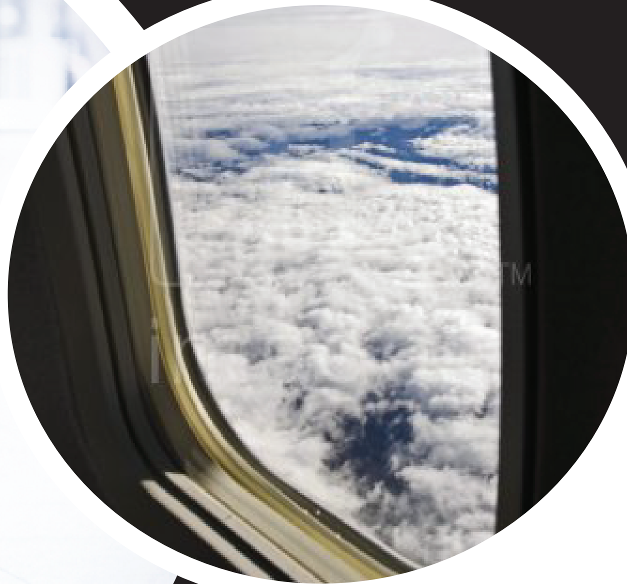


ROC

CURBSIDE TO CABIN

A SEAMLESS TRAVEL EXPERIENCE.

2012 ANNUAL REPORT

ROC
An Economic Engine

CREATES & SUSTAINS
10,000 jobs

GENERATES
$295 million in income

CONTRIBUTES
$800 million annually to the local economy

Maggie Brooks
County Executive

"The Greater Rochester International Airport is an invaluable asset to our economy when it comes to creating jobs and providing a competitive edge to local businesses through low-cost travel options to worldwide markets."

Monroe County Executive, Maggie Brooks

Southwest Airlines commits to ROC- Service starts in April 2013.
Two new flights to Chicago Midway Airport added.

SAFE. EFFICIENT. ECONOMICAL.

AIR TRANSPORTATION


DELTA
N908DL

PROMOTE
economic development, trade and tourism throughout the region.

New York City is ROC's largest passenger destination.
Delta adds four daily non-stop flights between ROC and NYC LaGuardia.
Delta Air Lines carries 25.8% of ROC travelers– capturing the largest airline market share in ROC.

A NEW DIRECTION

ROC continues to **optimize** the use of airport facilities, to **enhance** and **expand** business development and foster **economic growth**.

"Your airport experience is my business."

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

jetBlue

SOUTHWEST.COM

DELTA

ROC

American Eagle

American Airlines

UNITED

U·S AIRWAYS

New Airline-Airport Lease Agreement signed December 2012.
Airlines commit to ROC for three years with option to renew for two additional two-year periods.

ROC EMPLOYEES & OUR BUSINESS PARTNERS

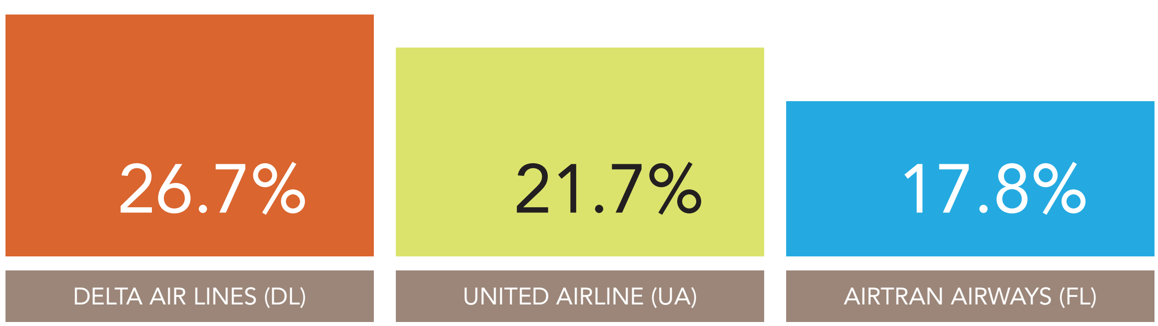
working hard to improve existing processes and bring convenience to travelers.

FACTS & FIGURES

MONTH	ENPLANEMENTS
January	85,988
February	88,529
March	103,437
April	101,749
May	106,263
June	103,113
July	115,190
August	119,662
September	94,295
October	104,760
November	100,078
December	94,910
2012 TOTALS	1,217,974

2012 Reverses a four year trend of declining enplanements

PASSENGER SHARE

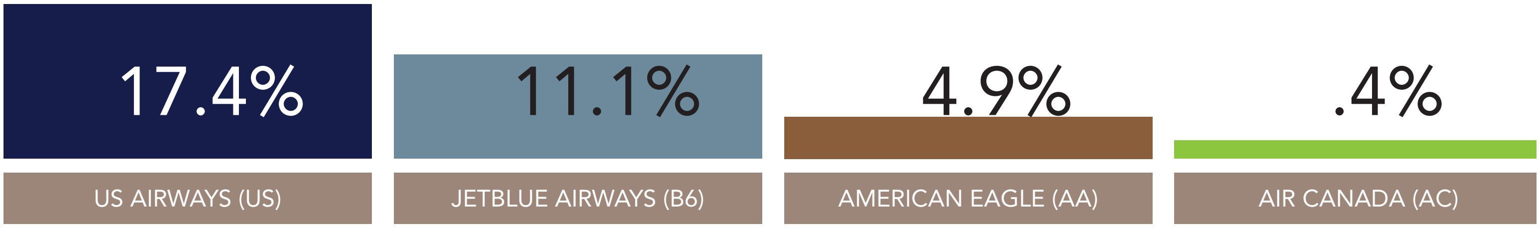


ROC'S TOP MARKET

RANK	DESTINATION	*PDEW	NON-STOP
1	New York- **JFK**	213,762	DL, B6
2	Orlando- **MCO**	162,075	FL
3	Atlanta- **ATL**	124,899	DL, FL
4	Tampa- **TPA**	111,451	FL
5	Baltimore- **BWI**	82,140	FL
6	Boston- **BOS**	70,210	US
7	Chicago- **ORD**	65,126	UA, AE
8	New York- **LGA**	55,908	DL
9	Los Angeles- **LAX**	55,016	-
10	Charlotte- **CLT**	54,760	US

*PDEW= Passenger Daily Each Way

	2011	2012
Load Factors	79.5%	76.5%
Cargo	44,820 tons	44,442 tons
Aircraft Operations	104,433	88,219



ROC Controls Costs
Negotiates New Airport Lease

2012 ROC TIMELINE **NEW AIRLINE**

JAN-FEB

:: Review existing agreement
:: Propose changes

MAR-MAY

:: Review/Develop
- space allocation plan
- staff/division time allocation

:: Worked with consultant to develop comparative financial model for rates/charges

JUN-JUL

:: Prepare initial 2013 draft budget, rates/charges model, traffic/landing weight projects
:: Presentation of draft agreement, exhibit and rates/charges to airlines

Agreement with Multiple Airlines

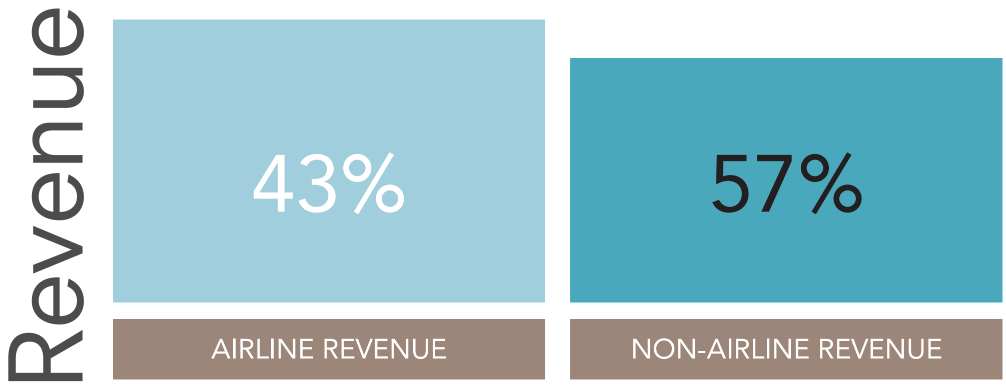
USE & LEASE AGREEMENT

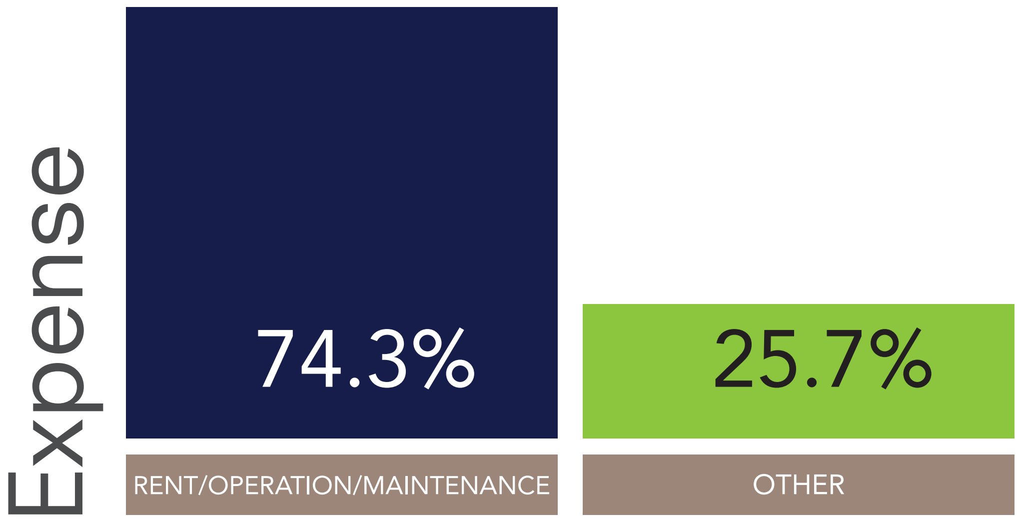
AUG-OCT

:: Negotiate changes and agree in principle to the new agreement with airlines

NOV-DEC

:: Finalize 2013 rate/charges
:: Agreements sent to airlines for execution
:: Agreements authorized by Airport Authority and Monroe County Legislature


Revenue
43%
57%
AIRLINE REVENUE
NON-AIRLINE REVENUE

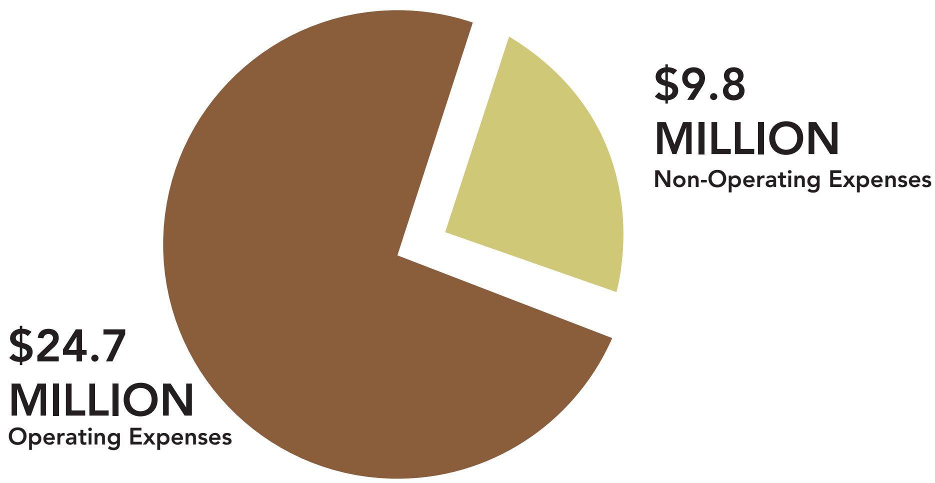

Expense
74.3%
25.7%
RENT/OPERATION/MAINTENANCE
OTHER

OPERATING

OPERATIONS

	2011	2012
Operating Revenue	$31.2 million	30.8 million
Operating Expenses	$24.8 million	24.7 million
Cost per Enplanement	$11.99	$11.14

Total Annual Financial Requirement



SUSTAINABILITY
Just another branch on our tree.


CNG SHUTTLES
LED LIGHTING
PHOTOVOLTAIC
SOLAR PANELS
MATERIAL RECYCLING

13th Annual Airport 5K Walk/Run to benefit Lifetime Assistance Foundation. Event has raised over $300,000 for adults and children in our community with developmental disabilities.

ROC PAYS IT FORWARD

Dedicating time
and effort to
community outreach

ROC
Honors our local Heroes


U.S. NAVY
LST'S
HONOR FLIGHT
WELCOME HOME
B24 LIBERATOR
WWII VETERAN
Mission 26
CLAIM AT GATE

HONOR

255


TO TICKETING
RENTAL CARS
CAR RENTALS

MONROE COUNTY AIRPORT AUTHORITY BOARD

James G. Vazzana, Chairperson
Bernard J. Iacovangelo, Esq., Vice- Chairperson
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Susan Keith
R. Thomas Flynn
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Michael A. Giardino, Administrative Director
William K. Taylor, Esq., Secretary
Brett Granville, Esq., Assistant Secretary
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Angela Veltre, Assistant Treasurer

Taxiway "P" was constructed on the south side of Runway 10-28 from Taxiway "F" to the Runway 28 threshold. The 75-foot wide pavement was designed to improve aircraft access for Group IV (or large) aircraft movements. Taxiway "P" improves operational safety on the crosswind Runway 10-28.

65 Years of Operation

6 Airlines

19 Airport Destinations

30,585 Seats Per Week

Millions in Improvements

...more to come in 2013

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

Financial Statements
As of December 31, 2012 and 2011
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

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 27, 2013

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 discretely presented component unit of the County of Monroe, New York, as of and for the years ended December 31, 2012 and 2011, 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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Pittsford, New York 14534
p (585) 381-1000
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www.bonadio.com

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 the business-type activities of the Authority, as of December 31, 2012 and 2011, 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 12 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 27, 2013 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

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, 2012 and 2011. 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 Governmental 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 and liabilities of the Authority. Net position represents the Authority's assets after liabilities are deducted.

The Statements of Revenues, Expenses and Changes in Net Position report operating revenues and expenses, nonoperating revenues and expenses, capital contributions and the changes in net assets 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 and liabilities of the Authority. Net position represents the residual interest in the Authority's assets after deducting liabilities. The Authority's assets exceeded liabilities by $20.3 million at December 31, 2012, a $1.9 million or 10.1% increase from 2011. Restricted net position is $8.5 million or 41.8% 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 $25.1 million and may be used to meet the Authority's obligations. Unrestricted net position increased $1.1 million or 4.7% from 2011.

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

	2012	2011 (As restated)	2010
ASSETS:			
Current	$ 12,383	$ 12,403	$ 13,048
Noncurrent	23,874	22,593	23,566
Capital	36,141	40,564	44,060
Total assets	72,398	75,560	80,674
DEFERRED OUTFLOWS:			
Deferred amount on refunding	977	1,282	1,622
LIABILITIES:			
Other	3,542	3,138	3,879
Long-term debt	49,514	55,255	60,698
Total liabilities	53,056	58,393	64,577
NET POSITION:			
Invested in capital assets, net of related debt	(13,373)	(14,690)	(16,637)
Restricted	8,498	9,084	9,375
Unrestricted	25,194	24,055	24,981
Total net position	$ 20,319	$ 18,449	$ 17,719

Assets and Liabilities
Cash and cash equivalents, a significant part of current assets, totaled $9.8 million at December 31, 2012, a decrease of $506 thousand over 2011. Accounts receivable has increased by $550 thousand or 32.4% over 2011 due primarily to a substantial customer payment received after December 31, 2012. There is also a change year over year in the final invoices to the airlines. In 2012 the overall final adjustment to the airlines resulted in a refund of approximately $944 thousand which was reclassed to Accounts Payable for reporting purposes. The 2011 final adjustment resulted in a refund of $28 thousand. In 2011 the accounts receivable decreased $1.5 million or approximately 47.3% over 2010 due to the decrease in the final invoices to the Airlines. Accounts receivable is a component of current assets.

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 2012 and 2010 total revenues have consistently exceeded expenses as shown by comparing the Income before Capital Contribution of $1,697 thousand in 2012; $968 thousand in 2011; and $229 thousand in 2010. The comparative changes in revenues and expenses will be discussed following Table A-2 below.

Condensed Statements of Revenues, Expense, and Change in Net Position
Table A-2

	2012	2011 (As restated)	2010
OPERATING REVENUES:			
Landing and rental fees	$ 16,338	$ 16,932	$ 16,597
Commissions	10,259	9,987	10,174
Other	4,240	4,322	4,645
Total operating revenues	30,837	31,241	31,416
OPERATING EXPENSES:			
Operating and maintenance expenses - Monroe County	15,738	15,395	16,790
Rent expense - Monroe County and other	4,301	4,815	4,640
Depreciation and amortization	4,699	4,622	4,496
Total operating expenses	24,738	24,832	25,926
NONOPERATING EXPENSES	(4,402)	(5,441)	(5,261)
Income before capital contributions	1,697	968	229
CAPITAL CONTRIBUTIONS, net	173	190	(80)
CHANGE IN NET POSITION BEFORE CHANGE IN ACCOUNTING PRINCIPLE	1,870	1,158	149
CHANGE IN ACCOUNTING PRINCIPLE	-	(428)	-
CHANGE IN NET POSITION	$ 1,870	$ 730	$ 149

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

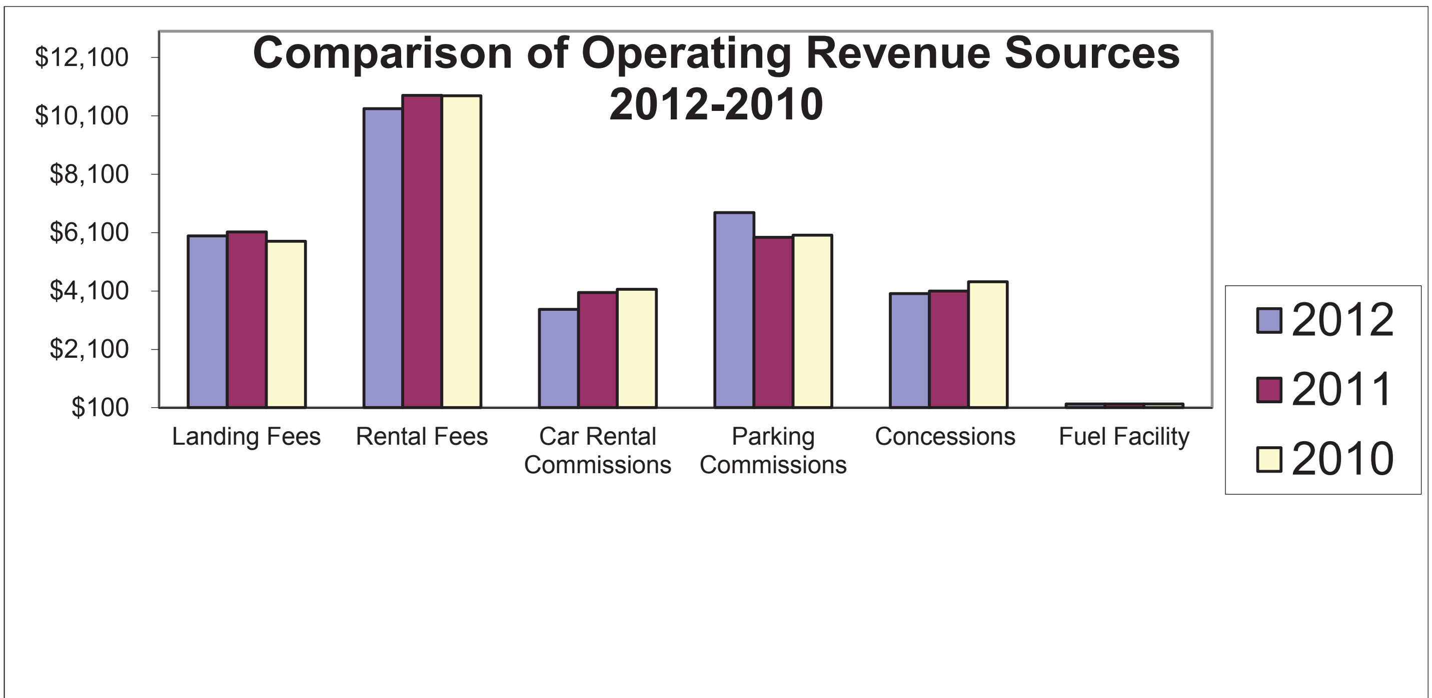
FINANCIAL ANALYSIS

Operating Revenues

In 2012 operating revenues decreased by $404 thousand or 1.3% over 2011. The net result of the decrease was due to an increase in parking commissions of $841 thousand or 14.1% over 2011; a decrease in car rental commissions of $569 thousand or 14.1%; and a decrease in rental fees of $459 thousand or 4.2%. The increase in parking commissions was due to an increase in parking rates for 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 decrease in car rental commissions was the result of a new agreement effective October 1 of 2011 which resulted in lower minimum annual guarantees. 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.

Comparatively, in 2011 operating revenues decreased by $175 thousand or 0.6% over 2010. The significant decreases in this category include parking commissions which decreased $68 thousand or 1.1%; concessions which decreased $323 thousand or 7.3%; and car rental commissions which decreased $119 thousand or 2.9%. The decrease of those non-airline revenues discussed above resulted in an increase to those fees charged to the airlines. Landing fees increased by $317 thousand or 5.5% over 2010 and rental fees increased by $18 thousand or .2% over 2010.

The comparison of operating revenue sources is provided below.



	Landing Fees	Rental Fees	Car Rental Commissions	Parking Commissions	Concessions	Fuel Facility
2012	$ 5,989	$ 10,349	$ 3,473	$ 6,786	$ 4,015	$ 225
2011	$ 6,124	$ 10,808	$ 4,042	$ 5,945	$ 4,097	$ 225
2010	$ 5,807	$ 10,790	$ 4,161	$ 6,013	$ 4,420	$ 225

Non Operating Revenue

The primary source of this category is interest earnings totaling $49 thousand in 2012; $82 thousand in 2011, and $131 thousand in 2010. The decline in interest rates began in 2008; the trend continues with a decrease in interest earnings of 40.2% in 2012 and 37.4% in 2011.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

Operating Expenses

In 2012 operating and maintenance expenses increased by $343 thousand or 2.2% when compared to 2011. While overall operating expenses reflect an increase over 2011, there were cost savings as well in 2012. These included a $389 thousand reduction in contractual expenditures such as snowplowing and energy conservation measures; a $90 thousand reduction in employee salaries and overtime due to vacancies and reduced overtime expenses relating to the mild winter weather; an $81 thousand reduction in internal transaction for services received from other County departments; and a $54 thousand savings in supplies and materials utilized by Airport custodial and airfield personnel. Conversely, there was an increase in expenses of more than $389 thousand relating to increases in employee benefits such as retirement expenses of $140 thousand; medical insurance benefits of $123 thousand; and workers compensation benefits of $158 thousand.

Rent to the County decreased by $554 thousand or 17.4% due to a decrease in debt service costs associated with current and prior capital projects at the Airport. Depreciation and amortization of capital assets increased by $77 thousand or 1.7% over 2011 mainly due to additions of capital assets of each year with $276 thousand in 2012 and $1.1 million in both 2011 and 2010. Other operating expenses increased by $40 thousand or 2.4% due primarily to contractual obligations for professional services.

Comparatively in 2011 operating expenses decreased by $1.1 million or 4.2% over 2010. Operating and Maintenance expense paid to the County decreased in 2011 by $1.4 million. Rent expense paid to the County increased in 2011 by $345 thousand due to the increase in debt service costs associated with current and prior capital projects at the Airport.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

Nonoperating Expenses
Non-operating expenses in 2012 include the Authority's local share of capital projects reimbursed to the County of $1.6 million, a decrease of $620 thousand (28.3%) from 2011, and the 2011 local share reimbursed increased $485 thousand (28.4%) from 2010. 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):

	2012	2011	2010
Snow Removal and Other Equipment	$ 555	$ -	$ 225
Parking Improvements	499	777	545
Circulation Improvements	164	-	509
Environmental Improvements	125	149	3
Facility Improvements	81	474	-
Runway 4/22, 7/25 and 10/28 Rehabilitation	75	191	54
Green Energy Initiatives	72	464	-
Taxiway and Other Airfield Improvements	1	28	182
Planning and feasibility	-	108	102
Perimeter Security Improvements	-	1	87
Total	$ 1,572	$ 2,192	$ 1,707

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.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

For each of the years ended December 31, 2012, 2011 and 2010 the impact of recording depreciation and amortization is $4.7 million in 2012, $4.6 million in 2011, and $4.5 million in 2010 respectively; and is the primary reason for the decreases in capital assets of $4.4 million (10.9%) in 2012; $3.5 million (7.9%) in 2011; and $3.3 million (7.1%) in 2010. In 2011 and 2010 the net decline in capital assets was slightly less due to the addition of capital assets of $1.1 million for both years.

Leased
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 2012, $3.2 million in 2011, and $2.8 million in 2010.

Purchases and Retirements
Airport facilities improvements are planned and funded through the County's Capital Improvement Program. In 2012 the Authority invested $276 thousand and retired $84 thousand in assets that were fully depreciated. In 2011 the Authority invested $1.1 million and retired $15 thousand in assets that were fully depreciated. In 2010, the Authority invested $1.1 million and retired $150 thousand in assets that were fully depreciated. Year-end total cost was $126.1 at December 31, 2012; $125.8 at December 31, 2011; and $124.8 million at December 31, 2010 (See Table A-3).

Summary of Capital Assets
Table A-3

	Cost	Accumulated Depreciation	Net
December 31, 2010	$ 124,773	$ (80,713)	$ 44,060
Increases	1,126	(4,622)	(3,496)
Decreases	(15)	15	-
December 31, 2011	125,884	(85,320)	40,564
Increases	276	(4,699)	(4,423)
Decreases	(84)	84	-
December 31, 2012	$ 126,076	$ (89,935)	$ 36,141

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

DEBT ADMINISTRATION

The Authority has long term debt outstanding of $49.5 million in 2012, $55.3 million in 2011, and $60.7 million in 2010. Principal payments, net of unamortized bond discount and deferred amounts were $5.6 million (11.3%) in 2012, $5.3 million (9.6%) in 2011, $5.1 million (8.4%) in 2010.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2012, 2011 and 2010 decreased by $5.6 million (5.8%) in 2012; $5.3 million (5.4%) in 2011; and $5.1 million (5.3%) in 2010. This decrease is also reflected in the decrease in the portion of net assets that is invested in capital assets net of related debt.

Summary of Long-Term Debt
Table A-4

	2012	2011	2010
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	$ 37,595	$ 41,855	$ 45,880
Serial Bonds, issued in 2004, which refunded 1993 bonds	11,550	12,915	14,205
Unamortized premium on bonds	447	587	742
Unamortized bond discount	(78)	(102)	(129)
Total long-term debt	$ 49,514	$ 55,255	$ 60,698

More detailed information about the Authority's long-term debt is presented in Note 7 to the financial statements.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS

Enplanement Activity
In 2012 the airlines continued to offset the high fuel prices by using smaller, lighter, and more fuel efficient aircraft. Enplanements and deplanements both increased less than 1% when compared to 2011. 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 Greater Rochester International Airport ranked 83rd nationally.

	Ticketed Passenger Activity		
Year	Enplanements (Departing)	Deplanements (Arriving)	Total Passengers
2012	1,217,974	1,200,910	2,418,884
2011	1,209,746	1,199,708	2,409,454
2010	1,268,792	1,265,442	2,534,234

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 PFCs collected. In 2012, a total of $5.3 million in PFC's were collected from airline passengers. Of these collections, the Authority contributed $5.1 million to the County of Monroe (the County) towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of $173 thousand as shown in Table A-2. In 2011, a total of $5.1 million in PFC's were collected from airline passengers and of these collections, the Authority contributed $5.0 million to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of $190 thousand. In 2010, a total of $5.3 million in PFC's were collected from airline passengers and of those collections, the Authority contributed all $5.3 million, plus $0.1 million of accumulated PFC's to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of ($80) thousand. A description of PFCs 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, 2005 and expiring December 31, 2012. In 2012 a new agreement was negotiated with the Airlines effective January 1, 2013 and expiring December 31, 2015. The terms of this agreement are substantially the same as the 2005 agreement. The Landing Fees which are entirely paid by airlines and the 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.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

2013 BUDGET

The Authority's 2013 budget has been approved and contains no significant changes from the operational results for 2012. 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, 2012 AND 2011
(000's OMITTED)

	2012	2011 (As restated)
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,757	$ 10,263
Accounts receivable - net of allowance for doubtful accounts of $100 in both 2012 and 2011, respectively	2,249	1,699
Due from Monroe County	377	441
Total current assets	12,383	12,403
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	11,105	9,988
Cash and investments, which are restricted funds held by trustee - principal and interest fund	12,769	12,605
Capital assets, net	36,141	40,564
Total noncurrent assets	60,015	63,157
Total assets	72,398	75,560
DEFERRED OUTFLOWS:		
Deferred amount on refunding	977	1,282
Total deferred outflows	977	1,282
CURRENT LIABILITIES:		
Current maturities of long-term debt	5,945	5,625
Accounts payable	1,063	494
Unearned revenue	276	245
Other liabilities	671	697
Accrued interest on bonds	1,345	1,503
Security deposits	187	199
Total current liabilities	9,487	8,763
LONG-TERM DEBT, net of current portion	43,569	49,630
Total liabilities	53,056	58,393
NET POSITION:		
Invested in capital assets, net of related debt	(13,373)	(14,690)
Restricted -		
For debt service	4,915	5,477
For passenger facility projects	373	200
For other debt compliance	3,210	3,407
Unrestricted	25,194	24,055
Total net position	$ 20,319	$ 18,449

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, 2012 AND 2011
(000's OMITTED)

	2012	2011 (As restated)
OPERATING REVENUES:		
Landing fees	$ 5,989	$ 6,124
Rental fees	10,349	10,808
Car rental commissions	3,473	4,042
Parking commissions	6,786	5,945
Concessions	4,015	4,097
Fuel farm	225	225
Total operating revenues	30,837	31,241
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	15,738	15,395
Rent - Monroe County	2,631	3,185
Depreciation and amortization of capital assets	4,699	4,622
Other	1,670	1,630
Total operating expenses	24,738	24,832
Operating income	6,099	6,409
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	49	82
Interest expense	(2,690)	(3,006)
Amortization of bond premiums and deferred amounts	(189)	(325)
Local share of capital projects - Monroe County	(1,572)	(2,192)
Total nonoperating revenues (expenses)	(4,402)	(5,441)
Income before capital contributions	1,697	968
CAPITAL CONTRIBUTIONS, net	173	190
CHANGE IN NET POSITION BEFORE CHANGE IN ACCOUNTING PRINCIPLE	1,870	1,158
CHANGE IN ACCOUNTING PRINCIPLE:		
Bond issuance costs	-	(428)
Total change in accounting principle	-	(428)
CHANGE IN NET POSITION	1,870	730
NET POSITION - beginning of year	18,449	17,719
NET POSITION - end of year	$ 20,319	$ 18,449

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, 2012 AND 2011
(000's OMITTED)

	2012	2011 (As restated)
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 30,370	$ 32,217
Cash paid to suppliers	(19,496)	(20,683)
Net cash flow from operating activities	10,874	11,534
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(276)	(1,126)
Capital contributions, net	173	190
Payment of bond principal	(5,625)	(5,315)
Payment of bond interest expense	(2,848)	(3,156)
Withdrawals from trustee principal and interest fund	(12,769)	(12,605)
Deposits into trustee principal and interest fund	12,605	12,978
Local share of capital projects - Monroe County	(1,572)	(2,192)
Net cash flow from capital and related financing activities	(10,312)	(11,226)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	49	82
Net cash flow from investing activities	49	82
CHANGE IN CASH AND CASH EQUIVALENTS	611	390
CASH AND CASH EQUIVALENTS - beginning of year	20,251	19,861
CASH AND CASH EQUIVALENTS - end of year	$ 20,862	$ 20,251
CLASSIFIED AS:		
Cash and cash equivalents	$ 9,757	$ 10,263
Restricted cash and cash equivalents	11,105	9,988
Total cash and cash equivalents	$ 20,862	$ 20,251
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	$ 6,099	$ 6,409
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,699	4,622
Changes in:		
Accounts receivable	(550)	1,527
Unearned revenue	31	(124)
Due to/from Monroe County	64	(433)
Other current liabilities	531	(467)
Net cash flow from operating activities	$ 10,874	$ 11,534

The accompanying notes are an integral part of these statements.

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 classifications defined as follows:

- Invested in capital assets, net of related debt - 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 invested in capital assets, net of related debt. 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 "invested in capital assets, net of related debt", 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 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 5). 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 local Passenger Facility Charges (PFC) and use of 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:

Rate	Effective Date	FAA Approved
$3.00	December 1, 1997	September 1997
$3.00	April 1, 2004	November 1997
$4.50	September 1, 2004	June 2004
$4.50	September 1, 2013	July 2006

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 positions.

Bond Costs

Bond premiums, discounts, and the deferred amount on refinancing related to the issuance of the debt obligations are amortized over the terms of the respective bonds using a level yield method of amortization. Amortization in 2012 and 2011 was $189 and $325, 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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. CHANGE IN ACCOUNTING PRINCIPLE

GASB issued statements No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and No. 65, "*Items Previously Reported as Assets and Liabilities.*" These statements update and improve existing standards by providing users with information about how past transactions will continue to impact a government's financial statements in the future. The statements require that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities and identifies net position as the residual of all other elements presented. The Authority adopted the provisions of these statements retroactively for the years ended December 31, 2012 and 2011.

The 2011 financial statements have been restated to recognize this change in accounting principle. The effect of this restatement was a decrease of $428 thousand change in net position.

3. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The effect of the restatement as of and for the year ended December 31, 2011 is as follows:

	As Previously Reported	Restated
Bond issuance costs	$ 428	$ -
Change in accounting principle	$ -	$ (428)
Net position, end of year	$ 18,877	$ 18,449

4. 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, 2012 and 2011 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2012 and 2011 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:

	2012	2011
Money market	$ 17,247	$ 17,134

At December 31, 2012 and 2011, money market funds were held by Bank of America and Manufacturers and Traders Trust (M&T).

4. 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:

	2012	2011
FDIC	$ 3,744	$ 3,418
Collateralized by securities held by pledging financial institution	17,595	17,312
	$ 21,339	$ 20,730

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, 2012 or 2011, or both:

	2012	2011
M&T	$ 15,668	$ 15,095
Bank of America	$ 1,769	$ 2,244

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:

	2012	2011
Cash	$ 7,290	$ 7,128
U.S. Treasury Bills	5,479	5,477
	$ 12,769	$ 12,605

5. 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 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.

5. 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 2012 and 2011, the rental payments totaled $2,631 and $3,185, respectively. Estimated future minimum rental payments are as follows at December 31:

2013	$	2,656
2014		2,670
2015		2,589
2016		2,066
2017		1,898
2018 - 2022		7,554
2023 - 2027		5,307
2028 - 2029		1,574
	$	26,314

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 2012 and 2011, the Authority did not receive advances from the County, and therefore no interest payments were made in 2012 or 2011.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 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 facility equipment	123,018	215	-	123,233
Office furniture and equipment	1,312	61	(2)	1,371
Transportation equipment	1,056	-	(82)	974
Total capital assets, being depreciated or amortized	125,386	276	(84)	125,578
Less: Accumulated depreciation and amortization:				
Buildings and other facility equipment	(84,192)	(4,447)	-	(88,639)
Office furniture and equipment	(532)	(135)	2	(665)
Transportation equipment	(596)	(117)	82	(631)
Total accumulated depreciation	(85,320)	(4,699)	84	(89,935)
Capital assets being depreciated or amortized, net	40,066	(4,423)	-	35,643
Capital assets, net	$ 40,564	$ (4,423)	$ -	$ 36,141

6. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2011 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 facility equipment	122,265	753	-	123,018
Office furniture and equipment	1,084	228	-	1,312
Transportation equipment	926	145	(15)	1,056
Total capital assets, being depreciated or amortized	124,275	1,126	(15)	125,386
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(79,772)	(4,420)	-	(84,192)
Office furniture and equipment	(432)	(100)	-	(532)
Transportation equipment	(509)	(102)	15	(596)
Total accumulated depreciation,	(80,713)	(4,622)	15	(85,320)
Capital assets being depreciated or amortized, net	43,562	(3,496)	-	40,066
Capital assets, net	$ 44,060	$ (3,496)	$ -	$ 40,564

7. LONG-TERM DEBT

Series 1993 and 2004 Bonds
In June 1993, 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, including an additional reserve requirement representing a deferred amount on refunding. The deferred amount on the refunding was being amortized over the term of the 1993 Series 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 on or after January 1, 2014.

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.

7. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from $300 to $6,330 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	$ 41,855	$ -	$ (4,260)	$ (4,515)	$ 33,080
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from $980 to $1,860 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	12,915	-	(1,365)	(1,430)	10,120
Add: Premium on bond	587	-	(140)		447
Less: Bond discount	(102)	-	24	-	(78)
Long-term debt	$ 55,255	$ -	$ (5,741)	$ (5,945)	$ 43,569

7. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from $300 to $6,330 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	$ 45,880	$ -	$ (4,025)	$ (4,260)	$ 37,595
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from $980 to $1,860 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	14,205	-	(1,290)	(1,365)	11,550
Add: Premium on bond	743	-	(156)		587
Less: Bond discount	(130)	-	28	-	(102)
Long-term debt	$ 60,698	$ -	$ (5,443)	$ (5,625)	$ 49,630

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:

	2012		2011	
	Required	Actual	Required	Actual
Net revenue to debt service	1.25:1	1.62:1	1.25:1	1.72:1
Debt service reserve requirement	$ 4,915	$ 12,769	$ 5,477	$ 12,605
Operating and maintenance reserve requirement	$ 2,710	$ 3,236	$ 2,907	$ 3,326
Renewal and replacement requirement	$ 500	$ 6,634	$ 500	$ 5,562

7. LONG-TERM DEBT (Continued)

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.

- 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, 2012 are as follows:

	Principal	Interest	Total
2013	$ 5,945	$ 2,522	$ 8,467
2014	6,275	2,178	8,453
2015	6,625	1,825	8,450
2016	6,990	1,459	8,449
2017	7,360	1,069	8,429
2018 - 2019	15,950	881	16,831
	$ 49,145	$ 9,934	$ 59,079

8. CAPITAL CONTRIBUTIONS

Of the $98,371 that the Authority is authorized to collect in PFCs, $68,465 and $63,195, respectively, has been collected through December 31, 2012 and 2011. The net of collections, interest and expenditures is recorded as capital contributions.

	2012	2011
Balance - beginning of year	$ 200	$ 10
Collections	5,269	5,147
Interest earnings	1	1
Expended	(5,097)	(4,958)
Balance - end of year	$ 373	$ 200

As of December 31, 2012 and 2011, $373 and $200, respectively, are reflected as restricted net position for passenger facility projects in the statements of net position.

9. CONCENTRATIONS

In 2012, six signatory airlines accounted for approximately 32% and 75% of the landing and rental fee revenues, respectively.

In 2011, six signatory airlines accounted for approximately 39% and 65% of the landing and rental fee revenues, respectively. The same six signatory airlines accounted for approximately 19% of the total accounts receivable in 2011.

Car rental commission revenue is generated from seven agencies, one of which accounted for approximately 24% and 25% of such revenue in both 2012 and 2011.

10. 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.

11. 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:

2013	$	902
2014		904
2015		836
2016		740
2017		654
2018 - 2022		2,199
2023 - 2027		1,934
2028 - 2032		1,333
2033 - 2037		1,095
	$	10,597

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

12. 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 Greater Rochester International Airport. The Authority has the option to renew this contract for up to two additional three year terms, one of which was exercised effective January 1, 2012. 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, 2012 and 2011 were $608 thousand, and $591 thousand, respectively.

Bonadio & Co., LLP
Certified Public Accountants

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 27, 2013

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) as of and for the year ended December 31, 2012, 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 27, 2013.

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