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

Basic Financial Statements and
Required Supplementary Information

March 31, 2013 and 2012

(With Independent Auditors' Reports Thereon)

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Niagara Frontier Transportation Authority (the Authority), a component unit of the State of New York, as of and for the years ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the financial statements, the Authority adopted the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities."

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress for defined benefit pension and other postemployment benefit plans on pages 9 through 28 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules on pages 65 through 68 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2013, on our consideration of the Niagara Frontier Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Niagara Frontier Transportation Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2013, on the Niagara Frontier Transportation Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the Niagara Frontier Transportation Authority's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Niagara Frontier Transportation Authority's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 27, 2013

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2012 and 2013

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 accounting principles generally accepted in the United States of America.

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 periodically 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.

Toski & Co., CPSs, P.C. 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

Kimberley A. Minkel	Deborah C. Leous	Patrick J. Dalton
Executive Director	Chief Financial Officer	Director of Internal Audit

June 27, 2013

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2012 and 2013

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 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, 2013 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, 2013, the Authority's internal controls over financial reporting are effective based on those criteria.

The Authority's independent auditors, Toski & Co., CPAs, P.C., has issued a report on our assessment of the Authority's internal control over financial reporting.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel	Deborah C. Leous	Patrick J. Dalton
Executive Director	Chief Financial Officer	Director of Internal Audit

June 27, 2013

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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, 2013, 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 audit.

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 audit 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.

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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, 2013 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 27, 2013 expressed an unmodified opinion.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 27, 2013

Mission Statement

The Niagara Frontier Transportation Authority is a multi-modal entity encompassing a skilled and dedicated workforce. We are firmly committed to providing safe, efficient and professional transportation services that enhance the quality of life in the Buffalo Niagara region in a manner consistent with the needs of our customers.

Aviation: serves as a catalyst for economic growth by maintaining cost effective, customer oriented, efficient airports to attract and retain comprehensive and competitive air transportation services.

Surface: enhance the quality of life of residents and visitors by providing the highest level of safe, clean, affordable, responsive, and reliable transportation through a coordinated and convenient bus and rail system.

Property: manage and develop the NFTA owned real property to optimize the generation of self-supporting discretionary revenue to support our transportation businesses while fostering economic growth.

Support services: proactively provide high quality, coordinated, innovative, technological, cost-effective support service solutions for our internal and external stakeholders.

Vision Statement

Ensure the optimal generation, use and allocation of resources in providing the highest quality of services.

Support the effective coordination and partnership with public and private entities in continuously improving transportation services to promote regional growth.

Promote a positive image as a gateway to the Buffalo Niagara Region.

Maximize the use of proven technology in the effective and efficient provision of transportation services.

Maintain a highly motivated, skilled and innovative workforce.

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, 2013 and 2012. 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:

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

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

Statements of Revenues, Expenses and Changes in Net Position 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 position for the fiscal year. That change, combined with the previous year's net position total, reconciles to the net position total at the end of this fiscal year.

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 explain certain information in the financial statements and provide more detailed data. The statements are followed by additional information that provides information related to the NFTA and Metro.

Summary of Financial Highlights

Summary of Net Position

	March 31		
	2013	2012 As restated	2011
		(In thousands)	
Current assets	$ 57,814	$ 48,752	$ 43,857
Restricted assets	45,003	42,647	42,400
Capital assets, net	704,338	713,763	727,275
Bond insurance costs, net	1,683	1,823	3,948
Total assets	808,838	806,985	817,480
Current liabilities	56,286	50,271	46,186
Long-term liabilities	287,090	282,383	276,173
Total liabilities	343,376	332,654	322,359
Net position:			
Invested in capital assets, net of related debt	533,939	529,698	535,231
Restricted	54,631	51,613	47,740
Unrestricted	(123,108)	(106,980)	(87,850)
Total net position	$ 465,462	$ 474,331	$ 495,121

March 31, 2013 vs. March 31, 2012

The changes in total net position serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by $465.5 million at March 31, 2013, an $8.9 million, or 1.9%, decrease from March 31, 2012. Included in 2013 is an increase in health insurance postemployment liabilities of $12.3 million.

- Current assets increased $9.1 million, or 18.6%, due to an increase in our cash balances of $7.4 million, or 35.6%, resulting from lower cash outflows from favorable operating activities, and an increase in government agencies receivable related to higher drawdown requests for FTA, FAA, NYSDOT and other miscellaneous grants, partially offset by transfers of various reserve money market accounts to higher yielding certificates of deposit.
- Restricted assets increased $2.4 million, or 5.5%, primarily due to an increase in PFC funds as a result of enplanement revenue net of capital project expenditures and debt service obligations.
- Capital assets decreased $9.4 million, or 1.3%, due to the continued depreciation of our existing Metro railcars and BNIA buildings, facilities and surrounding infrastructure, partially offset by the capitalization of the NFIA runway 10L/28R mill and overlay project and the receipt of thirteen new hybrid Metro buses.

- Current liabilities increased $6.0 million, or 12.0%, attributable to higher accounts payable and accrued expenses due to the impact of year end capital project expenditures, most notably the Train Control Carborne ATP System, Mall Track Switches and BNIA Long Term Lot B Expansion. The accrual of the potential impact of represented employee contract settlements also contributed to the increase.
- Long-term debt (net of current portion) declined $13.4 million, or 8.1%, as BNIA related debt service payments for capital projects increased, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.
- Payable to New York State Retirement increased $4.1 million. The Pension Stabilization Program (Chapter 57, Laws of 2010) contributed $2.4 million to the variance.

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. The major change between 2013 and 2012 included $16.5 million for the NFIA runway mill and overlay project, $5.1 million and $1.5 million for the BNIA noise compatibility program and BNIA revolving doors replacement, respectively, and $1.2 million for the BNIA two-tier departure level deck rehabilitation. Metro additions included $8.7 million for the purchase of thirteen hybrid buses, $2.4 million and $2.4 million for the ongoing mid-life railcar rebuild project and the purchase of thirty-one small buses, respectively, and $1.4 million for rail fastener and pad replacement. Also, thirty-seven life-expired transit buses were disposed in 2013.

March 31, 2012 vs. March 31, 2011

The Authority's assets exceeded liabilities by $474.3 million at March 31, 2012, a $20.8 million, or 4.2%, decrease from March 31, 2011. Included in 2012 is an increase in health insurance postemployment liabilities of $16.1 million.

- Current assets increased $4.9 million, or 11.4%, due to an increase in our government agencies receivable in anticipating receipt of New York State operating assistance, higher balances in our Buffalo Niagara International Airport (BNIA) Airport Development Fund (ADF) resulting from operations, partially offset by cash balance decreases of $2.4 million, or 25.0%, due to higher insurance and injury claims paid and lower cash flows from capital and related financing activities.
- Capital assets decreased $13.5 million, or 1.9%, due to the continued depreciation of our existing Metro railcars and BNIA buildings, facilities and surrounding infrastructure, partially offset by the receipt of twenty-nine new Metro buses and two refurbished railcars.
- Current liabilities increased $4.1 million, or 8.8%, that includes a $5.5 million line of credit draw for the anticipated receipt of New York State dedicated transit funds.
- Long-term debt (net of current portion) declined $13.6 million, or 7.6%, as BNIA related debt service payments for capital projects increased, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

The major change in capital assets between 2012 and 2011 included $8.5 million for NFIA runway 6-24 safety area improvements, $4.0 million and $1.5 million for the BNIA noise compatibility program and NFIA mill and overlay of runway 10L/28R, respectively, and $1.0 million for the BNIA master plan update. Metro additions included $15.9 million for the purchase of twenty-nine hybrid buses, $4.9 million and $1.3 million for the ongoing mid-life railcar rebuild project and South Park perimeter security initiative, respectively, and $1.1 million for fire detection and system intrusion for our rail stations. Also, sixty life-expired transit buses were disposed of in 2012.

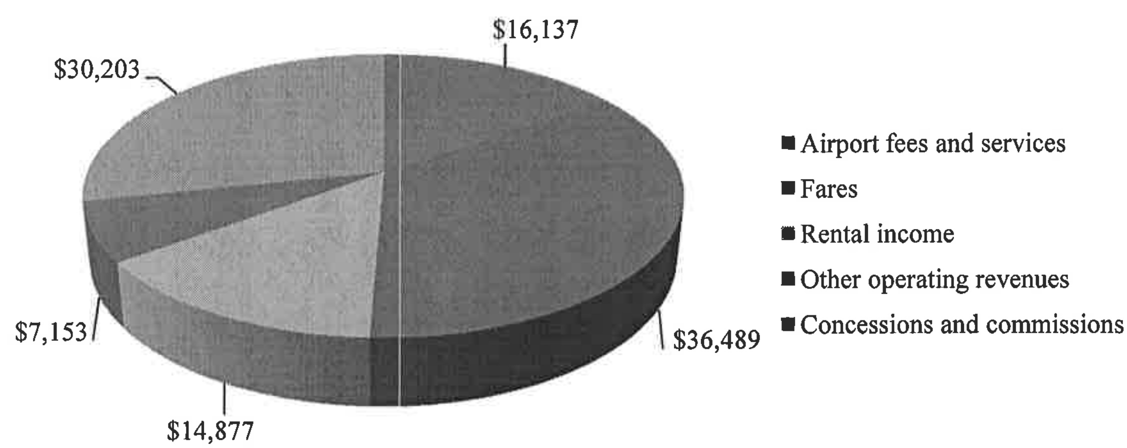
Summary of Revenues, Expenses and Changes in Net Position

	Years ended March 31		
	2013	2012 As restated	2011
		(In thousands)	
Operating revenues:			
Fares	$ 36,489	$ 32,524	$ 31,651
Concessions and commissions	30,203	29,294	28,245
Rental income	14,877	13,409	13,542
Airport fees and services	16,137	16,208	15,253
Other operating revenues	7,153	6,894	6,742
Total operating revenues	104,859	98,329	95,433
Operating expenses:			
Salaries and employee benefits	116,877	116,089	116,223
Other postemployment benefits	18,502	17,329	15,756
Depreciation	56,274	57,523	60,489
Maintenance and repairs	16,420	16,267	16,128
Transit fuel and power	8,219	8,582	6,803
Utilities	5,101	5,242	6,273
Insurance and injuries	4,374	4,118	3,646
Safety and security	11,255	11,581	11,272
Other operating expenses	13,396	13,784	12,319
Total operating expenses	250,418	250,515	248,909
Operating loss	(145,559)	(152,186)	(153,476)
Nonoperating revenues, net	113,140	107,349	87,876
Loss before capital contributions	(32,419)	(44,837)	(65,600)
Capital contributions	23,550	25,885	43,015
Change in net position	(8,869)	(18,952)	(22,585)
Total net position, beginning of year as previously stated	474,331	495,121	517,706
Restatement	-	(1,838)	-
Total net position, beginning of year as restated	474,331	493,283	517,706
Total net position, end of year	$ 465,462	$ 474,331	$ 495,121

March 31, 2013 vs. March 31, 2012

The Authority ended 2013 with total net position of $465.5 million, an $8.9 million or 1.9%, decrease as compared to 2012. Significant items affecting the revenues, expenses and changes in net assets are as follows:

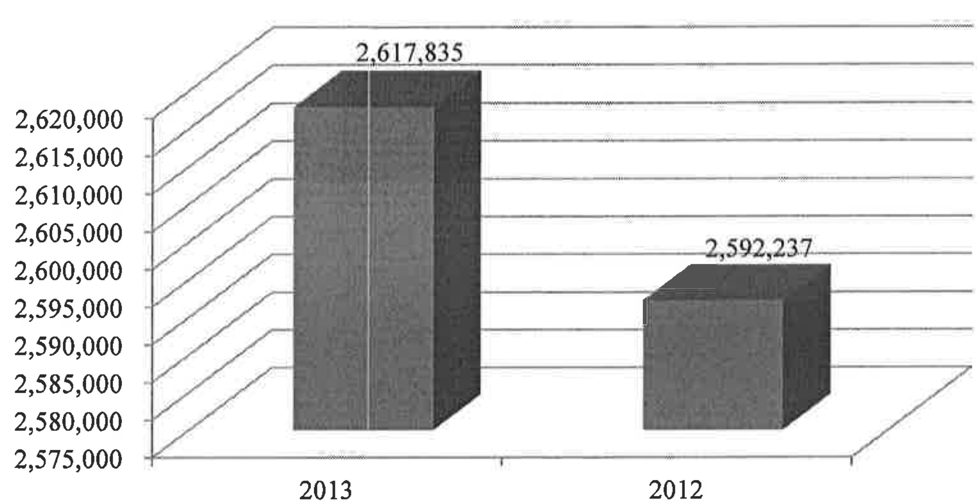
Sources of Revenue for FYE 2013



Authority-wide operating revenues increased 6.6% from $98.3 million to $104.9 million due to the following:

- NFTA operating revenues increased 3.7%, from $65.2 million to $67.6 million.

BNIA Enplanements



BNIA rental income increased $1.2 million, or 14.1%, due to higher airline overnight parking and gate use fees related to increased business cyclical activity, a new lease agreement negotiated with our auto rental companies resulting in higher fixed rental billings offset by lower variable auto rental revenue (concessions) resulting from a lowered negotiated minimum guarantee and higher terminal rental compensatory billings with our increased terminal direct and indirect costs. BNIA concessions/commissions increased $0.7 million, or 2.5%, primarily due to increased auto rental and parking lot/ramp revenue.

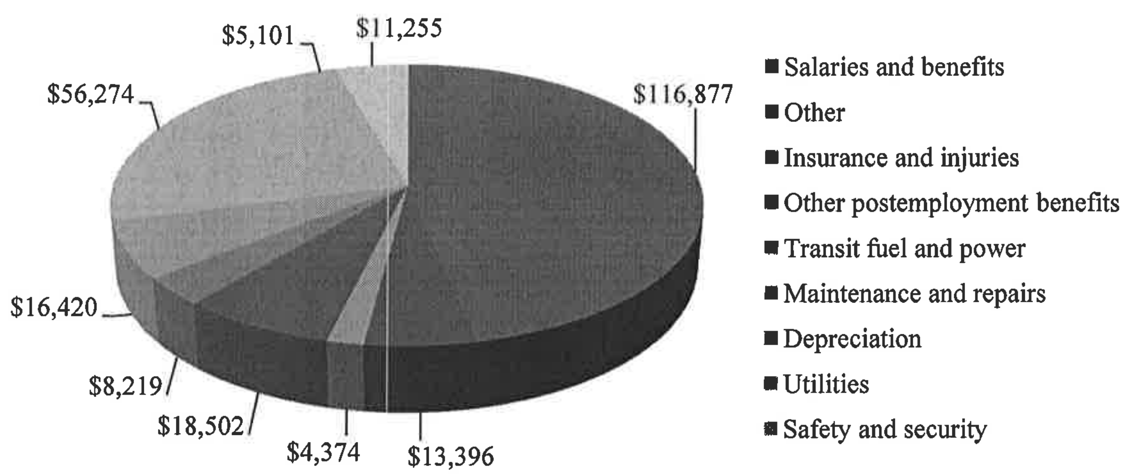
NFIA concessions/commissions increased $0.2 million, or 18.0%, as a result of higher parking revenue.

Property Development Group operating revenue increased $0.4, or 8.4%, due to higher Boat Harbor dock and gasoline sales revenue and increased rental revenue, primarily at our 485 Cayuga Road facility.

METRO

- Metro operating revenue increased 12.3%, from $33.1 million to $37.2 million, as our base fare increased from $1.75 to $2.00, effective May 1, 2012.

Expenses for FYE 2013



Operating expenses decreased from $250.5 million to $250.4 million, due to the following:

NFTA

- Authority expenses increased 3.8% from $79.9 million to $82.9 million. Included in 2013 are $6.6 million in health insurance postemployment costs. Lower workers' compensation costs of $1.1 million, or 58.5%, as 2012 included a negative year-end actuarial adjustment based on cases outstanding, and decreased health insurance costs of $0.2 million, or 3.1%, partially offset by higher pension costs of $0.4 million, or 7.2%, 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 $0.1 million, or 0.9%, as a result of union contractual increases and higher pension costs, partially offset by lower workers' compensation and health insurance costs.
  - Maintenance & repairs increased $0.4 million, or 4.4%, as higher snowplowing and automotive (diesel fuel and supplies) costs contributed to the variance.
  - Utilities increased $0.2 million, or 10.4%, due to increased usage.
  - Safety & security decreased $0.6 million, or 10.9%, as a result of increased police pension costs, partially offset by decreased workers' compensation and health insurance costs. Also, traffic control costs increased $0.3 million, or 43.7%, based on a new contract inclusive of a prevailing wage adjustment.

  NFIA:

  - Salaries and employee benefits increased $0.2 million, or 14.9%, as a result of union contractual increases, higher workers' compensation and increased staffing, consistent with greater business activity, partially offset by lower workers' compensation and health insurance costs.
  - Maintenance and repairs decreased $0.1 million, or 13.3%, due to lower runway repair costs.
  - Safety and security decreased $0.04 million, or 13.7%, due to lower police workers' compensation and health insurance costs and a reallocation of police resources to NFIA operations, partially offset by higher police pension costs.
  - General business/other decreased $0.3 million, or 35.3%, as a result of lower parking operation expense with the loss of DirectAir in March 2012 and the six week closure of our runway for major repairs. Also, 2012 included $0.1 million in provision/reserve (bad debt) costs related to the DirectAir bankruptcy.

Transportation Centers:

- Utilities decreased $0.05 million, or 12.7%, due to lower National Grid delivery costs and multi-year low natural gas prices.
- Safety and security increased $0.03 million, or 10.2%, due to a reallocation of police resources and higher pension costs, partially offset by lower workers' compensation and health insurance costs.
- General business/other costs increased $0.06 million, or 98.0% as 2013 included $0.04 million in provision/reserves (bad debt) costs.

Property Development Group:

- Utilities decreased $0.08 million, or 14.4%, as electric billings at our 485 Cayuga Road facility decreased due to lower National Grid capacity and usage costs.
- Insurance and injuries increased $0.02 million, or 17.0%, due to higher general liability costs.
- General business/other costs increased $0.1 million, or 14.4%, as 2012 included $0.1 million in Nanodynamic bankruptcy proceeds.

Administrative Support:

- Personnel services decreased $1.2 million, or 4.4%, as a result of a decreased police force, lower workers' compensation costs and health insurance costs, partially offset by higher pension costs and police overtime.
- Maintenance and repairs increased $0.2 million, or 48.6%, due to higher MIS service costs and police automotive expenses.
- Insurance and injuries increased $0.1 million, or 60.9%, resulting from higher police claim losses.
- General business/other costs increased $0.3 million, or 12.7%, due to a reallocation of Adjudication Department costs.
- Included in general business/other are contra accounts related to costs allocated to business centers. Police costs decreased with a reduced work force resulting in $0.6 million or 2.9% change in general business/other.

METRO:

- Metro operating expenses decreased 1.9% from $170.7 million to $167.5 million, due to the following:
  - Salaries and employee benefits increased $0.4 million, or 0.4%, due to higher workers' compensation, overtime and health insurance costs, partially offset by lower staffing costs.

- 2013 includes $11.9 million in health insurance postemployment costs, a decrease of $2.1 million, or 14.8%.
- Transit Fuel/Power decreased $0.05 million, or 5.6%, due to decreased diesel fuel costs, partly attributable to favorable hedged prices, and lower rail traction costs.
- Utilities decreased $0.2 million, or 11.2%, as a result of lower National Grid capacity and usage costs.
- Safety and security decreased $0.9 million, or 16.6%, due to a decreased police force, lower police workers' compensation and health insurance costs, partially offset by higher police pension and overtime costs.
- Other operating expenses increased $0.2 million, or 6.2%, as increased advertising costs and recognition of a provision/reserve (bad debt) expense of $0.06 million contributed to the variance.

The net result of the above was an operating loss decrease of 4.4% from $152.2 million in 2012 to $145.6 million in 2013.

Net non-operating revenues increased 5.4% from $107.3 million to $113.1 million as of March 31, 2013.

- The increase was due to lower interest bond expense of $8.4 million or 4.4%, higher Erie County sales tax revenue of $0.5 million, or 2.8%, increased mortgage tax receipts of $1.5 million, or 21.7%, higher federal operating assistance of $0.9 million, or 7.5%, increased New York State assistance of $3.1 million, or 7.0%, and a favorable adjustment of $3.0 million related to the change in value of our derivative instruments recognized in accordance with GASB 53. This was partially offset by lower recognition of 88(c) revenue of $5.9 million, or 65.3%.

The net result of the above was a decrease in the loss before capital contributions of 27.7% from $44.8 million in 2012 to $32.4 million in 2013.

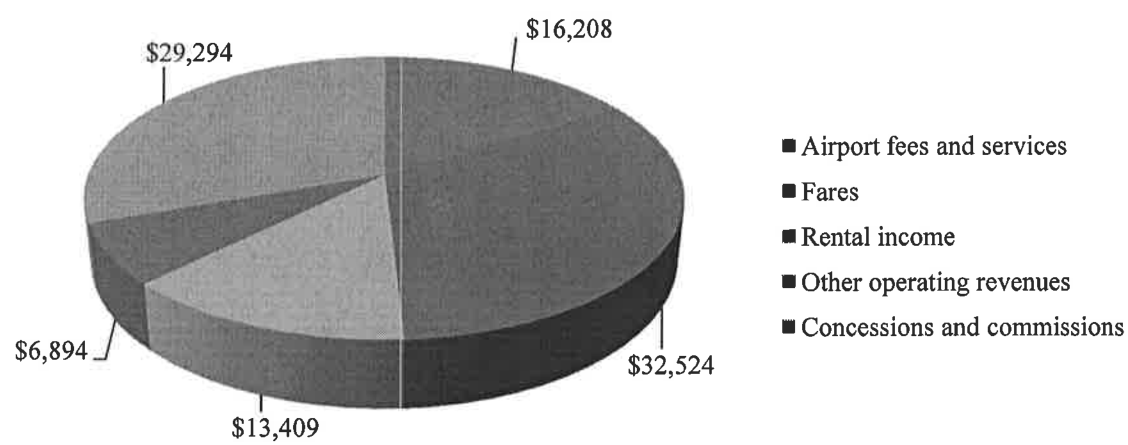
Capital contributions decreased 9.0% from $25.9 million in 2012 to $23.6 million in 2013 primarily due to fewer new bus purchases.

Summary of Revenues, Expenses and Changes in Net Assets

March 31, 2012 vs. March 31, 2011

The Authority ended 2012 with total net position of $474.3 million, a $19.0 million or 3.8%, decrease as compared to 2011. Significant items affecting the revenues, expenses and changes in net position are as follows:

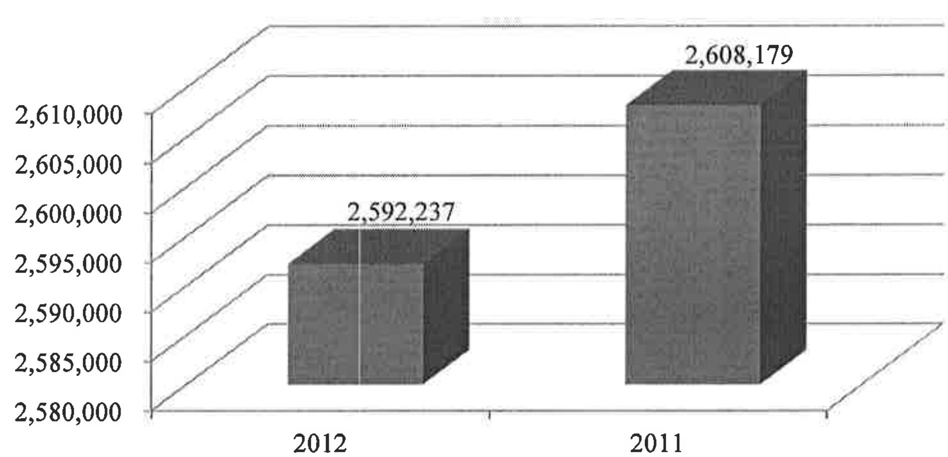
Sources of Revenue for FYE 2012



Operating revenues increased 3.0% from $95.4 million to $98.3 million due to the following:

- NFTA operating revenues increased 3.5%, from $63.0 million to $65.2 million.

BNIA Enplanements



BNIA airport fees and services increased $0.9 million, or 6.0%, as increased direct landing area expenses, partially offset by lower NFIA net deficit and bond debt service costs, 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. General aviation/air cargo fees increased $0.3 million, or 27.1%, as the transfer of administrative billing to the airport and the monitoring and standardization of general aviation aircraft contributed to the variance. BNIA concessions/commissions increased $0.4 million, or 1.3%, primarily due to increased auto rental, ground transportation and meals revenue. Other operating revenues increased $0.2 million, or 6.9%, as higher contractual baggage maintenance costs billed directly to the airlines contributed to the variance.

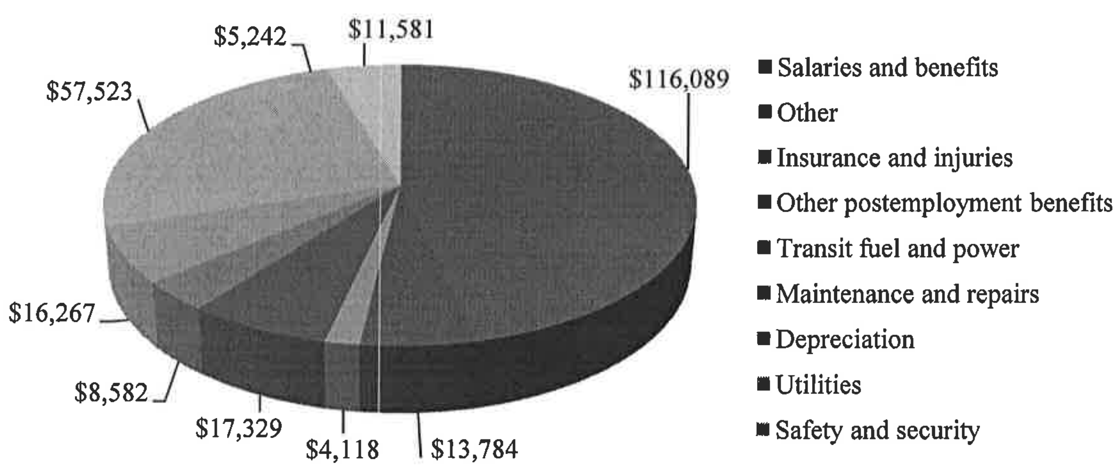
NFIA concessions/commissions increased $0.7 million, or 221.6%, as a result of higher parking revenue.

Property Development Group operating revenue increased $0.1, or 1.9%, due to higher Boat Harbor dock rental and gasoline sales revenue.

METRO

- Metro operating revenue increased 2.1%, from $32.4 million to $33.1 million, due to increased passenger usage with higher gasoline prices and the full year implementation of our Erie County service restructuring initiative emphasizing more service in core areas.

Expenses for FYE 2012



Operating expenses increased 0.6%, from $249.0 million to $250.5 million, due to the following:

NFTA

- Authority expenses increased 3.4% from $77.2 million to $79.9 million. Included in 2012 are $3.3 million in health insurance postemployment costs. Higher workers' compensation costs of $1.4 million, or 273.4%, due to a year-end actuarial adjustment based on cases outstanding, health insurance increases of $0.5 million, or 9.7%, and higher pension costs of $0.4 million, or 9.1%, 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 $0.7 million, or 5.6%, as a result of union contractual increases, higher health insurance, pension and workers' compensation costs, partially offset by lower overtime expenses.
  - Utilities decreased $0.3 million, or 13.5%, due to lower National Grid delivery costs, mild winter and multi-year low natural gas prices, and decreased water billings.
  - Insurance & injuries increased $0.1 million, or 27.1%, as a result of increased claim losses and favorable reserve adjustments in 2012.
  - Safety & security increased $0.1 million, or 2.3%, due to increased police health insurance, pension and workers' compensation costs, mitigated with traffic control costs consistent with 2012 levels.
  - General business/other increased $0.3 million, or 5.7%, as higher parking operation expenses and increased provisions/reserves (bad debt) costs related to Colgan and American Eagle bankruptcies contributed to the variance.
  - Other operating expenses increased $0.1 million, or 8.2%, due to higher facility maintenance expenses, specifically higher health insurance, pension and workers' compensation costs.

  NFIA:

  - Salaries and employee benefits increased $0.3 million, or 24.9%, as a result of union contractual increases, higher health insurance, pension and workers' compensation costs and increased staffing.
  - Maintenance and repairs increased $0.3 million, or 54.2%, due to higher facility maintenance costs and increased automotive expenses.
  - Insurance and injuries decreased $0.08 million, or 45.9%, as a result of lower claim losses.
  - Safety and security increased $0.05 million, or 20.9%, due to increased traffic control costs and higher police health insurance, pension and workers' compensation costs.
  - General business/other increased $0.2 million, or 40.8%, as a result of higher parking operation expenses and increased provisions/reserves (bad debt) costs related to DirectAir bankruptcy, partially offset by decreased advertising expenses.

Transportation Centers:

- Utilities decreased $0.1 million, or 22.9%, as a result of lower National Grid delivery costs, mild winter and multi-year low natural gas prices.
- Safety and security decreased $0.08 million, or 20.9%, due to reallocation of police resources, partially offset by higher police health insurance, pension and workers' compensation costs.

Property Development Group:

- Maintenance and repairs decreased $0.1 million, or 20.9%, due to lower major repairs at our Sierra Plant 3 and Terminal A buildings.
- Utilities decreased $0.2 million, or 24.5%, as billings at our Sierra Plant 3 and Terminal A buildings decreased as a result of lower National Grid delivery costs, mild winter and multi-year low natural gas prices.
- Insurance and injuries increased $0.3 million, or 179.9%, as 2011 included the receipt of dock/greenbelt insurance proceeds.

Administrative Support:

- Personnel services increased $0.8 million, or 3.0%, as a result of union contractual increases and higher health insurance, workers' compensation and pension costs.
- Maintenance and repairs decreased $0.1 million, or 27.2%, due to lower MIS service costs and police automotive expenses.
- Insurance and injuries increased $0.05 million, or 33.9%, resulting from a terminated employee settlement and higher police claim losses.
- Other operating expenses decreased $1.1 million, or 42.5%, due to the reallocation of police grants and timing in Engineering personnel costs charged to capital projects.

METRO:

- Metro operating expenses decreased 0.6% from $171.7 million to $170.7 million, due to the following:
  - Salaries and employee benefits decreased $1.5 million, or 1.5%, due to lower workers' compensation costs and decreased staffing costs resulting from full year implementation of our Erie County service restructuring initiative, partially offset by increased health insurance costs.
  - 2012 includes $14.0 million in health insurance postemployment costs, an increase of $1.6 million, or 12.7%.
  - Transit Fuel/Power increased $1.8 million, or 26.2%, due to increased diesel fuel costs, partially offset by lower rail traction costs.

- Utilities decreased $0.4 million, or 18.5%, as a result of lower National Grid delivery costs, mild winter and multi-year low natural gas prices, and decreased water billings.
- Insurance and injuries increased $0.1 million, or 4.1%, as a result of reserve adjustments based on cases outstanding.
- Safety and security increased $0.2 million, or 3.4%, due to increased police health insurance, pension and workers' compensation costs, partially offset by decreased staffing levels.

The net result of the above was an operating loss decrease of 0.8% from $153.5 million in 2011 to $152.2 million in 2012.

Net non-operating revenues increased 22.2% from $87.9 million to $107.3 million as of March 31, 2012.

- The increase was due to higher 88(c) revenue of $1.2 million, or 16.1%, lower interest expense of $0.6 million, or 6.0%, related to our 2004 revenue bonds, higher federal operating assistance of $0.9 million, or 143.1%, related to our police operation, higher Erie County sales tax revenue of $0.6 million, or 3.3%, and increased grant funds of $18.5 million, or 903.9%, related to increased drawdowns of FTA, FAA, NYSDOT and other miscellaneous grants for the purchase of hybrid buses, mid-life railcar rebuild expenses and Metro Preventive Maintenance (PMA). This was partially offset by an increase of $1.8 million, or 197.0%, related to the change in fair value of the derivative instruments recognized in accordance with GASB 53.

The net result of the above was a decrease in the loss before capital contributions of 31.7% from $65.6 million in 2011 to $44.8 million in 2012.

Capital contributions decreased 39.8% from $43.0 million in 2011 to $25.9 million in 2012 primarily due to fewer new bus purchases.

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		
	2013	2012	2011
		(In thousands)	
Nondepreciable:			
Land	$ 63,137	62,572	62,108
Construction in progress	33,505	40,630	28,071
Total capital assets not subject to depreciation	96,642	103,202	90,179
Depreciable:			
Land improvements	344,464	311,963	347,079
Light rail rapid transit system	611,126	607,998	602,512
Airport buildings	270,673	267,888	268,449
Metropolitan transportation centers	20,849	20,849	21,807
Marine terminals, docks and wharves	27,432	27,566	29,147
Motor buses	134,560	130,534	123,895
Equipment, miscellaneous, buildings and other	134,860	133,590	132,731
Depreciable capital assets	1,543,964	1,500,388	1,525,620
Less accumulated depreciation	(936,268)	(889,827)	(888,524)
Total net capital assets	$ 704,338	713,763	727,275

March 31, 2013 vs. March 31, 2012

Noteworthy capital asset additions and deletions for fiscal year 2013 were:

- Authority additions included $16.5 million for the NFIA runway 10L/28R mill and overlay project, $5.1 million and $1.5 million for the BNIA noise compatibility program and BNIA revolving doors replacement, respectively, and $1.2 million for the BNIA two-tier departure level deck rehabilitation.
- Metro additions included $8.7 million for the purchase of thirteen hybrid buses, $2.4 million and $2.4 million for the ongoing mid-life railcar rebuild project and the purchase of thirty-one small buses, respectively, and $1.4 million for rail fastener and pad replacement. Also, thirty-seven life-expired transit buses were disposed in 2013.

March 31, 2012 vs. March 31, 2011

Noteworthy capital asset additions and deletions for fiscal year 2012 were:

- Authority additions included \$8.5 million for NFIA runway 6-24 safety area improvements, \$4.0 million and \$1.5 million for the BNIA noise compatibility program and NFIA mill and overlay of runway 10L/28R, respectively, and \$1.0 million for the BNIA master plan update.
- Metro additions included \$15.9 million for the purchase of twenty-nine hybrid buses, \$4.9 million and \$1.3 million for the ongoing mid-life railcar rebuild project and South Park perimeter security initiative, respectively, and \$1.1 million for fire detection and system intrusion for our rail stations. Also, sixty life-expired transit buses were disposed in 2012.

Debt Administration

March 31, 2013 vs. March 31, 2012

At March 31, 2013, the Authority had \$170.4 million of outstanding debt. This represents a \$13.7 million, or 7.4%, decrease from 2012. BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

March 31, 2012 vs. March 31, 2011

At March 31, 2012, the Authority had \$184.1 million of outstanding debt. This represents an \$8.0 million, or 4.2%, decrease from 2011. BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, partially offset by a \$5.5 million advance in the anticipated receipt of New York State dedicated transit funds, contributed to the decrease.

OPERATIONS, ACCOMPLISHMENTS AND OUTLOOK FOR THE AUTHORITY

Surface Transportation

Metro bus and rail is the Authority's largest strategic business unit 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 authority to operate a light rail system. It transports approximately 30 million passengers a year over 1,575 square miles.

Based on a calendar year 2012 On Board Study conducted by the Greater Buffalo-Niagara Regional Transportation Council, the majority of our transit riders are transit dependent. Eighty-two percent of riders do not have access to a vehicle and 55 percent of riders do not have a valid driver's license. Furthermore, 14 percent of riders surveyed in the region were unemployed. The survey found that the NFTA Surface Transportation System primarily serves people with lower incomes. On average 90% of riders were from households with an annual income of less than \$50,000 and that 37% of riders were from households making less than \$10,000 annually.

Approximately 28% of Metro's revenues come from fare collection and advertising, while 72% comes from outside operating assistance. New York State is our largest investor providing 49% of our operating assistance while 37% comes from local sources and 14% from the Federal government. Any changes in these funding sources can have a significant impact.

As a result, as we prepared the update to the five year capital and operating plan for FYE 14-18, it remains clear that the Niagara Frontier Transportation Authority, specifically the Surface Transportation Division, will need approximately $8 - $10 million a year in additional net income in order to be sustainable without dramatically impacting service or our fare structure.

In our analysis of opportunities, we noted that if the NFTA were to be allocated State Operating Assistance based on the Federal formula methodology we would be receiving approximately $9 million more a year. Federal funding takes into consideration population, population density, bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, and fixed guideway route miles.

Having noted that, we also recognize that the federal, state and local government sectors continue to face fiscal challenges and that new funding sources need to be addressed for public transportation. Our goal is to continue to work towards diversifying and growing the funding sources to help sustain public transportation for all Upstate New York.

As part of our Blueprint for the Future, in addition to stabilizing government assistance, our strategic plans concentrate on cost control, increasing organizational liquidity, technological improvements, operational changes such as implementation of a new fare box collection system providing more user flexible fare structures, improving our service standards, continuing to engage the public with the newly established Citizens Advisory Committee for Public Transportation, developing our workforce, and growing locally generated revenue through public-private partnerships.

A Transit Intelligent Transportation System (ITS) Strategic plan has been drafted that will guide the implementation of ITS projects for the next 3- 5 years.

In FYE 13 the NFTA embarked on several key innovative projects that will positively impact public transportation in the region and spur economic development. The Niagara Street Corridor Project will create a comprehensive urban transit corridor in the City of Buffalo that will improve NFTA bus service, advance the FTA's livability standards and act as a model for future corridors in the NFTA service area and throughout the United States. The project, that goes from Niagara Square in downtown Buffalo to Niagara and Ontario streets focuses on a high-demand urban transit corridor which presents real opportunity for neighborhood revitalization, transit orientated development, and improved livability for local citizens. Final products of the project will include five new 40 ft. CNG buses, a compact neighborhood transit center and park-and-ride with bus holding spaces near prime access points for six bus routes, traffic signal prioritization equipment to enhance bus flow and timing, and new bus shelters with solar panels and next bus notification technology. The anticipated completion date is FYE 15.

NFTA also commenced an alternatives study for the Amherst-Buffalo Corridor, which includes NFTA Metro's highest ridership levels, to ensure recent economic development in the region has adequate infrastructure to address increased transportation needs. The Amherst-Buffalo Corridor would connect the current NFTA Light Rail System in Buffalo to the State University of New York at Buffalo's (UB) 1,100 acre North Campus in Amherst. This analysis is viewed as the first step for NFTA to make informed decisions about providing transit options for a growing ridership and could lead to a project to spur economic and transit oriented development.

In addition, the NFTA became engaged as part of One Region Forward. One Region Forward is a broad-based, collaborative effort to promote more sustainable forms of development in Erie and Niagara counties (the Buffalo Niagara Region) in land use, transportation, housing, energy and climate, access to food, and more. The primary deliverable of One Region Forward will be a Regional Plan for Sustainable Development, a federally recognized document that will give our region priority status for funding opportunities. It will serve as a basis for improving mobility, promoting more efficient land use patterns, strengthening our basic infrastructure, and growing the economy.

Looking at infrastructure, the NFTA commenced a Facility Consolidation Study, as an opportunity for potential savings. The study is expected to be complete in FYE 14. The Light Railcar Mid-life Rebuild project where we are rehabilitating all 27 of our railcars that have been in service for over 25 years, and extends the life of the fleet for another 20 years continues to progress. These improvements are being accomplished in New York State, adding to the State's economic development.

As Surface Transportation continues to "Go Green," in FYE 13 we took delivery of 13 new hybrid buses, 31 small buses that are able to be converted to CNG, and installed a bus shelter with a green roof, with the anticipation of more in the future.

Aviation

Buffalo Niagara International Airport (BNIA), the Authority's second largest strategic business unit serves over 5 million passengers, marking its seventh straight year of that level or higher of passengers, a milestone that was not predicted until 2020. To accommodate the growth in FYE 14 BNIA's Long Term Lot B will be expanded to accommodate an additional 988 cars. The total project costs are estimated to be $8,094,231 with $6,000,000 being funded by the New York State Airport Infrastructure Investment Program and $880,000 from Empire State Development with the balance of $1,214,231 coming from BNIA funds.

BNIA also continues to progress on the $56.8 million Noise Mitigation Projects that will continue for the next five years. These projects are fully funded by the FAA, New York State and Passenger Facility Charges.

Located just five miles from Niagara Falls, the Niagara Falls International Airport (NFIA) has been a catalyst for economic development. Since the completion of the new terminal building in 2009, the number of enplanements has grown significantly. Despite the loss of Direct Air in March 2012 which represented 52% of the enplanements at NFIA, the number of flights had recovered by fiscal year end to the same number as when Direct Air was operating. Enplanements in the month of March 2013 exceeded the previous March by 9.4%. Overall, the NFIA deficit was reduced 14.1% and the Aviation Division continues to work on ways to increase revenues and attract more air service.

In FYE 14 a Master Plan for NFIA will be completed. Additionally, an overall Aviation Strategic Plan will be completed that considers the growth and positioning of both BNIA and NFIA. This will help shape the direction of the Aviation System as a whole.

Property Development

The Property Management Division serves as the Authority-wide provider of real estate services, managing over 2,000 acres of property throughout Erie and Niagara counties 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 1,000 slips.

Occupancy rates increased year over year for 247 and 485 Cayuga Road by 8.5% and 7% respectively. Port Terminals A & B that were closed in the previous year now have multiple offers that are being reviewed. It is the direction of the Board of Commissioners to divest those properties that are not in concert with our mission of providing and supporting transportation and we continue to look at all options for the Outer Harbor Property including the Boat Harbor.

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 Position

March 31, 2013 and 2012
(In thousands)

Assets		2013	2012 As restated
Current assets:			
Cash and cash equivalents	$	28,200	20,790
Accounts receivable, net of allowance for doubtful accounts of $196 in 2013 and $243 in 2012		5,427	6,010
Grants receivable		19,848	17,368
Materials and supplies inventory		3,971	3,993
Prepaid expenses and other		368	591
		57,814	48,752
Restricted assets:			
Cash and cash equivalents		44,978	42,622
Investments		25	25
		45,003	42,647
Bond insurance costs		1,683	1,823
Capital assets, net		704,338	713,763
		751,024	758,233
Total assets	$	808,838	806,985

(Continued)

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Net Position, Continued
(In thousands)

Liabilities and Net Position	2013	2012 As restated
Current liabilities:		
Current portion of long-term debt	$ 18,938	19,167
Accounts payable and accrued expenses	30,089	24,079
Customer deposits	2,601	2,581
Other liabilities	4,658	4,444
	56,286	50,271
Noncurrent liabilities:		
Derivative instruments	7,333	7,618
Long-term debt	151,461	164,898
Other postemployment benefits	90,048	77,724
Payable to NYS Retirement	4,719	621
Estimated liability for self-insured claims	32,135	31,262
	285,696	282,123
Total liabilities	341,982	332,394
Deferred inflow of resources - deferred 88(c) revenue	1,394	260
Net position:		
Capital assets, net of related debt	533,939	529,698
Restricted net position	54,631	51,613
Unrestricted net position (deficit)	(123,108)	(106,980)
Total net position	465,462	474,331
Commitments and contingencies (note 12)		
Total liabilities, deferred inflow of resources and net position	$ 808,838	806,985

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Statements of Revenues, Expenses and Changes in Net Position

Years ended March 31, 2013 and 2012

(In thousands)

		2013	2012 As restated
Operating revenues:			
Fares	$	36,489	32,524
Concessions and commissions		30,203	29,294
Rental income		14,877	13,409
Airport fees and services		16,137	16,208
Tenant reimbursements		1,668	1,698
Boat harbor fees		1,145	1,016
Retail sales		377	342
Other operating revenues		3,963	3,838
Total operating revenues		104,859	98,329
Operating expenses:			
Salaries and employee benefits		116,877	116,089
Other postemployment benefits		18,502	17,329
Depreciation		56,274	57,523
Maintenance and repairs		16,420	16,267
Transit fuel and power		8,219	8,582
Utilities		5,101	5,242
Insurance and injuries		4,374	4,118
Safety and security		11,255	11,581
Other operating expenses		13,396	13,784
Total operating expenses		250,418	250,515
Operating loss		(145,559)	(152,186)

(Continued)

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position, Continued

(In thousands)

	2013	2012 As restated
Non-operating revenues (expenses):		
Operating assistance	$ 96,137	95,340
Passenger facility charges	10,876	10,872
Derivative instrument losses	285	(2,697)
Interest expense, net	(8,330)	(8,675)
Airport noise abatement	(5,089)	(4,932)
Other non-operating revenues (expenses)	19,261	17,441
Total net non-operating revenues	113,140	107,349
Loss before capital contributions	(32,419)	(44,837)
Capital contributions	23,550	25,885
Change in net position	(8,869)	(18,952)
Total net position, beginning of year as previously stated	474,331	495,121
Restatement	-	(1,838)
Total net position, beginning of year as restated	474,331	493,283
Total net position, end of year	$ 465,462	474,331

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended March 31, 2013 and 2012

(In thousands)

	2013	2012 As restated
Cash flows from operating activities:		
Cash collected from customers	$ 105,460	98,847
Cash paid for employee wages and benefits	(117,352)	(126,530)
Cash paid to vendors and suppliers	(49,768)	(48,029)
Cash paid for insurance and injury	(3,501)	(2,845)
Net cash used in operating activities	(65,161)	(78,557)
Cash flows from non-capital financing activities - operating assistance	96,137	95,340
Cash flows from capital and related financing activities:		
Repayments of long-term debt	(13,666)	(13,481)
Proceeds from issuance of long-term debt	-	5,502
Escrow funds, net	214	199
Interest paid	(8,463)	(8,848)
Deferred 88(c) revenues	1,134	(219)
Capital grants and contributions	21,071	20,976
Additions to capital assets	(47,022)	(44,004)
Construction retainages, net	169	726
Proceeds from sale of capital assets	111	162
Passenger facility charges	10,876	10,872
Airport noise abatement	(5,089)	(4,932)
Other	19,322	17,560
Net cash used in capital and related financing activities	(21,343)	(15,487)
Cash flows from investing activities - interest income	133	173
Net change in cash and cash equivalents	9,766	1,469
Cash and cash equivalents, beginning of year	63,437	61,968
Cash and cash equivalents, end of year	$ 73,203	63,437

(Continued)

See accompanying notes to basic financial statements.

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

Statements of Cash Flows, Continued

(In thousands)

		2013	2012 As restated
Reconciliation to Statement of Net Position:			
Cash and cash equivalents:			
Unrestricted	$	28,200	20,790
Restricted		45,003	42,647
Total cash and cash equivalents	$	73,203	63,437
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss		(145,559)	(152,186)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		56,274	57,523
Other postemployment benefits, net		12,324	16,133
Changes in assets and liabilities:			
Receivables		583	557
Materials and supplies inventory		163	(173)
Prepaid expenses and other		222	852
Accounts payable and accrued expenses		5,841	(2,474)
Customer deposits		20	(37)
Estimated liability for self-insured claims		873	1,273
Payable to NYS Retirement		4,098	(25)
Net cash used in operating activities	$	(65,161)	(78,557)

See accompanying notes to basic financial statements.

(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 Niagara Frontier Transit Metro System, Inc. (Metro) was created as part of the Authority in 1974 to provide mass transportation services to the Niagara Frontier.

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. Each year a financial expert is designated by the Audit and Governance Committee of the Board. 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. Governmental Accounting Standards Board (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.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's financial statement presentation is prepared in accordance with the provisions of GASB Statement No. 20 - "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," amended by the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" in 2012. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. Also, during 2012, the Authority adopted GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position," and GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." These statements provide guidance on presented deferred outflows, deferred inflows and net position. The more significant accounting policies are described below:

(a) Basis of Accounting

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Authority Operations

The Authority has three strategic business centers: Aviation, Property and Surface Transportation.

Aviation

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.

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 ways, and non-public transportation assets, including industrial warehouse distribution and associated office space for lease.

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Accounting, Continued

Authority Operations, Continued

<u>Surface Transportation</u>

Metro 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 310 buses which operate 65 routes.

MetroLink, a fixed route scheduled service providing community circular/access to jobs, and a Paratransit program for disabled persons, which share a total of 74 vans.

A seasonal/tourist-oriented service, using three 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 13 stations, five on the surface and eight underground.

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.

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.

(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.

(2) Summary of Significant Accounting Policies, Continued

(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 revenue 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 revenue from concessions and commissions includes parking fees, auto rentals, and retail concessions store space. These sources of operating revenue are recognized upon provision of services. Auto revenue commissions are recognized based upon monthly percentage of revenues earned during the contractual year with an annual adjustment to the minimum annual guaranteed fees upon completion of the contract year. 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 non-operating.

(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 Insurance Costs

Bond discounts and bond issuance costs, with the exception of bond insurance, are expensed as incurred.

(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.

(2) Summary of Significant Accounting Policies, Continued

(i) Compensated Absences

Authority 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, 2013 and 2012, the Authority's liability for unused vacation leave totaled $2,187 and $2,167, respectively, and is included in accounts payable and accrued expenses in the accompanying Statements of Net Position.

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 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 (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 December 31 for operators. Clerical employees can rollover up to 5 days into the following year however these days must be used by March 31. At March 31, 2013 and 2012, the Metro liability for unused vacation leave is $2,889 and $2,858, respectively.

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, 2013 and 2012, Metro has recorded a liability totaling approximately $2,690 representing the estimated present value of future benefits which is included in accounts payable and accrued expenses in the accompanying Statements of Net Position.

(j) Customer Deposits and Deferred 88(c) Revenue

Operating revenues received for services prior to being earned are recorded as customer deposits.

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 inflows until all eligibility requirements are met.

(2) Summary of Significant Accounting Policies, Continued

(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 of 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.

(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) Postemployment 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 established standards for the measurement, recognition, and display of other postretirement 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.

(2) Summary of Significant Accounting Policies, Continued

(q) Derivative Instruments

The Authority adopted the provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53) in 2011. This Statement was effective for periods beginning after June 15, 2009 and enhances the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB 53 is that certain derivative instruments, are reported at fair value in the basic financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedge-able item. The statement describes several quantitative methods and a qualitative method for evaluating effectiveness.

As part of the application of GASB 53, the provisions of the statement were applied retroactively to the prior year financial statement amounts as required in the transition guidance.

As of March 31, 2013 and 2012, the negative fair value of all investment and ineffective derivative instruments totaled $7,333 and $7,618, respectively, and is recorded as "derivative instruments" within the noncurrent liability section of the Statements of Net Position. The decrease in negative fair value of these instruments of $285 for fiscal year end 2013 and the $2,697 increase for fiscal year end 2012 is reflected in "derivative instrument losses" within the nonoperating revenues (expenses) section of the Statements of Revenues, Expenses and Changes in Net Position for the years ended March 31, 2013 and 2012, respectively. See note 5(b) for further details regarding the derivative instruments reporting.

(2) Summary of Significant Accounting Policies, Continued

(r) Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position Restatement

For the year ended March 31, 2013, the Authority implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement No. 63 amends the net asset reporting requirement in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure as net position, rather than net assets. Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of these standards reduced previously reported net position as of March 31, 2012, by $1,838, to eliminate unamortized bond and note issuance costs net of insurance. This restatement has been recorded in the statements of revenue, expenses and changes in net position and cash flows for the year ended March 31, 2012.

(s) Subsequent Events

The Authority has evaluated events after March 31, 2013, and through June 27, 2013, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(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, 2013 and 2012, 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.

(4) Capital Assets

	April 1, 2012	Additions	Disposals	March 31, 2013
Capital assets not subject to depreciation:				
Land	$ 62,572	565	-	63,137
Construction in progress	40,630	(7,125)	-	33,505
	103,202	(6,560)	-	96,642
Capital assets subject to depreciation:				
Land improvements	311,963	32,501	-	344,464
Light rail rapid transit (LRRT) system	607,998	3,305	(177)	611,126
Airport buildings	267,888	2,784	-	270,672
Metropolitan transportation centers	20,849	-	-	20,849
Marine terminals, docks, and wharves	27,566	(133)	-	27,433
Motor buses	130,534	10,009	(5,983)	134,560
Equipment, misc., buildings, and other	133,590	4,943	(3,673)	134,860
	1,500,388	53,409	(9,833)	1,543,964
Accumulated depreciation:				
Land improvements	(187,098)	(14,322)	-	(201,420)
LRRT system	(417,071)	(14,953)	177	(431,847)
Airport buildings	(99,445)	(4,722)	-	(104,167)
Metropolitan transportation centers	(13,908)	(472)	-	(14,380)
Marine terminals, docks, and wharves	(19,977)	(5,051)	-	(25,028)
Motor buses	(64,886)	(10,441)	5,983	(69,344)
Equipment, misc., buildings, and other	(87,442)	(6,313)	3,673	(90,082)
	(889,827)	(56,274)	9,833	(936,268)
Capital assets, net	$ 713,763	(9,425)	-	704,338

(4) Capital Assets, Continued

	April 1, 2011	Additions	Disposals	March 31, 2012
Capital assets not subject to depreciation:				
Land	$ 62,108	464	-	62,572
Construction in progress	28,071	12,559	-	40,630
	90,179	13,023	-	103,202
Capital assets subject to depreciation:				
Land improvements	347,079	437	(35,553)	311,963
LRRT system	602,512	5,991	(505)	607,998
Airport buildings	268,449	1,281	(1,842)	267,888
Metropolitan transportation centers	21,807	27	(985)	20,849
Marine terminals, docks, and wharves	29,147	137	(1,718)	27,566
Motor buses	123,895	19,993	(13,354)	130,534
Equipment, misc., buildings, and other	132,731	3,122	(2,263)	133,590
	1,525,620	30,988	(56,220)	1,500,388
Accumulated depreciation:				
Land improvements	(207,644)	(15,008)	35,554	(187,098)
LRRT system	(402,911)	(14,665)	505	(417,071)
Airport buildings	(92,052)	(8,933)	1,540	(99,445)
Metropolitan transportation centers	(14,401)	(492)	985	(13,908)
Marine terminals, docks, and wharves	(20,936)	(1,062)	2,021	(19,977)
Motor buses	(67,882)	(10,358)	13,354	(64,886)
Equipment, misc., buildings, and other	(82,698)	(7,005)	2,261	(87,442)
	(888,524)	(57,523)	56,220	(889,827)
Capital assets, net	$ 727,275	(13,512)	-	713,763

(5) Long-Term Debt

(a) Long-term Obligations

	2013	2012
(1) 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.	$ 40,700	43,500
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.	6,425	6,875
(2) Airport Revenue Bonds 1999:		
Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2004, bearing interest at 4.75% to 5.875% (net of unamortized discount of $1,318 in 2013 and $1,473 in 2012).	66,323	69,083
Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of $91 in 2013 and $120 in 2012).	13,685	13,669
(3) 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 $318 in 2013 and $339 in 2012).	14,447	15,021
(4) Payable to the State of New York, non-interest bearing.	3,380	3,380
(5) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019.	1,905	2,153
(6) NYS EFC Series 2000B Bonds for glycol containment, issued by New York State maturing January 15, 2020 with variable annual principal payments, bearing interest at 2.375%.	1,600	1,800

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

(7) Bank loan for Property Management Capital Project, monthly payments with variable interest based on the 30 day LIBOR rate plus 350 basis points, subject to an interest rate swap with a fixed rate of 5.81%, maturing in 2013, unsecured.	$ -	227
(8) Bank loan for BNIA Capital Projects, 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.	6,929	10,503
(9) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment.	1,851	2,076
(10) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by property.	4,207	4,294
(11) Bank loan for the NFIA New Terminal Project, monthly payments with variable interest based on the 30 day LIBOR rate plus 265 basis points and fixed principal payments, maturing in 2015, secured by non-real estate property.	3,324	5,225
(12) Loan with vendor for BNIA with a fixed rate of 4% maturing in 2013, unsecured.	108	740
(13) Capital lease, monthly payments with fixed interest rate of 5.5% maturing in 2016, secured by related equipment.	15	19
(14) Revolving line of credit for NYS Dedicated Transit Funds with a variable interest rate of LIBOR plus 1.45% (1.69% on March 31, 2013), repaid May 16, 2013.	5,500	5,500
	170,399	184,065
Less current portion	(18,938)	(19,167)
Noncurrent portion	$ 151,461	164,898

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

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

(1) 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.

(2) 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.

(3) 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.

(4) 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 2033 through 2037 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.

Changes in long-term debt for the years ended March 31, 2013 and 2012 were as follows:

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

	March 31 2013	March 31 2012
Balance at beginning of year	$ 184,065	192,044
Loan/capital lease proceeds	-	5,502
Repayment of long-term debt, net of discount amortization	(13,666)	(13,481)
Balance at end of year	170,399	184,065
Less current portion	(18,938)	(19,167)
Noncurrent portion of long-term debt	$ 151,461	164,898

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
Year ending March 31:					
2014	$ 11,675	763	7,350	(87)	7,012
2015	5,017	504	7,710	(92)	6,662
2016	1,041	417	7,940	(98)	6,438
2017	681	382	8,475	(99)	5,928
2018	715	348	8,710	(101)	5,643
2019-2023	1,871	1,313	49,855	(490)	21,309
2024-2028	1,197	888	39,630	(635)	9,382
2029-2033	1,644	324	15,235	(125)	860
2034-2038	3,380	-	-	-	-
	$ 27,221	4,939	144,905	(1,727)	63,234

At March 31, 2013 and 2012, the Authority was in compliance with all loan and bond covenants.

(5) Long-Term Debt, Continued

(b) Derivative Instruments

Objective of Interest Rate Swaps

In order to lower its borrowing costs on its fixed-rate bonds, the Authority entered into two interest rate swaps in connection with its $73,025 Refunding Series 2004A and 2004C variable-rate bonds. The intention of the interest rate swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.646% and 3.55% for Series 2004A and 2004C, respectively.

Risks

Below is a list of risks inherent in the interest rate swaps 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 $2,029 and $1,901 during the years ended March 31, 2013 and 2012, respectively.

The Series 2004 Bonds were issued to refund the Authority's outstanding Airport Revenue Bonds, Series 1994A and 1994C, which, together with the Authority's interest rate swaps entered into with respect to the Series 2004 Bonds, are expected to achieve debt service savings for the Authority.

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 swaps. 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.

Terms

At March 31, 2013, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $6,356, and $977, respectively. At March 31, 2012, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $6,615 and $1,003, respectively. The combined negative fair values of $7,333 and $7,618 were recorded in accordance with the provisions of GASB 53 described in note 2. At March 31, 2013, the notional amounts of Series 2004A and 2004C swaps were $40,700 and $6,425, respectively. At March 31, 2012, the notional amounts of Series 2004A and 2004C swaps were $43,500 and $6,875, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024 or more than 10 years investment maturity.

(5) Long-Term Debt, Continued

(b) Derivative Instruments, Continued

As part of the provisions of GASB 53, the Authority evaluated the effectiveness of the interest rate swap derivatives that existed at the end of the reporting period. Due to the risks inherently noted above, the Series 2004A and 2004C interest rate swaps as of March 31, 2012 were considered ineffective because they did not meet the effectiveness criteria under the Synthetic Instrument Method (SIM) quantitative method of evaluating effectiveness. Therefore, changes in the fair value of the swaps are recorded as "derivative instrument losses" in the Statements of Revenues, Expenses and Changes in Net Position for 2012 and all future periods.

(6) Deferred 88(c) Inflows

Changes in deferred 88(c) inflows for the years ended March 31, 2013 and 2012 were as follows:

	March 31	
	2013	2012
Balance at beginning of year	$ 260	479
Receipts of funds	6,100	4,773
Interest income	3	4
Light rail capital and operating expenditures	(4,969)	(4,996)
Balance at end of year	$ 1,394	260

(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, 2013 and 2012 were $10,876 and $10,872, respectively.

(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, 2013 and 2012 were as follows:

	2013	2012
FTA:		
Section 5307 and 5311 assistance	$ 10,628	9,820
Section 5307 capital maintenance	408	361
Other	2,353	2,275
Total FTA	13,389	12,456
New York State:		
Statewide transit operating assistance program	40,827	37,907
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	1,373	1,266
Other	236	213
Total New York State	46,536	43,486
Erie County:		
88(c) - general	4,012	8,971
Mortgage recording tax (section 88a)	7,187	5,875
Section 18b matching funds	3,657	3,657
Sales tax receipts	18,295	17,804
Total Erie County	33,151	36,307
Niagara County:		
Mortgage recording tax	1,070	909
Section 18b matching funds	443	443
Total Niagara County	1,513	1,352
Peace Bridge Authority	200	200
	94,789	93,801
Authority:		
Department of Homeland Security	1,345	1,522
Department of Justice	3	17
	1,348	1,539
	$ 96,137	95,340

(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 employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PRFS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The rates range from 10.1% to 25.4% of annual covered payroll over the past three years.

The Authority contributions to the System for the years ended March 31, 2013 and 2012 were $5,897 and $5,447, 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 employees compensation is also contributed by Metro to the ATU Plan, although part-time employees do not participate in or benefit by the ATU Plan.

(9) Retirement Plans, Continued

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

Plan Description, Continued

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.

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 Position, pursuant to the CBA, totaled $5,478 and $5,520 for 2013 and 2012, respectively. 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:

	2013	2012
Annual required contribution	$ (6,221)	(5,716)
Interest on net pension asset	941	970
Adjustment to annual required contribution	(1,125)	(1,159)
Annual pension cost	(6,405)	(5,905)
Contributions made	5,478	5,520
Decrease in net pension asset	(927)	(385)
Net pension asset beginning of year	12,543	12,928
Net pension asset end of year	$ 11,616	12,543

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.

(9) Retirement Plans, Continued

(c) Metro Nonunion Retirement Plan

Effective January 1, 1997, active non-bargaining 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 the New York State and Local Employees' Retirement System. 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:

	2013	2012
Annual required contribution	$ (567)	(576)
Interest on net pension asset	(24)	(24)
Adjustment to annual required contribution	24	24
Annual pension cost	(567)	(576)
Contributions made	576	491
Decrease/(increase) in net pension obligation	9	(85)
Net pension obligation, beginning of year	(576)	(491)
Net pension obligation, end of year	$ (567)	(576)

The annual required contribution was determined using the Unit Credit Actuarial Cost Method. The actuary assumed a 4.75% 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, 2012, on the basis for actuarial assumptions used for funding purposes, the actuarial value of the plan assets of $4,735 is lower than the actuarial accrued liabilities of $6,465.

(10) Postemployment Benefits

Postemployment Health Care

The Authority provides a defined benefit postemployment 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 2004. If they retired subsequent to January 2004, Metro retirees are provided with continuation of full medical coverage.

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 postemployment 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 Position as other postemployment benefits. The Authority's current policy is to fund the benefits on a "pay-as-you-go" basis.

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, 2013 and 2012:

(10) Postemployment Benefits, Continued

Postemployment Health Care, Continued

	2013	2012
Annual required contribution (ARC)		
Normal cost	$ 7,275	8,840
Amortization of UAAL	11,088	13,600
Annual required contribution	18,363	22,440
Interest earned on OPEB obligation	3,665	2,885
Adjustment to ARC	(5,000)	(3,936)
Annual OPEB cost	17,028	21,389
Employer contributions	(3,677)	(4,060)
Increase in OPEB obligation	13,351	17,329
Net OPEB obligation - beginning of year	81,443	64,114
Net OPEB obligation - end of year	$ 94,794	81,443

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, 2011 through March 31, 2013 were:

March 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 17,028	21.60%	94,794
2012	21,389	18.98%	81,443
2011	20,409	16.66%	64,114

The actuarial analysis supporting the GASB 45 obligation for 2013 was completed using a valuation date of April 1, 2012. The total actuarial accrued liability (AAL) for future benefits was $46,159 for the Authority and $148,381 for Metro, all of which is unfunded. These projections are based on the April 1, 2012 census data, claims information and the impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was $82,536, and the ratio of the UAAL to the covered payroll was 235.7%.

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. Any changes in these factors will impact the results of future valuations. The schedules 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.

(10) Postemployment Benefits, Continued

Postemployment Health Care, Continued

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% next year, ultimately declining to 5% in year 2023 and remaining level thereafter.
- Actuarial cost method used is Projected Unit Credit.
- Discount rate is 4.50%.
- Amortization method is 30 years, open, level dollar method.

Postemployment Stipends

As of March 31, 2013, there are 214 retirees within Metro who retired prior to January 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 (asset) related to such stipends was:

	2013	2012
Annual required contribution	$ 1,724	1,832
Interest on net pension cost	(149)	(101)
Adjustment to ARC	215	146
Annual pension cost	1,790	1,877
Employer contributions	(2,817)	(3,073)
Increase in net pension asset	(1,027)	(1,196)
Net pension asset - beginning of year	(3,719)	(2,523)
Net pension asset - end of year	$ (4,746)	(3,719)

The actuarial accrued liability at March 31, 2013 and 2012 was $26,328 and $29,814, respectively, all of which is unfunded. The net pension asset of $4,746 and $3,719 as of March 31, 2013 and 2012, respectively, has been recorded as a noncurrent liability on the Statements of Net Position as other postemployment benefits. The current policy is to fund on the "pay as you go" basis.

(10) Postemployment Benefits, Continued

Postemployment Stipends, Continued

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

- Healthcare cost trend is estimated at 9% next year declining 1% per year through 2017.
- Actuarial cost method used is Projected Unit Credit.
- Discount rate is 4%.
- 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 $60,722 and $51,115 in 2013 and 2012, including guaranteed minimum rentals of $24,570 and $21,960, respectively.

Fixed-term operating leases in effect at March 31, 2013 are expected to yield minimum rentals in future years as follows:

2014	$ 20,925
2015	19,465
2016	19,487
2017	19,327
2018	16,273
2019-2023	13,484
2024-2028	10,122
2029-2033	3,216
2034-2038	978
2039-2043	687
	$ 123,964

(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.

(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 $0 and $50 for 2013 and 2012, respectively, relating to the ongoing water treatment remediation project at the former Westinghouse facility. This liability is included in the estimated liability for self-insured claims on the Statements of Net Position.

Changes in self-insured claims for the years ended March 31, 2013 and 2012 were as follows:

	March 31	
	2013	2012
Beginning of year liability	$ 31,262	29,989
Current year claims	10,229	11,369
Claim payments	(9,356)	(10,096)
Balance at end of year	$ 32,135	31,262

(12) Commitments and Contingencies, Continued

(c) Project Commitments

As of March 31, 2013, the Authority has commenced several projects including:

- NFIA (Niagara Falls International Airport) runway 10L/28R mill and overlay improvements estimated at $21,004 of which $18,289 was expended.
- BNIA improvement of baggage sorting system estimated at $30,270 of which $28,969 was expended.
- BNIA noise abatement program for outlaying properties estimated at $56,860 of which $31,678 was expended. (Expenditures are classified as non-operating expenses in the Statements of Revenues, Expenses and Changes in Net Position).
- Rail car refurbishment estimated at $45,564 of which $23,234 was expended.
- BNIA Long Term Lot B expansion estimated at $8,094 of which $1,008 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.

(13) Segment Information - Buffalo Niagara International Airport, Continued

(a) Condensed Statements of Net Position (BNIA)

	2013	2012
Assets:		
Current	$ 46,305	41,837
Capital assets, net	278,343	290,613
Other	50,936	50,812
Total assets	$ 375,584	383,262
Liabilities:		
Current liabilities	17,063	16,388
Long-term liabilities	153,615	164,266
Total liabilities	$ 170,678	180,654
Net position:		
Invested in capital assets, net of related debt	123,303	125,026
Restricted	49,253	47,173
Unrestricted	32,350	30,409
Total net position	$ 204,906	202,608

Included in current and other assets are airport revenue bond fund accounts and other cash and deposit accounts totaling $29,879 and $20,637 for the fiscal year ended March 31, 2013 and $48,083 and $10 for the fiscal year ended March 31, 2012, respectively.

(13) Segment Information - Buffalo Niagara International Airport, Continued

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

	2013	2012
Operating revenues:		
Concessions and commissions	$ 28,880	28,179
Airport fees and services	16,095	16,123
Rental income	9,955	8,724
Other	4,458	4,501
Total operating revenues	59,388	57,527
Operating expenses	37,922	36,631
Depreciation expense	20,510	21,505
Operating loss	956	(609)
Nonoperating revenues (expenses):		
Derivative investment gain (losses)	286	(2,697)
Interest expense, net	(7,616)	(8,152)
Passenger facility charges	10,876	10,872
Airport noise abatement	(5,089)	(4,932)
Other, net	(5,470)	(7,812)
Loss before capital contribution	(6,057)	(13,330)
Capital contributions	8,355	6,993
Change in net position	2,298	(6,337)
Net position, beginning of year	202,608	208,945
Net position, end of year	$ 204,906	202,608

(c) Condensed Statements of Cash Flows (BNIA)

	2013	2012
Net cash provided by operating activites	$ 19,301	21,176
Net cash provided by investing activities	110	143
Net cash used in capital and related financing activities	(16,987)	(16,304)
Net increase in cash	2,424	5,015
Cash, beginning of year	48,093	43,078
Cash, end of year	$ 50,517	48,093

(13) Segment Information - Buffalo Niagara International Airport, Continued

(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 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.

	2013	2012
Airport revenues:		
Operating revenues	$ 59,388	57,527
Interest income	104	140
Gross airport revenues	59,492	57,667
Operating expenses	(37,922)	(36,631)
Net airport revenues	21,570	21,036
Net debt service:		
Principal paid	7,248	7,090
Interest paid	7,489	7,829
Passenger facility charges	(1,447)	(1,437)
Net debt service	$ 13,290	13,482
Debt service coverage percentage	162.30%	156.03%
Minimum percentage requirement	125.00%	125.00%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Required Supplementary Information (Unaudited)
Schedules of Funding Progress for Defined Benefit Pension
and Other Postemployment Benefit Plans
For the Years ended March 31, 2013 and 2012
(In thousands)

ATU Division 1342 NFT Metro Plan

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2013	8/1/2012	$ 93,194	147,596	(54,402)	63.1%	46,205	117.7%
3/31/2012	8/1/2011	90,380	141,824	(51,444)	63.7%	46,968	109.5%
3/31/2011	8/1/2010	86,260	133,305	(47,045)	64.7%	45,507	103.4%

Postemployment Benefits

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2013	4/1/2012	$ -	194,540	(194,540)	0%	82,536	235.7%
3/31/2012	4/1/2010	-	226,304	(226,304)	0%	83,823	270.0%
3/31/2011	4/1/2010	-	221,523	(221,523)	0%	83,812	264.3%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Net Position
March 31, 2013 and 2012
(In thousands)

	2013			2012 As restated		
Assets	Authority	Metro	Total	Authority	Metro	Total
Current assets:						
Cash and cash equivalents	$ 19,874	8,326	28,200	16,328	4,462	20,790
Accounts receivable, net of allowance for doubtful accounts of $196 in 2013 and $243 in 2012	4,097	1,330	5,427	4,138	1,872	6,010
Grants receivable	4,684	15,164	19,848	2,379	14,989	17,368
Due from other funds	(828)	828	-	(4,956)	4,956	-
Materials and supplies inventory	17	3,954	3,971	7	3,986	3,993
Prepaid expenses and other	223	145	368	327	264	591
	28,067	29,747	57,814	18,223	30,529	48,752
Restricted assets:						
Cash and cash equivalents	42,711	2,267	44,978	41,015	1,607	42,622
Investments	-	25	25	-	25	25
	42,711	2,292	45,003	41,015	1,632	42,647
Bond insurance costs	1,683	-	1,683	1,823	-	1,823
Capital assets, net	390,325	314,013	704,338	392,485	321,278	713,763
	434,719	316,305	751,024	435,323	322,910	758,233
Total assets	$ 462,786	346,052	808,838	453,546	353,439	806,985
Liabilities and Net Position						
Current liabilities:						
Current portion of long-term debt	13,203	5,735	18,938	13,442	5,725	19,167
Accounts payable and accrued expenses	14,818	15,271	30,089	11,165	12,914	24,079
Customer deposits	1,269	1,332	2,601	1,119	1,462	2,581
Other liabilities	4,658	-	4,658	4,444	-	4,444
	33,948	22,338	56,286	30,170	20,101	50,271
Noncurrent liabilities:						
Derivative instruments	7,333	-	7,333	7,618	-	7,618
Long-term debt	149,845	1,616	151,461	163,047	1,851	164,898
Other postemployment benefits	20,013	70,035	90,048	17,584	60,140	77,724
Payable to NYS Retirement	4,719	-	4,719	621	-	621
Estimated liability for self-insured claims	4,930	27,205	32,135	4,811	26,451	31,262
	186,840	98,856	285,696	193,681	88,442	282,123
Total liabilities	220,788	121,194	341,982	223,851	108,543	332,394
Deferred inflow of resources - deferred 88(c) revenue	-	1,394	1,394	-	260	260
Net position:						
Capital assets, net of related debt	227,277	306,662	533,939	215,996	313,702	529,698
Restricted net assets	53,733	898	54,631	50,241	1,372	51,613
Unrestricted net assets (deficit)	(39,012)	(84,096)	(123,108)	(36,542)	(70,438)	(106,980)
Total net position	241,998	223,464	465,462	229,695	244,636	474,331
Total liabilities, deferred inflow of resources and net position	$ 462,786	346,052	808,838	453,546	353,439	806,985

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Revenues, Expenses and Changes in Net Position
Years ended March 31, 2013 and 2012
(In thousands)

	2013			2012 As restated		
	Authority	Metro	Total	Authority	Metro	Total
Operating revenues:						
Fares	$ -	36,489	36,489	-	32,524	32,524
Concessions and commissions	30,203	-	30,203	29,294	-	29,294
Rental income	14,877	-	14,877	13,409	-	13,409
Airport fees and services	16,137	-	16,137	16,208	-	16,208
Tenant reimbursements	1,668	-	1,668	1,698	-	1,698
Boat harbor fees	1,145	-	1,145	1,016	-	1,016
Retail sales	377	-	377	342	-	342
Other operating revenues	3,257	706	3,963	3,230	608	3,838
Total operating revenues	67,664	37,195	104,859	65,197	33,132	98,329
Operating expenses:						
Salaries and employee benefits	22,171	94,706	116,877	21,746	94,343	116,089
Other postemployment benefits	6,553	11,949	18,502	3,303	14,026	17,329
Depreciation	26,516	29,758	56,274	27,708	29,815	57,523
Maintenance and repairs	10,304	6,116	16,420	9,892	6,375	16,267
Transit fuel and power	-	8,219	8,219	-	8,582	8,582
Utilities	3,426	1,675	5,101	3,356	1,886	5,242
Insurance and injuries	1,110	3,264	4,374	920	3,198	4,118
Safety and security	6,705	4,550	11,255	6,126	5,455	11,581
Other operating expenses	9,961	3,435	13,396	10,551	3,233	13,784
Administration cost reallocation	(3,807)	3,807	-	(3,750)	3,750	-
Total operating expenses	82,939	167,479	250,418	79,852	170,663	250,515
Operating loss	(15,275)	(130,284)	(145,559)	(14,655)	(137,531)	(152,186)
Non-operating revenues (expenses):						
Operating assistance	1,348	94,789	96,137	1,539	93,801	95,340
Passenger facility charges	10,876	-	10,876	10,872	-	10,872
Derivative instrument losses	285	-	285	(2,697)	-	(2,697)
Interest income	122	11	133	157	16	173
Interest expense	(8,286)	(177)	(8,463)	(8,754)	(94)	(8,848)
Airport noise abatement	(5,089)	-	(5,089)	(4,932)	-	(4,932)
Other non-operating revenues (expenses)	25,177	(5,916)	19,261	14,649	2,792	17,441
Total non-operating revenues	24,433	88,707	113,140	10,834	96,515	107,349
Loss before capital contributions	9,158	(41,577)	(32,419)	(3,821)	(41,016)	(44,837)
Capital contributions	3,144	20,406	23,550	(30)	25,915	25,885
Change in net position	12,302	(21,171)	(8,869)	(3,851)	(15,101)	(18,952)
Total net position, beginning of year as previously stated	229,696	244,635	474,331	235,384	259,737	495,121
Restatement	-	-	-	(1,838)	-	(1,838)
Total net position, end of year	$ 241,998	223,464	465,462	229,695	244,636	474,331

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Cash Flows
Years ended March 31, 2013 and 2012
(In thousands)

	2013			2012 As restated		
	Authority	Metro	Total	Authority	Metro	Total
Cash flows from operating activities:						
Cash collected from customers	$ 67,854	37,606	105,460	65,794	33,053	98,847
Cash paid for employee wages and benefits	(26,561)	(90,791)	(117,352)	(26,483)	(100,047)	(126,530)
Cash paid to vendors and suppliers	(22,317)	(27,451)	(49,768)	(25,856)	(22,173)	(48,029)
Receipts/payments to other funds	(321)	321	-	3,204	(3,204)	-
Cash paid for insurance and injury	(991)	(2,510)	(3,501)	117	(2,962)	(2,845)
Net cash provided by (used in) operating activities	17,664	(82,825)	(65,161)	16,776	(95,333)	(78,557)
Cash flows from noncapital financing activities - operating assistance	1,348	94,789	96,137	1,539	93,801	95,340
Cash flows from capital and related financing activities:						
Repayments of long-term debt	(13,441)	(225)	(13,666)	(18,765)	5,284	(13,481)
Proceeds from issuance of long-term debt	-	-	-	5,502	-	5,502
Escrow funds, net	214	-	214	199	-	199
Interest paid	(8,286)	(177)	(8,463)	(8,754)	(94)	(8,848)
Deferred 88(c) revenues	-	1,134	1,134	-	(219)	(219)
Capital grants and contributions	840	20,231	21,071	2,498	18,478	20,976
Additions to capital assets	(24,247)	(22,775)	(47,022)	(15,592)	(28,412)	(44,004)
Construction retainages, net	33	136	169	126	600	726
Proceeds from sale of capital assets	46	65	111	3	159	162
Passenger facility charges	10,876	-	10,876	10,872	-	10,872
Airport noise abatement	(5,089)	-	(5,089)	(4,932)	-	(4,932)
Other	25,162	(5,840)	19,322	14,927	2,633	17,560
Net cash used in capital and related financing activities	(13,892)	(7,451)	(21,343)	(13,916)	(1,571)	(15,487)
Cash flows from investing activities - interest income	122	11	133	157	16	173
Net change in cash and cash equivalents	5,242	4,524	9,766	4,556	(3,087)	1,469
Cash and equivalents, beginning of year	57,343	6,094	63,437	52,787	9,181	61,968
Cash and equivalents, end of year	$ 62,585	10,618	73,203	57,343	6,094	63,437
Reconciliation to Statements of Net Position:						
Cash and cash equivalents:						
Unrestricted	19,874	8,326	28,200	16,328	4,462	20,790
Restricted	42,711	2,292	45,003	41,015	1,632	42,647
Total cash and cash equivalents	$ 62,585	10,618	73,203	57,343	6,094	63,437

(Continued)

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Cash Flows, Continued
(In thousands)

	2013			2012 As restated		
	Authority	Metro	Total	Authority	Metro	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:						
Operating loss	$ (15,275)	(130,284)	(145,559)	(14,655)	(137,531)	(152,186)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation	26,516	29,758	56,274	27,708	29,815	57,523
Other postemployment benefits, net	2,429	9,895	12,324	3,303	12,830	16,133
Changes in assets and liabilities						
Receivables	41	542	583	408	149	557
Materials and supplies inventory	(10)	173	163	(2)	(171)	(173)
Prepaid expenses and other	104	118	222	586	266	852
Accounts payable and accrued expenses	3,620	2,221	5,841	(1,228)	(1,246)	(2,474)
Customer deposits	150	(130)	20	190	(227)	(37)
Due to other funds	(4,128)	4,128	-	(546)	546	-
Estimated liability for self-insured claims	119	754	873	1,037	236	1,273
Payable to NYS Retirement	4,098	-	4,098	(25)	-	(25)
Net cash provided by (used in) operating activities	$ 17,664	(82,825)	(65,161)	16,776	(95,333)	(78,557)

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

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

We have audited the basic financial statements and related notes of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York) and the Authority's internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as of and for the year ended March 31, 2013, and have issued our reports thereon dated June 27, 2013. We conducted our audit of the financial statements 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, and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, and for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

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

Toski & Co., CPAs, P.C.

Williamsville, New York
June 27, 2013

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INDEPENDENT AUDITORS' REPORT ON INVESTMENT PROGRAM COMPLIANCE

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

Report on Investment Program Compliance

We have audited the Niagara Frontier Transportation Authority's (the Authority) (a component unit of the State of New York) compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended March 31, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Authority's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Investment Program

In our opinion, Niagara Frontier Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended March 31, 2013.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 27, 2013