2018 ANNUAL REPORT

An Economic Engine

CREATES & SUSTAINS

10,000 jobs

GENERATES

$295 million in income

CONTRIBUTES

$800 million annually to the local economy

The Greater Rochester International Airport continues to enhance our efforts to attract new investment and more jobs to Monroe County. Thanks to the newly-completed ROC Renovation, travelers from near and far can feel the vibrancy of our community from the moment they step off the plane. Our next-generation Airport is a clear sign that Monroe County is open for business!"

- Cheryl Dinolfo, Monroe County Executive

Economic Development, Trade & Tourism throughout the Region

▲ New ROC Airport Food Court Expansion Bump Outs
A ribbon cutting for the new Animals of the Savannah exhibit at the Seneca Park Zoo.
Phase 1 of a 10 year, $85 million expansion.
A groundbreaking ceremony for a new production facility for American Packaging in Chili

MONROE COUNTY AIRPORT AUTHORITY BOARD

James G. Vazzana, Esq., Chairperson
R. Thomas Flynn, Vice-Chairperson
Susan Keith
John J. Perrone, Jr.
Charles Henry Stuart
Hon. John J. Howland
Hon. Cynthia W. Kaleh
Andrew G. Moore, Administrative Director
Michael E. Davis, Esq., Secretary
Donald L. Crumb, Jr., Esq., Assistant Secretary
Robert Franklin, Treasurer
Maryanne Fedison, Assistant Treasurer

▲County Executive Cheryl Dinolfo unveils completed terminal renovations.
Ribbon Cutting for Airport Passenger Security Checkpoint
Ribbon Cutting for new Flight Deck Diner & Bar at ROC Airport

OUR MISSION

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

"I would like to thank Monroe County Executive Cheryl Dinolfo and the Monroe County Airport Authority for their leadership and guidance during our ROC Renovation project. Their efforts helped create a modern airport that enhances the passenger experience for our business and leisure travelers each day.
ROC truly will serve as the Gateway to the World."

- Andrew G. Moore, Director of Aviation

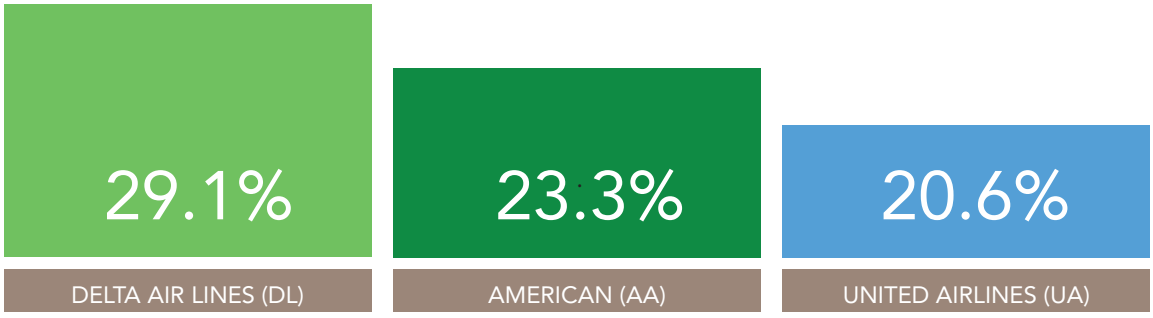
Andrew G. Moore, Director of Aviation
Certified Member, American Association of Airport Executives (AAAE) - July 2012
Treasurer, New York Aviation Management Association (NYAMA)

FACTS & FIGURES

MONTH	ENPLANEMENTS
January	89,012
February	91,691
March	107,777
April	108,161
May	117,556
June	112,539
July	121,371
August	115,854
September	100,068
October	114,121
November	109,024
December	100,547
2018 TOTALS	1,287,721

(Preliminary Calculations: Pending Official FAA 2018 Enplanement Data)

PASSENGER SHARE



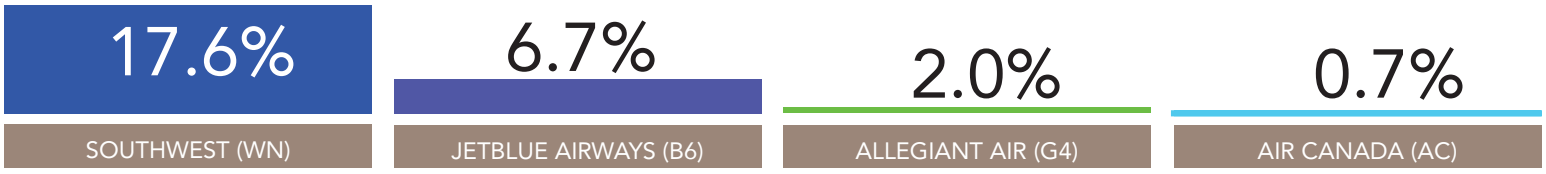
2018 Total Passenger Count increased 6% over 2017.

ROC TOP MARKETS

RANK	DESTINATION	*PDEW	LOAD FACTOR	NON-STOP
1	Orlando - **MCO**	193	82.84%	WN
2	New York - **JFK**	190	77.2%	B6
			78.77%	DL
3	Tampa - **TPA**	138	82.76%	WN
4	Chicago - **ORD**	134	83.31%	AA
			87.85%	UA
5	Atlanta - **ATL**	133	86.33%	DL
6	New York - **LGA**	121	74.68%	DL
7	Charlotte - **CLT**	84	84.15%	AA
8	Washington DC - **DCA**	78	76.67%	AA
9	Denver - **DEN**	76	-	-
10	Newark - **EWR**	73	81.09%	UA

(Ailevon Air Service Consulting, Data based on a 12-month period ending 3Q 2018)
*PDEW= Passengers Daily Each Way

	2017	2018
Load Factors	80.6%	81.5%
Cargo	50,997 tons	52,366 tons
Aircraft Operations	79,821	82,978



August 2018: Southwest announces the continuation of seasonal, non-stop service on select Saturdays in February and March 2019 between ROC and Ft. Myers (RSW), Florida - over 400 more seats for local area snowbirds during the winter.

October 2018: JetBlue announces the addition of new daily, non-stop service between ROC and Boston (BOS). The new BOS service connects ROC travelers to JetBlue's largest market with over 150 daily flights to 53 destinations.

Eighteen Non-Stop Airport Destinations.

ROC EMPLOYEES & OUR BUSINESS PARTNERS

Creating a better passenger experience for all ROC passengers.

Thank you to all our Airport Partners for your patience and cooperation during our renovation.

The team at ID Sign Systems located in Rochester, NY fabricated the new Airport Monument sign placed at the entrance to the Airport on Brooks Avenue.

AVERAGE DOMESTIC AIRFARE COMPARISON

Similar Sized Small Hub Airport

AIRPORT	2018*
Buffalo (BUF)**	**$303**
Reno (RNO)	**$356**
National Average	**$356**
Rochester (ROC)	**$362***
El Paso (ELP)	**$368**
Syracuse (SYR)	**$376**
Tulsa (TUL)	**$387**
Grand Rapids (GRR)	**$393**
Albany (ALB)	**$409**
Birmingham (BHM)	**$439**

Reference: USDOT, Bureau of Transportation Statistics
*3Q 2018; 4Q not released at time of document publication
**Medium Hub Airport.

Average Cost of Airfare from ROC has decreased 42% over the last 20 years.

1998 ($624.17) compared to data through 3Q 2018 ($361.62).
USDOT - Bureau of Transportation Statistics

$79 Million Airport Renovation Project

$39.8 Million NYSDOT Grant
$31.7 Million Passenger Facility Charge (PFC)
$7.1 Million Monroe County Airport Authority (Local Share)
$400,000 FAA Airport Improvement Program (AIP)

ROC competed and was the first airport in New York State to win Governor Andrew Cuomo's Upstate Airport Economic and Revitalization Competition receiving $39.8 Million in State Funds to transform and modernize infrastructure at Airports for the 21st Century.

ROC Renovation transformed and enhanced the terminal, inside and out, to create a 21st Century, high-tech smart facility that best serves the business and economic needs of travelers. The project resulted in creating a better passenger experience for those in the Finger Lakes Region through the implementation of technologies not used at airports before.

▲Dunkin Donuts & Subway New Location, World Video Game Hall of Fame, Food Court Bump-Out

Terminal Access, Landscape & Approach

- New, lighted, large airport monument sign from Brooks Avenue (State Route 204) to the Terminal Exit
- Energy efficient LED street light fixtures
- Updated terminal way finding signage for car rental return, departures, arrivals and parking facilities
- New Smart Phone Lot located prior to reaching the terminal – reduced traffic congestion at curb. Lot contains ample parking, electric vehicle charging stations, free Wi-Fi and a large LED flight information display screen with up-to-date flight arrival information and the opportunity to provide airport messaging.

Airport Entrance Canopy

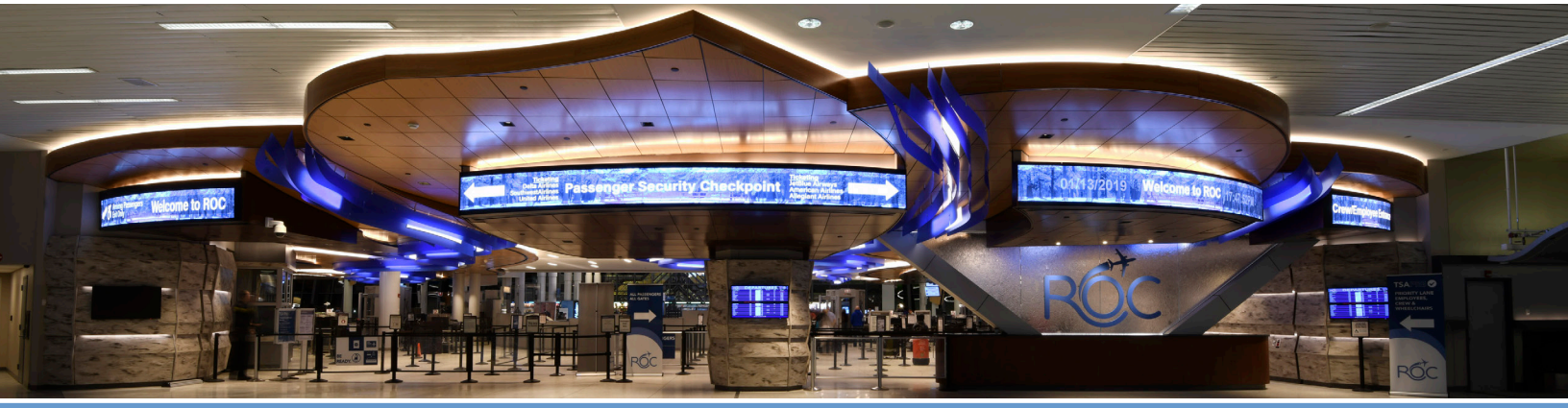
- Locally designed and engineered terminal entrance canopy between the parking garage and the terminal installed to provide full coverage of the departure and arrivals roadway at curbside.
- Architectural elements from the community brought into the design creates new face of ROC Airport
- 87,000 square feet, 1,050 tons of US made Steel covered with tensile fabric
- Sustainability elements include solar panels and a rainwater collection system used to irrigate landscaping
- 367 LED color lighting array units and over 2,200 white LED lights used to create beautiful and varying designs for seasons, holidays and remembrance
- Implementation of facial recognition technology for enhanced safety and security
- Reduction of operations and maintenance labor and costs related to snow removal

▲New Canopy with LED Lighting, Entry to Canopy

Don Cochran Photography

21st Century "Smart" Terminal Renovations

- Transformed previously aging 30 year old facility in to a high-tech airport.
- Redesigned six-lane passenger security checkpoint; 40% larger than the previous checkpoint to allow more space for passenger queuing, enplanement growth, maneuvering carry-on luggage and extra space for passengers who use wheelchairs, strollers etc.
- Reduction of entry points to the secure side of the Airport through streamlining concourse wayfinding to a central arrivals exit with creation of new passenger arrivals greeting area
- HVAC System Improvements to allow for web based management of energy for better cost control measures
- Installation of 8 Facial Recognition Cameras and 26 object left behind cameras to alert local law enforcement with video recording capabilities and database subscription crosscheck
- Digital LED signage screens throughout the facility to assist with passenger way finding and visual messaging of overhead terminal pages
- Visual cueing with Smart LED lighting paired with Flight Information Display (FIDS) systems that uses colored lighting to communicate inactive gates, active gates, overhead messaging, boarding and emergency messaging
- Sign Language - to – Voice Technology at each passenger point of sale (airline ticketing counters, car rental counters, food & beverage concessions etc.) that converts American Sign Language by interpreting hand movement and translating it into voice or text for the service agent on a tablet for two-way communication
- Installation of over 1,000 new power outlets throughout the facility for device charging
- Expanded food court; enhanced food and beverage concessions with new shared lounge space complete with floor to ceiling glass windows overlooking the airport north ramp for aircraft viewing
- Creation and deployment of the Airport's own Passenger Information Network called ROCview accessible, for free to passengers over the terminal's Wi-Fi that allows passengers to view in REAL time, from anywhere in the terminal on their personal device or mounted tablets, LIVE gate cameras to view activity remotely without having to feel as if you need to sit within viewing distance of your gate.
- Hearing Loops for deaf and hearing impaired passengers installed in zones throughout the terminal using a specially-designed amplifier, which is connected to the terminal public address system and to a wire that is embedded in the floor. An electrical current is sent through the wire resulting in the generation of an electromagnetic field received by a tele coil or t-coil feature installed in a passenger's hearing aid or cochlear implant for delivery of messages free of background noise or disruptions.
- Counter Loop installation at each passenger point of sale (airline ticketing counters, car rental counters, food & beverage concessions etc.) that captures the sound of a customer service agent speaking, amplifies it and delivers a wireless signal to a passenger's hearing aid via their t-coil.
- Improved free terminal Wi-Fi for passengers that increased the 3GB bandwidth to 50GB bandwidth to allow for more simultaneous users and at increased speeds.
- Business Center capabilities for ticketed and non-ticketed passengers and companies



▲Security Checkpoint

James Montanus Photography

▲Arrival Greeting Area

▲Central Exit

James Montanus Photography

▲Arrival Greeting Area

James Montanus Photography

▲Food Court Expansion

James Montanus Photography

▲Gusto, Taste of Rochester

James Montanus Photography

▲Flight Deck Diner & Bar

James Montanus Photography

Innovative Technology Improvements

- Hearing Loops & Counter Loops
- Sign Language – to – Voice/Text Technology
- Smart LED Gate Lighting tied into Flight Information Display (FIDS) Messaging
- Facial Recognition & Object Left Behind Technology
- Airport Network ROCview with Gate Camera's viewable from anywhere in Terminal

Project Awards & Recognition

- American Association of Airport Executives (AAAE)
  2018 Most Innovative Small Hub Airport in the Nation
- American Council of Engineering Companies (ACEC) New York
  2019 "Platinum" Award, Category – Transportation
- American Public Works Association (APWA) Genesee Valley Chapter, New York
  2019 Structural Project of the Year Award
- Hearing Loss Association of America (HLAA)
  Advocacy Award 2018
- Passenger Terminal Expo 2019, London
  ROC Airport, the only small hub Airport in the Nation selected to present

▲Smart LED Gate Lighting, ROC view, Hearing Loop & Counter Loops

James Montanus Photography

▲Main Food Court

James Montanus Photography

Project Partners – 20 bid packages, 14 prime contractors, 50 subcontractors – 882 jobs created as part of the ROC Airport Terminal Revitalization Project.

ROC
RENOVATION
Puppy Raiser

SOUTHWEST

VIETNAM VET

AIRPORT GAMES
Wegmans
LIFETIME ASSISTANCE
AIRPORT 5K
1993
358
1992
310
309
1998
345

ROC PAYS IT FORWARD

Career Days

Community Outreach

Airport Tours

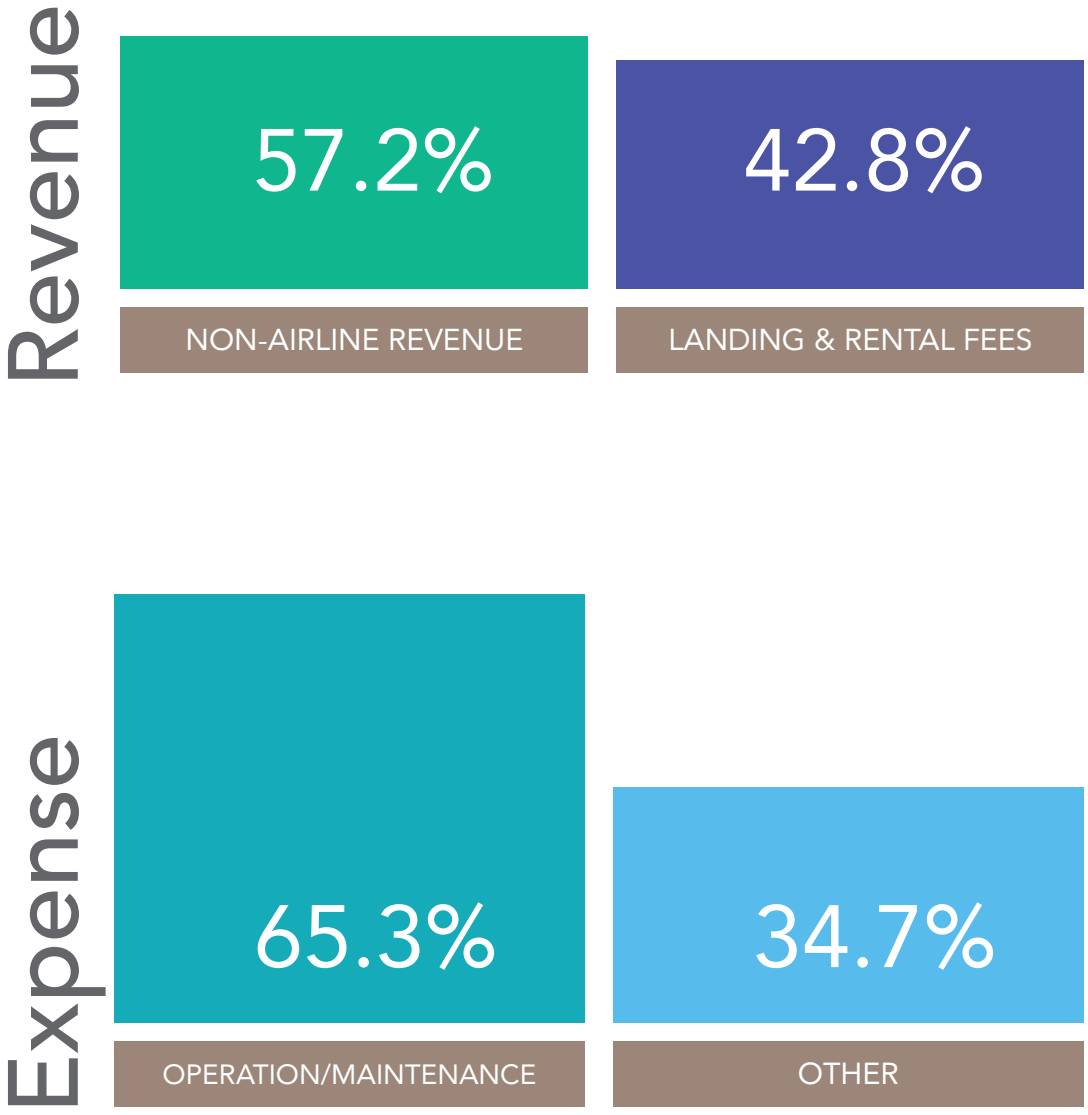
Scout Sleepovers

Honor Flight Rochester Mission #58-63

19th Annual Lifetime Assistance Airport Games

Guiding Eyes for the Blind

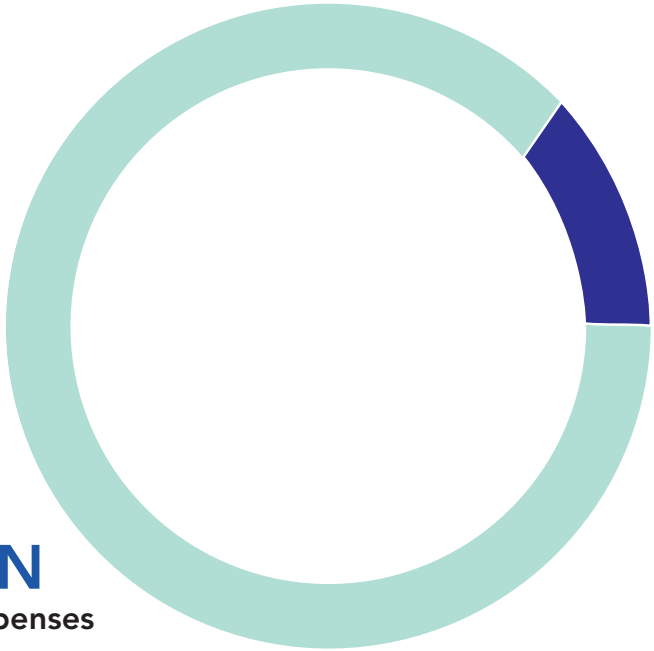
OPERATING


Revenue
57.2%
42.8%
NON-AIRLINE REVENUE
LANDING & RENTAL FEES
Expense
65.3%
34.7%
OPERATION/MAINTENANCE
OTHER

OPERATIONS

	2018	2017
Operating Revenue	$31.8 million	$30.6 million
Operating Expenses	$26.6 million	$25.2 million
Cost per Enplanement	$8.47	$9.43
Terminal Base Rental Rate	$20.82	$28.39

Total Annual Financial Requirement



$4.8 MILLION
Non-Operating Expenses

$26.6 MILLION
Operating Expenses

71 Years of Operation
7 Airlines
18 Airport Destinations
30,327 Seats Per Week
Millions Invested

...more to come in 2019

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

Financial Statements
As of December 31, 2018 and 2017
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)

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 27, 2019

To the Members of
Monroe County Airport Authority:

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, 2018 and 2017, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2018 and 2017, 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 of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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, 2019, 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 solely 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 the effectiveness of the Authority's 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, 2018 and 2017. 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 $25.0 million at December 31, 2018, a $1.7 million or 6.4% decrease from 2017. Restricted net position is $4.8 million or 19.1% of total net position. Restricted net position represents resources that are available for a specific purpose as imposed by creditors, grantors, contributors, laws or regulations. Unrestricted net position is $20.6 million and may be used to meet the Authority's obligations. Unrestricted net position decreased $258 thousand or 1.2% from 2017.

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

	2018	2017	2016
ASSETS			
Current	$ 13,734	$ 14,328	$ 13,632
Noncurrent	13,971	17,045	15,337
Capital	9,851	14,501	19,013
Total assets	37,556	45,874	47,982
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	50	149
LIABILITIES			
Other	2,367	3,236	2,818
Long-term debt	10,190	15,969	23,366
Total liabilities	12,557	19,205	26,184
NET POSITION			
Net investment in capital assets	(339)	(1,468)	(4,353)
Restricted	4,775	7,366	6,025
Unrestricted	20,563	20,821	20,275
Total net position	$ 24,999	$ 26,719	$ 21,947

Assets and Liabilities
Cash and cash equivalents, a significant part of current assets, totaled $13.0 million at December 31, 2018, a decrease of $97 thousand from 2017. Accounts receivable has decreased by $497 thousand or 39.2% over 2017 due primarily to an increase in the allowance for doubtful accounts of $450 thousand. In 2018, the overall final adjustment to the signatory airlines and car rental companies resulted in a refund of approximately $528 thousand which was reclassified to accounts payable for reporting purposes. The 2017 final adjustment also resulted in a reclassification of $432 thousand. In 2017, accounts receivable increased $154 thousand or approximately 13.8% over 2016 due to delayed collection of payments from a significant customer. 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 2018 and 2016, total operating revenues have consistently exceeded total operating expenses. In 2018, non-operating expenses increased by $2.3 million or by 87.9% primarily due to an increase in the local share of capital projects paid by the Authority. In 2017, non-operating expenses decreased by $1.1 million or by 29.3% primarily due a decrease in the local share of capital projects paid by the Authority and a decrease in interest expense. 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

	2018	2017	2016
OPERATING REVENUES:			
Landing and rental fees	$ 13,621	$ 14,007	$ 14,304
Commissions	13,038	11,989	11,909
Other	5,158	4,569	4,263
Total operating revenues	31,817	30,565	30,476
OPERATING EXPENSES:			
Operating and maintenance-Monroe County	17,404	16,420	15,814
Rent-Monroe County and other	4,531	4,054	3,926
Depreciation and amortization	4,700	4,698	4,694
Total operating expenses	26,635	25,172	24,434
OPERATING INCOME	5,182	5,393	6,042
NON-OPERATING EXPENSES	(4,843)	(2,577)	(3,644)
Income (loss) before capital contributions	339	2,816	2,398
CAPITAL CONTRIBUTIONS, net	(2,059)	1,956	377
CHANGE IN NET POSITION	$ (1,720)	$ 4,772	$ 2,775

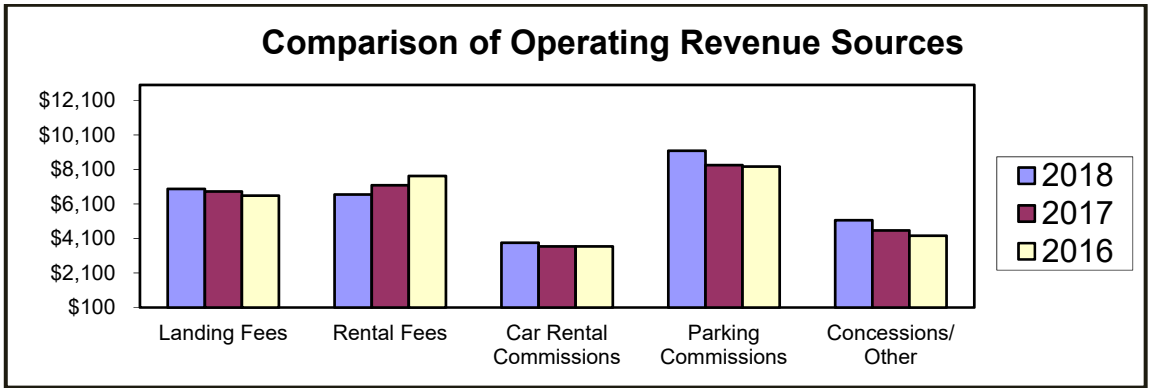
FINANCIAL ANALYSIS

Operating Revenues

In 2018, operating revenues increased by $1.3 million or 4.1% from 2017. The net result of the increase was due primarily to an increase in landing fees of $153 thousand or 2.2% over 2017; a decrease in rental fees of $539 thousand or 7.5% over 2017; an increase in car rental commissions of $211 thousand or 5.8% over 2017; an increase in parking commissions of $838 thousand or 10.0%; and an increase in concession and other revenues of $589 thousand or 12.9%. The increases in landing fees and rental car commissions was primarily the result of the increase in enplanements in 2018. 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 is due to both an increase in enplanements and the small rate increase in the parking garage and weekly parking lot that was effective in October 2017. The increase in concession and other revenues was due to higher fees collected for glycol and fuel flowage fees along with $258 thousand in additional revenue from the operation of two transportation network companies (TNCs), Uber and Lyft.

Comparatively, in 2017, operating revenues increased by $89 thousand or 0.3% from 2016. The net result of the increase was due primarily to an increase in landing fees of $237 thousand or 3.6% over 2016; a decrease in rental fees of $534 thousand or 6.9% over 2016; an increase in parking commissions of $80 thousand or 1.0%; and an increase in concession and other revenues of $306 thousand or 7.2%. The increase in landing fees was primarily the result of higher airfield costs due to greater overtime costs for Crash/Fire/Rescue attributable to staff vacancies. 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 a small rate increase in the parking garage and weekly parking lot that was effective in October 2017. The increase in concession and other revenues was due to higher security charges collected from airlines for the 100% employee screening program that was in place for all of 2017, along with $113 thousand in new revenue from the operation of two transportation network companies (TNCs), Uber and Lyft. New York State passed legislation effective June 29, 2017, authorizing rideshare companies to begin service in Upstate New York. Lyft began service on July 2, 2017 and Uber followed on August 28, 2017.

The comparison of operating revenue sources is provided below.



	Landing Fees	Rental Fees	Car Rental Commissions	Parking Commissions	Concessions / Other
2018	$ 6,974	$ 6,647	$ 3,850	$ 9,188	$ 5,158
2017	$ 6,821	$ 7,186	$ 3,639	$ 8,350	$ 4,569
2016	$ 6,584	$ 7,720	$ 3,639	$ 8,270	$ 4,263

FINANCIAL ANALYSIS (Continued)

Non-Operating Revenue
The primary source of this category is interest earnings totaling $94 thousand in 2018, $38 thousand in 2017, and $38 thousand in 2016. The increase in interest earnings in 2018 is due to an increase in interest rates from 2017.

Operating Expenses
In 2018, operating and maintenance expenses increased by $985 thousand or 6.0% when compared to 2017. Expenses were higher in 2018 in the areas of fleet maintenance, interdepartmental charges for security and law services, and higher utility costs. Increases were also seen in building and equipment maintenance costs.

Comparatively, in 2017, operating and maintenance increased by $606 thousand or 3.8% when compared to 2016. Expenses were higher in 2017 in the areas of maintenance costs for passenger loading bridges and baggage handling equipment. In addition, costs were greater in 2017 for snow removal and salting. Increases were also seen for the costs of utilities in the buildings for 2017.

In 2018, rent to the County of Monroe (the County) increased by $150 thousand or 8.0%, and in 2017, rent decreased by $162 thousand or 7.9%. The increase in 2018 was due to higher debt service cost associated with current and prior capital projects at the Airport including interest of $231 thousand incurred for short term borrowing during the Upstate Airport Economic Development and Revitalization Initiative. For 2017, the decrease was due to lower debt service costs associated with current and prior capital projects at the Airport. Depreciation and amortization of capital projects experienced no significant change from 2016 to 2018.

Non-Operating Expenses
Non-operating expenses in 2018 include the Authority's local share of capital projects reimbursed to the County of $3.9 million, an increase of 134.8% from 2017. The 2017 local share reimbursed decreased $1.7 million (27.4%) from 2016. 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):

	2018	2017	2016
Airport Revitalization and Redevelopment	$ 3,075	$ 503	$ -
Parking Improvements	375	261	650
Taxiway and Other Airfield Improvements	202	492	265
Facility Improvements	189	435	584
Land Acquisition	96	-	-
Environmental Improvements	5	4	2
Circulation Improvements	-	14	327
Green Energy Initiatives	-	11	171
Snow Removal and Other Equipment	-	1	766
Planning and Feasibility	-	-	19
Runway 4/22, 7/25 and 10/28 Rehabilitation	-	(42)	(472)
Total	$ 3,942	$ 1,679	$ 2,312

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 ($42) in 2017 and ($472) in 2016 are a result of local share reimbursed to the Authority from the County for outstanding federal funding received.

FINANCIAL ANALYSIS (Continued)

Non-Operating Expenses (Continued)
Non-operating expenses for 2018 also include an increase of $450 thousand for bad debt expense. In March of 2019, the Authority terminated a contract with its advertising concessionaire for non-compliance with terms and conditions and will likely be subject to litigation.

CAPITAL ASSETS

For each of the years ended December 31, 2018, 2017 and 2016 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 $4.7 million (32.1%) in 2018; $4.5 million (23.7%) in 2017; and $4.3 million (18.4%) in 2016.

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 2018, $1.9 million in 2017, and $2.0 million in 2016.

Purchases and Retirements
Airport facilities improvements are planned and funded through the County's Capital Improvement Program. In 2018, the Authority invested $107 thousand in facility improvements and retired $294 thousand in assets that had accumulated depreciation of $237 thousand. In 2017, the Authority invested $191 thousand in facility improvements and retired $202 thousand in assets that had accumulated depreciation of $197 thousand. Year-end total cost was $127.2 million, $127.4 million and $127.4 million at December 31, 2018, 2017, and 2016, respectively (See Table A-3).

Summary of Capital Assets
Table A-3

	Cost	Accumulated Depreciation	Net
December 31, 2016	$ 127,385	$ (108,372)	$ 19,013
Increases	191	(4,698)	(4,507)
Decreases	(202)	197	(5)
December 31, 2017	127,374	(112,873)	14,501
Increases	107	(4,700)	(4,593)
Decreases	(294)	237	(57)
December 31, 2018	$ 127,187	$ (117,336)	$ 9,851

DEBT ADMINISTRATION

The Authority has long-term debt outstanding of $10.2 million in 2018, $16.0 million in 2017, and $23.4 million in 2016. Principal payments, net of unamortized bond discount and deferred amounts were $7.8 million in 2018, $7.4 million in 2017, and $7.0 million in 2016.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2018, 2017 and 2016 decreased by $5.8 million in 2018, $7.4 million in 2017, and $7.0 million in 2016. 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. In addition, in October 2018, the Authority issued $2.0 million in new Airport revenue bonds with a five-year life for general aviation related projects.

DEBT ADMINISTRATION (Continued)

Summary of Long-Term Debt
Table A-4

	2018	2017	2016
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	$ 6,330	$ 12,300	$ 17,945
Serial Bonds, issued in 2004, which refunded 1993 bonds	1,860	3,650	5,365
Serial Bonds, issued in 2018	2,000	-	-
Unamortized premium on bonds	-	23	68
Unamortized bond discount	-	(4)	(12)
Total long-term debt	$ 10,190	$ 15,969	$ 23,366

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

AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS

Passenger Activity
In 2018, total scheduled airline passengers (enplanements and deplanements) at the Greater Rochester International Airport (ROC) increased 6.1% as compared to 2017. Nationwide in 2018, aviation industry load factors were high; likewise, for ROC load factors remained high at 81.5%. 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 84th nationally.

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

Ticketed Passenger Activity

Year	Enplanements (Departing)	Deplanements (Arriving)	Total Passengers
2018	1,287,721	1,282,521	2,570,242
2017	1,212,654	1,210,476	2,423,130
2016	1,197,742	1,194,396	2,392,138

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 2018, a total of $5.6 million in PFC's were collected from airline passengers. The Authority contributed $7.7 million to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of ($2.1 million) as shown in Table A-2. In 2017, a total of $4.6 million in PFC's were collected from airline passengers. The Authority contributed $2.7 million to the County towards the cost of capital improvements at the Airport resulting in a Capital Contribution, net of $2.0 million as shown in Table A-2. 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 towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of $377 thousand as shown in Table A-2. A description of PFC's is provided in Note 2 of the financial statements, Passenger Facility Charges.

AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS (Continued)

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 through 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. In 2018, the Authority completed contract negotiations with the Airlines and executed a new five-year agreement with the Airlines effective January 1, 2019 and expiring December 31, 2023. 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 has been the only airline to take advantage of the incentive program. In 2017, Allegiant launched a new non-stop flight, twice weekly to an unserved Florida market – Punta Gorda (PGD) and continued service to Orlando/Sanford (SFB) after the incentive period for that destination ended in November 2017. No additional airlines took advantage of this program during 2018. Fees waived for 2018 were $128 thousand for landing, terminal and operation fees; however, this was offset by collections of $55 thousand in PFC revenue and additional revenue for concessions and parking from those passengers. In 2017, fees waived were $276 thousand for landing, terminal and operation fees and marketing funds, however this was offset by collections of $82 thousand in PFC revenue and additional concession and parking revenues.

Construction Projects

In October 2018, the Authority completed the $79 million terminal transformation that was part of the New York State Upstate Airport Economic Development and Revitalization Initiative. Key project components included: Airport Access and Approach, Terminal Entrance Canopy, Smart Terminal Enhancements and Business/Technology Incubator Study.

Lease and Operating Agreement with Monroe County

The Authority's Lease and Operating Agreement with the County was set to expire on January 30, 2019, 30 days following the final payment of the Authority's bonds. However, on October 1, 2018 the Authority issued a $2,000,000 revenue bond with a five-year payment term, extending the expiration date of the Authority’s Lease and Operating Agreement with the County to November 1, 2023.

2019 BUDGET

The Authority’s 2019 budget has been approved and contains no significant changes from the operational results for 2018. 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.

SUBSEQUENT EVENTS

The Authority is party to a number of vendor contractual agreements. Certain arrangements call for reimbursement or recoveries of commissions or fees collected. The Authority exercised its contractual right on March 1, 2019 to terminate its internal advertising agency. The allowance for doubtful accounts was increased from $100 thousand in 2017 to $550 thousand in 2018 to reflect the increased risk of collectability on outstanding receivables. The Authority intends to enter into a new advertising agency arrangement whereby maintaining the revenue stream throughout 2019 and beyond.

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, 2018 AND 2017
(000's OMITTED)

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,964	$ 13,061
Accounts receivable - net of allowance for doubtful accounts of $550 in 2018 and $100 in 2017	770	1,267
Total current assets	13,734	14,328
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	5,558	7,256
Cash and investments, which are restricted funds held by trustee - principal and interest fund	8,413	9,789
Capital assets, net	9,851	14,501
Total noncurrent assets	23,822	31,546
Total assets	37,556	45,874
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	-	50
Total deferred outflows of resources	-	50
CURRENT LIABILITIES:		
Current maturities of long-term debt	8,575	7,760
Accounts payable	673	631
Unearned revenue	247	319
Due to Monroe County	546	1,115
Other liabilities	458	479
Accrued interest on bonds	234	434
Security deposits	209	258
Total current liabilities	10,942	10,996
LONG-TERM DEBT, net of current portion	1,615	8,209
Total liabilities	12,557	19,205
NET POSITION:		
Net investment in capital assets	(339)	(1,468)
Restricted -		
For debt service	819	1,595
For passenger facility projects	344	2,403
For other debt compliance	3,612	3,368
Unrestricted	20,563	20,821
Total net position	$ 24,999	$ 26,719

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, 2018 AND 2017
(000's OMITTED)

	2018	2017
OPERATING REVENUES:		
Landing fees	$ 6,974	$ 6,821
Rental fees	6,647	7,186
Car rental commissions	3,850	3,639
Parking commissions	9,188	8,350
Concessions	5,102	4,493
Other	56	76
Total operating revenues	31,817	30,565
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	17,404	16,420
Rent - Monroe County	2,031	1,881
Depreciation and amortization of capital assets	4,700	4,698
Other	2,500	2,173
Total operating expenses	26,635	25,172
Operating income	5,182	5,393
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	94	38
Interest expense	(457)	(869)
Loss on capital assets	(57)	(5)
Amortization of bond premiums and deferred amounts	(31)	(62)
Bad debt expense	(450)	-
Local share of capital projects - Monroe County	(3,942)	(1,679)
Total non-operating expenses	(4,843)	(2,577)
Income before capital contributions	339	2,816
CAPITAL CONTRIBUTIONS, net	(2,059)	1,956
CHANGE IN NET POSITION	(1,720)	4,772
NET POSITION - beginning of year	26,719	21,947
NET POSITION - end of year	$ 24,999	$ 26,719

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, 2018 AND 2017
(000's OMITTED)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 31,743	$ 30,350
Cash paid to suppliers	(22,483)	(19,690)
Net cash flow from operating activities	9,260	10,660
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(107)	(191)
Capital contributions, net	(2,059)	1,956
Proceeds from issuance of long-term debt	2,000	-
Payment of bond principal	(7,760)	(7,360)
Payment of bond interest expense	(657)	(1,069)
Deposits into trustee principal and interest fund	(8,413)	(9,789)
Withdrawal from trustee principal and interest fund	9,789	10,325
Local share of capital projects - Monroe County	(3,942)	(1,679)
Net cash flow from capital and related financing activities	(11,149)	(7,807)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	94	38
Net cash flow from investing activities	94	38
CHANGE IN CASH AND CASH EQUIVALENTS	(1,795)	2,891
CASH AND CASH EQUIVALENTS - beginning of year	20,317	17,426
CASH AND CASH EQUIVALENTS - end of year	$ 18,522	$ 20,317
CLASSIFIED AS:		
Cash and cash equivalents	$ 12,964	$ 13,061
Restricted cash and cash equivalents	5,558	7,256
Total cash and cash equivalents	$ 18,522	$ 20,317
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	$ 5,182	$ 5,393
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,700	4,698
Bad debt expense	(450)	-
Changes in:		
Accounts receivable	497	(154)
Unearned revenue	(72)	(47)
Due to (from) Monroe County	(569)	1,220
Other current liabilities	(28)	(450)
Net cash flow from operating activities	$ 9,260	$ 10,660

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 as a discretely presented component unit. 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 $10 thousand and a useful life greater than two years. 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 expired 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:

Rate	Effective Date	FAA Approved
$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
$4.50	May 1, 2025	May 2018

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.

Accounts Receivable

The Authority accounts for receivables at outstanding billed amounts, net of the allowance for uncollectible amounts. Accounts for which no payments have been received for one year are considered delinquent and further collection efforts are begun. After the collection efforts are exhausted, the account is written off. As of December 31, 2018 and 2017, the allowance for uncollectible accounts was $550,000 and $100,000, respectively, which is estimated based on historical collection experience. In 2018, there was an increase in the allowance and bad debt expense was recorded due to the collection of a significant receivable balance of approximately $450,000 becoming uncertain.

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.

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, 2018 and 2017 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2018 and 2017 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:

	2018	2017
Money Market	$ 15,361	$ 17,277

At December 31, 2018 and 2017, 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:

	2018	
	Carrying Amount	Bank Balance
Demand deposits	$ 3,161	$ 3,293
Time deposits	15,361	15,361
Total cash and investments	$ 18,522	$ 18,654
Insured cash - FDIC		$ 1,332
Uninsured - collateralized with securities held by pledging financial institution		17,650
Total insured and collateralized cash and cash equivalents		$ 18,982

	2017	
	Carrying Amount	Bank Balance
Demand deposits	$ 3,034	$ 3,035
Time deposits	17,283	17,283
Total cash and investments	$ 20,317	$ 20,318
Insured cash - FDIC		$ 1,227
Uninsured - collateralized with securities held by pledging financial institution		19,439
Total insured and collateralized cash and cash equivalents		$ 20,666

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, 2018 or 2017, or both:

	2018	2017
M&T	$ 16,904	$ 17,892
Bank of America	$ 1,392	$ 2,218

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:

	2018	2017
Cash	$ 8,413	$ 8,194
U.S. Treasury Bills	-	1,595
	$ 8,413	$ 9,789

United States Treasury bills are considered level 1 investments. The Authority has the following recurring fair value measurements as of December 31, 2017:

- U.S. Treasury securities of $1.6 million in 2017 were 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 was set to expire thirty (30) days after repayment of the Airport revenue bonds, which were repaid on January 1, 2019. However, in October 2018, MCAA issued $2.0 million in new Airport revenue bonds with a five-year life with a final maturity date of October 1, 2023 that extends the term of the lease. Amounts due to/from Monroe County represent the net balances pursuant to the agreement.

Rent Expense
The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2018 and 2017, the rental payments totaled $2,031 and $1,881, respectively. Estimated future minimum rental payments are as follows at December 31:

2019	$ 2,195
2020	1,436
2021	1,401
2022	1,214
2023	1,185
2024 - 2028	4,932
2029	713
	$ 13,076

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

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

Rent Expense (Continued)
In addition, the County issued a Bond Anticipation Note (BAN) on June 26, 2018 for $28,385,000. The County anticipates it will convert the BAN to a long-term serial bond at a future date yet to be determined. The impact on the future minimum rental payments will be determined once the conversion to a long-term bond is secured. 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 2018 and 2017, the Authority did not receive advances from the County, and therefore no interest payments were made in 2018 or 2017.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	$ 498	$ -	$ -	$ 498
Capital assets, being depreciating or amortized:				
Buildings and other facility equipment	123,919	-	(38)	123,881
Office furniture and equipment	2,021	107	(256)	1,872
Transportation equipment	936	-	-	936
Total capital assets, being depreciated or amortized	126,876	107	(294)	126,689
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(110,827)	(4,434)	14	(115,247)
Office furniture equipment	(1,439)	(175)	223	(1,391)
Transportation equipment	(607)	(91)	-	(698)
Total accumulated depreciation	(112,873)	(4,700)	237	(117,336)
Capital assets being depreciated or amortized, net	14,003	(4,593)	(57)	9,353
Capital assets, net	$ 14,501	$ (4,593)	$ (57)	$ 9,851

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	$ 498	$ -	$ -	$ 498
Capital assets, being depreciating or amortized:				
Buildings and other facility equipment	123,909	10	-	123,919
Office furniture and equipment	1,927	111	(17)	2,021
Transportation equipment	1,051	70	(185)	936
Total capital assets, being depreciated or amortized	126,887	191	(202)	126,876
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(106,392)	(4,435)	-	(110,827)
Office furniture equipment	(1,270)	(181)	12	(1,439)
Transportation equipment	(710)	(82)	185	(607)
Total accumulated depreciation	(108,372)	(4,698)	197	(112,873)
Capital assets being depreciated or amortized, net	18,515	(4,507)	(5)	14,003
Capital assets, net	$ 19,013	$ (4,507)	$ (5)	$ 14,501

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, 2018 and 2017 was $0 and $4, respectively.

The Series 2004 Bonds maturing after January 1, 2018, 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.

Series 2018 Bond
In October 2018, the Authority issued Bonds to provide funding for general aviation and airport infrastructure improvements. This debt issuance extended the expiration date of the Authority's Lease and Operating Agreement with the County to November 1, 2023.

The 2018 Series Bonds are subject to redemption prior to maturity at the option of the Authority as a whole or in part on any date at par, together with the interest accrued thereon to the date fixed for redemption.

Deferred Outflows of Resources
As a result of the bond refundings described above, $0 and approximately $50 was recognized as a deferred outflow of resources at December 31, 2018 and 2017, respectively. The deferred outflows of resources were being amortized over the remaining length of the bonds with the final amortization occurring in 2017.

Amortization in 2018 and 2017 was $50 and $99, respectively.

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2018 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 an annual amount of $6,330 in 2019 bearing interest paid semi-annually at 5.875%	$ 12,300	$ -	$ (5,970)	$ (6,330)	$ -
Bonds issued as part of the 2004 refunding: Serial bonds maturing in an annual amount of $1,860 in 2019 bearing interest paid semi-annually 5.25%	3,650	-	(1,790)	(1,860)	-
Add: Premium on bond	23	-	(23)	-	-
Less: Bond discount	(4)	-	4	-	-
Bonds issued as part of the 2018 series: Serial bonds maturing in annual amounts ranging from $385 to $415 from 2019 to 2023 bearing interest paid semi-annually at 1.93% to 2.37%	-	2,000	-	(385)	1,615
Long-term debt	$ 15,969	$ 2,000	$ (7,779)	$ (8,575)	$ 1,615

Bond activity for the year ended December 31, 2017 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 $5,970 to $6,330 from 2018 to 2019 bearing interest paid semi-annually at 5.750% to 5.875%	$ 17,945	$ -	$ (5,645)	$ (5,970)	$ 6,330
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from $1,790 to $1,860 from 2018 to 2019 bearing interest paid semi-annually at 4.000% to 5.250%	5,365	-	(1,715)	(1,790)	1,860
Add: Premium on bond	68	-	(45)	-	23
Less: Bond discount	(12)	-	8	-	(4)
Long-term debt	$ 23,366	$ -	$ (7,397)	$ (7,760)	$ 8,209

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:

	2018		2017	
	Required	Actual	Required	Actual
Net revenue to debt service	1.25:1	1.36:1	1.25:1	1.44:1
Debt service reserve requirement	$ 819	$ 8,413	$ 1,595	$ 9,789
Operating and maintenance reserve requirement	$ 3,112	$ 3,288	$ 2,868	$ 3,188
Renewal and replacement requirement	$ 500	$ 1,259	$ 500	$ 927

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.

For the years ended December 31, 2018 and 2017, interest expense was $457 and $869, respectively. Cash paid for interest was $657 and $1,069, during the years ended December 31, 2018 and 2017.

Maturities of revenue bonds for the fiscal years after December 31, 2018 are as follows:

	Principal	Interest	Total
2019	$ 8,575	$ 266	$ 8,841
2020	390	36	426
2021	400	28	428
2022	410	19	429
2023	415	10	425
	$ 10,190	$ 359	$ 10,549

7. CAPITAL CONTRIBUTIONS

Of the $159,990 that the Authority is authorized to expend in PFCs, $99,016 and $91,365, respectively, has been expended cumulatively through December 31, 2018 and 2017. The net amount of annual collections, interest and expenditures is recorded as capital contributions.

	2018	2017
Balance - beginning of year	$2,403	$ 447
Collections	5,593	4,631
Expended	(7,652)	(2,675)
	(2,059)	1,956
Balance - end of year	$ 344	$2,403

As of December 31, 2018 and 2017, $344 and $2,403, respectively, are reflected as restricted net position for passenger facility projects in the statements of net position.

8. LEASE AGREEMENTS

The Authority maintains certain noncancelable 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:

2019	$ 964
2020	725
2021	720
2022	720
2023	720
2024-2028	2,398
2029-2033	1,227
2034-2037	748
	$ 8,222

The above schedule presumes that the Authority's lease with the County will continue beyond the current expiration date, which is October 1, 2023.

9. MANAGEMENT AGREEMENT

On January 1, 2018, 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. 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 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, 2018 and 2017 were $793 and $671, respectively.

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.

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, 2019

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, 2018, 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, 2019.

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

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

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

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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.

Bonadio & Co., LLP