

2014

MCAA ANNUAL REPORT





An Economic Engine

CREATES & SUSTAINS

10,000 jobs

GENERATES

\$295 million in income

CONTRIBUTES

\$800 million annually to the local economy

(NYSDOT 2010)



Maggie Brooks
County Executive

"The Greater Rochester International Airport is one of Monroe County's most important and popular amenities. With an ever-growing global economy, ROC is a gateway to both tourism and economic development. There is no question that affordable and high-quality air travel gives our community a competitive edge by today's standards."



Maggie Brooks, Monroe County Executive

PROMOTE ECONOMIC DEVELOPMENT, TRADE, AND TOURISM THROUGHOUT THE REGION





NON-STOP CONNECTIVITY Your Gateway to the World



- US Airways soon to be the *New American* increases seat capacity to/from Charlotte (CLT).
- Delta Air Lines increases capacity to/from ROC's top market, New York City (JFK/LGA) and Minneapolis (MSP).
- Southwest Airlines increases seasonal capacity to Tampa (TPA).

*"The ROC experience proves to travelers that from curbside to cabin,
ROC is convenient, affordable, and memorable.
Thank you to our loyal passengers for choosing ROC for your air travel needs."*

OUR MISSION

Be a safe, efficient, and economical transportation hub that promotes economic development, trade, and tourism throughout the Rochester region.



Michael A. Giardino, Director of Aviation
Certified Member, American Association of Airport Executives (AAAE) - July 2012
Awaiting final interview for Accredited Airport Executive (A.A.E)
President, New York Aviation Management Association (NYAMA)



ROC EMPLOYEES & OUR BUSINESS PARTNERS

Bringing travelers a seamless travel
experience from curbside to cabin.



AVERAGE DOMESTIC AIRFARE COMPARISON

AIRPORT	2014*
Buffalo (BUF)	\$339
Reno (RNO)	\$366
White Plains (HPN)	\$385
Boise (BOI)	\$386
Rochester (ROC)	\$390
National Average	\$396
Syracuse (SYR)	\$426
Little Rock (LIT)	\$433
Dayton (DAY)	\$434
Tulsa (TUL)	\$441
Albany (ALB)	\$456

Reference: USDOT, Bureau of Transportation Statistics
 *1Q-3Q 2014; 4Q not released at time of document publication

ROC has been below the National Average since 2002

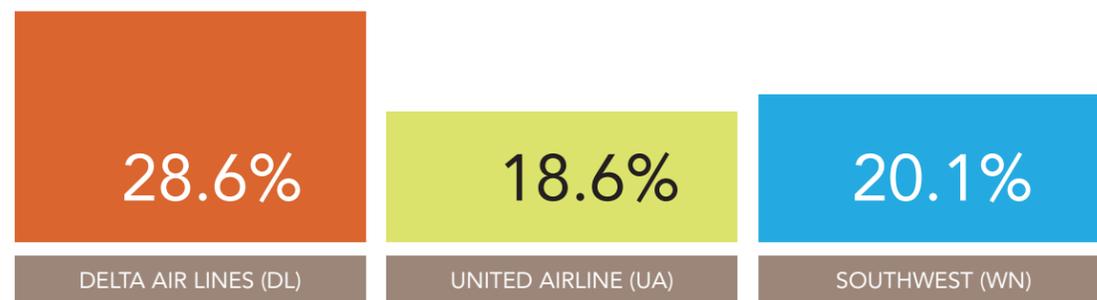
- 28th lowest airfare of the Top 100 Airports (3Q 2014).
- 3Q 2014 airfare compared to 3Q 2000 decreased 28%.
- 19th best in terms of decreased airfare from 2000-2014.

FACTS & FIGURES

MONTH	ENPLANEMENTS
January	83,393
February	86,252
March	103,085
April	102,671
May	106,677
June	97,431
July	111,896
August	109,610
September	94,360
October	104,012
November	93,909
December	95,417
2014 TOTALS	1,188,713

(Preliminary Calculations: Pending Official FAA 2014 Enplanement Data)

PASSENGER SHARE



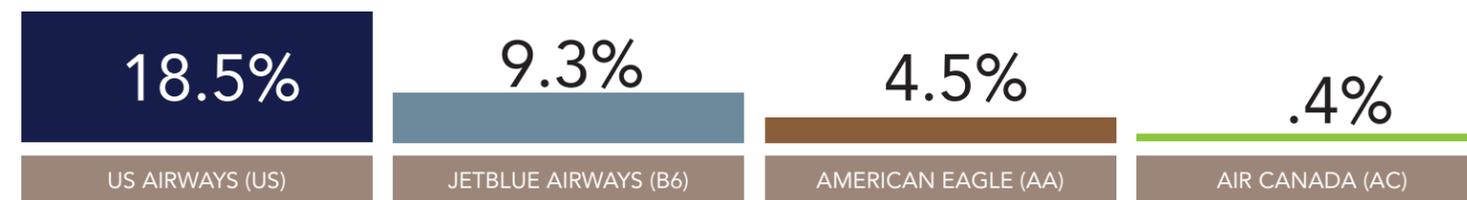
ROC TOP MARKETS

RANK	DESTINATION	*PDEW	LOAD FACTOR	NON-STOP
1	New York - JFK	222	81%	DL, B6
2	Orlando - MCO	204	82%	WN
3	Tampa - TPA	141	81%	WN
4	Chicago - ORD	120	87%	AA, UA
5	Atlanta - ATL	108	84%	DL
6	New York - LGA	104	74%	DL
7	Boston - BOS	85	72%	US
8	Washington - DCA	73	78%	US
9	Ft. Lauderdale - FLL	71	N/A	
10	Baltimore - BWI	69	75%	WN

(Ailevon Air Service Consulting, Data based on a 12-month period ending 3Q 2014)

*PDEW= Passengers Daily Each Way

	2013	2014
Load Factors	81.5%	81.6%
Cargo	46,374 tons	43,730 tons
Aircraft Operations	91,847	86,543



\$6.5 Million Invested

Airport Improvement Program (AIP) Passenger Facility Charge (PFC) Monroe County Airport Authority (Local Share)

2014 Projects

- Reconstruction of Taxiway A hold apron.
- Rehabilitation of portions of the North Ramp from Taxiway B-1 East to Taxiway C.
- Completion of upgrades to critical components of the airfield lighting system on Taxiway A and Taxiway F.
- Commenced Runway 10-28 and Taxiway E project for taxiing aircraft from the Southside of the Airport to the Runway 10 threshold.
- Acquisition of two passenger loading bridges.
- Procured multi-use heavy equipment vehicle for snow removal.
- Completion of the Airport Master Plan and updated Airport Layout Plan.
- Initiated implementation of the Parking Revenue Control System.
- Terminal improvements to include new taxi starter booth and ongoing information system upgrades installing twenty four new flight information screens.





ROC PAYS IT FORWARD

Career Days

Community Outreach

Fearful Flyers Course

Airport Tours

Scout Sleepovers

2014 Kwik Fill Rochester International Airshow
featuring the USAF Thunderbirds

Honor Flight Rochester Mission #36-39

Veteran's Outreach - Operation Welcome Home

Blue/Gold Star Mothers - Lights of Honor Ceremony

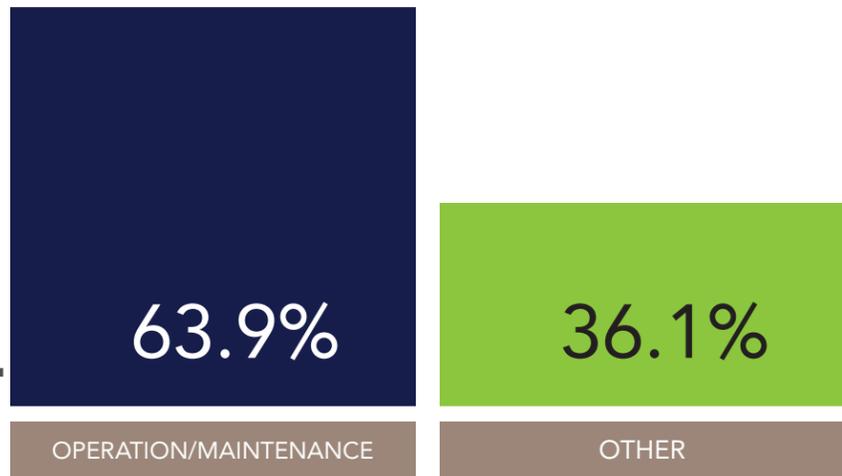
15th Annual Lifetime Assistance Airport 5K

ROC Your Flight with Arc of Monroe & TSA

Revenue



Expense

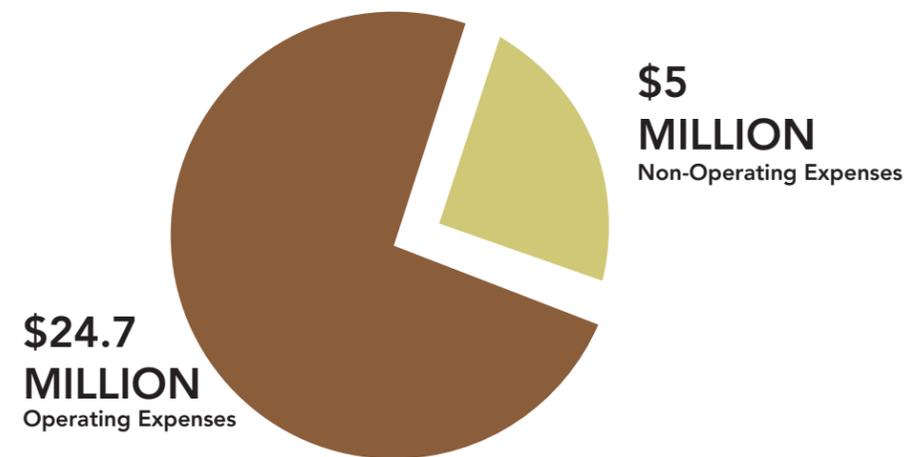


OPERATING

OPERATIONS

	2013	2014
Operating Revenue	30.6 million	30.8 million
Operating Expenses	25.2 million	24.7 million
Cost per Enplanement	\$10.49	\$11.60
Terminal Base Rental Rate	\$39.45	\$43.04

Total Annual Financial Requirement



MONROE COUNTY AIRPORT AUTHORITY BOARD

James G. Vazzana, Esq., Chairperson

R. Thomas Flynn, Vice-Chairperson

Susan Keith

John J. Perrone, Jr.

Charles Henry Stuart

Hon. Anthony Daniele

Hon. Cynthia Kaleh

Michael A. Giardino, Administrative Director

Merideth H. Smith, Esq., Secretary

Robert Franklin, Treasurer

Donald L. Crumb, Jr., Esq., Assistant Secretary

Maryanne Fedison, Assistant Treasurer





67 Years of Operation
7 Airlines

17 Airport Destinations
28,001 Seats Per Week
Millions Invested

...more to come in 2015

**MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)**

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(A DISCRETELY PRESENTED COMPONENT UNIT
OF THE COUNTY OF MONROE, NEW YORK)**

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Together with
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INDEPENDENT AUDITOR'S REPORT

March 25, 2015

To the Members of
Monroe County Airport Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Monroe County Airport Authority (the Authority) (a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bonadio & Co., LLP

**MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2014 AND 2013
(000's OMITTED)**

The Management's Discussion and Analysis (MD&A) of the Monroe County Airport Authority (the Authority) provides an introduction and overview of the financial statements of the Authority for the years ended December 31, 2014 and 2013. Following this MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when its related cash receipt or disbursement occurs.

The Statements of Net Position depict the Authority's financial position at December 31, the end of the Authority's fiscal year. The statements present all the financial assets, deferred outflows, and liabilities of the Authority. Net position represents the Authority's assets and deferred outflows after liabilities are deducted.

The Statements of Revenues, Expenses and Changes in Net Position report operating revenues and expenses, non-operating revenues and expenses, capital contributions and the changes in net position for the year ended December 31. The change in net position combined with the previous year's net position total, reconciles to the net position total for the reporting period.

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

SUMMARY OF FINANCIAL HIGHLIGHTS

Net Position

The Statements of Net Position depict the Authority's financial position as of a point in time – December 31 – and include all assets, deferred outflows, and liabilities of the Authority. Net position represents the residual interest in the Authority's assets and deferred outflows after deducting liabilities. The Authority's assets and deferred outflows exceeded liabilities by \$19.8 million at December 31, 2014, a \$1.1 million or 6.0% increase from 2013. Restricted net position is \$7.1 million or 36.1% of total net position. Restricted net position represents resources that are available for a specific purpose as imposed by creditors, grantors, contributors, laws or regulations. Unrestricted net position is \$22.2 million and may be used to meet the Authority's obligations. Unrestricted net position decreased \$61 thousand or 0.3% from 2013.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Net Position (Continued)

Table A-1 below contains a condensed summary of the Authority's total net position at December 31.

**Condensed Statements of Net Position
Table A-1**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS:			
Current	\$ 13,326	\$ 13,438	\$ 12,383
Noncurrent	18,832	20,057	23,874
Capital	<u>27,569</u>	<u>32,184</u>	<u>36,141</u>
Total assets	<u>59,727</u>	<u>65,679</u>	<u>72,398</u>
DEFERRED OUTFLOWS:			
Deferred amount on refunding	<u>481</u>	<u>709</u>	<u>977</u>
LIABILITIES:			
Other	3,288	4,223	3,542
Long-term debt	<u>37,107</u>	<u>43,468</u>	<u>49,514</u>
Total liabilities	<u>40,395</u>	<u>47,691</u>	<u>53,056</u>
NET POSITION:			
Net investment in capital assets	(9,538)	(11,284)	(13,373)
Restricted	7,145	7,715	8,498
Unrestricted	<u>22,206</u>	<u>22,266</u>	<u>25,194</u>
Total net position	<u>\$ 19,813</u>	<u>\$ 18,697</u>	<u>\$ 20,319</u>

Assets and Liabilities

Cash and cash equivalents, a significant part of current assets, totaled \$12.4 million at December 31, 2014, a decrease of \$157 thousand over 2013. Accounts receivable has increased by \$45 thousand or 4.9% over 2013 due primarily to the timing of customer payments. Accounts receivable is a component of current assets. In 2014 the overall final adjustment related to the signatory airlines resulted in a refund of approximately \$1.1 million to the signatory airlines which was reclassified to Accounts Payable for reporting purposes. The 2013 final adjustment resulted in a similar reclassification of \$1.3 million.

Capital assets and long-term debt are discussed elsewhere in this management's discussion and analysis.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Change in Net Position

Overall between 2014 and 2012 total operating revenues have consistently exceeded total operating expenses. In 2014, non-operating expenses decreased by \$1.8 million or 26.5% primarily due to a decrease in the Local Share of Capital Projects paid by the Authority. As County capital projects are completed, the local share is paid by the Authority. In 2013, several projects were finalized, resulting in a higher level of Local Share expenses. For more detail on the projects and amounts transferred refer to the section "Non-Operating Expenses" later in this management's discussion and analysis.

The comparative changes in revenues and expenses will be discussed following Table A-2 below.

Condensed Statements of Revenues, Expenses, and Change in Net Position

Table A-2

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:			
Landing and rental fees	\$ 15,731	\$ 15,211	\$ 16,338
Commissions	10,866	10,858	10,259
Other	<u>4,182</u>	<u>4,541</u>	<u>4,240</u>
Total operating revenues	<u>30,779</u>	<u>30,610</u>	<u>30,837</u>
OPERATING EXPENSES:			
Operating and maintenance - Monroe County	15,767	16,242	15,738
Rent - Monroe County and other	4,215	4,217	4,301
Depreciation and amortization	<u>4,688</u>	<u>4,706</u>	<u>4,699</u>
Total operating expenses	<u>24,670</u>	<u>25,165</u>	<u>24,738</u>
OPERATING INCOME	<u>6,109</u>	<u>5,445</u>	<u>6,099</u>
NONOPERATING EXPENSES			
Income (loss) before capital contributions	<u>(5,030)</u>	<u>(6,848)</u>	<u>(4,402)</u>
Income (loss) before capital contributions	1,079	(1,403)	1,697
CAPITAL CONTRIBUTIONS, net	<u>37</u>	<u>(219)</u>	<u>173</u>
CHANGE IN NET POSITION	<u>\$ 1,116</u>	<u>\$ (1,622)</u>	<u>\$ 1,870</u>

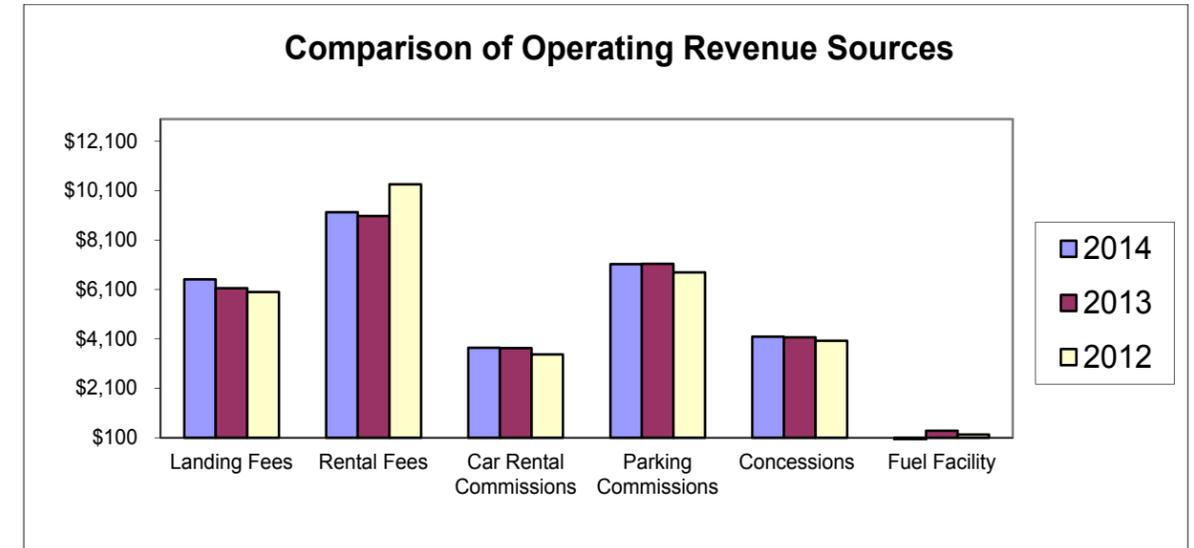
FINANCIAL ANALYSIS

Operating Revenues

In 2014, operating revenues increased by \$169 thousand or 0.6% over 2013. The net result of the increase was due primarily to an increase in landing fees of \$356 thousand or 5.8% over 2013; an increase in rental fees of \$164 thousand or 1.8%; and a decrease in fuel facility revenue of \$380 thousand or 100% over 2013. The increase in landing fees was due to an increase in the landing fee rate charged to the airlines in 2014. The increase in rental fees was the result of an increase in land rents collected by the Authority. The decrease in fuel facility revenue in 2014 was the result of the reduction in debt reimbursement for the fuel farm from the member airlines as the debt was fully paid in August 2013.

Comparatively, in 2013, operating revenues decreased by \$227 thousand or 1.0% over 2012. The net result of the decrease was due primarily to an increase in parking commissions of \$343 thousand or 5.1% over 2012; an increase in car rental commissions of \$256 thousand or 7.4%; and a decrease in rental fees of \$1.3 million or 12.4%. The increase in parking commissions was due to an increase in parking rates for both on and off airport shuttle lots. The increase in car rental commissions was the result of an increase in the minimum annual guarantees for 2013 based on the negotiated contact rate increase. The decrease in rental fees was the result of the true up to the signatory airlines which resulted in a decrease in terminal rental rates.

The comparison of operating revenue sources is provided below.



	Landing Fees	Rental Fees	Car Rental Commissions	Parking Commissions	Concessions	Fuel Facility
2014	\$ 6,502	\$ 9,229	\$ 3,738	\$ 7,128	\$ 4,182	\$ -
2013	\$ 6,146	\$ 9,065	\$ 3,729	\$ 7,129	\$ 4,161	\$ 380
2012	\$ 5,989	\$ 10,349	\$ 3,473	\$ 6,786	\$ 4,015	\$ 225

FINANCIAL ANALYSIS (Continued)

Non-Operating Revenue

The primary source of this category is interest earnings totaling \$24 thousand in 2014; \$37 thousand in 2013, and \$49 thousand in 2012. The decline in interest rates began in 2008 and interest rates have remained low.

Operating Expenses

In 2014, operating and maintenance expenses decreased by \$475 thousand or 2.9% when compared to 2013. Personnel costs had a reduction of \$28 thousand over 2013 and contractual expenses decreased by \$55 thousand from 2013. Supplies expense increased \$59 thousand over 2013. The remaining decrease in expense was due to the reconciliation process of operating and maintenance expenses from 2013 that was completed in 2014.

In 2014, rent to the County increased by \$28 thousand or 1.1% due to an increase in debt service costs associated with current and prior capital projects at the Airport. Depreciation and amortization of capital projects experienced no significant change from 2013.

Comparatively, in 2013 operating and maintenance expenses increased by \$504 thousand or 3.2% when compared to 2012. While overall operating expenses reflect an increase over 2012, there were cost savings as well in 2013. These included a \$168 thousand reduction in workers compensation benefits and a \$44 thousand decrease in the cost of medical insurance benefits. Conversely, there was an increase in expenses relating to personnel costs of \$211 thousand, contractual services of \$91 thousand, and supplies expenses of \$81 thousand. These increases were the result of the harsh winter weather which resulted in increased costs for overtime, snowplowing, energy costs, supplies and materials utilized by Airport custodial and airfield personnel.

In 2013, rent to the County decreased by \$44 thousand or 1.7% due to a decrease in debt service costs associated with current and prior capital projects at the Airport. Depreciation and amortization of capital projects experienced no change from 2012.

Nonoperating Expenses

Non-operating expenses in 2014 include the Authority's local share of capital projects reimbursed to the County of \$2.9 million, a decrease of \$1.4 million (33.2%) from 2013, and the 2013 local share reimbursed increased \$2.8 million (177%) from 2012. The Authority's local share of 5.0% becomes due to the County when a capital project is completed. Below is a list of the projects completed and the Authority's local share (000's omitted):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Parking Improvements	\$ 773	\$ 574	\$ 499
Facility Improvements	578	869	81
Taxiway and Other Airfield Improvements	573	978	1
Circulation Improvements	430	174	164
Snow Removal and Other Equipment	230	1,135	555
Green Energy Initiatives	139	16	72
Runway 4/22, 7/25 and 10/28 Rehabilitation	95	297	75
Environmental Improvements	71	228	125
Planning and Feasibility	<u>20</u>	<u>84</u>	<u>-</u>
Total	<u>\$ 2,909</u>	<u>\$ 4,355</u>	<u>\$ 1,572</u>

The balance of the cost of each project after the Authority's local share is from state and federal sources paid to the County directly.

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

For each of the years ended December 31, 2014, 2013 and 2012 the impact of recording depreciation and amortization is \$4.7 million. Depreciation and amortization expense is the primary reason for the decrease in capital assets of \$4.6 million (14.3%) in 2014; \$4.0 million (10.9%) in 2013; and \$4.4 million (10.9%) in 2012. In 2013, the net decline in capital assets was slightly less due to the addition of capital assets of \$758 thousand for the year.

Leases

The Authority leases the Airport facilities, except those that were financed through the 1989 bond issuance, from the County. The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County, both prior and subsequent to the inception of the Authority, net of earnings on related debt service. These rental payments totaled \$2.6 million in 2014, 2013, and 2012.

Purchases and Retirements

Airport facilities improvements are planned and funded through the County's Capital Improvement Program. In 2014, the Authority invested \$74 thousand and retired \$29 thousand in assets that had accumulated depreciation of \$28 thousand. In 2013, the Authority invested \$758 thousand and retired \$191 thousand in assets. In 2012, the Authority invested \$276 thousand and retired \$84 thousand in assets that were fully depreciated. Year-end total cost was \$126.7 million at December 31, 2014; \$126.6 million at December 31, 2013; and \$126.1 million at December 31, 2012 (See Table A-3).

Summary of Capital Assets

Table A-3

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
December 31, 2012	\$ 126,076	\$ (89,935)	\$ 36,141
Increases	758	(4,706)	(3,948)
Decreases	<u>(191)</u>	<u>182</u>	<u>(9)</u>
December 31, 2013	126,643	(94,459)	32,184
Increases	74	(4,688)	(4,614)
Decreases	<u>(29)</u>	<u>28</u>	<u>(1)</u>
December 31, 2014	<u>\$ 126,688</u>	<u>\$ (99,119)</u>	<u>\$ 27,569</u>

FINANCIAL ANALYSIS (Continued)

DEBT ADMINISTRATION

The Authority has long-term debt outstanding of \$37.1 million in 2014, \$43.5 million in 2013, and \$49.5 million in 2012. Principal payments, net of unamortized bond discount and deferred amounts were \$6.3 million (16.9%) in 2014, \$6.0 million (13.7%) in 2013, and \$5.6 million (11.4%) in 2012.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2014, 2013 and 2012 decreased by \$6.3 million in 2014, \$6.0 million in 2013; and \$5.6 million in 2012. This decrease is also reflected in the decrease in the portion of net position that is net investment in capital assets.

**Summary of Long-Term Debt
Table A-4**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	\$ 28,315	\$ 33,080	\$ 37,595
Serial Bonds, issued in 2004, which refunded 1993 bonds	8,610	10,120	11,550
Unamortized premium on bonds	220	325	447
Unamortized bond discount	<u>(38)</u>	<u>(57)</u>	<u>(78)</u>
Total long-term debt	<u>\$ 37,107</u>	<u>\$ 43,468</u>	<u>\$ 49,514</u>

More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.

AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS

Enplanement Activity

In 2014, the airlines at the Greater Rochester International Airport (ROC) continued to consolidate air service, reducing the overall capacity of available seats and increasing load factors. As a result of these actions and significant flight cancellations due to harsh winter conditions, enplanements and deplanements both decreased in comparison to 2013. Enplanement numbers affect both operating revenues and Passenger Facility Charges (PFCs), and are used in the Aviation industry to rank the size of an airport. As of the most recent available data, the ROC ranked 81st nationally.

ROC continues to aggressively promote air service development with its current air carriers and other airlines.

Year	<u>Ticketed Passenger Activity</u>		
	Enplanements (Departing)	Deplanements (Arriving)	Total Passengers
2014	1,188,809	1,178,794	2,367,603
2013	1,222,055	1,208,700	2,430,755
2012	1,217,974	1,200,910	2,418,884

Passenger Facility Charge (PFC) Fees

Enplanements affect the amount of PFC fees that are collected from the airlines each year. The more ticketed passengers flying from Rochester, the greater the amount of PFC's collected. In 2014, a total of \$4.9 million in PFC's were collected from airline passengers. The Authority contributed \$4.8 million to the County of Monroe (the County) towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of \$37 thousand as shown in Table A-2. In 2013, a total of \$4.8 million in PFC's were collected from airline passengers. The Authority contributed \$5.0 million to the County of Monroe towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of (\$219) thousand. In 2012, a total of \$5.3 million in PFC's were collected from airline passengers and of these collections, the Authority contributed \$5.1 million to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of \$173 thousand. A description of PFC's is provided in Note 2 of the financial statements, Passenger Facility Charges.

Airline-Airport Use and Lease Agreement

Revenues from airlines are determined by annual calculations in accordance with the Signatory Airline Use and Lease Agreement, effective January 1, 2013 and expiring December 31, 2015. Landing Fees, which are paid by airlines and cargo carriers, and Rentals (Table A-2) which are predominately paid by airlines, are regulated by the annual Rates and Charges. At year-end, actual payments are reconciled to actual costs to determine the final amounts owed by the airlines. See Note 2 of the financial statements, Revenues and Expenses.

2015 BUDGET

The Authority's 2015 budget has been approved and contains no significant changes from the operational results for 2014. No known matters exist at this time that would have a significant effect on the financial position of the Authority or on its expected results of operations for the coming year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Monroe County Airport Authority, at 1200 Brooks Avenue, Rochester, New York 14624 or through the website, www.MonroeCounty.gov.

MONROE COUNTY AIRPORT AUTHORITY (A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF NET POSITION DECEMBER 31, 2014 AND 2013 (000's OMITTED)

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,356	\$ 12,513
Accounts receivable - net of allowance for doubtful accounts of \$100 in both 2014 and 2013	<u>970</u>	<u>925</u>
Total current assets	<u>13,326</u>	<u>13,438</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	7,514	8,285
Cash and investments, which are restricted funds held by trustee - principal and interest fund	11,318	11,772
Capital assets, net	<u>27,569</u>	<u>32,184</u>
Total noncurrent assets	<u>46,401</u>	<u>52,241</u>
Total assets	<u>59,727</u>	<u>65,679</u>
DEFERRED OUTFLOWS:		
Deferred amount on refunding	<u>481</u>	<u>709</u>
Total deferred outflows	<u>481</u>	<u>709</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	6,625	6,275
Accounts payable	1,203	1,457
Unearned revenue	296	399
Due to Monroe County	137	622
Other liabilities	475	463
Accrued interest on bonds	1,001	1,177
Security deposits	<u>176</u>	<u>105</u>
Total current liabilities	9,913	10,498
LONG-TERM DEBT, net of current portion	<u>30,482</u>	<u>37,193</u>
Total liabilities	<u>40,395</u>	<u>47,691</u>
NET POSITION:		
Net investment in capital assets	(9,538)	(11,284)
Restricted -		
For debt service	3,693	4,320
For passenger facility projects	191	154
For other debt compliance	3,261	3,241
Unrestricted	<u>22,206</u>	<u>22,266</u>
Total net position	<u>\$ 19,813</u>	<u>\$ 18,697</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(000's OMITTED)

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Landing fees	\$ 6,502	\$ 6,146
Rental fees	9,229	9,065
Car rental commissions	3,738	3,729
Parking commissions	7,128	7,129
Concessions	4,182	4,161
Fuel farm	-	380
	<u>30,779</u>	<u>30,610</u>
Total operating revenues		
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	15,767	16,242
Rent - Monroe County	2,615	2,587
Depreciation and amortization of capital assets	4,688	4,706
Other	1,600	1,630
	<u>24,670</u>	<u>25,165</u>
Total operating expenses		
Operating income	<u>6,109</u>	<u>5,445</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	24	37
Interest expense	(2,002)	(2,354)
Amortization of bond premiums and deferred amounts	(142)	(167)
Loss on sale of capital assets	(1)	(9)
Local share of capital projects - Monroe County	(2,909)	(4,355)
	<u>(5,030)</u>	<u>(6,848)</u>
Total nonoperating expenses		
Income (loss) before capital contributions	1,079	(1,403)
CAPITAL CONTRIBUTIONS, net	<u>37</u>	<u>(219)</u>
CHANGE IN NET POSITION	1,116	(1,622)
NET POSITION - beginning of year	<u>18,697</u>	<u>20,319</u>
NET POSITION - end of year	<u>\$ 19,813</u>	<u>\$ 18,697</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(000's OMITTED)

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 30,702	\$ 31,975
Cash paid to suppliers	(20,709)	(19,274)
	<u>9,993</u>	<u>12,701</u>
Net cash flow from operating activities		
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(74)	(758)
Capital contributions, net	37	(219)
Payment of bond principal	(6,275)	(5,945)
Payment of bond interest expense	(2,178)	(2,522)
Deposits into trustee principal and interest fund	(11,318)	(11,772)
Withdrawal from trustee principal and interest fund	11,772	12,769
Local share of capital projects - Monroe County	(2,909)	(4,355)
	<u>(10,945)</u>	<u>(12,802)</u>
Net cash flow from capital and related financing activities		
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	24	37
	<u>24</u>	<u>37</u>
Net cash flow from investing activities		
CHANGE IN CASH AND CASH EQUIVALENTS	(928)	(64)
CASH AND CASH EQUIVALENTS - beginning of year	<u>20,798</u>	<u>20,862</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 19,870</u>	<u>\$ 20,798</u>
CLASSIFIED AS:		
Cash and cash equivalents	\$ 12,356	\$ 12,513
Restricted cash and cash equivalents	7,514	8,285
	<u>\$ 19,870</u>	<u>\$ 20,798</u>
Total cash and cash equivalents		
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 6,109	\$ 5,445
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,688	4,706
Changes in:		
Accounts receivable	(45)	1,324
Unearned revenue	(103)	123
Due to Monroe County	(485)	999
Other current liabilities	(171)	104
	<u>9,993</u>	<u>12,701</u>
Net cash flow from operating activities	<u>\$ 9,993</u>	<u>\$ 12,701</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(000's Omitted)

1. ORGANIZATION

The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate, and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County. The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority board, which is approved by the County Legislature on the recommendation of the County Executive. The chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The County Attorney serves as Secretary of the Authority. The Authority leases the Greater Rochester International Airport (the Airport) from the County and operates under the terms of a trust indenture (the indenture) dated September 15, 1989, as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation

GASB requires the classification of net position into three categories defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component consists of net position that do not meet the definition of "net investment in capital assets", or "restricted".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The Authority's principal sources of revenue are landing fees and terminal rentals from airlines using the Airport, car rental commissions, parking, and concession fees. Revenues are recognized upon provision of services. The Authority contracts with certain airlines via a signatory agreement that defines the use of, and rates charged for, airport space and facilities. Rates charged by the Authority to the airlines are intended to recover total budgeted operating costs, as defined by the signatory agreement, which excludes depreciation and amortization and accrued interest; but, includes principal and interest paid on related debt. At the end of each fiscal year, the budgeted amounts are reconciled with actual costs incurred and any resulting receivable or payable is settled with the signatory airlines. This revenue is recorded in accordance with agreements between the Authority and the signatory airlines that will expire on December 31, 2015.

Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting these classifications are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit, money market funds, and U.S. Government securities. Cash and cash equivalents are stated at cost, which approximates fair value.

Investments

The Authority's investments consist of certificates of deposit with maturities greater than three months at the time of purchase and obligations of the U.S. Government. Investments are stated at cost, which approximates fair value. Investment instruments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the accompanying financial statements.

Capital Assets

The Airport facilities, except those that were financed through the 1989 bond issuance, are owned by the County and leased to the Authority (Note 4). Facilities owned by the County (and the related debt) are not recorded in the Authority's financial statements but are recorded by the County. The Authority capitalizes facilities, property, and equipment acquired at an original cost greater than \$2.5 thousand and a useful life greater than one year. The County carries insurance coverage on the facilities, property and equipment, which includes minimal deductible payments. Amortization for improvements to the leased airport facilities is provided on a straight-line basis over the shorter of useful life or the remaining term of the lease from the time of acquisition. Depreciation and amortization is computed primarily on a straight-line basis over the estimated useful lives of the property and equipment, which range from two (2) to twenty (20) years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of a local Passenger Facility Charge (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. The PFC's that the Authority has been authorized by the FAA to collect are as follows:

<u>Rate</u>	<u>Effective Date</u>	<u>FAA Approved</u>
\$3.00	December 1, 1997	September 1997
\$3.00	April 1, 2001	November 1998
\$4.50	September 1, 2004	June 2004
\$4.50	May 1, 2011	July 2006
\$4.50	February 1, 2019	October 2013

PFCs may only be collected one at a time and must be collected in consecutive order of their approval. The excess (deficit) of amounts collected over amounts expended in each year is recorded as capital contributions in the statements of revenues, expenses and change in net position. Cumulative amounts collected, yet unexpended at December 31, are reflected as net position restricted for passenger facility projects in the statements of net position.

Bond Premiums and Deferred Outflow

Bond premiums and the deferred amount on refunding related to the issuance of the debt obligations are amortized over the terms of the respective bonds using a level yield method of amortization. In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred amounts on revenue bonds in this category. Amortization in 2014 and 2013 was \$142 and \$167, respectively.

Taxes

As a public benefit corporation, the Authority is exempt from Federal and state income taxes, as well as from state and local property and sales taxes.

Use of Estimates

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The guidelines established by the Authority permit the investment of funds held by the Authority and funds held in trust for the Authority to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Authority's investment policy requires its deposits and investments, except repurchase agreements and direct purchases of obligations of New York State or its political subdivisions or guaranteed by the federal government, to be at least 101% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. The policy does not address credit risk specifically; however, risk associated with these investments has been minimized by the fact that they are held in a trust separate from the custodian's assets, which could be claimed by creditors.

Bank accounts at December 31, 2014 and 2013 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2014 and 2013 are held by the Authority's agents in the Authority's name.

Cash equivalents (not including depository accounts) and investments that are unrestricted and those restricted as to use but maintained by the Authority consisted of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Money market	\$ <u>16,639</u>	\$ <u>17,411</u>

At December 31, 2014 and 2013, money market funds were held by Bank of America and Manufacturers and Traders Trust (M&T).

Custodial Credit Risk

For cash deposits or investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. United States Treasury obligations are exempt because they are backed by the United States government. The Authority's collateral related to the above is as follows for the years ended December 31:

	<u>2014</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 3,231	\$ 3,232
Time deposits	<u>16,639</u>	<u>16,639</u>
Total cash and investments	<u>\$ 19,870</u>	<u>\$ 19,871</u>
Insured cash - FDIC		\$ 1,110
Uninsured - collateralized with securities held by pledging financial institution		<u>19,136</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 20,246</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

	2013	
	Carrying Amount	Bank Balance
Demand deposits	\$ 3,385	\$ 3,385
Time deposits	17,413	17,413
Total cash and investments	\$ 20,798	\$ 20,798
Insured cash - FDIC		\$ 973
Uninsured - collateralized with securities held by pledging financial institution		20,221
Total insured and collateralized cash and cash equivalents		\$ 21,194

The following deposits, excluding those held by the trustee, held with one financial institution represent five percent or more of the Authority's total deposits subject to credit risk at either December 31, 2014 or 2013, or both:

	2014	2013
M&T	\$ 18,356	\$ 18,990
Bank of America	\$ 1,187	\$ 1,548

Funds Held By Trustee

Cash and investments that are restricted include funds required to be maintained by the trustee pursuant to the indenture related to the various bond issues of the Authority and are uncollateralized. Assets held by the trustee consisted of the following for the years ended December 31:

	2014	2013
Cash	\$ 7,626	\$ 7,452
U.S. Treasury Bills	3,692	4,320
	\$ 11,318	\$ 11,772

4. LEASE AND OPERATING AGREEMENT WITH MONROE COUNTY

Operating and Maintenance Expense

The Authority and the County entered into a lease and operating agreement in September 1989. The leased property includes all of the County's right, title, and interest in the Airport. Under this agreement, the County is required to administer and operate the Airport. In return, the Authority is to reimburse the County for expenses incurred in the administration and operation of the Airport. All such expenses including payroll and related costs are reimbursed by the Authority using the accrual basis of accounting. Upon expiration or early termination of the lease term, the Airport reverts to the County. The lease expires 30 days after repayment of the Airport revenue bonds, which are scheduled to be repaid by January 1, 2019. Amounts due to/from Monroe County represent the net balances pursuant to the agreement.

Rent Expense

The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2014 and 2013, the rental payments totaled \$2,615 and \$2,587, respectively. Estimated future minimum rental payments are as follows at December 31:

2015	\$ 2,589
2016	2,066
2017	1,898
2018	1,850
2019	1,602
2020 - 2024	6,472
2025 - 2029	4,511
	\$ 20,988

The above schedule presumes that the Authority's lease will continue beyond the lease's current expiration date.

In 2005, resolution number seventeen was passed by the Authority requiring the Authority to pay interest on funds advanced by the County that is based on the County's expected return on other short-term investments. In 2014 and 2013, the Authority did not receive advances from the County, and therefore no interest payments were made in 2014 or 2013.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	\$ 498	\$ -	\$ -	\$ 498
Capital assets, being depreciated or amortized:				
Buildings and other equipment	123,728	47	-	123,775
Office furniture and equipment	1,520	13	(9)	1,524
Transportation equipment	<u>897</u>	<u>14</u>	<u>(20)</u>	<u>891</u>
Total capital assets, being depreciated or amortized	<u>126,145</u>	<u>74</u>	<u>(29)</u>	<u>126,190</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(93,100)	(4,427)	-	(97,527)
Office furniture and equipment	(796)	(165)	8	(953)
Transportation equipment	<u>(563)</u>	<u>(96)</u>	<u>20</u>	<u>(639)</u>
Total accumulated depreciation	<u>(94,459)</u>	<u>(4,688)</u>	<u>28</u>	<u>(99,119)</u>
Capital assets being depreciated or amortized, net	<u>31,686</u>	<u>(4,614)</u>	<u>(1)</u>	<u>27,071</u>
Capital assets, net	<u>\$ 32,184</u>	<u>\$ (4,614)</u>	<u>\$ (1)</u>	<u>\$ 27,569</u>

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	\$ 498	\$ -	\$ -	\$ 498
Capital assets, being depreciated or amortized:				
Buildings and other equipment	123,233	495	-	123,728
Office furniture and equipment	1,371	164	(15)	1,520
Transportation equipment	<u>974</u>	<u>99</u>	<u>(176)</u>	<u>897</u>
Total capital assets, being depreciated or amortized	<u>125,578</u>	<u>758</u>	<u>(191)</u>	<u>126,145</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(88,639)	(4,461)	-	(93,100)
Office furniture and equipment	(665)	(146)	15	(796)
Transportation equipment	<u>(631)</u>	<u>(99)</u>	<u>167</u>	<u>(563)</u>
Total accumulated depreciation	<u>(89,935)</u>	<u>(4,706)</u>	<u>182</u>	<u>(94,459)</u>
Capital assets being depreciated or amortized, net	<u>35,643</u>	<u>(3,948)</u>	<u>(9)</u>	<u>31,686</u>
Capital assets, net	<u>\$ 36,141</u>	<u>\$ (3,948)</u>	<u>\$ (9)</u>	<u>\$ 32,184</u>

6. LONG-TERM DEBT

Series 2004 Bonds

In March 2004, the Authority issued Revenue Refunding Bonds to refund the outstanding 1993 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities. The transaction resulted in a deferred amount on refunding to the Authority related to the difference between the reacquisition price and the net carrying amount of the 1993 Series Bonds at the date of issuance of the 2004 Series Bonds of \$2,112. This deferred amount on refunding is being amortized over the term of the Series 2004 Bonds.

The Series 2004 Bonds maturing after January 1, 2015, are subject to redemption by the Authority, in whole or in part, at any interest payment date upon notice as provided in the master indenture at the par amount thereof plus accrued interest to the redemption date.

Series 1989 and 1999 Bonds

In October 1999, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities to refund the 1989 Series Bonds.

The 1989 Series Bonds were the original debt issuance pursuant to the indenture, the purpose of which was to provide financing for the original construction of the Airport.

The 1999 Series Bonds are not subject to redemption prior to their maturity.

Deferred Outflows

As a result of the bond refundings described above, approximately \$481 thousand and \$709 thousand was recognized as a deferred outflow at December 31, 2014 and 2013, respectively. The deferred outflow is being amortized over the remaining length of the bonds.

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from \$5,035 to \$6,330 from 2015 to 2019 bearing interest paid semi-annually at 5.750% to 5.875%	\$ 33,080	\$ -	\$ (4,765)	\$ (5,035)	\$ 23,280
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$1,590 to \$1,860 from 2015 to 2019 bearing interest paid semi-annually at 4.000% to 5.250%	10,120	-	(1,510)	(1,590)	7,020
Add: Premium on bond	325	-	(105)	-	220
Less: Bond discount	(57)	-	19	-	(38)
Long-term debt	<u>\$ 43,468</u>	<u>\$ -</u>	<u>\$ (6,361)</u>	<u>\$ (6,625)</u>	<u>\$ 30,482</u>

Bond activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from \$4,765 to \$6,330 from 2014 to 2019 bearing interest paid semi-annually at 5.750% to 5.875%	\$ 37,595	\$ -	\$ (4,515)	\$ (4,765)	\$ 28,315
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$1,510 to \$1,860 from 2014 to 2019 bearing interest paid semi-annually at 4.000% to 5.250%	11,550	-	(1,430)	(1,510)	8,610
Add: Premium on bond	447	-	(122)	-	325
Less: Bond discount	(78)	-	21	-	(57)
Long-term debt	<u>\$ 49,514</u>	<u>\$ -</u>	<u>\$ (6,046)</u>	<u>\$ (6,275)</u>	<u>\$ 37,193</u>

6. LONG-TERM DEBT (Continued)

All outstanding Revenue Bonds were issued under the terms of a universal indenture agreement. The indenture pledges certain revenues and other income collected by the Authority, primarily for payment of principal and interest on the bonds. The indenture also requires the establishment of various trust funds to be held by the trustee and by the Authority.

Management believes the Authority is in compliance with all covenants under the indenture. The Authority is required to maintain at a minimum, certain financial ratios and balances, as defined in the agreements. The required and actual ratios and balances consisted of the following at December 31:

	2014		2013	
	Required	Actual	Required	Actual
Net revenue to debt service	1.25:1	1.55:1	1.25:1	1.53:1
Debt service reserve requirement	\$ 3,693	\$ 11,318	\$ 4,320	\$ 11,772
Operating and maintenance reserve requirement	\$ 2,761	\$ 3,191	\$ 2,741	\$ 3,208
Renewal and replacement requirement	\$ 500	\$ 3,475	\$ 500	\$ 4,351

The excess of actual renewal and replacement funds over the required amount is primarily due to funds transferred into the renewal and replacement fund for the purchase of capital expenditures.

The indenture between the Authority and the trustee dated September 15, 1989, as amended, provides for the creation and maintenance of several bank subaccounts related to the debt issues. These subaccounts are aggregately reflected as a part of net position in the accompanying statement of net position. A brief description of each of these subaccounts is as follows:

- Revenue Account - Represents revenues of the Authority, net of certain transfers to the other accounts created under the indenture. The amounts designated for this account are included in unrestricted cash and cash equivalents in the accompanying statements of net position.
- Principal and Interest Account - Represents amounts required to be reserved for debt service for each respective bond issue. The amounts designated for this account are reported as assets that are restricted funds, held by trustee in the accompanying statements of net position.
- Construction Account - Represents an account required to be held by the trustee. The trustee establishes a separate project account for each construction project. The amounts designated for this account, to the extent that there are any, are reported as assets, that are restricted funds, held by trustee in the accompanying statements of net position.
- Renewal and Replacement Account - Represents funds for anticipated capital expenditures. The amounts designated for this account are reported as a component of restricted cash and cash equivalents in the accompanying statements of net position.

6. LONG-TERM DEBT (Continued)

- Operating and Maintenance Reserve Account - Represents amounts to be reserved for at least one-sixth of the budgeted operating and maintenance expenses for the succeeding fiscal year. The amounts designated for this fund are reported as a component of restricted cash and cash equivalents in the accompanying statements of net position.
- Surplus Account - Represents amounts defined by the indenture that are subject to use by the Authority, including transfers to other accounts, as appropriate.

Other

Payment of the principal and interest on the Authority's bonds is insured by the Municipal Bond Investors Assurance Corporation.

Maturities of revenue bonds for the fiscal years after December 31, 2014 are as follows:

	Principal	Interest	Total
2015	\$ 6,625	\$ 1,825	\$ 8,450
2016	6,990	1,459	8,449
2017	7,360	1,069	8,429
2018	7,760	657	8,417
2019	<u>8,190</u>	<u>223</u>	<u>8,413</u>
	<u>\$ 36,925</u>	<u>\$ 5,233</u>	<u>\$ 42,158</u>

7. CAPITAL CONTRIBUTIONS

Of the \$118,065 that the Authority is authorized to collect in PFCs, \$78,139 and \$73,279, respectively, has been collected through December 31, 2014 and 2013. The net amount of collections, interest and expenditures is recorded as capital contributions.

	2014	2013
Balance - beginning of year	\$ 154	\$ 373
Collections	4,860	4,815
Expended	<u>(4,823)</u>	<u>(5,034)</u>
Balance - end of year	<u>\$ 191</u>	<u>\$ 154</u>

As of December 31, 2014 and 2013, \$191 and \$154, respectively, are reflected as restricted net position for passenger facility projects in the statements of net position.

8. CONTINGENCIES

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

9. LEASE AGREEMENTS

The Authority maintains certain noncancellable lease agreements with various customers for terminal and other space that expire at various dates through 2037. The amounts expected to be collected under these agreements are as follows for the years ended December 31:

2015	\$	897
2016		786
2017		643
2018		635
2019		395
2020 - 2024		1,949
2025 - 2029		1,808
2030 - 2034		1,122
2035 - 2037		<u>529</u>
	\$	<u>8,764</u>

The above schedule presumes that the Authority's lease with the County will continue beyond the current expiration date, which is January 1, 2019.

10. MANAGEMENT AGREEMENT

On January 1, 2007 the Authority entered into a five (5) year contract with MAPCO Auto Parks LTD., as an Agent, to manage the public parking facilities at the Airport. The Authority exercised its second option to renew the contract effective January 1, 2015 through December 31, 2017. The Authority has one additional option to renew this contract for another three year period. Under the terms of this Agreement, the Authority retains the right to establish parking rates. The Agent manages all public parking facilities including a three story structural parking garage; a short term and a weekly lot, an on Airport shuttle lot, several employee lots; as well as economy shuttle lots located in close proximity to the Airport terminal. The Agent operates and maintains the Airport parking facilities in accordance with the terms of this agreement. The Agreement provides that certain approved expenses are the responsibility of the Agent. The contract also provides the management fee calculation based upon the gross revenues per month. Management Fees paid to the Agent for the years ending December 31, 2014 and 2013 were \$637 and \$630, respectively.

11. CONCENTRATIONS

In 2014, one customer accounted for approximately \$410,000, or 38%, of the total accounts receivable balance at year end.

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INDEPENDENT AUDITOR'S 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

March 25, 2015

To the Members of
 Monroe County Airport Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Monroe County Airport Authority (the Authority) (a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

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INDEPENDENT AUDITOR'S 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

(Continued)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

