new border station building to be leased to the United States General Services Administration (GSA). Construction of the building was financed by the issuance of bonds. Ogdensburg Border Station, Inc. is a component unit of the Ogdensburg Bridge and Port Authority (the Authority).

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Company follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Company had only unrestricted net assets during 2008 and 2007.

(d) Estimates

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

(e) Cash

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

OGDENSBURG BORDER STATION, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Capitalization and Depreciation

Equipment and improvements are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

(g) Accounts Receivable

The Company has elected not to establish a reserve for bad debts since all receivables are deemed collectible. An allowance will be established when an event occurs in the future that would necessitate a reserve.

(h) Long-Lived Assets

The Company complies with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets." This statement requires that long-lived assets to be held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Company compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At March 31, 2008, no impairment in value has been recognized.

(i) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(j) Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

(k) Current Vulnerability due to Certain Concentrations

The Company's rental income is derived mainly from one tenant under a non-cancelable lease. If the Company were to lose that tenant, it could have an adverse effect on operating results.

OGDENSBURG BORDER STATION, INC.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Expense Allocation

The costs of providing various programs and other activities have been adequately detailed in the statements of activities. Allocation of management and general expense among program and supporting services is not considered significant to the operations of the Company, therefore, no such allocation has been provided.

(m) Income Tax

The Company is exempt from income taxes under Section (501)(c)(2) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the financial statements of the Company.

(2) Cash with Fiscal Agent

Pursuant to the terms of a bond issue, the Company was required to enter into a trust indenture with Manufacturers and Traders Trust Company. The indenture requires that the Company establish bank accounts as follows:

- Base rental account - deposit rents from GSA.
- Operating expense account - receipts of operating expenses from GSA.
- Debt service account - payment of bond interest and principal.
- Redemption account - deposit proceeds from issuance of bonds.
- Capitalized interest - deposit of interest during construction.

The balance of these accounts amounted to \$174,479 and \$163,150 as of March 31, 2008 and 2007, respectively.

(3) Property and Equipment

A summary of the cost and accumulated depreciation of property and equipment as of March 31, 2008 and 2007 is as follows:

	March 31, 2008		
	Cost	Accumulated depreciation	Net book value
Buildings	\$ 7,205,095	(648,459)	6,556,636
Building improvements	52,374	(8,511)	43,863
Equipment	38,097	(17,145)	20,952
	\$ 7,295,566	(674,115)	6,621,451

OGDENSBURG BORDER STATION, INC.
Notes to Financial Statements, Continued

(3) Property and Equipment, Continued

	March 31, 2007		
	Cost	Accumulated depreciation	Net book value
Buildings	\$ 7,205,095	(504,357)	6,700,738
Building improvements	52,374	(5,893)	46,481
Equipment	38,097	(13,335)	24,762
	\$ <u>7,295,566</u>	<u>(523,585)</u>	<u>6,771,981</u>

(4) Debt Issue Costs

Debt issue costs associated with the issuance of bonds totaled \$346,344 and are being amortized over the term of the bond of fifteen years on a straight-line basis. Accumulated amortization amounted to \$103,899 and \$80,811 at March 31, 2008 and 2007, respectively.

(5) Bonds Payable

The Company issued \$7,910,000 of taxable lease revenue bonds dated July 2, 2002 to mature January 1, 2018, with interest at 5.715%. The bonds are secured by a trust indenture with Manufacturers and Traders Trust Company, 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 Station. The balance of the bonds payable at March 31, 2008 and 2007 was as follows:

	2008	2007
Bonds payable	\$ 5,965,000	6,400,000
Less current portion	(460,000)	(435,000)
Bonds payable, excluding current portion	\$ <u>5,505,000</u>	<u>5,965,000</u>

The maturities of bonds payable over the next five years and thereafter are as follows:

2009	\$ 460,000
2010	485,000
2011	515,000
2012	540,000
2013	575,000
Thereafter	3,390,000
	\$ <u>5,965,000</u>

OGDENSBURG BORDER STATION, INC.

Notes to Financial Statements, Continued

(6) Lease Agreement - General Services Administration

The Company executed a lease agreement with the United States of America dated July 2, 2002 for lease of the new border station building to the General Services Administration (GSA). 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 an increase in rent should operating costs exceed the base costs of \$161,200 specified in the lease. Effective October 1, 2006 and 2007, rents were increased to \$1,119,209 and \$1,124,828, respectively, based on increases in operating costs. Estimated minimum future rentals to be received on non-cancelable leases as of March 31, 2008 for each of the next five years and thereafter is as follows:

2009	\$ 1,124,828
2010	1,124,828
2011	1,124,828
2012	1,124,828
2013	1,124,828
Thereafter	<u>6,186,554</u>
	<u>\$ 11,810,694</u>

(7) Management Fees

A management fee is payable to the Authority for management services provided to the Company. The fee paid is equal to the difference between the annual rent paid by GSA and the annual bond payment computed as follows:

	<u>2008</u>	<u>2007</u>
Annual lease payment	\$ 1,117,020	1,112,698
Annual bond payment	<u>(801,480)</u>	<u>(801,480)</u>
Excess rent paid as management fee	\$ <u>315,540</u>	<u>311,218</u>

(8) Related Party Transactions

The Company is considered a component unit of the Authority. During the years ended March 31, 2008 and 2007, the Company incurred management fees to the Authority totaling \$315,540 and \$311,218, respectively. At March 31, 2008 and 2007, the Authority owed the Company \$42,456.

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INDEPENDENT AUDITOR'S 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 Border Station, Inc.:

We have audited the financial statements of Ogdensburg Border Station, Inc. (the Company) as of and for the year ended March 31, 2008, and have issued our report thereon dated June 6, 2008. 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 Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Ogdensburg Border Station, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 and the funding sources of the programs administered by Ogdensburg Border Station, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 6, 2008