

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of
Monroe, New York)

Financial Statements As of
December 31, 2022
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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INDEPENDENT AUDITOR’S REPORT

March 29, 2023

To the Board of Directors of the
Monroe County Airport Authority

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Authority's lease agreement with Monroe County, New York (the County) was set to expire thirty (30) days after repayment of the Airport revenue bonds, which were repaid on January 1, 2019. 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. Management is currently working on a plan to issue further debt and extend the lease with the County. Our opinion is not modified with respect to that matter.

Responsibilities of Management For the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities For the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 29, 2023, 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.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Management’s Discussion and Analysis (Unaudited)
December 31, 2022

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 year ended December 31, 2022. 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 Change 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 outflow of resources, and liabilities of the Authority. The Authority’s assets exceeded liabilities by \$28,736,310 at December 31, 2022, a \$5,476,142 or 23.5% increase from 2021. Restricted net position is \$104,305 or .4% 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 \$25,127,487 and may be used to meet the Authority’s obligations.

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

Condensed Statements of Net Position
Table A-1

	<u>2022</u>	(Restated) <u>2021</u>
ASSETS:		
Current	\$ 29,115,685	\$ 25,062,287
Noncurrent	16,275,499	17,591,947
Capital	<u>3,421,747</u>	<u>4,979,688</u>
Total assets	<u>48,812,931</u>	<u>47,633,922</u>
LIABILITIES:		
Other	2,482,794	3,916,891
Long-term debt	-	415,000
Noncurrent	<u>592,043</u>	<u>999,792</u>
Total liabilities	<u>3,074,837</u>	<u>5,331,683</u>
DEFERRED INFLOWS OF RESOURCES:		
Leases	<u>17,001,784</u>	<u>19,042,071</u>
Total deferred inflows of resources	<u>17,001,784</u>	<u>19,042,071</u>
NET POSITION:		
Net investment in capital assets	3,504,518	4,154,688
Restricted	104,305	38,006
Unrestricted	<u>25,127,487</u>	<u>19,067,474</u>
Total net position	<u>\$ 28,736,310</u>	<u>\$ 23,260,168</u>

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Assets and Liabilities

Total assets are \$48,812,931 at year end, an increase of \$1,179,009 or 2.5% from the prior year. This increase is primarily due to the increase in current assets of \$4,053,398 or 16.2% from the prior year. Major components of current assets include cash and cash equivalents, investments, accounts receivable, accrued interest, lease receivable, and due from Monroe County. Total cash and cash equivalents and investments, the largest component of current assets, totaled \$23,979,264 at December 31, 2022, an increase of \$4,608,347 or 23.8% from 2021. In 2022, as interest rates began to rise, MCAA began investing in Treasury Bills, with investments totaling \$16,860,142 at December 31, 2022. Accounts receivable decreased by \$182,770 or 22.8% from 2021 due to the timing of customer payments. Lease receivable of \$17,174,820 is an addition to the 2022 financial statements as a result of the implementation of GASB No. 87 Leases and \$1,882,776 included in current assets and \$15,292,044 is included in noncurrent assets. This increase in total assets is offset by \$17,001,784 in leases under deferred inflows of resources on the financial statements. Due from Monroe County in 2022 is \$2,530,138 as compared to \$3,024,238 in the prior year due to a decrease of \$475,248 in the cash advance to the County for Passenger Facility Charges (PFC) and an increase of \$18,852 for an amount owed back to the Authority from the final reconciliation between the County and the Authority. PFC monies are used to reimburse the County for capital projects initially funded by the County. MCAA has progressed some capital projects that are PFC funded prior to the receipt of the PFC funds. Therefore, the Authority used its cash reserves to reimburse the County for those capital projects.

Total liabilities are \$3,074,837 at year end, a decrease of \$2,256,846 or 42.3% from the prior year. This decrease is a result of a decrease in accounts payable of \$1,262,368 due to a lower final adjustment to the signatory airlines at year end based on airline activity and rates and charges. Long term debt decreased by \$410,000 from the prior year from debt payments made in 2022. In addition, a noncurrent liability for a lease liability of \$592,043 was added in 2022 due to the GASB No. 87 implementation.

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

Change in Net Position

The change in net position for 2022 is an increase of \$5,476,142. Overall, between 2022 and 2021, total operating revenues have exceeded total operating expenses. In 2022, non-operating expenses increased by \$515,267 primarily due an increase in the local share of capital projects paid by the Authority, combined with an increase in interest revenue. 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”.

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

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

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Landing and rental fees	\$ 8,755,871	\$ 9,360,560
Commissions	13,146,299	8,067,849
Other	<u>3,471,140</u>	<u>2,527,915</u>
Total operating revenues	<u>25,373,310</u>	<u>19,956,324</u>
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	14,248,705	11,748,385
Rent - Monroe County and other	3,323,305	3,509,596
Depreciation and amortization	<u>1,077,697</u>	<u>740,500</u>
Total operating expenses	<u>18,649,707</u>	<u>15,998,481</u>
OPERATING INCOME (LOSS)	6,723,603	3,957,843
NON-OPERATING EXPENSES	<u>(1,313,760)</u>	<u>(798,493)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	5,409,843	3,159,350
CAPITAL CONTRIBUTIONS, net	<u>66,299</u>	<u>14,687</u>
CHANGE IN NET POSITION	<u>\$ 5,476,142</u>	<u>\$ 3,174,037</u>

FINANCIAL ANALYSIS

Operating Revenues

Total operating revenue increased to \$25,373,310 from \$19,956,324 in the prior year, an increase of \$5,416,986, or 27.1%. The majority of operating revenue is driven by enplanement levels.

Landing and rental fees, which are primarily airline related, decreased by \$604,689 or 6.5% from the prior year. This decrease is a result of the increase in car rental and parking commissions as 50% of these revenues are used to offset airline rates and charges which resulted in a lower terminal rental rate for 2022 over 2021.

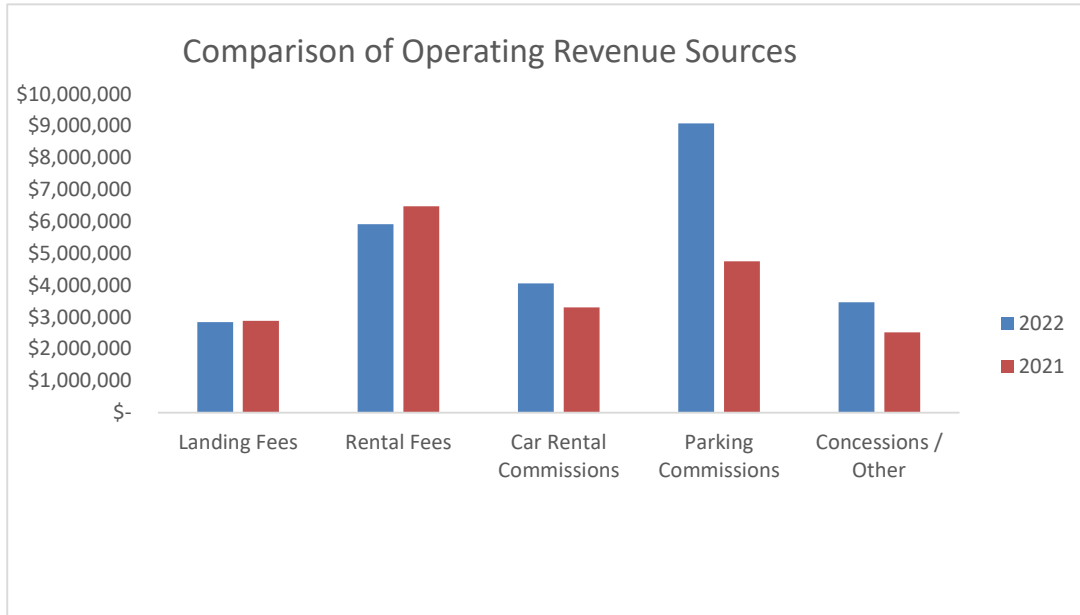
Commissions (primarily made up of parking and rental car concessions) increased to \$13,146,299 from \$8,067,849 in the prior year, an increase of \$5,078,450 or 62.9%. Car rental commissions increased by \$753,243 or 22.8% from the prior year; parking commissions increased by \$4,325,207 or 90.9% from the prior year. The increase in car rental and parking commissions is due to the return of passenger traffic in 2022 as the travel industry returned close to pre-Covid levels of activity.

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Operating revenues classified as “Other” consist of concession revenues within the terminal including restaurants, stores, and transportation network charges (Lyft/Uber). These revenues are sensitive to enplanement activity and rebounded in 2022 with a total of \$3,471,140, an increase of \$943,275 or 37.3% from the prior year.

The comparison of operating revenue sources is provided below.



	<u>Landing Fees</u>	<u>Rental Fees</u>	<u>Car Rental Commissions</u>	<u>Parking Commissions</u>	<u>Concessions / Other</u>
2022	\$ 2,840,426	\$ 5,915,445	\$ 4,064,677	\$ 9,081,622	\$ 3,471,140
2021	\$ 2,879,821	\$ 6,480,739	\$ 3,311,434	\$ 4,756,415	\$ 2,527,865

Non-Operating Revenue

The primary source of this category is interest earnings totaling \$601,737 in 2022, an increase of \$594,644 from 2021. The increase in interest earnings is due to higher interest rates in the banking industry and the Authority’s investments in Treasury Bills, along with the recognition of interest revenue related to the implementation of GASB No. 87 Leases.

Operating Expenses

In 2022, total operating expenses increased by \$2,651,226 or 16.6% when compared to 2021. This increase is primarily due to an increase in operating and maintenance costs paid to Monroe County for the Airport of \$2,500,320 of 21.3 % from the prior year. Utility costs increased by \$665,801 due to higher commodity costs in the marketplace. Personnel services and employee benefits increased by \$1,011,426 due to increases in salaries and benefits from union negotiated contract increases, along with County approved retention payments and increases to employee salary schedules as the County sought to attract and retain staff. In addition, chargebacks for County services increased \$699,819 from the prior year due to increased costs for fleet maintenance, workers compensation, and law enforcement charges.

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Non-Operating Expenses

Non-operating expenses in 2022 consists primarily of the Authority’s local share of capital projects reimbursed to the County of \$1,855,954, an increase of \$1,076,019 from 2021. The increase in 2022 is due to the continuation and completion of some locally funded capital projects that were postponed in 2021 due to COVID-19. The Authority’s local share of 5.0% becomes due to the County when a capital project is completed. Below is a list of the projects completed and the Authority’s local share (000’s omitted):

	<u>2022</u>	<u>2021</u>
Building Improvements	\$ 959,260	\$ 181,948
Parking Improvements	600,046	20,000
Taxiway and Other Airfield Improvements	196,608	256,883
Circulation Improvements	138,878	6,808
Snow Removal and Other Equipment	107,156	106,502
Safety & Security Improvements	49,563	65,874
Planning and Feasibility	14,492	85,336
Facility Improvements	<u>(210,049)</u>	<u>56,584</u>
 Total	 <u>\$ 1,855,954</u>	 <u>\$ 779,935</u>

The balance of the cost of each project after the Authority’s local share is paid comes from state and federal sources paid to the County directly. The facility improvements of \$210,049 in 2022 is the result of local share reimbursed to the Authority from the County for outstanding state funding received.

CAPITAL ASSETS

For the year ended December 31, 2022, the impact of recording depreciation and amortization was \$1,077,697, and \$740,500 in 2021. Depreciation and amortization expense is the primary reason for the decrease in capital assets of \$1,060,170 (23.7%) in 2022 and \$451,755 in 2021 (11.2%).

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 \$1,033,854 in 2022 and \$1,455,378 in 2021.

Purchases and Retirements

Airport facilities improvements are planned and funded through the County’s Capital Improvement Program. In 2022, the Authority invested \$34,397 in facility improvements and retired \$57,580 in assets that had accumulated depreciation of \$40,710. In 2021, the Authority invested \$288,745 in facility improvements and retired \$14,439 in assets that had accumulated depreciation of \$14,439. Year-end total cost was \$128,789,598 and \$128,812,781 at December 31, 2022, 2021, respectively (See Table A-3).

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Summary of Capital Assets
Table A-3

	Cost	Accumulated Depreciation/ Amortization	Net
December 31, 2021 (Restated)	\$ 128,812,781	\$ (123,833,093)	\$ 4,979,688
Increases	34,397	(1,077,697)	(1,043,300)
Decreases	(57,580)	40,710	(16,870)
December 31, 2022	<u>\$ 128,789,598</u>	<u>\$ (124,870,080)</u>	<u>\$ 3,919,518</u>

DEBT ADMINISTRATION

The Authority has long-term debt outstanding of \$415,000 in 2022 and \$825,000 in 2021. Principal payments, net of unamortized bond discount and deferred amounts were \$410,000 in 2022 and \$400,000 in 2021.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2022 and 2021, decreased by \$410,000 in 2022 and \$400,000 in 2021. This outstanding debt is a result of the Authority issuing \$2,000,000 in October 2018 for new Airport revenue bonds with a five-year life for general aviation related projects (See Table A-4).

Summary of Long-Term Debt
Table A-4

	<u>2022</u>	<u>2021</u>
Serial Bonds, issued in 2018	<u>\$ 415,000</u>	<u>\$ 825,000</u>
Total long-term debt	<u>\$ 415,000</u>	<u>\$ 825,000</u>

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

MONROE COUNTY AIRPORT AUTHORITY
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Management’s Discussion and Analysis (Unaudited)
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AVIATION FACTORS AFFECTING FINANCIAL STATEMENTS

Passenger Activity

Passenger air traffic at the Frederick Douglass Greater Rochester International Airport began recovering in 2022 after being affected by the worldwide COVID-19 pandemic the past two years. Total passenger numbers (enplanements and deplanements) for 2022 were 2,333,237, which represents an increase of 793,261 or 51.5% over the total passengers in 2021 of 1,539,976. Compared to our COVID benchmark year of 2019, which represented the most recent relatively normal year of operations for ROC, 2022 showed an improvement towards closing that gap. Passenger traffic was only down approximately 9.5%, or 245,527 from the 2019 passenger number of 2,578,754. Departing trips from ROC also showed a marked improvement from 2021, increasing by 37.2% from 11,482 to 15,757. Departing trips are still down approximately 15% from the 2019 level of 18,520.

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 (December 2021), ROC ranked 101st nationally.

Ticketed Passenger Activity

<u>Year</u>	<u>Enplanements (Departing)</u>	<u>Deplanements (Arriving)</u>	<u>Total Passengers</u>
2022	1,156,778	1,176,459	2,333,237
2021	770,637	769,339	1,539,976

ROC continues to aggressively promote air service development with its current air carriers and other prospective airlines. In 2022, ROC welcomed Spirit Airlines in October with new non-stop service to Orlando.

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 2022, a total of \$4,757,134 in PFC’s were collected from airline passengers. The Authority contributed \$4,690,835 towards the costs of capital improvements at the Airport, resulting in a Capital Contribution, net of \$66,299 as shown in Table A-2. In 2021, a total of \$2,916,595 in PFC’s were collected from airline passengers. The Authority contributed \$2,901,908 to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, net of \$14,687 thousand. A description of PFC’s is provided in Note 2 of the financial statements, Passenger Facility Charges.

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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, 2019 through December 31, 2023. This new agreement was the result of contract negotiations with the Airlines in 2018. The agreement employs a hybrid rate setting approach, with an airfield residual and a terminal compensatory rate setting methodology. 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 airfield payments are reconciled to actual airfield costs to determine the final amounts owed by the airlines. The terminal rates are also recalculated to reflect actual costs incurred and year end true up entries with the Airlines are made. See Note 2 of the financial statements, Revenues and Expenses.

Incentive Program

Since 2015 the Authority has offered 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. No additional airlines took advantage of this program during 2022 or 2021.

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.

2023 BUDGET

The Authority’s 2023 budget has been approved and contains reductions in operation and maintenance costs of \$5.0 million due to the planned use of COVID-19 relief funding by the County to cover these costs. 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
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Statement of Net Position
December 31, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 7,119,122
Investments	16,860,142
Accounts receivable - net of allowance for doubtful accounts of \$600,000	617,111
Accrued interest	106,396
Lease receivable	1,882,776
Due from Monroe County	<u>2,530,138</u>
Total current assets	<u>29,115,685</u>

NONCURRENT ASSETS:

Restricted cash and cash equivalents	485,684
Lease receivable	15,292,044
Capital assets, nondepreciable	497,771
Capital assets, net	<u>3,421,747</u>
Total noncurrent assets	<u>19,697,246</u>
Total assets	<u>48,812,931</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES:

Current maturities of long-term debt	415,000
Accounts payable	1,157,683
Unearned revenue	121,674
Other liabilities	199,817
Accrued interest on bonds	2,486
Lease liability	407,749
Security deposits	<u>178,385</u>
Total current liabilities	<u>2,482,794</u>

NONCURRENT LIABILITIES:

Lease liability	<u>592,043</u>
Total noncurrent liabilities	<u>592,043</u>
Total liabilities	<u>3,074,837</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - leases	<u>17,001,784</u>
Total deferred inflows of resources	<u>17,001,784</u>

NET POSITION:

Net investment in capital assets	3,504,518
Restricted -	
For passenger facility projects	104,305
Unrestricted	<u>25,127,487</u>
Total net position	<u>\$ 28,736,310</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
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Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2022

OPERATING REVENUES:	
Landing fees	\$ 2,840,426
Rental fees	5,915,445
Car rental commissions	4,064,677
Parking commissions	9,081,622
Concessions	<u>3,471,140</u>
 Total operating revenues	 <u>25,373,310</u>
OPERATING EXPENSES:	
Operating and maintenance - Monroe County	14,248,705
Rent - Monroe County	1,033,854
Depreciation and amortization of capital assets	1,077,697
Other	<u>2,289,451</u>
 Total operating expenses	 <u>18,649,707</u>
 Operating income	 <u>6,723,603</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	601,737
Interest expense	(43,473)
Loss on disposal of capital assets	(16,070)
Local share of capital projects - Monroe County	<u>(1,855,954)</u>
 Total non-operating revenues (expenses)	 <u>(1,313,760)</u>
 Income before capital contributions	 5,409,843
 CAPITAL CONTRIBUTIONS, net	 <u>66,299</u>
 CHANGE IN NET POSITION	 5,476,142
 NET POSITION - beginning of year	 <u>23,260,168</u>
 NET POSITION - end of year	 <u>\$ 28,736,310</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Statement of Cash Flows
For the Year Ended December 31, 2022

CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from providing services	\$ 25,080,996
Cash paid to suppliers	<u>(18,363,592)</u>
Net cash flow from operating activities	<u>6,717,404</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(34,397)
Capital contributions, net	66,299
Payment of bond principal	(410,000)
Payment of bond interest expense	(45,846)
Payment of lease liability	(401,330)
Gain on sale of capital assets	800
Local share of capital projects - Monroe County	<u>(1,855,954)</u>
Net cash flow from capital and related financing activities	<u>(2,680,428)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest received	639,928
Purchase of investments	<u>(16,860,142)</u>
Net cash flow from investing activities	<u>(16,220,214)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(12,183,238)
CASH AND CASH EQUIVALENTS - beginning of year	<u>19,788,044</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 7,604,806</u>
CLASSIFIED AS:	
Cash and cash equivalents	\$ 7,119,122
Restricted cash and cash equivalents	<u>485,684</u>
Total cash and cash equivalents	<u>\$ 7,604,806</u>

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Statement of Cash Flows
For the Year Ended December 31, 2022

RECONCILIATION OF OPERATING INCOME TO NET

CASH FLOW FROM OPERATING ACTIVITIES:

Operating income	\$ 6,723,603
Adjustments to reconcile operating income to net cash flow from operating activities:	
Depreciation and amortization of capital assets	1,077,697
Deferred inflows of resources - leases	(2,040,287)
Changes in:	
Accounts receivable	182,770
Accrued interest - leases	(144,587)
Unearned revenue	(185,623)
Due to (from) Monroe County	494,100
Other current liabilities	(1,257,520)
Lease receivable	<u>1,867,251</u>
Net cash flow from operating activities	<u>\$ 6,717,404</u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY:

Donated capital assets	<u>\$ 15,000</u>
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The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

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 Frederick Douglass - Greater Rochester International Airport (the Airport) from the County and operates under the terms of the lease and operating agreement 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.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

Cash and Cash Equivalents

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

Investments

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 \$10,000 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 fees, and concession fees. Revenues are recognized upon the 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 expire on December 31, 2023.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

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 1, 1997
\$ 3.00	April 1, 2001	November 1, 1998
\$ 4.50	September 1, 2004	June 1, 2004
\$ 4.50	May 1, 2011	July 1, 2006
\$ 4.50	February 1, 2019	October 1, 2013
\$ 4.50	May 1, 2025	May 1, 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 Statement 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 Statement 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, 2022, the allowance for uncollectible accounts was \$600,000, which is estimated based on historical collection experience.

Due from Monroe County

PFC collections have always been recognized on a cash basis since airlines do not adequately monitor and report information to airports on an accrual basis. Therefore, it is not practical to estimate or accrue PFC collections at the Authority. As cash is collected, it is remitted to the County as reimbursement for approved project expenditures that have already been incurred. During the COVID pandemic, PFC collections significantly reduced, thereby delaying payments to the County for approved project costs. As a result, the Authority advanced funds to the County in anticipation of the future collection of PFCs. Although the pandemic is no longer affecting the Authority's PFC collections, they will continue to advance funds to the County as normal practice in the current year and going forward. The Authority recognizes this asset as Due from Monroe County. When sufficient PFC collections have been received to repay the Authority for the advance, then the prepayment will be reduced. It is anticipated that this would be satisfied within 12-18 months. If sufficient PFC collections are not received by the Authority, then the Due from Monroe County will be recognized as local share of County projects expense in the period this is determined.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

Deferred Inflows of Resources

Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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 as of December 31, 2022 are either fully insured by the FDIC or are fully collateralized.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

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 year ended December 31, 2022:

	Carrying Amount	Bank Balance
Demand deposits	\$ 3,012,283	\$ 3,047,763
Time deposits	<u>4,592,523</u>	<u>4,592,523</u>
Total cash	<u>\$ 7,604,806</u>	<u>\$ 7,640,286</u>
Insured cash - FDIC		\$ 1,235,470
Uninsured - collateralized with securities held by pledging financial institution		<u>6,514,194</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 7,749,664</u>

The Authority has the following recurring fair value measurements as of December 31, 2022:

- U.S. Treasury securities of \$16,860,142 were valued using quoted market prices (Level 1 inputs).

The following deposits and investments, 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 December 31, 2022:

M&T	\$ 5,848,358
Bank of America	\$ 1,503,104

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

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, the Authority issued \$2,000,000 in new Airport revenue bonds with a five-year life with a final maturity date of November 1, 2023 that extends the term of the lease. Amounts due to/from the 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 2022, the rental payments totaled \$1,033,854. Estimated future minimum rental payments are as follows at December 31:

2023	\$ 3,698,549
2024	3,687,532
2025	3,672,794
2026	3,474,625
2027	<u>3,044,250</u>
	<u>\$ 17,577,750</u>

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

In addition, the County issued a Bond Anticipation Note (BAN) on June 26, 2018 for \$28,385,000. The BAN was converted to an eight-year serial bond of \$22,570,000 on June 25, 2019 and the future minimum rental payments have been adjusted.

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 2022, the Authority did not receive advances from the County, and; therefore, no interest payments were made in the current year.

Due from Monroe County

The amounts below make up the total amount due from the County as of December 31, 2022:

PFC Advance to Monroe County	\$ 2,680,000
Operating agreement due from (to) Monroe County	<u>(149,862)</u>
	<u>\$ 2,530,138</u>

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	\$ 497,771	\$ -	\$ -	\$ 497,771
Capital assets, being depreciated:				
Buildings and other facility equipment	123,917,723	-	(34,426)	123,883,297
Office furniture and equipment	2,069,403	34,397	(10,671)	2,093,129
Transportation equipment	926,762	-	(12,483)	914,279
Total capital assets, being depreciated or amortized	<u>126,913,888</u>	<u>34,397</u>	<u>(57,580)</u>	<u>126,890,705</u>
Less:				
Accumulated depreciation:				
Buildings and other facility equipment	(121,692,246)	(466,354)	18,567	(122,140,033)
Office furniture equipment	(1,581,978)	(92,907)	9,660	(1,665,225)
Transportation equipment	(558,869)	(108,098)	12,483	(654,484)
Total accumulated depreciation	<u>(123,833,093)</u>	<u>(667,359)</u>	<u>40,710</u>	<u>(124,459,742)</u>
Net depreciable assets	<u>3,080,795</u>	<u>(632,962)</u>	<u>(16,870)</u>	<u>2,430,963</u>
Lease assets:				
Land	2,090	-	-	2,090
Buildings	1,399,032	-	-	1,399,032
Total lease assets	<u>1,401,122</u>	<u>-</u>	<u>-</u>	<u>1,401,122</u>
Less:				
Accumulated amortization:				
Land	-	(865)	-	(865)
Building	-	(409,473)	-	(409,473)
Total accumulated amortization	<u>-</u>	<u>(410,338)</u>	<u>-</u>	<u>(410,338)</u>
Total lease assets, net	<u>1,401,122</u>	<u>(410,338)</u>	<u>-</u>	<u>990,784</u>
Capital assets, net	<u>\$ 4,979,688</u>	<u>\$ (1,043,300)</u>	<u>\$ (16,870)</u>	<u>\$ 3,919,518</u>

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

6. LEASES

Lessor Agreements

The Authority's leasing operations consist of the leasing of office and terminal space to airlines and other tenants. All leases are subject to public procurement requirements, and each has a different mechanism for determining rates and charges. The leases receivable were discounted to a net present value at December 31, 2022 using a 2.25% interest rate.

Activity of lease inflows for the year ending December 31, 2022 is summarized as follows:

<u>Lease-related revenue</u>	
Office Space	\$ 702,151
Land	990,937
Building	<u>347,199</u>
Total lease revenue	<u>2,040,287</u>
Interest revenue	<u>401,349</u>
Total	<u><u>\$ 2,441,636</u></u>

Future minimum lease payments due to the Authority as of December 31, 2022 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,882,776	\$ 367,198	\$ 2,249,974
2024	1,896,492	324,834	2,221,326
2025	1,888,908	280,785	2,169,693
2026	1,692,872	241,550	1,934,422
2027	1,473,653	205,098	1,678,751
2028-2032	4,828,069	633,446	5,461,515
2033-2037	1,498,877	302,859	1,801,736
2038-2042	396,950	206,073	603,023
2043-2047	444,168	158,854	603,022
2048-2052	497,005	106,018	603,023
2053-2057	556,125	46,897	603,022
2058-2062	<u>118,925</u>	<u>1,680</u>	<u>120,605</u>
Total	<u><u>\$ 17,174,820</u></u>	<u><u>\$ 2,875,292</u></u>	<u><u>\$ 20,050,112</u></u>

Lessee Agreements

The Authority leases building and land from National Equity Holding and Kateri Tekakawitha Parish, respectively. The leases have various inception dates with remaining terms of 29 - 41 months, with interest rates of 2.25%.

MONROE COUNTY AIRPORT AUTHORITY
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Notes to Basic Financial Statements
December 31, 2022

Activity of lease liability for the year ended December 31, 2022 is summarized as follows:

Beginning Balance (Restated)	Additions	Subtractions	Ending Balance	Amount Due Within One Year
<u>\$ 1,401,122</u>	<u>\$ -</u>	<u>\$ (401,330)</u>	<u>\$ 999,792</u>	<u>\$ 407,749</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending December 31	Principal	Interest	Total
2023	\$ 407,749	\$ 18,318	\$ 426,067
2024	415,951	9,049	425,000
2025	176,092	992	177,084
	<u>\$ 999,792</u>	<u>\$ 28,359</u>	<u>\$ 1,028,151</u>

7. LONG-TERM DEBT

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 were purchased by Monroe County and 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.

Bond activity for the year ended, December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
<i>Bonds issued as part of the 2018 series:</i>					
Serial bonds maturing in the annual amount of \$415,000 in 2023 bearing interest paid semi-annually at 2.37%.	<u>\$ 825,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	<u>\$ (415,000)</u>	<u>\$ -</u>
Long-term debt	<u>\$ 825,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	<u>\$ (415,000)</u>	<u>\$ -</u>

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

Other

For the year ended December 31, 2022, interest expense was \$16,851. Cash paid for interest was \$19,224.

Maturities of revenue bonds for the fiscal year ending December 31, 2022 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 415,000	\$ 9,836	\$ 424,836
	<u>\$ 415,000</u>	<u>\$ 9,836</u>	<u>\$ 424,836</u>

8. CAPITAL CONTRIBUTIONS

Of the \$161,364,431 that the Authority is authorized to expend in PFCs, \$114,019,115 has been expended cumulatively through December 31, 2022. The net amount of annual collections, interest and expenditures is recorded as capital contributions.

Balance - beginning of year	<u>\$ 38,006</u>
Collections	4,757,134
Expended	<u>(4,690,835)</u>
Net Change	<u>66,299</u>
Balance - end of year	<u>\$ 104,305</u>

As of December 31, 2022, \$104,305 is reflected as restricted net position for passenger facility projects in the Statement of Net Position.

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 year ended December 31, 2022 were \$764,578.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

10. CONTINGENCIES

Litigation

The Authority is subject to litigation in the ordinary conduct of its affairs. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probably loss to the Authority, such loss has been accrued in the accompanying financial statements. The outcome of the remaining claims cannot be determined at this time.

Business Matters

The Authority's lease agreement with the County was set to expire thirty (30) days after repayment of the Airport revenue bonds, which were repaid on January 1, 2019. 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. This factor creates an uncertainty about the Authority's ability to continue as a going concern. Management of the Authority is developing a plan to issue additional debt and extend the lease agreement. The ability of the Authority to continue as a going concern is dependent on this issuance of additional debt. The financial statements do not include any adjustments that might be necessary if the Authority is unable to continue as a going concern.

MONROE COUNTY AIRPORT AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Notes to Basic Financial Statements
December 31, 2022

11. PRIOR PERIOD ADJUSTMENT

Change in Accounting Principle

During the year ended December 31, 2022, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. This adjustment had no effect on the beginning net position since the deferred inflows equal the amount of the lease receivable and the right to use lease asset equals the liability.

The implementation of GASB Statement No. 87 had the following effect on net position:

Beginning net position, as previously reported	\$ 23,260,168
Adjustments:	
Right to use lease asset	1,401,122
Lease liability	(1,401,122)
Lease receivable	19,042,071
Deferred inflows - leases	<u>(19,042,071)</u>
Beginning net position, as restated	<u>\$ 23,260,168</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 29, 2023

To the Board of Directors 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 29, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

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Report on 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 financial statements. 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.