

**NIAGARA FRONTIER
TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
March 31, 2010
(With Independent Auditors' Report Thereon)**

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

March 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority
Buffalo, New York

We have audited the accompanying statements of net assets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York) as of March 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2010 and 2009, and the changes in its net assets and 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 our report dated June 21, 2010 on our consideration of the Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) preceding the basic financial statements and the Schedule of Funding Progress for Other Post-Employment Benefits Plans on page 34 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.

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



June 21, 2010

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

March 31, 2010 and 2009

**MANAGEMENT'S RESPONSIBILITY FOR AND CERTIFICATION
OF THE FINANCIAL STATEMENTS**

The management of the Niagara Frontier Transportation Authority (the Authority) is responsible for the preparation and presentation of the financial statements and other financial information. Management is also responsible for the reasonableness of estimates and judgments inherent in the preparation of the financial statements, which are prepared in accordance with generally accepted accounting principles.

It is management's responsibility to ensure the Authority maintains accounting and reporting systems, supported by a system of internal accounting control, designed to provide reasonable assurance as to the integrity of the underlying financial records and the protection of assets. These systems include written policies and procedures, selection and training of qualified personnel, organizational segregation of duties and a program of internal reviews and appropriate follow-up.

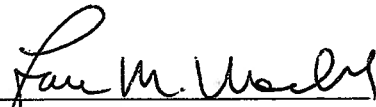
Management believes the Authority's systems are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements.

The Board of Commissioners is responsible for ensuring the independence and qualifications of Audit and Governance Committee members. The Audit and Governance Committee of the Board of Commissioners, which consists of five non-management commissioners, oversees the Authority's financial reporting and internal control system and meets regularly with management, the independent auditors and internal auditors to review auditing and financial reporting matters. The Audit and Governance Committee is solely responsible for the selection and retention of the Authority's independent auditors. The independent auditors and internal auditors have full and free access to the Audit and Governance Committee and meet with it to discuss their audit work, the Authority's internal controls, and financial reporting matters.

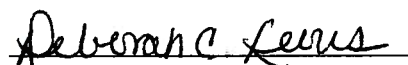
Lumsden & McCormick, LLP is responsible for conducting an independent examination of the Authority's financial statements in accordance with auditing standards generally accepted in the United States of America, and expressing an opinion as to whether the financial statements fairly present, in all material respects, the Authority's financial position, operating results, and cash flows.

Management certifies that, based on our knowledge, the information provided therein is accurate, correct and does not contain any untrue statement of material fact; does not omit any material fact, which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made; and fairly presents in all material respects the financial condition and results of operations of the Authority as of, and for, the periods presented in the financial statements.


NIAGARA FRONTIER TRANSPORTATION AUTHORITY



Lawrence M. Meckler
Executive Director



Deborah C. Leous
Chief Financial Officer



Patrick J. Dalton
Director of Internal Audit

June 21, 2010

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

March 31, 2010

**MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

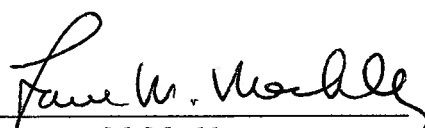
The management of the Niagara Frontier Transportation Authority (the Authority) is responsible for establishing and maintaining adequate internal controls and procedures over financial reporting. The Niagara Frontier Transportation Authority's internal control system is designed to provide reasonable assurance to the Authority's management and Board of Commissioners regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, internal control effectiveness may vary over time.

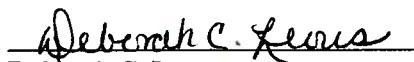
The Authority's management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment we believe that, as of March 31, 2010, the Authority's internal controls over financial reporting is effective based on those criteria.

The Authority's independent auditor, Lumsden & McCormick, LLP, has issued a report on our assessment of the Authority's internal control over financial reporting.

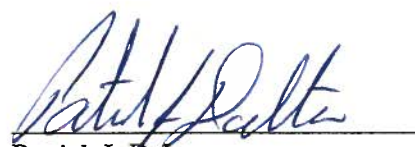
NIAGARA FRONTIER TRANSPORTATION AUTHORITY



Lawrence M. Meckler
Executive Director



Deborah C. Leous
Chief Financial Officer



Patrick J. Dalton
Director of Internal Audit

June 21, 2010

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

The Board of Commissioners
Niagara Frontier Transportation Authority
Buffalo, New York

We have audited management's assertion, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Niagara Frontier Transportation Authority (the Authority) maintained effective internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Authority's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the Authority maintained effective internal control over financial reporting as of March 31, 2010 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Authority and our report dated June 21, 2010 expressed an unqualified opinion.



June 21, 2010

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

This Management's Discussion and Analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal years ended March 31, 2010 and 2009. Following this MD&A are the financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when the related cash receipt or disbursement occurs.

The financial statements of the Authority encompass the activity of the NFTA, which includes aviation operations and property management, and Niagara Frontier Transit Metro System, Inc. (Metro), a component unit of the Authority, which primarily provides surface transportation.

Overview of the Financial Statements

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

- The Statements of Net Assets
- The Statements of Revenues, Expenses, and Changes in Net Assets
- The Statements of Cash Flows

The Statements of Net Assets present information on the assets and liabilities, with the differences reflected as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets report the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference, loss before capital contributions combined with capital contributions determine the change in net assets for the fiscal year. That change, combined with the previous year's net asset total, reconciles to the net asset total at the end of this fiscal year.

The Statements of Cash Flows report cash activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities. The net result of these activities, added to the beginning of the year cash and cash equivalents balance, reconciles to the total cash and cash equivalents balance at the end of the fiscal year.

The financial statements also include notes that further explains certain information in the financial statements and provides more detailed data. The statements are followed by additional information that provides information related to the NFTA and Metro.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

Summary of Financial Highlights
Summary of Net Assets

	March 31		
	2010	2009	2008
	(In thousands)		
Current assets	\$ 43,842	\$ 35,603	\$ 38,794
Restricted assets	62,456	59,712	74,805
Capital assets	739,242	737,560	731,271
Other	4,234	4,521	4,751
Total assets	<u>849,774</u>	<u>837,396</u>	<u>849,621</u>
Current liabilities	58,291	45,551	41,308
Long-term liabilities	269,764	249,156	231,351
Total liabilities	<u>328,055</u>	<u>294,707</u>	<u>272,659</u>
Net assets:			
Invested in capital assets, net of related debt	534,209	540,420	541,665
Restricted	54,418	51,530	62,807
Unrestricted	(66,908)	(49,261)	(27,510)
Total net assets	<u>\$ 521,719</u>	<u>\$ 542,689</u>	<u>\$ 576,962</u>

March 31, 2010 vs. March 31, 2009

The changes in total net assets serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$521.7 million at March 31, 2010, a \$21.0 million, or 3.9%, decrease from March 31, 2009. This decrease is primarily attributable to an increase in post-employment health insurance liabilities of \$15.6 million. As a result of the federal stimulus program and the recent reprogramming of federal funds from the Erie Canal Harbor Development Corporation (ECHDC), the Authority is upgrading its bus fleet with the ordering and anticipated delivery of 80 new buses in fiscal 2011. This represents 25% of our current bus fleet. Our mid-life railcar rebuild project continues with our goal to have the entire railcar fleet upgraded by the end of 2014. Current assets increased \$8.2 million, or 23.0% as grants receivables increased due to the purchase of 11 hybrid buses. Current liabilities increased \$12.7 million, or 28.0%, due to the current portion of a term loan (outstanding balance as of March 31, 2010 of \$13.0 million) to complete the funding for the Niagara Falls Terminal project and an increase of \$9.2 million, or 32.0%, in accounts payable and accrued expenses primarily attributable to the aforementioned year end purchase of 11 hybrid buses. Long term debt increased \$4.8 million, or 2.6%, due to the Niagara Falls Terminal loan.

The Authority uses its capital assets primarily to provide services to the public. Significant components of capital assets include a Light Rail Rapid Transit (LRRT) system and the Buffalo Niagara International Airport (BNIA). The major change between 2010 and 2009 included \$20.3 million for the construction of the Niagara Falls International Airport (NFIA) new terminal and related landside improvements, \$7.1 million for the noise mitigation program, \$3.8 million for the BNIA food court/concourse level modification, \$1.3 and \$1.1 million for the BNIA wetland treatment glycol project and automatic baggage system, respectively, and \$0.5 million for the Greenbelt Shoreline Improvement initiative. Metro additions included \$6.3 and \$3.1 million for the purchase of eleven transit buses and the ongoing mid-life rebuild project, respectively, \$1.5 million for the Fleetlynx upgrade project, \$1.1 million for the purchase of ten small buses and \$1.1 million for the perimeter security at our garage locations.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

March 31, 2009 vs. March 31, 2008

The Authority's assets exceeded liabilities by \$542.7 million at March 31, 2009, a \$34.3 million, or 5.9%, decrease from March 31, 2008. This decrease is primarily attributable to the continuing depreciation of existing Metro buses and railcars, combined with fewer acquisitions in 2009, in addition to an increase in health insurance post-employment liabilities of \$16.5 million. As a result of the federal stimulus program and the recent reprogramming of federal funds from the Erie Canal Harbor Development Corporation (ECHDC), the NFTA is now in a position to upgrade its bus fleet with the ordering and anticipated delivery of 91 new buses within the next two years. This represents 28% of our current bus fleet. Our mid-life railcar rebuild project continues with our goal to have the entire railcar fleet upgraded by the end of 2014. Current assets decreased \$3.2 million, or 8.2% as the cash generated from the collection of prior period New York State and federal grant receivables was used with operating cash to finance construction of the NFIA new terminal. Restricted assets decreased \$15.1 million, or 20.2%, also due to the internal financing of the construction of the NFIA new terminal.

The largest portion of the Authority's net assets each year (99.6% at March 31, 2009) represents its net investment in capital assets (e.g., land, improvements, buildings, equipment, rolling stock such as buses and infrastructure systems) less the related indebtedness outstanding used to acquire those capital assets. The Authority uses these assets primarily to provide services to the public.

Significant components of capital assets include a Light Rail Rapid Transit (LRRT) system and the BNIA. The major change between 2008 and 2009 included \$22.4 million for the construction of the NFIA new terminal, \$10.4 million for the BNIA wetland treatment glycol project, \$5.0 and \$4.1 million for the BNIA automatic baggage system and concourse level modification project, respectively. Metro included \$1.2 and \$1.3 million for our LRRT ticket vending machine (TVM) upgrade and mid-life railcar rebuild project, respectively, \$0.8 million for LRRT station entrance/interior door replacements and \$0.5 million for the purchase of five new small buses. Also included in 2009 was \$0.9 million in energy saving initiatives and \$1.3 million for the Greenbelt Shoreline Improvement initiative.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

Summary of Revenues, Expenses, and Changes in Net Assets

	Years ended March 31		
	2010	2009	2008
	(In thousands)		
Operating revenues:			
Fares	\$ 30,662	\$ 28,759	\$ 26,727
Concessions and commissions	26,727	25,863	25,322
Rental income	13,342	14,987	14,510
Airport fees and services	14,839	15,450	14,109
Other operating revenues	6,406	4,942	4,119
Total operating revenues	<u>91,976</u>	<u>90,001</u>	<u>84,787</u>
Operating expenses:			
Salaries and employee benefits	110,247	108,988	106,887
Other post-employment benefits	15,595	16,476	13,764
Depreciation	53,171	51,672	52,333
Maintenance and repairs	16,119	14,986	12,856
Transit fuel and power	7,443	10,795	7,640
Utilities	5,988	7,402	7,514
Insurance and injuries	3,012	3,500	4,597
Safety and security	11,454	10,890	10,336
Other	11,982	12,998	11,457
Total operating expenses	<u>235,011</u>	<u>237,707</u>	<u>227,384</u>
Operating loss	<u>(143,035)</u>	<u>(147,706)</u>	<u>(142,597)</u>
Nonoperating revenues, net	<u>83,441</u>	<u>90,290</u>	<u>91,932</u>
Loss before capital contributions	(59,594)	(57,416)	(50,665)
Capital contributions	38,624	23,143	35,909
Change in net assets	<u>(20,970)</u>	<u>(34,273)</u>	<u>(14,756)</u>
Net assets, beginning of year	542,689	576,962	591,718
Net assets, end of year	<u>\$ 521,719</u>	<u>\$ 542,689</u>	<u>\$ 576,962</u>

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

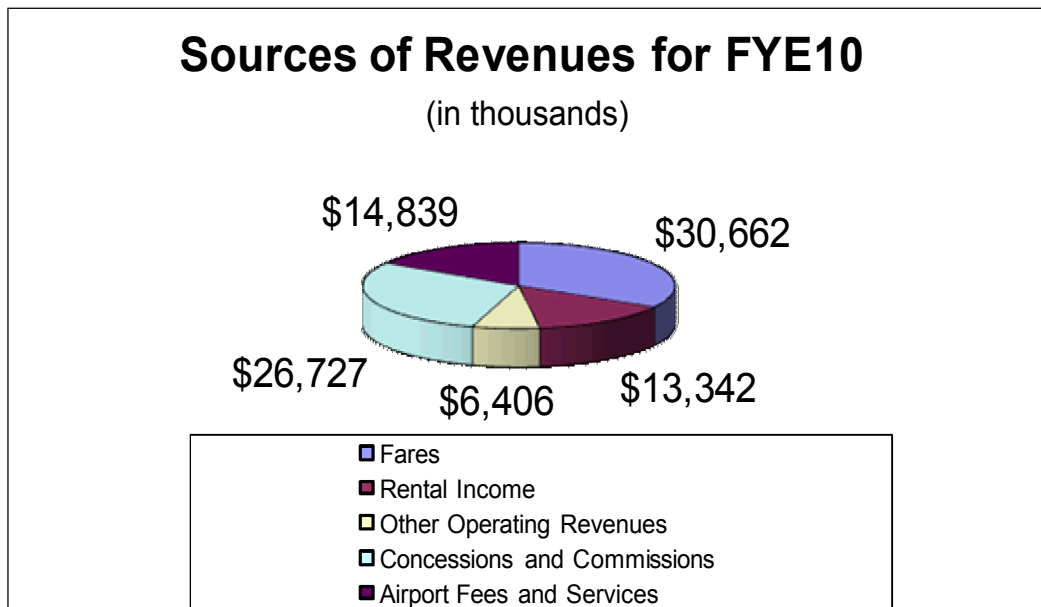
March 31, 2010 and 2009

(Unaudited)

Summary of Revenues, Expenses and Changes in Net Assets

March 31, 2010 vs. March 31, 2009

The Authority ended 2010 with total net assets of \$521.7 million, a \$21.0 million decrease, or 3.9%, as compared to 2009. Significant items affecting the revenues, expenses, and changes in net assets are as follows:



Operating revenues increased 2.2% from \$90.0 million to \$92.0 million due to the following:

- NFTA operating revenues remained the same at \$60.4 million

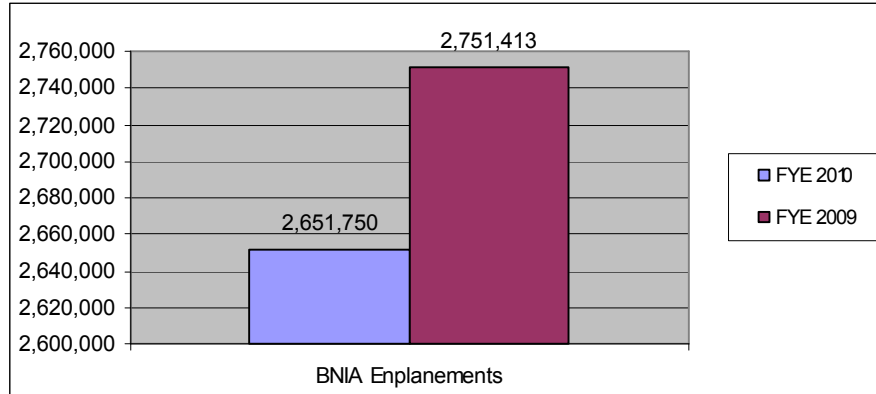
BNIA airport fees and services decreased \$.6 million, or 4.1%, as decreased debt service costs, operating expense reserves and a lower NFIA net deficit, partially offset by higher operating expenses, are factored into our signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs. BNIA rental income decreased \$1.1 million, or 11.1%, as decreased airline cost compensatory billings resulting from lower operating expenses, operating expense reserves, debt service costs and higher passenger facility charges credited against these costs accounted for the variance. BNIA concessions and commissions increased \$0.8 million, or 3.2%, based on improved auto rental commissions totaling \$1.0 million combined with additional concession related property improvements from 2009 totaling \$0.6 million, partially offset by lower parking revenues (\$0.6 million) and ground transportation commissions (\$0.2 million) mostly from lower enplanements during 2010.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)



NFIA other operating revenues increased \$0.1 million primarily due to unanticipated revenue sharing adjustments related to prior year operations from a joint venture industrial facility at the Niagara Falls International Airport.

Property Management Group rental income decreased \$0.6 million, or 16.3%, due to the loss of tenants at our Terminal A facilities and the transfer of our police operation to BNIA. Tenant reimbursements decreased \$0.2 million, or 43.6%, due to cost containment measures and lower commodity costs. Terminal A facilities also experienced reduced tenant lease space and reduced square footage of a current tenant.

METRO

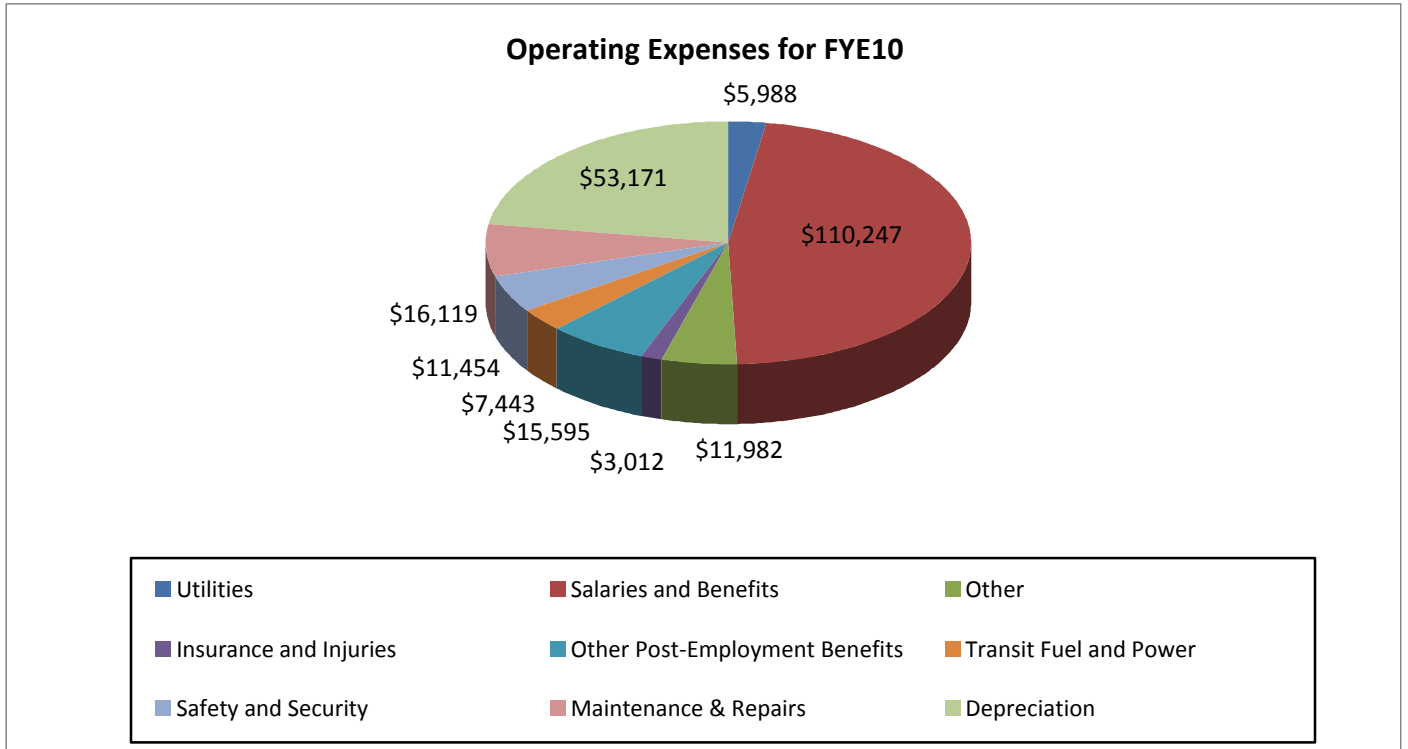
- Metro revenue increased 6.6%, from \$29.6 million to \$31.6 million, due to the full year impact of our January 1, 2009 basic fare increase from \$1.50 to \$1.75. This was partially offset by decreased passenger usage of 3.4% due to a general slowdown in the local economy.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)



Operating expenses decreased 1.1%, from \$237.7 million to \$235.0 million, due to the following:

NFTA

- Authority expenses increased 3.6% from \$72.4 million to \$75.0 million. Included in 2010 are \$3.8 million in health insurance post-employment costs. Health insurance increases of \$0.08 million, or 1.7%, and higher workers' compensation costs of \$0.6 million, or 98.7%, partially offset by lower pension costs of \$0.3 million, or 9.2%, are allocated throughout the Authority to the business centers and support functions noted below. Other expense variances identifiable to our business centers and administrative support areas are the following:

BNIA:

- Salaries and employee benefits increased \$0.2 million, or 1.4%, as a result of union contractual increases, higher workers' compensation and overtime costs, partially offset by lower pension costs and the transfer of an electrician to our NFIA operation.
- Maintenance and repairs were \$1.0 million, or 14.3%, above 2009 due to costs of our new baggage handling system, partially offset by lower glycol recovery, environmental and snowplowing costs.
- Utilities decreased \$0.2 million, or 8.3%, due to ongoing energy saving initiatives and lower commodity costs.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

- Other operating expenses decreased \$0.04 million, or .9% due to decreased advertising and general office costs.

NFIA:

- Salaries and employee benefits increased \$0.06 million, or 6.4%, as a result of union contractual increases, higher workers' compensation costs, the transfer of an electrician from our BNIA operation and the partial year addition of a custodial position with the opening of our new terminal, partially offset by lower pension costs.
- Maintenance and repairs were \$0.1 million, or 19.9%, less than 2009 primarily due to decreased automotive and major facility repair costs.
- Utilities increased \$0.06 million, or 41.4%, as higher usage costs with additional new terminal square footage were partially offset by lower commodity costs.
- Safety and security decreased \$0.04 million, or 28.5%, as lower private security costs contributed to the decrease.
- Other operating expenses increased \$0.1 million, or 47.5%, due to higher professional service fees, advertising, and general office costs.

Transportation Centers:

- Salaries and employee benefits increased \$0.02 million, or 1.9%, as a result of union contractual increases and higher workers' compensation costs, partially offset by lower pension and consultant costs.
- Maintenance and repairs were \$0.03 million, or 11.7%, less than 2009 primarily due to decreased landscaping and maintenance service costs.
- Utilities decreased \$0.1 million, or 25.0%, due to ongoing energy saving initiatives and lower commodity costs.
- Safety and security decreased \$0.06 million, or 11.3%, as a reallocation of our security services to our Metro rail operation accounted for the variance.
- Other operating expenses decreased \$0.05 million, or 21.7%, due to lower central service costs.

Property Management Group:

- Salaries and employee benefits decreased \$0.02 million, or 2.4%, as a partial year staff vacancy and lower pension costs were partially offset by union contractual increases and higher workers' compensation costs.
- Maintenance and repairs were \$0.2 million, or 50.6%, above 2009 due to increased major repairs and services at the Sierra Plant 3 facilities.
- Utilities decreased \$0.4 million, or 30.9% due to cost containment measures and lower commodity costs. Terminal A facilities also experienced reduced tenant lease space and reduced square footage of a current tenant.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

- Insurance and injuries decreased \$0.09 million, or 73.3%, due to decreased claim losses.
- Other operating expenses decreased \$0.2 million, or 26.3%, due to lower cost of fuel sold at the NFTA Boat Harbor. 2009 also included \$0.1 million in provisions and reserves for a Terminal A tenant.

Administrative Support:

- Maintenance and repairs increased \$0.05 million, or 28.9%, due to higher MIS service costs.
- Utilities decreased \$0.01 million, or 53.7%, due to lower telephone costs.
- Other operating expenses decreased \$0.3 million, or 11.8%, due to lower professional service expenses, legal fees, travel and general office costs.

METRO

- Metro expenses decreased 3.2% from \$165.3 million to \$160.0 million
 - Salaries and employee benefits increased \$1.0 million, or 1.1%, as a result of higher health insurance, workers' compensation and overtime costs, partially offset by reduced operator costs based on service route adjustments.
 - 2010 includes \$11.8 million in health insurance post-employment costs, a decrease of \$0.9 million, or 7.0%.
 - Lower diesel prices and decreased rail traction costs resulted in our transit fuel/power decreasing \$3.4 million, or 31.1%.
 - Utilities were \$0.7 million, or 25.3%, below 2009 due to ongoing energy saving initiatives and lower commodity costs.
 - Insurance and injuries decreased \$0.4 million, or 15.3%, as a result of reserve adjustments based on cases outstanding.
 - Safety and security increased \$0.7 million, or 14.7%, as increased staffing levels to support our rail line security commitment, higher transit police salaries, overtime, and workers' compensation costs contributed to the increase.

The net result of the above was an Authority operating loss decrease of 3.2% from \$147.7 million in 2009 to \$143.0 million in 2010.

Net non-operating revenue decreased 7.6% from \$90.3 million to \$83.4 million.

- The decrease was due to lower 88(c) revenue of \$2.5 million, or 33.2%, higher expenditures of \$1.6 million, or 23.3%, incurred with our BNIA noise mitigation program, lower interest income of \$1.0 million, or 65.3%, and decreases of \$2.6 million, or 5.7% and \$0.8 million, or 4.4%, in N.Y. State assistance and Erie County sales tax, respectively. This was partially offset by lower interest expense of \$0.7 million or 6.6%, related to debt, and higher passenger facility charges of \$0.6 million, or 5.6%.

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Management's Discussion and Analysis

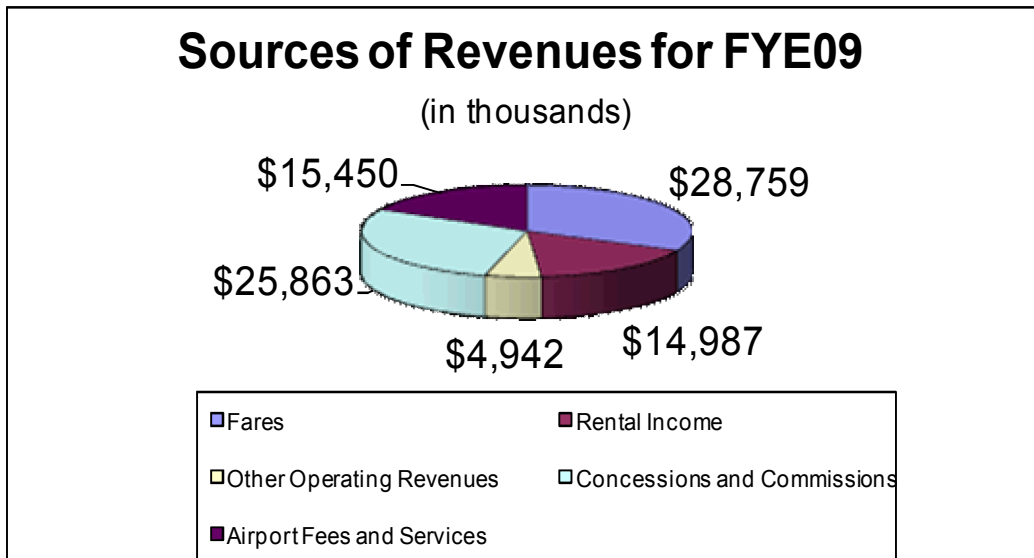
March 31, 2010 and 2009

(Unaudited)

Summary of Revenues, Expenses and Changes in Net Assets

March 31, 2009 vs. March 31, 2008

The Authority ended 2009 with total net assets of \$542.7 million, a \$34.3 million decrease, or 5.9%, as compared to 2008. Significant items affecting the revenues, expenses, and changes in net assets are as follows:



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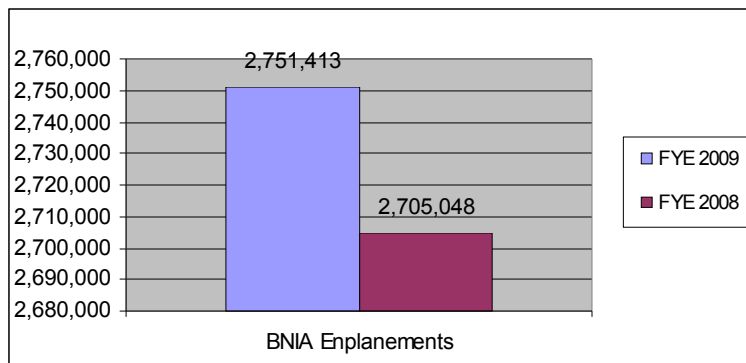
Management's Discussion and Analysis

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Operating revenues increased 6.1% from \$84.8 million to \$90.0 million due to the following:

NFTA operating revenues increased 5.4% from \$57.3 million to \$60.4 million. BNIA airport fees and services increased \$1.4 million, or 10.0%, as increased operating expenses, debt service costs and a higher NFIA net deficit are factored into our signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs. BNIA rental income increased \$1.2 million, or 14.7%, as increased airline cost compensatory billings resulting from higher operating expenses and debt service costs, partially offset by higher passenger facility charges credited against these costs, accounted for the variance. BNIA concessions and commissions increased \$0.5 million, or 2.1%, based on higher enplanements (2,751,413 or 1.7%) resulting in increased parking lot and ground transportation revenue.



NFIA other operating revenues decreased \$0.2 million, or 95.5%, as 2008 included a non-recurring miscellaneous grant reimbursement.

Property Management Group rental income decreased \$0.8 million, or 18.1%, due to the loss of tenants at the 485 Cayuga and Port Terminal A facilities. Tenant reimbursements increased \$0.3 million, or 122.7%, as electric costs, previously paid by tenants at 485 Cayuga and Terminal A facilities, were paid by the NFTA and subsequently rebilled to the tenants.

METRO

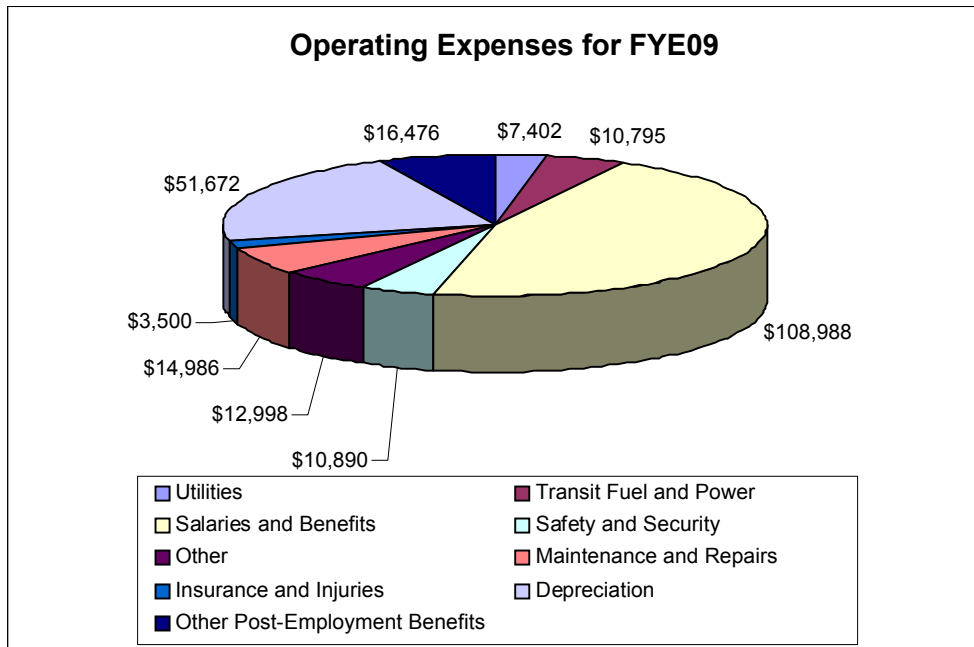
- Metro revenue increased 7.8%, from \$27.5 million to \$29.6 million, as service expansion and consistently higher gas prices resulted in increased passenger usage. In addition, on January 1, 2009, basic fares increased from \$1.50 to \$1.75, contributing to the increased revenue. This was the first fare increase since June 1, 2003. This increase was necessary due to a dramatic decrease in mortgage tax revenue and to offset multi-year increases in employee wages, health insurance, workers' compensation, maintenance and repairs, and diesel fuel costs.

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Operating expenses increased 4.5%, from \$227.4 million to \$237.7 million, due to the following:

NFTA

- Authority expenses increased 7.4% from \$67.4 million to \$72.4 million. Included in 2009 are \$3.7 million in health insurance post-employment costs, an increase of \$0.2 million, or 5.7%. Health insurance increases of \$0.5 million, or 12.8%, and higher workers' compensation costs of \$0.06 million, or 10.6%, are allocated throughout the Authority to the business centers and support functions noted below. Other expense variances identifiable to our business centers and administrative support areas are the following:

BNIA:

- Salaries and employee benefits increased \$1.9 million, or 19.2%, primarily as a result of union contractual increases, higher health insurance and workers' compensation costs. Included in 2009 was the transfer of our Facilities Maintenance Department (FMD) from our Engineering branch resulting in an additional \$1.4 million in personnel related costs.
- Maintenance and repairs were \$1.7 million, or 30.9%, above 2008 primarily due to costs of our new baggage handling system, increased automotive major repairs, FMD, environmental, landscaping, janitorial and glycol recovery costs.
- Utilities decreased \$0.3 million, or 10.5%, due to ongoing energy saving initiatives and lower commodity costs.
- Safety and security increased \$0.2 million, or 3.5%, as higher police officer salaries, overtime, health insurance and workers' compensation costs contributed to the increase.

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- Other operating expenses decreased \$0.6 million, or 12.7%. Included in 2009 is the transfer of \$1.4 million in FMD costs out to the responsible cost centers based on the aforementioned transfer from our Engineering branch. Included in 2008 were \$0.5 million in recovery costs with the reaffirmation of Northwest and Delta bankruptcies. Finally, 2009 also included significant increases in our parking lot/ramp management costs.

NFIA:

- Salaries and employee benefits decreased \$0.05 million, or 4.7%, due to lower overtime and the reassignment of an electrical position to our BNIA operation.
- Maintenance and repairs were \$0.04 million, or 5.7%, greater than 2008 primarily due to increased environmental, automotive and major runway repair costs.
- Insurance and injuries increased \$0.04 million, or 83.4%, as 2008 included \$0.04 million in claim recoveries.
- Safety and security increased \$0.09 million, or 186.2%, due to increased security services with the construction of our new terminal.
- Other operating expenses decreased \$0.1 million, or 36.1%, due to lower professional service fees, advertising, travel and training costs.

Transportation Centers:

- Salaries and employee benefits increased \$0.08 million, or 6.2%, primarily as a result of union contractual increases, higher health insurance and workers' compensation costs, partially offset by decreased overtime.
- Insurance and injuries decreased \$0.01 million, or 2.0%, as general liability insurance costs were allocated more equitably to other areas of the organization.
- Other operating expenses increased \$0.1 million, or 157.2%, as the allocation of our central services department costs to other areas of the organization decreased due to lower rent and miscellaneous other costs.

Property Management Group:

- Salaries and employee benefits increased \$0.2 million, or 33.3%, primarily as a result of union contractual increases, higher health insurance and workers' compensation costs and additional staffing at our NFTA Boat Harbor.
- Maintenance and repairs were \$0.2 million, or 34.0%, less than 2008 due to decreased major repairs and services at the 485 Cayuga facilities.
- Utilities increased \$0.4 million, or 52.5%, as electric costs, previously paid by tenants at the 485 Cayuga and Terminal A facilities, were paid by the NFTA and subsequently rebilled to the tenants.
- Other operating expenses increased \$0.2 million, or 14.7%, due to higher professional service fees and cost of fuel sold at the NFTA Boat Harbor.

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Administrative Support:

- Maintenance and repairs decreased \$0.04 million, or 12.7%, due to the transfer of FMD to BNIA.
- Utilities decreased \$0.03 million, or 33.2%, with the transfer of FMD to BNIA.
- Insurance & injuries decreased \$0.2 million, or 48.5%, due to decreased police department claim losses.
- Other operating expenses increased \$0.3 million, or 1.2%, as the FMD transfer to BNIA no longer necessitated the transfer of their expenses out of the administrative support function to our business centers. This was partially offset by the allocation of increased engineering operating costs to various capital projects.

METRO

- Metro expenses increased 3.3% from \$160.0 million to \$165.3 million
 - Salaries and employee benefits increased \$1.5 million, or 1.7%, as a result of union contractual increases, higher health insurance and pension costs, partially offset by decreased workers' compensation costs and the absence of a \$2.0 million sick pay post retirement benefit adjustment recorded in 2008.
 - 2009 includes \$12.8 million in health insurance post-employment costs, an increase of \$2.4 million, or 23.3%.
 - Depreciation costs decreased \$1.5 million, or 5.1%, as our aging bus fleet experienced an increasingly higher number of buses reaching their maximum useful life.
 - Maintenance and repairs were \$0.6 million, or 11.3%, above 2008, as increased revenue vehicle maintenance repairs due to an aging bus fleet contributed to the increase.
 - Higher diesel prices resulted in our transit fuel and power increasing \$3.2 million, or 41.3%.
 - Utilities were \$0.2 million, or 6.3%, below 2008 due to ongoing energy saving initiatives and lower commodity costs.
 - Insurance and injuries decreased \$0.9 million, or 26.6%, as a result of a reserve adjustment based on cases outstanding.
 - Safety and security increased \$0.2 million, or 5.2%, as higher transit police salaries, overtime, health insurance and workers' compensation costs contributed to the increase.

The net result of the above was an operating loss increase of 3.6% from \$142.6 million in 2008 to \$147.7 million in 2009.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Net non-operating revenue decreased 1.8% from \$91.9 million to \$90.3 million.

- The decrease was due to lower interest income of \$2.3 million, or 59.8%, higher interest expense, related to our 2004 BNIA revenue bonds, of \$0.8 million, or 8.7%, and higher expenditures of \$1.2 million, or 22.5%, incurred with our BNIA noise abatement program. Passenger facility charges decreased \$1.0 million, or 8.8% as 2008 included an additional \$1.7 million with our decision to recognize these charges on an accrual basis. Excluding this change, passenger facility charges were \$0.7 million, or 6.6%, higher than 2008. The full year impact of the Federal government's approval of the per passenger charge increase (from \$3.00 to \$4.50) and an increase of 1.7% in enplanements also contributed to the increase. Mortgage tax decreased \$1.8 million, or 20.4%. This was partially offset by increases of \$4.0 million, or 9.5%, and \$1.9 million, or 33.7%, for NY State assistance and 88(c) revenue, respectively.

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Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable capital assets include light rail rapid transit, airport buildings, metropolitan transportation centers, marine terminals, docks and wharves, motorbuses and equipment.

The following is a schedule of the Authority's capital assets:

	March 31		
	2010	2009	2008
	(In thousands)		
Nondepreciable:			
Land	\$ 62,108	\$ 62,135	\$ 62,160
Construction in progress	41,908	83,502	51,789
Total capital assets not subject to depreciation	<u>104,016</u>	<u>145,637</u>	<u>113,949</u>
Depreciable:			
Land improvements	342,265	319,453	305,365
Light rail rapid transit system	632,904	630,863	626,990
Airport buildings	260,024	194,570	193,911
Metropolitan transportation centers	21,556	21,202	20,853
Marine terminals, docks and wharves	28,560	27,725	27,401
Motor buses	102,589	102,893	104,463
Equipment, miscellaneous, buildings, and other	124,376	122,523	117,805
Total depreciable capital assets	<u>1,512,274</u>	<u>1,419,229</u>	<u>1,396,788</u>
Less accumulated depreciation	<u>(877,048)</u>	<u>(827,306)</u>	<u>(779,466)</u>
Total net capital assets	<u>\$ 739,242</u>	<u>\$ 737,560</u>	<u>\$ 731,271</u>

March 31, 2010 vs. March 31, 2009

Noteworthy capital asset additions and deletions for fiscal year 2010 were:

- Authority additions included \$20.3 million for the construction of the NFIA new terminal and related landside improvements, \$7.1 million for the Buffalo Niagara International Airport (BNIA) noise compatibility program, \$3.8 million for the BNIA food court/concourse level modification, \$1.3 and \$1.1 million for the BNIA wetland treatment glycol project and automatic baggage system, respectively, and \$0.5 million for the Greenbelt Shoreline Improvement initiative.
- Metro additions included \$6.3 and \$3.1 million for the purchase of eleven transit buses and the ongoing mid-life rebuild project, respectively, \$1.5 million for the Fleetlynx upgrade project, \$1.1 million for the purchase of ten small buses and \$1.1 million for perimeter security at our garage locations.

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Management's Discussion and Analysis

March 31, 2010 and 2009

(Unaudited)

March 31, 2009 vs. March 31, 2008

Noteworthy capital asset additions and deletions for fiscal year 2009 were:

- Authority additions included \$22.4 million for the construction of the NFIA new terminal, \$10.4 million for the Buffalo Niagara International Airport (BNIA) wetland treatment glycol project, \$5.0 and \$4.1 million for the BNIA automatic baggage system and concourse level modification project, respectively. Also included in 2008 was \$0.9 million in energy saving initiatives and \$1.3 million for the Greenbelt Shoreline Improvement initiative.
- Metro additions included \$1.2 and \$1.3 million for the TVM upgrade and mid-life railcar rebuild project, respectively, \$0.8 million for LRRT entrance/interior door replacements and \$0.5 million for the purchase of five new small buses.

Debt Administration

March 31, 2010 vs. March 31, 2009

At March 31, 2010, the Authority had \$205.0 million of outstanding debt. This represents a \$7.9 million, or 4.0%, increase from 2009. New in 2010 is a term loan of \$9.5 million (outstanding balance as of March 31, 2010 of \$9.0 million) and an increase in a bank loan of \$6.9 million to complete the funding for the Niagara Falls Terminal project. Borrowing was required to bridge the NFTA's cash flow needs for the continuation of the project during the period of time necessary for the NFTA to take action to secure additional New York State and other financial support sources for the project. Also new in 2010 (outstanding balance as of March 31, 2010 of \$1.9 million) is a term loan for concessions related BNIA property terminal improvements. These increases were offset by debt service payments on other debt totaling \$8.6 million.

March 31, 2009 vs. March 31, 2008

At March 31, 2009, the Authority had \$197.1 million of outstanding debt. This represents a \$7.5 million, or 3.8%, increase from 2008. New in 2009 is a bank line of credit (outstanding balance as of March 31, 2009 of \$13.9 million) providing short term financing for certain aviation projects at BNIA to bridge a timing gap between when passenger facility charges are needed and when they are available. This increase was offset by debt service payments on other debt totaling \$6.9 million.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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March 31, 2010 and 2009

(Unaudited)

OPERATIONS, ACCOMPLISHMENTS & OUTLOOK FOR THE AUTHORITY

Surface Transportation

Metro bus and rail is the Authority's largest business center with over 1,100 employees. It is also the second largest transit provider in New York State, behind the Metropolitan Transportation Authority in New York City, and the only upstate transportation agency to operate a light rail system. It transports over 28 million passengers a year. Approximately 25% of its revenues and operating assistance comes from fare collection and advertising, 35% from New York State, 30% from local sources and 10% from the federal government. Therefore, the New York State budget, as well as the future of other funding sources, is always a high priority.

While the proposed New York State budget has approximately \$42 million of State Operating Assistance (STOA) allocated to the NFTA, an increase of \$242,000 over what we originally had approved by the Board of Commissioners in December for fiscal 2011, it is a reduction over the fiscal 2010 State budget by \$560,000 or 1.3%. As a result of the economic uncertainties, and the State's reduced financial commitment to transportation, our budget focus has been fiscal responsibility; taking steps to cut costs and increase revenue.

In January 2009, the NFTA commissioned Transportation Management and Design, Inc. Consultants, (TMD) to conduct the Erie County Transit Service Restructuring and Fare Study and Strategic Assessment. The key goal was to enhance public mobility, develop a more customer friendly network, achieve the plan's financial sustainability and establish a solid platform for ongoing transit investment.

The final service plan focuses on changing the shape of the Metro network, restructuring individual routes and services, and changing the fare structure to a flat fare, eliminating zones and decreasing the cost to customers. Implementation is anticipated for September 2010, and includes anticipated cost savings and increased ridership through a more effective, efficient and customer friendly transit service.

To enhance the experience for the rider and to reduce maintenance and operating costs, Metro has ordered 56 new transit buses funded with American Recovery and Reinvestment Act of 2009 and will be delivered in fiscal 2011. In addition, the first two newly rebuilt light rail cars will also be delivered in fiscal 2011 with the anticipation that all twenty-seven rail cars will be rebuilt by the end of fiscal 2014.

Aviation

On September 2, 2009, the new Niagara Falls International Airport Terminal Building was dedicated and the inaugural flight was in December 2009. The completion of the \$43.9 million NFIA Improvement Project also included apron and landside improvements. Located just five miles from Niagara Falls, the airport is already a catalyst for economic development. Within months of being open, additional parking capacity is already needed and the Authority plans to address that need in the coming fiscal year. DirectAir currently offers weekly nonstop service between NFIA and Myrtle Beach, South Carolina, Punta Gorda, Florida and Melbourne, Florida. Since the new terminal opened, Rainbow Tours and Reception, Inc. will begin daily service in July 2010 between NFIA and Newark, New Jersey.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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March 31, 2010 and 2009

(Unaudited)

BNIA, the Authority's second largest business center, serving a total of 5.3 million passengers, marked its fourth straight year of five million or more passengers, a milestone that was not predicted until 2020. To accommodate the increased travelers from BNIA's wide market area, including Western New York, Southern Ontario, and Northern Pennsylvania, the NFTA constructed a new automatic baggage handling system, and modified the concourse to add additional security checkpoint lanes and new concession areas, including among many, Buffalo's own Anchor Bar.

In addition, BNIA commenced use of the Engineered Glycol Wetlands, the first of its kind in the United States. Buffalo's snowy winters require airlines to use copious amounts of propylene glycol for deicing aircraft. This system breaks down the glycol in two to three days by passing it through a series of aeration tubes topped with gravel, mulch and planting, a method heralded for its environmentally friendly approach.

Because of all the changes to BNIA, the record number of passengers, and a positive continued trend in increased passengers and increased number of flights, a new Master Plan update is scheduled to begin in fiscal 2011 and conclude in fiscal 2012.

As we look forward, BNIA continues to progress on the Noise Mitigation Projects that will total over \$80 million in the next five years. These projects are fully funded by the FAA, New York State and Passenger Facility Charges.

Property Management

The Property Management Division serves as the Authority-wide provider of real estate services and is responsible for the Authority's non-public transportation assets, including the NFTA Boat Harbor, the largest recreational boat harbor in New York State, with over 1000 slips. During the off season, over \$1 million in improvements were made to the Boat Harbor including repairs to 323 slips that were severely damaged during a September 2008 windstorm, the electrification of a 66 slip dock and installation of two 6,000 gallon tanks to serve boaters at the gas dock. As a result, the Authority is experiencing increased rentals to date for fiscal 2011.

However, current economic conditions have made it challenging to lease vacancies within the Property Management's portfolio of real estate. As a result, between the Boat Harbor and Property Management, in total we do not anticipate the Division to be profitable in the short term.

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 Deborah C. Leous, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Statements of Net Assets (In thousands)

March 31,	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,749	\$ 11,216
Accounts receivable, net of allowance for doubtful accounts of \$278 and \$269 in 2010 and 2009	5,517	5,451
Grants receivable	25,345	13,011
Materials and supplies inventory	3,748	5,211
Prepaid expenses and other	483	714
	<u>43,842</u>	<u>35,603</u>
Restricted assets:		
Cash and cash equivalents	62,431	59,687
Investments	25	25
	<u>62,456</u>	<u>59,712</u>
Bond issuance costs, net	4,234	4,521
Capital assets, net	739,242	737,560
	<u>805,932</u>	<u>801,793</u>
Total assets	\$ 849,774	\$ 837,396
Liabilities		
Current liabilities:		
Current portion of long-term debt	\$ 12,989	\$ 9,972
Accounts payable and accrued expenses	38,111	28,882
Deferred revenue	3,116	2,932
Other liabilities	4,075	3,765
	<u>58,291</u>	<u>45,551</u>
Noncurrent liabilities:		
Long-term debt	192,044	187,168
Deferred 88(c) revenue	3,963	4,417
Other post-employment benefits	45,835	30,240
Payable to NYS Retirement	269	269
Estimated liability for self-insured claims	27,653	27,062
	<u>269,764</u>	<u>249,156</u>
Total liabilities	328,055	294,707
Net Assets		
Capital assets, net of related debt	534,209	540,420
Restricted net assets	54,418	51,530
Unrestricted net assets (deficit)	(66,908)	(49,261)
Total net assets	521,719	542,689
	<u>\$ 849,774</u>	<u>\$ 837,396</u>

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Statements of Revenues, Expenses and Changes in Net Assets (In thousands)

For the years ended March 31,	2010	2009
Operating revenues:		
Fares	\$ 30,662	\$ 28,759
Concessions and commissions	26,727	25,863
Rental income	13,342	14,987
Airport fees and services	14,839	15,450
Tenant reimbursements	1,701	1,955
Boat harbor fees	836	810
Retail sales	205	236
Other operating revenues	3,664	1,941
Total operating revenues	91,976	90,001
Operating expenses:		
Salaries and employee benefits	110,247	108,988
Other post-employment benefits	15,595	16,476
Depreciation	53,171	51,672
Maintenance and repairs	16,119	14,986
Transit fuel and power	7,443	10,795
Utilities	5,988	7,402
Insurance and injuries	3,012	3,500
Safety and security	11,454	10,890
Other	11,982	12,998
Total operating expenses	235,011	237,707
Operating loss	(143,035)	(147,706)
Non-operating revenues (expenses):		
Operating assistance	89,837	95,491
Passenger facility charges	11,297	10,697
Interest expense, net	(9,209)	(8,900)
Airport noise abatement	(8,366)	(6,786)
Other non-operating expense, net	(118)	(212)
Total net non-operating revenues	83,441	90,290
Loss before capital contributions	(59,594)	(57,416)
Capital contributions	38,624	23,143
Change in net assets	(20,970)	(34,273)
Net assets, beginning of year	542,689	576,962
Net assets, end of year	\$ 521,719	\$ 542,689

See accompanying notes.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Statements of Cash Flows (In thousands)

For the years ended March 31,	2010	2009
Cash flows from operating activities:		
Cash collected from customers	\$ 92,003	\$ 90,851
Cash paid for employee wages and benefits	(120,315)	(117,368)
Cash paid to vendors and suppliers	(31,937)	(52,674)
Cash paid for insurance and injury	(2,421)	(2,198)
Net cash used for operating activities	(62,670)	(81,389)
Cash flows from non-capital financing activities:		
Operating assistance	89,837	95,491
Cash flows from capital and related financing activities:		
Repayments of long-term debt	(8,569)	(6,943)
Proceeds from issuance of new long-term debt	16,462	14,477
Escrow funds, net	310	328
Interest paid	(9,734)	(10,417)
Deferred 88(c) revenues	(454)	(4,144)
Capital grants and contributions	26,290	25,310
Additions to capital assets	(54,804)	(58,136)
Construction retainages, net	(58)	1,988
Proceeds from sale of capital assets	48	172
Passenger facility charges	11,388	11,890
Airport noise abatement	(8,366)	(6,786)
Other	72	(1,156)
Net cash used for capital and related financing activities	(27,415)	(33,417)
Cash flows from investing activities:		
Interest	525	1,517
Net change in cash and cash equivalents	277	(17,798)
Cash and cash equivalents, beginning of year	70,903	88,701
Cash and cash equivalents, end of year	\$ 71,180	\$ 70,903
Reconciliation to Statements of Net Assets		
Cash and cash equivalents:		
Unrestricted	\$ 8,749	\$ 11,216
Restricted	62,431	59,687
Total cash and cash equivalents	\$ 71,180	\$ 70,903
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (143,035)	\$ (147,706)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	53,171	51,672
Other post-employment benefits	15,595	16,476
Changes in assets and liabilities:		
Receivables	(157)	460
Materials and supplies inventory	1,463	(1,741)
Prepaid expenses and other	231	(416)
Accounts payable and accrued expenses	9,287	(2,093)
Deferred revenue	184	388
Estimated liability for self insured claims	591	1,302
Other non-current liabilities	-	269
Net cash used for operating activities	\$ (62,670)	\$ (81,389)

See accompanying notes.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Notes to Basic Financial Statements

March 31, 2010 and 2009

(In thousands)

(1) Financial Reporting Entity

The Niagara Frontier Transportation Authority (the Authority) was created by an Act of the New York State Legislature in 1967 to promote the development and improvement of transportation and related services within the Niagara Frontier transportation district. The financial statements of the Authority encompass the activity of the NFTA, which includes aviation operations and property management, and Niagara Frontier Transit Metro System, Inc. (Metro), a component unit of the Authority, which primarily provides surface transportation.

The Authority is governed by a 12 member Board who are appointed by the Governor of New York State, with the consent of the New York State Senate. The Board of Commissioners (Board) governs and sets policy for the Authority. The Executive Director, subject to policy direction and delegations from the Board, is responsible for all activities of the Authority.

As a multi-modal transportation authority, the Authority operates a number of transportation related business centers including aviation, surface transportation and property management. The Authority's charter requires that it operate under an approved annual balanced consolidated budget. Therefore, its basic mode of operations calls for transfers, if necessary, within business centers that produce a surplus to those that incur a deficit.

Inclusion in the entity is based primarily on the notion of financial accountability. GASB Statement No. 14, as amended by GASB Statement No. 39, defines financial accountability in terms of a primary government (the Authority) that is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. The Authority is included in the financial statements of the State of New York (the State) as an enterprise fund as the State is the primary government of the Authority.

In evaluating the Authority as a reporting entity, management has addressed GASB Statement No. 39 to determine potential component units that may fall within the Authority's financial statements. Based on the criteria in GASB Statement No. 39, the Authority has determined that Metro is a component unit of the Authority.

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(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. The Authority has elected the option, under GASB Statement No. 20, to not apply FASB Statements and Interpretations issued after November 30, 1989. The activities of the Authority are similar to those of proprietary funds of local jurisdictions and are as follows:

Authority Operations

Airports

The Authority operates the Buffalo Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). BNIA is Western New York's primary passenger and cargo airport, while NFIA continues to serve as a general aviation airport with an emerging scheduled charter business. NFIA, shared with a military base, also serves as the Federal Aviation Administration (FAA) reliever airport for BNIA.

Transportation Centers

The Metropolitan Transportation Center, located in downtown Buffalo, serves as a bus terminal for Buffalo and its immediate suburbs and contains the offices for the Authority. The Niagara Falls Transit Center and the Portage Road Transit Center in Niagara Falls serve as the bus terminals for Niagara County. The facilities connect Metro and inter-city bus passengers to regional destinations and essential services.

Property Management

The Property Management Department manages more than 2,000 acres of real estate. This includes the NFTA Boat Harbor, Outer Harbor property, rail right of way, and non-public transportation assets, including industrial warehouse distribution and associated office space.

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Metro Operations

The majority of Metro operations employees are members of the Amalgamated Transit Union Local 1342 (ATU). Five other labor unions represent a small percentage of remaining employees. Management is currently renegotiating the ATU contract which expired March 31, 2009 and expects settlement without disruption in operations.

Metro provides the following operations:

Bus service for the Niagara Frontier, comprising Erie and Niagara Counties, serving a population of approximately 1.1 million people. Its fleet consists of 319 buses which operate 76 routes.

MetroLink, a fixed route scheduled service providing community circular/access to jobs, and Paratransit, a program for disabled persons, which share a total of 62 vans.

A seasonal/tourist-oriented service, using five replica trolley vehicles, over a fixed loop route in the City of Niagara Falls.

A light rail system, which serves the Buffalo area over a 6.2 mile line between downtown Buffalo and the State University of New York at Buffalo. The light rail system includes a total of 14 stations, six on the surface and eight underground.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents principally include cash on hand, money market funds, certificates of deposit, U.S. Treasury bills and repurchase agreements with an initial term of less than three months.

(c) *Investments*

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments for the Authority are comprised primarily of obligations of the U.S. Government valued at cost, which approximates fair value. Securities are held by the banks in the Authority's name.

(d) *Revenue/Expense Recognition*

The Authority's principal sources of operating revenues are fares, airport fees and services, rental income and concessions and commissions. Operating revenues from fares represent surface transportation services and are generated from cash and various fare media including tickets, passes and tokens which are recognized as income as they are used. Operating revenues from airport fees and services includes landing and terminal ramp fees. Rental income includes building and ground space rented to the airlines and air cargo carriers among others. Operating revenues from concessions and commissions include parking fees, auto rentals, and retail concessions store space. These sources of operating revenues are recognized upon provision of services. The Authority's principal operating expenses include cost of services, salaries and benefits, depreciation, and maintenance and repairs. All other revenues and expenses are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

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(e) *Materials and Supplies Inventory*

Materials and supplies inventory are valued based on the weighted average cost method.

(f) *Restricted Assets*

Certain cash deposits and investments are classified as restricted assets because their use is legally limited to specific purposes such as airport capital expansion and operations, light rail rapid transit system, and resources held in escrow.

(g) *Bond Issuance Costs*

Bond discounts and bond issuance costs are amortized over the life of the respective bonds using the interest and straight-line methods of amortization, respectively.

(h) *Capital Assets*

Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives used in computing depreciation on principal classes of capital assets are as follows:

	Years
Metropolitan Transportation Centers	25
Improvements	20-25
Buildings	20-45
Light Rail Rapid Transit System	10-45
Motor buses	12
Marine terminals, docks, and wharves	10-40
Equipment and other	3-10

Expenditures for maintenance and repairs are charged to operations as incurred.

(i) *Compensated Absences*

NFTA Operations

There are seven separate labor unions while senior management is non-represented. Each employee group has a different compensated absence plan. All employees accrue vacation at varying rates ranging from 13 days per year to a maximum of 25 days per year. Depending on the labor agreements, employees may accumulate a maximum of vacation leave credits ranging from 30 to 40 days that may be carried forward into the next fiscal year. These amounts, in addition to any current year vacation accruals, will be paid to an employee upon termination or retirement. At March 31, 2010 and 2009, the Authority's liability for unused vacation leave totaled \$2,092 and \$2,000 and is included in accounts payable and accrued expenses in the accompanying Statements of Net Assets.

All employees accumulate sick leave at a rate of 13 days per year. Depending on the labor union, unused sick leave may accumulate to a maximum of 180 days to 230 days. No cash is paid for these

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accumulated benefits at retirement or termination. At retirement, eligible employees may redeem unused sick leave toward their 50% share of medical coverage costs ranging up to 20 months of coverage (see Note 10).

Metro Operations

Generally, all eligible employees accrue vacation credits ranging from 5 days to 25 days per year and unused vacation credits cannot accumulate. Vacation credits are awarded on January 1 and are generally available for use until March 31 of the following year. At March 31, 2010 and 2009, the Metro liability for unused vacation is \$2,898 and \$2,876.

Eligible employees receive 10 sick/personal leave days per year that may accumulate from year to year. Upon retirement, an employee may be paid up to a maximum of 30 unused sick days. At March 31, 2010 and 2009, Metro has recorded a liability totaling approximately \$2,000 representing the estimated present value of future benefits which is included in accounts payable and accrued expenses in the accompanying Statements of Net Assets.

(j) *Deferred Revenue and Deferred 88(c) Revenue*

Operating revenues received for services prior to being earned are recorded as deferred revenue.

88(c) revenue represents a percentage of mortgage recording taxes collected by Erie County required by New York State legislation. It is recorded as deferred revenue until all eligibility requirements are met.

(k) *Self-Insured Claims*

The Authority assumes the liability for most risks including, but not limited to, property damage, environmental claims, personal injury liability, and workers' compensation claims. An estimate of the liability is made by the Authority based primarily on information available from third-party administrator claims, actuarial studies, and in-house and outside legal counsel. Certain assets are internally designated to fund, in part, the ultimate settlement of such claims. The Authority also maintains excess liability insurance.

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(l) Other Liabilities (Escrow Funds)

The Authority is administering the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). The Authority administers payment and collection of such resources provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA.

(m) Pensions

The Authority provides retirement benefits to substantially all employees through various defined benefit retirement plans (Note 9).

(n) Post-Employment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age with a minimum of ten years of service. Health insurance benefits are provided through an insurance company whose premiums are based on benefits paid during the year.

Beginning fiscal year ended March 31, 2008, the Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement establishes standards for the measurement, recognition, and display of other post retirement benefits (OPEB) expenses and related liabilities and disclosures (Note 10).

(o) Taxes

As a public benefit entity, the Authority is exempt from federal and state income tax, as well as state and local property and sales taxes, with the exception of certain payments made in lieu of tax agreements.

(p) 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 certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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(3) Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2010 and 2009, none of the Authority's bank deposits were exposed to custodial credit risk.

The following describes the Authority's policies related to deposit and investment risk:

The Authority has a written investment policy applicable to each of its cash, cash equivalents, and investment accounts which is in compliance with the Authority's enabling legislation under Sections 1299e and 2925(3)(f) of the New York State Public Authorities Law. Further, pursuant to collateralizing its investments, the Authority is subject to General Municipal Law Section 10 *Deposit of Public Money* whereby all cash, cash equivalents, and investments are either fully insured by the Federal Deposit Insurance Corporation (FDIC) and/or are fully collateralized with U.S. government obligations held in the name of the Authority. Investments consist of U.S. Treasury notes purchased directly by the Authority.

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(4) Capital Assets

	<u>April 1, 2009</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>March 31, 2010</u>
Capital assets not subject to depreciation:				
Land	\$ 62,135	\$ -	\$ (27)	\$ 62,108
Construction in progress	83,502	-	(41,594)	41,908
	<u>145,637</u>	<u>-</u>	<u>(41,621)</u>	<u>104,016</u>
Capital assets subject to depreciation:				
Land improvements	319,453	22,812	-	342,265
Light rail rapid transit (LRRT) system	630,863	2,131	(90)	632,904
Airport buildings	194,570	66,892	(1,438)	260,024
Metropolitan transportation centers	21,202	354	-	21,556
Marine terminals, docks, and wharves	27,725	838	(3)	28,560
Motor buses	102,893	539	(843)	102,589
Equipment, buildings, and other	122,523	2,832	(979)	124,376
	<u>1,419,229</u>	<u>96,398</u>	<u>(3,353)</u>	<u>1,512,274</u>
Accumulated depreciation:				
Land improvements	(178,510)	(14,593)	-	(193,103)
LRRT system	(399,174)	(16,596)	90	(415,680)
Airport buildings	(74,958)	(8,952)	1,438	(82,472)
Metropolitan transportation centers	(13,396)	(508)	-	(13,904)
Marine terminals, docks, and wharves	(20,605)	(197)	3	(20,799)
Motor buses	(63,558)	(6,360)	842	(69,076)
Equipment, buildings, and other	(77,105)	(5,965)	1,056	(82,014)
	<u>(827,306)</u>	<u>(53,171)</u>	<u>3,429</u>	<u>(877,048)</u>
Capital assets, net	<u>\$ 737,560</u>	<u>\$ 43,227</u>	<u>\$ (41,545)</u>	<u>\$ 739,242</u>

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	<u>April 1, 2008</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>March 31, 2009</u>
Capital assets not subject to depreciation:				
Land	\$ 62,160	\$ 5	\$ (30)	\$ 62,135
Construction in progress	51,789	31,713	-	83,502
	<u>113,949</u>	<u>31,718</u>	<u>(30)</u>	<u>145,637</u>
Capital assets subject to depreciation:				
Land improvements	305,365	14,088	-	319,453
Light rail rapid transit (LRRT) system	626,990	4,048	(175)	630,863
Airport buildings	193,911	741	(82)	194,570
Metropolitan transportation centers	20,853	349	-	21,202
Marine terminals, docks, and wharves	27,401	324	-	27,725
Motor buses	104,463	702	(2,272)	102,893
Equipment, buildings, and other	117,805	6,166	(1,448)	122,523
	<u>1,396,788</u>	<u>26,418</u>	<u>(3,977)</u>	<u>1,419,229</u>
Accumulated depreciation:				
Land improvements	(164,096)	(14,414)	-	(178,510)
LRRT system	(382,423)	(16,926)	175	(399,174)
Airport buildings	(68,359)	(6,662)	63	(74,958)
Metropolitan transportation centers	(12,865)	(531)	-	(13,396)
Marine terminals, docks, and wharves	(20,338)	(267)	-	(20,605)
Motor buses	(58,970)	(6,740)	2,152	(63,558)
Equipment, buildings, and other	(72,415)	(6,132)	1,442	(77,105)
	<u>(779,466)</u>	<u>(51,672)</u>	<u>3,832</u>	<u>(827,306)</u>
Capital assets, net	<u>\$ 731,271</u>	<u>\$ 6,464</u>	<u>\$ (175)</u>	<u>\$ 737,560</u>

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(5) Long-Term Debt

(a) Long-term Obligations

	2010	2009
(a) Airport Revenue Bonds 2004:		
Series A, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.646% and a variable auction interest rate, offset by earned swap interest rate at 71% of the prevailing LIBOR rate	\$ 48,900	\$ 51,550
Series C, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.55% and a variable auction interest rate, offset by earned swap interest rate at 69% of the prevailing LIBOR rate	7,750	8,175
(b) Airport Revenue Bonds 1999:		
Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2004, bearing interest at 5.00% to 5.875% (net of unamortized discount of \$1,425 in 2010 and \$1,431 in 2009)	74,205	76,589
Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of \$133 in 2010 and \$147 in 2009)	13,642	13,628
(c) Airport Revenue Bonds 1998, maturing April 1, 2028, with variable annual principal payments commencing April 1, 2001, bearing interest at 4.10% to 5.00% (net of unamortized discount of \$377 in 2010 and \$394 in 2009)	16,088	16,586
(d) Payable to the State of New York, non-interest bearing	3,380	3,380

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	2010	2009
(e) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by net airport revenues	\$ 2,619	\$ 2,837
(f) NYS EFC Series 2000B Bonds issued by New York State maturing January 15, 2020 with variable annual principal payments, bearing interest at 4.262% to 5.742%	2,175	2,355
(g) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 200 basis points, subject to an interest rate swap with a fixed rate of 5.81%, maturing in 2010, unsecured	721	950
(h) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 225 basis points and fixed principal payments, maturing in 2015, secured by passenger facility charges	17,649	13,874
(i) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	2,499	2,697
(j) Capital lease, monthly payments with fixed interest rate at 7.75%, maturing in 2032, secured by property	4,450	4,519
(k) Bank loan, monthly payments with variable interest based on the 30 LIBOR rate plus 265 basis points, and fixed principal payments, maturing in 2015, secured by non-real estate property	9,025	-
(l) Loan, monthly payments with fixed interest rate at 4%, maturing in 2013, unsecured	1,930	-
	205,033	197,140
Less current portion	(12,989)	(9,972)
Noncurrent portion	\$ 192,044	\$ 187,168

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The following is a description of the Authority's long-term debt:

- (a) On January 15, 2004, the Authority issued \$63,000 in Series 2004A and \$10,025 in Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to advance refund the Series 1994A and the Series 1994C Airport Revenue Bonds of \$55,435 and \$9,765 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.
- (b) On September 17, 1999, the Authority issued \$102,110 of additional Airport Revenue Bonds to provide funding for the continued expansion of the BNIA. The bonds were issued as a supplement to the 1994 and 1998 bond issuance with similar provisions. These bonds were sold at a discount of \$1,582 which is being amortized using the interest method over the life of the bonds.
- (c) On August 25, 1998, the Authority issued \$20,375 of additional Airport Revenue Bonds to provide funding for the expansion of the BNIA. The bonds were issued as a supplement to the 1994 bond issuance with similar provisions. These bonds were sold at a discount of \$546 which is being amortized using the interest method over the life of the bonds.
- (d) The New York State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for this loan. The law provides in pertinent part that repayment of the loan for \$3,380 would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2031 through 2033 due to the uncertainty of repayment.

The Airport Revenue Bonds from 2004, 1999 and 1998 are payable from and secured by a lien against net revenues derived from the operations of the BNIA. Payment of scheduled bond principal and interest payments are also guaranteed by municipal bond insurance policies maintained by the Authority. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State of New York or any political subdivision.

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Changes in long-term debt for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Balance, beginning of year	\$ 197,140	\$ 189,606
Proceeds from issuance of debt	16,462	14,477
Repayment of long-term debt, net of discount amortization	(8,569)	(6,943)
Balance, end of year	205,033	197,140
Less current portion	12,989	9,972
Noncurrent portion of long-term debt	\$ 192,044	\$ 187,168

Required principal and interest payments for long-term debt, net of unamortized discounts, are as follows:

	Loans and Capital Leases		Serial Bonds		
	Principal	Interest	Principal	Unamortized discount	Interest
	Years ending March 31,				
2011	\$ 6,813	\$ 1,268	\$ 6,220	\$ (44)	\$ 8,213
2012	6,862	1,067	6,715	(80)	7,723
2013	6,892	861	6,855	(85)	7,574
2014	6,170	670	7,350	(87)	7,078
2015	5,012	503	7,710	(92)	6,718
2016 - 2020	3,778	1,734	43,980	(485)	28,075
2021 - 2025	949	1,135	48,860	(534)	16,409
2026 - 2030	1,397	688	37,005	(528)	5,221
2031 - 2033	4,400	115	-	-	-
	\$ 42,273	\$ 8,041	\$ 164,695	\$ (1,935)	\$ 87,011

At March 31, 2010 and 2009, the Authority was in compliance with all loan and bond covenants.

(b) Swap Transaction Summary

Interest Rate Swap Transactions

At March 31, 2010, the fair value liability of the Series 2004A and 2004C interest rate swaps was \$4,013 and \$598, respectively. At March 31, 2010, the notional amounts of Series 2004A and 2004C was \$48,900 and \$7,750, respectively. The terms of the interest rate swap transaction will remain in effect until the bonds are fully matured on April 1, 2024.

Risks

Below is a list of risks inherent in the interest rate swap transaction the Authority has entered into:

Basis Risk – The risk that the Authority’s variable rate payments will not equal its variable rate receipts because they are based on different indexes. Variable auction rates and fees paid differ from variable LIBOR rates received. There was an unfavorable basis risk of \$1,599 and \$1,390 during the years ending March 31, 2010 and 2009, respectively.

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Tax Risk – The risk that a change in Federal tax rates will alter the fundamental relationship between auction rates and LIBOR.

Interest Rate Risk – The risk that changes will affect the fair value or cash flows.

Credit Risk – The risk that a counterparty will not meet its obligations under the swap. In this event, the Authority would have to pay another entity to assume the position of the defaulting counterparty. The Authority has sought to limit its counterparty risk by contracting with a highly rated entity.

(6) Deferred 88(c) Revenue

Changes in deferred 88(c) revenues for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Balance, beginning of year	\$ 4,417	\$ 8,561
Receipts of funds	5,843	4,960
Interest income	9	50
Light rail capital and operating expenditures	(6,306)	(9,154)
Balance, end of year	\$ 3,963	\$ 4,417

(7) Passenger Facility Charges

In 1992, the Federal Aviation Administration (FAA) approved the Authority’s application to impose collection of Passenger Facility Charges (PFC) at the BNIA. The PFCs are used specifically for FAA approved projects at BNIA, including the Airport Improvement Program. PFC revenues for fiscal years ended March 31, 2010 and 2009 were \$11,297 and \$10,697.

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(8) Operating Assistance

Operations are funded primarily by farebox revenues from passengers and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; New York State, Erie and Niagara Counties (pursuant to New York State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2010 and 2009 were as follows:

Metro:

	2010	2009
FTA:		
Section 5307 and 5311 assistance	\$ 9,650	\$ 9,656
Section 5307 capital maintenance	348	334
Other	1,850	1,874
Total FTA	11,848	11,864
New York State:		
Statewide transit operating assistance program	38,467	41,025
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	1,244	1,243
Other	273	335
Total New York State	44,084	46,703
Erie County:		
88(c) – general	4,966	7,431
Mortgage recording tax (section 88a)	6,453	6,168
Section 18b matching funds	3,657	3,657
Sales tax receipts	16,599	17,368
Total Erie County	31,675	34,624
Niagara County:		
Mortgage recording tax	1,006	1,023
Section 18b matching funds	443	443
Total Niagara County	1,449	1,466
Buffalo & Fort Erie Public Bridge Authority	200	200
	89,256	94,857
NFTA:		
Department of Homeland Security	574	580
Department of Justice	7	54
	581	634
	\$ 89,837	\$ 95,491

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(9) Retirement Plans

(a) *New York State Retirement System*

The Authority participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). Both ERS and PFRS are cost-sharing, multiple-employer Public Employee Retirement Systems (PERS) that provide retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plans is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State of New York (the Comptroller) serves as sole trustee and administrative head of ERS and PFRS. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of ERS and PFRS and for the custody and control of their funds. ERS and PFRS issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12236.

ERS and PFRS are noncontributory except for ERS employees with less than 10 years of service who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller certifies annually the rates expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers. The rates range from 7% to 14.5% of annual covered payroll over the past three years.

The Authority contributions to the System for the years ended March 31, 2010, 2009 and 2008 were \$3,662, \$4,033, and \$4,007, respectively. The Authority contributions made to the Systems were equal to 100% of the contributions required for each year.

(b) *Amalgamated Transit Union Division 1342 NFT Metro Pension Plan*

Plan Description

All full-time Metro employees who are ATU members are covered by the Amalgamated Transit Union Local 1342 Niagara Frontier Transit Metro System Pension Fund (the ATU Plan), a defined benefit pension plan established in accordance with an Agreement and Declaration of Trust between the ATU and Metro (the Agreement). Pursuant to the ATU Union Contract signed in 1993, a portion of part-time employee compensation is also contributed by Metro to the ATU Plan, although part-time employees do not participate in or benefit by the ATU Plan.

The ATU Plan is managed by four Trustees (two union representatives and two management representatives). These Trustees are responsible for management of investments and payments to retirees. The ATU Plan issues a publicly available financial report that includes financial statements and notes for the ATU Plan. That report may be obtained by writing to Amalgamated Transit Union Local 1342, 196 Orchard Park Road, West Seneca, New York 14224.

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Funding Requirement

Each eligible employee is required to contribute the greater of sixteen dollars or 4% of their weekly payroll. Metro's contribution is 11% of eligible employee wages and is determined pursuant to the collective bargaining agreement (CBA) between Metro and the ATU. Metro's contributions to the Plan recorded on the Statements of Revenues, Expenses, and Changes in Net Assets, pursuant to the CBA, totaled \$5,422, \$5,240, and \$4,962 for 2010, 2009, and 2008. The Agreement provides that Metro is not obligated to make any other payment to fund the benefits or to meet any expenses of administration and, in the event of termination; Metro will have no obligation for further contributions to the ATU Plan. Therefore, net pension assets of the ATU plan are not recorded by the Authority.

Annual Pension Cost and Net Pension Asset

Annual pension cost and net pension asset of the ATU Plan for the years ended March 31, were as follows for the plan year which encompasses August 1 through July 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ (4,642)	\$ (4,277)	\$ (4,098)
Interest on net pension asset	907	848	795
Adjustment to annual required contribution	<u>(1,085)</u>	<u>(1,014)</u>	<u>(951)</u>
Annual pension cost	<u>(4,820)</u>	<u>(4,443)</u>	<u>(4,254)</u>
Contributions made	<u>5,422</u>	<u>5,240</u>	<u>4,962</u>
Increase in net pension asset	<u>602</u>	<u>797</u>	<u>708</u>
Net pension asset, beginning of year	<u>12,105</u>	11,308	10,600
Net pension asset, end of year	<u>\$ 12,707</u>	<u>\$ 12,105</u>	<u>\$ 11,308</u>

The annual required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions include a 7.5% investment rate of return (net of administrative expenses), mortality rates based on the 1971 Group Annuity Mortality Table and retirement age at the earlier of age 62 with 5 years of service, or age 59 with 30 years of service, and a salary scale increasing 3% annually.

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(c) Metro Nonunion Retirement Plan

Effective January 1, 1997, active nonbargaining unit participants in the Niagara Frontier Transit Metro System, Inc. Retirement Plan (Metro Plan) transferred to the employment of the NFTA and were given the opportunity to elect to have their contribution accounts transferred from the Metro Plan to ERS. The enabling legislation that provided for the purchase of service credits under the ERS for pre-transfer service obliges the Authority to make \$465 additional annual contributions commencing December 1997 to ERS (in addition to its regular employer contribution) each year for 25 years, and to amortize the liability assumed by the ERS for benefits attributable to the former Metro Plan participants' pre-transfer service. The Metro Plan was amended as of January 1, 1998, at which time the plan was frozen.

The Authority's annual pension cost and net pension obligation of the Metro Nonunion Plan for the years ended March 31 were as follows for the plan year which encompasses January 1 through December 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ (420)	\$ (596)	\$ (330)
Interest on net pension asset	(38)	(20)	(28)
Adjustment to annual required contribution	<u>38</u>	<u>20</u>	<u>28</u>
Annual pension cost	<u>(420)</u>	<u>(596)</u>	<u>(330)</u>
Contributions made	<u>596</u>	<u>330</u>	<u>459</u>
Increase (decrease) in net pension obligation	<u>176</u>	<u>(266)</u>	<u>129</u>
Net pension obligation, beginning of year	<u>(596)</u>	<u>(330)</u>	<u>(459)</u>
Net pension obligation, end of year	<u>\$ (420)</u>	<u>\$ (596)</u>	<u>\$ (330)</u>

The annual required contribution was determined using the Unit Credit Actuarial Cost Method. The actuary assumed a 6.3% investment rate of return, mortality rates based on the Applicable Mortality Table for the Valuation Year, and retirement age 62 with 5 years of service.

At December 31, 2009, on the basis for actuarial assumptions used for funding purposes, the actuarial value of the plan assets of \$4,094 is lower than the actuarial accrued liabilities of \$6,466.

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(10) Post-Employment Benefits

Post-Employment Health Care

The Authority provides a defined benefit post-employment health care plan for essentially all full-time employees with a minimum of ten years service upon retirement. Upon retirement, most Authority employees are provided 50% of the medical insurance premiums while certain management employees hired prior to February 2004 are provided with continuation of full medical coverage.

Metro retirees are provided with a monthly stipend representing the insurance premium amount of a single medical coverage if they retired prior to January 1, 2004. If they retired subsequent to January 1, 2004, Metro retirees are provided with continuation of full medical coverage.

As identified in Note 2, the Authority adopted GASB Statement No. 45 for the year ended March 31, 2008. The objective of this statement is to improve the faithfulness and usefulness of financial information presented with respect to post-employment benefits other than pensions (OPEB). This pronouncement requires the recognition of the costs of these benefits during the periods when employees render services that will eventually entitle them to the benefits, rather than continuing to use the “pay-as-you-go” method. 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, the UAAL being the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year
- the actuarially-determined cost of future OPEB ascribed to, or “earned”, in the current year (normal cost)

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (30 years) as well as each year’s normal cost during that timeframe. A liability is recognized to the extent that actual funding is less than the ARC. This liability is reflected as a noncurrent liability on the Statements of Net Assets as other post-employment benefits. The Authority’s current policy is to fund the benefits on a “pay-as-you-go” basis.

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The following table summarizes the Authority's ARC, the amount actually contributed to the Plan and changes in the Authority's net OPEB obligation for the years ended March 31, 2010, 2009, and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution			
Normal cost	\$ 9,080	\$ 8,689	\$ 7,333
Amortization of UAAL	<u>10,885</u>	<u>10,023</u>	<u>8,176</u>
Annual required contribution	<u>19,965</u>	18,712	15,509
Interest on OPEB obligation	1,361	617	-
Adjustment to ARC	<u>(1,857)</u>	<u>(842)</u>	<u>-</u>
Annual OPEB cost	<u>19,469</u>	18,487	15,509
Employer contributions	<u>(2,570)</u>	<u>(1,962)</u>	<u>(1,785)</u>
Increase in net OPEB obligation	<u>16,899</u>	16,525	13,724
Net OPEB obligation, beginning of year	<u>30,249</u>	<u>13,724</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 47,148</u>	<u>\$ 30,249</u>	<u>\$ 13,724</u>

The Authority's total annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the years ended March 31, 2010, 2009 and 2008 were:

March 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 19,469	13.42%	\$ 47,148
2009	18,487	10.61%	30,249
2008	15,509	11.51%	13,724

The actuarial analysis supporting the GASB 45 obligation for 2010 was completed using a valuation date of April 1, 2009. As of that date, the total actuarial accrued liability (UAAL) for future benefits was \$49,750 for the Authority and \$141,935 for Metro, all of which is unfunded. The present value including additional obligations attributable to future service is \$52,892 for the Authority and \$153,517 for Metro. These projections are based on the April 1, 2008 census data and do not reflect subsequent, claims information or impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was \$82,116, and the ratio of the UAAL to the covered payroll was 233.4%.

The actuarial valuation involves estimates of costs and the impacts of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in health care costs and interest rates. The benefits 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 April 1, 2009 valuation reflected benefits and cost sharing in effect at that time. Any changes in these factors

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will impact the results of future valuations. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

- Healthcare cost trend is estimated at 7.5% to 11% next year, ultimately declining to 5% in year 2019
- Actuarial cost method used is projected unit credit
- Discount rate is 4.50%
- Amortization method is 30 years, open, level dollar method

Post-Employment Stipends

As of March 31, 2010, there are 280 retirees within Metro who retired prior to January 1, 2004. Each retiree is provided with a cash stipend equivalent to the single medical premium cost and, if enrolled in Medicare, the retiree also is provided with full Medicare reimbursement. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

Health care benefits where the recipient has the option to receive cash stipends in lieu of coverage are treated as pension benefits. The Authority's annual pension cost and net pension obligation related to such stipends was:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 2,231	\$ 3,828	\$ 3,885
Interest on net pension cost	-	2	-
Adjustment to ARC	-	(2)	-
Annual pension cost	<u>2,231</u>	<u>3,828</u>	<u>3,885</u>
Employer contributions	<u>(3,535)</u>	<u>(3,877)</u>	<u>(3,845)</u>
Increase in net pension obligation	(1,304)	(49)	40
Net pension obligation (asset), beginning of year	(9)	40	-
Net pension obligation (asset), end of year	<u>\$ (1,313)</u>	<u>\$ (9)</u>	<u>\$ 40</u>

The actuarial accrued liability at March 31, 2010 was \$33,849, all of which is unfunded. The net pension obligation (asset) of (\$1,313) and (\$9) has been recorded as a noncurrent liability on the Statements of Net Assets as other post-employment benefits. The current policy is to fund on the "pay-as-you-go" basis.

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A summary of the actuarial methods and assumptions is provided below:

- Healthcare cost trend is estimated at 8.5% next year declining .5% per year through 2014 and .25% per year to 5% in year 2022
- Actuarial cost method used is projected unit credit
- Discount rate is 4.5%
- Amortization method is 30 years, open, level dollar method.

(11) Leases

A substantial portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport, marine and transportation center facilities. The leases generally provide for rentals determined on the basis of a rate per square foot occupied or a percentage of the lessee's gross revenues with guaranteed minimum amounts. Total revenue from leases was \$50,708 and \$55,126 in 2010 and 2009, including guaranteed minimum rentals of \$21,563 and \$21,452 during 2010 and 2009.

Fixed-term operating leases in effect at March 31, 2010 are expected to yield minimum rentals in future years as follows:

2011	\$ 20,165
2012	20,336
2013	16,999
2014	2,521
2015	2,423
2016 - 2020	9,072
2021 - 2025	10,702
2026 - 2030	3,654
2031 - 2035	862
2036 - 2040	495
2041 - 2045	286
	<u>\$ 87,515</u>

(12) Commitments and Contingencies

(a) *Litigation and Claims*

In the normal course of business, it is not uncommon for the Authority to incur litigation surrounding certain events. There are outstanding lawsuits involving substantial amounts that have been filed against the Authority. Based on the facts presently known, management and in-house legal counsel do not expect these matters to have a material adverse effect on the Authority's financial condition or results of operations.

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(b) Self-Insured Claims

The Authority assumes the liability for most risks including, but not limited to, property damage, environmental claims, personal injury claims, and workers' compensation claims. Estimated liabilities for these claims, which are not covered by insurance, have been reflected in the financial statements. Management believes that such liabilities are adequate based upon experience and the opinions of internal risk management administrators and legal counsel.

The Authority is subject to various federal, state, and local laws and regulations relating to the protection of the environment. The Authority has established procedures for the on-going evaluation of its operations to identify potential environmental exposures and assure compliance with regulatory policies and procedures.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with notification by an outside agency, determination of the need for a feasibility study or the Authority's commitment to a formal plan of action based on completion of the feasibility study.

For the fiscal year ended March 31, 2009, the Authority adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Authority has recognized a liability of \$49 and \$60 for 2010 and 2009, respectively, relating to the ongoing water treatment remediation project at the former Westinghouse facility. This liability is included as estimated liability for self-insured claims on the Statements of Net Assets.

Changes in self-insured claims for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Balance, beginning of year	\$ 27,062	\$ 25,760
Current year claims	10,093	8,716
Claim payments	(9,502)	(7,414)
Balance, end of year	\$ 27,653	\$ 27,062

(c) Project Commitments

As of March 31, 2010, the Authority has commenced several projects including:

- NFIA (Niagara Falls International Airport) terminal replacement, apron expansion and landside improvements estimated at \$45,663 of which \$45,256 was expended
- BNIA improvement of baggage sorting system estimated at \$30,270 of which \$25,707 was expended
- BNIA noise abatement program for outlying properties estimated at \$83,569 of which \$29,877 was expended. (Expenditures are classified as non-operating expenses in the Statements of Revenues, Expenses and Changes in Net Assets)
- Rail car refurbishment estimated at \$40,000 of which \$11,740 was expended

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- BNIA concourse level modifications to expand the security checkpoint and add a food court estimated at \$7,961 of which \$5,319 was expended

Funding for these projects will be provided from anticipated federal, state and local grant awards, passenger facility charges, outside financing and other revenue sources.

(13) Segment Information – Buffalo Niagara International Airport

BNIA is Western New York’s primary passenger and cargo airport. In fiscal year 1991, the Authority began the Airport Improvement Program to build a new terminal building and provide improved facilities for BNIA passengers. The Authority issued Airport Revenue Bonds (Note 5) pursuant to a Master Resolution approved by the Board of Commissioners for the construction of the BNIA. The Master Resolution includes certain compliance covenants which include requiring net airport revenues to be minimum percentage of net debt service. The bonds are payable from and are secured by a lien on net revenues derived from the operations of the BNIA. The bonds are special limited obligations of the Authority. They are not general obligations of the Authority and are not a debt of the State of New York or any political subdivision. The bonds will be subject to redemption from sinking fund installments commencing April 1, 2010.

(a) Condensed Statements of Net Assets (BNIA)

	2010	2009
Assets:		
Current	\$ 37,690	\$ 33,398
Capital assets, net	316,989	331,396
Other	53,001	48,933
Total assets	\$ 407,680	\$ 413,727
Liabilities:		
Current liabilities	\$ 17,677	\$ 18,403
Long-term liabilities	177,437	181,423
Total liabilities	\$ 195,114	\$ 199,826
Net assets:		
Invested in capital assets, net of related debt	\$ 131,063	\$ 142,942
Restricted	48,806	29,042
Unrestricted	32,695	41,917
Total net assets	\$ 212,564	\$ 213,901

Included in current and other assets are airport revenue bond fund accounts and other cash and deposit accounts totaling \$35,098 and \$14,680 for the fiscal year ended March 31, 2010 and \$29,913 and \$15,517 for the fiscal year ended March 31, 2009.

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(b) Condensed Statements of Revenues, Expenses, and Changes in Net Assets (BNIA)

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Concessions and commissions	\$ 26,506	\$ 25,674
Airport fees and services	14,807	15,450
Rental income	8,591	9,662
Other	4,001	2,477
Total operating revenues	<u>53,905</u>	<u>53,263</u>
Operating expenses	34,961	34,199
Depreciation expense	20,698	18,690
Operating income (loss)	<u>(1,754)</u>	<u>374</u>
Nonoperating revenues (expenses):		
Interest expense, net	(9,086)	(9,978)
Passenger facility charges	11,297	10,697
Airport noise abatement	(8,366)	(6,786)
Other, net	(1,129)	(581)
Loss before capital contribution	<u>(9,038)</u>	<u>(6,274)</u>
Capital contributions	7,701	6,552
Change in net assets	<u>(1,337)</u>	<u>278</u>
Net assets, beginning of year	213,901	213,623
Net assets, end of year	<u>\$ 212,564</u>	<u>\$ 213,901</u>

(c) Condensed Statements of Cash Flows (BNIA)

	<u>2010</u>	<u>2009</u>
Net cash provided by operating activities	\$ 13,230	\$ 3,802
Net cash provided by investing activities	471	1,179
Net cash used in capital and related financing activities	(9,353)	(15,155)
Net increase (decrease) in cash	<u>4,348</u>	<u>(10,174)</u>
Cash, beginning of year	45,430	55,604
Cash, end of year	<u>\$ 49,778</u>	<u>\$ 45,430</u>

(d) Master Resolution Covenant

Subsection(a) of Section 5.02 of the Master Resolution requires the Authority to charge rates, rentals, fees, and charges at BNIA, which are sufficient to pay debt service, operating expenses, and any and all other claims and charges relating to BNIA. In addition, net airport revenues must at all times be at least 125% of net debt service on all bonds outstanding. The Authority has the ability to bill the airlines to meet the bond covenant pursuant to the Airline Use and Lease Agreement.

Airport revenues are defined in the Master Resolution as the total of all revenue from all sources collected by the Authority at BNIA, which specifically excludes passenger facility charges and includes interest income. Passenger facility charges are not pledged as security for the Airport Revenue Bonds. Operating expenses are defined as all costs to operate and maintain the BNIA

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including general, administrative, and professional fee expenses allocated by the Authority. Debt service is defined as the total amount required to pay principal and interest, net of amounts available for the payment of interest as defined by the Master Resolution.

	2010	2009
Airport revenues:		
Operating revenues	\$ 53,905	\$ 53,263
Interest income	467	1,169
Gross airport revenues	54,372	54,432
Operating expenses	(34,961)	(34,199)
Net airport revenues	19,411	20,233
Net debt service:		
Principal payable	6,494	6,605
Interest payable	9,338	9,889
Passenger facility charges	(1,426)	(3,717)
Net debt service	\$ 14,406	\$ 12,777
Debt service coverage percentage	134.73%	158.35%
Minimum percentage requirement	125.00%	125.00%

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Other Post-Employment Benefits
(In thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/1/2009	\$ -	\$ 191,685	\$ 191,685	0%	\$ 82,116	233.4%
4/1/2008	-	163,267	163,267	0%	78,203	208.8%
4/1/2007	-	144,681	144,681	0%	77,875	185.8%

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Additional Information
Combining Schedules of Net Assets (In thousands)

March 31,	2010			2009		
	NFTA	Metro	Total	NFTA	Metro	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 2,593	\$ 6,156	\$ 8,749	\$ 3,007	\$ 8,209	\$ 11,216
Receivables:						
Accounts receivable, net of allowance for doubtful accounts of \$278 and \$269 in 2010 and 2009	3,991	1,526	5,517	4,158	1,293	5,451
Grants receivable	10,825	14,520	25,345	8,269	4,742	13,011
Due to/from affiliate	(5,823)	5,823	-	(10,018)	10,018	-
Materials and supplies inventory	6	3,742	3,748	9	5,202	5,211
Prepaid expenses and other	416	67	483	477	237	714
	12,008	31,834	43,842	5,902	29,701	35,603
Restricted assets:						
Cash and cash equivalents	56,610	5,821	62,431	54,021	5,666	59,687
Investments	-	25	25	-	25	25
	56,610	5,846	62,456	54,021	5,691	59,712
Bond issuance costs, net	4,234	-	4,234	4,521	-	4,521
Capital assets, net	416,162	323,080	739,242	410,994	326,566	737,560
	477,006	328,926	805,932	469,536	332,257	801,793
Total assets	\$ 489,014	\$ 360,760	\$ 849,774	\$ 475,438	\$ 361,958	\$ 837,396
Liabilities						
Current liabilities:						
Current portion of long-term debt	\$ 12,782	\$ 207	\$ 12,989	\$ 9,774	\$ 198	\$ 9,972
Accounts payable and accrued expenses	17,638	20,473	38,111	17,735	11,147	28,882
Deferred revenue	872	2,244	3,116	933	1,999	2,932
Other liabilities	4,075	-	4,075	3,765	-	3,765
	35,367	22,924	58,291	32,207	13,344	45,551
Noncurrent liabilities:						
Long-term debt	189,752	2,292	192,044	184,669	2,499	187,168
Deferred 88(c) revenue	-	3,963	3,963	-	4,417	4,417
Other post-employment benefits	10,971	34,864	45,835	7,207	23,033	30,240
Payable to NYS Retirement	269	-	269	269	-	269
Estimated liability for self-insured claims	4,018	23,635	27,653	3,609	23,453	27,062
	205,010	64,754	269,764	195,754	53,402	249,156
Total liabilities	240,377	87,678	328,055	227,961	66,746	294,707
Net Assets						
Capital assets, net of related debt	213,628	320,581	534,209	216,551	323,869	540,420
Restricted net assets	52,535	1,883	54,418	50,256	1,274	51,530
Unrestricted net assets (deficit)	(17,526)	(49,382)	(66,908)	(19,330)	(29,931)	(49,261)
Total net assets	248,637	273,082	521,719	247,477	295,212	542,689
	\$ 489,014	\$ 360,760	\$ 849,774	\$ 475,438	\$ 361,958	\$ 837,396

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Additional Information
Combining Schedules of Revenues, Expenses and Changes in Net Assets (In thousands)

For the years ended March 31,	2010			2009		
	NFTA	Metro	Total	NFTA	Metro	Total
Operating revenues:						
Fares	\$ -	\$ 30,662	\$ 30,662	\$ -	\$ 28,759	\$ 28,759
Concessions and commissions	26,727	-	26,727	25,863	-	25,863
Rental income	13,342	-	13,342	14,987	-	14,987
Airport fees and services	14,839	-	14,839	15,450	-	15,450
Tenant reimbursements	1,701	-	1,701	1,955	-	1,955
Boat harbor fees	836	-	836	810	-	810
Retail sales	205	-	205	236	-	236
Other operating revenues	2,762	902	3,664	1,090	851	1,941
Total operating revenues	60,412	31,564	91,976	60,391	29,610	90,001
Operating expenses:						
Salaries and employee benefits	19,554	90,693	110,247	19,317	89,671	108,988
Other post-employment benefits	3,764	11,831	15,595	3,748	12,728	16,476
Depreciation	26,272	26,899	53,171	23,644	28,028	51,672
Maintenance and repairs	9,729	6,390	16,119	8,637	6,349	14,986
Transit fuel and power	-	7,443	7,443	-	10,795	10,795
Utilities	3,839	2,149	5,988	4,526	2,876	7,402
Insurance and injuries	854	2,158	3,012	953	2,547	3,500
Safety and security	5,814	5,640	11,454	5,974	4,916	10,890
Other	8,888	3,094	11,982	9,392	3,606	12,998
Administration cost reallocation	(3,707)	3,707	-	(3,825)	3,825	-
Total operating expenses	75,007	160,004	235,011	72,366	165,341	237,707
Operating loss	(14,595)	(128,440)	(143,035)	(11,975)	(135,731)	(147,706)
Non-operating revenues (expenses):						
Operating assistance	581	89,256	89,837	634	94,857	95,491
Passenger facility charges	11,297	-	11,297	10,697	-	10,697
Interest income	483	42	525	1,325	192	1,517
Interest expense	(9,623)	(111)	(9,734)	(10,297)	(120)	(10,417)
Airport noise abatement	(8,366)	-	(8,366)	(6,786)	-	(6,786)
Other non-operating income (expense)	782	(900)	(118)	893	(1,105)	(212)
Total non-operating revenues (expenses)	(4,846)	88,287	83,441	(3,534)	93,824	90,290
Loss before capital contributions	(19,441)	(40,153)	(59,594)	(15,509)	(41,907)	(57,416)
Capital contributions	20,601	18,023	38,624	14,860	8,283	23,143
Change in net assets	1,160	(22,130)	(20,970)	(649)	(33,624)	(34,273)
Net assets, beginning of year	247,477	295,212	542,689	248,126	328,836	576,962
Net assets, end of year	\$ 248,637	\$ 273,082	\$ 521,719	\$ 247,477	\$ 295,212	\$ 542,689

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Additional Information
Combining Schedules of Cash Flows (In thousands)

For the years ended March 31,	2010			2009		
	NFTA	Metro	Total	NFTA	Metro	Total
Cash flows from operating activities:						
Cash collected from customers	\$ 60,427	\$ 31,576	\$ 92,003	\$ 61,286	\$ 29,565	\$ 90,851
Cash paid for employee wages and benefits	(23,971)	(96,344)	(120,315)	(23,375)	(93,993)	(117,368)
Cash paid to vendors and suppliers	(23,479)	(8,458)	(31,937)	(27,080)	(25,594)	(52,674)
Receipts/payments to other funds	(488)	488	-	8,226	(8,226)	-
Cash paid for insurance and injury	(445)	(1,976)	(2,421)	(865)	(1,333)	(2,198)
Net cash provided by (used for) operating activities	12,044	(74,714)	(62,670)	18,192	(99,581)	(81,389)
Cash flows from noncapital financing activities:						
Operating assistance	581	89,256	89,837	633	94,858	95,491
Cash flows from capital and related financing activities:						
Repayments of long-term debt	(8,371)	(198)	(8,569)	(6,753)	(190)	(6,943)
Proceeds from issuance of new long-term debt	16,462	-	16,462	14,477	-	14,477
Escrow funds, net	310	-	310	328	-	328
Interest paid	(9,623)	(111)	(9,734)	(10,297)	(120)	(10,417)
Deferred 88(c) revenues	-	(454)	(454)	-	(4,144)	(4,144)
Capital grants and contributions	18,045	8,245	26,290	13,277	12,033	25,310
Additions to capital assets	(31,391)	(23,413)	(54,804)	(49,575)	(8,561)	(58,136)
Construction retainage, net	(407)	349	(58)	1,855	133	1,988
Proceeds from sale of capital assets	5	43	48	73	99	172
Passenger facility charges	11,388	-	11,388	11,890	-	11,890
Airport noise abatement	(8,366)	-	(8,366)	(6,786)	-	(6,786)
Other	1,015	(943)	72	-	(1,156)	(1,156)
Net cash used for capital and related financing activities	(10,933)	(16,482)	(27,415)	(31,511)	(1,906)	(33,417)
Cash flows from investing activities:						
Interest	483	42	525	1,325	192	1,517
Net change in cash and cash equivalents	2,175	(1,898)	277	(11,361)	(6,437)	(17,798)
Cash and cash equivalents, beginning of year	57,028	13,875	70,903	68,389	20,312	88,701
Cash and cash equivalents, end of year	\$ 59,203	\$ 11,977	\$ 71,180	\$ 57,028	\$ 13,875	\$ 70,903
Reconciliation to Statements of Net Assets:						
Cash and cash equivalents						
Unrestricted	\$ 2,593	\$ 6,156	\$ 8,749	\$ 3,007	\$ 8,209	\$ 11,216
Restricted	56,610	5,821	62,431	54,021	5,666	59,687
Total cash and cash equivalents	\$ 59,203	\$ 11,977	\$ 71,180	\$ 57,028	\$ 13,875	\$ 70,903

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Additional Information
Combining Schedules of Cash Flows (continued) (In thousands)

For the years ended March 31,	2010			2009		
	NFTA	Metro	Total	NFTA	Metro	Total
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (14,595)	\$ (128,440)	\$ (143,035)	\$ (11,975)	\$ (135,731)	\$ (147,706)
Adjustments to reconcile operating loss to net cash from operating activities:						
Depreciation	26,272	26,899	53,171	23,644	28,028	51,672
Other post-employment benefits	3,764	11,831	15,595	3,748	12,728	16,476
Changes in assets and liabilities						
Receivables	76	(233)	(157)	784	(324)	460
Materials and supplies inventory	3	1,460	1,463	(3)	(1,738)	(1,741)
Prepaid expenses and other	61	170	231	(231)	(185)	(416)
Accounts payable and accrued expenses	310	8,977	9,287	(2,642)	549	(2,093)
Deferred revenue	(61)	245	184	109	279	388
Due to/from affiliate	(4,195)	4,195	-	4,401	(4,401)	-
Estimated liability for self-insured claims	409	182	591	88	1,214	1,302
Other noncurrent liabilities	-	-	-	269	-	269
Net cash provided by (used for) operating activities	\$ 12,044	\$ (74,714)	\$ (62,670)	\$ 18,192	\$ (99,581)	\$ (81,389)