

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg  
Bridge and Port Authority)  
Basic Financial Statements,  
Required Supplementary Information and  
Independent Auditors' Report  
March 31, 2018 and 2017

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)

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## INDEPENDENT AUDITORS' REPORT

The Governing Board  
Ogdensburg Border Station, Inc.:

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Ogdensburg Border Station, Inc. (the Company) (a component unit of the Ogdensburg Bridge and Port Authority), as of and for the years ended March 31, 2018 and 2017, and the related notes to financial statements, which collectively comprise the Company'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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Company'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 Company'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 Ogdensburg Border Station, Inc. as of March 31, 2018 and 2017, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 and 4, 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 financial reporting for placing the basic 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 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.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2018, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Company's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
September 6, 2018

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)

Management's Discussion and Analysis

March 31, 2018 and 2017

USING THIS ANNUAL REPORT

This annual report consists of three parts:

- Management's Discussion and Analysis
- Audited Financial Statements
- Notes to the Financial Statements

The Ogdensburg Border Station, Inc. (OBSI) was created and became incorporated in 2002.

OBSI was created by Ogdensburg Bridge and Port Authority (OBPA) to construct a United States border station and associated facilities (main building, warehouse, inspection stations, and VACIS building), and to make a loan to the United States Government for the construction of their facilities by means of advances or disbursement of the proceeds of bonds.

OBSI is a wholly owned subsidiary of the OBPA. OBSI shares a common Board and management staff with the OBPA. Current and future operations of OBSI are tied directly to OBPA and the continued operation of the Ogdensburg Prescott International Bridge and the need for Border Security to continue to lease the buildings constructed for that purpose.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of OBSI's financial position. As of March 31, 2018 and 2017, assets exceeded liabilities by \$5,321,445 and \$4,833,305, respectively.

OBSI's financial position is the product of financial transactions including the net results of operations, the acquisition 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 OBSI's Statements of Net Position as of March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Current assets	\$ 210,312	270,697
Capital assets (net of depreciation)	<u>5,177,923</u>	<u>5,328,395</u>
Total assets	<u>5,388,235</u>	<u>5,599,092</u>
Current liabilities	<u>66,790</u>	<u>765,787</u>
Net position	\$ <u>5,321,445</u>	<u>4,833,305</u>

OGDENSBURG BORDER STATION, INC.  
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Management's Discussion and Analysis, Continued

Changes in OBSI's net position can be determined by reviewing the following condensed Statements of Revenue, Expenses and Changes in Net Position for the years ended March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Operating revenue	\$ 1,026,799	1,155,499
Operating expenses	<u>(538,659)</u>	<u>(561,906)</u>
Change in net position	488,140	593,593
Net position at beginning of year	<u>4,833,305</u>	<u>4,239,712</u>
Net position at end of year	\$ <u>5,321,445</u>	<u>4,833,305</u>

CAPITAL ASSETS

The following table is an analysis of OBSI's capital assets as of March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Original cost	\$ 7,346,099	7,346,099
Accumulated depreciation	<u>(2,168,176)</u>	<u>(2,017,704)</u>
Net capital assets	\$ <u>5,177,923</u>	<u>5,328,395</u>

LONG-TERM DEBT

OBSI had a bonds payable balance of \$755,000 at March 31, 2017. The bonds were fully extinguished in January 2018.

CONTACTING OBSI'S FINANCIAL MANAGEMENT

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

**OGDENSBURG BORDER STATION, INC.**  
 (A Component Unit of the Ogdensburg Bridge and Port Authority)  
 Statements of Net Position  
 March 31, 2018 and 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash:			
Operations		\$ 468	43,524
Cash with fiscal agent		-	194,250
Total cash		468	237,774
Accounts receivable		30,008	-
Due from Ogdensburg Bridge and Port Authority		179,836	32,923
Total current assets		<u>210,312</u>	<u>270,697</u>
Property and equipment, at cost:			
Building and improvements		7,308,002	7,308,002
Equipment		38,097	38,097
Total property and equipment		7,346,099	7,346,099
Less accumulated depreciation		<u>(2,168,176)</u>	<u>(2,017,704)</u>
Net property and equipment		<u>5,177,923</u>	<u>5,328,395</u>
Total assets		<u>5,388,235</u>	<u>5,599,092</u>
	<u>Liabilities</u>		
Current liabilities:			
Deferred revenue		66,790	-
Accrued interest payable		-	10,787
Current portion of bonds payable		-	755,000
Total liabilities		<u>66,790</u>	<u>765,787</u>
	<u>Net Position</u>		
Net investment in capital assets		5,177,923	4,573,395
Unrestricted		<u>143,522</u>	<u>259,910</u>
Total net position		<u>\$ 5,321,445</u>	<u>4,833,305</u>

See accompanying notes to financial statements.

**OGDENSBURG BORDER STATION, INC.**  
 (A Component Unit of the Ogdensburg Bridge and Port Authority)  
 Statements of Revenue, Expenses and Changes in Net Position  
 Years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Rental income	\$ 1,023,770	1,155,357
Interest income	2,275	-
Miscellaneous income	<u>754</u>	<u>142</u>
Total operating revenue	<u>1,026,799</u>	<u>1,155,499</u>
Operating expenses:		
Management fees	352,826	339,782
Interest expense	35,361	73,795
Depreciation	<u>150,472</u>	<u>148,329</u>
Total operating expenses	<u>538,659</u>	<u>561,906</u>
Change in net position	488,140	593,593
Net position at beginning of year	<u>4,833,305</u>	<u>4,239,712</u>
Net position at end of year	<u><u>\$ 5,321,445</u></u>	<u><u>4,833,305</u></u>

See accompanying notes to financial statements.



OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)  
Statements of Cash Flows  
Years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 993,762	1,155,357
Interest income received	2,275	142
Miscellaneous income received	754	-
Interest paid on bonds	(46,148)	(84,010)
Cash paid to suppliers	<u>(432,949)</u>	<u>(315,282)</u>
Net cash provided by operating activities	<u>517,694</u>	<u>756,207</u>
Cash flows from financing activities:		
Principal repayments on bonds payable	(755,000)	(715,000)
Capital expenditures	<u>-</u>	<u>(24,500)</u>
Net cash used in financing activities	<u>(755,000)</u>	<u>(739,500)</u>
Net change in cash	(237,306)	16,707
Cash at beginning of year	<u>237,774</u>	<u>221,067</u>
Cash at end of year	<u>\$ 468</u>	<u>237,774</u>
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	488,140	593,593
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	150,472	148,329
Changes in:		
Accounts receivable	(30,008)	-
Due from Ogdensburg Bridge and Port Authority	(146,913)	24,500
Deferred revenue	66,790	-
Accrued interest payable	<u>(10,787)</u>	<u>(10,215)</u>
Net cash provided by operating activities	<u>\$ 517,694</u>	<u>756,207</u>

See accompanying notes to financial statements.

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)

Notes to Financial Statements

March 31, 2018 and 2017

(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 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 through the issuance of bonds. The Company 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 as applied to government units.

(c) Use of Estimates

The preparation of financial statements in accordance 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.

(d) 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. All cash balances were fully insured by the Federal Deposit Insurance Corporation at March 31, 2018 and 2017.

(e) 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.

(f) Capitalization and Depreciation

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 expenses for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of revenue, expenses and changes in net position.

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Impairment of Long-Lived Assets

The Company reviews its long-lived assets 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, 2018, no impairment in value has been recognized.

(h) 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.

(i) 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.

(j) Subsequent Events

The Company has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(k) 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 accompanying financial statements.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at March 31, 2018.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)

Notes to Financial Statements, Continued

(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 (M&T Bank) which required the Company maintain bank accounts as follows:

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

The balance of these accounts amounted to \$194,250 at March 31, 2017. There was no balance in these accounts at March 31, 2018.

(3) Property and Equipment

A summary of the cost and accumulated depreciation of property and equipment as of March 31, 2018 and 2017 is as follows:

	March 31, 2018		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Buildings	\$ 7,205,096	(2,089,479)	5,115,617
Building improvements	102,906	(40,600)	62,306
Equipment	<u>38,097</u>	<u>(38,097)</u>	<u>-</u>
	<u>\$ 7,346,099</u>	<u>(2,168,176)</u>	<u>5,177,923</u>
	March 31, 2017		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Buildings	\$ 7,205,096	(1,945,377)	5,259,719
Building improvements	102,906	(34,230)	68,676
Equipment	<u>38,097</u>	<u>(38,097)</u>	<u>-</u>
	<u>\$ 7,346,099</u>	<u>(2,017,704)</u>	<u>5,328,395</u>

OGDENSBURG BORDER STATION, INC.  
(A Component Unit of the Ogdensburg Bridge and Port Authority)

Notes to Financial Statements, Continued

(4) Bonds Payable

The Company issued \$7,910,000 of taxable lease revenue bonds on July 2, 2002 which matured on January 1, 2018, with interest at 5.715%. The bonds are secured by the 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 station. The bonds had a balance of \$755,000 at March 31, 2017. The bonds were fully extinguished in January 2018.

(5) 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 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 increases in rent should operating costs exceed the base costs of \$161,200 specified in the lease. Effective October 1, 2013, annual rents were adjusted based on changes in operating costs. Estimated minimum future rentals to be received under this non-cancelable operating lease as of March 31, 2018 are \$577,925. The current lease agreement terminates on September 30, 2018.

(6) Related Party Transactions

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

	<u>2018</u>	<u>2017</u>
Annual lease payment	\$ 1,023,770	1,155,357
Annual bond payment	<u>(801,148)</u>	<u>(799,010)</u>
Excess rent paid as management fee	222,622	356,347
Adjustments to management fee	<u>130,204</u>	<u>(16,565)</u>
Total management fee	\$ <u>352,826</u>	<u>339,782</u>

The Authority owed the Company \$179,836 and \$32,923 at March 31, 2018 and 2017, respectively.

INDEPENDENT AUDITORS' 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 Governing Board  
Ogdensburg Border Station, Inc.:

We have audited, in accordance with the 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, the financial statements of Ogdensburg Border Station, Inc. (the Company), a component unit of the Ogdensburg Bridge and Port Authority, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated September 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from 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.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
September 6, 2018