Niagara Frontier Transportation Authority
Serving Buffalo Niagara

181 Ellicott Street
Buffalo, New York 14203
716-855-7300
Fax: 716-855-7657
TDD: 855-7650
www.nfta.com

June 28, 2011

Mr. Robert Graber
Erie County Legislature Clerk
25 Delaware Avenue
Buffalo, New York 14202

Re: Niagara Frontier Transportation Authority

Dear Mr. Graber:

Enclosed is a copy of the Niagara Frontier Transportation Authority's audited financial statements for Fiscal Year Ended March 31, 2011, for your information and files.

If you need additional copies, please visit our website at www.nfta.com.

Very truly yours,

Deborah C. Leous
DEBORAH C. LEOUS
Chief Financial Officer

DCL/cf
Enclosure

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

Basic Financial Statements and
Required Supplementary Information

March 31, 2011 and 2010

(With Independent Auditors' Reports Thereon)

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

March 31, 2011 and 2010

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TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York) as of March 31, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements of the Authority as of March 31, 2010 were audited by other auditors whose report dated June 21, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the basic financial statements, as of March 31, 2011, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

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In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis (MD&A) preceding the basic financial statements and the schedules of funding progress for defined benefit pension other postemployment benefits plans on page 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other 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 basic financial statements taken as a whole.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 27, 2011

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

March 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR AND CERTIFICATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

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

June 27, 2011

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2011 and 2010

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Authority's management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment we believe that, as of March 31, 2011, the Authority's internal controls over financial reporting is effective based on those criteria.

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

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

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

June 27, 2011

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

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

We have audited management's assertion, included in the accompanying management's report on internal control over financial reporting, that Niagara Frontier Transportation Authority (the Authority) maintained effective internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Authority's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

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

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

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

In our opinion, management's assertion that the Authority maintained effective internal control over financial reporting as of March 31, 2011 is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Authority and our report dated June 27, 2011 expressed an unqualified opinion.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 27, 2011

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, 2011 and 2010. Following this MD&A are the financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

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

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

Overview of the Financial Statements

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

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

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

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

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

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

Summary of Financial Highlights

Summary of Net Assets

	March 31		
		As adjusted (note 2)	
	2011	2010	2009
		(In thousands)	
Current assets	$ 33,793	$ 43,842	$ 35,603
Restricted assets	52,464	62,456	59,712
Capital assets	727,275	739,242	737,560
Bond issuance costs, net	3,948	4,832	4,521
Total assets	817,480	850,372	837,396
Current liabilities	46,186	58,291	45,551
Long-term liabilities	276,173	274,375	249,156
Total liabilities	322,359	332,666	294,707
Net assets:			
Invested in capital assets, net of related debt	535,231	534,209	540,420
Restricted	47,740	54,418	51,530
Unrestricted	(87,850)	(70,921)	(49,261)
Total net assets	$ 495,121	$ 517,706	$ 542,689

March 31, 2011 vs. March 31, 2010

The changes in total net assets serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by $495.1 million at March 31, 2011, a $22.6 million, or 4.4%, decrease from March 31, 2010. This decrease is primarily attributable to an increase in health insurance postemployment liabilities of $15.8 million. With the help of the Federal stimulus program, the NFTA has upgraded its bus fleet with the delivery of fifty-eight new buses in 2011. This represents nearly 20% of our bus fleet. Our mid-life railcar rebuild project continues with our goal to have the entire railcar fleet upgraded by the end of 2014. Current assets decreased $10.1 million, or 22.9%, due to a decline in our government agencies receivable from funds received, immediately forwarded to our vendor for eleven hybrid buses delivered during 2010.

Restricted assets decreased $10.0 million, or 16.0%, as our 88(c), Buffalo Niagara International Airport (BNIA) Airport Development Fund (ADF) and Passenger Facility Charge (PFC) accounts were utilized to fund Metro capital and operational shortfalls, loan payments for construction of our new Niagara Falls International Airport (NFIA) terminal and completion of BNIA capital projects to be reimbursed in subsequent years with the receipt of PFC funds. Capital assets decreased $12.0 million, or 1.6%, due to the continued depreciation of our existing Metro railcars and BNIA buildings & facilities, partially offset by the receipt of fifty-eight new Metro buses. Current liabilities decreased $12.1 million, or 20.8%, due to the aforementioned receipt of government funds immediately forwarded to our vendor for eleven hybrid buses delivered during 2010. Long-term debt (net of current portion) declined $13.5 million, or 7.0%, as BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

The Authority uses its capital assets primarily to provide services to the public. Significant components of capital assets include a Light Rail Rapid Transit (LRRT) system and the Buffalo Niagara International Airport. The major change between 2011 and 2010 included $4.5 million for the BNIA noise compatibility program, $2.5 million and $1.0 million for the BNIA automatic baggage system and runway brooms replacement, respectively, and $0.5 million for the BNIA terminal fire alarm system replacement. Metro additions included $24.2 for the purchase of fifty-six transit buses, $1.3 million and $1.1 million for two hybrid buses and ten small buses, respectively, $1.0 million for our rail station CCTV upgrade, and $0.8 million for South Park perimeter security.

March 31, 2010 vs. March 31, 2009

The Authority's assets exceeded liabilities by $517.7 million at March 31, 2010, a $25.0 million, or 4.6%, decrease from March 31, 2009. This decrease is primarily attributable to an increase in postemployment health insurance liabilities of $15.6 million. As a result of the federal stimulus program and the recent reprogramming of federal funds from the Erie Canal Harbor Development Corporation (ECHDC), the Authority is upgrading its bus fleet with the ordering and anticipated delivery of 80 new buses in fiscal 2011. This represents 25% of our current bus fleet. Our mid-life railcar rebuild project continues with our goal to have the entire railcar fleet upgraded by the end of 2014. Current assets increased $8.2 million, or 23.0%, as grants receivables increased due to the purchase of 11 hybrid buses. Current liabilities increased $12.7 million, or 28.0%, due to the current portion of a term loan (outstanding balance as of March 31, 2010 of $13.0 million) to complete the funding for the Niagara Falls Terminal project and an increase of $9.2 million, or 32.0%, in accounts payable and accrued expenses primarily attributable to the aforementioned year end purchase of 11 hybrid buses. Long-term debt increased $4.8 million, or 2.6%, due to the Niagara Falls Terminal loan.

The major change in capital assets between 2010 and 2009 included $20.3 million for the construction of the Niagara Falls International Airport new terminal and related landside improvements, $7.1 million for the noise mitigation program, $3.8 million for the BNIA food court/concourse level modification, $1.3 and $1.1 million for the BNIA wetland treatment glycol project and automatic baggage system, respectively, and $0.5 million for the Greenbelt Shoreline Improvement initiative. Metro additions included $6.3 and $3.1 million for the purchase of eleven transit buses and the ongoing mid-life rebuild project, respectively, $1.5 million for the Fleetlynx upgrade project, $1.1 million for the purchase of ten small buses and $1.1 million for the perimeter security at our garage locations.

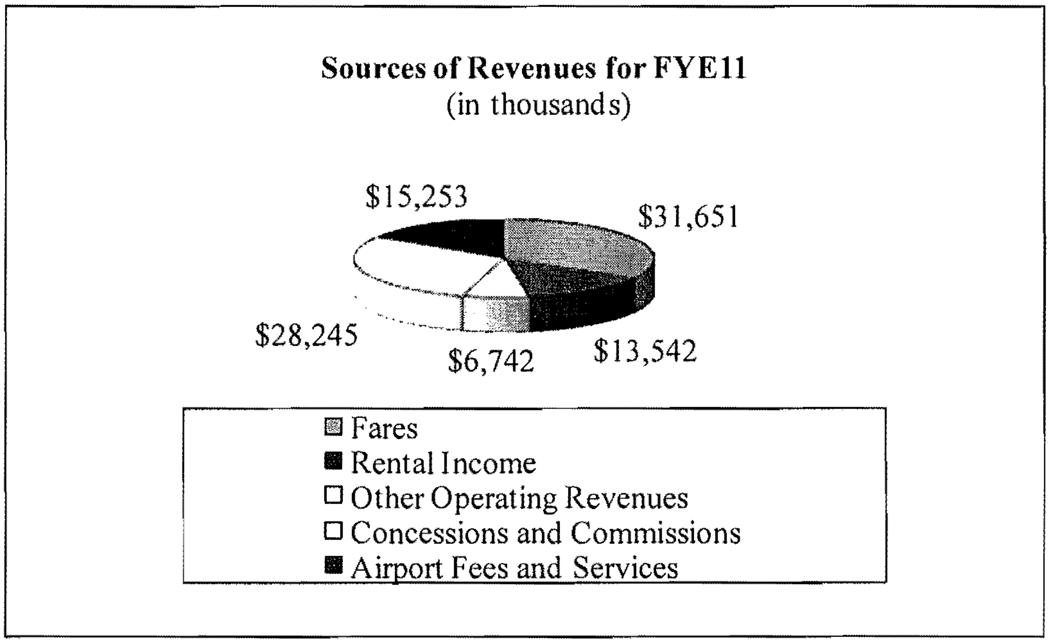
Summary of Revenues, Expenses, and Changes in Net Assets

	Years ended March 31		
		As adjusted (note 2)	
	2011	2010	2009
		(In thousands)	
Operating revenues:			
Fares	$ 31,651	$ 30,662	$ 28,759
Concessions and commissions	28,245	26,727	25,863
Rental income	13,542	13,342	14,987
Airport fees and services	15,253	14,839	15,450
Other operating revenues	6,742	6,406	4,942
Total operating revenues	95,433	91,976	90,001
Operating expenses:			
Salaries and employee benefits	116,223	110,247	108,988
Other postemployment benefits	15,756	15,595	16,476
Depreciation and amortization	60,489	53,171	51,672
Maintenance and repairs	16,128	16,119	14,986
Transit fuel power	6,803	7,443	10,795
Utilities	6,273	5,988	7,402
Insurance and injuries	3,646	3,012	3,500
Safety and security	11,272	11,454	10,890
Other operating expenses	12,319	11,982	12,998
Total operating expenses	248,909	235,011	237,707
Operating loss	(153,476)	(143,035)	(147,706)
Nonoperating revenues, net	87,876	79,428	90,290
Loss before capital contributions	(65,600)	(63,607)	(57,416)
Capital contributions	43,015	38,624	23,143
Change in net assets	(22,585)	(24,983)	(34,273)
Total net assets, beginning of year	517,706	542,689	576,962
Total net assets, end of year	$ 495,121	$ 517,706	$ 542,689

Summary of Revenues, Expenses and Changes in Net Assets, Continued

March 31, 2011 vs. March 31, 2010

The Authority ended 2011 with total net assets of $495.1 million, a $22.6 million decrease, or 4.4%, as compared to 2010. Significant items affecting the revenues, expenses, and changes in net assets are as follows:



Operating revenues increased 3.8% from $92.0 million to $95.4 million due to the following:

- NFTA operating revenues increased 4.3%, from $60.4 million to $63.0 million.

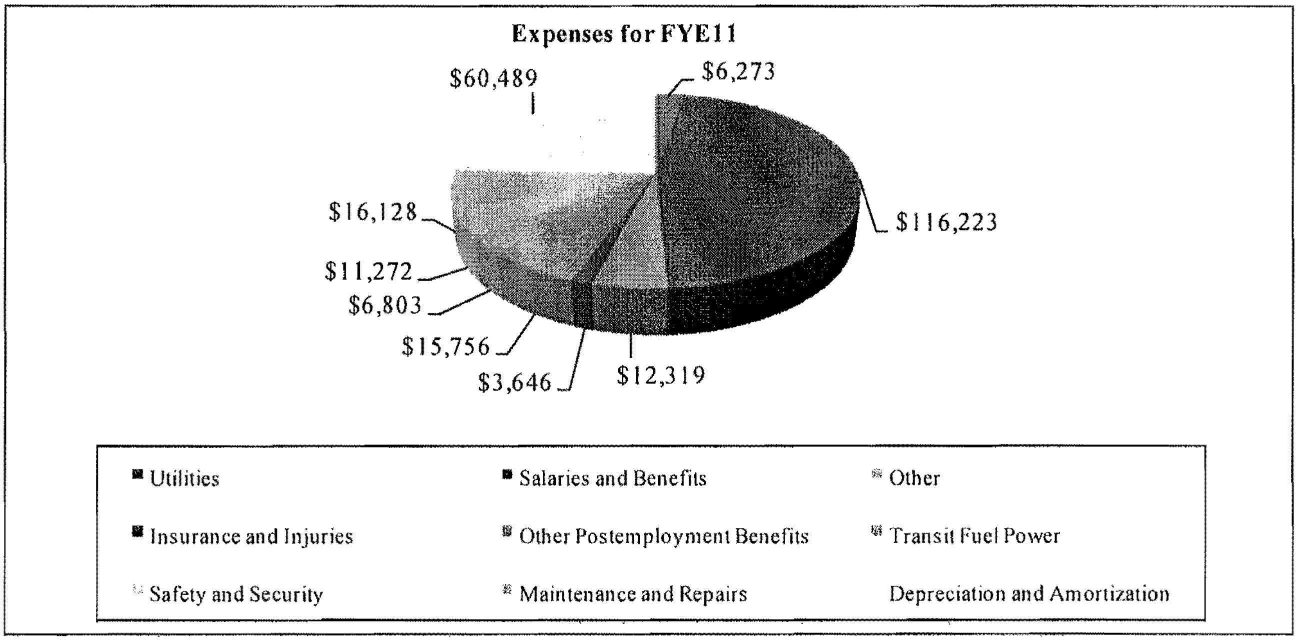
  BNIA airport fees and services increased $0.4 million, or 2.8%, as a higher NFIA net deficit, partially offset by lower direct landing area expenses and bond debt service costs, are factored into our signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs. BNIA rental income increased $0.2 million, or 1.5%, as higher airline cost compensatory billings resulting from increased operating expenses, operating expense reserves, and lower passenger facility charges credited against signatory airline billing costs, were partially offset by lower bond debt service costs. BNIA concessions and commissions increased $1.3 million, or 4.9%, primarily due to an approximate 7% parking rate increase, effective April 1, 2010. Other operating revenues increased $0.3 million, or 9.4%, as higher contractual baggage maintenance costs billed directly to the airlines and increased advertising revenue contributed to the variance.

NFIA concessions/commissions increased $0.2 million, or 83.9%, resulting from higher parking lot fees.

Property Management Group boat harbor fees increased $0.1 million, or 15.2%, primarily due to higher dock rental fees.

METRO

- Metro operating revenue increased 2.8%, from $31.6 million to $32.4 million, due to increased passenger usage with higher gasoline prices and the implementation of our Erie County service restructuring initiative.



Operating expenses increased 5.9%, from $235.0 million to $249.0 million, due to the following:

NFTA

- Authority expenses increased 3.0% from $75.0 million to $77.2 million. Included in 2011 are $3.3 million in health insurance postemployment costs, a decrease of $.5 million, or 12.1%. Health insurance increases of $0.7 million, or 16.2%, and higher pension costs of $1.2 million, or 35.8%, partially offset by lower workers' compensation costs of $0.6 million, or 55.5%, are allocated throughout the Authority to the business centers and support functions noted below. Other expense variances identifiable to our business centers and administrative support areas are the following:

BNIA:

- Salaries and employee benefits increased $0.8 million, or 6.3%, as a result of union contractual increases, higher health insurance, pension and overtime costs, partially offset by lower workers' compensation costs and savings realized from our early retirement incentive program.
- Insurance and injuries decreased $0.08 million, or 18.5%, due to lower claim losses.

NFIA:

- Salaries and employee benefits increased $0.2 million, or 19.6%, as a result of union contractual increases, higher health insurance, pension and overtime costs and increased staffing with the full year operation of our new terminal, partially offset by lower workers' compensation costs.
- Utilities increased $0.02 million, or 73.9%, as higher usage costs with the full year operation of our new terminal contributed to the increase.
- Safety and security increased $0.02 million, or 164.7%, as a greater security force is required with the full year operation of our new terminal and increased passenger traffic.
- Other operating expenses increased $0.2 million, or 60.2%, due to higher marketing/advertising and parking operation costs.

Transportation Centers:

- Salaries and employee benefits increased $0.04 million, or 3.3%, as a result of union contractual increases, higher health insurance and pension costs, partially offset by lower workers' compensation costs and savings realized from our early retirement incentive program.
- Utilities increased $0.05 million, or 10.7%, due to higher electric and gas billings.
- Insurance and injuries decreased $0.04 million, or 65.2%, as general liability insurance costs were allocated more equitably to other areas of the organization.
- Other operating expenses increased $0.08 million, or 9.1%, due to lower Central Services costs.

Property Management Group:

- Salaries and employee benefits decreased $0.09 million, or 12.6%, due to three less full-time positions, lower overtime and workers' compensation costs, partially offset by union contractual increases, higher health insurance and pension costs.
- Maintenance and repairs were $0.06 million, or 10.1%, below 2010 due to lower major repairs and services at our Sierra Plant 3 facility.
- Utilities decreased $0.09 million, or 10.0%, as our downsizing of the Terminal A facility contributed to the decrease.

- Insurance and injuries decreased $0.02 million, or 571.2%, due to the receipt of dock/greenbelt insurance claim proceeds.
- Other operating expenses increased $0.08 million, or 11.6%, as increased temporary help and the higher cost of fuel sold at our NFTA Boat Harbor operation contributed to the increase.

Administrative Support:

- Personnel services increased $0.9 million, or 3.2%, due to contractual union increases, higher health insurance and pension costs, partially offset by lower workers' compensation costs and savings realized from our early retirement incentive program.
- Maintenance and repairs increased $0.01 million, or 45.1%, due to higher MIS service and police automotive costs.
- Insurance and injuries decreased $0.06 million, or 29.0%, as police claim losses declined and the general liability insurance costs allocated to police decreased.

METRO

- Metro operating expenses increased 7.3% from $160.0 million to $171.7 million
  - Salaries and employee benefits increased $5.1 million, or 5.7%, as a result of higher accrued wages, increased workers' compensation and overtime costs, partially offset by lower health insurance costs.
  - 2011 includes $12.4 million in health insurance postemployment costs, an increase of $0.6 million, or 5.2%.
  - Lower diesel prices resulting from our ongoing efforts in hedging the market with the purchase of futures contracts, partially offset by increased rail traction costs, resulted in our transit fuel/power decreasing $0.6 million, or 8.6%.
  - Utilities were $0.2 million, or 7.7%, higher than 2010 due to increased electric and water billings, partially offset by lower gas charges.
  - Insurance and injuries increased $0.9 million, or 42.3%, as a result of reserve adjustments based on cases outstanding and higher insurance liability costs.
  - Safety and security decreased $0.4 million, or 6.4%, as an increase in 2011 operating assistance, the receipt of prior period funds and lower workers' compensation costs, were partially offset by increased staffing levels, higher transit police salaries, overtime, health insurance and pension costs.

The net result of the above was an operating loss increase of 7.3% from $143.0 million in 2010 to $153.5 million in 2011.

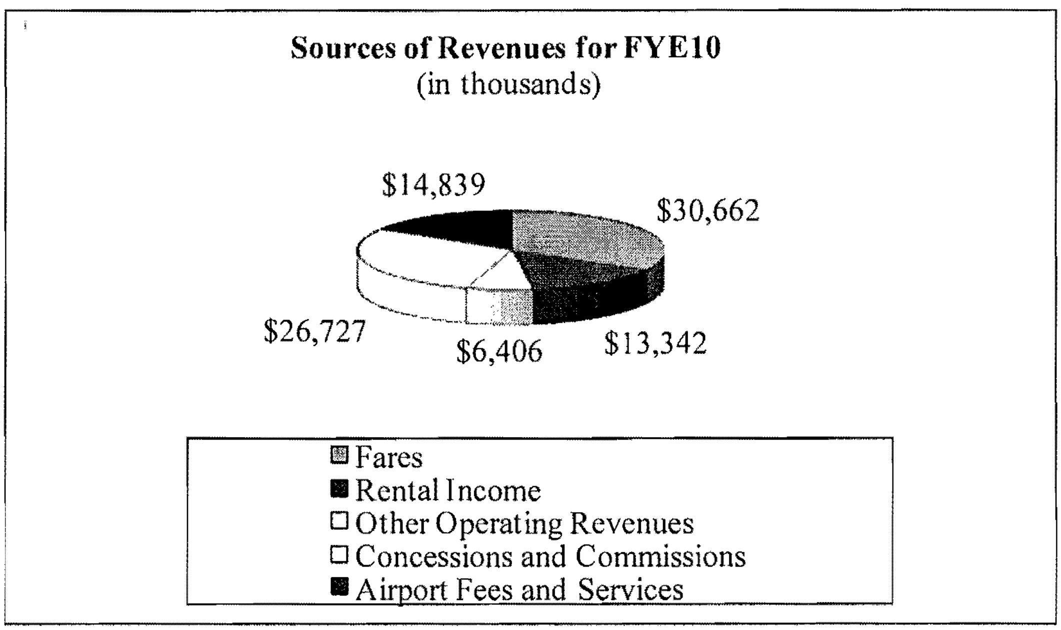
Net non-operating revenue increased 10.6% from $79.4 million to $87.9 million as of March 31, 2011.

- The increase was due to higher 88(c) revenue of $2.8 million, or 55.6%, lower expenditures of $3.5 million, or 41.3%, incurred with our BNIA noise mitigation program, lower interest expense of $0.3 million, or 3.3%, related to our 2004 revenue bonds and higher Erie County sales tax revenue of $0.6 million, or 3.8%, and a decrease of $3.1 million or 77.4% related to the change in fair value of the derivative instruments recognized in accordance with GASB 53. This was partially offset by lower New York State assistance of $0.7 million, or 1.6%, decreased mortgage tax receipts of $0.6 million, or 7.6%, and lower passenger facility charges of $0.6 million, or 4.9%.

Summary of Revenues, Expenses and Changes in Net Assets

March 31, 2010 vs. March 31, 2009

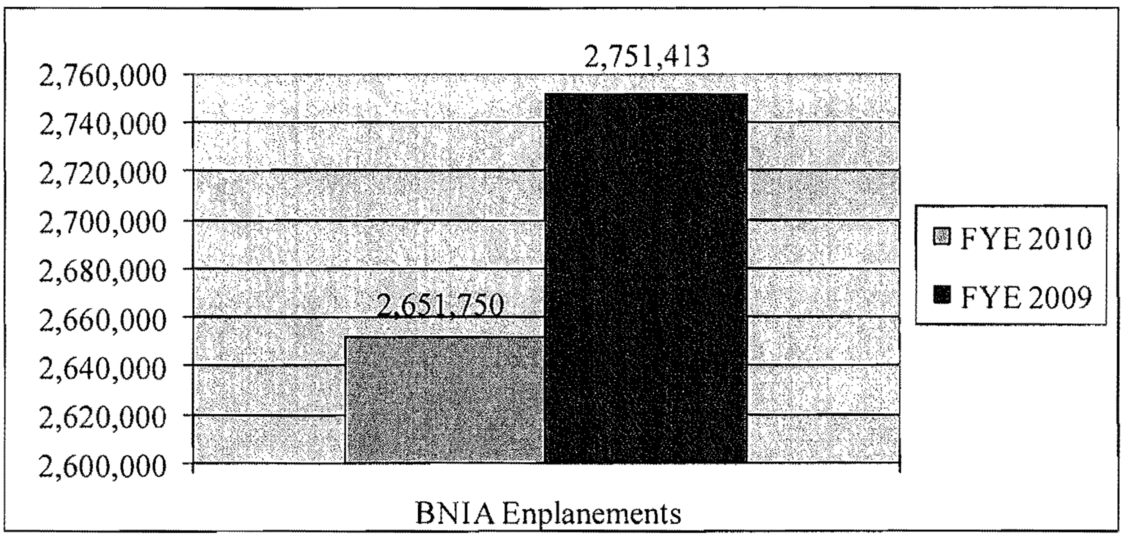
The Authority ended 2010 with total net assets, as adjusted, of $517.7 million, a $25.0 million decrease, or 4.6%, as compared to 2009. Significant items affecting the revenues, expenses, and changes in net assets are as follows:



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

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

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

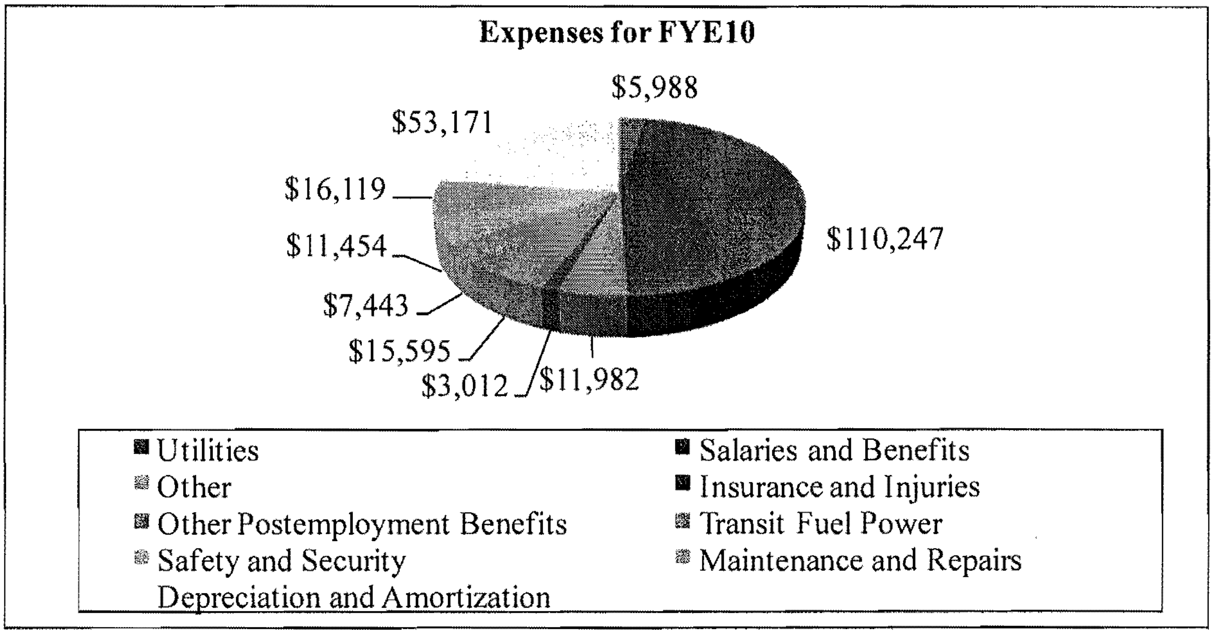


  NFIA other operating revenues increased $0.1 million primarily due to unanticipated revenue sharing adjustments related to prior year operations from a joint venture industrial facility at the Niagara Falls International Airport.

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

METRO

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



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

NFTA

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

  BNIA:

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

- Other operating expenses decreased $0.04 million, or 0.9%, due to decreased advertising and general office costs.

NFIA:

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

Transportation Centers:

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

Property Management Group:

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

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

Administrative Support:

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

METRO

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

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

Net non-operating revenue, as adjusted, decreased 12.1% from $90.3 million to $79.4 million.

- The decrease was due to lower 88(c) revenue of $2.5 million, or 33.2%, higher expenditures of $1.6 million, or 23.3%, incurred with our BNIA noise mitigation program, lower interest income of $1.0 million, or 65.3%, and decreases of $2.6 million, or 5.7% and $0.8 million, or 4.4%, in N.Y. State assistance and Erie County sales tax, respectively. This was partially offset by lower interest expense of $0.7 million, or 6.6%, related to debt, and higher passenger facility charges of $0.6 million, or 5.6%, and the recognition of negative fair value derivative instrument losses of $4.0 million in accordance with GASB 53 applied retroactively.

Capital Assets

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

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

	March 31		
	2011	2010	2009
		(In thousands)	
Nondepreciable:			
Land	$ 62,108	$ 62,108	$ 62,135
Construction in progress	28,071	41,908	83,502
Total capital assets not subject to depreciation	90,179	104,016	145,637
Depreciable:			
Land improvements	347,079	342,265	319,453
Light rail rapid transit system	602,512	632,904	630,863
Airport buildings	268,449	260,024	194,570
Metropolitan transportation centers	21,807	21,556	21,202
Marine terminals, docks and wharves	29,147	28,560	27,725
Motor buses	123,895	102,589	102,893
Equipment, miscellaneous, buildings, and other	132,731	124,376	122,523
Depreciable capital assets	1,525,620	1,512,274	1,419,229
Less accumulated depreciation	(888,524)	(877,048)	(827,306)
Total net capital assets	$ 727,275	$ 739,242	$ 737,560

March 31, 2011 vs. March 31, 2010

Noteworthy capital asset additions and deletions for fiscal year 2011 were:

- Authority additions included $4.5 million for the BNIA noise compatibility program, $2.5 million and $1.0 million for the BNIA automatic baggage system and runway brooms replacement, respectively, and $0.5 million for the BNIA terminal fire alarm system replacement.
- Metro additions included $24.2 for the purchase of fifty-six transit buses, $1.3 million and $1.1 million for two hybrid buses and ten small buses, respectively, $1.0 million for our rail station CCTV upgrade, and $0.8 million for South Park perimeter security.

March 31, 2010 vs. March 31, 2009

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

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

Debt Administration

March 31, 2011 vs. March 31, 2010

At March 31, 2011, the Authority had $192.0 million of outstanding debt. This represents a $13.0 million, or 6.3%, decrease from 2010. BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

March 31, 2010 vs. March 31, 2009

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

OPERATIONS, ACCOMPLISHMENTS & OUTLOOK FOR THE AUTHORITY

Surface Transportation

Metro bus and rail is the Authority's largest business center with over 1,100 employees. It is also the second largest transit provider in New York State, behind the Metropolitan Transportation Authority in New York City, and the only upstate transportation agency to operate a light rail system. It transports over 26 million passengers a year over 1,575 square miles. Approximately 25% of its revenues and operating assistance comes from fare collection and advertising, 35% from New York State, 30% from local sources and 10% from the federal government. Therefore, the New York State budget, as well as the future of other funding sources, is always a high priority.

While the proposed New York State budget of approximately $42 million for FYE 12, it is consistent with the budget for FYE 11. Over the last three years alone, New York State Transportation Operating Assistance (STOA) has been cut five separate times for a total of $3.6 million. Passage of a new federal transportation reauthorization bill is delayed and annual Federal Transit Administration appropriations remain relatively flat for FYE 12. Locally, a slower rate of real estate sales has decreased mortgage recording tax receipts to a 15-year low, further reducing the funds available for needed capital projects. New York State pension and health insurance costs continue to rise, compounding these constraints every year.

The five-year plan indicates significant deficits for Metro Services of $13.2 up to $23.7 million, given our capital needs and increased costs of operations. The NFTA is taking steps to investigate and implement budget reduction opportunities both from the expense side and the revenue side.

Despite financial hardships, the NFTA remains dedicated to providing high quality transportation at a price the public can afford. As of October 31, 2010 the NFTA adjusted service levels to make the entire system more efficient and increase passenger revenues. Buses now run more frequently over the heaviest used routes. In addition, the recently completed Erie County Transit Service Restructuring and Fare Study recommended and the Surface Transportation Group implemented eliminating all fare zones and bus-to-bus transfers and maintained the $1.75 base fare for FYE 12.

To enhance the experience to the rider and reduce maintenance and operating costs, Metro anticipates the delivery of 30 new buses in FYE 12. In addition, the first two newly rebuilt light rail cars were delivered in 2011 with the anticipation that all twenty-seven rail cars will be rebuilt by the end of fiscal 2014.

Aviation

Buffalo Niagara International Airport, the Authority's second largest business center serves over 5 million passengers, marking its fifth straight year of that level or higher of passengers, a milestone that was not predicted until 2020. Because of the changes to BNIA over the past few years to accommodate the increased passengers, and a positive continued trend, a new Master Plan update is scheduled to conclude in FYE 2012.

As we look forward, BNIA continues to progress on the Noise Mitigation Projects that will total over $56.7 million over the next five years. These projects are fully funded by the FAA, New York State and Passenger Facility Charges.

Located just fives miles from Niagara Falls, the Niagara Falls International Airport has been a catalyst for economic development. Since the completion of the new terminal building in December 2009, the number of scheduled carriers has tripled and enplanements have grown 95% from FYE 10 to FYE 11.

Property Management

The Property Management Division serves as the Authority-wide provider of real estate services, managing over 2,000 acres of property throughout Erie and Niagara counties, and is responsible for the Authority's non-public transportation assets, including the NFTA Boat Harbor, the largest recreational boat harbor in New York State, with over 1,000 slips.

Current economic conditions have made it challenging to lease vacancies with the Property Management portfolio, and as a result Port Terminals A and B have been closed to save costs until leased. Between the losses at the Boat Harbor and within Property Management, the NFTA anticipates that the Division with not be profitable in the short term.

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of the Authority for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Deborah C. Leous, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

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

Statements of Net Assets

March 31, 2011 and 2010
(In thousands)

Assets	2011	As adjusted (note 2) 2010
Current assets:		
Cash and cash equivalents	$ 9,504	8,749
Accounts receivable, net of allowance for doubtful accounts of $177 in 2011 and $278 in 2010	6,567	5,517
Grants receivable	12,459	25,345
Materials and supplies inventory	3,820	3,748
Prepaid expenses and other	1,443	483
	33,793	43,842
Restricted assets:		
Cash and cash equivalents	52,439	62,431
Investments	25	25
	52,464	62,456
Deferred outflow of resources	-	598
Bond issuance costs, net	3,948	4,234
Capital assets, net	727,275	739,242
	783,687	806,530
Total assets	$ 817,480	850,372

See accompanying notes to basic financial statements.

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

Liabilities and Net Assets		2011	As adjusted (note 2) 2010
Current liabilities:			
Current portion of long-term debt	$	13,497	12,989
Accounts payable and accrued expenses		25,826	38,111
Deferred revenue		2,618	3,116
Other liabilities		4,245	4,075
		46,186	58,291
Noncurrent liabilities:			
Derivative instruments		4,921	4,611
Long-term debt		178,547	192,044
Deferred 88(c) revenue and other noncurrent liabilities		479	3,963
Other postemployment benefits		61,591	45,835
Payable to NYS Retirement		646	269
Estimated liability for self-insured claims		29,989	27,653
		276,173	274,375
Total liabilities		322,359	332,666
Net assets:			
Capital assets, net of related debt		535,231	534,209
Restricted net assets		47,740	54,418
Unrestricted net assets (deficit)		(87,850)	(70,921)
Total net assets		495,121	517,706
Total liabilities and net assets	$	817,480	850,372

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Assets
Years ended March 31, 2011 and 2010
(In thousands)

	2011	As adjusted (note 2) 2010
Operating revenues:		
Fares	$ 31,651	30,662
Concessions and commissions	28,245	26,727
Rental income	13,542	13,342
Airport fees and services	15,253	14,839
Tenant reimbursements	1,724	1,701
Boat Harbor fees	963	836
Retail sales	250	205
Other operating revenues	3,805	3,664
Total operating revenues	95,433	91,976
Operating expenses:		
Salaries and employee benefits	116,223	110,247
Other postemployment benefits	15,756	15,595
Depreciation	60,489	53,171
Maintenance and repairs	16,128	16,119
Transit fuel and power	6,803	7,443
Utilities	6,273	5,988
Insurance and injuries	3,646	3,012
Safety and security	11,272	11,454
Other	12,319	11,982
Total operating expenses	248,909	235,011
Operating loss	(153,476)	(143,035)

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Assets, Continued
(In thousands)

	2011	As adjusted (note 2) 2010
Non-operating revenues (expenses):		
Operating assistance	$ 92,124	89,837
Passenger facility charges	10,747	11,297
Derivative instrument losses	(908)	(4,013)
Interest expense, net	(9,050)	(9,209)
Airport noise abatement	(4,913)	(8,366)
Other nonoperating expense	(124)	(118)
Total net nonoperating revenues	87,876	79,428
Loss before capital contributions	(65,600)	(63,607)
Capital contributions	43,015	38,624
Change in net assets	(22,585)	(24,983)
Total net assets, beginning of year	517,706	542,689
Total net assets, end of year	$ 495,121	517,706

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2011 and 2010
(In thousands)

	2011	2010
Cash flows from operating activities:		
Cash collected from customers	$ 93,885	92,003
Cash paid for employee wages and benefits	(126,703)	(120,315)
Cash paid to vendors and suppliers	(52,963)	(31,937)
Cash paid for insurance and injury	(1,309)	(2,421)
Net cash used in operating activities	(87,090)	(62,670)
Cash flows from non-capital financing activities - operating assistance	92,124	89,837
Cash flows from capital and related financing activities:		
Repayments of long-term debt	(12,989)	(8,569)
Proceeds from issuance of long-term debt	-	16,462
Escrow funds, net	169	310
Interest paid	(9,412)	(9,734)
Deferred 88(c) revenues	(3,484)	(454)
Capital grants and contributions	55,900	26,290
Additions to capital assets	(48,523)	(54,804)
Construction retainages, net	(2,290)	(58)
Proceeds from sale of capital assets	125	48
Passenger facility charges	10,747	11,388
Airport noise abatement	(4,913)	(8,366)
Other	37	72
Net cash used in capital and related financing activities	(14,633)	(27,415)
Cash flows from investing activities - interest income	362	525
Net change in cash and cash equivalents	(9,237)	277
Cash and cash equivalents, beginning of year	71,180	70,903
Cash and cash equivalents, end of year	$ 61,943	71,180

See accompanying notes to basic financial statements.

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

		2011	2010
Reconciliation to Statement of Net Assets			
Cash and cash equivalents:			
Unrestricted	$	9,504	8,749
Restricted		52,439	62,431
Total cash and cash equivalents	$	61,943	71,180
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss		(153,476)	(143,035)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		60,489	53,171
Other postemployment benefits, net		15,756	15,595
Changes in assets and liabilities:			
Receivables		(1,050)	(157)
Materials and supplies inventories		(72)	1,463
Prepaid expenses and other		(960)	231
Accounts payable and accrued expenses		(9,992)	9,287
Deferred revenue		(498)	184
Estimated liability for self-insured claims		2,336	591
Payable to NYS Retirement		377	-
Net cash used in operating activities	$	(87,090)	(62,670)

See accompanying notes to basic financial statements.

(1) Financial Reporting Entity

The Niagara Frontier Transportation Authority (the Authority) was created by an Act of the New York State Legislature in 1967 to promote the development and improvement of transportation and related services within the Niagara Frontier transportation district. The Niagara Frontier Transit Metro System, Inc. (Metro) was created as part of the Authority in 1974 to provide mass transportation services to the Niagara Frontier.

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Authority Operations

Airports

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

Transportation Centers

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

Property Management

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

Metro Operations

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

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Accounting, Continued

Metro provides the following operations:

Bus service for the Niagara Frontier, comprising Erie and Niagara Counties, serving a population of approximately 1.1 million people. Its fleet consists of 311 buses which operate 76 routes.

MetroLink, a fixed route scheduled service providing community circular/access to jobs, and a Paratransit program for disabled persons, which share a total of 72 vans.

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

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

(b) Cash and Cash Equivalents

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

(c) Investments

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

(d) Revenue/Expense Recognition

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

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

(2) Summary of Significant Accounting Policies, Continued

(e) Materials and Supplies Inventory

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

(f) Restricted Assets

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

(g) Bond Issuance Costs

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

(h) Capital Assets

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

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

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

(i) Compensated Absences

Authority Operations

There are seven separate labor unions while senior management is non-represented. Each employee group has a different compensated absence plan. All employees accrue vacation at varying rates ranging from 13 days per year to a maximum of 25 days per year. Depending on the labor agreements, employees may accumulate a maximum of vacation leave credits ranging from 30 to 40 days that may be carried forward into the next fiscal year. These amounts, in addition to any current year vacation accruals, will be paid to an employee upon termination or retirement. At March 31, 2011 and 2010, the Authority's liability for unused vacation leave totaled $2,079 and $2,092, respectively, and is included in accounts payable and accrued expenses in the accompanying Statements of Net Assets.

All employees accumulate sick leave at a rate of 13 days per year. Depending on the labor union, unused sick leave may accumulate to a maximum of 180 days to 230 days. No cash is paid for these accumulated benefits at retirement or termination. At retirement, eligible employees may redeem unused sick leave toward their 50% share of medical coverage costs ranging up to 20 months of coverage (see Note 10).

(2) Summary of Significant Accounting Policies, Continued

(i) Compensated Absences, Continued

Metro Operations

Generally, all eligible employees accrue vacation credits ranging from 5 days to 25 days per year and unused vacation credits cannot accumulate. Vacation credits are awarded on January 1 and are generally available for use until December 31 for operators. Clerical employees can rollover up to 5 days into the following year however these days must be used by March 31. At March 31, 2011 and 2010, the Metro liability for unused vacation is $2,954 and $2,898, respectively.

Eligible employees receive 10 sick/personal leave days per year that may accumulate from year to year. Upon retirement, an employee may be paid up to a maximum of 30 unused sick days. At March 31, 2011 and 2010, Metro has recorded a liability totaling approximately $2,000 representing the estimated present value of future benefits which is included in accounts payable and accrued expenses in the accompanying Statements of Net Assets.

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

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

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

(k) Self-Insured Claims

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

(l) Other Liabilities (Escrow Funds)

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

(m) Pensions

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

(2) Summary of Significant Accounting Policies, Continued

(n) Postemployment Benefits

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

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

(o) Taxes

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

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(q) Accounting Pronouncement Adopted

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

(2) Summary of Significant Accounting Policies, Continued

(q) Accounting Pronouncement Adopted, Continued

As part of the application of GASB 53, the provisions of the statement were applied retroactively to the prior year financial statement amounts as required in the transition guidance. As such, the prior year financial statements are labeled "as adjusted" for the year ended March 31, 2010 to reflect this retroactive application.

The financial reporting impact resulting from implementation of GASB 53 is the recognition of a liability for a "hedging" derivative instrument whose negative fair value at March 31, 2010 totaled $598 with a corresponding amount being reported as "deferred outflow of resources" in the assets section of the Statements of Net Assets. No deferred outflow of resources is reported as of March 31, 2011 as the derivative instrument is no longer considered effective, and therefore, the $598 was recognized as "derivative instrument losses" within the non-operating revenues (expenses) section of the Statements of Revenues, Expenses, and Changes in Net Assets. The increase in negative fair value of $52 is also recognized in derivative instrument losses, as the derivative's negative fair value was $650 as of March 31, 2011.

Additionally, "investment" derivative instruments or ineffective derivative instruments whose negative fair value at March 31, 2011 and 2010 totaled $4,272 and $4,013, respectively, are recorded as "derivative instruments" within the liability section on the Statements of Net Assets. The change in the fair value is recorded as "derivative instrument losses" within the non-operating revenues (expenses) of the Statements of Revenues, Expenses, and Changes in Net Assets. See note 5(b) regarding the derivative instruments reporting as the disclosures provide a summary of the derivative instrument activity and the information necessary to assess the objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments.

(r) Subsequent Events

The Authority has evaluated events after March 31, 2011, and through June 27, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly address in these financial statements.

(3) Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2011 and 2010, none of the Authority's bank deposits were exposed to custodial credit risk.

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

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

(4) Capital Assets

	April 1, 2010	Additions	Disposals	March 31, 2011
Capital assets not subject to depreciation:				
Land	$ 62,108	-	-	62,108
Construction in progress	41,908	-	(13,837)	28,071
	104,016	-	(13,837)	90,179
Capital assets subject to depreciation:				
Land improvements	342,265	5,665	(851)	347,079
Light rail rapid transit (LRRT) system	632,904	3,369	(33,761)	602,512
Airport buildings	260,024	8,425	-	268,449
Metropolitan transportation centers	21,556	251	-	21,807
Marine terminals, docks, and wharves	28,560	587	-	29,147
Motor buses	102,589	30,233	(8,927)	123,895
Equipment, misc., buildings, and other	124,376	13,855	(5,500)	132,731
	1,512,274	62,385	(49,039)	1,525,620
Accumulated depreciation:				
Land improvements	(193,103)	(15,391)	850	(207,644)
LRRT system	(415,680)	(20,993)	33,762	(402,911)
Airport buildings	(82,472)	(9,580)	-	(92,052)
Metropolitan transportation centers	(13,904)	(497)	-	(14,401)
Marine terminals, docks, and wharves	(20,799)	(137)	-	(20,936)
Motor buses	(69,076)	(7,733)	8,927	(67,882)
Equipment, misc., buildings, and other	(82,014)	(6,216)	5,532	(82,698)
	(877,048)	(60,547)	49,071	(888,524)
Capital assets, net	$ 739,242	1,838	(13,805)	727,275

(4) Capital Assets, Continued

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

(5) Long-Term Debt

(a) Long-term Obligations

	2011	2010
(1) Airport Revenue Bonds 2004:		
Series A, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.646% and a variable auction interest rate, offset by earned swap interest rate at 71% of the prevailing LIBOR rate.	$ 46,350	48,900
Series C, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.55% and a variable auction interest rate, offset by earned swap interest rate at 69% of the prevailing LIBOR rate.	7,325	7,750
(2) Airport Revenue Bonds 1999:		
Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2004, bearing interest at 5.625% to 5.875% (net of unamortized discount of $1,413 in 2011 and $1,425 in 2010).	71,697	74,205
Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of $120 in 2011 and $133 in 2010).	13,655	13,642
(3) Airport Revenue Bonds 1998, maturing April 1, 2028, with variable annual principal payments commencing April 1, 2001, bearing interest at 4.10% to 5.00% (net of unamortized discount of $358 in 2011 and $377 in 2010).	15,567	16,088
(4) Payable to the State of New York, non-interest bearing.	3,380	3,380
(5) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019.	2,391	2,619
(6) NYS EFC Series 2000B Bonds issued by New York State maturing January 15, 2020 with variable annual principal payments, bearing interest at 2.375%.	1,990	2,175
(7) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 350 basis points, subject to an interest rate swap with a fixed rate of 5.81%, maturing in 2013, unsecured.	474	721

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

		2011	2010
(8) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 225 basis points and fixed principal payments, maturing in 2015, secured by passenger facility charges.	$	14,076	17,649
(9) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment.		2,292	2,499
(10) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by property.		4,375	4,450
(11) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 265 basis points and fixed principal payments, maturing in 2015, secured by non-real estate property.		7,125	9,025
(12) Loan with Delaware North with a fixed rate of 4% maturing in 2013, unsecured.		1,347	1,930
		192,044	205,033
Less current portion		(13,497)	(12,989)
Noncurrent portion	$	178,547	192,044

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

(1) On January 15, 2004, the Authority issued $63,000 in Series 2004A and $10,025 in Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to advance refund the Series 1994A and the Series 1994C Airport Revenue Bonds of $55,435 and $9,765 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.

(2) On September 17, 1999, the Authority issued $102,110 of additional Airport Revenue Bonds to provide funding for the continued expansion of the BNIA. The bonds were issued as a supplement to the 1994 and 1998 bond issuance with similar provisions. These bonds were sold at a discount of $1,582 which is being amortized using the interest method over the life of the bonds.

(3) On August 25, 1998, the Authority issued $20,375 of additional Airport Revenue Bonds to provide funding for the expansion of the BNIA. The bonds were issued as a supplement to the 1994 bond issuance with similar provisions. These bonds were sold at a discount of $546 which is being amortized using the interest method over the life of the bonds.

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

(4) The New York State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for this loan. The law provides in pertinent part that repayment of the loan for $3,380 would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2030 through 2031 due to the uncertainty of repayment.

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

Changes in long-term debt for the years ended March 31, 2011 and 2010 were as follows:

	March 31	
	2011	2010
Balance at beginning of year	$ 205,033	197,140
Loan/capital lease proceeds	-	16,462
Repayment of long-term debt, net of discount amortization	(12,989)	(8,569)
Balance at end of year	192,044	205,033
Less current portion	(13,497)	(12,989)
Noncurrent portion of long-term debt	$ 178,547	192,044

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

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

	Loans and Capital Leases		Serial Bonds		
	Principal	Interest	Principal	Unamortized discount	Interest
Year ended March 31:					
2012	$ 6,862	1,067	6,715	(80)	7,644
2013	6,893	861	6,855	(85)	7,499
2014	6,170	669	7,350	(87)	7,012
2015	5,013	503	7,710	(92)	6,662
2016	1,035	417	7,940	(98)	6,438
2017 - 2021	2,904	1,573	45,920	(483)	25,752
2022 - 2027	1,025	1,059	45,850	(564)	13,679
2028 - 2032	1,508	575	30,135	(402)	3,692
2033 - 2037	4,050	48	-	-	-
	$ 35,460	6,772	158,475	(1,891)	78,378

At March 31, 2011 and 2010, the Authority was in compliance with all loan and bond covenants.

(b) Derivative Instruments

Objective of Interest Rate Swaps

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

Risks

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

Basis Risk - The risk that the Authority's variable rate payments will not equal its variable rate receipts because they are based on different indexes. Variable auction rates and fees paid differ from variable LIBOR rates received. There was an unfavorable basis risk of $1,773 and $1,599 during the years ended March 31, 2011 and 2010, respectively.

(5) Long-Term Debt, Continued

(b) Derivative Instruments, Continued

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

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

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

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

Terms

At March 31, 2011, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $4,272 and $649, respectively. The combined negative fair value of $4,921 was recorded in accordance with the transition provision of GASB 53 described in note 2. At March 31, 2011, the notional amounts of Series 2004A and 2004C swaps were $46,350 and $7,325, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024 or more than 10 years investment maturity.

As part of the transition provisions of GASB 53, the Authority evaluated the effectiveness of the interest rate swap derivatives that existed at the end of the reporting period. Due to the risks inherently noted above, the Series 2004A and 2004C interest rate swaps as of March 31, 2011 were considered ineffective because they did not meet the effectiveness qualifications under the Synthetic Instrument Method (SIM) quantitative method of evaluating effectiveness. Therefore, the interest rate swaps were also evaluated at the end of the previous reporting period to determine effectiveness and the appropriate recognition within the financial statements. It was noted that the Series 2004A interest rate swap was also ineffective for the year ended March 31, 2010 but the Series 2004C interest rate swap was considered effective for the year ended March 31, 2010.

(6) Deferred 88(c) Revenue

Changes in deferred 88(c) revenues for the years ended March 31, 2011 and 2010 were as follows:

	March 31	
	2011	2010
Balance at beginning of year	$ 3,963	4,417
Receipts of funds	5,131	5,843
Interest income	5	9
Light rail capital and operating expenditures	(8,620)	(6,306)
Balance at end of year	$ 479	3,963

(7) Passenger Facility Charges

In 1992, the Federal Aviation Administration (FAA) approved the Authority's application to impose collection of Passenger Facility Charges (PFC) at the BNIA. The PFCs are used specifically for FAA approved projects at BNIA, including the Airport Improvement Program. PFC revenues for fiscal years ended March 31, 2011 and 2010 were $10,747 and $11,297, respectively.

(8) Operating Assistance

Operations are funded primarily by farebox revenues from passengers and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; New York State, Erie and Niagara Counties (pursuant to New York State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2011 and 2010 were as follows:

(8) Operating Assistance, Continued

Metro:

	2011	2010
FTA:		
Section 5307 and 5311 assistance	$ 9,660	9,650
Section 5307 capital maintenance	331	348
Other	1,968	1,850
Total FTA	11,959	11,848
New York State:		
Statewide transit operating assistance program	37,720	38,467
Section 18b assistance	4,099	4,100
Section 5307 capital maintenance match	1,243	1,244
Other	320	273
Total New York State	43,382	44,084
Erie County:		
88(c) - general	7,727	4,966
Mortgage recording tax (section 88a)	5,962	6,453
Section 18b matching funds	3,657	3,657
Sales tax receipts	17,232	16,599
Total Erie County	34,578	31,675
Niagara County:		
Mortgage recording tax	931	1,006
Section 18b matching funds	443	443
Total Niagara County	1,374	1,449
Peace Bridge Authority	200	200
	91,493	89,256
Authority:		
Department of Homeland Security	560	574
Department of Justice	71	7
	631	581
	$ 92,124	89,837

(9) Retirement Plans

(a) New York State Retirement System

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

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

ERS and PFRS are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PRFS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The rates range from 9.1% to 17.5% of annual covered payroll over the past three years.

The Authority contributions to the System for the years ended March 31, 2011 and 2010 were $4,594 and $3,662, respectively. The Authority contributions made to the Systems were equal to 100% of the contributions required for each year.

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

Plan Description

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

(9) Retirement Plans, Continued

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

Plan Description, Continued

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

Funding Requirement

Each eligible employee is required to contribute the greater of sixteen dollars or 4% of their weekly payroll. Metro's contribution is 11% of eligible employee wages and is determined pursuant to the collective bargaining agreement (CBA) between Metro and the ATU. Metro's contributions to the Plan recorded on the Statements of Revenues, Expenses, and Changes in Net Assets, pursuant to the CBA, totaled $5,499 and $5,422 for 2011 and 2010. The Agreement provides that Metro is not obligated to make any other payment to fund the benefits or to meet any expenses of administration and, in the event of termination; Metro will have no obligation for further contributions to the ATU Plan. Therefore, net pension assets of the ATU plan are not recorded by the Authority.

Annual Pension Cost and Net Pension Asset

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

	2011	2010
Annual required contribution	$ (5,091)	(4,642)
Interest on net pension asset	953	907
Adjustment to annual required contribution	(1,140)	(1,085)
Annual pension cost	(5,278)	(4,820)
Contributions made	5,499	5,422
Increase in net pension asset	221	602
Net pension asset beginning of year	12,707	12,105
Net pension asset end of year	$ 12,928	12,707

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

(9) Retirement Plans, Continued

(c) Metro Nonunion Retirement Plan

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

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

	2011	2010
Annual required contribution	$ (491)	(420)
Interest on net pension asset	(23)	(38)
Adjustment to annual required contribution	23	38
Annual pension cost	(491)	(420)
Contributions made	420	596
Increase (decrease) in net pension obligation	(71)	176
Net pension obligation, beginning of year	(420)	(596)
Net pension obligation, end of year	$ (491)	(420)

The annual required contribution was determined using the Unit Credit Actuarial Cost Method. The actuary assumed a 5.5% investment rate of return, mortality rates based on the Applicable Mortality Table for the Valuation Year, and retirement age 62 with 5 years of service.

At December 31, 2010, on the basis for actuarial assumptions used for funding purposes, the actuarial value of the plan assets of $4,382 is lower than the actuarial accrued liabilities of $6,508.

(10) Postemployment Benefits

Postemployment Health Care

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

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

As identified in Note 2, the Authority adopted GASB Statement No. 45 for the year ended March 31, 2008. The objective of this statement is to improve the faithfulness and usefulness of financial information presented with respect to postemployment benefits other than pensions (OPEB). This pronouncement requires the recognition of the costs of these benefits during the periods when employees render services that will eventually entitle them to the benefits, rather than continuing to use the "pay-as-you-go" method. This cost is referred to as the annual required contribution (ARC) and includes:

- amortization of the unfunded actuarial liability (UAAL) for the current year, the UAAL being the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year
- the actuarially-determined cost of future OPEB ascribed to, or "earned", in the current year (normal cost)

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

The following table summarizes the Authority's ARC the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation for the years ended March 31, 2011 and 2010:

(10) Postemployment Benefits, Continued

	2011	2010
Annual required contribution (ARC)		
Normal cost	$ 8,460	9,080
Amortization of UAAL	12,721	10,885
Annual required contribution	21,181	19,965
Interest earned on OPEB obligation	2,120	1,361
Adjustment to ARC	(2,892)	(1,857)
Annual OPEB cost	20,409	19,469
Employer contributions	(3,443)	(2,570)
Increase in OPEB obligation	16,966	16,899
Net OPEB obligation - beginning of year	47,148	30,249
Net OPEB obligation - end of year	$ 64,114	47,148

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, 2009 through March 31, 2011 were:

March 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$20,409	16.66%	64,114
2010	19,469	13.42%	47,148
2009	18,487	10.61%	30,249

The actuarial analysis supporting the GASB 45 obligation for 2011 was completed using a valuation date of April 1, 2010. As of that date, the total actuarial accrued liability (UAAL) for future benefits was $51,834 for the Authority and $169,689 for Metro, all of which is unfunded. The present value including additional obligations attributable to future service is $64,905 for the Authority and $226,910 for Metro. These projections are based on the April 1, 2010 census data, claims information and the impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was $83,812, and the ratio of the UAAL to the covered payroll was 264.3%.

(10) Postemployment Benefits, Continued

The actuarial valuation involves estimates of costs and the impacts of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in health care costs and interest rates. The benefits will be subject to routine actuarial revaluations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Any changes in these factors will impact the results of future valuations. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

- Healthcare cost trend is estimated at 7% next year, ultimately declining to 5% in year 2019 and remaining level thereafter.
- Actuarial cost method used is projected unit credit
- Discount rate is 4.50%
- Amortization method is 30 years, open, level dollar method

Postemployment Stipends
As of March 31, 2011, there are 255 retirees within Metro who retired prior to January 2004. Each retiree is provided with a cash stipend equivalent to the single medical premium cost and, if enrolled in Medicare, the retiree also is provided with full Medicare reimbursement. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

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

	2011	2010
Annual required contribution	$ 2,078	2,231
Interest on net pension cost	(59)	-
Adjustment to ARC	81	-
Annual pension cost	2,100	2,231
Employer contributions	(3,309)	(3,535)
Increase in net pension obligation (asset)	(1,209)	(1,304)
Net pension obligation (asset) - beginning of year	(1,313)	(9)
Net pension obligation (asset) - end of year	$ (2,522)	(1,313)

(10) Postemployment Benefits, Continued

The actuarial accrued liability at March 31, 2011 was $31,682, all of which is unfunded. The net pension obligation (asset) of ($2,522) and ($1,313) for the years ended March 31, 2011 and 2010, respectively, has been recorded as a noncurrent liability on the Statements of Net Assets 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 8% next year declining 1% per year through 2015
- Actuarial cost method used is projected unit credit
- Discount rate is 4%
- Amortization method is 30 years, open, level dollar method.

(11) Leases

A substantial portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport, marine and transportation center facilities. The leases generally provide for rentals determined on the basis of a rate per square foot occupied or a percentage of the lessee's gross revenues with guaranteed minimum amounts. Total revenue from leases was $50,529 and $50,708 in 2011 and 2010, including guaranteed minimum rentals of $22,147 and $21,563 during 2011 and 2010.

Fixed-term operating leases in effect at March 31, 2011 are expected to yield minimum rentals in future years as follows:

2012	$ 20,827
2013	18,397
2014	11,877
2015	2,508
2016	2,511
2017 - 2021	9,266
2022 - 2026	10,760
2027 - 2031	3,646
2032 - 2036	855
2037 - 2041	319
2042 - 2046	225
	$ 81,191

(12) Commitments and Contingencies

(a) Litigation and Claims

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

(b) Self-Insured Claims

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

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

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

For the fiscal year ended March 31, 2009, the Authority adopted GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The Authority has recognized a liability of $43 and $49 for 2011 and 2010, respectively relating to the ongoing water treatment remediation project at the former Westinghouse facility. This liability is included as estimated in liability for self-insured claims on the Statements of Net Assets.

Changes in self-insured claims for the years ended March 31, 2011 and 2010 were as follows:

	March 31	
	2011	2010
Beginning of year liability	$ 27,653	27,062
Current year claims	13,317	10,093
Claim payments	(10,981)	(9,502)
Balance at end of year	$ 29,989	27,653

(12) Commitments and Contingencies, Continued

(c) Project Commitments

As of March 31, 2011, the Authority has commenced several projects including:

- NFIA (Niagara Falls International Airport) terminal replacement, apron expansion and landside improvements estimated at $46,299 of which $44,990 was expended.
- BNIA improvement of baggage sorting system estimated at $30,270 of which $28,250 was expended.
- BNIA noise abatement program for outlaying properties estimated at $56,726 of which $26,428 was expended. (Expenditures are classified as non-operating expenses in the Statements of Revenues, Expenses and Changes in Net Assets).
- Rail car refurbishment estimated at $40,760 of which $15,878 was expended.
- BNIA concourse level modifications to expand the security checkpoint and add a food court estimated at $5,961 of which $5,640 was expended.

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

(13) Segment Information - Buffalo Niagara International Airport

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

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

(a) Condensed Statements of Net Assets (BNIA)

	2011	2010
Assets:		
Current	$ 42,634	37,690
Capital assets, net	308,543	316,989
Other	46,110	53,001
Total assets	$ 397,287	407,680
Liabilities:		
Current liabilities	16,137	17,679
Long-term liabilities	172,205	177,437
Total liabilities	$ 188,342	195,116
Net assets:		
Invested in capital assets, net of related debt	132,554	131,063
Restricted	42,193	48,806
Unrestricted	34,198	32,695
Total net assets	$ 208,945	212,564

Included in current and other assets are airport revenue bond fund accounts and other cash and deposit accounts totaling $28,770 and $14,308 for the fiscal year ended March 31, 2011 and $35,098 and $14,680 for the fiscal year ended March 31, 2010, respectively.

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

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

	2011	2010
Operating revenues:		
Concessions and commissions	$ 27,807	26,506
Airport fees and services	15,203	14,807
Rental income	8,671	8,591
Other	4,320	4,001
Total operating revenues	56,001	53,905
Operating expenses	35,723	34,961
Depreciation expense	21,289	20,698
Operating loss	(1,011)	(1,754)
Nonoperating revenues (expenses):		
Derivative investment losses	(908)	(4,013)
Interest expense, net	(8,313)	(8,615)
Passenger facility charges	10,747	11,297
Airport noise abatement	(4,913)	(8,366)
Other, net	(4,196)	(1,599)
Loss before capital contribution	(8,594)	(13,050)
Capital contribution	8,987	7,701
Change in net assets	393	(5,349)
Net assets, beginning of year, as adjusted	208,552	213,901
Net assets, end of year	$ 208,945	208,552

(c) Condensed Statements of Cash Flows (BNIA)

	2011	2010
Net cash provided by operating activites	$ 15,131	13,230
Net cash provided by investing activities	334	471
Net cash used in capital and related financing activities	(22,165)	(9,353)
Net increase (decrease) in cash	(6,700)	4,348
Cash, beginning of year	49,778	45,430
Cash, end of year	$ 43,078	49,778

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

(d) Master Resolution Covenant

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

Airport revenues are defined in the Master Resolution as the total of all revenue from all sources collected by the Authority at BNIA, which specifically excludes passenger facility charges and includes interest income. Passenger facility charges are not pledged as security for the Airport Revenue Bonds. Operating expenses are defined as all costs to operate and maintain the BNIA including general, administrative, and professional fee expenses allocated by the Authority. Debt service is defined as the total amount required to pay principal and interest, net of amounts available for the payment of interest as defined by the Master Resolution.

	2011	2010
Airport revenues:		
Operating revenues	$ 56,001	53,905
Interest income	330	467
Gross airport revenues	56,331	54,372
Operating expenses	(35,723)	(34,961)
Net airport revenues	20,608	19,411
Net debt service:		
Principal paid	6,572	6,494
Interest paid	8,185	9,338
Passenger facility charges	(1,430)	(1,426)
Net debt service	$ 13,327	14,406
Debt service coverage percentage	154.63%	134.73%
Minimum percentage requirement	125.00%	125.00%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Required Supplementary Information (Unaudited)
Schedules of Funding Progress for Defined Benefit Pension
and Other Postemployment Benefit Plans
For the Years ended March 31, 2011 and 2010
(In thousands)

ATU Division 1342 NFT Metro Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
8/1/2010	$ 86,260	133,305	47,045	64.7%	45,507	103.4%
8/1/2009	82,983	124,439	41,456	66.7%	41,273	100.4%
8/1/2008	81,212	117,226	36,014	69.3%	42,920	83.9%

Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/1/2011	$ -	221,523	221,523	0%	83,812	264.3%
4/1/2008	-	163,267	163,267	0%	78,203	208.8%
4/1/2006	-	133,180	133,180	0%	75,442	176.5%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Net Assets
March 31, 2011 and 2010
(In thousands)

	2011			As adjusted (note 2) 2010		
Assets	Authority	Metro	Total	Authority	Metro	Total
Current assets:						
Cash and cash equivalents	$ 2,603	6,901	9,504	2,593	6,156	8,749
Accounts receivable, net of allowance for doubtful accounts of $177 and $278 in 2011 and 2010	4,546	2,021	6,567	3,991	1,526	5,517
Grants receivable	4,907	7,552	12,459	10,825	14,520	25,345
Due from other funds	(5,502)	5,502	-	(5,823)	5,823	-
Materials and supplies inventory	5	3,815	3,820	6	3,742	3,748
Prepaid expenses and other	913	530	1,443	416	67	483
	7,472	26,321	33,793	12,008	31,834	43,842
Restricted assets:						
Cash and cash equivalents	50,184	2,255	52,439	56,610	5,821	62,431
Investments	-	25	25	-	25	25
	50,184	2,280	52,464	56,610	5,846	62,456
Deferred outflow of resources	-	-	-	598	-	598
Bond issuance costs, net	3,948	-	3,948	4,234	-	4,234
Capital assets, net	404,594	322,681	727,275	416,162	323,080	739,242
	458,726	324,961	783,687	477,604	328,926	806,530
Total assets	$ 466,198	351,282	817,480	489,612	360,760	850,372
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	13,281	216	13,497	12,782	207	12,989
Accounts payable and accrued expenses	12,266	13,560	25,826	17,638	20,473	38,111
Deferred revenue	929	1,689	2,618	872	2,244	3,116
Other liabilities	4,245	-	4,245	4,075	-	4,075
	30,721	15,465	46,186	35,367	22,924	58,291
Noncurrent liabilities:						
Derivative instruments	4,921	-	4,921	4,611	-	4,611
Long-term debt	176,471	2,076	178,547	189,752	2,292	192,044
Deferred 88(c) revenue and other noncurrent liabilities	-	479	479	-	3,963	3,963
Other postemployment benefits, net	14,281	47,310	61,591	10,971	34,864	45,835
Payable to NYS Retirement	646	-	646	269	-	269
Estimated liability for self-insured claims	3,774	26,215	29,989	4,018	23,635	27,653
	200,093	76,080	276,173	209,621	64,754	274,375
Total liabilities	230,814	91,545	322,359	244,988	87,678	332,666
Net assets:						
Capital assets, net of related debt	214,842	320,389	535,231	213,628	320,581	534,209
Restricted net assets	45,939	1,801	47,740	52,535	1,883	54,418
Unrestricted net assets (deficit)	(25,397)	(62,453)	(87,850)	(21,539)	(49,382)	(70,921)
Total net assets	235,384	259,737	495,121	244,624	273,082	517,706
Total liabilities and net assets	$ 466,198	351,282	817,480	489,612	360,760	850,372

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Revenues, Expenses and Changes in Net Assets
Years ended March 31, 2011 and 2010
(In thousands)

	2011			As adjusted (note 2) 2010		
	Authority	Metro	Total	Authority	Metro	Total
Operating revenues:						
Fares	$ -	31,651	31,651	-	30,662	30,662
Concessions and commissions	28,245	-	28,245	26,727	-	26,727
Rental income	13,542	-	13,542	13,342	-	13,342
Airport fees and services	15,253	-	15,253	14,839	-	14,839
Tenant reimbursements	1,724	-	1,724	1,701	-	1,701
Boat harbor fees	963	-	963	836	-	836
Retail sales	250	-	250	205	-	205
Other operating revenues	3,021	784	3,805	2,762	902	3,664
	62,998	32,435	95,433	60,412	31,564	91,976
Operating expenses:						
Salaries and employee	20,405	95,818	116,223	19,554	90,693	110,247
Other postemployment benefits	3,310	12,446	15,756	3,764	11,831	15,595
Depreciation	27,594	32,895	60,489	26,272	26,899	53,171
Maintenance and repairs	9,803	6,325	16,128	9,729	6,390	16,119
Transit fuel and power	-	6,803	6,803	-	7,443	7,443
Utilities	3,958	2,315	6,273	3,839	2,149	5,988
Insurance and injuries	575	3,071	3,646	854	2,158	3,012
Safety and security	5,994	5,278	11,272	5,814	5,640	11,454
Other operating expenses	9,298	3,021	12,319	8,888	3,094	11,982
Administration cost reallocation	(3,690)	3,690	-	(3,707)	3,707	-
Total operating expenses	77,247	171,662	248,909	75,007	160,004	235,011
Operating loss	(14,249)	(139,227)	(153,476)	(14,595)	(128,440)	(143,035)
Non-operating revenues (expenses):						
Operating assistance	631	91,493	92,124	581	89,256	89,837
Passenger facility charges	10,747	-	10,747	11,297	-	11,297
Derivative instrument losses	(908)	-	(908)	(4,013)	-	(4,013)
Interest income	342	20	362	483	42	525
Interest expense	(9,310)	(102)	(9,412)	(9,623)	(111)	(9,734)
Airport noise abatement	(4,913)	-	(4,913)	(8,366)	-	(8,366)
Other non-operating income (expense)	698	(822)	(124)	782	(900)	(118)
Total non-operating income (expense)	(2,713)	90,589	87,876	(8,859)	88,287	79,428
Loss before capital contributions	(16,962)	(48,638)	(65,600)	(23,454)	(40,153)	(63,607)
Capital contributions	7,722	35,293	43,015	20,601	18,023	38,624
Change in net assets	(9,240)	(13,345)	(22,585)	(2,853)	(22,130)	(24,983)
Total net assets, beginning of year	244,624	273,082	517,706	247,477	295,212	542,689
Total net assets, end of year	$ 235,384	259,737	495,121	244,624	273,082	517,706

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Cash Flows
Years ended March 31, 2011 and 2010
(In thousands)

	2011			2010		
	Authority	Metro	Total	Authority	Metro	Total
Cash flows from operating activities:						
Cash collected from customers	$ 62,500	31,385	93,885	60,427	31,576	92,003
Cash paid for employee wages and benefits	(25,848)	(100,855)	(126,703)	(23,971)	(96,344)	(120,315)
Cash paid to vendors and suppliers	(26,626)	(26,337)	(52,963)	(23,479)	(8,458)	(31,937)
Receipts/payments to other funds	3,369	(3,369)	-	(488)	488	-
Cash paid for insurance and injury	(818)	(491)	(1,309)	(445)	(1,976)	(2,421)
Net cash provided by (used in) operating activities	12,577	(99,667)	(87,090)	12,044	(74,714)	(62,670)
Cash flows from noncapital financing activities - operating assistance	631	91,493	92,124	581	89,256	89,837
Cash flows from capital and related financing activities:						
Repayments of long-term debt	(12,782)	(207)	(12,989)	(8,371)	(198)	(8,569)
Proceeds from issuance of long-term debt	-	-	-	16,462	-	16,462
Escrow funds, net	169	-	169	310	-	310
Interest paid	(9,309)	(103)	(9,412)	(9,623)	(111)	(9,734)
Deferred 88(c) revenues	-	(3,484)	(3,484)	-	(454)	(454)
Capital grants and contributions	13,639	42,261	55,900	18,045	8,245	26,290
Additions to capital assets	(16,027)	(32,496)	(48,523)	(31,391)	(23,413)	(54,804)
Construction retainages, net	(2,474)	184	(2,290)	(407)	349	(58)
Proceeds from sale of capital assets	15	110	125	5	43	48
Passenger facility charges	10,747	-	10,747	11,388	-	11,388
Airport noise abatement	(4,913)	-	(4,913)	(8,366)	-	(8,366)
Other	969	(932)	37	1,015	(943)	72
Net cash provided by (used in) capital and related financing activities	(19,966)	5,333	(14,633)	(10,933)	(16,482)	(27,415)
Cash flows from investing activities - interest income	342	20	362	483	42	525
Net change in cash and cash equivalents	(6,416)	(2,821)	(9,237)	2,175	(1,898)	277
Cash and equivalents at beginning of year	59,203	11,977	71,180	57,028	13,875	70,903
Cash and equivalents at end of year	$ 52,787	9,156	61,943	59,203	11,977	71,180
Reconciliation to Statements of Net Assets:						
Cash and cash equivalents						
Unrestricted	2,603	6,901	9,504	2,593	6,156	8,749
Restricted	50,184	2,255	52,439	56,610	5,821	62,431
Total cash and cash equivalents	$ 52,787	9,156	61,943	59,203	11,977	71,180

(Continued)

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

	2011			2010		
	Authority	Metro	Total	Authority	Metro	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:						
Operating loss	$ (14,249)	(139,227)	(153,476)	(14,595)	(128,440)	(143,035)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation	27,594	32,895	60,489	26,272	26,899	53,171
Other postemployment benefits, net	3,310	12,446	15,756	3,764	11,831	15,595
Changes in assets and liabilities						
Receivables	(555)	(495)	(1,050)	76	(233)	(157)
Materials and supplies inventory	1	(73)	(72)	3	1,460	1,463
Prepaid expenses and other	(497)	(463)	(960)	61	170	231
Accounts payable and accrued expenses	(2,896)	(7,096)	(9,992)	310	8,977	9,287
Deferred revenue	57	(555)	(498)	(61)	245	184
Due to other funds	(321)	321	-	(4,195)	4,195	-
Estimated liability for self-insured claims	(244)	2,580	2,336	409	182	591
Payable to NYS Retirement	377	-	377	-	-	-
Net cash provided by (used in) operating activities	$ 12,577	(99,667)	(87,090)	12,044	(74,714)	(62,670)

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES

The Board of Commissioners
Niagara Frontier Transportation Authority:

We have examined the Niagara Frontier Transportation Authority's (the Authority) (a component unit of the State of New York) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2011. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2011.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

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This report is intended solely for the information and use of the Board of Commissioners, management of the Authority, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 27, 2011