

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

FINANCIAL STATEMENTS

MARCH 31, 2020

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

March 31, 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited the accompanying balance sheets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Additional Information

The additional information on pages 36 through 38 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020 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* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

June 25, 2020



Niagara Frontier Transportation Authority
Serving the Niagara Region

181 Ellicott Street
Buffalo, New York 14203
716-855-7300
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MANAGEMENT'S CERTIFICATION OF THE FINANCIAL STATEMENTS

Management certifies that, based on our knowledge, the information provided herein 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 and cash flows of the Authority as of, and for, the period presented in the financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY



Kimberley A. Minkel
Executive Director



John T. Cox
Chief Financial Officer



Patrick J. Dalton
Director of Internal Audit and
Corporate Compliance

June 25, 2020



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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING


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

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of March 31, 2020, the Authority's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY


 Kimberley A. Minkel
 Executive Director


 John T. Cox
 Chief Financial Officer


 Patrick J. Dalton
 Director of Internal Audit and
 Corporate Compliance

June 25, 2020

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

Management's Discussion and Analysis

For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

This management's discussion and analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the Authority's financial activities as of and for the years ended March 31, 2020, 2019 and 2018, which should be read in conjunction with the Authority's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. It begins by presenting and explaining the financial statements. These statements have been prepared according to accounting principles generally accepted in the United States of America (GAAP). Revenues and expenses are recorded using the accrual basis of accounting, meaning that they are recorded by the Authority as earned/incurred, regardless of when cash is received or paid.

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

Effective April 1, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement requires full accrual of the other postemployment benefits (OPEB) liability as opposed to the previous accounting treatment of amortizing the prior service cost. The cumulative effect on the 2019 statements is a decrease in beginning of year net position totaling \$308.9 million.

The **Balance Sheets** present information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Authority's financial position is strengthening or weakening.

The **Statements of Revenues, Expenses and Changes in Net Position** show the results of the Authority's operations during the year and reflect both operating and non-operating activities. Changes in net position reflect the operational impact of the current year's activities on the financial position of the Authority.

The **Statements of Cash Flows** provide an analysis of the sources and uses of cash. The cash flow statements show net cash provided or used in operating, non-capital financing, capital and related financing, and investing activities.

The notes to the financial statements include additional information which provides a further understanding of the financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

FINANCIAL HIGHLIGHTS

Summarized Balance Sheets

(in thousands)	March 31		
	2020	2019	2018
Current assets	\$ 108,826	\$ 74,515	\$ 81,088
Restricted assets	109,670	124,437	53,407
Capital assets, net	628,668	610,145	612,233
Deferred outflows of resources related to pensions and OPEB	36,489	41,914	15,600
Total assets and deferred outflows of resources	<u>\$ 883,653</u>	<u>\$ 851,011</u>	<u>\$ 762,328</u>
Current liabilities	\$ 62,318	\$ 47,086	\$ 52,147
Noncurrent liabilities	802,652	783,741	366,999
Deferred inflows of resources related to pensions	4,396	15,004	2,644
Total liabilities and deferred inflows of resources	<u>869,366</u>	<u>845,831</u>	<u>421,790</u>
Net position:			
Net investment in capital assets	454,462	424,249	482,077
Restricted	102,661	116,886	48,081
Unrestricted	(542,836)	(535,955)	(189,620)
Total net position	<u>14,287</u>	<u>5,180</u>	<u>340,538</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 883,653</u>	<u>\$ 851,011</u>	<u>\$ 762,328</u>

The changes in total net position over time serve as a useful indicator of the Authority's financial position. Net investment in capital assets represents the Authority's net capital assets, offset by any payables or debt outstanding used to finance the capital asset purchases. Restricted net assets consist primarily of cash and investments restricted in accordance with bonding requirements or assets whose use is limited to specific purposes in accordance with various agreements. Unrestricted net position deficits of \$542.8 million, \$536.0 million, and \$189.6 million at March 31, 2020, 2019 and 2018 result primarily from the accrual of other postemployment benefits. The change from 2018 to 2019 is mostly due to the impact of the adoption of GASB Statement No. 75. As a result of the Authority's activities, March 31, 2020 net position increased \$9.1 million from March 31, 2019. As a result of the Authority's activities, March 31, 2019 net position decreased \$26.4 million from March 31, 2018, excluding the effect of the restatement of \$308.9 million due to the implementation of GASB 75.

Current assets increased \$34.3 million from March 31, 2019 to March 31, 2020 primarily due to an increase in grants receivable relating to federal CARES Act funds appropriated by Congress near the end of fiscal 2020 to address the impact of Coronavirus Disease 2019 (COVID-19). Restricted assets decreased \$14.8 million as proceeds from sale of Series 2019A Airport Revenue Bonds were expended during the year on the related airport construction project. Deferred outflows of resources decreased \$5.4 million due to changes in assumptions and differences between the projected and actual investment earnings related to certain pension and OPEB plans as well as amounts recognized for payments made subsequent to the respective plans' measurement dates.

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

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For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

Current assets decreased \$6.6 million from March 31, 2018 to March 31, 2019 primarily due to a decrease in unrestricted cash and investments and grants receivable, partially offset by an increase in accounts receivable. The decrease is primarily attributable to a decrease in cash from operations, additions of capital assets, and transfer of cash to restricted assets. Restricted assets increased \$71.0 million resulting from the unexpended proceeds from sale of Series 2019A Airport Revenue Bonds (discussed below). Deferred outflows of resources increased \$26.3 million due to changes in assumptions and differences between the projected and actual investment earnings related to certain pension and OPEB plans as well as amounts recognized for payments made subsequent to the respective plans' measurement dates.

Current liabilities increased \$15.2 million from March 31, 2019 due to the first principal payment on the Series 2019A Airport Revenue Bonds coming due on April 1, 2020 and an increase in accounts payable and accrued expenses primarily related to the ongoing BNIA terminal expansion project.

Current year principal payments offset by increases in self-insured claims of \$1.2 million, net pension liabilities of \$4.5 million, and other postemployment benefits of \$33.1 million, along with a decrease in other noncurrent liabilities of \$2.5 million, resulted in an overall increase in noncurrent liabilities of \$18.9 million at March 31, 2020 compared to March 31, 2019.

In 2019, the Authority issued \$81.9 million Series 2019A Airport Revenue Bonds to finance the expansion, reconfiguration, and renovation of the passenger terminal at Buffalo Niagara International Airport (BNIA) and refund outstanding Series 2004A and 2004C bonds (as further discussed under Debt Administration). The new debt, net of refunding and unamortized premium, offset by 2019 principal payments and combined with an increase in the total OPEB liability of \$366.2 million and a decrease in net pension liabilities of \$10.3 million, resulted in an increase in noncurrent liabilities of \$416.7 million at March 31, 2019 compared to March 31, 2018.

Refer to the Capital Assets and Debt Administration sections of this MD&A for further details.

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For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

Summarized Statements of Revenues, Expenses and Changes in Net Position

(in thousands)	Years ended March		
	2020	2019	2018
Operating revenues:			
Fares	\$ 34,815	\$ 35,510	\$ 35,478
Concessions and commissions	29,862	31,133	29,420
Rental income	18,276	18,616	18,039
Airport fees and services	19,209	19,864	18,283
Other operating revenues	6,010	5,713	5,755
Total operating revenues	<u>108,172</u>	<u>110,836</u>	<u>106,975</u>
Operating expenses:			
Salaries and employee benefits	131,930	138,416	141,073
Other postemployment benefits	47,162	44,064	19,676
Depreciation	51,082	51,933	52,741
Maintenance and repairs	22,380	21,934	21,444
Transit fuel and power	3,840	4,330	3,425
Utilities	4,004	4,943	4,623
Insurance and injuries	6,206	4,816	3,947
Other operating expenses	19,329	16,325	16,400
Total operating expenses	<u>285,933</u>	<u>286,761</u>	<u>263,329</u>
Operating loss	<u>(177,761)</u>	<u>(175,925)</u>	<u>(156,354)</u>
Non-operating revenues, net	<u>152,300</u>	<u>127,929</u>	<u>121,931</u>
Change in net position before capital contributions	(25,461)	(47,996)	(34,423)
Capital contributions	<u>34,568</u>	<u>21,564</u>	<u>24,363</u>
Change in net position	9,107	(26,432)	(10,060)
Net position – beginning of year	5,180	340,538	350,598
Cumulative effect of a change in accounting principle	-	(308,926)	-
Net position, beginning, as restated	<u>5,180</u>	<u>31,612</u>	<u>350,598</u>
Net position – end of year	<u>\$ 14,287</u>	<u>\$ 5,180</u>	<u>\$ 340,538</u>

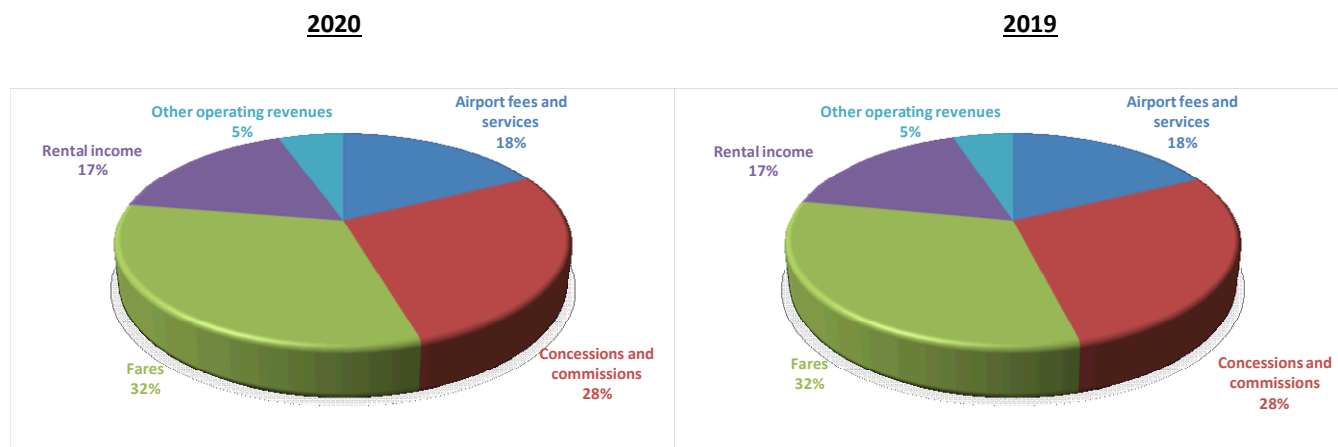
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For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

The charts below summarize operating revenues by source (in thousands).



Operating revenues decreased \$2.7 million, or 2.4%, from 2019 to 2020. Fare revenue decreased \$0.7 million from 2019 to 2020 as COVID-19, and the related New York State stay-at-home order to prevent its spread, significantly reduced ridership at the end of the year. Concessions and commissions in 2020 were \$1.3 million lower than 2019, primarily due to a decrease in parking, food, and retail revenues at BNIA as enplanements decreased approximately 6% from 2019 due to the grounding of the Boeing 737 MAX passenger airliner which cancelled a significant number of flights worldwide and had a trickle down impact on flights at BNIA. Additionally, the nationwide shut down to stop the spread of COVID-19 resulted in approximately 50% fewer enplanements than expected in March 2020.

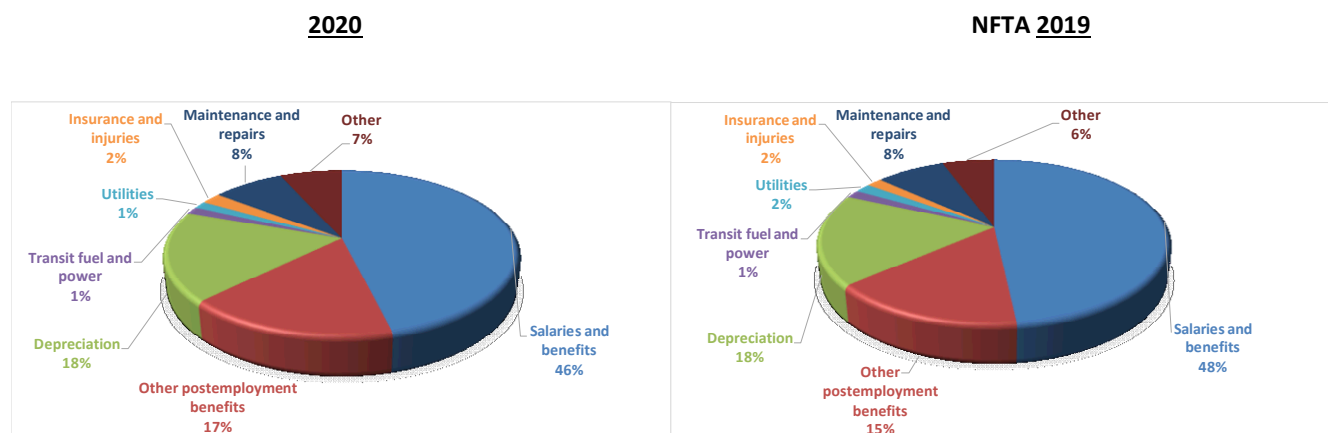
Operating revenues increased \$3.9 million, or 3.6%, from 2018 to 2019. Fare revenue was steady from 2018 to 2019 as individual passenger fares were unchanged. Concessions and commissions in 2019 were \$1.7 million higher than 2018, primarily due to an increase in parking, food, and retail revenues at BNIA as enplanements increased approximately 5% from 2018. Airport fees and services in 2019 were \$1.6 million higher than 2018 as increased BNIA direct landing area expenses resulted in higher compensatory airline billings. Other operating revenues were consistent with 2018.

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Management's Discussion and Analysis

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The charts below summarize operating expenses by category (in thousands).



Operating expenses for 2020 of \$285.9 million were consistent with 2019. Salaries and employee benefits decreased \$6.5 million, or 4.7%, primarily due to lower Metro health insurance and workers compensation costs. Changes in actuarial assumptions resulted in an increase in other postemployment benefits of \$3.1 million from 2019. Transit fuel and power costs decreased \$0.5 million due to lower diesel fuel prices in 2020. Insurance and injuries expense increased \$1.4 million primarily due to higher claim loss reserves accrued in 2020 compared to 2019. Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, decreased by \$0.9 million from 2019 to 2020. Other operating expenses increased \$3.0 million primarily due to software upgrades and maintenance.

Operating expenses increased 8.9%, from \$263.3 million to \$286.8 million from 2018 to 2019. Salaries and employee benefits decreased \$2.7 million, or 1.9%, primarily due to a decrease in pension expense of \$1.8 million and a decrease in health insurance of \$0.5 million. Changes in actuarial assumptions and the adoption of GASB No. 75 resulted in an increase in other postemployment benefits of \$24.4 million from 2018. Transit fuel and power costs increased \$0.9 million, or 26.4%, due to higher diesel fuel prices in 2019 and the Federal fuel tax credit for compressed natural gas not being renewed. Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, decreased by \$0.8 million from 2018 to 2019.

Net non-operating revenues for 2020 increased \$24.4 million compared to 2019, from \$127.9 million to \$152.3 million, primarily due to a \$26.9 million increase in government assistance, mostly due to the CARES Act, partially offset by a \$1.3 million decrease in passenger facility charges due to lower enplanements at BNIA and a \$1.0 million decrease in other non-operating revenues.

Net non-operating revenues for 2019 increased \$6.0 million compared to 2018, from \$121.9 million to \$127.9 million, primarily due to a \$3.5 million increase in government operating assistance and a \$1.6 million increase in other non-operating revenues.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

Capital contributions fluctuate depending on the timing of capital projects and vehicle and equipment purchases.

CAPITAL ASSETS

Net capital assets total \$628.7 million at March 31, 2020, representing a 3.0% increase from March 31, 2019, as investment in capital exceeded depreciation and dispositions by \$18.5 million in 2020. Capital asset additions totaling \$69.6 million include \$28.0 million of construction in process relating to the BNIA terminal expansion and renovation project, \$14.3 million for twenty-three buses, and \$4.8 million for the ongoing mid-life railcar rebuild project.

Net capital assets total \$610.1 million at March 31, 2019, representing a decrease of 0.3% from March 31, 2018, as depreciation and dispositions exceeded investment in capital by \$2.1 million in 2019. Capital asset additions totaling \$49.9 million include \$13.6 million for twenty-four buses, \$3.3 million for rail station escalator/elevator rehabilitation, and \$2.8 million for rail fastener and pad replacements.

DEBT ADMINISTRATION

Long-term debt at March 31, 2020 totaled \$174.2 million. This \$11.7 million decrease from 2019 results from debt service payments net of premium amortization.

Long-term debt at March 31, 2019 totaled \$185.9 million. The increase of \$55.7 million from 2018 was the result of the issuance of \$81.9 million Series 2019A Airport Revenue Bonds (at a premium of \$10.1 million) to finance the expansion, reconfiguration, and renovation of the passenger terminal at BNIA, refund of \$28.3 million of outstanding Series 2004A and 2004C bonds, and payment of the interest rate swap termination in connection with the related 2004A and 2004C bonds. During 2019 there were debt service payments (other than refunding) of \$8.1 million.

FACTORS IMPACTING THE AUTHORITY'S FUTURE

Surface Transportation

Approximately 25% of Metro's revenues are derived from fare collection and advertising, while 75% are from outside government assistance. New York State is the Authority's largest investor, historically providing almost 50% of total assistance while approximately 30% comes from local sources and approximately 20% from the federal government. Any changes in these funding sources can have a significant impact on Authority operations.

COVID-19, and the related New York State stay-at-home order to prevent its spread, resulted in a 60-70% erosion in ridership at the end of fiscal 2020 and the beginning of fiscal 2021. It is anticipated that there will be a long-term impact on ridership even after the stay-at-home order is ultimately lifted. Additionally, to ensure that bus operators and passengers can maintain social distancing, Metro suspended fare collection beginning March 27, 2020. Fare collection will resume June 29, 2020 on all NFTA-Metro services.

As part of Metro's Blueprint for the Future, in addition to stabilizing government assistance, strategic plans concentrate on revenue generation, cost control, increasing organizational liquidity, technological improvements, operational changes such as implementation of a new fare box collection system, providing more flexible fare structures, improving service standards, continuing to engage the public with the Citizens Advisory Committee, Accessibility Advisory Committee, and workforce development.

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Metro-owned property along the Metro Rail corridor and property adjacent to Metro Rail has seen significant development in the recent years. The Metro Rail Allen-Medical Campus Station is located on the Buffalo Niagara Medical Campus (BNMC), a consortium of the region's top health care, education, and research institutions. Currently, more than 16,000 people work, volunteer, or study every day at the BNMC. In 2017, the University at Buffalo completed the new \$375 million Jacobs School of Medicine and Biomedical Sciences building built on Metro-owned property with the Allen-Medical Campus Metro Rail Station incorporated into the building's footprint. The new station provides a coatless connection for Metro Rail riders between the Jacobs School, other BNMC properties, and destinations along the Metro Rail corridor. With employment on the BNMC anticipated to grow to over 20,000 people in the next few years and parking availability continuing to become strained, Metro Rail service operating in and out of the Allen-Medical Campus Metro Rail Station will continue to play a prominent role in meeting the mobility needs of employees, patients, visitors, and neighborhood residents well into the future.

In February 2018, the Authority started the environmental review process for extending Metro Rail from its current terminus at the University Station along the preferred Niagara Falls Boulevard route alternative through the University at Buffalo North Campus in the Town of Amherst as approved by the Authority Board of Commissioners and recommended by our Alternatives Analysis Study. The Amherst-Buffalo Metro Rail Corridor contains 20% of all regional jobs and more than 10% of all regional residents. The proposed project would more than double ridership, link all three University at Buffalo Campuses with a one-seat Metro Rail ride, provide a seamless connection between the region's largest concentration of housing to significant employment, health care, education, and recreation destinations, and generate billions in direct, indirect, and induced economic impact throughout the Corridor. New York State has invested \$5 million to complete the environmental process for the project and appropriated an additional \$6 million for continued project development and preliminary engineering. The order of magnitude estimate of project construction is approximately \$1.2 billion, with up to 50% of project costs planned to come from the federal Capital Investment Grant (CIG) Program and the remainder from a mix of state, local, and/or private sector sources.

In 2019, the Authority started construction on an extension of NFTA-Metro Rail revenue service into the former DL&W train shed which is owned by the Authority. The project will construct a new Metro Rail Station on the 1st floor of the facility and open up development opportunities on the 1st and 2nd floor.

With the increasing interest in mixed-use development along the existing Metro Rail corridor and ongoing planning and construction for expansion, the Authority issued a Request for Qualifications (RFQ) from developers who have an interest in development at Authority properties in the Metro Rail corridor in the City of Buffalo. The NFTA received several responses to the RFQ which listed each Authority-owned property in order of level of development interest. With the strongest interest in development at the future DL&W Station, the Authority issued a Request for Proposals for a development partner at DL&W Station. The NFTA Board of Commissioners approved a pre-development agreement with Savarino Cos. for the DL&W train shed in December 2019.

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Management's Discussion and Analysis

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Aviation

Together, BNIA and NFIA served approximately 5 million passengers in 2020 as the only commercial service airports in Erie and Niagara counties. COVID-19 and the nationwide stay-at-home orders to prevent its spread resulted in a drastic reduction in air travel at the end of fiscal 2020 and into fiscal 2021. Some experts predict that it may take 18-24 months for air travel to return to regular levels. Additionally, the airports have historically been a convenient and less costly option for nearby Canadian travelers. As approximately 40% of BNIA passenger traffic originates from Canada, any closure of the United States and Canada border, such as the COVID-19 closure that has been in effect since March 21, 2020, has a significant negative impact on enplanements. Also, fluctuations in the exchange rate of the Canadian dollar have an impact on enplanements.

In 2016, an overall aviation strategic plan was completed, which identified critical issues relating to the two airports and established goals to enhance air cargo development, enhance and maintain air service to Canadian travelers, maintain the quality of overall customer service, and improve the financial sustainability of BNIA and NFIA.

A two-year, \$75.7 million passenger terminal and baggage claim expansion and renovation project at BNIA began in 2019 and is expected to be completed in 2022. The project will improve overall airport security, expand and modernize the baggage claim area, improve passenger flow to and from all boarding areas, including international boarding areas, expand the terminal for additional concessions and amenities, and add new curbspace at both ends of the BNIA terminal.

CONTACT FOR THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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

Balance Sheets (In thousands)

March 31,	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 40,856	\$ 32,711
Investments	10,000	12,500
Accounts receivable	11,231	13,369
Grants receivable	40,909	9,614
Materials and supplies inventory	5,665	5,115
Prepaid expenses and other	165	1,206
	108,826	74,515
Restricted assets:		
Cash and cash equivalents	86,897	100,557
Investments	22,773	23,880
	109,670	124,437
Capital assets, net (Note 4)	628,668	610,145
Total assets	847,164	809,097
Deferred outflows of resources:		
Deferred outflows of resources related to pensions	12,567	19,407
Deferred outflows of resources related to OPEB	23,922	22,507
	36,489	41,914
Total assets and deferred outflows of resources	\$ 883,653	\$ 851,011
Liabilities		
Current liabilities:		
Current portion of long-term debt	\$ 15,024	\$ 9,310
Accounts payable and accrued expenses	39,750	31,224
Other current liabilities	7,544	6,552
	62,318	47,086
Noncurrent liabilities:		
Long-term debt	159,182	176,586
Self-insured claims	46,474	45,241
Net pension liabilities	27,381	22,836
Total OPEB liability	564,836	531,756
Other noncurrent liabilities	4,779	7,322
	802,652	783,741
Total liabilities	864,970	830,827
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	4,396	15,004
Net position		
Net investment in capital assets	454,462	424,249
Restricted	102,661	116,886
Unrestricted	(542,836)	(535,955)
Total net position	14,287	5,180
Total liabilities, deferred inflows of resources, and net position	\$ 883,653	\$ 851,011

See accompanying notes.

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

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

For the years ended March 31,	2020	2019
Operating revenues:		
Fares	\$ 34,815	\$ 35,510
Concessions and commissions	29,862	31,133
Rental income	18,276	18,616
Airport fees and services	19,209	19,864
Other operating revenues	6,010	5,713
Total operating revenues	108,172	110,836
Operating expenses:		
Salaries and employee benefits	131,930	138,416
Other postemployment benefits	47,162	44,064
Depreciation	51,082	51,933
Maintenance and repairs	22,380	21,934
Transit fuel and power	3,840	4,330
Utilities	4,004	4,943
Insurance and injuries	6,206	4,816
Other	19,329	16,325
Total operating expenses	285,933	286,761
Operating loss	(177,761)	(175,925)
Non-operating revenues (expenses):		
Government assistance	145,001	118,122
Passenger facility charges	9,555	10,850
Change in fair value of swap agreements	-	352
Interest expense, net	(3,884)	(4,045)
Airport noise abatement	-	(7)
Other non-operating revenues, net	1,628	2,657
Total non-operating net revenues	152,300	127,929
Change in net position before capital contributions	(25,461)	(47,996)
Capital contributions	34,568	21,564
Change in net position	9,107	(26,432)
Net position - beginning of year	5,180	31,612
Net position - end of year	\$ 14,287	\$ 5,180

See accompanying notes.

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

Statements of Cash Flows (In thousands)

For the years ended March 31,	2020	2019
Operating activities:		
Cash collected from customers	\$ 110,533	\$ 107,973
Cash paid for employee wages and benefits	(147,119)	(151,952)
Cash paid to vendors and suppliers	(42,880)	(48,270)
Cash paid for insurance and injuries	(4,973)	(2,131)
Net operating activities	(84,439)	(94,380)
Non-capital financing activities:		
Government assistance	126,787	118,122
Capital and related financing activities:		
Repayments of long-term debt	(11,690)	(38,440)
Proceeds from issuance of long-term debt	-	94,180
Other liabilities	(25)	179
Interest paid	(5,365)	(4,971)
Mortgage recording tax, net	(519)	1,999
Capital grants and contributions	21,487	25,235
Additions to capital assets	(69,623)	(49,861)
Construction retainages, net	1,583	(203)
Proceeds from sale of capital assets	-	63
Passenger facility charges	9,555	10,850
Airport noise abatement	-	(7)
Other	1,646	2,669
Net capital and related financing activities	(52,951)	41,693
Investing activities:		
Purchase of investments, net	3,607	3,258
Interest income	1,481	926
Net investing activities	5,088	4,184
Net change in cash and cash equivalents	(5,515)	69,619
Cash and cash equivalents, beginning of year	133,268	63,649
Cash and cash equivalents, end of year	\$ 127,753	\$ 133,268
Reconciliation to Balance Sheet		
Cash and cash equivalents:		
Unrestricted	\$ 40,856	\$ 32,711
Restricted	86,897	100,557
Total cash and cash equivalents	\$ 127,753	\$ 133,268
Reconciliation of operating loss to net operating activities:		
Operating loss	\$ (177,761)	\$ (175,925)
Adjustments to reconcile operating loss to net operating activities:		
Depreciation	51,082	51,933
Net pension activity	777	(1,748)
Other postemployment benefits, net	31,665	34,801
Changes in assets and liabilities:		
Accounts receivable	2,138	(1,432)
Materials and supplies inventory	(550)	(14)
Prepaid expenses and other	1,041	(380)
Accounts payable and accrued expenses	6,943	(33)
Other current liabilities	1,536	(3,010)
Self-insured claims	1,233	2,685
Other noncurrent liabilities	(2,543)	(1,257)
Net operating activities	\$ (84,439)	\$ (94,380)

See accompanying notes.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Notes to Financial Statements

March 31, 2020

(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. 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 is included in the financial statements of the State of New York (the State) as an enterprise fund.

The Niagara Frontier Transit Metro System, Inc. (Metro) was created in 1974 to provide mass transportation services to the Niagara Frontier. Although Metro is a separate legal entity, the Authority maintains financial and governance responsibility over its operations. Based on these responsibilities, the Authority reports Metro as a blended component unit.

The Authority, including Metro, is governed by a 13 member Board of Commissioners (the Board) appointed by the Governor of the State. Of the 13 members, one member is appointed upon the written recommendation of the Erie County Executive and one is appointed upon the written recommendation of the Erie County Legislature. All appointments are made with the consent of the New York State Senate. The Board governs and sets policy for the Authority. The Executive Director, subject to policy direction and delegation from the Board, is responsible for all activities of the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Measurement Focus

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority reports as a special purpose government engaged in business-type activities, using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied.

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

Authority Operations

The Authority operates three strategic business centers within NFTA and Metro:

NFTA Operations

Aviation

The Authority operates the Buffalo Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). BNIA is Western New York's primary passenger and cargo airport, while NFIA is a commercial, primary small-hub airport and serves as a joint-use military facility with the Niagara Falls Air Reserve Station.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Notes to Financial Statements

March 31, 2020

Property Management

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

Metro Operations

Surface Transportation

Metro operates the surface transportation business unit responsible for all ground-based transportation services provided by the Authority. Such services include public fixed-route bus and rail routes, paratransit and other non-traditional transit services, and intracity bus terminals in Buffalo and Niagara Falls.

Metro also provides a 6.4 mile light rail rapid transit (LRRT) system in the City of Buffalo between downtown Buffalo and the State University of New York at Buffalo's South Campus.

The Metropolitan Transportation Center, located in downtown Buffalo, serves inter-city and NFTA-Metro passengers and contains the offices of the Authority. The Niagara Falls Transit Center and the Portage Road Transit Center in Niagara Falls serve NFTA-Metro customers in Niagara County.

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. The current ATU contract expires July 31, 2020.

(b) Cash and Cash Equivalents

Cash and cash equivalents principally include cash on hand, money market funds, and certificates of deposit with original maturities of three months or less.

(c) Accounts Receivable

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

(d) Grants Receivable

Grants receivable are stated at the amount management expects to collect on outstanding balances and consists primarily of amounts due from Federal, State, and local governments related to grant expenses incurred.

(e) Materials and Supplies Inventory

Materials and supplies inventory is valued based on the weighted average cost method or net realizable value. To reduce its exposure to rising fuel costs, the Authority entered into a contract that fixes prices of certain vehicle fuels purchased through August 31, 2020, with the option to extend the contract through August 31, 2021. The Authority expects to take delivery of the fuel as specified, and therefore, the agreement is considered a normal purchase contract.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Notes to Financial Statements

March 31, 2020

(f) Restricted Assets

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

(g) Investments

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments consist primarily of certificates of deposits with original maturities greater than three months and obligations of the U.S. Government reported at fair value.

(h) Bond Costs and Premiums

Bond issuance costs, with the exception of prepaid insurance, are expensed as incurred. Premiums received upon the issuance of debt are included with the debt liability and amortized against interest expense over the life of the related obligation.

(i) Capital Assets

The Authority's policy is to capitalize assets that cost at least \$5,000 and have estimated useful lives of two years or more. Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

The estimated useful lives on principal classes of capital assets are as follows:

	<u>Estimated Useful Life (Years)</u>
Improvements	10 - 25
LRRT system	10 - 45
Buildings	10 - 45
Metropolitan transportation centers	25
Motor buses	12
Equipment and other	2 - 10

(j) Other Current Liabilities

Advances

The Authority administers the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). At March 31, 2020 and 2019, net advance payments provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA are included in other current liabilities on the accompanying balance sheets and totaled \$5,485,000 and \$5,508,000.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Notes to Financial Statements

March 31, 2020

Mortgage Recording Tax Revenue

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

(k) Self-Insured Claims

The Authority is self-insured for property damage, environmental claims, personal injury liability, and workers' compensation claims. An estimate of the liability is made by the Authority based primarily on information available from third-party administrator claims, actuarial studies, and in-house and outside legal counsel.

(l) Pensions

The Authority has elected to participate in the New York State and Local Retirement System, including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). The Authority provides retirement benefits to substantially all employees through various defined benefit retirement plans or other agreements (Note 8). For ERS and PFRS, the Authority recognizes its proportionate share of the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by ERS and PFRS. ERS and PFRS recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

(m) Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the Authority provides OPEB in the form of health insurance coverage to retired employees (Note 9). Substantially all employees become eligible for these benefits when they reach normal retirement age with a minimum of ten years of service.

(n) Other Noncurrent Liabilities

Other noncurrent liabilities consist primarily of amounts due to the New York State and Local Retirement System pursuant to the New York State Pension Contribution Stabilization Program (Note 8).

(o) Revenue Recognition

The Authority's principal sources of operating revenues are fares, airport fees and services, rental income, and concessions and commissions. Operating revenues from fares represent surface transportation services and are generated from cash and various fare media including tickets and passes which are recognized as income as they are used. Operating revenues from airport fees and services include landing and terminal ramp fees. Rental income includes building and ground space rented to airlines and air cargo carriers, among others. Operating revenues from concessions and commissions include parking fees and rental of retail space. These sources of operating revenues are recognized upon provision of services. Commissions from auto rental companies are recognized based upon a monthly percentage of revenues earned during the contractual year with an annual adjustment for any minimum annual guaranteed fees.

In April 2020, the Authority was awarded funding of \$61,307,000 from the Federal Transit Administration (FTA) and \$23,538,000 from the Federal Aviation Administration (FAA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to support costs to operate, maintain, and manage the Authority's services. The grants provide funding for eligible costs beginning January 20, 2020. Amounts totaling \$18,214,000 are recognized as federal operating assistance in the accompanying statements of revenues, expenses and change in net position and as grants receivable in the accompanying balance sheets.

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The Authority receives operating assistance and capital contributions pursuant to various federal, state, and local government contracts and grant agreements. Operating assistance and capital contributions are recorded as revenue based on annual appropriations or when expenditures have been incurred in compliance with grant requirements. Operating assistance and capital contributions represent 60% and 53% of total revenue for the years ended March 31, 2020 and 2019. A significant decrease in this funding may negatively impact future operations of the Authority.

(p) Taxes

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

(q) Use of Estimates

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

(r) Administrative Services

In accordance with agreements between the Authority and the New York State Department of Transportation, the Authority functions as the “host agency” for the Greater Buffalo Niagara Regional Transportation Council (GBNRTC), the designated Metropolitan Planning Organization (MPO) for the metro region including Erie and Niagara counties, and NITTEC, a regional traffic operations center. As the host agency for both organizations, the Authority provides certain administrative responsibilities relating to grants management and accounting functions; however, the Authority has no budgetary oversight and no responsibility for operations, deficits, or debts. Consequently, the Authority’s financial statements do not include the assets, liabilities, revenues, or expenses of GBNRTC or NITTEC. The Authority administered reimbursement grants totaling \$4,718,000 and \$4,738,000 for GBNRTC and NITTEC combined during fiscal 2020 and 2019.

(3) Cash Deposits and Investments

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

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority 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, 2020 and 2019, the Authority’s bank deposits were fully insured by FDIC or collateralized in accordance with the above requirements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Notes to Financial Statements

March 31, 2020

(4) Capital Assets

(in thousands)	April 1, 2019	Additions	Reclassifications and Disposals	March 31, 2020
Non-depreciable capital assets:				
Land	\$ 64,517	\$ 6	\$ -	\$ 64,523
Construction in progress	45,217	36,390	-	81,607
Total non-depreciable assets	<u>109,734</u>	<u>36,396</u>	<u>-</u>	<u>146,130</u>
Depreciable capital assets:				
Land improvements	330,753	320	(3,436)	327,637
LRRT system	645,976	8,719	(3,932)	650,763
Airport buildings	287,860	2,561	(2,800)	287,621
Metropolitan transportation centers	21,941	876	(216)	22,601
Motor buses	171,422	14,336	(7,146)	178,612
Equipment, buildings, and other	151,213	6,415	(477)	157,151
Total depreciable capital assets	<u>1,609,165</u>	<u>33,227</u>	<u>(18,007)</u>	<u>1,624,385</u>
Accumulated depreciation:				
Land improvements	244,844	10,678	(3,438)	252,084
LRRT system	482,205	13,557	(3,932)	491,830
Airport buildings	149,843	8,623	(2,800)	155,666
Metropolitan transportation centers	16,380	371	(216)	16,535
Motor buses	105,943	10,555	(7,146)	109,352
Equipment, buildings, and other	109,539	7,298	(457)	116,380
Total accumulated depreciation	<u>1,108,754</u>	<u>51,082</u>	<u>(17,989)</u>	<u>1,141,847</u>
Total depreciable capital assets, net	<u>500,411</u>	<u>(17,855)</u>	<u>(18)</u>	<u>482,538</u>
Total capital assets, net	<u>\$ 610,145</u>	<u>\$ 18,541</u>	<u>\$ (18)</u>	<u>\$ 628,668</u>

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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March 31, 2020

(in thousands)	April 1, 2018	Additions	Reclassifications and Disposals	March 31, 2019
Non-depreciable capital assets:				
Land	\$ 63,578	\$ 939	\$ -	\$ 64,517
Construction in progress	35,710	9,507	-	45,217
Total non-depreciable assets	<u>99,288</u>	<u>10,446</u>	<u>-</u>	<u>109,734</u>
Depreciable capital assets:				
Land improvements	334,921	1,142	(5,310)	330,753
LRRT system	637,933	11,689	(3,646)	645,976
Airport buildings	285,318	6,390	(3,848)	287,860
Metropolitan transportation centers	21,733	208	-	21,941
Motor buses	164,597	14,015	(7,190)	171,422
Equipment, buildings, and other	150,182	5,971	(4,940)	151,213
Total depreciable capital assets	<u>1,594,684</u>	<u>39,415</u>	<u>(24,934)</u>	<u>1,609,165</u>
Accumulated depreciation:				
Land improvements	239,356	10,798	(5,310)	244,844
LRRT system	472,254	13,623	(3,672)	482,205
Airport buildings	144,326	9,365	(3,848)	149,843
Metropolitan transportation centers	16,013	367	-	16,380
Motor buses	102,793	10,340	(7,190)	105,943
Equipment, buildings, and other	106,997	7,440	(4,898)	109,539
Total accumulated depreciation	<u>1,081,739</u>	<u>51,933</u>	<u>(24,918)</u>	<u>1,108,754</u>
Total depreciable capital assets, net	<u>512,945</u>	<u>(12,518)</u>	<u>(16)</u>	<u>500,411</u>
Total capital assets, net	<u>\$ 612,233</u>	<u>\$ (2,072)</u>	<u>\$ (16)</u>	<u>\$ 610,145</u>

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

Notes to Financial Statements

March 31, 2020

(5) Long-Term Debt

(a) Long-Term Obligations (in thousands)

	2020	2019
(1) Airport Revenue Bonds 2019: Series A, maturing April 1, 2039 with variable annual principal payments commencing April 1, 2020, bearing interest at 5.0% (including unamortized premium of \$8,411 and \$9,966 at March 31, 2020 and 2019)	\$ 90,331	\$ 91,886
(2) Airport Revenue Bonds 2014: Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2015, bearing interest at 3.0% to 5.0% (including unamortized premium of \$3,354 and \$4,179 at March 31, 2020 and 2019)	60,819	63,145
Series B, maturing April 1, 2019 with variable annual principal payments commencing April 1, 2016, bearing interest at 4.0% to 5.0%	-	3,050
(3) New York State, non-interest bearing	3,380	3,380
(4) Capital leases, monthly payments with fixed interest rates ranging from 1.5% to 7.8%, maturing through 2032, secured by related equipment	19,676	24,180
(5) Environmental Facilities Corporation (EFC) maturing January 15, 2020 with variable annual principal payments, bearing interest at 5.612% to 5.742%, offset by a variable refunding interest credit provided by EFC (NYS EFC Series 2011A)	-	255
	174,206	185,896
Less current portion	15,024	9,310
	\$ 159,182	\$ 176,586

- (1) On February 26, 2019, the Authority issued \$81,920,000 Series 2019A Airport Revenue Bonds at a premium of \$10,111,000. These bonds were issued to provide financing for certain capital improvements at BNIA and to refund outstanding Series 2004A and 2004C bonds in the amounts of \$24,350,000 and \$3,825,000, respectively.
- (2) On September 3, 2014, the Authority issued \$65,340,000 Series 2014A and \$12,430,000 Series 2014B Airport Revenue Bonds at a premium of \$9,336,000. These bonds were issued to refund outstanding Series 1999A, 1999B, and 1998 bonds in the amounts of \$61,525,000, \$13,775,000, and \$13,485,000, respectively.
- (3) The State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for a non-interest bearing loan totaling \$3,380,000. The law provides in pertinent part that repayment of the loan would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2040 due to the uncertainty of repayment.

The Airport Revenue Bonds from 2019, 2014, and NYS EFC Series 2011A are payable from and secured by a lien against net revenues derived from the operations of the BNIA. Payment of scheduled bond principal and interest payments are also guaranteed by municipal bond insurance policies maintained by the Authority. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State or any political subdivision.

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March 31, 2020

Changes in long-term debt for the years ended March 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Balance, beginning of year	\$ 185,896	\$ 130,156
Proceeds from issuance of debt	-	94,180
Repayment of long-term debt including premium amortization	(11,690)	(38,440)
Balance, end of year	174,206	185,896
Less current portion	15,024	9,310
Noncurrent portion	\$ 159,182	\$ 176,586

Required principal and interest payments for long-term debt, including unamortized premiums, are as follows (in thousands):

	Loans and Capital Leases		Serial Bonds		
	Principal	Interest	Unamortized		Interest
	Principal	Premium	Principal	Interest	
Years ending March 31,					
2021	\$ 4,154	\$ 572	\$ 10,870	\$ 2,122	\$ 6,766
2022	4,048	476	11,420	1,863	6,215
2023	4,035	381	11,980	1,665	5,637
2024	2,992	293	12,370	1,416	5,084
2025	1,583	226	12,950	1,162	4,457
2026-2030	1,844	692	43,270	3,537	15,368
2031-2035	1,020	114	16,050	-	7,203
2036-2040	3,380	-	20,475	-	2,659
	\$ 23,056	\$ 2,754	\$ 139,385	\$ 11,765	\$ 53,389

At March 31, 2020 and 2019, the Authority was in compliance with all loan and bond covenants.

(6) Passenger Facility Charges

In 1992, the FAA approved the Authority's application to impose collection of Passenger Facility Charges (PFC) at the BNIA, and in 2018, the FAA approved collection of such amounts at NFIA. PFCs used specifically for FAA-approved projects at the BNIA and NFIA included in non-operating revenues totaled \$9,555,000 and \$10,850,000 for the years ended March 31, 2020 and 2019.

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Notes to Financial Statements

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(7) Government Assistance

Operations are subsidized by payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; the State and Erie and Niagara Counties (pursuant to State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2020 and 2019 was as follows (in thousands):

	2020	2019
Metro:		
FTA:		
Sections 5307 and 5311 assistance	\$ 21,760	\$ 21,341
CARES Act	18,214	-
Total Federal	39,974	21,341
State:		
Statewide transit operating assistance program	54,523	49,398
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	2,710	2,658
Total State	61,333	56,156
Erie County:		
88(c) – general	4,978	4,476
Mortgage recording tax (section 88a)	10,382	8,808
Section 18b matching funds	3,657	3,657
Sales tax receipts	21,793	21,020
Total Erie County	40,810	37,961
Niagara County:		
Mortgage recording tax	1,529	1,329
Section 18b matching funds	443	443
Total Niagara County	1,972	1,772
Buffalo and Fort Erie Public Bridge Authority	200	200
	144,289	117,430
NFTA:		
Department of Homeland Security	712	692
	\$ 145,001	\$ 118,122

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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(8) Pensions

(a) New York State Retirement System

The Authority participates in ERS and PFRS (the Systems), which are cost-sharing, multiple-employer, public employee retirement systems that provide retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and provide benefits to employees. 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 NYSRSSL, the Comptroller of the State (the Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution requirements: No employee contributions are required for those whose service began prior to July 27, 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems on or after July 27, 1976 through December 31, 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of their salary for the entire length of service. Employees who joined on or after April 1, 2012 contribute based on annual wages at a rate of 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For payments made in fiscal year 2020, rates ranged from 9.3% - 21.4% for ERS (9.3% - 21.6% for 2019) and 7.3% - 25.1% for PFRS (7.0% - 24.7% for 2019).

The Authority participates in the New York State Pension Contribution Stabilization Program (the Program), an optional program which establishes a graded contribution rate system that enables the Authority to pay a portion of its annual contributions over time and more accurately predict pension costs. At March 31, 2020 and 2019, \$3,583,000 and \$4,350,000 is due to the Systems pursuant to the Authority's participation in the Program which is included in other current and noncurrent liabilities in the accompanying balance sheets.

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Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At March 31, 2020 and 2019, the Authority reported a liability of \$11,282,000 and \$5,704,000 for its proportionate share of the Systems' net pension liability.

The net pension liability as of March 31, 2020 was measured as of March 31, 2019, and the total pension liability was determined by an actuarial valuation as of April 1, 2018 (measurement date of March 31, 2018 with an actuarial valuation as of April 1, 2017 for the March 31, 2019 net pension liability). The Authority's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the Systems' total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2019 measurement date, the Authority's proportion was 0.0888401% for ERS (an increase of 0.0020456 from 2018) and 0.2973909% for PFRS (an increase of 0.0101823 from 2018).

For the years ended March 31, 2020 and 2019, the Authority recognized pension expense of \$7,622,000 and \$6,375,000 and reported deferred outflows and deferred inflows of resources as follows:

	2020			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
(in thousands)				
Differences between expected and actual experience	\$ 1,239	\$ 423	\$ 1,212	\$ 532
Changes of assumptions	1,582	-	1,812	-
Net difference between projected and actual earnings on pension plan investments	-	1,616	-	999
Changes in proportion and differences between Authority contributions and proportionate share of contributions	765	42	144	784
Authority contributions subsequent to the measurement date	3,718	-	2,095	-
	\$ 7,304	\$ 2,081	\$ 5,263	\$ 2,315
	2019			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
(in thousands)				
Differences between expected and actual experience	\$ 999	\$ 826	\$ 1,195	\$ 771
Changes of assumptions	1,857	-	2,200	-
Net difference between projected and actual earnings on pension plan investments	4,068	8,030	2,350	4,732
Changes in proportion and differences between Authority contributions and proportionate share of contributions	794	65	82	580
Authority contributions subsequent to the measurement date	3,739	-	2,123	-
	\$ 11,457	\$ 8,921	\$ 7,950	\$ 6,083

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Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Years Ending March 31,	ERS	PFRS
2021	\$ 1,595	\$ 829
2022	(1,043)	(365)
2023	33	(131)
2024	920	461
2025	-	59
	\$ 1,505	\$ 853

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2018 valuation, with update procedures used to roll forward the total pension liability to March 31, 2019, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation - 2.5%

Salary increases - 4.2% (ERS), 5.0% (PFRS)

Cost of living adjustments - 1.3% annually

Investment rate of return - 7.0% compounded annually, net of investment expense, including inflation

Mortality - Society of Actuaries' Scale MP-2014

Discount rate - 7.0%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of long-term inflation assumptions) for each major asset class and the Systems' target asset allocations as of the valuation date are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.6%
International equities	14%	6.4%
Private equities	10%	7.5%
Real estate	10%	5.6%
Inflation-indexed bonds	4%	1.3%
Bonds and mortgages	17%	1.3%
Short-term	1%	(0.3)%
Other	8%	3.8%-5.7%
	100%	

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Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of its net pension liability for ERS and PFRS as of March 31, 2020 calculated using the discount rate of 7% and the impact of using a discount rate that is 1% lower and 1% higher:

	1.0% Lower Discount Rate (6%)	Current Discount Rate (7%)	1.0% Higher Discount Rate (8%)
Authority's proportionate share of the ERS net pension asset (liability)	\$ (27,521)	\$ (6,295)	\$ 11,537
Authority's proportionate share of the PFRS net pension asset (liability)	\$ (18,024)	\$ (4,987)	\$ 5,899

(b) Past Service Costs Due to ERS

Effective January 1, 1997, active non-bargaining unit participants in the Niagara Frontier Transit Metro System, Inc. Retirement Plan (Metro Plan) transferred to the employment of the NFTA and were given the opportunity to elect to have their contribution accounts transferred from the Metro Plan to ERS. The enabling legislation that provided for the purchase of service credits under ERS for pre-transfer service obligated the Authority to pay ERS additional annual contributions of \$465,000 annually, commencing December 1997 (in addition to its regular employer contribution) for 25 years. At March 31, 2020 and 2019, related past service costs totaling \$929,000 and \$1,394,000 are included in other current and noncurrent liabilities.

(c) Niagara Frontier Transit Metro System, Inc. Retirement Plan

The Metro Plan is a single-employer defined benefit pension plan covering certain full-time non-union employees previously employed by Metro. Participation in the Metro Plan was frozen effective January 1, 1998.

Benefits: The Metro Plan provides for retirement and death benefits for eligible members. In general, retirement benefits are determined based on an employee's individual circumstances based on age, years of credited service, and compensation.

Employees Covered by Benefit Terms: At the March 31, 2019 measurement date, the following employees were covered by the Metro Plan:

Retired	48
Beneficiaries	8
Terminated vested	16
	72

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Contribution requirements: The Authority pays the full cost of all benefits provided under the Metro Plan. The Authority's policy is to fund the minimum recommended contribution as actuarially determined annually. Contributions to the plan amounted to \$15,000 for 2020; no contributions were required for 2019.

Net Pension Liability

The net pension liability as of March 31, 2020 was measured as of March 31, 2019 based on an actuarial valuation as of the same date (measured as of March 31, 2018 with an actuarial valuation as of the same date for the March 31, 2019 net pension liability). Actuarial assumptions applied to all periods included in the measurement are as follows:

Actuarial Cost Method - Entry Age Normal

Mortality - Generational RP-2014 Blue Collar Mortality Table using Scale MP-2019 (Scale MP-2017 for 2019)

Rate of Return on Plan Assets – 6.5%

Discount Rate - The Plan's fiduciary net position is projected to be available to meet all projected future benefit payments resulting in a single discount rate of 6.5%

Asset Valuation – Market value (five-year smoothed market for 2019)

Assumed Retirement Age - Age first eligible for unreduced benefits

Changes in the Net Pension Liability

(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)
Balances at March 31, 2018	\$ (4,560)	\$ 4,189	\$ (371)
Changes for the year:			
Interest	(280)	-	(280)
Differences between expected and actual experience	54	-	54
Changes of assumptions	-	-	-
Employer contributions	-	-	-
Net investment income	-	484	484
Benefit payments	512	(512)	-
Administrative expense	-	(13)	(13)
Net changes	286	(41)	245
Balances at March 31, 2019	\$ (4,274)	\$ 4,148	\$ (126)
Changes for the year:			
Interest	(263)	-	(263)
Differences between expected and actual experience	408	-	408
Changes of assumptions	28	-	28
Employer contributions	-	15	15
Net investment income	-	183	183
Benefit payments	460	(460)	-
Administrative expense	-	(11)	(11)
Net changes	633	(273)	360
Balances at March 31, 2020	\$ (3,641)	\$ 3,875	\$ 234

The impact of using a discount rate that is 1% lower (5.50%) than the current rate would result in a net pension liability of \$5,000 and at 1% higher (7.50%) would result in a net pension asset of \$447,000.

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(d) Amalgamated Transit Union Division 1342 Niagara Frontier Transport System Pension Fund

All full-time Metro employees who are ATU members are covered by the Amalgamated Transit Union Division 1342 Niagara Frontier Transit 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, a portion of part-time employee compensation is also contributed by Metro to the ATU Plan, although part-time employees do not participate in or benefit from the ATU Plan.

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

Funding Requirement

On a weekly basis, each eligible employee is required to contribute the greater of sixteen dollars or 5% of payroll. Metro's contribution is 11% of eligible employee wages and is determined pursuant to the collective bargaining agreement (CBA) between Metro and the ATU. Metro's contributions to the Plan recorded on the statements of revenues, expenses and change in net position, pursuant to the CBA, totaled \$5,875,000 and \$5,806,000 for 2020 and 2019. The Agreement provides that Metro is not obligated to make any other payment to fund the benefits or to meet any expenses of administration and, in the event of termination, Metro will have no obligation for further contributions to the ATU Plan. Therefore, net pension assets and liabilities of the ATU plan are not recorded by the Authority.

(e) Postretirement Medical Premium Stipend Plan

The Authority's Metro retirees are provided with a monthly stipend (Stipend Plan) representing the insurance premium amount of single medical coverage if they retired prior to January 1, 2004. If they retired subsequent to January 1, 2004, Metro retirees are provided with continuation of full medical coverage as described in Note 9.

As of March 31, 2020, there are 124 retirees within Metro who retired prior to January 1, 2004. Monthly, each retiree is provided with a cash stipend equivalent to the single medical premium cost or, if enrolled in Medicare, the retiree is provided with an amount equal to the Medicare Part B premium and \$932. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

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The Authority's annual pension cost and net pension obligation as of March 31, 2020 and 2019 related to the Stipend Plan was:

(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2018	\$ (19,025)	\$ -	\$ (19,025)
Changes for the year:			
Interest	(653)	-	(653)
Differences between expected and actual experience	909	-	909
Changes of assumptions	(61)	-	(61)
Benefit payments	1,824	-	1,824
Net changes	2,019	-	2,019
Balances at March 31, 2019	\$ (17,006)	\$ -	\$ (17,006)
Changes for the year:			
Interest	(553)	-	(553)
Differences between expected and actual experience	604	-	604
Changes of assumptions	(1,063)	-	(1,063)
Benefit payments	1,685	-	1,685
Net changes	673	-	673
Balances at March 31, 2020	\$ (16,333)	\$ -	\$ (16,333)

The net pension liability was measured as of March 31, 2020 based on an actuarial valuation as of the same date. Actuarial methods and assumptions applied to all periods included in the measurement are as follows:

Healthcare Cost Trend - estimated at 5.60% next year, ultimately declining to 3.94% in year 2075

Actuarial Cost Method - Entry Age Normal

Discount Rate - 2.48% (previously 3.42%)

Mortality - RP-2014 Blue Collar Mortality Table projected using Scale MP-2019

The following presents the Authority's Stipend Plan net pension liability as of March 31, 2020 calculated using the discount rate of 2.48% and the impact of using a discount rate that is 1% lower and 1% higher:

(in thousands)	1.0% Lower Discount Rate (1.48%)	Current Discount Rate (2.48%)	1.0% Higher Discount Rate (3.48%)
Authority's Stipend Plan net pension liability	\$ (17,769)	\$ (16,333)	\$ (15,101)

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(9) OPEB

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

At the actuarial valuation date of March 31, 2018, employees covered by the Plan include:

Active employees	1,629
Inactive employees or beneficiaries currently receiving benefits	900
Inactive employees entitled to but not yet receiving benefits	-
	2,529

Total OPEB Liability

The total OPEB liability of \$564,836,000 and \$531,756,000 was measured as of March 31, 2019 and March 31, 2018, determined by an actuarial valuation as of March 31, 2018. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – based on the Society of Actuaries Long-Run Medical Cost Trend Model, initially 5.4%, increasing to 14.9%, then decreasing slowly to an ultimate of 3.9% after 2075

Salary increases – 1.3% - 2.0%

Mortality – Generational RP-2014 mortality tables for employees and healthy annuitants, projected using scale MP-2016

Discount rate – 3.42% based on the GO 20-Year Bond rate (3.61% for 2018)

Inflation rate – 2.5%

Changes in the Total OPEB Liability

(in thousands)	Total OPEB Liability
Balance at March 31, 2018	\$ (486,984)
Changes for the year:	
Service cost	(23,590)
Interest	(18,267)
Changes of benefit terms	-
Changes of assumptions or other inputs	(15,451)
Benefit payments	12,536
Net changes	(44,772)
Balance at March 31, 2019	\$ (531,756)
Changes for the year:	
Service cost	(25,662)
Interest	(18,944)
Changes of benefit terms	-
Changes of assumptions or other inputs	(2,443)
Benefit payments	13,969
Net changes	(33,080)
Balance at March 31, 2020	\$ (564,836)

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The following presents the sensitivity of the Authority's total OPEB liability to changes in the discount rate, including what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate (in thousands):

	1.0% Lower Discount Rate (2.42%)	Current Discount Rate (3.42%)	1.0% Higher Discount Rate (4.42%)
Total	\$ 665,440	\$ 564,836	\$ 484,857

The following presents the sensitivity of the Authority's total OPEB liability to changes in the healthcare cost trend rates, including what the Authority's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates (in thousands):

	1.0% Lower (2.9% to 13.9%)	Current Rate (3.9% to 14.9%)	1.0% Higher (4.9% to 15.9%)
Total	\$ 470,957	\$ 564,836	\$ 686,561

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the years ended March 31, 2020 and 2019, the Authority recognized OPEB expense of \$47,162,000 and \$44,064,000 and reported deferred outflows of resources as follows (in thousands):

	Deferred Outflows of Resources	
	2020	2019
Changes of assumptions	\$ 13,131	\$ 13,243
Benefits paid subsequent to the measurement date	10,791	9,264
	\$ 23,922	\$ 22,507

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Years Ending March 31,	
2021	\$ 2,556
2022	2,556
2023	2,556
2024	2,556
2025	2,556
2026	351
	\$ 13,131

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(10) Leases

A portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport 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 \$69,324,000 and \$70,081,000 in 2020 and 2019, which includes guaranteed minimum rentals of \$23,981,000 and \$23,093,000 during 2020 and 2019, respectively.

Rental income is derived primarily from airport operations. At March 31, 2020 and 2019, net airport capital assets totaled \$251,437,000 and \$235,892,000 of which approximately 40% is leased to third parties (based on square footage).

Fixed-term operating leases in effect at March 31, 2020 are expected to yield future minimum rentals as follows (in thousands):

Years Ending March 31,	
2021	\$ 23,380
2022	22,106
2023	20,972
2024	18,824
2025	4,926
2026 – 2030	10,228
2031 – 2035	1,061
2036 – 2040	903
2041 – 2045	392
	<u>\$ 102,792</u>

(11) 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, workers compensation, health, property damage, environmental claims, and personal injury claims. The Authority has excess insurance from commercial carriers to cover claims in excess of \$1,250,000 per occurrence for workers compensation claims and limits ranging from \$50,000 to \$5,000,000 depending on the type of claim for other self-insured claims. Estimated liabilities for claims not covered by insurance have been reflected in the financial statements when it is probable that a loss has occurred and the amount can be reasonably estimated. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 16, 2020. Other self-insured liabilities are estimated by the Authority based on available information. Management believes the estimated liabilities are reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

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Changes in the reported liability claims for the years ended March 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Liability, beginning of year	\$ 45,241	\$ 42,556
Current year claims and change in estimates	8,907	12,914
Claim payments	(7,674)	(10,229)
Liability, end of year	\$ 46,474	\$ 45,241

(c) Project Commitments

As of March 31, 2020, the Authority has commenced several projects including:

- BNIA Terminal Roof Replacement estimated at \$9,320,000 of which \$6,472,000 was expended
- Metro Rail Escalator/Elevator Rehabilitation estimated at \$18,501,000 of which \$13,084,000 was expended
- BNIA Terminal Modernization Expansion estimated at \$75,685,000 of which \$34,292,000 was expended
- Rail car refurbishment estimated at \$49,595,000 of which \$47,070,000 was expended
- Metro DL&W Station estimated at \$35,234,000 of which \$9,240,000 was expended
- Metro (Bus and Rail) fare collection upgrade estimated at \$26,077,000 of which \$12,437,000 was expended
- Metro Amherst/Buffalo LRRT Extension Study estimated at \$4,831,000 of which \$2,751,000 was expended
- Management Information Systems estimated at \$28,886,000 of which \$4,742,000 was expended

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

(12) 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 BNIA. The Master Resolution contains certain compliance covenants including a requirement that net airport revenues be a minimum percentage of net debt service. The bonds are payable from and are secured by a lien on net revenues derived from the operations of BNIA. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State or any political subdivision.

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(a) BNIA Condensed Balance Sheets (in thousands)

	2020	2019
Assets:		
Current and other	\$ 144,399	\$ 156,647
Capital assets, net	251,437	235,892
Total assets	395,836	392,539
 Deferred outflows of resources	 5,220	 8,140
Total assets and deferred outflows of resources	\$ 401,056	\$ 400,679
 Liabilities:		
Current liabilities	\$ 22,287	\$ 12,709
Long-term liabilities	171,460	181,365
Total liabilities	193,747	194,074
 Deferred inflows of resources	 1,790	 5,614
 Net position:		
Net investment in capital assets	96,858	73,974
Restricted	98,633	113,257
Unrestricted	10,028	13,760
Total net position	205,519	200,991
Total liabilities, deferred inflows of resources, and net position	\$ 401,056	\$ 400,679

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

	2020	2019
Operating revenues:		
Concessions and commissions	\$ 28,025	\$ 29,230
Rental income	11,471	12,011
Airport fees and services	19,000	19,668
Other operating revenues	4,654	4,289
Total operating revenues	<u>63,150</u>	65,198
Operating expenses	47,418	46,065
Depreciation expense	<u>16,942</u>	17,502
Operating income (loss)	<u>(1,210)</u>	1,631
Non-operating revenues (expenses):		
Passenger facility charges	8,969	10,195
Change in fair value of swap agreements	-	352
Interest expense, net	(3,147)	(3,147)
Airport noise abatement	-	(7)
Other non-operating revenues, net	(89)	(850)
Operating transfers	<u>(4,700)</u>	(3,800)
Total non-operating net revenues	<u>1,033</u>	2,743
Change in net position before capital contributions	<u>(177)</u>	4,374
Capital contributions	<u>4,705</u>	1,109
Change in net position	<u>4,528</u>	5,483
Net position – beginning of year	<u>200,991</u>	195,508
Net position – end of year	<u>\$ 205,519</u>	\$ 200,991

(c) BNIA Condensed Statements of Cash Flows (in thousands)

	2020	2019
Net operating activities	\$ 21,567	\$ 16,453
Net investing activities	4,975	4,136
Net capital and related financing	<u>(34,312)</u>	43,611
Net change in cash	<u>(7,770)</u>	64,200
Cash, beginning of year	<u>102,661</u>	38,461
Cash, end of year	<u>\$ 94,891</u>	\$ 102,661

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(d) Master Resolution Covenant

As required by the Master Resolution authorizing the issuance of airport revenue bonds, the Authority charges rates, rentals, and fees at the BNIA which are sufficient to pay debt service, operating expenses, and any and all other claims and charges relating to the BNIA. In addition, net airport revenues must at all times be at least 125% of net debt service on all bonds outstanding. The Authority has the ability to bill the airlines to meet the bond covenant pursuant to the Airline Use and Lease Agreement.

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

(in thousands)	2020	2019
Airport revenues:		
Operating revenues	\$ 63,150	\$ 65,198
Interest income	740	666
Gross airport revenues	<u>63,890</u>	65,864
Operating expenses, excluding depreciation	<u>(47,418)</u>	(46,065)
Net airport revenues	<u>16,472</u>	<u>19,799</u>
Net debt service:		
Principal payments	4,805	4,720
Interest payments	3,338	3,605
Passenger facility charges	<u>(535)</u>	(535)
Net debt service	<u>\$ 7,608</u>	<u>\$ 7,790</u>
Debt service coverage percentage	216.51%	254.16%
Minimum percentage requirement	<u>125.00%</u>	125.00%

(13) Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. Financial markets also experienced a significant decline in value.

Beginning in March 2020 and continuing subsequent to March 31, 2020, the Authority experienced a significant decline in ridership and temporarily stopped collecting fares beginning March 27, 2020. Fare collection is planned to resume on June 29, 2020 for all NFTA-Metro services. In addition, the closure of the Canadian border since March 21, 2020 and the nationwide stay-at-home orders resulted in a drastic reduction in air travel, significantly impacting BNIA and NFIA operations. To help prevent, prepare for, and respond to the COVID-19 pandemic, the Authority was awarded \$84,845,000 in CARES Act funding (Note 2). The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on passengers, employees, and vendors, none of which can be predicted.

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

Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Position
New York State and Local Retirement System (In thousands)

As of the measurement date of March 31,	2019	2018	2017	2016	2015
ERS					
Authority's proportion of the net pension position	0.0888401%	0.0867945%	0.0853631%	0.0878622%	0.0881407%
Authority's proportionate share of the net pension liability	\$ 6,295	\$ 2,801	\$ 8,021	\$ 14,102	\$ 2,978
Authority's covered payroll	\$ 26,427	\$ 25,420	\$ 24,628	\$ 24,187	\$ 24,546
Authority's proportionate share of the net pension position as a percentage of its covered payroll	23.82%	11.02%	32.57%	58.30%	12.13%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%
PFRS					
Authority's proportion of the net pension position	0.2973909%	0.2872086%	0.2760008%	0.2766259%	0.2697875%
Authority's proportionate share of the net pension liability	\$ 4,987	\$ 2,903	\$ 5,720	\$ 8,190	\$ 742
Authority's covered payroll	\$ 9,723	\$ 9,311	\$ 9,078	\$ 9,675	\$ 9,124
Authority's proportionate share of the net pension position as a percentage of its covered payroll	51.29%	31.18%	63.01%	84.65%	8.13%
Plan fiduciary net position as a percentage of the total pension liability	95.09%	96.93%	93.50%	90.20%	99.00%

The following is a summary of changes of assumptions:

Inflation	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases - ERS	4.2%	3.8%	3.8%	3.8%	4.9%
Salary increases - PFRS	5.0%	4.5%	4.5%	4.5%	6.0%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	7.0%	7.0%	7.0%	7.0%	7.5%

Data prior to 2015 is unavailable.

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

Required Supplementary Information (Unaudited)
Schedule of Authority Contributions
New York State and Local Retirement System (In thousands)

March 31,	2020	2019	2018	2017	2016	2015	2014
ERS							
Contractually required contribution	\$ 3,717	\$ 3,739	\$ 3,729	\$ 3,787	\$ 4,291	\$ 4,855	\$ 4,541
Contribution in relation to the contractually required contribution	(3,717)	(3,739)	(3,729)	(3,787)	(4,291)	(4,855)	(4,541)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 26,974	\$ 26,427	\$ 25,420	\$ 24,628	\$ 24,187	\$ 24,546	\$ 22,847
Contributions as a percentage of covered payroll	13.78%	14.15%	14.67%	15.38%	17.74%	19.78%	19.88%
PFRS							
Contractually required contribution	\$ 2,095	\$ 2,123	\$ 2,137	\$ 2,115	\$ 1,962	\$ 2,394	\$ 2,230
Contribution in relation to the contractually required contribution	(2,095)	(2,123)	(2,137)	(2,115)	(1,962)	(2,394)	(2,230)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 9,600	\$ 9,723	\$ 9,311	\$ 9,078	\$ 9,675	\$ 9,124	\$ 8,796
Contributions as a percentage of covered payroll	21.82%	21.83%	22.95%	23.30%	20.28%	26.24%	25.35%

Data prior to 2014 is unavailable.

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

Required Supplementary Information (Unaudited)
Schedule of Net Pension Liability
Postretirement Medical Premium Stipend Plan (In thousands)

March 31,	2020	2019	2018	2017
Total pension liability				
Interest	\$ 553	\$ 653	\$ 722	\$ 922
Differences between expected and actual experience	(604)	(909)	219	(1,661)
Changes of assumptions	1,063	61	366	1,055
Benefit payments	(1,685)	(1,824)	(1,995)	(2,118)
	(673)	(2,019)	(688)	(1,802)
Total pension liability - beginning	17,006	19,025	19,713	21,515
Total pension liability - ending	\$ 16,333	\$ 17,006	\$ 19,025	\$ 19,713

Data prior to 2017 is unavailable.

The plan has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

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

Required Supplementary Information
Schedule of Changes in the Authority's Total
OPEB Liability and Related Ratios (In thousands)

March 31,	2020	2019
Total OPEB liability - beginning	\$ 531,756	\$ 486,984
Changes for the year:		
Service cost	25,662	23,590
Interest	18,944	18,267
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions and other inputs	2,443	15,451
Benefit payments	(13,969)	(12,536)
Net change in total OPEB liability	33,080	44,772
Total OPEB liability - ending	\$ 564,836	\$ 531,756
Covered-employee payroll	\$ 93,017	\$ 93,017
Total OPEB liability as a percentage of covered-employee payroll	607%	572%

Data prior to 2019 is unavailable.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Additional Information
Combining Balance Sheets (In thousands)

March 31,

2020

	NFTA	BNIA	Metro	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,528	\$ 19,031	\$ 16,297	\$ 40,856
Investments	-	10,000	-	10,000
Accounts receivable	3,366	6,216	1,649	11,231
Grants receivable	2,854	342	37,713	40,909
Due to/from affiliate	(31,901)	10,443	21,458	-
Materials and supplies inventory	-	-	5,665	5,665
Prepaid expenses and other	276	(266)	155	165
	<u>(19,877)</u>	<u>45,766</u>	<u>82,937</u>	<u>108,826</u>
Restricted assets:				
Cash and cash equivalents	8,591	75,860	2,446	86,897
Investments	-	22,773	-	22,773
	<u>8,591</u>	<u>98,633</u>	<u>2,446</u>	<u>109,670</u>
Capital assets, net	<u>75,761</u>	<u>251,437</u>	<u>301,470</u>	<u>628,668</u>
Total assets	64,475	395,836	386,853	847,164
Deferred outflows of resources:				
Deferred outflows of resources related to pensions	4,439	4,672	3,456	12,567
Deferred outflows of resources related to OPEB	4,554	548	18,820	23,922
	<u>8,993</u>	<u>5,220</u>	<u>22,276</u>	<u>36,489</u>
Total assets and deferred outflows of resources	\$ 73,468	\$ 401,056	\$ 409,129	\$ 883,653
Liabilities				
Current liabilities:				
Current portion of long-term debt	\$ 381	\$ 10,889	\$ 3,754	\$ 15,024
Accounts payable and accrued expenses	9,760	11,159	18,831	39,750
Other current liabilities	6,378	239	927	7,544
	<u>16,519</u>	<u>22,287</u>	<u>23,512</u>	<u>62,318</u>
Noncurrent liabilities:				
Long-term debt	3,546	143,690	11,946	159,182
Self-insured claims	3,541	2,840	40,093	46,474
Net pension liabilities	5,137	3,616	18,628	27,381
Total OPEB liability	103,977	21,314	439,545	564,836
Other noncurrent liabilities	2,791	-	1,988	4,779
	<u>118,992</u>	<u>171,460</u>	<u>512,200</u>	<u>802,652</u>
Total liabilities	135,511	193,747	535,712	864,970
Deferred inflows of resources:				
Deferred inflows of resources related to pensions	1,315	1,790	1,291	4,396
Net position				
Net investment in capital assets	71,834	96,858	285,770	454,462
Restricted	3,106	98,633	922	102,661
Unrestricted	(138,298)	10,028	(414,566)	(542,836)
Total net position	(63,358)	205,519	(127,874)	14,287
Total liabilities, deferred inflows of resources, and net position	\$ 73,468	\$ 401,056	\$ 409,129	\$ 883,653

2019

NFTA	BNIA	Metro	Total
\$ 7,034	\$ 13,259	\$ 12,418	\$ 32,711
-	12,500	-	12,500
3,950	7,052	2,367	13,369
2,220	585	6,809	9,614
(39,490)	9,568	29,922	-
-	-	5,115	5,115
526	426	254	1,206
(25,760)	43,390	56,885	74,515
8,198	89,402	2,957	100,557
-	23,855	25	23,880
8,198	113,257	2,982	124,437
76,721	235,892	297,532	610,145
59,159	392,539	357,399	809,097
6,792	7,226	5,389	19,407
3,821	914	17,772	22,507
10,613	8,140	23,161	41,914
\$ 69,772	\$ 400,679	\$ 380,560	\$ 851,011
\$ 170	\$ 5,183	\$ 3,957	\$ 9,310
9,773	7,289	14,162	31,224
5,605	237	710	6,552
15,548	12,709	18,829	47,086
4,151	156,735	15,700	176,586
2,911	2,997	39,333	45,241
3,178	1,567	18,091	22,836
97,888	20,066	413,802	531,756
4,350	-	2,972	7,322
112,478	181,365	489,898	783,741
128,026	194,074	508,727	830,827
5,124	5,614	4,266	15,004
72,400	73,974	277,875	424,249
2,688	113,257	941	116,886
(138,466)	13,760	(411,249)	(535,955)
(63,378)	200,991	(132,433)	5,180
\$ 69,772	\$ 400,679	\$ 380,560	\$ 851,011

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

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

For the years ended March 31,

2020

	NFTA	BNIA	Metro	Total
Operating revenues:				
Fares	\$ -	\$ -	\$ 34,815	\$ 34,815
Concessions and commissions	1,837	28,025	-	29,862
Rental income	6,805	11,471	-	18,276
Airport fees and services	209	19,000	-	19,209
Other operating revenues	328	4,654	1,028	6,010
Total operating revenues	9,179	63,150	35,843	108,172
Operating expenses:				
Salaries and employee benefits	11,461	20,837	99,632	131,930
Other postemployment benefits	8,616	1,853	36,693	47,162
Depreciation	5,374	16,942	28,766	51,082
Maintenance and repairs	2,344	9,267	10,769	22,380
Transit fuel and power	-	-	3,840	3,840
Utilities	856	1,747	1,401	4,004
Insurance and injuries	370	377	5,459	6,206
Other	6,406	8,057	4,866	19,329
Administrative cost reallocation	(12,110)	5,280	6,830	-
Total operating expenses	23,317	64,360	198,256	285,933
Operating income (loss)	(14,138)	(1,210)	(162,413)	(177,761)
Non-operating revenues (expenses):				
Government assistance	712	-	144,289	145,001
Passenger facility charges	586	8,969	-	9,555
Change in fair value of swap agreements	-	-	-	-
Interest expense, net	(171)	(3,147)	(566)	(3,884)
Airport noise abatement	-	-	-	-
Other non-operating revenues (expenses), net	3,930	(89)	(2,213)	1,628
Operating transfers	4,700	(4,700)	-	-
Total non-operating net revenues	9,757	1,033	141,510	152,300
Change in net position before capital contributions	(4,381)	(177)	(20,903)	(25,461)
Capital contributions	4,401	4,705	25,462	34,568
Change in net position	20	4,528	4,559	9,107
Net position - beginning of year	(63,378)	200,991	(132,433)	5,180
Net position - end of year	\$ (63,358)	\$ 205,519	\$ (127,874)	\$ 14,287

2019			
NFTA	BNIA	Metro	Total
\$ -	\$ -	\$ 35,510	\$ 35,510
1,903	29,230	-	31,133
6,605	12,011	-	18,616
196	19,668	-	19,864
201	4,289	1,223	5,713
8,905	65,198	36,733	110,836
12,285	19,912	106,219	138,416
7,622	2,377	34,065	44,064
4,942	17,502	29,489	51,933
2,358	9,446	10,130	21,934
-	-	4,330	4,330
1,000	2,231	1,712	4,943
308	350	4,158	4,816
5,367	7,010	3,948	16,325
(10,868)	4,739	6,129	-
23,014	63,567	200,180	286,761
(14,109)	1,631	(163,447)	(175,925)
692	-	117,430	118,122
655	10,195	-	10,850
-	352	-	352
(182)	(3,147)	(716)	(4,045)
-	(7)	-	(7)
4,160	(850)	(653)	2,657
3,800	(3,800)	-	-
9,125	2,743	116,061	127,929
(4,984)	4,374	(47,386)	(47,996)
(5,313)	1,109	25,768	21,564
(10,297)	5,483	(21,618)	(26,432)
(53,081)	195,508	(110,815)	31,612
\$ (63,378)	\$ 200,991	\$ (132,433)	\$ 5,180

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

Additional Information
Buffalo Niagara International Airport - Restricted Assets (In thousands)

For the years ended March 31,	2020	2019
Cash and cash equivalents:		
Passenger facility charges	\$ 10,873	\$ 7,723
Operations and maintenance reserve	2,000	2,000
Aviation reserve	2,692	2,687
Debt service reserve	21,918	14,176
Auto rental-CFC	358	790
Construction fund	36,965	61,224
Operating reserve	1,054	802
	<u>75,860</u>	<u>89,402</u>
Investments:		
Passenger facility charges	10,000	10,281
Revenue bond reserve	5,253	6,202
Repairs and replacement reserve	750	750
Operating reserve	6,770	6,622
	<u>22,773</u>	<u>23,855</u>
Total restricted assets	<u>\$ 98,633</u>	<u>\$ 113,257</u>

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

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control over Financial Reporting

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

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

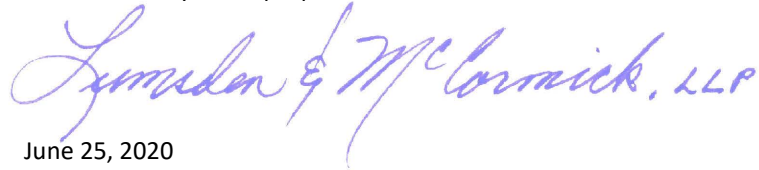
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive style with a large initial 'L' and 'M'.

June 25, 2020

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

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Niagara Frontier Transportation Authority (the Authority), a business-type activity and a component unit of the State of New York, which comprise the balance sheet as of March 31, 2020, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated June 25, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2020. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

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



June 25, 2020