

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

**Financial Statements
As of December 31, 2016 and 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 10
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015:	
Statements of Net Position	11
Statements of Revenues, Expenses and Change in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14 - 27
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 <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	28 - 29

INDEPENDENT AUDITOR'S REPORT

March 29, 2017

To the Members of
Monroe County Airport Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2016 and 2015, 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.

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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 Authority, as of December 31, 2016 and 2015, 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 10 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 29, 2017, 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2016 AND 2015
(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, 2016 and 2015. 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 assets and deferred outflows of resources minus liabilities of the Authority which result in the ending net position of the Authority.

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 of resources, and liabilities of the Authority. The Authority's assets and deferred outflows of resources exceeded liabilities by \$21.9 million at December 31, 2016, a \$2.8 million or 14.5% increase from 2015. Restricted net position is \$6.0 million or 27.5% 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 \$20.3 million and may be used to meet the Authority's obligations. Unrestricted net position increased \$338 thousand or 1.7% from 2015.

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>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current	\$ 13,632	\$ 14,324	\$ 13,326
Noncurrent	15,337	15,822	18,832
Capital	<u>19,013</u>	<u>23,299</u>	<u>27,569</u>
Total assets	<u>47,982</u>	<u>53,445</u>	<u>59,727</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	<u>149</u>	<u>293</u>	<u>481</u>
LIABILITIES			
Other	2,818	4,155	3,288
Long-term debt	<u>23,366</u>	<u>30,411</u>	<u>37,107</u>
Total liabilities	<u>26,184</u>	<u>34,566</u>	<u>40,395</u>
NET POSITION			
Net investment in capital assets	(4,353)	(7,112)	(9,538)
Restricted	6,025	6,347	7,145
Unrestricted	<u>20,275</u>	<u>19,937</u>	<u>22,206</u>
Total net position	<u>\$ 21,947</u>	<u>\$ 19,172</u>	<u>\$ 19,813</u>

Assets and Liabilities

Cash and cash equivalents, a significant part of current assets, totaled \$12.4 million at December 31, 2016, a decrease of \$1.2 million from 2015. Accounts receivable has increased by \$418 thousand or 60.1% over 2015 due primarily to delayed collection of payments from a significant customer. In 2016, the overall final adjustment to the signatory airlines resulted in a refund of approximately \$600 thousand which was reclassified to accounts payable for reporting purposes. The 2015 final adjustment also resulted in a reclassification of \$1.1 million. In 2015, the accounts receivable decreased \$350 thousand or approximately 36.1% over 2014 due to the timing of customer payments. Accounts receivable is a component of current assets.

Capital assets and long-term debt are discussed elsewhere in this MD&A.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Change in Net Position

Overall, between 2016 and 2014, total operating revenues have consistently exceeded total operating expenses. In 2016, non-operating expenses decreased by \$2.6 million or by 41.4% primarily due a decrease in the local share of capital projects paid by the Authority. In 2015, non-operating expenses increased by \$1.2 million or by 23.6% primarily due an increase in the local share of capital projects paid by the Authority. Major projects in 2015 included the installation of the Parking Revenue Control System and updates to the main terminal HVAC system. As County capital projects are completed, the local share is paid by the Authority. For more detail on the projects and amounts transferred, refer to the section "Non-Operating Expenses".

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>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:			
Landing and rental fees	\$ 14,304	\$ 14,818	\$ 15,731
Commissions	11,909	11,651	10,866
Other	<u>4,263</u>	<u>4,269</u>	<u>4,182</u>
Total operating revenues	<u>30,476</u>	<u>30,738</u>	<u>30,779</u>
OPERATING EXPENSES:			
Operating and maintenance-Monroe County	15,814	15,926	15,767
Rent-Monroe County and other	3,926	4,441	4,215
Depreciation and amortization	<u>4,694</u>	<u>4,672</u>	<u>4,688</u>
Total operating expenses	<u>24,434</u>	<u>25,039</u>	<u>24,670</u>
OPERATING INCOME	<u>6,042</u>	<u>5,699</u>	<u>6,109</u>
NON-OPERATING EXPENSES	<u>(3,644)</u>	<u>(6,219)</u>	<u>(5,030)</u>
Income (loss) before capital contributions	2,398	(520)	1,079
CAPITAL CONTRIBUTIONS, net	<u>377</u>	<u>(121)</u>	<u>37</u>
CHANGE IN NET POSITION	<u>\$ 2,775</u>	<u>\$ (641)</u>	<u>\$ 1,116</u>

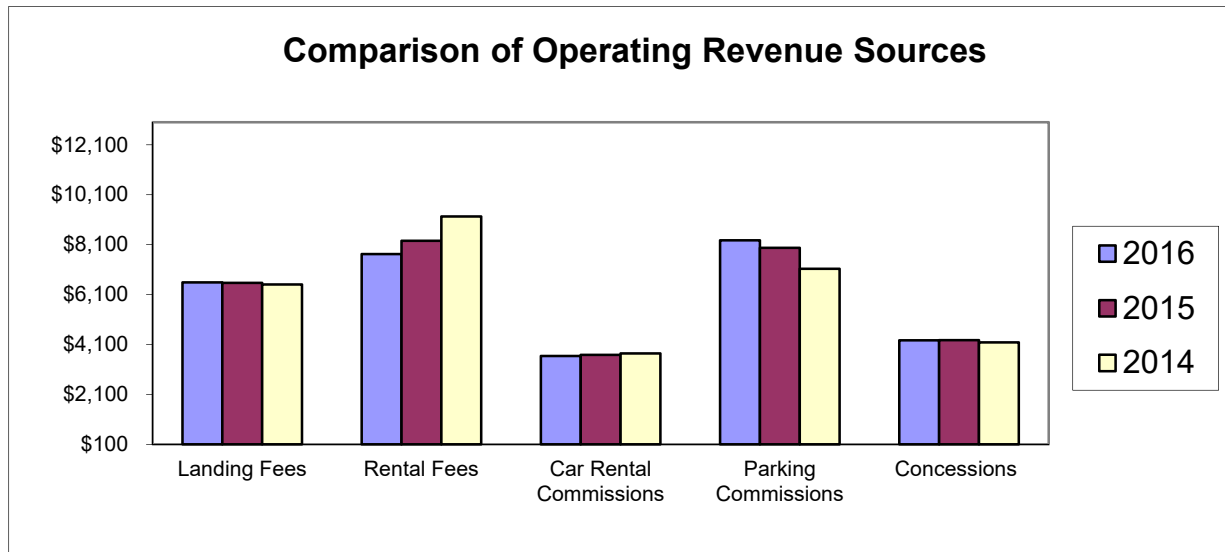
FINANCIAL ANALYSIS

Operating Revenues

In 2016, operating revenues decreased by \$262 thousand or 0.9% from 2015. The net result of the decrease was due primarily to a decrease in rental fees of \$531 thousand or 6.4% over 2015; an increase in parking commissions of \$300 thousand or 3.8%; and a decrease in car rental commissions of \$42 thousand. 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 increase in parking commissions was due to an increase in traffic in the parking garage and the number of customers parking in long-term parking.

Comparatively, in 2015, operating revenues decreased by \$41 thousand or 0.1% over 2014. The net result of the decrease was due primarily to a decrease in rental fees of \$978 thousand or 10.5% over 2014; an increase in parking commissions of \$842 thousand or 11.6%; and an increase in concessions of \$87 thousand. 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 increase in parking commissions was due to an increase in traffic in the parking garage, a parking rate increase in both off and on airport shuttle lots, as well as a decrease in expenses relating to the parking operation as a result of the mild winter weather.

The comparison of operating revenue sources is provided below.



	Landing Fees	Rental Fees	Car Rental Commissions	Parking Commissions	Concessions
2016	\$ 6,584	\$ 7,720	\$ 3,639	\$ 8,270	\$ 4,263
2015	\$ 6,567	\$ 8,251	\$ 3,681	\$ 7,970	\$ 4,269
2014	\$ 6,502	\$ 9,229	\$ 3,738	\$ 7,128	\$ 4,182

FINANCIAL ANALYSIS (Continued)

Non-Operating Revenue

The primary source of this category is interest earnings totaling \$38 thousand in 2016; \$22 thousand in 2015, and \$24 thousand in 2014. Interest rates have remained low since 2008.

Operating Expenses

In 2016, operating and maintenance expenses decreased by \$112 thousand or 0.7% when compared to 2015. Most expenses and revenues in 2016 were consistent with the previous year with slight reductions in internal transactions for services received from other County departments due to less utilization of staff from those departments to perform airport functions. The remaining decrease in expense was due to the reconciliation process of operating and maintenance expenses from 2015 that was completed in 2016.

Comparatively, in 2015, operating and maintenance expenses increased by \$159 thousand or 1.0% when compared to 2014. While overall operating expenses reflect an increase over 2014, there were cost savings as well in 2015. Contractual expenses decreased by \$486 thousand due to lower utility costs and snow plowing expenses. Employee benefits decreased by \$56 thousand due to lower retirement and medical benefits. Conversely, chargebacks from County departments increased by \$316 thousand primarily due to an increase in Airport security charges. The remaining increase in expense was due to the reconciliation process of operating and maintenance expenses from 2014 that was completed in 2015.

In 2016, rent to the County decreased by \$598 thousand or 22.6%, and in 2015, rent increased by \$26 thousand or 1.0%. For 2016, the decrease was due to lower debt service costs associated with current and prior capital projects at the Airport. For 2015, the increase was due to higher debt service costs associated with current and prior capital projects at the Airport. Depreciation and amortization of capital projects experienced no significant change from 2014 to 2016.

Non-operating Expenses

Non-operating expenses in 2016 include the Authority's local share of capital projects reimbursed to the County of \$2.3 million, a decrease of 48.3% from 2015, and the 2015 local share reimbursed increased \$1.6 million (53.8%) from 2014. 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>2016</u>	<u>2015</u>	<u>2014</u>
Snow Removal and Other Equipment	\$ 766	\$ 34	\$ 230
Parking Improvements	650	1,904	773
Facility Improvements	584	938	578
Circulation Improvements	327	28	430
Runway 4/22, 7/25 and 10/28 Rehabilitation	(472)	633	95
Taxiway and Other Airfield Improvements	265	118	573
Green Energy Initiatives	171	96	139
Planning and Feasibility	19	51	20
Environmental Improvements	2	3	71
Land Acquisition	-	670	-
Total	<u>\$ 2,312</u>	<u>\$ 4,475</u>	<u>\$ 2,909</u>

The balance of the cost of each project after the Authority's local share is paid comes from state and federal sources paid to the County directly. The (\$472) in 2016 is a result of local share reimbursed to the Authority from the County from outstanding federal funding received.

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

For each of the years ended December 31, 2016, 2015 and 2014 the impact of recording depreciation and amortization was \$4.7 million. Depreciation and amortization expense is the primary reason for the decrease in capital assets of \$4.3 million (18.4%) in 2016; \$4.3 million (15.4%) in 2015; and \$4.6 million (14.3%) in 2014.

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 \$2.0 million in 2016 and \$2.6 million in 2015 and 2014.

Purchases and Retirements

Airport facilities improvements are planned and funded through the County's Capital Improvement Program. In 2016, the Authority invested \$408 thousand in facility improvements and retired \$103 thousand in assets that had accumulated depreciation of \$103 thousand. In 2015, the Authority invested \$402 thousand in facility improvements and retired \$10 thousand in assets that had accumulated depreciation of \$10 thousand. Year-end total cost was \$127.4 million, \$127.0 million and \$126.7 million at December 31, 2016, 2015, and 2014, respectively. (See Table A-3).

Summary of Capital Assets

Table A-3

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
December 31, 2014	\$ 126,688	\$ (99,119)	\$ 27,569
Increases	402	(4,672)	(4,270)
Decreases	<u>(10)</u>	<u>10</u>	<u>-</u>
December 31, 2015	127,080	(103,781)	23,299
Increases	408	(4,694)	(4,286)
Decreases	<u>(103)</u>	<u>103</u>	<u>-</u>
December 31, 2016	<u>\$ 127,385</u>	<u>\$ (108,372)</u>	<u>\$ 19,013</u>

FINANCIAL ANALYSIS (Continued)

DEBT ADMINISTRATION

The Authority has long-term debt outstanding of \$23.4 million in 2016, \$30.4 million in 2015, and \$37.1 million in 2014. Principal payments, net of unamortized bond discount and deferred amounts were \$7.0 million in 2016, \$6.7 million in 2015, and \$6.3 million in 2014.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2016, 2015 and 2014 decreased by \$7.0 million in 2016, \$6.7 million in 2015, and \$6.3 million in 2014. This decrease is also reflected in the increase in the portion of net position that is net investment in capital assets net of related debt.

Summary of Long-Term Debt Table A-4

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	\$ 17,945	\$ 23,280	\$ 28,315
Serial Bonds, issued in 2004, which refunded 1993 bonds	5,365	7,020	8,610
Unamortized premium on bonds	68	134	220
Unamortized bond discount	<u>(12)</u>	<u>(23)</u>	<u>(38)</u>
Total long-term debt	<u>\$ 23,366</u>	<u>\$ 30,411</u>	<u>\$ 37,107</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 2016, total scheduled airline passengers (enplanements and deplanements) at the Greater Rochester International Airport (ROC) increased 0.57% as compared to 2015. Nationwide in 2016, aviation industry load factors were high; likewise for ROC load factors were the highest on record at 82.8%. Load factor is an airline industry metric that measures how much of an airline's passenger carrying capacity is used. 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, ROC ranked 83rd nationally.

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

<u>Year</u>	<u>Ticketed Passenger Activity</u>		
	<u>Enplanements (Departing)</u>	<u>Deplanements (Arriving)</u>	<u>Total Passengers</u>
2016	1,197,742	1,194,396	2,392,138
2015	1,189,502	1,188,997	2,378,499
2014	1,188,713	1,178,794	2,367,507

AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS (Continued)

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 2016, a total of \$5.1 million in PFC's were collected from airline passengers. The Authority contributed \$4.7 million to the County of Monroe (the County) towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of \$377 thousand as shown in Table A-2. In 2015, a total of \$4.8 million in PFC's were collected from airline passengers. The Authority contributed \$4.9 million to the County of Monroe (the County) towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of (\$121) thousand as shown in Table A-2. 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 towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of \$37 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, 2016 and expiring December 31, 2018. 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.

Incentive Program

In 2015, the Authority began offering an airline incentive program to qualified airlines for new non-stop service from ROC to an unserved airport. The incentive program authorizes the Administrative Director to waive landing, terminal and operation fees and allocate marketing funds as deemed necessary for development of the incentive package. Allegiant Air was the only airline to take advantage of the incentive program. In the fourth quarter of 2015, Allegiant Air joined ROC and launched new non-stop flights, twice weekly to unserved Florida markets – Fort Lauderdale (FLL) and Orlando/Sanford (SFB). No additional airlines took advantage of this program during 2016. Fees waived for 2016 were \$408 for landing, terminal and operation fees, and marketing funds; however this was offset by collections of \$120 in PFC revenue and additional revenue for concessions and parking from those passengers.

2017 BUDGET

The Authority's 2017 budget has been approved and contains no significant changes from the operational results for 2016. 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, 2016 AND 2015
(000's OMITTED)

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,414	\$ 13,629
Accounts receivable - net of allowance for doubtful accounts of \$100 in both 2016 and 2015	1,113	695
Due from Monroe County	<u>105</u>	<u>-</u>
Total current assets	<u>13,632</u>	<u>14,324</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	5,012	4,978
Cash and investments, which are restricted funds held by trustee - principal and interest fund	10,325	10,844
Capital assets, net	<u>19,013</u>	<u>23,299</u>
Total noncurrent assets	<u>34,350</u>	<u>39,121</u>
Total assets	<u>47,982</u>	<u>53,445</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	<u>149</u>	<u>293</u>
Total deferred outflows of resources	<u>149</u>	<u>293</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	7,360	6,990
Accounts payable	1,071	1,340
Unearned revenue	366	394
Due to Monroe County	-	868
Other liabilities	475	457
Accrued interest on bonds	634	824
Security deposits	<u>272</u>	<u>272</u>
Total current liabilities	10,178	11,145
LONG-TERM DEBT, net of current portion	<u>16,006</u>	<u>23,421</u>
Total liabilities	<u>26,184</u>	<u>34,566</u>
NET POSITION:		
Net investment in capital assets	(4,353)	(7,112)
Restricted -		
For debt service	2,331	3,030
For passenger facility projects	447	70
For other debt compliance	3,247	3,247
Unrestricted	<u>20,275</u>	<u>19,937</u>
Total net position	<u>\$ 21,947</u>	<u>\$ 19,172</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, 2016 AND 2015
(000's OMITTED)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Landing fees	\$ 6,584	\$ 6,567
Rental fees	7,720	8,251
Car rental commissions	3,639	3,681
Parking commissions	8,270	7,970
Concessions	<u>4,263</u>	<u>4,269</u>
Total operating revenues	<u>30,476</u>	<u>30,738</u>
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	15,814	15,926
Rent - Monroe County	2,043	2,641
Depreciation and amortization of capital assets	4,694	4,672
Other	<u>1,883</u>	<u>1,800</u>
Total operating expenses	<u>24,434</u>	<u>25,039</u>
Operating income	<u>6,042</u>	<u>5,699</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	38	22
Interest expense	(1,269)	(1,649)
Amortization of bond premiums and deferred amounts	(89)	(117)
Bad debt expense	(12)	-
Local share of capital projects - Monroe County	<u>(2,312)</u>	<u>(4,475)</u>
Total non-operating expenses	<u>(3,644)</u>	<u>(6,219)</u>
Income (loss) before capital contributions	2,398	(520)
CAPITAL CONTRIBUTIONS, net	<u>377</u>	<u>(121)</u>
CHANGE IN NET POSITION	2,775	(641)
NET POSITION - beginning of year	<u>19,172</u>	<u>19,813</u>
NET POSITION - end of year	<u>\$ 21,947</u>	<u>\$ 19,172</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, 2016 AND 2015
(000's OMITTED)

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 30,018	\$ 31,207
Cash paid to suppliers	<u>(20,964)</u>	<u>(19,517)</u>
Net cash flow from operating activities	<u>9,054</u>	<u>11,690</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(408)	(402)
Capital contributions, net	377	(121)
Payment of bond principal	(6,990)	(6,625)
Payment of bond interest expense	(1,459)	(1,826)
Deposits into trustee principal and interest fund	(10,325)	(10,844)
Withdrawal from trustee principal and interest fund	10,844	11,318
Local share of capital projects - Monroe County	<u>(2,312)</u>	<u>(4,475)</u>
Net cash flow from capital and related financing activities	<u>(10,273)</u>	<u>(12,975)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	<u>38</u>	<u>22</u>
Net cash flow from investing activities	<u>38</u>	<u>22</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,181)	(1,263)
CASH AND CASH EQUIVALENTS - beginning of year	<u>18,607</u>	<u>19,870</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 17,426</u>	<u>\$ 18,607</u>
CLASSIFIED AS:		
Cash and cash equivalents	\$ 12,414	\$ 13,629
Restricted cash and cash equivalents	<u>5,012</u>	<u>4,978</u>
Total cash and cash equivalents	<u>\$ 17,426</u>	<u>\$ 18,607</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 6,042	\$ 5,699
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,694	4,672
Bad debt expense	(12)	-
Changes in:		
Accounts receivable	(418)	350
Unearned revenue	(28)	98
Due to (from) Monroe County	(973)	731
Other current liabilities	<u>(251)</u>	<u>140</u>
Net cash flow from operating activities	<u>\$ 9,054</u>	<u>\$ 11,690</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)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(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)

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. The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments that are measured using Level 2 or Level 3 inputs. Investment instruments are exposed to various risks, such as interest rate, market risk 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 Authority's 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.

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. Operating expenses for financial reporting purposes 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.

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, 2018.

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 the resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. The PFCs 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 of Resources

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 Statements 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.

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.

Reclassifications

Certain reclassifications have been made to the December 31, 2015 financial statement presentation to correspond with the current year's format. Net position and changes in net position are unchanged due to these reclassifications.

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.

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, 2016 and 2015 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2016 and 2015 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>2016</u>	<u>2015</u>
Money Market	<u>\$ 14,097</u>	<u>\$ 14,961</u>

At December 31, 2016 and 2015, money market funds were held by Bank of America and Manufacturers and Traders Trust (M&T).

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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>2016</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 3,329	\$ 3,386
Time deposits	<u>14,097</u>	<u>14,097</u>
Total cash and investments	<u>\$ 17,426</u>	<u>\$ 17,483</u>
Insured cash - FDIC		\$ 1,253
Uninsured - collateralized with securities held by pledging financial institution		<u>16,515</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 17,768</u>
		<u>2015</u>
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 3,646	\$ 3,646
Time deposits	<u>14,961</u>	<u>14,961</u>
Total cash and investments	<u>\$ 18,607</u>	<u>\$ 18,607</u>
Insured cash - FDIC		\$ 1,400
Uninsured - collateralized with securities held by pledging financial institution		<u>17,652</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 19,052</u>

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, 2016 or 2015, or both:

	<u>2016</u>	<u>2015</u>
M&T	\$ 15,386	\$ 16,491
Bank of America	\$ 1,414	\$ 1,888

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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:

	<u>2016</u>	<u>2015</u>
Cash	\$ 7,994	\$ 7,814
U.S. Treasury Bills	<u>2,331</u>	<u>3,030</u>
	<u>\$ 10,325</u>	<u>\$ 10,844</u>

United States Treasury bills are considered level 1 investments. The Authority has the following recurring fair value measurements as of December 31, 2016 and 2015:

- U.S. Treasury securities of \$2.3 and \$3.0 million, respectively are valued using quoted market prices (Level 1 inputs).

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 thirty (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.

4. LEASE AND OPERATING AGREEMENT WITH MONROE COUNTY (Continued)

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 2016 and 2015, the rental payments totaled \$2,043 and \$2,641, respectively. Estimated future minimum rental payments are as follows at December 31:

2017	\$ 1,882
2018	1,833
2019	1,586
2020	1,436
2021	1,401
2022 - 2026	5,584
2027 - 2029	<u>2,460</u>
	<u>\$ 16,182</u>

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 2016 and 2015, the Authority did not receive advances from the County, and therefore no interest payments were made in 2016 or 2015.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ 498	\$ -	\$ -	\$ 498
Capital assets, being depreciating or amortized:				
Buildings and other facility equipment	123,908	1	-	123,909
Office furniture and equipment	1,671	256	-	1,927
Transportation equipment	<u>1,003</u>	<u>151</u>	<u>(103)</u>	<u>1,051</u>
Total capital assets, being depreciated or amortized	<u>126,582</u>	<u>408</u>	<u>(103)</u>	<u>126,887</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(101,958)	(4,434)	-	(106,392)
Office furniture equipment	(1,100)	(170)	-	(1,270)
Transportation equipment	<u>(723)</u>	<u>(90)</u>	<u>103</u>	<u>(710)</u>
Total accumulated depreciation	<u>(103,781)</u>	<u>(4,694)</u>	<u>103</u>	<u>(108,372)</u>
Capital assets being depreciated or amortized, net	<u>22,801</u>	<u>(4,286)</u>	<u>-</u>	<u>18,515</u>
Capital assets, net	<u>\$ 23,299</u>	<u>\$ (4,286)</u>	<u>\$ -</u>	<u>\$ 19,013</u>

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ 498	\$ -	\$ -	\$ 498
Capital assets, being depreciating or amortized:				
Buildings and other facility equipment	123,775	133	-	123,908
Office furniture and equipment	1,524	157	(10)	1,671
Transportation equipment	891	112	-	1,003
Total capital assets, being depreciated or amortized	<u>126,190</u>	<u>402</u>	<u>(10)</u>	<u>126,582</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(97,527)	(4,431)	-	(101,958)
Office furniture equipment	(953)	(157)	10	(1,100)
Transportation equipment	(639)	(84)	-	(723)
Total accumulated depreciation	<u>(99,119)</u>	<u>(4,672)</u>	<u>10</u>	<u>(103,781)</u>
Capital assets being depreciated or amortized, net	<u>27,071</u>	<u>(4,270)</u>	<u>-</u>	<u>22,801</u>
Capital assets, net	<u>\$ 27,569</u>	<u>\$ (4,270)</u>	<u>\$ -</u>	<u>\$ 23,299</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 unamortized amount at December 31, 2016 and 2015 was \$12 and \$23, respectively.

The Series 2004 Bonds maturing after January 1, 2016, 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 of Resources

As a result of the bond refundings described above, approximately \$149 and \$293 was recognized as a deferred outflow of resources at December 31, 2016 and 2015, respectively. The deferred outflow of resources is being amortized over the remaining length of the bonds.

Amortization in 2016 and 2015 was \$144 and \$188, respectively.

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2016 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 \$5,645 to \$6,330 from 2017 to 2019 bearing interest paid semi-annually at 5.875%	\$ 23,280	\$ -	\$ (5,335)	\$ (5,645)	\$ 12,300
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$1,715 to \$1,860 from 2017 to 2019 bearing interest paid semi-annually at 4.000%	7,020	-	(1,655)	(1,715)	3,650
Add: Premium on bond	134	-	(66)	-	68
Less: Bond discount	<u>(23)</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>(12)</u>
Long-term debt	<u>\$ 30,411</u>	<u>\$ -</u>	<u>\$ (7,045)</u>	<u>\$ (7,360)</u>	<u>\$ 16,006</u>

Bond activity for the year ended December 31, 2015 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 \$5,335 to \$6,330 from 2016 to 2019 bearing interest paid semi-annually at 5.750% to 5.875%	\$ 28,315	\$ -	\$ (5,035)	\$ (5,335)	\$ 17,945
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$1,655 to \$1,860 from 2016 to 2019 bearing interest paid semi-annually at 4.000% to 5.250%	8,610	-	(1,590)	(1,655)	5,365
Add: Premium on bond	220	-	(86)	-	134
Less: Bond discount	<u>(38)</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>(23)</u>
Long-term debt	<u>\$ 37,107</u>	<u>\$ -</u>	<u>\$ (6,696)</u>	<u>\$ (6,990)</u>	<u>\$ 23,421</u>

6. LONG-TERM DEBT (Continued)

All outstanding Revenue Refunding 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:

	2016		2015	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Net revenue to debt service	1.25:1	1.45:1	1.25:1	1.54:1
Debt service reserve requirement	\$ 2,331	\$ 10,325	\$ 3,030	\$ 10,844
Operating and maintenance reserve requirement	\$ 2,747	\$ 3,233	\$ 2,747	\$ 3,204
Renewal and replacement requirement	\$ 500	\$ 586	\$ 500	\$ 975

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 Statements 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, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 23,310</u>	<u>\$ 1,949</u>	<u>\$ 25,259</u>

7. CAPITAL CONTRIBUTIONS

Of the \$118,065 that the Authority is authorized to expend in PFCs, \$88,689 and \$84,183, respectively, has been expended through December 31, 2016 and 2015. The net amount of collections, interest and expenditures is recorded as capital contributions.

	<u>2016</u>	<u>2015</u>
Balance - beginning of year	\$ 70	\$ 191
Collections	5,074	4,769
Expended	<u>(4,697)</u>	<u>(4,890)</u>
Balance - end of year	<u>\$ 447</u>	<u>\$ 70</u>

As of December 31, 2016 and 2015, \$447 and \$70, 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:

2017	\$	992
2018		989
2019		700
2020		462
2021		390
2022-2026		1,949
2027-2031		1,493
2032-2036		1,095
2037		90
		<u>\$ 8,160</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. 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, 2016 and 2015 were \$668 and \$659, respectively.

11. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2019.

The Authority’s management has assessed the impact of this statement on its future financial statements and believes the impact, if any, will be immaterial.

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 29, 2017

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 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, 2016, 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 29, 2017.

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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(Continued)

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.