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

Financial Statements

March 31, 2015 and 2014

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

March 31, 2015 and 2014

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Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited the accompanying balance sheets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the Authority's internal control over financial reporting as of March 31, 2015, based on *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Financial Statements and Internal Control over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assertion about the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control Over Financial Reporting*.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the Authority's internal control over financial reporting based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements 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. An audit of internal control over financial reporting involves 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, and performing other such procedures as we considered necessary in the circumstances.

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

Definitions and Inherent Limitations of Internal Control over Financial Reporting

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 entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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

Opinions

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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, the Authority maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on *Internal Control – Integrated Framework* issued by the COSO.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) on pages i through xiv (preceding the financial statements) and the Schedule of Funding Progress for Other Postemployment Benefits and Pension Plans on page 36 be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Information

The additional information on pages 37 through 40 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

June 25, 2015

Niagara Frontier Transportation Authority
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MANAGEMENT'S CERTIFICATION OF THE FINANCIAL STATEMENTS

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
Executive Director

John T. Cox
Chief Financial Officer

Patrick J. Dalton
Director of Internal Audit and Corporate Compliance

June 25, 2015

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Niagara Frontier Transportation Authority's (the Authority) 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 expenses 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.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2015, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of March 31, 2015, the Authority's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel Executive Director	John T. Cox Chief Financial Officer	Patrick J. Dalton Director of Internal Audit and Corporate Compliance

June 25, 2015

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2015, 2014, and 2013
(Unaudited)

This management's discussion and analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal years ended March 31, 2015, 2014 and 2013. 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 revenues are recorded when earned and expenses are recorded when a liability is incurred, 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 blended 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 financial statements. The Authority's financial statements consist of:

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

Balance Sheets present information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported 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 and non-operating revenues and expenses of the Authority. The difference, change in net position before capital contributions, combined with capital contributions and special item – property disposition, determines 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 notes to the financial statements 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 NFTA and Metro.

Summary of Financial Highlights

Summarized Balance Sheets

	March 31 (In thousands) 2015	2014	2013
Current assets	$ 68,473	$ 61,020	$ 57,814
Restricted assets	45,950	46,912	45,003
Bond insurance costs, net	694	1,543	1,683
Capital assets, net	624,293	673,651	704,338
Total assets	$ 739,410	$ 783,126	$ 808,838
Current liabilities	$ 43,602	$ 52,777	$ 57,680
Long-term liabilities	297,390	290,485	285,696
Total liabilities	340,992	343,262	343,376
Net position:			
Net investment in capital assets	484,013	519,675	533,939
Restricted	39,731	40,082	38,951
Unrestricted	(125,326)	(119,893)	(107,428)
Total net position	398,418	439,864	465,462
Total liabilities and net position	$ 739,410	$ 783,126	$ 808,838

Net Position

The changes in total net position serve over time as a useful indicator of the Authority's financial position.

March 31, 2015 vs. March 31, 2014

As a result of the Authority's fiscal 2015 activities, March 31, 2015 net position decreased $41.4 million, or 9.4%, from March 31, 2014. Restricted net assets consist primarily of cash and investments restricted in accordance with bonding requirements or assets whose use is limited to specific purposes in accordance with various agreements. Net investment in capital assets represents the Authority's net capital assets, offset by any debt outstanding used to finance the capital asset purchases.

- Current assets increased $7.5 million from March 31, 2014 to March 31, 2015, primarily due to a $21.3 million increase in unrestricted cash held by the Authority, offset by a $13.7 million decrease in grants receivable. Grants receivable fluctuate based on the timing of requests and the subsequent receipt of funds.
- Current liabilities decreased $9.2 million, or 17.4%, attributable to a lower current portion of long-term debt as a loan to fund construction of the Niagara Falls International Airport (NFIA) terminal matured in 2015, lack of boat harbor deferred revenues due to transfer of the property to New York State, and lower Metro deferred token and pass revenues.
- Total liabilities remained relatively consistent from March 31, 2014 to March 31, 2015 as debt decreases totaling $13.7 million were offset by increases in other postemployment benefits liabilities totaling $13.0 million.
- As more fully described below, the Authority issued $65.3 million Series 2014A and $12.4 Series B Airport revenue bonds to refund outstanding Series 1999A and 1999B and 1998 bonds totaling $88.8 million.
- Current year depreciation and asset disposals exceeded capital asset additions by $49.4 million in fiscal 2015, while related debt decreased $13.7 million, resulting in a decrease in net capital assets of $35.7 million at March 31, 2015 compared to March 31, 2014. During fiscal 2015, the Authority transferred waterfront property, improvements and equipment resulting in a special item – property disposition of $13.0 million on the statements of revenues, expenses and changes in net position.
- Net unrestricted position is negative $125.3 million and negative $119.9 million at March 31, 2015 and 2014, primarily resulting from the accrual of postemployment benefits other than pensions required by GASB Statement No. 45.

March 31, 2014 vs. March 31, 2013

As a result of the Authority's fiscal 2014 activities, the Authority's net position decreased $25.6 million, or 5.5%, from March 31, 2013 to March 31, 2014.

- Current assets increased $3.2 million, or 5.5%, due to an increase in government grants receivable related to additional Preventive Maintenance (PM) funds for Metro, partially offset by higher operating cash outflows.
- Net investment in capital assets decreased $14.3 million, or 2.7%, primarily due to the continued depreciation of existing assets, partially offset by the capitalized costs in the current year primarily related to the railcar rebuild project, track bed replacement and Buffalo Niagara International Airport (BNIA) Long-Term Lot B expansion and repayment of $10.3 million related long-term debt.
- Current liabilities decreased $4.9 million, or 8.5%, attributable to the payoff of the $5.5 million line of credit drawn in 2012 for the anticipated receipt of New York State dedicated transit funds.

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

Management's Discussion and Analysis

For the Years Ended March 31, 2015, 2014, and 2013
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

	Years ended March 31 (In thousands) 2015	2014	2013
Operating revenues:			
Fares	$ 37,398	$ 36,714	$ 36,489
Concessions and commissions	28,509	29,035	30,203
Rental income	16,412	15,976	14,877
Airport fees and services	17,643	16,874	16,137
Other operating revenues	6,564	6,741	7,153
Total operating revenues	106,526	105,340	104,859
Operating expenses:			
Salaries and employee benefits	133,950	132,944	130,646
Other postemployment benefits	12,988	14,098	15,050
Depreciation	54,510	53,021	56,274
Maintenance and repairs	19,884	18,587	16,420
Transit fuel and power	6,764	8,106	8,219
Utilities	5,285	6,358	5,101
Insurance and injuries	4,388	4,292	4,374
Other operating expenses	14,547	14,441	14,334
Total operating expenses	252,316	251,847	250,418
Operating loss	(145,790)	(146,507)	(145,559)
Non-operating revenues, net	99,928	97,199	88,280
Change in net position before capital contributions and special item	(45,862) -	(49,308) -	(57,279)
Capital contributions	17,397	23,710	48,410
Special item - property disposition	(12,981)	-	-
Change in net position	(41,446)	(25,598)	(8,869)
Net position, beginning of year	439,864	465,462	474,331
Net position, end of year	$ 398,418	$ 439,864	$ 465,462

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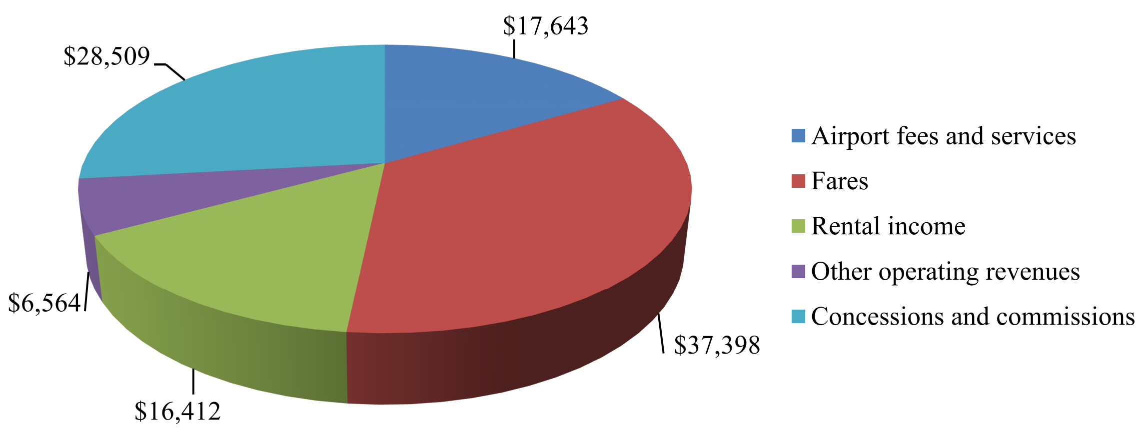
Summary of Revenues, Expenses and Changes in Net Position

March 31, 2015 vs. March 31, 2014

The Authority ended 2015 with total net position of $398.4 million compared to $439.9 in 2014.

Sources of Revenue for FYE 2015



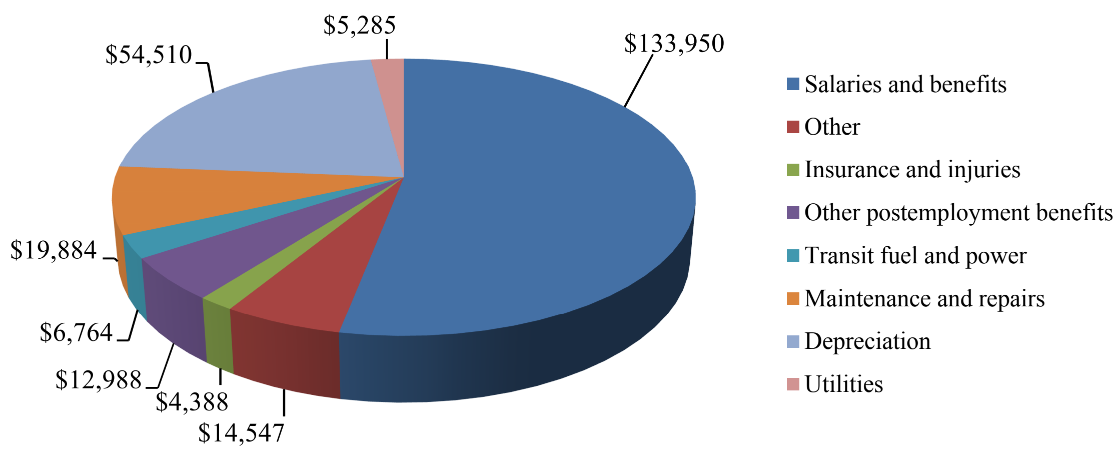
Significant items affecting the revenues, expenses and changes in net position are as follows:

Authority-wide operating revenues increased $1.2 million, or 1.1%, from $105.3 million to $106.5 million.

- Metro operating revenues increased 1.9% from $37.5 million to $38.2 million due to the following:
    - Fares were $0.7 million, or 1.9%, higher than 2014 primarily due to increased school passenger revenue and higher ridership.

- NFTA operating revenues increased 0.7%, from $67.9 million to $68.4 million due to the following:
    - Concessions and commissions were $0.5 million, or 1.8%, lower than 2014 due to decreased BNIA parking lot/ramp revenue and lower BNIA auto rental revenue, partially offset by higher NFIA parking lot revenue.
    - Rental income increased $0.4 million, or 2.7%, as a result of higher BNIA terminal rental compensatory billings with increased terminal direct and indirect costs and lower PFC funds applied against debt service. Partially offsetting the BNIA variance was lower rents as a result of the expiration of a lease with a major tenant.
    - Airport fees and services are $0.8 million, or 4.6%, higher than 2014 as increased BNIA direct landing area expenses resulted in higher compensatory airline billings, while increased general aviation, air cargo and terminal ramp fees also contributed to the variance.

Expenses for FYE 2015



Operating expenses increased 0.2% from $251.8 million to $252.3 million.

- Metro operating expenses increased $2.6 million, or 1.6% from $166.4 million to $169.0 million due to the following:
  - Salaries and employee benefits decreased $0.4 million, or 0.4%. Higher overtime, health insurance and other miscellaneous fringe benefit costs were offset by decreases in accrued compensated absences.
  - 2015 includes $10.9 million of postemployment health insurance costs, a decrease of $0.7 million, or 6%.
  - Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, increased $3.7 million, or 14.8%, in fiscal 2015.
  - Maintenance and repairs increased $1.2 million, or 15.4%, as higher revenue vehicle maintenance costs due to aging parts and expired warranties were partially offset by lower facility expenses and timing of rail grinding costs.
  - Transit fuel and power costs declined $1.3 million, or 16.6%, due to lower diesel, gasoline and rail traction costs.
  - Utilities decreased $0.4 million, or 17.5%, due to lower electric and gas rates.
  - Insurance and injuries increased $0.3 million, or 8.0%, due to higher reserve appropriations as a result of new and pending litigated claims in 2015, partially offset by lower insurance premiums.

- NFTA operating expenses decreased $2.1 million, or 2.5%, from $85.4 million to $83.3 million due to the following:
  - Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, decreased $2.2 million, or 8%.
  - Fiscal year 2015 includes $2.1 million in postemployment health insurance costs, a decrease of $0.4 million from fiscal year 2014.
  - Utilities decreased $0.7 million, or 16.6%, due to lower electric and gas rates.

The net result of the above was an operating loss of $145.8 million in fiscal 2015, a decrease of $0.7 million, or 0.5% from $146.5 million in fiscal 2014.

Net non-operating revenues for fiscal 2015 increased $2.7 million compared to fiscal 2014, from $97.2 million to $99.9 million, as a $4.7 million increase in operating assistance and decreases in interest and airport noise abatement totaling $4.5 million were offset by an unfavorable adjustment of $2.5 million related to the change in the value of derivative instruments and $2.8 million included in other non-operating expenses related to bond refinancing.

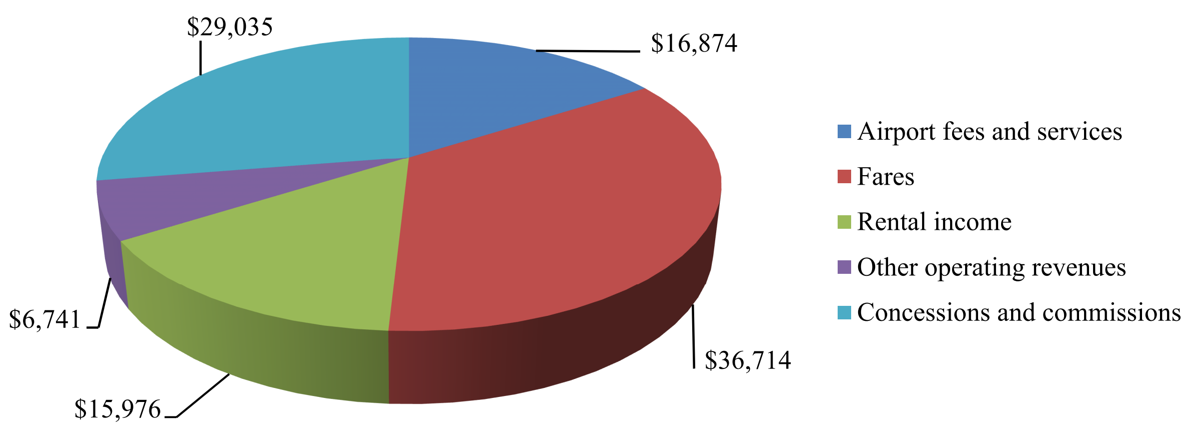
Capital contributions decreased 26.6% from $23.7 million in 2014 to $17.4 million in fiscal 2015 primarily due to lower grant funds related to decreased drawdowns of FTA, FAA, NYSDOT and other miscellaneous grants as fiscal 2015 incurred lower capital project expenses. Additionally, fiscal 2014 included the completion of the BNIA Long-Term Lot B expansion project.

Pursuant to an agreement dated April 8, 2014 between the Authority, Erie Canal Harbor Development Corporation (ECHDC) and New York State Urban Development Corporation, the Authority transferred approximately 200 acres of property along the Lake Erie shoreline in the City of Buffalo to ECHDC, for $2 and also entered into an operations and maintenance agreement with the State of New York Office of Parks, Recreation, and Historic Preservation to operate the area as a NY State park. The Authority continued to operate the property, which includes a 1,000 slip boat marina, for the benefit of ECHDC until November 15, 2014. Capitalized acquisition costs with a net book value of $13.0 million were written off in fiscal 2015 and recorded as a special item in the statements of revenues, expenses and changes in net position.

Summary of Revenues, Expenses and Changes in Net Position

March 31, 2014 vs. March 31, 2013

Sources of Revenue for FYE 2014



Significant items affecting the revenues, expenses and changes in net position are as follows:

Authority-wide operating revenues increased 0.4% from $104.9 million to $105.3 million.

- Metro operating revenues increased 0.8% from $37.2 million to $37.5 million primarily due to increased university pass program revenue, while core ridership remained at similar levels.

- NFTA operating revenues increased 0.3%, from $67.7 million to $67.9 million due to the following:
    - Concessions and commissions are $1.2 million lower than 2013 due to decreased BNIA parking lot/ramp revenue and lower BNIA auto rental revenue resulting from a decreased negotiated minimum guarantee with the auto rental companies.
    - Rental income increased $1.1 million as a result of higher BNIA airline overnight parking and gate use fees and full year impact of a new lease agreement with auto rental companies at BNIA which resulted in higher fixed rental billings.
    - Airport fees and services are $0.7 million higher than 2013 as increased BNIA direct landing area expenses, bond debt service costs and higher NFIA net deficit, are factored into signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs.

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For the Years Ended March 31, 2015, 2014, and 2013
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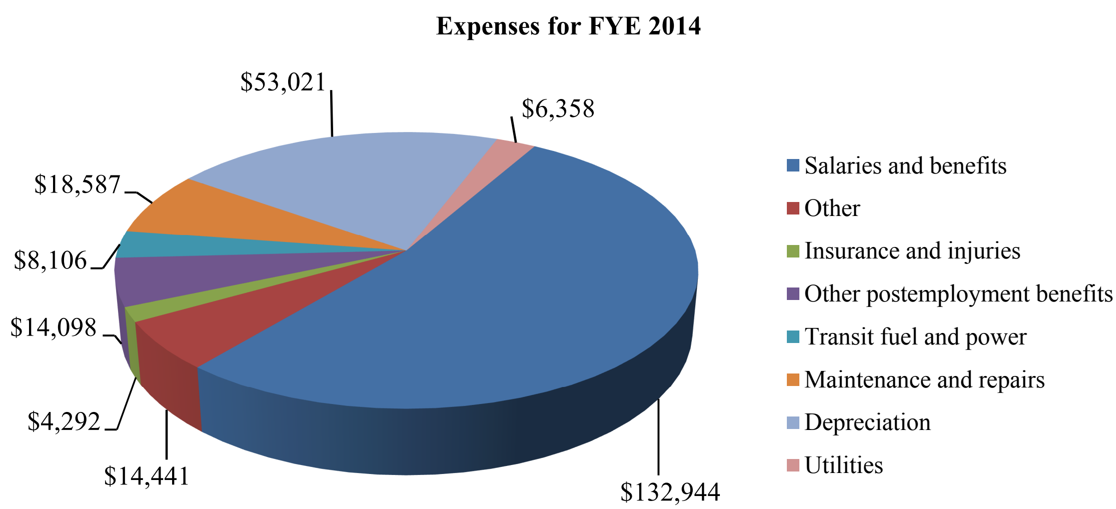

Operating expenses increased $1.4 million from $250.4 million to $251.8 million, or 0.6%.

- Metro operating expenses decreased 0.6% from $167.5 million to $166.4 million due to the following:
  - Salaries and employee benefits increased $1.3 million, or 1.4%, as a result of higher instruction labor, student labor, snowplowing labor, overtime and health insurance costs, partially offset by lower workers' compensation and pension costs.
  - Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, decreased $4.7 million in fiscal 2014.
  - Maintenance and repairs increased $1.5 million, or 24.0%, as higher revenue and non-revenue vehicle maintenance, environmental and facility costs contributed to the variance.
  - Utilities increased $0.5 million, or 28.6%, as the extraordinarily harsh winter contributed to higher electric and gas billings.

- NFTA operating expenses increased $2.5 million from $82.9 million to $85.4 million due to the following:
  - Salaries and employee benefits increased $1.4 million as a result of union contractual and non-represented employee increases, higher workers' compensation costs and BNIA overtime, offset by lower health insurance, pension costs and police overtime.
  - Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, increased $1.5 million in fiscal 2014.

- Maintenance and repairs increased $0.7 million, or 6.8%, due to higher BNIA snowplowing, automotive (diesel fuel and supplies) and environmental costs, partially offset by decreased BNIA baggage maintenance costs as negotiations with a new supply company resulted in significant savings.
- Utilities increased $0.6 million as the extraordinarily harsh winter contributed to higher electric and gas billings at all business centers.
- Other operating expenses increased $0.6 million due to the partial reversal of 2013 BNIA bad debt expense, and higher BNIA temporary help, parking management costs and advertising expenses. Higher professional services/consultant costs, advertising, rent and general office expenses for administrative support departments also contributed to the variance.

The net result of the above was an operating loss increase of 0.7% from $145.6 million in 2013 to $146.5 million in 2014.

Net non-operating revenues for fiscal 2014 increased $8.9 million, from $88.3 million to $97.2 million, compared to fiscal 2013 primarily due to an increase in operating assistance of $5.1 million and a favorable adjustment of $2.0 million related to the change in value of derivative instruments.

Capital contributions decreased 51.0% from $48.4 million in 2013 to $23.7 million in 2014 primarily due to lower grant funds related to decreased drawdowns of FTA, FAA, NYSDOT and other miscellaneous grants as 2013 included major runway work at NFIA and the purchase of thirteen hybrid buses.

Capital Assets

Net capital assets total $624.3 million, $673.7 million and $704.3 million at March 31, 2015, 2014 and 2013, respectively, representing a decrease of 7.3% in fiscal 2015 and 4.3% in fiscal 2014, as depreciation and dispositions continue to outpace annual investment in capital. 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 BNIA.

Noteworthy capital asset additions and disposals for fiscal year 2015 were:

- NFTA additions included $2.5 million in energy saving improvements, as well as BNIA and NFIA airport improvements totaling $3.4 million. As described previously, waterfront property with a net asset value of $13.0 million was transferred to ECHDC in 2015.
- Metro additions included $3.2 million for the ongoing mid-life railcar rebuild project, $2.4 million and $0.6 million for the rail track foundation (500 block of Main Street) project and the rail train control carborne system project, respectively. Also, fully depreciated rail station structures and rail fasteners were disposed in 2015.

Noteworthy capital asset additions and disposals for fiscal year 2014 were:

- NFTA additions included $3.5 million and $1.2 million for the BNIA Long-Term Lot B Expansion and BNIA runway 5/23 and 14/32 intersection project, respectively. Also, NFIA runway 10L/28R rehabilitation from 2003 was disposed in 2014 as a result of the runway mill and overlay project of 2013.
- Metro additions included $2.6 million for the ongoing mid-life railcar rebuild project, $2.2 million and $2.0 million for rail track bed replacement (600 block of Main Street) and the purchase of four trolley buses, respectively. Also, rail station structures and nineteen life-expired small transit buses were disposed in 2014.

Debt Administration

March 31, 2015 vs. March 31, 2014

To capitalize on historically low interest rates, during fiscal 2015 the Authority issued $65.3 million Series 2014A and $12.4 million Series 2014B Airport Revenue Bonds at a premium of $9.3 million to refund outstanding Series 1999A, 1999B, and 1998 bonds totaling $88.8 million. The economic gain on the refunding, calculated as the difference between the present values of the debt service payments on the old and new debt, is $14.8 million.

At March 31, 2015, the Authority had $140.3 million of outstanding debt. This represents a $13.7 million, or 8.9%, decrease from 2014 due to continued debt service payments and the aforementioned refunding.

March 31, 2014 vs. March 31, 2013

At March 31, 2014, the Authority had $154.0 million of outstanding debt. This represents a $16.4 million, or 9.6%, decrease from 2013. Continued debt service payments related to BNIA and NFIA terminal construction, as well as repayment of the $5.5 million line of credit drawn in 2012 for 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 the Authority's 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 valid drivers' licenses. 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 26% of Metro's revenues are derived from fare collection and advertising, while 74% are from outside operating and capital assistance. New York State is the Authority's largest investor providing 47% of operating and capital assistance while 34% comes from local sources and 19% from the federal government. Any changes in these funding sources can have a significant impact on Authority operations and service.

As a result, as we prepared the update to the five year capital and operating plan for FYE 2016 - 2020, it remained clear that the Authority, specifically the Surface Transportation Division, will need approximately $10 - $17 million a year in additional net income in order to be sustainable without dramatically impacting operations and/or our fare structure.

In an analysis of opportunities, we noted that if the NFTA were to be allocated State Operating Assistance based on the federal formula methodology, the Authority 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 identified for public transportation; our goal is to continue to work towards diversifying and growing the funding sources to help sustain public transportation for all of 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 flexible fare structures, improving 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 such as transit-oriented development.

A Transit Intelligent Transportation System (ITS) Strategic plan has been drafted that will guide the implementation of its projects for the next 2 - 4 years.

In fiscal 2016, the NFTA will continue work 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, which 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-oriented development, and improved livability for local citizens. Final products of the project will include five new 40-foot compressed natural gas (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 is fiscal 2016.

NFTA is also continuing 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, NFTA is engaged in the One Region Forward initiative. 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 One Region Forward Steering Committee which consists of Metropolitan Planning Organization members and strategic private-sector partners adopted the Regional Plan for Sustainable Development in December 2014. The Steering Committee and subcommittees have jointly applied for grants and continue to coordinate work to improve mobility, build more efficient land use patterns, strengthen existing infrastructure, and grow the economy.

Looking at infrastructure, NFTA is in the process of constructing a new CNG fueling station and modifying the adjacent Frontier Bus Garage to allow for storage and maintenance of new CNG-fueled vehicles. The CNG fueling station will be available for use late 2015/early 2016. The NFTA will commission 20 new CNG-fueled 40-foot transit buses and 10 new paratransit vehicles by early 2016 with plans to purchase dozens more over the next 4 to 5 years. CNG-fueled vehicles will lower greenhouse gas emissions of the fleet and save millions in fuel costs over the life of the vehicles. 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.

Aviation

BNIA, the Authority's second largest strategic business unit, serves over 5 million passengers, marking its eighth straight year of that level of passengers, a milestone that was not predicted until 2020. To accommodate growth, BNIA's Long-Term Lot B was recently expanded to accommodate an additional 988 cars.

BNIA also continues to progress on the $56.8 million noise mitigation projects that will continue for the next year. 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. This has resulted in a 9.6% increase of passengers from fiscal 2014, as NFIA hit the 0.22 million level of annual passengers for the first time in fiscal 2015. Overall, the aviation division continues to work on ways to increase revenues and attract more air service to NFIA.

The recently completed master plan document identifies the infrastructure and financing necessary to meet the increased operational demands over the next 20 years at NFIA. In addition, the project built a Geographic Information System (GIS) for airport projects and created a Dynamic Analysis Tool that models the impact of changing economic conditions on enplanements and infrastructure needs. The goal for the project is to have airport development strike a balance between social, economic and environmental needs for the surrounding community. 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 development division serves as the Authority-wide provider of real estate services, approximately 1,800 acres of property throughout Erie and Niagara counties and is responsible for the Authority's non-public transportation assets, including (through November 2014) the NFTA Boat Harbor, the largest recreational boat harbor in New York State with over 1,000 slips.

As previously indicated, in fiscal 2015, certain waterfront property owned by the Authority, including the boat harbor, was transferred to ECHDC. It is the direction of the Board of Commissioners to divest properties that are not in concert with the Authority's mission of providing and supporting transportation.

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 John T. Cox, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

Balance Sheets (In thousands)

March 31,	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 46,449	$ 25,104
Accounts receivable, net of allowance for doubtful accounts of $59 and $95 in 2015 and 2014	5,693	6,155
Grants receivable	11,416	25,085
Materials and supplies inventory	4,541	4,159
Prepaid expenses and other	374	517
	68,473	61,020
Restricted assets:		
Cash and cash equivalents	45,925	46,887
Investments	25	25
	45,950	46,912
Prepaid bond insurance	694	1,543
Capital assets, net (Note 4)	624,293	673,651
	670,937	722,106
Total assets	$ 739,410	$ 783,126
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 8,169	$ 12,875
Accounts payable and accrued expenses	28,460	29,913
Customer deposits	754	3,159
Other liabilities	6,219	6,830
	43,602	52,777
Noncurrent liabilities:		
Fair value of swap agreements	5,251	5,043
Long-term debt	132,111	141,101
Other postemployment benefits	117,134	104,146
Payable to NYS Retirement	7,070	6,068
Estimated liability for self-insured claims	35,824	34,127
	297,390	290,485
Total liabilities	340,992	343,262
Net position		
Net investment in capital assets	484,013	519,675
Restricted	39,731	40,082
Unrestricted	(125,326)	(119,893)
Total net position	398,418	439,864
Total liabilities and net position	$ 739,410	$ 783,126

See accompanying notes.

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

For the years ended March 31,	2015	2014
Operating revenues:		
Fares	$ 37,398	$ 36,714
Concessions and commissions	28,509	29,035
Rental income	16,412	15,976
Airport fees and services	17,643	16,874
Tenant reimbursements	1,632	1,651
Boat harbor fees	1,255	1,215
Other operating revenues	3,677	3,875
Total operating revenues	106,526	105,340
Operating expenses:		
Salaries and employee benefits	133,950	132,944
Other postemployment benefits	12,988	14,098
Depreciation	54,510	53,021
Maintenance and repairs	19,884	18,587
Transit fuel and power	6,764	8,106
Utilities	5,285	6,358
Insurance and injuries	4,388	4,292
Other	14,547	14,441
Total operating expenses	252,316	251,847
Operating loss	(145,790)	(146,507)
Non-operating revenues (expenses):		
Operating assistance	105,871	101,190
Passenger facility charges	9,518	10,176
Change in fair value of swap agreements	(208)	2,289
Interest expense, net	(5,843)	(7,782)
Airport noise abatement	(4,693)	(7,291)
Other non-operating expense, net	(4,717)	(1,383)
Total non-operating net revenues (expenses)	99,928	97,199
Change in net position before capital contributions and special item	(45,862)	(49,308)
Capital contributions	17,397	23,710
Special item - property disposition	(12,981)	-
Change in net position	(41,446)	(25,598)
Net position, beginning of year	439,864	465,462
Net position, end of year	$ 398,418	$ 439,864

See accompanying notes.

Statements of Cash Flows (In thousands)

For the years ended March 31,	2015	2014
Operating activities:		
Cash collected from customers	$ 104,584	$ 105,168
Cash paid for employee wages and benefits	(133,757)	(120,469)
Cash paid to vendors and suppliers	(47,567)	(58,817)
Cash paid for insurance and injuries	(2,691)	(2,300)
Net operating activities	(79,431)	(76,418)
Non-capital financing activities:		
Operating assistance	105,871	101,190
Capital and related financing activities:		
Repayments of long-term debt	(101,718)	(18,938)
Proceeds from issuance of long-term debt	87,105	2,515
Other liabilities	315	314
Interest paid	(5,084)	(7,938)
Mortgage recording tax, net	(926)	464
Capital grants and contributions	31,066	18,473
Additions to capital assets	(18,025)	(22,453)
Construction retainages, net	246	(311)
Proceeds from sale of capital assets	69	166
Passenger facility charges	9,518	10,176
Airport noise abatement	(4,693)	(7,291)
Other	(4,045)	(1,292)
Net capital and related financing activities	(6,172)	(26,115)
Investing activities:		
Interest income	115	156
Net change in cash and cash equivalents	20,383	(1,187)
Cash and cash equivalents, beginning of year	71,991	73,178
Cash and cash equivalents, end of year	$ 92,374	$ 71,991
Reconciliation to Balance Sheets		
Cash and cash equivalents:		
Unrestricted	$ 46,449	$ 25,104
Restricted	45,925	46,887
Total cash and cash equivalents	$ 92,374	$ 71,991
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (145,790)	$ (146,507)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	54,510	53,021
Other postemployment benefits, net	12,988	14,098
Changes in assets and liabilities:		
Receivables	462	(728)
Materials and supplies inventory	(382)	(188)
Prepaid expenses and other	143	(149)
Accounts payable and accrued expenses	(1,656)	136
Customer deposits	(2,405)	558
Estimated liability for self-insured claims	1,697	1,992
Payable to NYS Retirement	1,002	1,349
Net cash used for operating activities	$ (79,431)	$ (76,418)

See accompanying notes.

(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. Although Metro is a separate legal entity, the Authority maintains financial and governance responsibility over its operations.

The Authority, including Metro, is governed by a 13 member Board of Commissioners (the Board) appointed by the Governor of New York State (the State), with the consent of the New York State Senate. The Board governs and sets policy for the Authority. The Executive Director, subject to policy direction and delegation 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.

The Authority follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, as well as GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and GASB Statement No. 14, *The Financial Reporting Entity*, which provide guidance to determine whether an affiliated organization is considered a component unit of a financial reporting entity. Based on its financial and governance responsibility for Metro, the Authority reports Metro as a blended component unit. The Authority is included in the financial statements of the State as an enterprise fund.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Measurement Focus

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*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, 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. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase goods and services. Certain other transactions are reported as non-operating activities.

Authority Operations

The Authority operates the following three strategic business centers:

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 real estate owned by the Authority, including certain waterfront property, rail rights of way, and non-public transportation assets such as industrial warehouse distribution and associated office space for lease.

Surface Transportation

Metro Operations

Metro provides the following operations:

- MetroLink, a fixed route scheduled service providing community access to jobs and a paratransit program for disabled persons.
- A seasonal/tourist-oriented service operating replica trolley vehicles over a fixed loop route in the City of Niagara Falls.
- A light rail system between downtown Buffalo and the State University of New York at Buffalo.

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 to operations.

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.

(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) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances and consist primarily of amounts due from services provided related to the Authority's operations and advertising. Management provides for probable uncollectible amounts based on collection history and aging of accounts. Balances outstanding after reasonable collection efforts are written off through a charge to allowance for bad debts and a credit to accounts receivable.

(d) Investments

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments consist 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.

(e) Revenue Recognition

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

The Authority receives operating assistance and capital contributions pursuant to various federal, state and local government contracts and grant agreements. Operating assistance and capital contributions are recorded as revenue based on annual appropriations or when expenditures have been incurred in compliance with grant requirements. Operating assistance and capital contributions represent 52% of total revenue for the years ended March 31, 2015 and 2014. A significant decrease in this funding may negatively impact future operations of the Authority.

Commissions from auto rental companies are recognized based upon a monthly percentage of revenues earned during the contractual year with an annual adjustment for any minimum annual guaranteed fees.

Non-operating revenues consist primarily of various federal, state and local operating subsidies which are recognized when all applicable eligibility requirements are met.

(f) Materials and Supplies Inventory

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

(g) Restricted and Designated Assets

Certain cash deposits and investments are classified as restricted assets in accordance with bonding requirements or because their use is legally limited to specific purposes such as airport capital expansion and operations, and the light rail rapid transit system. The Authority's policy is to use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

During 2015, the Authority designated unrestricted cash and cash equivalents totaling $7,685,000 to fund future Metro capital purchases (Metro replacement fund).

(h) Bond Costs

Bond issuance costs, with the exception of prepaid insurance, are expensed as incurred. Insurance costs are amortized over the term of the related debt.

(i) *Capital Assets*

The Authority's policy is to capitalize assets that cost at least $5,000 and have estimated useful lives of 2 years or more. 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:

	Estimated Useful Life
Metropolitan Transportation Centers	25
Improvements	10-25
Buildings	10-45
Light Rail Rapid Transit System	10-45
Motor buses	12
Marine terminals, docks, and wharves	10-40
Equipment and other	2-10

Maintenance and repairs are charged to operations as incurred.

(j) *Compensated Absences*

Authority employees are granted vacation and sick leave in varying amounts in accordance with collective bargaining agreements or Authority policy. The Authority provides for vacation, sick and compensatory time attributable to services already rendered and vested. The liabilities are determined based on employees' year end pay rates and included in other liabilities in the balance sheets.

(k) *Customer Deposits and Mortgage Recording Tax Revenue*

Operating revenues received in advance of services provided are recorded as customer deposits.

As required by New York State legislation, the Authority receives a percentage of mortgage recording taxes collected by Erie County. Receipts are recorded as other liabilities until all eligibility requirements are met.

(l) *Self-Insured Claims*

The Authority is self-insured for property damage, environmental claims, personal injury liability, and workers' compensation claims. An estimate of the liability is made by the Authority based primarily on information available from third-party administrator claims, actuarial studies, and in-house and outside legal counsel. Certain assets are intended to fund, in part, the ultimate settlement of such claims. The Authority also maintains excess liability insurance.

(m) *Other Liabilities*

The Authority administers the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). At March 31, 2015 and 2014, net advance payments provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA totaled $5,289,000 and $4,972,000 and are recorded within other liabilities in the balance sheets.

(n) Pensions

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

(o) Postemployment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage for retired employees. Substantially all employees become eligible for these benefits when 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.

The Authority records these benefits in accordance with 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 postemployment benefits (OPEB) expenses and related liabilities and disclosures (Note 10).

(p) 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 agreements for payments made in lieu of tax.

(q) 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.

(r) Derivative Instruments

The Authority records derivative instruments in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement 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 Statement No. 53 is that certain derivative instruments are reported at fair value in the 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 hedgeable item.

As of March 31, 2015 and 2014, the negative fair values of all investment and ineffective derivative instruments totaled $5,251,000 and $5,043,000, respectively, and are recorded as noncurrent liabilities in the balance sheets. Negative fair value decreases (increases) of ($208,000) and $2,289,000 for 2015 and 2014 are recorded as non-operating revenues (expenses) in the statements of revenues, expenses and changes in net position (Note 5).

To reduce its exposure to rising fuel costs, the Authority entered into a contract that fixed the prices of certain vehicle fuels purchased from September 1, 2011 through August 31, 2014, with the right to extend for two additional one year periods. It is probable the Authority will take delivery of the fuel as specified and, therefore, the contract is considered a normal purchase contract and not subject to the requirements of GASB Statement No. 53.

(s) Administrative Services

In accordance with agreements between the Authority and the New York State Department of Transportation, the Authority functions as the "host agency" for the Greater Buffalo Niagara Regional Transportation Council (GBNRTC), the designated Metropolitan Planning Organization (MPO) for the metro region including Erie and Niagara counties, and Niagara International Transportation Technology Coalition (NITTEC), a regional traffic operations center. As the host agency for both organizations, the Authority provides certain administrative responsibilities relating to grants management and accounting functions; however, the Authority has no budgetary oversight and no responsibility for operations, deficits or debts. Consequently, the Authority's financial statements do not include the assets, liabilities, revenues or expenses of GBNRTC or NITTEC. The Authority administered reimbursement grants totaling $3,540,000 and $2,937,000 for GBNRTC and NITTEC during 2015 and 2014.

(t) Reclassification

Certain amounts relating to the financial statements for the year ended March 31, 2014 have been reclassified to be consistent with the current year presentation.

(3) Cash 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, 2015 and 2014, 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 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

(in thousands)	April 1, 2014	Additions	Reclassifications and Disposals	March 31, 2015
Non-depreciable capital assets:				
Land	$ 63,137	$ -	$ (1,309)	**$ 61,828**
Construction in progress	30,131	15,396	-	**45,527**
Total non-depreciable capital assets	93,268	15,396	(1,309)	**107,355**
Depreciable capital assets:				
Land improvements	339,893	34	(18,587)	**321,340**
Light rail rapid transit (LRRT) system	615,713	361	(12,174)	**603,900**
Airport buildings	271,209	108	-	**271,317**
Metropolitan transportation centers	20,846	-	-	**20,846**
Marine terminals, docks, and wharves	26,568	402	(8,468)	**18,502**
Motor buses	136,412	-	(342)	**136,070**
Equipment, buildings, and other	136,552	1,857	(7,214)	**131,195**
Total depreciable capital assets	1,547,193	2,762	(46,785)	**1,503,170**
Accumulated depreciation:				
Land improvements	209,710	14,229	(8,018)	**215,921**
LRRT system	434,703	15,705	(12,174)	**438,234**
Airport buildings	111,084	8,914	-	**119,998**
Metropolitan transportation centers	14,838	447	-	**15,285**
Marine terminals, docks, and wharves	24,597	313	(7,372)	**17,538**
Motor buses	78,365	8,766	(342)	**86,789**
Equipment, buildings, and other	93,513	- 6,136	(7,182)	**92,467**
Total accumulated depreciation	966,810	54,510	(35,088)	**986,232**
Total depreciable assets, net	580,383	(51,748)	(11,697)	**516,938**
	$ 673,651	$ (36,352)	$ (13,006)	**$ 624,293**

Pursuant to an agreement dated April 8, 2014 between the Authority, Erie Canal Harbor Development Corporation (ECHDC) and New York State Urban Development Corporation, the Authority transferred for $2 approximately 350 acres of property along the Lake Erie shoreline in the City of Buffalo to ECHDC, which then entered into an operations and maintenance agreement with the State of New York Office of Parks, Recreation, and Historic Preservation to operate the area as a NY State park. The Authority continued to operate the property, which includes a 1,000 slip boat marina, for the benefit of ECHDC until November 15, 2014. Capitalization acquisition costs with a net book value of $12,981,000 were written off in fiscal 2015 and recorded as a special item in the statements of revenues, expenses and changes in net position.

(in thousands)	April 1, 2013	Additions	Reclassifications and Disposals	March 31, 2014
Non-depreciable capital assets:				
Land	$ 63,137	$ -	$ -	$ 63,137
Construction in progress	33,505	-	(3,374)	30,131
Total non-depreciable capital assets	96,642	-	(3,374)	93,268
Depreciable capital assets:				
Land improvements	344,464	3,435	(8,006)	339,893
Light rail rapid transit (LRRT) system	611,126	11,877	(7,290)	615,713
Airport buildings	270,672	2,631	(2,094)	271,209
Metropolitan transportation centers	20,849	-	(3)	20,846
Marine terminals, docks, and wharves	27,433	6	(871)	26,568
Motor buses	134,560	3,141	(1,289)	136,412
Equipment, buildings, and other	134,860	4,809	(3,117)	136,552
Total depreciable capital assets	1,543,964	25,899	(22,670)	1,547,193
Accumulated depreciation:				
Land improvements	201,420	16,296	(8,006)	209,710
LRRT system	431,847	9,962	(7,106)	434,703
Airport buildings	104,167	9,005	(2,088)	111,084
Metropolitan transportation centers	14,380	461	(3)	14,838
Marine terminals, docks, and wharves	25,028	444	(875)	24,597
Motor buses	69,344	10,310	(1,289)	78,365
Equipment, buildings, and other	90,082	6,543	(3,112)	93,513
Total accumulated depreciation	936,268	53,021	(22,479)	966,810
Total depreciable assets, net	607,696	(27,122)	(191)	580,383
	$ 704,338	$ (27,122)	$ (3,565)	$ 673,651

(5) Long-Term Debt

(a) Long-term Obligations (in thousands)

		2015	2014
(1)	Airport Revenue Bonds 2014:		
	Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2015, bearing interest at 3.0% to 5.0% (net of unamortized premium of $7,530 in 2015)	$ 72,870	$ -
	Series B, maturing April 1, 2019 with variable annual principal payments commencing April 1, 2016, bearing interest at 4.0% to 5.0% (net of unamortized premium of $1,040 in 2015)	13,469	-
(2)	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	34,425	37,625
	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	5,450	5,950
(3)	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 $1,267 in 2014)	-	63,403
	Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of $75 in 2014)	-	13,700
(4)	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 $298 in 2014)	-	13,842
(5)	Payable to the State, non-interest bearing	3,380	3,380

	2015	2014
(6) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by related equipment and a junior lien on net airport revenues	**1,375**	1,646
(7) Environmental Facilities Corporation (EFC) maturing January 15, 2020 with variable annual principal payments, bearing interest at 5.552% to 5.742%, offset by a variable refunding interest credit provided by EFC (NYS EFC Series 2011A)	**1,185**	1,395
(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 certain non-real estate property	**387**	3,357
(9) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	**1,371**	1,616
(10) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by related equipment	**4,012**	4,113
(11) Bank loan for 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 certain non-real estate property	**-**	1,424
(12) Capital lease, monthly payments with fixed interest rate of 5.5%, maturing in 2016, secured by related equipment	**5**	10
(13) Capital lease, monthly payments with fixed interest rate of 2.57%, maturing in 2022, secured by related equipment	**2,351**	2,515
	140,280	153,976
Less current portion	**8,169**	12,875
	$ 132,111	$ 141,101

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

(1) On September 3, 2014, the Authority issued $65,340,000 Series 2014A and $12,430,000 Series 2014B Airport Revenue Bonds at a premium of $9,336,000. These bonds were issued to refund outstanding Series 1999A, 1999B, and 1998 bonds in the amounts of $61,525,000, $13,775,000, and $13,485,000 respectively. The Authority refunded the bonds to take advantage of historically low interest rates. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is $14,828,000.

(2) On January 15, 2004, the Authority issued $63,000,000 Series 2004A and $10,025,000 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 refund the Series 1994A and the Series 1994C Airport Revenue Bonds of $55,435,000 and $9,765,000 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.

(3) On September 17, 1999, the Authority issued $102,110,000 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. On September 3, 2014, bonds that remained outstanding in the principal amount of $75,300,000 were refunded by a portion of the 2014 Refunding Bonds maturing over the same period at a reduced interest cost to lower the cost of borrowing on the remaining maturities.

(4) On August 25, 1998, the Authority issued $20,375,000 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. On September 3, 2014, bonds that remained outstanding in the principal amount of $13,485,000 were refunded by a portion of the 2014 Refunding Bonds maturing over the same period at a reduced interest cost to lower the cost of borrowing on the remaining maturities.

(5) The State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for a non-interest bearing loan totaling $3,380,000. The law provides in pertinent part that repayment of the loan would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2031 through 2035 due to the uncertainty of repayment.

The Airport Revenue Bonds from 2014, 2004, and EFC Series 2000 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 or any political subdivision.

Changes in long-term debt for the years ended March 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Balance, beginning of year	**$ 153,976**	$ 170,399
Proceeds from issuance of debt	**87,105**	2,515
Repayment of long-term debt, net of discount and premium amortization	**(100,801)**	(18,938)
Balance, end of year	**140,280**	153,976
Less current portion	**8,169**	12,875
Noncurrent portion	**$ 132,111**	$ 141,101

Required principal and interest payments for long-term debt, net of unamortized discounts, were as follows (in thousands):

	Loans and Capital Leases		**Serial Bonds**		
	Principal	**Interest**	**Principal**	**Unamortized Premium**	**Interest**
Years ending March 31,					
2016	$ 1,319	$ 474	$ 6,850	$ 1,276	$ 3,948
2017	967	432	8,315	1,155	3,616
2018	1,016	391	8,500	1,021	3,500
2019	1,066	346	8,995	937	3,164
2020	917	302	9,180	826	2,969
2021 - 2025	1,798	1,165	46,295	2,678	9,589
2026 - 2030	1,397	687	30,695	677	2,391
2031 - 2035	4,400	115	-	-	-
	$ 12,880	$ 3,912	$ 118,830	$ 8,570	$ 29,177

At March 31, 2015 and 2014, the Authority was in compliance with all loan and bond covenants.

(b) Derivative Instruments

Interest Rate Swaps

To reduce exposure to changing interest rates, the Authority entered into two hedging interest rate swaps with Goldman Sachs Capital Markets, L.P. in connection with its $73,025 Refunding Series 2004A and 2004C variable-rate bonds. The interest rate swaps are forward, floating-to-fixed agreements in notional amounts equal to the outstanding bonds pursuant to which the Authority will pay a specified fixed rate of interest in return for receipts of a variable rate of interest based on a fixed percentage of the prevailing LIBOR rate. 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 Authority's interest rate swaps:

Basis Risk – The risk that the Authority's variable rate interest payments will not equal the variable rate swap receipts because they are based on different indexes. If the rate under the swap is lower than the bond interest rate, the payment under the swap agreement will not fully reimburse the Authority for the interest payments on the bonds. However, if the bond interest rate is lower than the swap payment, there is a net gain to the Authority. The Authority experienced an unfavorable basis variance of $2,224,000 and $2,137,000 for the years ending March 31, 2015 and 2014, 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 adversely affect the fair value or cash flows.

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

Terms

At March 31, 2015, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $4,566,000 and $684,000, respectively. At March 31, 2014, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $4,379,000 and $664,000, respectively. The combined negative fair values of $5,251,000 and $5,043,000 were recorded in accordance with the provisions of GASB 53. At March 31, 2015, the notional amounts of Series 2004A and 2004C swaps were $34,425,000 and $5,450,000, respectively. At March 31, 2014, the notional amounts of Series 2004A and 2004C swaps were $37,625,000 and $5,950,000, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024 or a 10 year investment maturity.

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) Unearned Mortgage Recording Tax 88(c) Revenue

Changes in unearned mortgage recording tax revenues for the years ended March 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Balance, beginning of year	$ 1,858	$ 1,394
Receipts of funds	4,961	5,817
Interest income	1	1
Light rail capital and operating expenditures	(5,888)	(5,354)
Balance, end of year	$ 932	$ 1,858

(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. PFCs used specifically for FAA approved projects at the BNIA and included in non-operating revenues totaled $9,518,000 and $10,176,000 for the years ended March 31, 2015 and 2014.

(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; the State, Erie and Niagara Counties (pursuant to State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2015 and 2014 were as follows (in thousands):

	2015	2014
Metro:		
FTA:		
Section 5307 and 5311 assistance	$ 20,154	$ 14,681
Section 5307 capital maintenance	-	429
Other	248	1,909
Total FTA	20,402	17,019
State:		
Statewide transit operating assistance program	42,159	40,827
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	2,512	1,882
Other	-	210
Total State	48,771	47,019
Erie County:		
88(c) – general	4,619	4,750
Mortgage recording tax (section 88a)	6,711	7,129
Section 18b matching funds	3,657	3,657
Sales tax receipts	19,163	18,926
Total Erie County	34,150	34,462
Niagara County:		
Mortgage recording tax	1,007	1,167
Section 18b matching funds	443	443
Total Niagara County	1,450	1,610
Buffalo and Fort Erie Public Bridge Authority	200	200
	104,973	100,310
NFTA:		
Department of Homeland Security	815	872
Department of Justice	11	8
FEMA	72	-
	898	880
	$ 105,871	$ 101,190

(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) (the Systems). The Systems are cost-sharing, multiple-employer public employee retirement systems 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 (the Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the Systems and for the custody and control of their funds. The Systems 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, or on the internet at www.osc.state.ny.us/retire.

No employee contributions are required for those whose service began prior to July 27, 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems on or after July 27, 1976 through December 31, 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of their salary for the entire length of service. Employees who joined on or after April 1, 2012 contribute based on annual wages at a rate of 3-6% for their 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 Authority participates in the New York State Pension Contribution Stabilization Program, an optional program which establishes a graded contribution rate system that enables the Authority to pay a portion of its annual contributions over time and more accurately predict pension costs. The Authority's contributions and rates for the past three years were as follows (in thousands):

Year	Amount	ERS	PFRS
2015	$ 6,876	10.9% - 27.7%	7.2% - 27.6%
2014	$ 6,162	11.5% - 28.8%	7.3% - 28.8%
2013	$ 5,897	10.1% - 18.6%	7.0% - 25.4%

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

Plan Description

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

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

Funding Requirement

On a weekly basis, each eligible employee is required to contribute the greater of sixteen dollars or 4% of 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 $5,103,000 and $5,448,000 for 2015 and 2014. 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 and liabilities of the ATU plan are not recorded by the Authority.

(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 ERS. The enabling legislation that provided for the purchase of service credits under ERS for pre-transfer service obliges the Authority to make $465,000 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 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 (in thousands):

	2015	2014
Annual required contribution	$ 467	$ 432
Interest on net pension asset	55	31
Adjustment to annual required contribution	(55)	(31)
Annual pension cost	467	432
Contributions made	(20)	(73)
Increase in net pension obligation	447	359
Net pension obligation, beginning of year	926	567
Net pension obligation, end of year	$ 1,373	$ 926

The annual required contribution was determined using the Unit Credit Actuarial Cost Method. The actuary assumed a 4.25% investment rate of return, mortality rates based on the Combined Applicable Mortality Table for the valuation year, and retirement age 62 with 5 years of service.

At January 1, 2015, on the basis for actuarial assumptions used for funding purposes, the actuarial value of the plan assets of $4,889,000 is lower than the actuarial accrued liabilities of $5,033,000.

(10) Postemployment Benefits

Postemployment Health Care

The Authority provides a defined benefit postemployment health care plan (the Plan) for essentially all full-time employees with a minimum of ten years of 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 single medical coverage if they retired prior to January 1, 2004. If they retired subsequent to January 1, 2004, Metro retirees are provided with continuation of full medical coverage.

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

- amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year

- normal cost which is the actuarially-determined cost of future OPEB earned in the current year

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (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 Board has the authority to establish a funding policy for the Plan. The Authority's current policy is to fund the benefits to the extent of premium payments, on a "pay-as-you-go" basis. The plan does not issue a publicly available financial report.

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, 2015 and 2014:

	2015	2014
Annual required contribution		
Normal cost	$ 7,284	$ 7,734
Amortization of UAAL	10,884	11,943
Annual required contribution	18,168	19,677
Interest on OPEB obligation	4,880	4,266
Adjustment to ARC	(6,657)	(5,820)
Annual OPEB cost	16,391	18,123
Employer contributions	(4,007)	(4,483)
Increase in net OPEB obligation	12,384	13,640
Net OPEB obligation, beginning of year	108,434	94,794
Net OPEB obligation, end of year	$ 120,818	$ 108,434

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, 2013 through March 31, 2015 were:

March 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 16,391	24.45%	$ 120,818
2014	$ 18,123	24.74%	$ 108,434
2013	$ 17,028	21.59%	$ 94,794

The actuarial analysis supporting the GASB 45 obligation for 2015 was completed using a full valuation date of April 1, 2014. As of that date, the total actuarial accrued liability (UAAL) for future benefits was $57,525,000 for the Authority and $171,654,000 for Metro, all of which is unfunded. These projections are based on the April 1, 2014 census data, claims information and the impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was $85,219,000 and the ratio of the UAAL to the covered payroll was 268.93%.

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 are subject to routine actuarial revaluations 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

- Healthcare cost trend is estimated at 6.00% next year, ultimately declining to 3.886% in year 2075 and remaining level thereafter
- Actuarial cost method used is Projected Unit Credit
- Discount rate is 4.50%
- Amortization method is level dollar method over average life expectancy for plan participants
- RP-2014 Mortality Table for annuitants and non-annuitants with projected mortality improvements using Scale MP-2014, with a blue collar adjustment

Postemployment Stipends

As of March 31, 2015, there are 191 retirees within Metro who retired prior to January 1, 2004. Each retiree is provided with a cash stipend equivalent to the single medical premium cost and, if enrolled in Medicare, the retiree also is provided with full Medicare reimbursement. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

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

	2015	2014
Annual required contribution	**$ 2,815**	$ 2,805
Interest on net pension cost	**(171)**	(190)
Adjustment to ARC	**489**	506
Annual pension cost	**3,133**	3,121
Employer contributions	**(2,529)**	(2,663)
Increase in net pension asset	**604**	458
Net pension asset, beginning of year	**(4,288)**	(4,746)
Net pension asset, end of year	**$ (3,684)**	$ (4,288)

The actuarial accrued liability at March 31, 2015 and 2014 was $23,602 and $24,665, respectively, all of which is unfunded. The net pension asset of $3,684 and $4,288 as of March 31, 2015 and 2014, respectively, has been recorded as a net 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.

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

- Healthcare cost trend is estimated at 7.75% next year, ultimately declining to 3.886% in year 2075 for pre-age 65; 6.0% next year ultimately declining to 3.886% in 2075 for post-age 65
- Actuarial cost method used is Projected Unit Credit
- Discount rate is 4.0%
- Amortization method is 30 years, open, level dollar method
- RP-2014 Mortality Table for Annuitants with projected mortality improvements using Scale MP-2014 on a generational basis

(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 $65,381 and $59,980 in 2015 and 2014, including guaranteed minimum rentals of $26,402 and $22,740 during 2015 and 2014, respectively.

Fixed-term operating leases in effect at March 31, 2015 are expected to yield future minimum rentals as follows:

2016	$ 20,944
2017	20,378
2018	17,081
2019	11,244
2020	3,724
2021 - 2025	15,499
2026 - 2030	6,854
2031 - 2035	1,110
2036 - 2040	903
2041 - 2045	393
	$ 98,130

(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. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 13, 2015. Other self-insured liabilities are estimated by the Authority based on available information. Management believes that such liabilities are adequate based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Liability, beginning of year	$ 34,127	$ 32,135
Current year claims and change in estimate	11,705	9,905
Claim payments	(10,008)	(7,913)
Liability, end of year	$ 35,824	$ 34,127

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 ongoing 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 in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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. The Authority currently has no accrued environmental liabilities.

(c) Project Commitments

As of March 31, 2015, the Authority has commenced several projects including:

- BNIA noise abatement program estimated at $54,306,000 of which $48,425,000 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 $45,564,000 of which $29,284,000 was expended
- BNIA Long Term Lot B expansion estimated at $5,010,000 of which $4,483,000 was expended
- Metro (Bus and Rail) fare collection upgrade $20,271,000 of which $859,000 was expended
- Metro CNG Fueling Station estimated at $8,288,000 of which $595,000 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 contains certain compliance covenants including requiring net airport revenues to be a 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 or any political subdivision.

(a) Condensed Balance Sheets (BNIA)

	2015	2014
Assets:		
Current	$ 65,894	$ 61,971
Capital assets, net	245,500	265,770
Other	18,792	17,834
Total assets	$ 330,186	$ 345,575
Liabilities:		
Current liabilities	$ 14,568	$ 18,251
Long-term liabilities	135,522	143,893
Total liabilities	150,090	162,144
Net position:		
Net investment in capital assets	113,080	121,630
Restricted	37,371	36,804
Unrestricted	29,645	24,997
Total net position	180,096	183,431
Total liabilities and net position	$ 330,186	$ 345,575

Included in current and other assets are airport revenue bond fund accounts and other cash and deposit accounts totaling $33,822,000 and $20,400,000 for the fiscal year ended March 31, 2015 and $33,868,000 and $22,555,000 for the fiscal year ended March 31, 2014, respectively.

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

	2015	2014
Operating revenues:		
Concessions and commissions	$ 26,563	$ 27,400
Airport fees and services	17,480	16,775
Rental income	11,028	10,682
Other	3,853	4,000
Total operating revenues	58,924	58,857
Operating expenses	40,834	40,766
Depreciation expense	19,593	20,026
Operating income (loss)	(1,503)	(1,935)
Non-operating revenues (expenses):		
Change in fair value of swap agreements	(208)	2,289
Interest expense, net	(5,244)	(7,133)
Passenger facility charges	9,518	10,176
Airport noise abatement	(4,693)	(7,291)
Other, net	(7,658)	(6,231)
Loss before capital contributions	(9,788)	(10,125)
Capital contributions	6,453	8,010
Change in net position	(3,335)	(2,115)
Net position, beginning of year	183,431	185,546
Net position, end of year	$ 180,096	$ 183,431

(c) *Condensed Statements of Cash Flows (BNIA)*

	2015	2014
Net cash provided by operating activities	$ 18,149	$ 24,104
Net cash provided by investing activities	106	141
Net cash used in capital and related financing activities	(13,811)	(20,298)
Net increase in cash	4,444	3,947
Cash, beginning of year	54,464	50,517
Cash, end of year	$ 58,908	$ 54,464

(d) Master Resolution Covenant

As required by the Master Resolution authorizing the issuance of airport revenue bonds, the Authority charges rates, rentals, fees, and charges at the BNIA which are sufficient to pay debt service, operating expenses, and any and all other claims and charges relating to the 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 the 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.

	2015	2014
Airport revenues:		
Operating revenues	**$ 58,924**	$ 58,857
Interest income	**99**	115
Gross airport revenues	**59,023**	58,972
Operating expenses, excluding depreciation	**(40,834)**	(40,766)
Net airport revenues	**18,189**	18,206
Net debt service:		
Principal payable	**7,710**	7,767
Interest payable	**6,441**	7,131
Passenger facility charges	**(2,103)**	(1,447)
Net debt service	**$ 12,048**	$ 13,451
Debt service coverage percentage	**150.97%**	135.35%
Minimum percentage requirement	**125.00%**	125.00%

Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Other Postemployment Benefits and Pension Plans
(In thousands)

For the year ended March 31, 2015

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2010	$ -	$ 226,304	$ (226,304)	0%	$ 83,823	270.0%
4/1/2012	$ -	$ 194,540	$ (194,540)	0%	$ 82,536	235.7%
4/1/2014	$ -	$ 229,180	$ (207,065)	0%	$ 85,219	245.5%

Postemployment Stipends

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2012	$ -	$ 29,814	$ (29,814)	0%	$ -	0.0%
4/1/2013	$ -	$ 26,328	$ (26,328)	0%	$ -	0.0%

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Deficiency of Assets over AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	$ 4,735	$ 6,465	$ (1,730)	73%	n/a	0.0%
1/1/2014	$ 5,094	$ 5,457	$ (363)	93%	n/a	0.0%
1/1/2015	$ 4,889	$ 5,033	$ (144)	97%	n/a	0.0%

Additional Information
Combining Balance Sheets (In thousands)

March 31,	2015			2014		
	NFTA	**Metro**	**Total**	NFTA	Metro	Total
Assets						
Current assets:						
Cash and cash equivalents	**$ 26,270**	**$ 20,179**	**$ 46,449**	$ 23,335	$ 1,769	$ 25,104
Accounts receivable, net	**3,894**	**1,799**	**5,693**	4,695	1,460	6,155
Grants receivable	**5,560**	**5,856**	**11,416**	3,041	22,044	25,085
Due to/from affiliate	**(6,809)**	**6,809**	**-**	(5,228)	5,228	-
Materials and supplies inventory	**-**	**4,541**	**4,541**	4	4,155	4,159
Prepaid expenses and other	**263**	**111**	**374**	371	146	517
	29,178	**39,295**	**68,473**	26,218	34,802	61,020
Restricted assets:						
Cash and cash equivalents	**45,142**	**783**	**45,925**	46,479	408	46,887
Investments	**-**	**25**	**25**	-	25	25
	45,142	**808**	**45,950**	46,479	433	46,912
Prepaid bond insurance	**694**	**-**	**694**	1,543	-	1,543
Capital assets, net	**340,322**	**283,971**	**624,293**	371,687	301,964	673,651
	386,158	**284,779**	**670,937**	419,709	302,397	722,106
Total assets	**$ 415,336**	**$ 324,074**	**$ 739,410**	$ 445,927	$ 337,199	$ 783,126
Liabilities						
Current liabilities:						
Current portion of long-term debt	**$ 7,878**	**$ 291**	**$ 8,169**	$ 12,559	$ 316	$ 12,875
Accounts payable and accrued expenses	**14,266**	**14,194**	**28,460**	14,786	15,127	29,913
Customer deposits	**295**	**459**	**754**	1,249	1,910	3,159
Other liabilities	**5,287**	**932**	**6,219**	4,972	1,858	6,830
	27,726	**15,876**	**43,602**	33,566	19,211	52,777
Noncurrent liabilities:						
Fair value of swap agreements	**5,251**	**-**	**5,251**	5,043	-	5,043
Long-term debt	**130,368**	**1,743**	**132,111**	139,047	2,054	141,101
Other postemployment benefits	**24,540**	**92,594**	**117,134**	22,485	81,661	104,146
Payable to NYS Retirement	**7,070**	**-**	**7,070**	6,068	-	6,068
Estimated liability for self-insured claims	**6,017**	**29,807**	**35,824**	5,658	28,469	34,127
	173,246	**124,144**	**297,390**	178,301	112,184	290,485
Total liabilities	**200,972**	**140,020**	**340,992**	211,867	131,395	343,262
Net position						
Net investment in capital assets	**202,076**	**281,937**	**484,013**	220,081	299,594	519,675
Restricted	**39,855**	**(124)**	**39,731**	41,507	(1,425)	40,082
Unrestricted	**(27,567)**	**(97,759)**	**(125,326)**	(27,528)	(92,365)	(119,893)
Total net position	**214,364**	**184,054**	**398,418**	234,060	205,804	439,864
Total liabilities and net position	**$ 415,336**	**$ 324,074**	**$ 739,410**	$ 445,927	$ 337,199	$ 783,126

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

For the years ended March 31,	2015			2014		
	NFTA	**Metro**	**Total**	NFTA	Metro	Total
Operating revenues:						
Fares	$ -	$ 37,398	$ 37,398	$ -	$ 36,714	$ 36,714
Concessions and commissions	28,509	-	28,509	29,035	-	29,035
Rental income	16,412	-	16,412	15,976	-	15,976
Airport fees and services	17,643	-	17,643	16,874	-	16,874
Tenant reimbursements	1,632	-	1,632	1,651	-	1,651
Boat harbor fees	1,255	-	1,255	1,215	-	1,215
Other operating revenues	2,904	773	3,677	3,115	760	3,875
Total operating revenues	68,355	38,171	106,526	67,866	37,474	105,340
Operating expenses:						
Salaries and employee benefits	32,743	101,207	133,950	31,347	101,597	132,944
Other postemployment benefits	2,055	10,933	12,988	2,472	11,626	14,098
Depreciation	25,761	28,749	54,510	27,987	25,034	53,021
Maintenance and repairs	11,133	8,751	19,884	11,004	7,583	18,587
Transit fuel and power	-	6,764	6,764	-	8,106	8,106
Utilities	3,507	1,778	5,285	4,204	2,154	6,358
Insurance and injuries	803	3,585	4,388	973	3,319	4,292
Other	11,595	2,952	14,547	11,449	2,992	14,441
Administration cost reallocation	(4,318)	4,318	-	(4,030)	4,030	-
Total operating expenses	83,279	169,037	252,316	85,406	166,441	251,847
Operating loss	(14,924)	(130,866)	(145,790)	(17,540)	(128,967)	(146,507)
Non-operating revenues (expenses):						
Operating assistance	898	104,973	105,871	880	100,310	101,190
Passenger facility charges	9,518	-	9,518	10,176	-	10,176
Change in fair value of swap agreements	(208)	-	(208)	2,289	-	2,289
Interest expense, net	(5,767)	(76)	(5,843)	(7,696)	(86)	(7,782)
Airport noise abatement	(4,693)	-	(4,693)	(7,291)	-	(7,291)
Other non-operating expense, net	(3,853)	(864)	(4,717)	(1,202)	(181)	(1,383)
Non-operating net revenues (expenses)	(4,105)	104,033	99,928	(2,844)	100,043	97,199
Change in net position before capital contributions and special item	(19,029)	(26,833)	(45,862)	(20,384)	(28,924)	(49,308)
Capital contributions	12,314	5,083	17,397	12,446	11,264	23,710
Special item - property disposition	(12,981)	-	(12,981)	-	-	-
Change in net position	(19,696)	(21,750)	(41,446)	(7,938)	(17,660)	(25,598)
Net position, beginning of year	234,060	205,804	439,864	241,998	223,464	465,462
Net position, end of year	$ 214,364	$ 184,054	$ 398,418	$ 234,060	$205,804	$439,864

See independent auditors' report.

Additional Information
Combining Schedules of Cash Flows (In thousands)

For the years ended March 31,	2015			2014		
	NFTA	**Metro**	**Total**	NFTA	Metro	Total
Operating activities:						
Cash collected from customers	**$ 68,202**	**$ 36,382**	**$ 104,584**	$ 67,246	$ 37,922	$ 105,168
Cash paid for employee wages and benefits	**(31,442)**	**(102,315)**	**(133,757)**	(28,526)	(91,943)	(120,469)
Cash paid to vendors and suppliers	**(26,819)**	**(20,748)**	**(47,567)**	(27,652)	(31,165)	(58,817)
Receipts (payments) to other funds	**5,899**	**(5,899)**	**-**	8,430	(8,430)	-
Cash paid for insurance and injuries	**(444)**	**(2,247)**	**(2,691)**	(245)	(2,055)	(2,300)
Net operating activities	**15,396**	**(94,827)**	**(79,431)**	19,253	(95,671)	(76,418)
Non-capital financing activities:						
Operating assistance	**898**	**104,973**	**105,871**	880	100,310	101,190
Capital and related financing activities:						
Repayments of long-term debt	**(101,382)**	**(336)**	**(101,718)**	(13,957)	(4,981)	(18,938)
Proceeds from issuance of long-term debt	**87,105**	**-**	**87,105**	2,515	-	2,515
Escrow funds, net	**315**	**-**	**315**	314	-	314
Interest paid	**(5,002)**	**(82)**	**(5,084)**	(7,839)	(99)	(7,938)
Mortgage recording tax	**-**	**(926)**	**(926)**	-	464	464
Capital grants and contributions	**9,795**	**21,271**	**31,066**	14,089	4,384	18,473
Additions to capital assets	**(7,288)**	**(10,737)**	**(18,025)**	(9,315)	(13,138)	(22,453)
Construction retainage, net	**(80)**	**326**	**246**	(642)	331	(311)
Proceeds from sale of capital assets	**88**	**(19)**	**69**	14	152	166
Passenger facility charges	**9,518**	**-**	**9,518**	10,176	-	10,176
Airport noise abatement	**(4,693)**	**-**	**(4,693)**	(7,291)	-	(7,291)
Other	**(3,181)**	**(864)**	**(4,045)**	(1,111)	(181)	(1,292)
Net capital and related financing activities	**(14,805)**	**8,633**	**(6,172)**	(13,047)	(13,068)	(26,115)
Investing activities:						
Interest income	**109**	**6**	**115**	143	13	156
Net change in cash and cash equivalents	**1,598**	**18,785**	**20,383**	7,229	(8,416)	(1,187)
Cash and cash equivalents, beginning of year	**69,814**	**2,177**	**71,991**	62,585	10,593	73,178
Cash and cash equivalents, end of year	**$ 71,412**	**$ 20,962**	**$ 92,374**	$ 69,814	$ 2,177	$ 71,991
Reconciliation to Balance Sheets:						
Cash and cash equivalents						
Unrestricted	**$ 26,270**	**$ 20,179**	**$ 46,449**	$ 23,335	$ 1,769	$ 25,104
Restricted	**45,142**	**783**	**45,925**	46,479	408	46,887
Total cash and cash equivalents	**$ 71,412**	**$ 20,962**	**$ 92,374**	$ 69,814	$ 2,177	$ 71,991

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

For the years ended March 31,	2015			2014		
	NFTA	**Metro**	**Total**	NFTA	Metro	Total
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	**$ (14,924)**	**$ (130,866)**	**$ (145,790)**	$ (17,540)	$ (128,967)	$ (146,507)
Adjustments to reconcile operating loss to net cash from operating activities:						
Depreciation	**25,761**	**28,749**	**54,510**	27,987	25,034	53,021
Other postemployment benefits, net	**2,055**	**10,933**	**12,988**	2,472	11,626	14,098
Changes in assets and liabilities:						
Receivables	**801**	**(339)**	**462**	(598)	(130)	(728)
Materials and supplies inventory	**4**	**(386)**	**(382)**	13	(201)	(188)
Prepaid expenses and other	**108**	**35**	**143**	(148)	(1)	(149)
Accounts payable and accrued expenses	**(397)**	**(1,259)**	**(1,656)**	610	(474)	136
Customer deposits	**(954)**	**(1,451)**	**(2,405)**	(20)	578	558
Due to/from affiliate	**1,581**	**(1,581)**	**-**	4,400	(4,400)	-
Estimated liability for self-insured claims	**359**	**1,338**	**1,697**	728	1,264	1,992
Payable to NYS Retirement	**1,002**	**-**	**1,002**	1,349	-	1,349
Net cash from (for) operating activities	**$ 15,396**	**$ -**	**$ (79,431)**	$ 19,253	$ (95,671)	$ (76,418)

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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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the Authority's internal control over financial reporting as of March 31, 2015, based on *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We have issued our combined report thereon dated June 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing. 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.

Lumsden & McCormick, LLP

June 25, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2015, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated June 25, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2015. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

June 25, 2015