

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

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**

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

March 31, 2019

**Table of Contents**

|   | <b>Page</b> |
|---|-------------|
| Independent Auditors' Report  | 1-2         |
| Management Certification:   |             |
| Management's Certification of the Financial Statements  | 3           |
| Management's Report on Internal Control Over Financial Reporting  | 4           |
| Management's Discussion and Analysis (Unaudited)  | i-viii      |
| Financial Statements:   |             |
| Balance Sheets  | 5           |
| Statements of Revenues, Expenses and Changes in Net Position  | 6           |
| Statements of Cash Flows  | 7           |
| Notes to Financial Statements   | 8-35        |
| Required Supplementary Information (Unaudited):   |             |
| Schedule of the Authority's Proportionate Share of the Net Pension Position – New York State and Local Retirement System  | 36          |
| Schedule of Authority Contributions – New York State and Local Retirement System  | 37          |
| Schedule of Net Pension Liability – Postretirement Medical Premium Stipend Plan   | 38          |
| Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios  | 39          |
| Additional Information:   |             |
| Combining Balance Sheets  | 40          |
| Combining Schedules of Revenues, Expenses and Changes in Net Position   | 41          |
| Buffalo Niagara International Airport – Restricted Assets   | 42          |
| 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 <i>Government Auditing Standards</i> | 43-44       |
| Independent Auditors' Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law   | 45          |

## 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, 2019 and 2018, 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, 2019 and 2018, 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**

### *Change in Accounting Principle*

As described in Note 3 to the financial statements, in 2019, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### *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 viii (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 40 through 42 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 July 18, 2019 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.

*Lumaden & McCormick, LLP*

July 18, 2019



Niagara Frontier Transportation Authority  
Serving the Niagara Region

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

**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

July 18, 2019



Niagara Frontier Transportation Authority  
*Serving the Niagara Region*

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

**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, 2019, 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, 2019, 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

July 18, 2019

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

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(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, 2019, 2018 and 2017, 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.

Effective April 1, 2016, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). The statement extends the approach to accounting and financial reporting established in GASB 68 to all pensions. The cumulative effect on the 2017 statements is a decrease in beginning of year net position totaling \$24.7 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 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**  
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

**FINANCIAL HIGHLIGHTS**

**Summarized Balance Sheets**

| (In thousands)   | March 31   |            |            |
|--|------------|------------|------------|
|  | 2019       | 2018       | 2017       |
| Current assets   | \$ 74,515  | \$ 81,088  | \$ 88,518  |
| Restricted assets  | 124,437    | 53,407     | 55,493     |
| Capital assets, net  | 610,145    | 612,233    | 604,208    |
| Deferred outflows of resources                                     | 41,914     | 15,600     | 27,005     |
| Total assets and deferred outflows of resources                    | \$ 851,011 | \$ 762,328 | \$ 775,224 |
| Current liabilities  | \$ 47,086  | \$ 52,147  | \$ 51,344  |
| Noncurrent liabilities   | 783,741    | 366,999    | 370,143    |
| Deferred inflows of resources related to pensions                  | 15,004     | 2,644      | 3,139      |
| Total liabilities and deferred inflows of resources                | 845,831    | 421,790    | 424,626    |
| Net position:  |            |            |            |
| Net investment in capital assets                                   | 424,249    | 482,077    | 466,688    |
| Restricted   | 116,886    | 48,081     | 47,866     |
| Unrestricted   | (535,955)  | (189,620)  | (163,956)  |
| Total net position   | 5,180      | 340,538    | 350,598    |
| Total liabilities, deferred inflows of resources, and net position | \$ 851,011 | \$ 762,328 | \$ 775,224 |

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 \$536.0 million, \$189.6 million, and \$164.0 million at March 31, 2019, 2018 and 2017 results primarily from the accrual of postemployment benefits other than pensions. The change from 2018 to 2019 is primarily due to the impact of the adoption of GASB Statement No. 75. 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 (\$10.1 million from March 31, 2017).

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 measurement date of each plans' actuarial valuations.



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

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

Current assets decreased \$7.4 million from March 31, 2017 to March 31, 2018 primarily due to a decrease in unrestricted cash, partially offset by an increase in accounts receivable. The decrease in current assets is primarily attributable to a decrease in cash from operations and additions of capital assets. Deferred outflows of resources decreased \$11.4 million primarily due to changes in assumptions and differences between the projected and actual investment earnings related to certain pension plans.

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 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.

The Authority entered into a \$9.1 million capital lease for new buses in fiscal 2018. This new debt, offset by current year principal payments and combined with an increase in other postemployment benefits of \$14.2 million, decreases in net pension liability of \$9.6 million, and other noncurrent liabilities of \$2.4 million, resulted in an overall decrease in noncurrent liabilities of \$3.1 million at March 31, 2018 compared to March 31, 2017.

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

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

**Summarized Statements of Revenues, Expenses and Changes in Net Position**

| (in thousands)  | Years ended March 31 |                   |                   |
|---|----------------------|-------------------|-------------------|
|   | 2019                 | 2018              | 2017              |
| Operating revenues:                                   |                      |                   |                   |
| Fares   | \$ 35,510            | \$ 35,478         | \$ 36,866         |
| Concessions and commissions                           | 31,133               | 29,420            | 28,270            |
| Rental income   | 18,616               | 18,039            | 17,848            |
| Airport fees and services                             | 19,864               | 18,283            | 17,190            |
| Other operating revenues                              | 5,713                | 5,755             | 5,689             |
| Total operating revenues                              | <u>110,836</u>       | <u>106,975</u>    | <u>105,863</u>    |
| Operating expenses:                                   |                      |                   |                   |
| Salaries and employee benefits                        | 138,265              | 141,073           | 140,110           |
| Other postemployment benefits                         | 44,215               | 19,676            | 13,545            |
| Depreciation  | 51,933               | 52,741            | 51,778            |
| Maintenance and repairs                               | 21,934               | 21,444            | 20,374            |
| Transit fuel and power                                | 4,330                | 3,425             | 3,805             |
| Utilities   | 4,943                | 4,623             | 4,454             |
| Insurance and injuries                                | 4,816                | 3,947             | 3,754             |
| Other operating expenses                              | 16,325               | 16,400            | 15,749            |
| Total operating expenses                              | <u>286,761</u>       | <u>263,329</u>    | <u>253,569</u>    |
| Operating loss  | (175,925)            | (156,354)         | (147,706)         |
| Non-operating revenues, net                           | <u>127,929</u>       | <u>121,931</u>    | <u>120,010</u>    |
| Change in net position before capital contributions   | (47,996)             | (34,423)          | (27,696)          |
| Capital contributions                                 | <u>21,564</u>        | <u>24,363</u>     | <u>19,820</u>     |
| Change in net position                                | <u>(26,432)</u>      | <u>(10,060)</u>   | <u>(7,876)</u>    |
| Net position - beginning of year                      | 340,538              | 350,598           | 383,179           |
| Cumulative effect of a change in accounting principle | (308,926)            | -                 | (24,705)          |
| Net position - beginning, as restated                 | <u>31,612</u>        | <u>350,598</u>    | <u>358,474</u>    |
| Net position - end of year                            | <u>\$ 5,180</u>      | <u>\$ 340,538</u> | <u>\$ 350,598</u> |

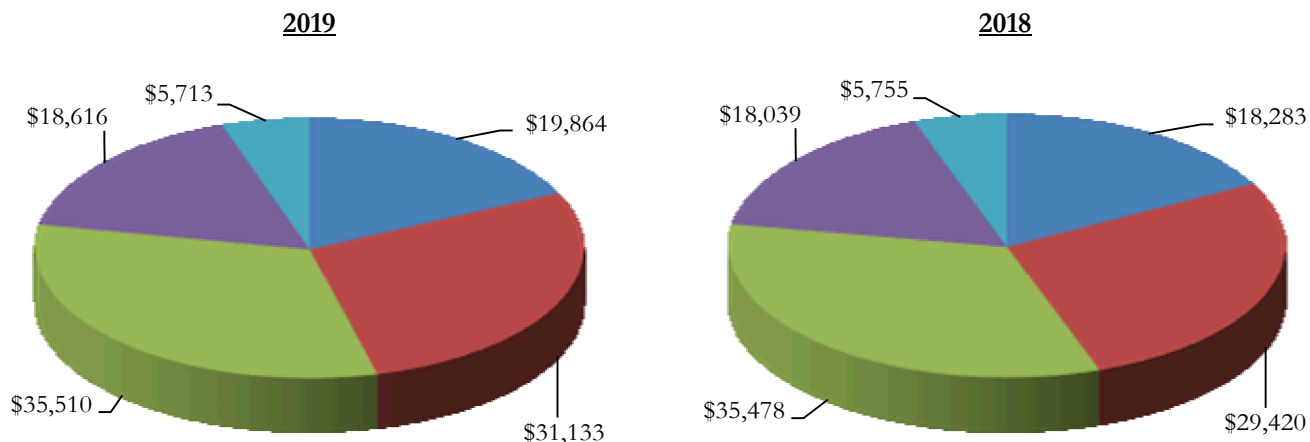
**NIAGARA FRONTIER TRANSPORTATION AUTHORITY**  
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

**Summary of Revenues, Expenses and Changes in Net Position**

The charts below summarize operating revenues by source.



■ Airport fees and services ■ Concessions and commissions ■ Fares ■ Rental income ■ Other operating revenues

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 terminal and landing area expenses resulted in higher compensatory airline billings. Other operating revenues were consistent with 2018.

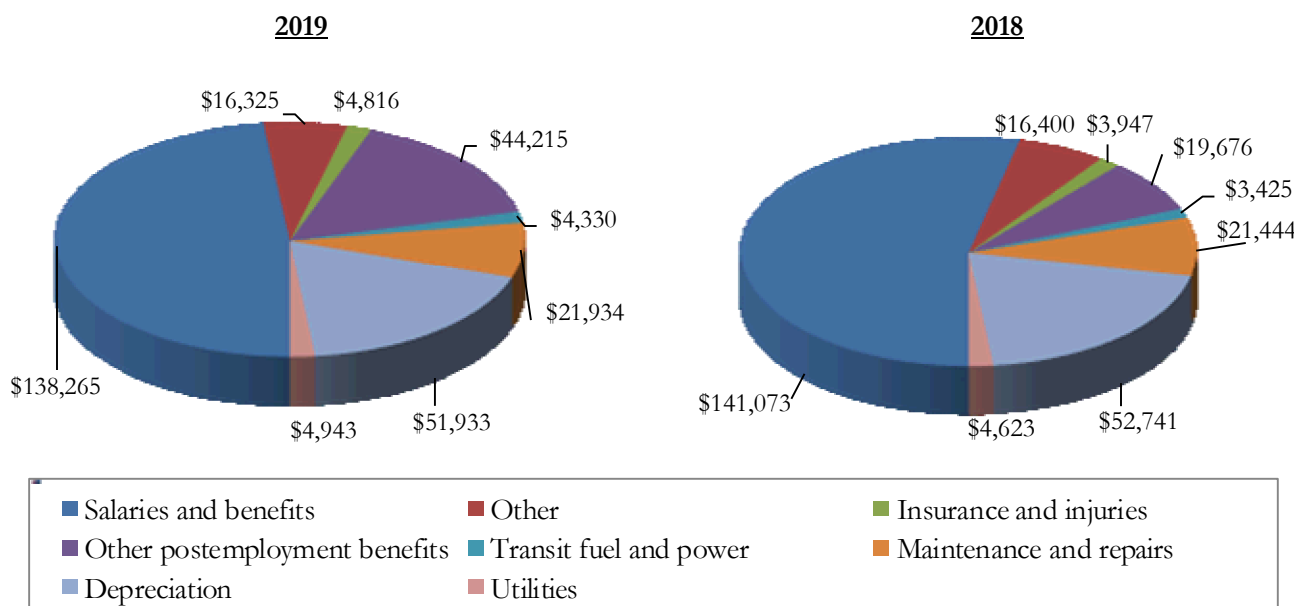
Operating revenues increased \$1.1 million, or 1.1%, from 2017 to 2018. Fares decreased \$1.4 million, as ridership was down from 2017 levels and individual passenger fares were unchanged. Concessions and commissions in 2018 were \$1.2 million higher than 2017, primarily due to an increase in auto rental and parking revenues at BNIA and Niagara Falls International Airport (NFIA). Airport fees and services in 2018 were \$1.1 million higher than 2017 as increased BNIA direct landing area expenses resulted in higher compensatory airline billings. Other operating revenues were consistent with 2017.

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

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

The charts below summarize operating expenses by category.



Operating expenses increased 8.9%, from \$263.3 million to \$286.8 million from 2018 to 2019. Salaries and employee benefits decreased \$2.8 million, or 2.0%, 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 \$24.5 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.

Operating expenses increased 3.8%, from \$253.6 million to \$263.3 million from 2017 to 2018. Salaries and employee benefits increased \$1.0 million, or 0.7%, primarily due to higher Metro salaries as a collective bargaining agreement with the Amalgamated Transit Union Local 1342, which represents approximately 1,000 Metro employees, was settled during the year as well as higher health insurance, workers' compensation, and pension costs across the Authority. Maintenance and repairs increased \$1.1 million from 2017 due to higher snowplowing and baggage system maintenance costs at BNIA and increased maintenance projects at the Metropolitan Transportation Center. Depreciation expense increased by \$1.0 million from 2017 to 2018.

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.

Net non-operating revenues for 2018 increased \$1.9 million compared to 2017, from \$120.0 million to \$121.9 million, primarily due to a \$3.5 million increase in operating assistance, partially offset by a \$1.9 million decrease in other non-operating revenues.

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

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

Capital contributions decreased from \$24.4 million in 2018 to \$21.6 million in 2019, primarily due to the timing of capital projects and revenue vehicle purchases.

Capital contributions increased from \$19.8 million in 2017 to \$24.4 million in 2018, primarily due to the timing of capital projects and revenue vehicle purchases.

**CAPITAL ASSETS**

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.

Net capital assets total \$612.2 million at March 31, 2018, representing an increase of 1.3% from March 31, 2017, as investment in capital exceeded depreciation and dispositions by \$8.0 million in 2018. Capital asset additions totaling \$60.8 million include \$13.6 million for twenty-four buses, \$4.1 million for the ongoing mid-life railcar rebuild project, \$4.7 million for rail station escalator/elevator rehabilitation, \$13.9 million for BNIA runway repaving and rehabilitation, and \$1.2 million for the completion of the BNIA Airport Rescue and Fire Fighting (ARFF) facility.

**DEBT ADMINISTRATION**

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 \$28.2 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.

Long-term debt at March 31, 2018 totaled \$130.2 million. This \$3.4 million decrease from 2017 primarily results from a new bus capital lease of \$9.1 million, offset by debt service payments of \$13.2 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, providing 48% of total assistance while 34% comes from local sources and 18% from the federal government. Any changes in these funding sources can have a significant impact on Authority operations.

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.

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

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017  
(Unaudited)

Metro-owned property along the Metro Rail corridor and property adjacent to Metro Rail has seen significant mixed-use development and development interest in the past few 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. More than 16,000 people currently work, volunteer, or study every day at the BNMC. In 2017, the University at Buffalo completed a new \$375 million School of Medicine and Biomedical Sciences building built on Metro-owned property. A new Allen-Medical Campus Metro Rail station is incorporated into the building and will be connected to the new John R. Oishei Children's Hospital, Buffalo General, and other BNMC properties by skywalk. Because of the increased activity in this part of the city, boardings and alightings at this stop have grown and are expected to continue to grow.

The Authority is currently seeking developers for Authority properties in the Metro Rail corridor in the City of Buffalo. The purpose of the development is to increase the success of neighborhood businesses, add residential connectivity, further enhance access to Metro Rail for residents and visitors, and increase ridership and revenue for Metro.

Additionally, the Authority has accepted the Niagara Falls Boulevard Light Rail alternative recommended by an alternatives analysis study for the Amherst-Buffalo Corridor. Twenty percent of all regional jobs and more than ten percent of all regional residents live within the Amherst-Buffalo Corridor. The proposed project would extend the current light rail system 6.4 miles, from its present end point in Buffalo through the University at Buffalo's North Campus in Amherst, which is projected to more than double ridership, spur an estimated \$1.7 billion in new development, increase existing property values by \$310 million, and create billions in direct, indirect, and induced economic impact. New York State has invested \$5 million to complete the environmental process for the project. The order of magnitude estimate of project construction is approximately \$1.2 billion, with 50% of project costs planned to come from a federal funding program and the remainder from a mix of state, local, and value capture sources.

## **Aviation**

Together, BNIA and NFIA served approximately 5 million passengers in 2019 as the only commercial service airports in Erie and Niagara counties. Additionally, the airports are a convenient and less costly option for nearby Canadian travelers. As approximately 40% of BNIA passenger traffic originates from Canada, 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, \$67.7 million passenger terminal and baggage claim expansion and renovation project at BNIA began in 2019. 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 curb space 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,   | 2019                     | 2018                     |
|---|--------------------------|--------------------------|
| <b>Assets</b>   |                          |                          |
| <b>Current assets:</b>  |                          |                          |
| Cash and cash equivalents   | \$ 32,711                | \$ 37,268                |
| Investments   | 12,500                   | 12,612                   |
| Accounts receivable   | 13,369                   | 11,937                   |
| Grants receivable   | 9,614                    | 13,344                   |
| Materials and supplies inventory  | 5,115                    | 5,101                    |
| Prepaid expenses and other  | 1,206                    | 826                      |
|   | <u>74,515</u>            | <u>81,088</u>            |
| Restricted assets:  |                          |                          |
| Cash and cash equivalents   | 100,557                  | 26,381                   |
| Investments   | 23,880                   | 27,026                   |
|   | <u>124,437</u>           | <u>53,407</u>            |
| Capital assets, net (Note 5)  | <u>610,145</u>           | <u>612,233</u>           |
| <b>Total assets</b>   | <b><u>809,097</u></b>    | <b><u>746,728</u></b>    |
| <b>Deferred outflows of resources:</b>                                    |                          |                          |
| Deferred outflows of resources related to pensions                        | 19,407                   | 15,600                   |
| Deferred outflows of resources related to OPEB                            | 22,507                   | -                        |
|   | <u>41,914</u>            | <u>15,600</u>            |
| <b>Total assets and deferred outflows of resources</b>                    | <b><u>\$ 851,011</u></b> | <b><u>\$ 762,328</u></b> |
| <b>Liabilities</b>  |                          |                          |
| <b>Current liabilities:</b>   |                          |                          |
| Current portion of long-term debt   | \$ 9,310                 | \$ 13,303                |
| Accounts payable and accrued expenses                                     | 31,224                   | 31,460                   |
| Other current liabilities   | 6,552                    | 7,384                    |
|   | <u>47,086</u>            | <u>52,147</u>            |
| <b>Noncurrent liabilities:</b>  |                          |                          |
| Long-term debt  | 176,586                  | 116,853                  |
| Self-insured claims   | 45,241                   | 42,556                   |
| Net pension liabilities   | 22,836                   | 33,137                   |
| Total OPEB liability  | 531,756                  | 165,522                  |
| Other noncurrent liabilities  | 7,322                    | 8,931                    |
|   | <u>783,741</u>           | <u>366,999</u>           |
| <b>Total liabilities</b>  | <b><u>830,827</u></b>    | <b><u>419,146</u></b>    |
| <b>Deferred inflows of resources:</b>                                     |                          |                          |
| Deferred inflows of resources related to pensions                         | <u>15,004</u>            | <u>2,644</u>             |
| <b>Net position</b>   |                          |                          |
| Net investment in capital assets  | 424,249                  | 482,077                  |
| Restricted  | 116,886                  | 48,081                   |
| Unrestricted  | (535,955)                | (189,620)                |
| <b>Total net position</b>   | <b><u>5,180</u></b>      | <b><u>340,538</u></b>    |
| <b>Total liabilities, deferred inflows of resources, and net position</b> | <b><u>\$ 851,011</u></b> | <b><u>\$ 762,328</u></b> |

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,                                  | 2019             | 2018              |
|--|------------------|-------------------|
| <b>Operating revenues:</b>                                     |                  |                   |
| Fares  | \$ 35,510        | \$ 35,478         |
| Concessions and commissions                                    | 31,133           | 29,420            |
| Rental income  | 18,616           | 18,039            |
| Airport fees and services                                      | 19,864           | 18,283            |
| Other operating revenues                                       | 5,713            | 5,755             |
| <b>Total operating revenues</b>                                | <b>110,836</b>   | <b>106,975</b>    |
| <b>Operating expenses:</b>                                     |                  |                   |
| Salaries and employee benefits                                 | 138,265          | 141,073           |
| Other postemployment benefits                                  | 44,215           | 19,676            |
| Depreciation   | 51,933           | 52,741            |
| Maintenance and repairs  | 21,934           | 21,444            |
| Transit fuel and power   | 4,330            | 3,425             |
| Utilities  | 4,943            | 4,623             |
| Insurance and injuries   | 4,816            | 3,947             |
| Other  | 16,325           | 16,400            |
| <b>Total operating expenses</b>                                | <b>286,761</b>   | <b>263,329</b>    |
| <b>Operating loss</b>  | <b>(175,925)</b> | <b>(156,354)</b>  |
| <b>Non-operating revenues (expenses):</b>                      |                  |                   |
| Government assistance  | 118,122          | 114,587           |
| Passenger facility charges                                     | 10,850           | 9,755             |
| Change in fair value of swap agreements                        | 352              | 1,192             |
| Interest expense, net  | (4,045)          | (4,397)           |
| Airport noise abatement  | (7)              | (291)             |
| Other non-operating revenues, net                              | 2,657            | 1,085             |
| <b>Total non-operating net revenues</b>                        | <b>127,929</b>   | <b>121,931</b>    |
| <b>Change in net position before capital contributions</b>     | <b>(47,996)</b>  | <b>(34,423)</b>   |
| Capital contributions  | 21,564           | 24,363            |
| <b>Change in net position</b>                                  | <b>(26,432)</b>  | <b>(10,060)</b>   |
| <b>Net position - beginning of year</b>                        | <b>340,538</b>   | <b>350,598</b>    |
| Cumulative effect of a change in accounting principle (Note 3) | (308,926)        | -                 |
| Net position - beginning, as restated                          | 31,612           | 350,598           |
| <b>Net position - end of year</b>                              | <b>\$ 5,180</b>  | <b>\$ 340,538</b> |

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,  | 2019            | 2018            |
|--|-----------------|-----------------|
| <b>Operating activities:</b>   |                 |                 |
| Cash collected from customers  | \$ 107,973      | \$ 102,063      |
| Cash paid for employee wages and benefits                            | (151,952)       | (144,016)       |
| Cash paid to vendors and suppliers                                   | (48,270)        | (47,698)        |
| Cash paid for insurance and injuries                                 | (2,131)         | (3,915)         |
| <b>Net operating activities</b>                                      | <b>(94,380)</b> | <b>(93,566)</b> |
| <b>Non-capital financing activities:</b>                             |                 |                 |
| Government assistance  | 118,122         | 114,587         |
| <b>Capital and related financing activities:</b>                     |                 |                 |
| Repayments of long-term debt   | (38,440)        | (13,218)        |
| Proceeds from issuance of long-term debt                             | 94,180          | 9,799           |
| Other liabilities  | 179             | (519)           |
| Interest paid  | (4,971)         | (5,040)         |
| Mortgage recording tax, net  | 1,999           | (1,733)         |
| Capital grants and contributions                                     | 25,235          | 23,777          |
| Additions to capital assets  | (49,861)        | (60,766)        |
| Construction retainages, net   | (203)           | 778             |
| Proceeds from sale of capital assets                                 | 63              | 5               |
| Passenger facility charges   | 10,850          | 9,755           |
| Airport noise abatement  | (7)             | (291)           |
| Other  | 2,669           | 1,080           |
| <b>Net capital and related financing activities</b>                  | <b>41,693</b>   | <b>(36,373)</b> |
| <b>Investing activities:</b>   |                 |                 |
| Purchase of investments, net   | 3,258           | (9,420)         |
| Interest income  | 926             | 492             |
| <b>Net investing activities</b>                                      | <b>4,184</b>    | <b>(8,928)</b>  |
| <b>Net change in cash and cash equivalents</b>                       | <b>69,619</b>   | <b>(24,280)</b> |
| Cash and cash equivalents, beginning of year                         | 63,649          | 87,929          |
| Cash and cash equivalents, end of year                               | \$ 133,268      | \$ 63,649       |
| Reconciliation to Balance Sheet                                      |                 |                 |
| Cash and cash equivalents:   |                 |                 |
| Unrestricted   | \$ 32,711       | \$ 37,268       |
| Restricted   | 100,557         | 26,381          |
| Total cash and cash equivalents                                      | \$ 133,268      | \$ 63,649       |
| Reconciliation of operating loss to net operating activities:        |                 |                 |
| Operating loss   | \$ (175,925)    | \$ (156,354)    |
| Adjustments to reconcile operating loss to net operating activities: |                 |                 |
| Depreciation   | 51,933          | 52,741          |
| Net pension activity   | (1,748)         | 1,304           |
| Other postemployment benefits, net                                   | 34,801          | 14,238          |
| Changes in assets and liabilities:                                   |                 |                 |
| Receivables  | (1,432)         | (4,725)         |
| Materials and supplies inventory                                     | (14)            | (121)           |
| Prepaid expenses and other   | (380)           | 88              |
| Accounts payable and accrued expenses                                | (33)            | 635             |
| Other current liabilities  | (3,010)         | (189)           |
| Self-insured claims  | 2,685           | 32              |
| Other noncurrent liabilities   | (1,257)         | (1,215)         |
| Net operating activities   | \$ (94,380)     | \$ (93,566)     |

See accompanying notes.

# NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

## (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 its financial and governance responsibility for Metro, 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 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.

# NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

## **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.

#### **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 less than three months.

# NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

**(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 fixed the prices of certain vehicle fuels purchased from September 1, 2016 through August 31, 2019, with the option to extend the contract for two additional one year periods. The Authority expects to take delivery of the fuel as specified, and therefore, the agreement is considered a normal purchase contract.

**(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.

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

Notes to Financial Statements

March 31, 2019

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

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

Maintenance and repairs are charged to operations as incurred unless the repair significantly increases the life of the asset.

**(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, 2019 and 2018, 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 \$5,508,000 and \$5,331,000, respectively.

**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.

# NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

**(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. 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) Postemployment Benefits**

In addition to providing pension benefits, the Authority provides other postemployment benefits (OPEB) in the form of health insurance coverage to retired employees (Note 10). 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 retirement system pursuant to the New York State Pension Contribution Stabilization Program (Note 9) and the fair value of interest rate swap agreements (Note 6).

**(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.

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 53% of total revenue for the years ended March 31, 2019 and 2018. 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.

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

Notes to Financial Statements

March 31, 2019

**(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 \$4,738,000 and \$4,930,000 for GBNRTC and NITTEC combined during fiscal 2019 and 2018.

**(s) Reclassifications**

The March 31, 2018 financial statements have been reclassified to conform to the presentation adopted for 2019.

**(3) Change in Accounting Principle**

Effective April 1, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for other postemployment benefits offered by the Authority and requires various note disclosures (Note 10) and required supplementary information. As a result, beginning of year net position has been restated as follows (in thousands):

|   |    |           |
|---|----|-----------|
| Net position previously reported, April 1, 2018                     | \$ | 340,538   |
| OPEB previously reported  |    | 165,522   |
| Total OPEB liability  |    | (486,984) |
| Amounts paid by the Authority subsequent to<br>the measurement date |    | 12,536    |
| Net position as restated  | \$ | 31,612    |

Certain information for the prior year is not available and therefore such amounts have not been restated.

## NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

### (4) Cash Deposits and Investments

The Authority has a written investment policy which is in compliance with the Authority's enabling legislation under Sections 1299e and 2925(3)(f) of the New York State Public Authorities Law. Further, pursuant to collateralizing its investments, the Authority is subject to General Municipal Law Section 10, *Deposit of Public Money*, whereby all cash, cash equivalents, and investments are fully insured by the Federal Deposit Insurance Corporation (FDIC) and/or are fully collateralized with U.S. government obligations held in the name of the Authority. Investments consist of 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, 2019 and 2018, the Authority's bank deposits were fully insured by FDIC or collateralized in accordance with the above requirements.

### (5) Capital Assets

| (in thousands)                       | April 1, 2018     | Additions         | Reclassifications<br>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 capital 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 assets, net        | <u>512,945</u>    | <u>(12,518)</u>   | <u>(16)</u>                        | <u>500,411</u>    |
|                                      | <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, 2019

| (in thousands)                       | April 1, 2017     | Additions       | Redassifications<br>and Disposals | March 31, 2018    |
|--------------------------------------|-------------------|-----------------|-----------------------------------|-------------------|
| Non-depreciable capital assets:      |                   |                 |                                   |                   |
| Land                                 | \$ 63,330         | \$ 248          | \$ -                              | \$ 63,578         |
| Construction in progress             | 33,510            | 2,200           | -                                 | 35,710            |
| Total non-depreciable capital assets | <u>96,840</u>     | <u>2,448</u>    | <u>-</u>                          | <u>99,288</u>     |
| Depreciable capital assets:          |                   |                 |                                   |                   |
| Land improvements                    | 316,997           | 17,924          | -                                 | 334,921           |
| LRRT system                          | 628,652           | 9,443           | (162)                             | 637,933           |
| Airport buildings                    | 275,921           | 10,760          | (1,363)                           | 285,318           |
| Metropolitan transportation centers  | 21,756            | -               | (23)                              | 21,733            |
| Motor buses                          | 152,556           | 14,521          | (2,480)                           | 164,597           |
| Equipment, buildings, and other      | 144,760           | 5,705           | (283)                             | 150,182           |
| Total depreciable capital assets     | <u>1,540,642</u>  | <u>58,353</u>   | <u>(4,311)</u>                    | <u>1,594,684</u>  |
| Accumulated depreciation:            |                   |                 |                                   |                   |
| Land improvements                    | 227,684           | 11,672          | -                                 | 239,356           |
| LRRT system                          | 459,012           | 13,404          | (162)                             | 472,254           |
| Airport buildings                    | 136,547           | 9,142           | (1,363)                           | 144,326           |
| Metropolitan transportation centers  | 15,596            | 435             | (18)                              | 16,013            |
| Motor buses                          | 94,688            | 10,576          | (2,471)                           | 102,793           |
| Equipment, buildings, and other      | 99,747            | 7,512           | (262)                             | 106,997           |
| Total accumulated depreciation       | <u>1,033,274</u>  | <u>52,741</u>   | <u>(4,276)</u>                    | <u>1,081,739</u>  |
| Total depreciable assets, net        | <u>507,368</u>    | <u>5,612</u>    | <u>(35)</u>                       | <u>512,945</u>    |
|                                      | <u>\$ 604,208</u> | <u>\$ 8,060</u> | <u>\$ (35)</u>                    | <u>\$ 612,233</u> |

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

Notes to Financial Statements

March 31, 2019

**(6) Long-Term Debt**

**(a) Long-Term Obligations (in thousands)**

|   | <b>2019</b>      | 2018   |
|---|------------------|--------|
| (1) Airport Revenue Bonds 2019:<br>Series A, maturing April 1, 2039 with variable annual principal payments commencing April 1, 2020, bearing interest at 5.0% (including unamortized premium of \$9,966 in 2019)   | <b>\$ 91,886</b> | \$ -   |
| (2) Airport Revenue Bonds 2014:<br>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 \$4,179 in 2019 and \$5,012 in 2018)   | <b>63,145</b>    | 65,182 |
| Series B, maturing April 1, 2019 with variable annual principal payments commencing April 1, 2016, bearing interest at 4.0% to 5.0% (including unamortized premium of \$105 in 2018)  | <b>3,050</b>     | 6,425  |
| (3) Airport Revenue Bonds 2004:<br>Series A, original maturity of April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.646% and a variable auction interest rate, offset by earned swap interest rate at 71% of the prevailing LIBOR rate, refunded February 2019 | -                | 24,350 |
| Series C, original maturity April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.55% and a variable auction interest rate, offset by earned swap interest rate at 69% of the prevailing LIBOR rate, refunded February 2019  | -                | 3,825  |
| (4) New York State, non-interest bearing  | <b>3,380</b>     | 3,380  |
| (5) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by related equipment  | <b>166</b>       | 489    |
| (6) 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)   | <b>255</b>       | 500    |
| (7) Capital leases, monthly payments with fixed interest rate of 2.91%, maturing in 2025, secured by related equipment  | <b>2,798</b>     | 3,173  |
| (8) Capital leases, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment  | <b>277</b>       | 569    |

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

Notes to Financial Statements

March 31, 2019

|  | <b>2019</b>       | 2018       |
|--|-------------------|------------|
| (9) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by related equipment  | <b>3,516</b>      | 3,654      |
| (10) Capital lease, monthly payments with fixed interest rate of 2.57%, maturing in 2022, secured by related equipment | <b>1,172</b>      | 1,486      |
| (11) Capital lease, monthly payments with fixed interest rate of 1.511% maturing in 2023, secured by related equipment | <b>6,735</b>      | 8,199      |
| (12) Capital lease, monthly payments with fixed interest rate of 2.093% maturing in 2024, secured by related equipment | <b>7,188</b>      | 8,428      |
| (13) Capital lease, annual payments with fixed interest rate of 1.60% maturing in 2020, secured by related equipment   | <b>333</b>        | 496        |
| (14) Capital lease, annual payments with fixed interest rate of 3.19% maturing in 2022, secured by related equipment   | <b>1,995</b>      | -          |
|  | <b>185,896</b>    | 130,156    |
| Less current portion   | <b>9,310</b>      | 13,303     |
|  | <b>\$ 176,586</b> | \$ 116,853 |

- (1) On February 26, 2019, the Authority issued \$81,920,000 Series 2019A Airport Revenue Bonds at a premium of \$10,110,710. These bonds were issued to provide financing for certain capital improvements at BNIA, 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) On January 15, 2004, the Authority issued \$63,000,000 Series 2004A and \$10,025,000 Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to refund the Series 1994A and the Series 1994C Airport Revenue Bonds of \$55,435,000 and \$9,765,000 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.
- (4) 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.

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

Notes to Financial Statements

March 31, 2019

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.

Changes in long-term debt for the years ended March 31, 2019 and 2018 were as follows (in thousands):

|   | 2019       | 2018       |
|---|------------|------------|
| Balance, beginning of year                                  | \$ 130,156 | \$ 133,575 |
| Proceeds from issuance of debt                              | 94,180     | 9,799      |
| Repayment of long-term debt, including premium amortization | (38,440)   | (13,218)   |
| Balance, end of year  | 185,896    | 130,156    |
| Less current portion  | 9,310      | 13,303     |
| Noncurrent portion  | \$ 176,586 | \$ 116,853 |

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

|                        | Loans<br>and Capital Leases |          | Serial Bonds |                        |           |
|------------------------|-----------------------------|----------|--------------|------------------------|-----------|
|                        | Principal                   | Interest | Principal    | Unamortized<br>Premium | Interest  |
| Years ending March 31, |                             |          |              |                        |           |
| 2020                   | \$ 4,505                    | \$ 673   | \$ 4,805     | \$ 2,380               | \$ 5,481  |
| 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     |
| 2025-2029              | 3,103                       | 825      | 47,820       | 4,699                  | 17,647    |
| 2030-2034              | 1,344                       | 207      | 20,920       | -                      | 8,268     |
| 2035-2039              | 3,380                       | -        | 19,500       | -                      | 3,659     |
| 2040                   | -                           | -        | 4,505        | -                      | 113       |
|                        | \$ 27,561                   | \$ 3,427 | \$ 144,190   | \$ 14,145              | \$ 58,870 |

At March 31, 2019 and 2018, the Authority was in compliance with all loan and bond covenants.

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

Notes to Financial Statements

March 31, 2019

**(b) Derivative Instruments**

**Interest Rate Swaps**

To reduce exposure to changing interest rates, the Authority previously entered into two hedging interest rate swaps with Goldman Sachs Capital Markets, L.P. in connection with its \$73,025,000 Refunding Series 2004A and 2004C variable-rate bonds. The interest rate swaps were forward, floating-to-fixed agreements in notional amounts equal to the outstanding bonds pursuant to which the Authority will pay a specified fixed rate of interest in return for receipts of a variable rate of interest based on a fixed percentage of the prevailing LIBOR rate. The intention of the interest rate swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.646% and 3.55% for Series 2004A and 2004C, respectively.

The swap agreements were terminated in 2019 in connection with the refunding of the Series 2004 bonds. The Authority paid \$1,429,500 as a swap termination payment that was funded from proceeds of the Series 2019 bond issuance.

**Risks**

Below is a list of risks inherent in the Authority's interest rate swaps:

*Basis Risk* – The risk that the Authority's variable rate interest payments will not equal the variable rate swap receipts because they are based on different indexes. If the rate under the swap is lower than the bond interest rate, the payment under the swap agreement will not fully reimburse the Authority for the interest payments on the bonds. However, if the bond interest rate is lower than the swap payment, there is a net gain to the Authority. At March 31, 2018, the unfavorable basis variance totaled \$3,150,000.

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

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

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

**Terms**

At March 31, 2018, the negative fair values of the Series 2004A and 2004C interest rate swaps was \$1,547,000 and \$235,000, respectively. At March 31, 2018, the notional amounts of Series 2004A and 2004C swaps were \$24,350,000 and \$3,825,000, respectively.

The Series 2004A and 2004C interest rate swaps as of March 31, 2012 were considered ineffective because they did not meet the effectiveness criteria under the synthetic instrument method quantitative method of evaluating effectiveness. Therefore, changes in the fair value of the swaps were recorded as derivative instrument losses in the statements of revenues, expenses and changes in net position for 2012 through termination in February 2019.

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

Notes to Financial Statements

March 31, 2019

As of March 31, 2018, the negative fair values of all investment and ineffective derivative instruments totaled \$1,782,000 and are recorded as other noncurrent liabilities. Negative fair value decreases of \$1,192,000 for 2018 are recorded as non-operating revenues in the statement of revenues, expenses and change in net position.

**(7) Passenger Facility Charges**

In 1992, the Federal Aviation Administration (FAA) approved the Authority's application to impose collection of Passenger Facility Charges (PFC) at the BNIA, 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 \$10,850,000 and \$9,755,000 for the years ended March 31, 2019 and 2018.

**(8) Government Assistance**

Operations are funded primarily by passenger fares and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; the State, Erie and Niagara Counties (pursuant to State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2019 and 2018 was as follows (in thousands):

|  | <b>2019</b>       | 2018       |
|--|-------------------|------------|
| <b>Metro:</b>                                  |                   |            |
| FTA:   |                   |            |
| Section 5307 and 5311 assistance               | <b>\$ 21,341</b>  | \$ 20,693  |
| State:   |                   |            |
| Statewide transit operating assistance program | <b>49,398</b>     | 48,361     |
| Section 18b assistance                         | <b>4,100</b>      | 4,100      |
| Section 5307 capital maintenance match         | <b>2,658</b>      | 2,568      |
| Total State                                    | <b>56,156</b>     | 55,029     |
| Erie County:                                   |                   |            |
| 88(c) - general                                | <b>4,476</b>      | 3,357      |
| Mortgage recording tax (section 88a)           | <b>8,808</b>      | 8,658      |
| Section 18b matching funds                     | <b>3,657</b>      | 3,657      |
| Sales tax receipts                             | <b>21,020</b>     | 20,323     |
| Total Erie County                              | <b>37,961</b>     | 35,995     |
| Niagara County:                                |                   |            |
| Mortgage recording tax                         | <b>1,329</b>      | 1,541      |
| Section 18b matching funds                     | <b>443</b>        | 443        |
| Total Niagara County                           | <b>1,772</b>      | 1,984      |
| Buffalo and Fort Erie Public Bridge Authority  | <b>200</b>        | 200        |
|  | <b>117,430</b>    | 113,901    |
| <b>NFTA:</b>                                   |                   |            |
| Department of Homeland Security                | <b>692</b>        | 686        |
|  | <b>\$ 118,122</b> | \$ 114,587 |

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

Notes to Financial Statements

March 31, 2019

**(9) 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 Systems and for the custody and control of their funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained from the New York State and Local Retirement System at [www.osc.state.ny.us/retire](http://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 2019, rates ranged from 9.3% - 21.6% for ERS (9.3% - 21.7% for 2018) and 7.0% - 24.7% for PFRS (7.3% - 25.3% for 2018).

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, 2019 and 2018, \$4,350,000 and \$5,292,000, respectively, is due to the Systems pursuant to the Authority's participation in the Program which is included in other noncurrent liabilities in the accompanying balance sheets.

**Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources**

At March 31, 2019 and 2018, the Authority reported a liability of \$5,704,000 and \$13,741,000, respectively, for its proportionate share of the Systems' net pension liability.

## NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

### Notes to Financial Statements

March 31, 2019

The net pension liability as of March 31, 2019 was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. 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, 2018 measurement date, the Authority's proportion was 0.0867945% for ERS (an increase of 0.0014314 from 2017) and 0.2872086% for PFRS (an increase of 0.0112078 from 2017).

For the years ended March 31, 2019 and 2018, the Authority recognized pension expense of \$6,375,000 and \$8,125,000, respectively and reported deferred outflows and deferred inflows of resources as follows:

| (in thousands)   | 2019                                 |                                     |                                      |                                     |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|  | ERS                                  |                                     | PFRS                                 |                                     |
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| 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<br>on pension plan investments                                  | 4,068                                | 8,030                               | 2,350                                | 4,732                               |
| Changes in proportion and differences between<br>Authority contributions and proportionate share<br>of contributions | 794                                  | 65                                  | 82                                   | 580                                 |
| Authority contributions subsequent to<br>the measurement date  | 3,739                                | -                                   | 2,123                                | -                                   |
|  | \$ 11,457                            | \$ 8,921                            | \$ 7,950                             | \$ 6,083                            |
|  | 2018                                 |                                     |                                      |                                     |
|  | ERS                                  |                                     | PFRS                                 |                                     |
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience   | \$ 201                               | \$ 1,218                            | \$ 751                               | \$ 989                              |
| Changes of assumptions   | 2,741                                | -                                   | 2,818                                | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                                  | 1,602                                | -                                   | 854                                  | -                                   |
| Changes in proportion and differences between<br>Authority contributions and proportionate share<br>of contributions | 760                                  | 86                                  | 7                                    | 351                                 |
| Authority contributions subsequent to<br>the measurement date  | 3,729                                | -                                   | 2,137                                | -                                   |
|  | \$ 9,033                             | \$ 1,304                            | \$ 6,567                             | \$ 1,340                            |



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

Notes to Financial Statements

March 31, 2019

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):

| <u>Years ending March 31,</u> | <u>ERS</u>        | <u>PFRS</u>     |
|-------------------------------|-------------------|-----------------|
| 2020                          | \$ 921            | \$ 488          |
| 2021                          | 662               | 421             |
| 2022                          | (1,917)           | (731)           |
| 2023                          | (869)             | (504)           |
| 2024                          | -                 | 70              |
|                               | <u>\$ (1,203)</u> | <u>\$ (256)</u> |

**Actuarial Assumptions**

The actuarial assumptions used in the April 1, 2017 valuation, with update procedures used to roll forward the total pension liability to March 31, 2018, 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*** - 3.8% (ERS), 4.5% (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.

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

Notes to Financial Statements

March 31, 2019

**Investment Asset Allocation**

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the valuation date are summarized as follows:

| Asset Class                | Target<br>Allocation | Long-Term<br>Expected<br>Real Rate of<br>Return |
|----------------------------|----------------------|---|
| Domestic equities          | 36%                  | 4.6%  |
| International equities     | 14%                  | 6.4%  |
| Private equities           | 10%                  | 7.5%  |
| Real estate                | 10%                  | 5.6%  |
| Absolute return strategies | 2%                   | 3.8%  |
| Opportunistic portfolio    | 3%                   | 5.7%  |
| Real assets                | 3%                   | 5.3%  |
| Bonds and mortgages        | 17%                  | 1.3%  |
| Other                      | 5%                   | (0.3)-1.3%                                      |
|                            | <b>100%</b>          |   |

**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, 2019 calculated using the discount rate of 7% and the impact of using a discount rate that is 1% lower and 1% higher:

| (in thousands)   | 1% Lower<br>Discount Rate<br>(6%) | Current<br>Discount Rate<br>(7%) | 1% Higher<br>Discount Rate<br>(8%) |
|--|-----------------------------------|----------------------------------|------------------------------------|
| Authority's proportionate share of the ERS<br>net pension asset (liability)  | \$ (21,195)                       | \$ (2,801)                       | \$ 12,759                          |
| Authority's proportionate share of the PFRS<br>net pension asset (liability) | \$ (14,220)                       | \$ (2,903)                       | \$ 6,589                           |

# NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

**(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, 2019 and 2018, related past service costs totaling \$1,394,000 and \$1,860,000 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, 2018 measurement date, the following employees were covered by the Metro Plan:

|                   |    |
|-------------------|----|
| Retired           | 55 |
| Beneficiaries     | 12 |
| Terminated vested | 17 |

*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 were \$15,000 in 2019 and \$32,000 in 2018.

**Net Pension Liability**

The net pension liability was measured as of March 31, 2018 based on an actuarial valuation as of March 31, 2018. 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-2017

**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** - 5-year smoothed market

**Assumed Retirement Age** - Age first eligible for unreduced benefits

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

Notes to Financial Statements

March 31, 2019

**Changes in the Net Pension Liability**

| (in thousands)  | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability</b> |
|---|------------------------------------|--|----------------------------------|
| Balances at March 31, 2017                            | \$ (4,940)                         | \$ 4,202                               | \$ (738)                         |
| Changes for the year:                                 |                                    |  |                                  |
| Interest  | (266)                              | -                                      | (266)                            |
| Differences between expected and<br>actual experience | (129)                              | -                                      | (129)                            |
| Changes of assumptions                                | 239                                | -                                      | 239                              |
| Employer contributions                                | -                                  | 32                                     | 32                               |
| Net investment income                                 | -                                  | 507                                    | 507                              |
| Benefit payments                                      | 536                                | (536)                                  | -                                |
| Administrative expense                                | -                                  | (16)                                   | (16)                             |
| Net changes   | 380                                | (13)                                   | 367                              |
| Balances at March 31, 2018                            | \$ (4,560)                         | \$ 4,189                               | \$ (371)                         |
| Changes for the year:                                 |                                    |  |                                  |
| Interest  | (280)                              | -                                      | (280)                            |
| Differences between expected and<br>actual experience | 54                                 | -                                      | 54                               |
| Changes of assumptions                                | -                                  | -                                      | -                                |
| Employer contributions                                | -                                  | 15                                     | 15                               |
| Net investment income                                 | -                                  | 469                                    | 469                              |
| Benefit payments                                      | 512                                | (512)                                  | -                                |
| Administrative expense                                | -                                  | (13)                                   | (13)                             |
| Net changes   | 286                                | (41)                                   | 245                              |
| Balances at March 31, 2019                            | <b>\$ (4,274)</b>                  | <b>\$ 4,148</b>                        | <b>\$ (126)</b>                  |

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 \$405,000 and at 1% higher (7.50%) would result in a net pension asset of \$120,000.

# NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

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

All full-time Metro employees who are ATU members are covered by the Amalgamated Transit Union Local 1342 Niagara Frontier Transit Metro System Pension Fund (the ATU Plan), a defined benefit pension plan established in accordance with an Agreement and Declaration of Trust between the ATU and Metro (the Agreement). Pursuant to the ATU Union Contract, 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 \$5,806,000 and \$5,667,000 for 2019 and 2018. 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 10.

As of March 31, 2019, there are 136 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.

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

Notes to Financial Statements

March 31, 2019

The Authority's annual pension cost and net pension obligation as of March 31, 2019 and 2018 related to the Stipend Plan was:

| (in thousands)                                     | <b>Total Pension Liability</b> | <b>Plan Fiduciary Net Position</b> | <b>Net Pension Liability</b> |
|--|--------------------------------|------------------------------------|------------------------------|
| Balances at March 31, 2017                         | \$ (19,713)                    | \$ -                               | \$ (19,713)                  |
| Changes for the year:                              |                                |                                    |                              |
| Interest   | (722)                          | -                                  | (722)                        |
| Differences between expected and actual experience | (219)                          | -                                  | (219)                        |
| Changes of assumptions                             | (366)                          | -                                  | (366)                        |
| Benefit payments                                   | 1,995                          | -                                  | 1,995                        |
| Net changes  | 688                            | -                                  | 688                          |
| 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                         | <b>\$ (17,006)</b>             | <b>\$ -</b>                        | <b>\$ (17,006)</b>           |

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

- Actuarial valuation and measurement date of March 31, 2019
- Healthcare cost trend is estimated at 5.60% next year, ultimately declining to 3.94% in year 2075
- Actuarial cost method used is Entry Age Normal
- Discount rate is 3.42% (previously 3.61%)
- RP-2014 Blue Collar Mortality Table projected using Scale MP-2018

The following presents the Authority's Stipend Plan net pension liability as of March 31, 2019 calculated using the discount rate of 3.42% and the impact of using a discount rate that is 1% lower and 1% higher:

| (in thousands)                                 | <b>1% Lower Discount Rate (2.42%)</b> | <b>Current Discount Rate (3.42%)</b> | <b>1% Higher Discount Rate (4.42%)</b> |
|--|---------------------------------------|--------------------------------------|--|
| Authority's Stipend Plan net pension liability | \$ (18,427)                           | \$ (17,006)                          | \$ (15,780)                            |

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

Notes to Financial Statements

March 31, 2019

**(10) Other Postemployment Benefits**

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 March 31, 2019, 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    | -            |
|  | <b>2,529</b> |

**Total OPEB Liability**

The Authority's total OPEB liability of \$531,756,000 was measured as of March 31, 2018 and was 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%, and an ultimate rate 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** – 3.61% based on the GO 20-Year Bond rate as of September 30, 2018

**Inflation rate** – 2.5%

**Changes in the Total OPEB Liability**

| (in thousands)                                     | <b>Total OPEB<br/>Liability</b> |
|--|---------------------------------|
| Balance at March 31, 2018, as restated             | \$ 486,984                      |
| Changes for the year:                              |                                 |
| Service cost                                       | 23,590                          |
| Interest   | 18,267                          |
| Changes of benefit terms                           | -                               |
| Differences between expected and actual experience | -                               |
| Changes of assumptions or other inputs             | 15,451                          |
| Benefit payments                                   | (12,536)                        |
| Net changes  | 44,772                          |
| Balance at March 31, 2019                          | <b>\$ 531,756</b>               |

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

Notes to Financial Statements

March 31, 2019

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% Decrease<br>(2.61%) | Discount Rate<br>(3.61%) | 1.0% Increase<br>(4.61%) |
|-------|--------------------------|--------------------------|--------------------------|
| Total | \$ 625,207               | \$ 531,756               | \$ 457,274               |

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% Decrease<br>(2.9% to 13.9%) | Discount Rate<br>(3.9% to 14.9%) | 1.0% Increase<br>(4.9% to 15.9%) |
|-------|----------------------------------|----------------------------------|----------------------------------|
| Total | \$ 448,291                       | \$ 531,756                       | \$ 639,139                       |

**OPEB Expense and Deferred Outflows of Resources**

For the year ended March 31, 2019, the Authority recognized OPEB expense of \$44,064,000. At March 31, 2019, the Authority reported deferred outflows of resources related to OPEB for amounts paid subsequent to the measurement date of \$9,264,000, which will be recognized as a reduction of the total OPEB liability as of March 31, 2020, and \$13,243,000 from changes of assumptions, which will be recognized in OPEB expense as follows (in thousands):

| Years ending March 31, |           |
|------------------------|-----------|
| 2020                   | \$ 2,207  |
| 2021                   | 2,207     |
| 2022                   | 2,207     |
| 2023                   | 2,207     |
| 2024                   | 2,207     |
| Thereafter             | 2,208     |
|                        | \$ 13,243 |

**(11) 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 \$70,081,000 and \$66,987,000 in 2019 and 2018, which includes guaranteed minimum rentals of \$23,093,000 and \$21,742,000 during 2019 and 2018, respectively.

Rental income is derived primarily from airport operations. At March 31, 2019 and 2018, airport capital assets totaled \$235,892,000 and \$236,758,000 of which approximately 40% is leased to third parties (based on square footage).



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

Notes to Financial Statements

March 31, 2019

Fixed-term operating leases in effect at March 31, 2019 are expected to yield future minimum rentals as follows (in thousands):

| Years ending March 31, |                  |
|------------------------|------------------|
| 2020                   | \$ 22,617        |
| 2021                   | 14,067           |
| 2022                   | 13,762           |
| 2023                   | 12,214           |
| 2024                   | 4,140            |
| 2025 - 2029            | 12,050           |
| 2030 - 2034            | 1,162            |
| 2035 - 2039            | 896              |
| 2040 - 2044            | 575              |
|                        | <u>\$ 81,483</u> |

**(12) Commitments and Contingencies**

**(a) *Litigation and Claims***

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

**(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. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 12, 2019. 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.

Changes in the reported liability claims for the years ended March 31, 2019 and 2018 are as follows (in thousands):

|  |                  |                  |
|--|------------------|------------------|
|  | <u>2019</u>      | <u>2018</u>      |
| Liability, beginning of year               | \$ 42,556        | \$ 42,524        |
| Current year claims and change in estimate | 12,914           | 10,690           |
| Claim payments                             | <u>(10,229)</u>  | <u>(10,658)</u>  |
| Liability, end of year                     | <u>\$ 45,241</u> | <u>\$ 42,556</u> |

## NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

### (c) *Project Commitments*

As of March 31, 2019, the Authority has commenced several projects including:

- BNIA Aircraft Deicing Containment Facility Expansion estimated at \$6,734,000 of which \$843,000 was expended
- Metro Station Panel Liner Rehab estimated at \$4,214,000 of which \$1,501,000 was expended
- Metro Rail Escalator/Elevator Rehabilitation estimated at \$18,759,000 of which \$9,742,000 was expended
- BNIA Baggage Claim Expansion estimated at \$67,654,000 of which \$10,124,000 was expended
- Rail car refurbishment estimated at \$49,595,000 of which \$48,787,000 was expended
- Metro DL&W Station estimated at \$56,200,000 of which \$4,200,000 was expended
- Metro (Bus and Rail) fare collection upgrade \$26,427,000 of which \$13,043,000 was expended
- Metro Amherst/Buffalo LRRT Extension Study estimated at \$5,000,000 of which \$2,866,000 was expended
- Management Information Systems estimated at \$18,772,000 of which \$2,239,000 was expended

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

### (13) **Segment Information – Buffalo Niagara International Airport**

BNIA is Western New York's primary passenger and cargo airport. In fiscal year 1991, the Authority began the Airport Improvement Program to build a new terminal building and provide improved facilities for BNIA passengers. The Authority issued Airport Revenue Bonds (Note 6) pursuant to a Master Resolution approved by the Board of Commissioners for the construction of BNIA. The Master Resolution contains certain compliance covenants including requiring net airport revenues to be a minimum percentage of net debt service. The bonds are payable from and are secured by a lien on net revenues derived from the operations of BNIA. The bonds are special limited obligations of the Authority. They are not general obligations of the Authority and are not a debt of the State or any political subdivision.

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

Notes to Financial Statements

March 31, 2019

**(a) BNIA Condensed Balance Sheets (in thousands)**

|   | 2019       | 2018       |
|---|------------|------------|
| Assets:   |            |            |
| Current and other   | \$ 156,647 | \$ 90,426  |
| Capital assets, net   | 235,892    | 236,758    |
| Total assets  | 392,539    | 327,184    |
| Deferred outflows of resources  | 8,140      | 5,688      |
| Total assets and deferred outflows of resources                       | \$ 400,679 | \$ 332,872 |
| Liabilities:  |            |            |
| Current liabilities   | \$ 12,709  | \$ 15,229  |
| Long-term liabilities   | 181,365    | 110,268    |
| Total liabilities   | 194,074    | 125,497    |
| Deferred inflows of resources   | 5,614      | 1,046      |
| Net position:   |            |            |
| Net investment in capital assets                                      | 73,974     | 132,613    |
| Restricted  | 113,257    | 45,234     |
| Unrestricted  | 13,760     | 28,482     |
| Total net position  | 200,991    | 206,329    |
| Total liabilities, deferred inflows of resources,<br>and net position | \$ 400,679 | \$ 332,872 |

**NIAGARA FRONTIER TRANSPORTATION AUTHORITY**

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

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

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| Operating revenues:  |                   |                   |
| Concessions and commissions                                    | \$ 29,230         | \$ 27,120         |
| Rental income  | 12,011            | 11,990            |
| Airport fees and services                                      | 19,668            | 18,064            |
| Other  | 4,289             | 4,270             |
| Total operating revenues                                       | <u>65,198</u>     | <u>61,444</u>     |
| Operating expenses   | 46,065            | 43,787            |
| Depreciation expense   | <u>17,502</u>     | <u>18,347</u>     |
| Operating income (loss)  | 1,631             | (690)             |
| Non-operating revenues (expenses):                             |                   |                   |
| Passenger facility charges                                     | 10,195            | 9,624             |
| Change in fair value of swap agreements                        | 352               | 1,192             |
| Interest expense, net  | (3,147)           | (3,514)           |
| Airport noise abatement  | (7)               | (291)             |
| Other, net   | (850)             | (840)             |
| Operating transfers  | <u>(3,800)</u>    | <u>(500)</u>      |
| Change in net position before capital contributions            | 4,374             | 4,981             |
| Capital contributions  | <u>1,109</u>      | <u>10,971</u>     |
| Change in net position   | 5,483             | 15,952            |
| Net position - beginning of year                               | 206,329           | 190,377           |
| Cumulative effect of a change in accounting principle (Note 3) | <u>(10,821)</u>   | <u>-</u>          |
| Net position - beginning, as restated                          | <u>195,508</u>    | <u>190,377</u>    |
| Net position - end of year                                     | <u>\$ 200,991</u> | <u>\$ 206,329</u> |

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

|  | <u>2019</u>       | <u>2018</u>      |
|--|-------------------|------------------|
| Net operating activities                     | \$ 11,463         | \$ 16,732        |
| Net investing activities                     | 878               | (8,980)          |
| Net capital and related financing activities | <u>51,859</u>     | <u>(17,610)</u>  |
| Net change in cash                           | 64,200            | (9,858)          |
| Cash, beginning of year                      | <u>38,461</u>     | <u>48,319</u>    |
| Cash, end of year                            | <u>\$ 102,661</u> | <u>\$ 38,461</u> |

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

Notes to Financial Statements

March 31, 2019

**(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.

|  | <b>2019</b>      | 2018      |
|--|------------------|-----------|
| Airport revenues:                          |                  |           |
| Operating revenues                         | <b>\$ 65,198</b> | \$ 61,444 |
| Interest income                            | <b>878</b>       | 479       |
| Gross airport revenues                     | <b>66,076</b>    | 61,923    |
| Operating expenses, excluding depreciation | <b>(46,065)</b>  | (43,787)  |
| Net airport revenues                       | <b>20,011</b>    | 18,136    |
| Net debt service:                          |                  |           |
| Principal payments                         | <b>4,720</b>     | 8,500     |
| Interest payments                          | <b>3,605</b>     | 5,091     |
| Passenger facility charges                 | <b>(535)</b>     | (535)     |
| Net debt service                           | <b>\$ 7,790</b>  | \$ 13,056 |
| Debt service coverage percentage           | <b>256.88%</b>   | 138.91%   |
| Minimum percentage requirement             | <b>125.00%</b>   | 125.00%   |

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,   | 2018       | 2017       | 2016       | 2015       |
|---|------------|------------|------------|------------|
| <b>ERS</b>  |            |            |            |            |
| Authority's proportion of the net pension position  | 0.0867945% | 0.0853631% | 0.0878622% | 0.0881407% |
| Authority's proportionate share of the net pension liability  | \$ 2,801   | \$ 8,021   | \$ 14,102  | \$ 2,978   |
| Authority's covered payroll   | \$ 25,420  | \$ 24,628  | \$ 24,187  | \$ 24,546  |
| Authority's proportionate share of the net pension position<br>as a percentage of its covered payroll | 11.02%     | 32.57%     | 58.30%     | 12.13%     |
| Plan fiduciary net position as a percentage of the total pension liability                            | 98.24%     | 94.70%     | 90.70%     | 97.90%     |
| <b>PFRS</b>   |            |            |            |            |
| Authority's proportion of the net pension position  | 0.2872086% | 0.2760008% | 0.2766259% | 0.2697875% |
| Authority's proportionate share of the net pension liability  | \$ 2,903   | \$ 5,720   | \$ 8,190   | \$ 742     |
| Authority's covered payroll   | \$ 9,311   | \$ 9,078   | \$ 9,675   | \$ 9,124   |
| Authority's proportionate share of the net pension position<br>as a percentage of its covered payroll | 31.18%     | 63.01%     | 84.65%     | 8.13%      |
| Plan fiduciary net position as a percentage of the total pension liability                            | 96.93%     | 93.50%     | 90.20%     | 99.00%     |

*Data prior to 2015 is unavailable.*

The following is a summary of changes of assumptions:

|                            | 2016 | 2015 |
|----------------------------|------|------|
| Inflation                  | 2.5% | 2.7% |
| Salary increases           | 3.8% | 4.9% |
| Cost of living adjustments | 1.3% | 1.4% |
| Investment rate of return  | 7.0% | 7.5% |
| Discount rate              | 7.0% | 7.5% |

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,  | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>ERS</b>   |           |           |           |           |           |           |
| Contractually required contribution                                    | \$ 3,739  | \$ 3,729  | \$ 3,787  | \$ 4,291  | \$ 4,855  | \$ 4,541  |
| Contribution in relation to the<br>contractually required contribution | (3,739)   | (3,729)   | (3,787)   | (4,291)   | (4,855)   | (4,541)   |
| Contribution deficiency (excess)                                       | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      |
| Authority's covered payroll  | \$ 26,427 | \$ 25,420 | \$ 24,628 | \$ 24,187 | \$ 24,546 | \$ 22,847 |
| Contributions as a percentage of covered payroll                       | 14.15%    | 14.67%    | 15.38%    | 17.74%    | 19.78%    | 19.88%    |
| <b>PFRS</b>  |           |           |           |           |           |           |
| Contractually required contribution                                    | \$ 2,123  | \$ 2,137  | \$ 2,115  | \$ 1,962  | \$ 2,394  | \$ 2,230  |
| Contribution in relation to the<br>contractually required contribution | (2,123)   | (2,137)   | (2,115)   | (1,962)   | (2,394)   | (2,230)   |
| Contribution deficiency (excess)                                       | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      |
| Authority's covered payroll  | \$ 9,723  | \$ 9,311  | \$ 9,078  | \$ 9,675  | \$ 9,124  | \$ 8,796  |
| Contributions as a percentage of covered payroll                       | 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,  | 2019             | 2018      | 2017      |
|--|------------------|-----------|-----------|
| Total pension liability                            |                  |           |           |
| Interest   | \$ 653           | \$ 722    | \$ 922    |
| Differences between expected and actual experience | (909)            | 219       | (1,661)   |
| Changes of assumptions                             | 61               | 366       | 1,055     |
| Benefit payments                                   | (1,824)          | (1,995)   | (2,118)   |
|  | <b>(2,019)</b>   | (688)     | (1,802)   |
| Total pension liability - beginning                | <b>19,025</b>    | 19,713    | 21,515    |
| Total pension liability - ending                   | <b>\$ 17,006</b> | \$ 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, 2019**

---

|  |                   |
|--|-------------------|
| Total OPEB liability - beginning                                 | <u>\$ 486,984</u> |
| Changes for the year:  |                   |
| Service cost   | 23,590            |
| Interest   | 18,267            |
| Changes of benefit terms   | -                 |
| Differences between expected and actual experience               | -                 |
| Changes of assumptions and other inputs                          | 15,451            |
| Benefit payments   | <u>(12,536)</u>   |
| Net change in total OPEB liability                               | <u>44,772</u>     |
| Total OPEB liability - ending                                    | <u>\$ 531,756</u> |
| Covered-employee payroll   | <u>\$ 93,017</u>  |
| Total OPEB liability as a percentage of covered-employee payroll | <u>572%</u>       |

*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,

2019

|   | NFTA             | BNIA              | Metro             | Total             |
|---|------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>   |                  |                   |                   |                   |
| <b>Current assets:</b>  |                  |                   |                   |                   |
| Cash and cash equivalents   | \$ 7,034         | \$ 13,259         | \$ 12,418         | \$ 32,711         |
| Investments   | -                | 12,500            | -                 | 12,500            |
| Accounts receivable   | 3,950            | 7,052             | 2,367             | 13,369            |
| Grants receivable   | 2,220            | 585               | 6,809             | 9,614             |
| Due to/from affiliate   | (39,490)         | 9,568             | 29,922            | -                 |
| Materials and supplies inventory  | -                | -                 | 5,115             | 5,115             |
| Prepaid expenses and other  | 526              | 426               | 254               | 1,206             |
|   | <u>(25,760)</u>  | <u>43,390</u>     | <u>56,885</u>     | <u>74,515</u>     |
| Restricted assets:  |                  |                   |                   |                   |
| Cash and cash equivalents   | 8,198            | 89,402            | 2,957             | 100,557           |
| Investments   | -                | 23,855            | 25                | 23,880            |
|   | <u>8,198</u>     | <u>113,257</u>    | <u>2,982</u>      | <u>124,437</u>    |
| Capital assets, net   | <u>76,721</u>    | <u>235,892</u>    | <u>297,532</u>    | <u>610,145</u>    |
| <b>Total assets</b>   | <b>59,159</b>    | <b>392,539</b>    | <b>357,399</b>    | <b>809,097</b>    |
| <b>Deferred outflows of resources:</b>                                    |                  |                   |                   |                   |
| Deferred outflows of resources related to pensions                        | 6,792            | 7,226             | 5,389             | 19,407            |
| Deferred outflows of resources related to OPEB                            | 3,821            | 914               | 17,772            | 22,507            |
|   | <u>10,613</u>    | <u>8,140</u>      | <u>23,161</u>     | <u>41,914</u>     |
| <b>Total assets and deferred outflows of resources</b>                    | <b>\$ 69,772</b> | <b>\$ 400,679</b> | <b>\$ 380,560</b> | <b>\$ 851,011</b> |
| <b>Liabilities</b>  |                  |                   |                   |                   |
| <b>Current liabilities:</b>   |                  |                   |                   |                   |
| Current portion of long-term debt   | \$ 170           | \$ 5,183          | \$ 3,957          | \$ 9,310          |
| Accounts payable and accrued expenses                                     | 9,773            | 7,289             | 14,162            | 31,224            |
| Other current liabilities   | 5,605            | 237               | 710               | 6,552             |
|   | <u>15,548</u>    | <u>12,709</u>     | <u>18,829</u>     | <u>47,086</u>     |
| <b>Noncurrent liabilities:</b>  |                  |                   |                   |                   |
| Long-term debt  | 4,151            | 156,735           | 15,700            | 176,586           |
| Self-insured claims   | 2,911            | 2,997             | 39,333            | 45,241            |
| Net pension liabilities   | 3,178            | 1,567             | 18,091            | 22,836            |
| Total OPEB liability  | 97,888           | 20,066            | 413,802           | 531,756           |
| Other noncurrent liabilities  | 4,350            | -                 | 2,972             | 7,322             |
|   | <u>112,478</u>   | <u>181,365</u>    | <u>489,898</u>    | <u>783,741</u>    |
| <b>Total liabilities</b>  | <b>128,026</b>   | <b>194,074</b>    | <b>508,727</b>    | <b>830,827</b>    |
| <b>Deferred inflows of resources:</b>                                     |                  |                   |                   |                   |
| Deferred inflows of resources related to pensions                         | 5,124            | 5,614             | 4,266             | 15,004            |
| <b>Net position</b>   |                  |                   |                   |                   |
| Net investment in capital assets  | 72,400           | 73,974            | 277,875           | 424,249           |
| Restricted  | 2,688            | 113,257           | 941               | 116,886           |
| Unrestricted  | (138,466)        | 13,760            | (411,249)         | (535,955)         |
| <b>Total net position</b>   | <b>(63,378)</b>  | <b>200,991</b>    | <b>(132,433)</b>  | <b>5,180</b>      |
| <b>Total liabilities, deferred inflows of resources, and net position</b> | <b>\$ 69,772</b> | <b>\$ 400,679</b> | <b>\$ 380,560</b> | <b>\$ 851,011</b> |

2018

| NFTA      | BNIA       | Metro      | Total      |
|-----------|------------|------------|------------|
| \$ 5,902  | \$ 20,228  | \$ 11,138  | \$ 37,268  |
| -         | 12,612     | -          | 12,612     |
| 3,802     | 5,147      | 2,988      | 11,937     |
| 2,056     | 1,638      | 9,650      | 13,344     |
| (30,279)  | 5,030      | 25,249     | -          |
| -         | -          | 5,101      | 5,101      |
| 111       | 537        | 178        | 826        |
| (18,408)  | 45,192     | 54,304     | 81,088     |
| 7,212     | 18,233     | 936        | 26,381     |
| -         | 27,001     | 25         | 27,026     |
| 7,212     | 45,234     | 961        | 53,407     |
| 78,109    | 236,758    | 297,366    | 612,233    |
| 66,913    | 327,184    | 352,631    | 746,728    |
| 5,647     | 5,688      | 4,265      | 15,600     |
| -         | -          | -          | -          |
| 5,647     | 5,688      | 4,265      | 15,600     |
| \$ 72,560 | \$ 332,872 | \$ 356,896 | \$ 762,328 |
| \$ 1,810  | \$ 9,275   | \$ 2,218   | \$ 13,303  |
| 11,725    | 5,790      | 13,945     | 31,460     |
| 5,426     | 164        | 1,794      | 7,384      |
| 18,961    | 15,229     | 17,957     | 52,147     |
| 4,654     | 94,870     | 17,329     | 116,853    |
| 2,136     | 2,715      | 37,705     | 42,556     |
| 6,084     | 4,446      | 22,607     | 33,137     |
| 28,052    | 6,456      | 131,014    | 165,522    |
| 5,292     | 1,781      | 1,858      | 8,931      |
| 46,218    | 110,268    | 210,513    | 366,999    |
| 65,179    | 125,497    | 228,470    | 419,146    |
| 817       | 1,046      | 781        | 2,644      |
| 71,645    | 132,613    | 277,819    | 482,077    |
| 1,886     | 45,234     | 961        | 48,081     |
| (66,967)  | 28,482     | (151,135)  | (189,620)  |
| 6,564     | 206,329    | 127,645    | 340,538    |
| \$ 72,560 | \$ 332,872 | \$ 356,896 | \$ 762,328 |

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,

2019

|  | NFTA               | BNIA              | Metro               | Total            |
|--|--------------------|-------------------|---------------------|------------------|
| <b>Operating revenues:</b>                                     |                    |                   |                     |                  |
| Fares  | \$ -               | \$ -              | \$ 35,510           | \$ 35,510        |
| Concessions and commissions                                    | 1,903              | 29,230            | -                   | 31,133           |
| Rental income  | 6,605              | 12,011            | -                   | 18,616           |
| Airport fees and services                                      | 196                | 19,668            | -                   | 19,864           |
| Other operating revenues                                       | 201                | 4,289             | 1,223               | 5,713            |
| <b>Total operating revenues</b>                                | <b>8,905</b>       | <b>65,198</b>     | <b>36,733</b>       | <b>110,836</b>   |
| <b>Operating expenses:</b>                                     |                    |                   |                     |                  |
| Salaries and employee benefits                                 | 12,134             | 19,912            | 106,219             | 138,265          |
| Other postemployment benefits                                  | 7,773              | 2,377             | 34,065              | 44,215           |
| Depreciation   | 4,942              | 17,502            | 29,489              | 51,933           |
| Maintenance and repairs  | 2,358              | 9,446             | 10,130              | 21,934           |
| Transit fuel and power   | -                  | -                 | 4,330               | 4,330            |
| Utilities  | 1,000              | 2,231             | 1,712               | 4,943            |
| Insurance and injuries   | 308                | 350               | 4,158               | 4,816            |
| Other  | 5,367              | 7,010             | 3,948               | 16,325           |
| Administration cost reallocation                               | (10,868)           | 4,739             | 6,129               | -                |
| <b>Total operating expenses</b>                                | <b>23,014</b>      | <b>63,567</b>     | <b>200,180</b>      | <b>286,761</b>   |
| <b>Operating income (loss)</b>                                 | <b>(14,109)</b>    | <b>1,631</b>      | <b>(163,447)</b>    | <b>(175,925)</b> |
| <b>Non-operating revenues (expenses):</b>                      |                    |                   |                     |                  |
| Government assistance  | 692                | -                 | 117,430             | 118,122          |
| Passenger facility charges                                     | 655                | 10,195            | -                   | 10,850           |
| Change in fair value of swap agreements                        | -                  | 352               | -                   | 352              |
| Interest expense, net  | (182)              | (3,147)           | (716)               | (4,045)          |
| Airport noise abatement  | -                  | (7)               | -                   | (7)              |
| Other non-operating revenues (expenses), net                   | 4,160              | (850)             | (653)               | 2,657            |
| Operating transfers  | 3,800              | (3,800)           | -                   | -                |
| <b>Total non-operating net revenues</b>                        | <b>9,125</b>       | <b>2,743</b>      | <b>116,061</b>      | <b>127,929</b>   |
| <b>Change in net position before capital contributions</b>     | <b>(4,984)</b>     | <b>4,374</b>      | <b>(47,386)</b>     | <b>(47,996)</b>  |
| Capital contributions  | (5,313)            | 1,109             | 25,768              | 21,564           |
| <b>Change in net position</b>                                  | <b>(10,297)</b>    | <b>5,483</b>      | <b>(21,618)</b>     | <b>(26,432)</b>  |
| <b>Net position - beginning of year</b>                        | <b>6,564</b>       | <b>206,329</b>    | <b>127,645</b>      | <b>340,538</b>   |
| Cumulative effect of a change in accounting principle (Note 3) | (59,645)           | (10,821)          | (238,460)           | (308,926)        |
| Net position - beginning, as restated                          | (53,081)           | 195,508           | (110,815)           | 31,612           |
| <b>Net position - end of year</b>                              | <b>\$ (63,378)</b> | <b>\$ 200,991</b> | <b>\$ (132,433)</b> | <b>\$ 5,180</b>  |

| 2018     |            |            |            |
|----------|------------|------------|------------|
| NFTA     | BNIA       | Metro      | Total      |
| \$ -     | \$ -       | \$ 35,478  | \$ 35,478  |
| 2,300    | 27,120     | -          | 29,420     |
| 6,049    | 11,990     | -          | 18,039     |
| 219      | 18,064     | -          | 18,283     |
| 266      | 4,270      | 1,219      | 5,755      |
| 8,834    | 61,444     | 36,697     | 106,975    |
| 14,442   | 17,908     | 108,723    | 141,073    |
| 1,853    | 2,615      | 15,208     | 19,676     |
| 4,940    | 18,347     | 29,454     | 52,741     |
| 3,042    | 8,485      | 9,917      | 21,444     |
| -        | -          | 3,425      | 3,425      |
| 913      | 2,026      | 1,684      | 4,623      |
| 370      | 245        | 3,332      | 3,947      |
| 4,131    | 8,056      | 4,213      | 16,400     |
| (10,209) | 4,452      | 5,757      | -          |
| 19,482   | 62,134     | 181,713    | 263,329    |
| (10,648) | (690)      | (145,016)  | (156,354)  |
| 686      | -          | 113,901    | 114,587    |
| 131      | 9,624      | -          | 9,755      |
| -        | 1,192      | -          | 1,192      |
| (217)    | (3,514)    | (666)      | (4,397)    |
| -        | (291)      | -          | (291)      |
| 3,981    | (840)      | (2,056)    | 1,085      |
| 500      | (500)      | -          | -          |
| 5,081    | 5,671      | 111,179    | 121,931    |
| (5,567)  | 4,981      | (33,837)   | (34,423)   |
| (5,931)  | 10,971     | 19,323     | 24,363     |
| (11,498) | 15,952     | (14,514)   | (10,060)   |
| 18,062   | 190,377    | 142,159    | 350,598    |
| -        | -          | -          | -          |
| 18,062   | 190,377    | 142,159    | 350,598    |
| \$ 6,564 | \$ 206,329 | \$ 127,645 | \$ 340,538 |

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,      | 2019              | 2018             |
|------------------------------------|-------------------|------------------|
| Cash and cash equivalents:         |                   |                  |
| Passenger facility charges         | \$ 7,723          | \$ 5,793         |
| Operations and maintenance reserve | 2,000             | 2,000            |
| Aviation reserve                   | 2,687             | 2,683            |
| Debt service reserve               | 14,176            | 6,957            |
| Auto rental-CFC                    | 790               | -                |
| Construction fund                  | 61,224            | -                |
| Operating reserve                  | 802               | 800              |
|                                    | <u>89,402</u>     | <u>18,233</u>    |
| Investments:                       |                   |                  |
| Passenger facility charges         | 10,281            | 10,081           |
| Revenue bond reserve               | 6,202             | 9,867            |
| Repairs and replacement reserve    | 750               | 750              |
| Operating reserve                  | 6,622             | 6,303            |
|                                    | <u>23,855</u>     | <u>27,001</u>    |
| Total restricted assets            | <u>\$ 113,257</u> | <u>\$ 45,234</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, 2019, 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 July 18, 2019.

**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.

*Lumaden & McCormick, LLP*

July 18, 2019



**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, 2019, 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 July 18, 2019.

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, 2019. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

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

*Lumsden & McCormick, LLP*

July 18, 2019