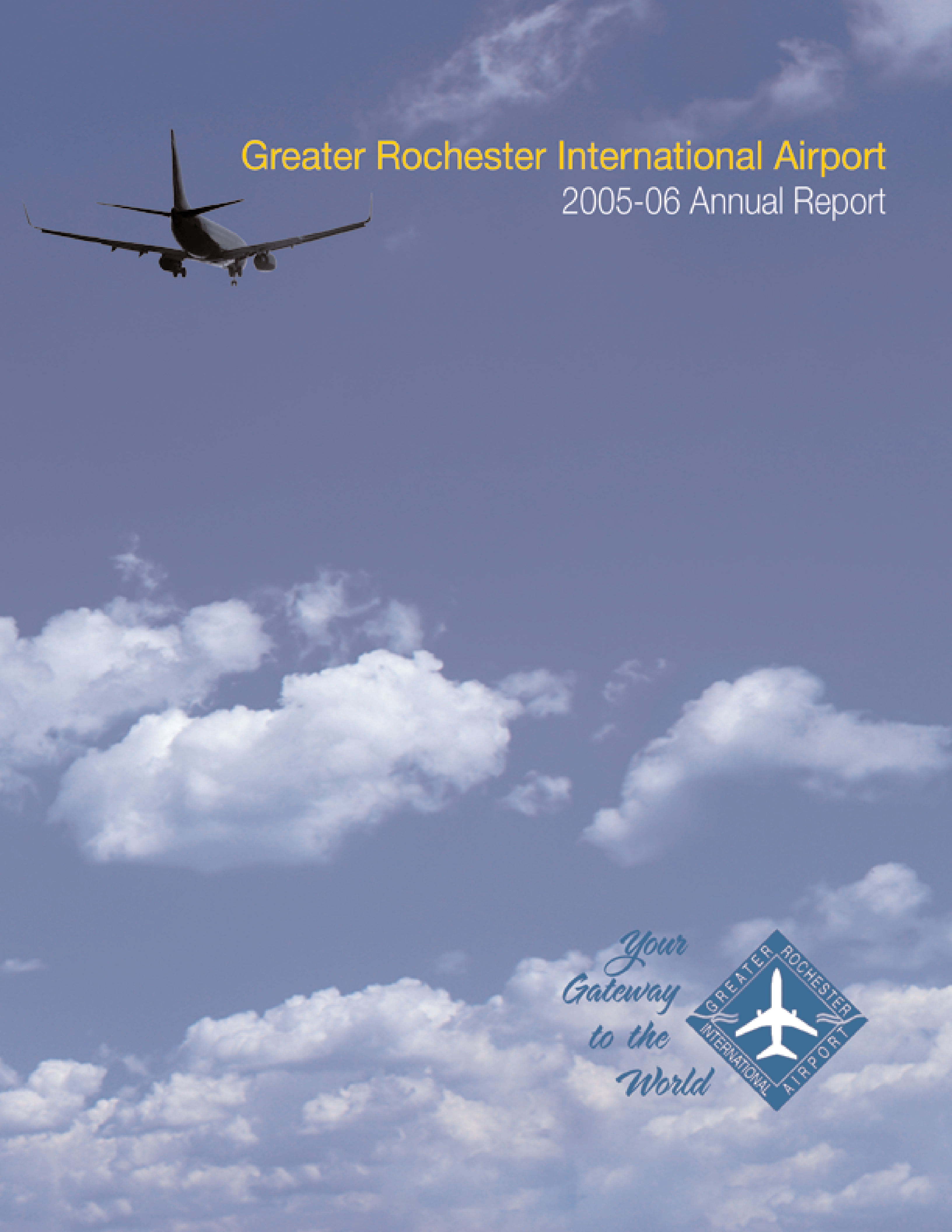
Greater Rochester International Airport

2005-06 Annual Report



MONROE COUNTY AIRPORT AUTHORITY

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Maggie Brooks
County Executive

MAGGIE BROOKS
Monroe County Executive

The Greater Rochester International Airport continues to drive economic growth in Monroe County. The Airport is responsible for 8,000 jobs and brings $500 million into our local economy each year.

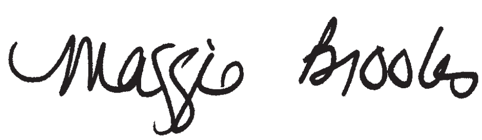
Affordable air travel directly benefits employers in Monroe County and throughout our region, connecting them to worldwide markets and helping them compete in the global economy. Affordable air travel is also a critical component in our ongoing efforts to attract and retain jobs and investment in our community.

In 2006, passenger boardings at the Greater Rochester International Airport totaled 1,430,418. In addition, our October 2006 enplanements reached a record high.

In August 2006, we marked another important milestone when total passengers flying low-cost air carriers AirTran Airways and JetBlue topped the two million mark. These popular airlines account for over one-third of our enplanements. Furthermore, their presence has reduced the average fare out of Rochester by 35%. I want to thank our federal and state officials for their continued commitment to keeping our Airport competitive through low-cost air travel.

Our modern, state-of-the-art facility has positioned our Airport for future growth. The additional improvements to come will provide even more “first-class” amenities for business and leisure travelers alike.

As always, the Greater Rochester International Airport is Your Gateway to the World.



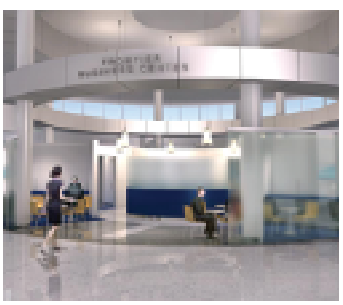
Maggie Brooks
Monroe County Executive

DAVID P. DAMELIO

Acting Director of Aviation

In 2006, the Greater Rochester International Airport started the first of four phases in the Terminal Improvement project designed to:

- Improve passenger flow
- Implement better access for passengers using wheelchairs and passengers with special needs
- Improve the terminal paging system to include visual paging for the deaf and hard of hearing community
- Address other necessary terminal improvements



Concourse A renovations began in 2006. The rotunda of Concourse A will be the permanent home to the Airport's complimentary Business Center. This center will be complete with individual work stations, conference rooms, electrical outlets for laptops and cell phones, internet access and comfortable, quiet seating areas where passengers may read. This complimentary Business Center meets the needs of passengers no longer being serviced by airline clubs.

In addition, Concourse A is being renovated to include additional gate seating, modernized furnishings, new concession space and terrazzo flooring throughout the center of the concourse to replace carpeting. An additional elevator is being installed on the concourse to help improve vertical circulation throughout our facility and provide better access for passengers with special needs. A children's play area is also being incorporated into the design of Concourse A. Concourse A is scheduled for completion in June 2007 and the improvements we will make are necessary to the safety, security and comfort our passengers have come to expect at our facility.

While the terminal's footprint has not changed in many years, the way passengers use our terminal has indeed changed. With the centralization of our security checkpoint, ticketed passengers now have full access to all of the terminal amenities: food concessions, shops, business center, the planned children's play area and locations with comfortable seating. The industry standard asks passengers to arrive at least 90 minutes prior to their scheduled departure times, the efficiency of our new checkpoint gets passengers through quickly and passengers have more time to spend post-security waiting to board their flights. As we saw in 2006 with the new liquid and gel restrictions placed on passengers, security is still our primary focus and passenger safety is in the forefront of the continued improvements we are making to the terminal.

In 2007, passengers can expect to see continued renovations and upgrades to our ticketing lobby and baggage claim. Improvements to come include: enhanced lighting, new terrazzo flooring, new ticketing counters, relocation of the elevators so that they are more accessible to passengers, expansion of our visual paging system and a new design for the baggage handling process for both passengers and airline personnel.

At GRIA, passenger needs come first and we remain committed to providing the resources necessary for simple, safe and affordable air travel.

David P. Damelio
Acting Director of Aviation
Greater Rochester International Airport

MONROE COUNTY AIRPORT AUTHORITY

In 2006, nearly 3 million passengers used the Greater Rochester International Airport. Aircraft operations in 2006 totaled 137,601 which included commercial flights, military operations, corporate and general aviation.

The County of Monroe and GRIA work closely with the business community to encourage competitive low fare air service from Rochester to many cities throughout the United States. Informational outreach programs were also expanded to address the needs and educate the Rochester area travel managers and professionals of the latest in airline industry trends. Both AirTran Airways and JetBlue offer low-fare air service and remain two of the dominant air carriers at the Greater Rochester International Airport with approximately 33.8% of the Rochester market share in 2006.

Last year, the Airport unveiled its new centralized six-lane passenger security checkpoint. In 2006, the Airport Security Checkpoint project was recognized with a Gold Award from the American Council of Engineering Companies of New York in the category of Building/Technology Systems, as part of the 2006 Engineering Excellence Award Competition.

The Airport, along with the entire Project team, is proud to have been recognized for the project as it was the most significant security improvement in the Airport's history. Over 20 local firms were part of the Project Team and the project provided over 500 jobs for local workers. The Design Team included Clough Harbour & Associates, Clark Patterson Associates and William Nicholas Bodouva & Associates. The Prime Contractors were LeChase Construction, Kaplan-Schmidt Electric, JW Danforth and T-Bell Construction. The Construction Management Team was Christa Construction.

The checkpoint is equipped with modern screening equipment and is more conveniently located on the upper level center of the ticketing lobby. Security screening is more efficient, wait times have been reduced and travelers are now able to reach gates with greater ease.

EMPLOYEE SALUTE

Friendly, knowledgeable and skilled employees provide passengers with the quality customer service they deserve. We take pride in the fact that our employees help make the visitor experience at our Airport a positive one.

Providing passengers with a safe and secure travel environment is a primary goal of GRIA. Our Airport continues to serve as a national model for private screening as one of five airports in the nation for private screening initiatives and technology. McNeil Security, Inc. based in Springfield, Virginia handles the Airport's private screening. McNeil Security personnel are contracted and trained by the Transportation Security Administration (TSA). Passenger evaluations of screening in Rochester have resulted in overall positive feedback.

The Greater Rochester International Airport, Aircraft Rescue and Firefighting Unit (ARFF) consist of 22 New York State Certified Career Firefighters. ARFF operates 24 hours a day 365 days a year and responded to 469 calls during 2006. All ARFF Firefighters are certified NYS EMT-D. The Unit continually trains to maintain it's required 100 hours of mandated NYS training and 140 hours of mandated FAA training. They also conduct CPR, Right to Know and Fire Extinguisher training for all airport employees.

On behalf of the County of Monroe, Monroe County Airport Authority Board and Airport Administration, we would like to thank all of our Airport employees for their dedication and hard work during 2006.

STATISTICS & DEVELOPMENT

In 2006, over 2.86 million passengers passed through GRIA.

The annual number of passengers traveling through GRIA remained about the same, down only 1.8 percent from 2005. The percentage of seats filled (airline load factors) increased in 2006, totaling 69 percent compared to 66.1 percent in 2005. In 2006, 69,006 tons of cargo passed through GRIA cargo facilities compared to 74,783 tons in 2005.

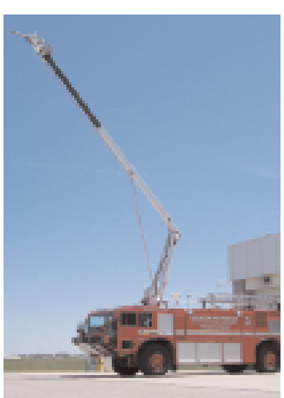
Airlines serving GRIA include American Eagle, AirTran Airways, Continental Airlines, Delta/Comair, JetBlue, Northwest Airlines, United Airlines and US Airways.

Led by David P. Damelio, Acting Director of Aviation, the decision not to extend the current car rental contract was enacted during 2006. A Request for Proposal (RFP) was issued and resulted in new contracts with six car rental companies, one more than the previous year, which will generate a minimum of $19.2 million in guaranteed concession fees to the Airport over the next five years and an increase of at least $8.1 million over the previous contract. Car rental companies serving GRIA include Hertz, Avis, Budget, Alamo, National and Enterprise.

New concessions opened in 2006 in areas accessible to the ticketed passenger. Red Osier, a community favorite and local product, opened in May 2006. The Airport location is Red Osier's first full service location in an international airport and the center of their national sales offices. In 1997, Red Osier moved their entire roast beef division to Monroe County and has concessions at both Frontier Field and Blue Cross Arena. Red Osier has served over 2 million customers in over 27 years and is the largest independent user of prime rib on the East Coast.

In addition, both of the Airport's concourse bars were renovated during 2006. Concourse B welcomed the High Falls Brewing Company to the Airport with the opening of JW Dundee's Pub & Alehouse. The pub represents JW Dundee's first branded on-premise establishment. High Falls Brewing Company is a major employer in our community, one of the largest brewers in America and distributes its products both nationally and internationally.

Concourse A is now home to the Players Sports Bar. The bar has a sports theme and is equipped with flat screen TV's for passengers viewing pleasure. Conveniently located half way down Concourse A, the bar has multiple power outlets so that passengers can power up laptops or charge cell phones before boarding their airplane.



The renovation to both bars is part of the Airport's ongoing terminal renovation project. Creative Host Services, Inc., a member of Select Service Partners, funded the bar renovations and is the operator of both venues now offering food menu selections.

Many of the concessions and vendors located within the terminal reported up to a 20% increase in their business during 2006 since the newly renovated central passenger security checkpoint opened in February 2005.

In 2006, the Airport Valet parking continued to be a great amenity for passengers. This convenient, affordable service allows passengers to drop off their car and keys on the Airport's upper level road at the Valet Station. Upon return, our friendly valet attendants will have the passenger's vehicle waiting at the lower level roadway valet booth. Valet is a growing business and has been received well by both business and leisure passengers alike. Valet has added to the increasing number of parking options already available at GRIA.

In the spring of 2006 GRIA took delivery of the most state of the art Crash Rescue Vehicle available, an Oshkosh Striker 1500. The vehicle is equipped with 1500 gallons of water, 200 gallons of AFFF firefighting foam and 450 pounds of Halotron 2. It also is equipped with a 54' telescopic boom capable of piercing the skin of an aircraft to deliver life saving firefighting agents inside the fuselage to the passenger area. The boom, called a Snozzle, has Color Video and Forward Looking Infrared Cameras (FLIR).

COMMUNITY OUTREACH

The Greater Rochester International Airport (GRIA) averaged 1.5 tours of the facility per day in 2006 to school aged groups of approximately 30 participants per tour.

During the terminal tour, students get a first hand "behind the scenes" look at the Airport Communications Center, Airport Sheriff's Division, baggage system, security screening procedures, Regional Transportation Operations Center (RTOC), New York Army National Guard and the Airport Rescue and Firefighting (ARFF) facility. Tours are free, available to schools and various groups throughout the area and can be modified to fit any age level.

In addition to the daily tours provided at the Airport, approximately 24 Girl Scout and Boy Scout troops held sleepovers at the Airport in the International Arrivals Hall during 2006. Each Scout tour includes approximately 60 participants comprised of children, parents, guardians and Scout leaders. Scouts get a first-hand look at the operations of the Airport, enjoy the camaraderie of their peers and get the opportunity to earn an Aviation Merit Badge.

The Airport Administration Public Affairs and Marketing staff participated in the Greece Career Day at Arcadia High School. Over 1,400 Greece juniors and seniors were provided information on careers in the exciting world of aviation and airport management.

The Airport also participated in Monroe County's annual "Take Your Child to Work Day" providing numerous County employees and their children the opportunity to tour our facility and explore what their parents do on a daily basis at work. Over 150 employees and their children toured the Airport as part of "Take Your Child to Work Day" and enjoyed lunch with the Acting Director of Aviation, David P. Damelio in the International Arrivals Hall.

In an effort to reduce fear and apprehension toward flying, the Airport continued the "Fearful Flyers" course in 2006 taught by a local relaxation therapist and stress management consultant with over 35 years of experience. The four

week course has been a great success and culminates with a graduation flight from ROC to New York JFK Airport aboard a JetBlue flight. Three sessions of the Fearful Flyers course were completed during 2006 and over 30 participants successfully completed the course. Our Airport is now their gateway to fearless air travel to anywhere they desire.

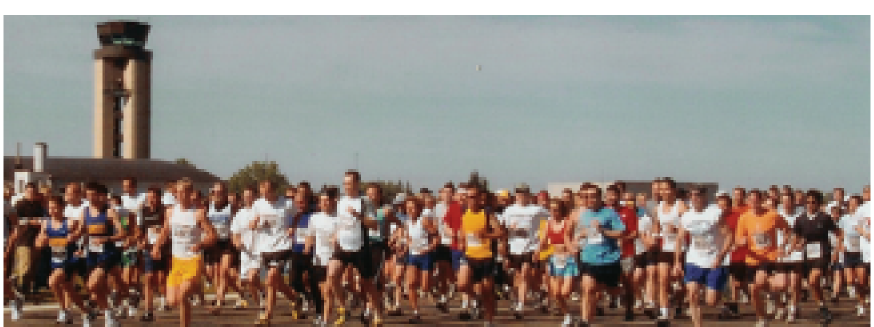
Various special events at GRIA throughout the summer continue to draw crowds. The Airport was the site of the 7th Annual Lifetime Assistance Foundation Airport 5K Benefit Run/Walk. Over 500 runners and walkers turned out in beautiful summer weather to participate in the 5K held on the most unique course in our area – an actual runway. The event has grown substantially over the years and is now regarded by area runners as a premier running event. The Airport 5K offers residents the opportunity to join together in raising awareness and funds to help those in our community with developmental disabilities.

Rochester Wings 2006, upstate New York's Largest General Aviation Expo, continued its tradition of offering safety seminars, free flight instruction and guided bus tours to familiarize pilots with the latest in airfield signage, markings and other airfield improvements. The Airport again supported this important safety oriented event to continue to reduce runway incursions through pilot education. The event, free and open to the public, included static aircraft displays, free flights for children through the Experimental Aircraft Association (EAA) Young Eagles Program and provided opportunities for new aircraft sales and other aviation vendors.

It was also the sixth year the Airport participated in the holiday Fantasy Flight and Winter Wonderland program. Children from Berkshire Farms, CURE Childhood Cancer, ARC of Monroe, Camp Good Days, COMPEER, Golisano Children's Hospital at Strong, Hillside Children's Center, Lifetime Assistance, Muscular Dystrophy, St. Joseph's Villa and more enjoyed a special visit from Santa, their very own airplane flight over the "North Pole" and other holiday activities such as cookie decorating, face painting, holiday movies and a visit from their furry friends from the Seneca Park Zoo. Each child had the opportunity to talk with Santa and take home a small gift.

This event is a wonderful opportunity for young people and their families to enjoy a few hours of holiday joy outside of their daily challenges. The program is hosted in partnership with Monroe County, GRIA, 98 PXY, Continental Express (Express Jet), Home Depot, Landmark Aviation, Norcross Aviation, Starbucks and many other volunteers and agencies that made this year's Winter Wonderland possible.

The Airport is also home to Kodak Aviation, US Airports Flight Support, New York Army National Guard Flight Facility and Landmark Aviation.



2006 AIRFIELD CONSTRUCTION

Runway 10/28 Safety Area Improvements continued throughout 2006. The Runway Safety Area Project, funded by a $ 17 million Federal grant will bring the eastern end of Runway 10/28, near Interstate 390, into compliance with new Federal Aviation Administration (FAA) regulations, which take effect at the end of 2007.

The Runway Safety Area is the zone surrounding a runway that is intended to improve public safety and reduce the risk of aircraft damage in the event of an incident. The new regulations require that all runway safety areas have a minimum 1,000 feet of runway safety area to land and must be free of obstructions and vehicular traffic.

The project includes construction of two road tunnels to remove vehicle obstructions from the runway safety area. One road tunnel will be located in the secure, interior airfield road accessible to fueling trucks and airfield maintenance vehicles. The other road tunnel will be located along the public access road that runs between Interstate 390 and the Airport between the terminal and Scottsville Road. The road tunnels will be able to withstand the weight of an aircraft. This project is scheduled for completion before the end of September 2007 to comply with the new FAA regulations.

Federal grant funding was secured in 2006 to begin rehabilitation of the Airport's North Ramp which contains some of the oldest concrete at the Airport. The project will remove and replace the concrete apron airside of the terminal between Concourse A and Concourse B. The project minimally impacts airplane movement and is a safety improvement for the airlines.

Additional projects initiated by GRIA included improvements to public parking lots.

Private tenants leasing Airport property initiated some major construction improvements of their own during 2006. These improvements add value to the property owned by the Airport and leased to individual tenants.

The New York Army National Guard (NYANG) began constructing additions to its facility located at the airport. In addition, construction of a new aircraft storage building, new access roads and parking have been planned. This project provides NYANG with adequate administrative, classroom training space, storage and aircraft maintenance facilities. This action will serve peacetime missions of the assigned units and ensure military readiness.

Federal Express made a $2.5 million improvement to their ramp. The project was completed in September 2006.

OPERATING RESULTS

The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County.

The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority Board, which is approved by the County Legislature on the recommendation of the County Executive. The Chairperson James G. Vazzana, Esq. is appointed by the County Executive. The County Director of Finance Stephen Gleason serves as Treasurer of the Authority and the County Attorney Daniel M. DeLaus, Jr. serves as Secretary of the Authority. David P. Damelio, the Acting Director of Aviation, is the Administrative Director of the Authority. The Authority leases the Greater Rochester International Airport (GRIA) from the County and operates under the terms of an agreement dated September 15, 1989.

Operating revenues in 2006 totaled $26.9 million. Landing fees and rental fees, including building rent, comprise 54.1 percent of the operating revenue at GRIA. The landing fee and rental revenues are the result of calculations pursuant to provisions of airline operating and terminal building lease agreements. Revenue from non-airline sources such as car rental commissions, parking commissions, concessions and fuel farm commissions comprise the other 45.9 percent.

Operating expenses in 2006 totaled $21.6 million.

Financial performance of an airport is measured by average cost per enplaned passenger. "Cost per enplanement" is calculated by dividing total fees paid by scheduled airlines by the number of passengers boarded. The cost per enplanement at GRIA for the year 2006 was $8.78.

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

Financial Statements
As of December 31, 2006 and 2005
Together with
Independent Auditors' Report

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

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

April 25, 2007

To the Members of
Monroe County Airport Authority:

We have audited the accompanying financial statements of Monroe County Airport Authority (the Authority) (a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York) as of and for the years ended December 31, 2006 and 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monroe County Airport Authority as of December 31, 2006 and 2005, and the change in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2007 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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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, 2006 and 2005. 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 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 Assets present information on the Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets report the operating revenues and expenses and non-operating revenues and expenses of the Authority for the year with the difference, income before capital contributions, being combined with capital contributions to determine the change in net assets for the year. That change, combined with the previous year's net asset total, reconciles to the net asset total at the end of this year.

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

The Authority noted the following financial highlights for the years ended December 31, 2006 and 2005.

Change in Net Assets

At December 31, 2006 the Authority's total assets exceeded total liabilities by $22,027,075, which is an increase of $3,194,385 (17.0%) from the balance of $18,832,690 at December 31, 2005, which was an increase of $4,947,086 (35.6%) from the balance of $13,885,604 at December 31, 2004. Net assets were impacted in a positive way in 2006 by: (1) an increase in car rental commissions of 5.9%; (2) an increase in concessions revenue of 9.1%; (3) a decrease in local share of capital projects – Monroe County of 80.7%; (4) an increase in interest revenue of 98.9%; (5) a decrease in bad debt expense of 101.4%; and (6) a decrease in loss on sale of assets of 100.0%. Net assets were impacted in a negative way in 2006 by; (1) an increase in rent expense - Monroe County of 114.6%; (2) a increase in other expense of 9.3%; (3) an increase in depreciation and amortization expense of 0.1%; (4) an increase in operation and maintenance expense payments to Monroe County (the County) of 4.3% and (5) a decrease in capital contributions, net of 61.2%. The Authority had an overall change in net assets for the 2006 year of approximately $3.2 million compared to $4.9 million in 2005 and $1.4 million in 2004.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The statement of net assets provides an indication of the Authority's ability to meet its financial obligations, from both a long-term and short-term perspective. The Authority's 2006 total assets exceed total liabilities by $22,027,075, an increase of $3,194,385 from 2005 following an increase of $4,947,086 from 2004. (See Table A-1).

For the years ended December 31, 2006, 2005 and 2004, the impact of recording depreciation and amortization ($4,562,660), ($4,528,124) and ($4,384,916), respectively, is the primary reason for the decrease in capital assets of $4,369,528 (6.8%), $4,269,166 (6.2%) and $3,567,975 (4.0%), respectively. As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2006, 2005 and 2004 decreased by $3,614,539 (4.6%), $3,361,147 (4.1%) and $3,951,205 (4.6%), respectively. This decrease is also reflected in the decrease in the portion of net assets that is invested in capital assets net of related debt.

Changes in Net Assets

As mentioned above, the Authority's net assets increased by $3,194,385 (17.0%) in 2006 from the balance of $18,832,690 at December 31, 2005. In 2005, the Authority's net assets increased by $4,947,086 (35.6%) from the balance of $13,885,604 at December 31, 2004. (See Table A-1).

Summary of Net Assets
Table A-1

	2006	2005	2004
ASSETS:			
Current and other assets	$ 45,625,959	$ 39,908,075	$ 33,402,824
Capital assets	59,753,116	64,122,644	68,391,810
Total assets	$ 105,379,075	$ 104,030,719	$ 101,794,634
LIABILITIES:			
Debt outstanding	$ 75,241,497	$ 78,856,036	$ 82,217,183
Other liabilities	8,110,503	6,341,993	5,691,847
Total liabilities	$ 83,352,000	$ 85,198,029	$ 87,909,030
NET ASSETS:			
Invested in capital assets, net of related debt	$ (15,488,381)	$ (14,733,392)	$ (13,825,373)
Restricted	26,668,567	18,801,637	15,127,804
Unrestricted	10,846,889	14,764,445	12,583,173
Total net assets	$ 22,027,075	$ 18,832,690	$ 13,885,604

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Changes in Net Assets (Continued)

The primary cause for the 2006 increase in net assets was the result of the following items: (1) increases in car rental commissions ($179,036) reflect an increase in the minimum annual guarantees required under the new contracts that took effect October 1, 2006; (2) an increase in concessions revenue ($302,608), which reflects a full year of new food and liquor vendor operations following major renovations and growth in airport advertising revenue; (3) an increase in interest revenue ($727,565) that reflects the improved interest rate environment and a more aggressive investment approach; (4) an increase in rent expense - Monroe County ($835,731), which reflects an increased reimbursement to the County for its long term general obligation debt for prior capital improvements as well as short term borrowings issued by the County for current general aviation projects; (5) increases in other expense ($60,389) and depreciation and amortization expense ($34,536), which are the result of normal operations and scheduled accounting valuations; and (6) an increase in operating and maintenance expense payments to the County ($616,262) that reflects increased airport operational costs.

The decrease in local share of capital projects - Monroe County ($523,715) reflects a slow down in the use of the County's capital funds. The decrease in bad debt expense ($374,101) reflects a return to more normal receivable payments following the bankruptcy of four major carriers in 2005. The decrease in loss on sale of assets ($6,339) occurred because there were no assets retired in 2006 as compared to a significant number of assets retired in 2005. The decrease in capital contributions, net resulted from larger Passenger Facility Charge (PFC) reimbursements paid to the County in 2006 than in 2005.

The primary cause for the 2005 increase in net assets was a result of five items: (1) increase in landing fees; (2) increase of parking commissions; (3) a decrease in rent expense-Monroe County; (4) a decrease in other expense; and (5) an increase in interest earnings from investments. These were offset by: (1) an increase in amortization of bond issue costs and (2) an increase in local share of capital projects - Monroe County. These net increases reflect an increase in enplaned passenger activity of 5.77% in 2005 and 10.36% in 2004, and the return to normal operations after the events of September 11, 2001. Parking commissions were the primary revenue impacted with an increase of $967,677 (22.1%) in 2005 and an increase of $1,129,940 (34.8%) in 2004. The increase in 2005 parking revenue reflects a 10% rate increase initiated in 2004 and fully implemented in 2005 with the more efficient utilization of the expanded off-airport shuttle parking which added more than 1,300 parking spaces to the airport parking operation during 2004. The relocation of the terminal security checkpoint during 2004, putting the food concessions behind security, and the additional new and improved food vendors spurred an increase in concessions revenue of 15.1% during 2005.

Rent expense - Monroe County decreased $181,529 (19.9%) from 2004 to 2005 as a result of a $237,030 decrease in the County's scheduled debt service due and a $55,504 decrease in allocated investment earnings during 2005. The 2004 decrease in this expense was less than 1% from the prior year.

Passenger Facility Charge Fees

During 2006, $6,074,967 in PFCs was collected from airline passengers. Of these collections, we contributed $5,007,496 to the County towards the cost of capital improvements at the airport. In 2005, $6,049,159 in PFCs was collected from airline passengers. Of these collections, we contributed $2,444,802 to the County towards the cost of capital improvements at the airport. In 2004, $4,228,222 in PFCs was collected, of which $2,791,455 was contributed to the County for capital improvements at the airport.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Changes in Net Assets (Continued)

Operating Expenses

Operating expenses (including depreciation expense) increased in 2006 and 2005 by $1,546,918 (7.7%) and $134,568 (0.7%), respectively. The 2006 increase was due to an increase all operating expense lines (operating and maintenance expense – Monroe County - increases in personnel and benefit costs; rent expense - Monroe County - increase in the general obligation debt and short-term borrowing costs of the County; other and depreciation and amortization - increase as a result of prior year additions incurring a full year use). The 2005 increase was due mainly to increases in personnel and employee benefit costs offset by a decrease in rent expense and contracted consultants required for airline contract negotiations.

Summary of Revenues, Expenses, and Changes in Net Assets
Table A-2

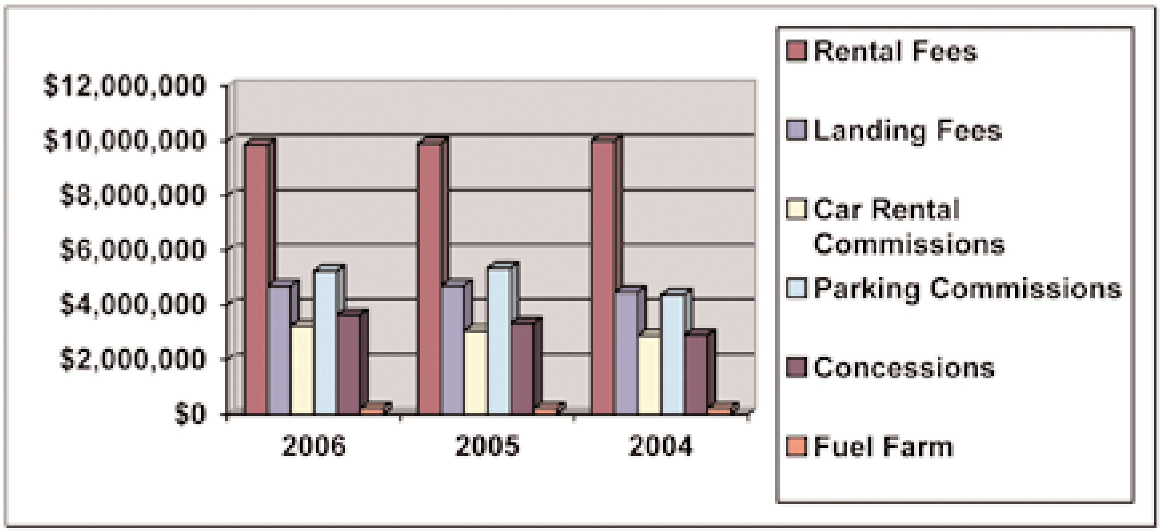
	2006	2005	2004
OPERATING REVENUES:			
Landing fees	$ 4,697,896	$ 4,703,722	$ 4,473,284
Rental fees	9,863,339	9,902,599	10,012,000
Car rental commissions	3,235,254	3,056,218	2,874,807
Parking commissions	5,246,726	5,344,701	4,377,024
Concessions	3,634,073	3,331,465	2,895,260
Fuel farm	225,000	225,000	225,000
Total operating revenues	26,902,288	26,563,705	24,857,375
OPERATING EXPENSES:			
Operating and maintenance expenses - Monroe County	14,808,858	14,192,596	13,878,596
Rent expense - Monroe County	1,565,114	729,383	910,912
Depreciation and amortization	4,562,660	4,528,124	4,384,916
Other	712,522	652,133	793,244
Total operating expenses	21,649,154	20,102,236	19,967,668
NONOPERATING INCOME (EXPENSES):			
Interest revenue	1,463,433	735,868	631,954
Interest expense	(4,387,406)	(4,484,344)	(4,826,200)
Recovery of (provision for) bad debts	5,158	(368,943)	(223,897)
Amortization of bond issue costs and deferred losses	(469,574)	(494,722)	(522,705)
Loss on sale of assets	-	(6,339)	-
Local share of capital projects - Monroe County	(125,319)	(649,034)	-
Total nonoperating income (expenses)	(3,513,708)	(5,267,514)	(4,940,848)
CAPITAL CONTRIBUTIONS, NET	1,454,959	3,753,131	1,436,767
CHANGE IN NET ASSETS	$ 3,194,385	$ 4,947,086	$ 1,385,626
NET ASSETS	$ 22,027,075	$ 18,832,690	$ 13,885,604

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Interest Revenue

Interest revenue (included within nonoperating revenues and expense) was $1,463,433, $735,868 and $631,954 for 2006, 2005 and 2004, respectively. This is a 98.8% increase in 2006, and a 16.4% increase in 2005 from the prior year. In 2006, a more aggressive investment policy was pursued taking advantage of higher certificate-of-deposit rates. In 2005, maturing investments were reinvested at higher rates, reflective of an overall market improvement in earned interest rates.

Summary of Revenue, Expenses and Changes in Net Assets
Table A-3 (Revenue Graph)



Capital Asset and Debt Administration

Capital Assets

Leased

The Authority leases the airport facilities, except those that were financed through the 1989 bond issuance, from the County. The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2006, 2005 and 2004, rental payments totaled $1,565,114, $729,386 and $910,912, respectively.

Purchases

Most improvements to the airport facilities are planned and funded through the County's capital improvement program. The Authority did invest $193,132 and retired $- in capital assets in 2006; and invested $265,297 and retired assets with a net book value of $6,339 in 2005 for a year-end total cost in capital assets of $124,374,343, $124,181,211 and $123,971,843 at December 31, 2006, 2005 and 2004, respectively. (See Table A-4).

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Capital Asset and Debt Administration (Continued)

Summary of Capital Assets
Table A-4

	2004 Ending Balance	Increases	Decreases	2005 Ending Balance	Increases	Decreases	2006 Ending Balance
Total capital assets	$123,971,843	$ 265,297	$ (55,929)	$124,181,211	$ 193,132	$ -	$124,374,343
Accumulated depreciation	(55,580,033)	(4,528,124)	49,590	(60,058,567)	(4,562,660)	-	(64,621,227)
Net capital assets	$68,391,810	$(4,262,827)	$ (6,339)	$ 64,122,644	$(4,369,528)	$ -	$ 59,753,116

More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt
At year-end 2006, 2005 and 2004, the Authority had $75,241,497, $78,856,036 and $82,217,183 in bonds outstanding ($70,906,497, $74,711,036 and $78,297,183 long-term and $4,335,000, $4,145,000 and $3,920,000 short-term) - a decrease in the balance outstanding of 4.6% and 4.0% in 2006 and 2005, respectively. (See Table A-5).

Summary of Long-Term Debt
Table A-5

	2004	2005	2006
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	$ 66,015,000	$ 63,075,000	$ 59,985,000
Serial Bonds, issued in 2004, which refunded 1993 bonds	20,855,000	19,875,000	18,820,000
Unamortized bond discount	(343,385)	(302,148)	(263,004)
Deferred amount of refunding	(4,309,432)	(3,791,816)	(3,300,499)
Total long-term debt	$ 82,217,183	$ 78,856,036	$ 75,241,497

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

The Authority's 2007 budget has been approved and contains no significant changes from the operational results for 2006. 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.

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

STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 AND 2005

	2006	2005
CURRENT ASSETS:		
Cash, cash equivalents and unrestricted investment	$ 9,269,018	$ 14,251,363
Accounts receivable - net of allowance for doubtful accounts of $100,000 and $99,900 in 2006 and 2005, respectively	2,877,006	1,510,924
Accrued interest receivable	75,715	85,737
Total current assets	12,221,739	15,848,024
NONCURRENT ASSETS:		
Restricted cash, cash equivalents and investments	16,780,918	13,602,318
Cash and investments which are restricted funds held by trustee - Principal and interest fund	15,522,942	9,193,654
Capital assets -		
Land and easements	497,771	497,771
Buildings, improvements and equipment, net of accumulated depreciation and amortization	59,255,345	63,624,873
Bond issuance costs, net of accumulated amortization of $1,061,497 and $897,776 in 2006 and 2005, respectively	1,100,360	1,264,079
Total noncurrent assets	93,157,336	88,182,695
Total assets	$ 105,379,075	$ 104,030,719

	2006	2005
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable	$ 779,724	$ 265,579
Deferred revenue	338,868	217,620
Due to Monroe County	2,502,236	1,117,052
Total payable from unrestricted assets	3,620,828	1,600,251
Payable from restricted assets:		
Premium on bonds	1,510,014	1,734,620
Accrued interest on bonds	2,145,234	2,242,172
Current maturities of long-term debt	4,335,000	4,145,000
Security deposits	352,840	358,283
Other liabilities	481,587	406,667
Total payable from restricted assets	8,824,675	8,886,742
Total current liabilities	12,445,503	10,486,993
LONG-TERM DEBT, net of current portion	70,906,497	74,711,036
Total liabilities	$ 83,352,000	$ 85,198,029

Concentrations, commitments and contingencies (notes 4, 8 and 9)

NET ASSETS:		
Invested in capital assets, net of related debt	$ (15,488,381)	$ (14,733,392)
Restricted -		
Restricted for debt service	15,522,942	9,193,654
Restricted for passenger facility projects	8,126,431	6,671,472
Other	3,019,194	2,936,511
Unrestricted	10,846,889	14,764,445
Total net assets	$ 22,027,075	$ 18,832,690

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 ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
Landing fees	$ 4,697,896	$ 4,703,722
Rental fees	9,863,339	9,902,599
Car rental commissions	3,235,254	3,056,218
Parking commissions	5,246,726	5,344,701
Concessions	3,634,073	3,331,465
Fuel farm	225,000	225,000
Total operating revenues	26,902,288	26,563,705
OPERATING EXPENSES:		
Operating and maintenance expenses - Monroe County	14,808,858	14,192,596
Rent expense - Monroe County	1,565,114	729,383
Depreciation and amortization of capital assets	4,562,660	4,528,124
Other	712,522	652,133
Total operating expenses	21,649,154	20,102,236
Operating income	5,253,134	6,461,469
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	1,463,433	735,868
Interest expense	(4,387,406)	(4,484,344)
Loss on disposal of assets	-	(6,339)
Recovery of (provision for) bad debts	5,158	(368,943)
Amortization of bond issuance costs, premiums and deferred losses, net	(469,574)	(494,722)
Local share of capital projects - Monroe County	(125,319)	(649,034)
Total nonoperating revenues (expenses)	(3,513,708)	(5,267,514)
Income before capital contributions	1,739,426	1,193,955
CAPITAL CONTRIBUTIONS, NET	1,454,959	3,753,131
CHANGE IN NET ASSETS	3,194,385	4,947,086
NET ASSETS - beginning of year	18,832,690	13,885,604
NET ASSETS - end of year	$ 22,027,075	$ 18,832,690

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, 2006 AND 2005

	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 25,732,089	$ 27,680,030
Cash paid to suppliers	(15,187,165)	(14,675,717)
Net cash flow from operating activities	10,544,924	13,004,313
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(193,132)	(265,297)
Capital contributions, net	1,439,640	3,753,131
Payment of bond principal	(4,145,000)	(3,920,000)
Payment of bond interest expense	(4,484,344)	(4,569,472)
Deposits into trustee principal and interest fund	(6,480,234)	-
Local share of capital projects - Monroe County	(110,000)	(649,034)
Net cash flow from capital and related financing activities	(13,973,070)	(5,650,672)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	1,473,455	699,900
Proceeds from sale of investments	150,946	131,098
Net cash flow from investing activities	1,624,401	830,998
CHANGE IN CASH AND CASH EQUIVALENTS	(1,803,745)	8,184,639
CASH AND CASH EQUIVALENTS - beginning of year	27,853,681	19,669,042
CASH AND CASH EQUIVALENTS - end of year	$ 26,049,936	$ 27,853,681
Classified as:		
Cash, cash equivalents and unrestricted investment	$ 9,269,018	$ 14,251,363
Restricted cash, cash equivalents and investments	16,780,918	13,602,318
Total cash and cash equivalents	$ 26,049,936	$ 27,853,681
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	$ 5,253,134	$ 6,461,469
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,562,660	4,528,124
Changes in:		
Accounts receivable	(1,360,924)	1,042,855
Deferred revenue	121,248	119,738
Due to Monroe County	1,385,184	655,162
Other current liabilities	583,622	196,965
Net cash flow from operating activities	$ 10,544,924	$ 13,004,313

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate, and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County. The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority board, which is approved by the County Legislature on the recommendation of the County Executive. The chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The 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 financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to adopt the provisions of paragraph 7 of GASB Statement No. 20.

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.

Revenues and Expenses
The Authority's principal sources of revenue are landing fees, terminal rentals from airlines using the Airport, car rental, parking, and concession fees. Revenues are recognized upon provision of services. The Authority contracts with certain airlines via a signatory agreement that defines the use of and rates charged for airport space and facilities. Rates charged by the Authority to the airlines are intended to recover total budgeted operating costs, as defined by the signatory agreement, which excludes depreciation and amortization, and accrued interest but includes principal and interest paid on related debt. At the end of each fiscal year, the budgeted amounts are reconciled with actual costs incurred and any resulting receivable or payable is settled with the signatory airlines. This revenue is recorded in accordance with agreements between the Authority and the airlines that expire December 31, 2007, and include a two-year renewal option and a three-year renewal option subsequent to completion of the two-year renewal period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

Cash equivalents include certificates of deposit, money market funds, U.S. Government securities and repurchase agreements with maturities of three months or less from the purchase date. Cash equivalents are stated at cost, which approximates fair value.

Investments

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

Capital Assets

The Airport facilities, except those that were financed through the 1989 bond issuance, are owned by the County and leased to the Authority (Note 4). Facilities owned by the County (and the related debt) are not recorded in the Authority's financial statements but are recorded by the County. The Authority capitalizes facilities, property, and equipment acquired at an original cost greater than $2,500 and a useful life greater than one year. The County carries insurance coverage on the facilities, property and equipment, which includes minimal deductible payments. Amortization for improvements to the leased airport facilities is provided on a straight-line basis over the remaining life 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.

Passenger Facility Charges

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

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

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

Deferred Bond Costs

Bond premiums, discounts, issuance costs, and the deferred amount on refinancing related to the issuance of the debt obligations are amortized over the terms of the respective bonds using a level yield method of amortization.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reclassifications

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

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 100% 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, 2006 and 2005 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2006 and 2005 are held by the Authority's agents in the Authority's name.

Cash equivalents 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:

	2006	2005
Money market	$ 1,288,115	$ 8,431,877
Certificates of deposit	18,561,221	17,684,987
	$ 19,849,336	$ 26,116,864

At December 31, 2006 and 2005, money market funds were held by Bank of America and Manufacturers and Traders Trust (M&T). Bank of America was rated P-1 for short-term investments by Moody's Investors Service (Moody's) while M&T had no similar short-term investment rating, although the institution as a whole was rated A3 by Moody's.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At December 31, 2006 and 2005, certificates of deposit were held by HSBC bank. HSBC was rated P-1 for short-term investments by Moody's.

Investments that are restricted include funds required to be maintained by the trustee pursuant to the indenture agreement 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:

	2006	2005
Money market funds	$ -	$ 152
U.S. Government securities	8,539,591	1,263,698
U.S. Government money market funds	503,117	554,687
Commercial paper	-	7,375,117
	$ 9,042,708	$ 9,193,654

Investment in United States Treasury bills accounts for approximately 94% of assets held by the trustee at December 31, 2006. General Electric Capital commercial paper accounted for approximately 80% of assets held by the trustee at December 31, 2005. At December 31, 2005 General Electric Capital commercial paper was rated AAA by Standard and Poor's, an independent credit rating agency.

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 was exposed to custodial credit risk for its deposits noted above as follows for the years ended December 31:

	2006	2005
Uninsured deposits:		
Uncollateralized commercial paper held by financial institution	$ -	$ 7,375,117
Collateralized with securities held by pledging financial institution	26,033,798	26,116,865
	$ 26,033,798	$ 33,491,982

The following investments held with one financial institution represent five percent or more of the Authority's total investments subject to credit risk at either December 31, 2006 or 2005, or both:

	2006	2005
HSBC	$ 18,561,221	$ 17,684,987
M&T	$ -	$ 5,998,153
Bank of America	$ -	$ 2,433,725
JPMorganChase	$ -	$ 7,375,117

4. TRANSACTIONS WITH MONROE COUNTY

The Authority and the County entered into a lease and operating agreement in September 1989. The leased property includes all of the County's right, title, and interest in the Airport. Under this agreement, the County is to administer and operate the Airport. In return, the Authority is to reimburse the County for expenses incurred in the administration and operation of the Airport. All such expenses including payroll and related costs are reimbursed by the Authority using the accrual basis of accounting. Upon expiration or earlier termination of the lease term, the Airport reverts to the County. The lease expires 30 days after repayment of the Airport revenue bonds, which are scheduled to be repaid by January 1, 2025. Amounts due to/from Monroe County represent the net balances pursuant to the agreement.

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 2006 and 2005, the rental payments totaled $1,565,114 and $729,383, respectively. Estimated future minimum rental payments are as follows at December 31:

2007	$ 1,578,013
2008	1,264,264
2009	1,258,491
2010	1,268,178
2011	895,113
2012 - 2016	4,226,132
2017 - 2021	2,982,774
2022 - 2025	894,264
	$ 14,367,229

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

In 2005, a resolution was passed by the County requiring the Authority to pay 3.5% interest on funds advanced by the County that is based on the County's expected return on other short-term investments. The Authority paid the County $500,000 in 2005, which has been included in passenger facility charges as net capital contributions in the accompanying statements of revenues, expenses and changes in net assets. As a result of less advances from the County in 2006, there was no interest paid in 2006 and none payable as of December 31, 2006.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	$ 497,771	$ -	$ -	$ 497,771
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	120,923,973	189,884	-	121,113,857
Office furniture and equipment	1,678,990	3,248	-	1,682,238
Transportation equipment	1,080,477	-	-	1,080,477
Total capital assets, being depreciated or amortized	123,683,440	193,132	-	123,876,572
Less: Accumulated depreciation and amortization	(60,058,567)	(4,562,660)	-	(64,621,227)
Capital assets being depreciated or amortized, net	63,624,873	(4,369,528)	-	59,255,345
Capital assets, net	$ 64,122,644	$ (4,369,528)	$ -	$ 59,753,116

5. **CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated or amortized:				
Land and easements	$ 497,771	$ -	$ -	$ 497,771
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	120,901,061	22,912	-	120,923,973
Office furniture and equipment	1,477,535	242,385	(40,930)	1,678,990
Transportation equipment	1,095,476	-	(14,999)	1,080,477
Total capital assets, being depreciated or amortized	123,474,072	265,297	(55,929)	123,683,440
Less: Accumulated depreciation and amortization	(55,580,033)	(4,528,124)	49,590	(60,058,567)
Capital assets being depreciated or amortized, net	67,894,039	(4,262,827)	(6,339)	63,624,873
Capital assets, net	$ 68,391,810	$ (4,262,827)	$ (6,339)	$ 64,122,644

6. **LONG-TERM DEBT**

Series 1993 and 2004 Bonds

In June 1993, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs, were used to purchase U.S. Government securities to refund the 1989 Series Bonds, including an additional reserve requirement representing a deferred amount on refunding. The deferred amount on the refunding was being amortized over the term of the 1993 Series Bonds.

In March 2004, the Authority issued Revenue Refunding Bonds to refund the outstanding 1993 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities. The transaction resulted in a deferred amount on refunding to the Authority related to the difference between the reacquisition price and the net carrying amount of the 1993 Series Bonds at the date of issuance of the 2004 Series Bonds of $2,112,215. This deferred amount on refunding is being amortized over the term of the 2004 Series Bonds.

The Series 2004 Bonds maturing after January 1, 2015, are subject to redemption by the Authority, in whole or in part, at any interest payment date on or after January 1, 2014.

6. LONG-TERM DEBT (Continued)

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 maturing on and after January 1, 2019, are not subject to redemption prior to their maturity.

Bond activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Bonds issued as part of the 1999 refunding:					
Serial bonds maturing in annual amounts ranging from \$300,000 to \$6,330,000 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	\$ 63,075,000	\$ -	\$ (3,090,000)	\$ (3,250,000)	\$56,735,000
Bonds issued as part of the 2004 refunding:					
Serial bonds maturing in annual amounts ranging from \$980,000 to \$1,860,000 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	19,875,000	-	(1,055,000)	(1,085,000)	17,735,000
Less: Unamortized bond discount	(302,148)	-	39,144	-	(263,004)
Less: Deferred amount on refunding	(3,791,816)	-	491,317	-	(3,300,499)
Long-term debt	\$ 78,856,036	\$ -	\$ (3,614,539)	\$ (4,335,000)	\$70,906,497

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Bonds issued as part of the 1999 refunding:					
Serial bonds maturing in annual amounts ranging from $300,000 to $6,330,000 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	66,015,000	-	(2,940,000)	(3,090,000)	59,985,000
Bonds issued as part of the 2004 refunding:					
Serial bonds maturing in annual amounts ranging from $980,000 to $1,860,000 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	20,855,000	-	(980,000)	(1,055,000)	18,820,000
Less: unamortized bond discount	(343,385)	-	41,237	-	(302,148)
Less: deferred amount of refunding	(4,309,432)	-	517,616	-	(3,791,816)
Long-term debt	$ 82,217,183	$ -	$(3,361,147)	$(4,145,000)	$74,711,036

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

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

	2006		2005	
	Required	Actual	Required	Actual
Net revenue to debt service	1.25:1	1.46:1	1.25:1	1.43:1
Debt service reserve requirement	$ 7,880,000	$ 8,628,469	$ 8,295,000	$ 9,193,654
Operating and maintenance reserve requirement	$ 2,519,194	$ 2,709,631	$ 2,436,511	$ 2,581,867
Renewal and replacement requirement	$ 500,000	$ 5,109,558	$ 500,000	$ 3,990,964

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.

6. LONG-TERM DEBT (Continued)

The indenture between the Authority and the trustee dated September 15, 1989, as amended, provides for the creation and maintenance of several subaccounts related to the debt issues. These subaccounts are aggregately reflected as a part of net assets in the accompanying statement of net assets. 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 assets.

- 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 assets.

- 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 assets.

- 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 assets.

- 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 assets.

- 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 are insured by the Municipal Bond Investors Assurance Corporation.

Maturities of revenue bonds for the fiscal years after December 31, 2006 are as follows:

	Principal	Interest	Total
2007	$ 4,335,000	$ 4,181,425	$ 8,516,425
2008	4,550,000	3,955,694	8,505,694
2009	4,790,000	3,710,219	8,500,219
2010	5,045,000	3,443,384	8,488,384
2011	5,315,000	3,155,756	8,470,756
2012 - 2016	31,460,000	10,832,072	42,292,072
2017 - 2019	23,310,000	1,949,347	25,259,347
	$ 78,805,000	$ 31,227,897	$ 110,032,897

7. CAPITAL CONTRIBUTIONS

Of the $98,371,527 that the Authority is authorized to collect in PFCs, $36,072,581 and $29,997,615, respectively, has been collected through December 31, 2006 and 2005. The net of collections, interest and expenditures is recorded as capital contributions.

	2006	2005
Balance - beginning of year	$ 6,671,472	$ 2,918,341
Collections	6,074,967	6,049,159
Interest earnings	387,488	148,774
Expended	(5,007,496)	(2,444,802)
Balance - end of year	$ 8,126,431	$ 6,671,472

As of December 31, 2006 and 2005, $8,126,431 and $6,671,472, respectively, are reflected as restricted net assets for passenger facility projects in the statement of net assets.

8. CONCENTRATIONS

In 2006, eight signatory airlines accounted for approximately 48% and 67% of the landing and rental fee revenues, respectively. Three signatory airlines accounted for approximately 52% of such revenue in 2006.

In 2005, seven signatory airlines accounted for approximately 47% and 59% of the landing and rental fee revenues, respectively. One signatory airline accounted for approximately 17% of such revenue in 2005.

Car rental commission revenue is generated from six agencies, one of which accounted for approximately 27% and 29% of such revenue in 2006 and 2005, respectively.

9. 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

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*

April 25, 2007

To the Members of
Monroe County Airport Authority:

We have audited the financial statements of the Monroe County Airport Authority (the Authority) as of and for the year ended December 31, 2006, and have issued our report thereon dated April 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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 of 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*.

We noted certain matters that we have reported to the Authority's management in a separate letter dated April 2007.

This report is intended solely for the information and use of management, the members of the Monroe County Airport Authority, and others within the entity, and is not intended to be used and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

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