

**SYRACUSE REGIONAL
AIRPORT AUTHORITY**

**(A DISCRETELY
PRESENTED
COMPONENT UNIT OF
THE CITY OF
SYRACUSE, NEW YORK)**

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS AND BASIC
FINANCIAL
STATEMENTS**

**For the Year Ended
June 30, 2015**

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)

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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

329 North Salina St., Suite 400, Syracuse, N.Y. 13203
315-475-7213 Fax: 315-475-7206

Independent Auditor's Report

Board Members

Syracuse Regional Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the Syracuse Regional Airport Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the City of Syracuse, New York, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Syracuse Regional Airport Authority as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Syracuse Regional Airport Authority, as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

New Accounting Standard

As discussed in Note 2 to the financial statements, the Syracuse Regional Airport Authority changed accounting policies related to the financial statement presentation of defined benefit pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, in 2015. The new pronouncements require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2016, on our consideration of the Syracuse Regional Airport 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 in considering Syracuse Regional Airport Authority's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

March 11, 2016

Syracuse, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

329 North Salina St., Suite 400, Syracuse, N.Y. 13203
315-475-7213 Fax: 315-475-7206

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

Board Members

Syracuse Regional Airport Authority

We have audited, 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, the financial statements of the business-type activities of the Syracuse Regional Airport Authority (the Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Syracuse Regional Airport Authority's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Syracuse Regional Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Syracuse Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Syracuse Regional Airport 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 Syracuse Regional Airport Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Syracuse Regional Airport 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.

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 Syracuse Regional Airport Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo + Co., LLP

March 11, 2016

Syracuse, New York

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

329 North Salina St., Suite 400, Syracuse, N.Y. 13203
315-475-7213 Fax: 315-475-7206

Independent Accountant's Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law

Board Members

Syracuse Regional Airport Authority

We have examined Syracuse Regional Airport Authority's (the Authority) compliance with Section 2925(3)(f) of the New York State Public Authorities Law during the year ended June 30, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2015.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these parties.

D'Arcangelo + Co., LLP

March 11, 2016

Syracuse, New York

**SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS**

A. Material Weakness

None

B. Significant Deficiency

Year End Closing Procedures

Condition: During our audit we noted that various client journal entries were identified and recorded after our year-end audit procedures commenced.

Cause: Delays in communication of information have resulted in the identification of various client journal entries recorded by management.

Criteria: An effective and efficient audit requires management to obtain information to reconcile the accounting records on a timely basis.

Effect: Information that is not obtained on a timely basis results in delays in information that may be critical in making management decisions.

Recommendation: We recommend that policies and procedures be implemented to address those factors that prevent the timeliness of information to adjust the final accounting records.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2015

A. Material Weakness

None

B. Significant Deficiencies

None

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2015

The following is a discussion and analysis of the Syracuse Regional Airport Authority (the Authority)'s financial performance for the year ended June 30, 2015. This section is a summary of the Authority's financial activities based on currently known facts, decisions and conditions. This section is only an introduction and should be read in conjunction with the Authority's financial statements, which immediately follow this section.

1. INTRODUCTION

The Authority, a public benefit corporation, is established to provide the necessary tools and support to Syracuse Hancock International Airport to maintain and operate the facilities in a safe, secure and efficient manner. The Authority is committed to promoting the growth and success of the Syracuse Hancock International Airport (Airport) by overseeing fiscal responsibility, regional marketing, and job creation in the aviation industry, and those industries that support aviation. The Authority was organized under the Public Authorities Law of the State of New York on August 17, 2011.

2. 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 Authority meets the criteria set forth in GAAP as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City of Syracuse, New York (City)'s basic financial statements based on the City's responsibility for the appointment of the Authority members. As such, the Authority is included in the City's basic financial statements.

The Statement of Net Position depicts the Authority's financial position at June 30, the end of the Authority's fiscal year. The statements present all the financial assets, liabilities, deferred inflows and deferred outflows of the Authority. Net Position represents the Authority's assets and deferred outflows after liabilities and deferred inflows are deducted.

The Statement of Revenues, Expenses and Change in Net Position report operating revenues and expenses, non-operating revenues and expenses and the change in net position for the year ended June 30, 2015. The change in net position combined with the previous year's net asset total, reconciles to the net position total for the reporting period.

The Statement 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 balance at the end of the year.

3. SUMMARY OF FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- The Authority's net assets increase by \$4,593,215 as a result of current year activity.
- The net operating gain for fiscal year 2015 was \$1,609,115.
- The Authority implemented GASB 68 which resulted in a prior-period adjustment that reduced the beginning of year net assets by \$26,964.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2015

4. FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

The Authority's total Net Position increased \$4,593,215 between fiscal year 2014 and 2015. A summary of the Authority's Statement of Net Position for June 30, 2015 is as follows:

Current and Other Assets	\$ 47,798,773
Capital Assets, Net of Accumulated Depreciation	4,475,880
Total Assets	<u>52,274,653</u>
Deferred Outflows of Resources	<u>51,535</u>
Total Assets and Deferred Outflows	<u>\$ 52,326,188</u>
Current Liabilities and other	<u>\$ 3,337,245</u>
Deferred Inflows of Resources	<u>168,340</u>
Net Position	
Net Investment in Capital Assets	4,475,880
Restricted	21,201,020
Unrestricted	<u>23,143,703</u>
Total Net Position	<u>48,820,603</u>
Total Liabilities, Deferred inflows and Net Position	<u>\$ 52,326,188</u>

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2015

Change in Net Position

The results of this year's operations as a whole are reported in the Statement of Revenues, Expenses, and Change in Net Position in the accompanying financial statements. A summary of this statement for the year ended June 30, 2015 is as follows.

Revenues	
Operating Revenues	
Landing Fees	\$ 6,485,468
Parking Rents	8,620,450
Terminal Rents	8,356,592
Concessions and Other	7,005,551
Miscellaneous	4,594
Total Revenues	<u>\$ 30,472,655</u>
Expenditures	
Operating Expenditures	
Cost of Service	\$ 4,864,901
Administration	7,119,243
Aviation Fund Lease	6,510,644
Aviation Fund Contractual	9,852,363
Depreciation	516,389
Total Expenditures	<u>\$ 28,863,540</u>
Net Operating Gain	\$ 1,609,115

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2015

Table A-3 Operating Revenue for the Year Ended June 30, 2015

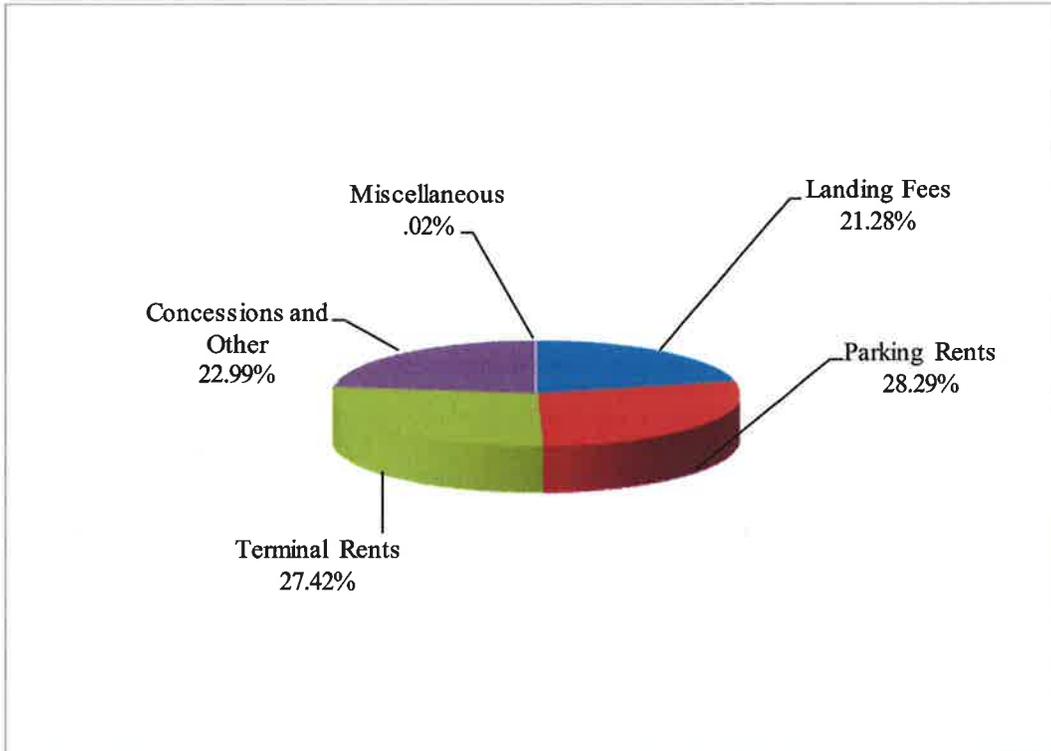
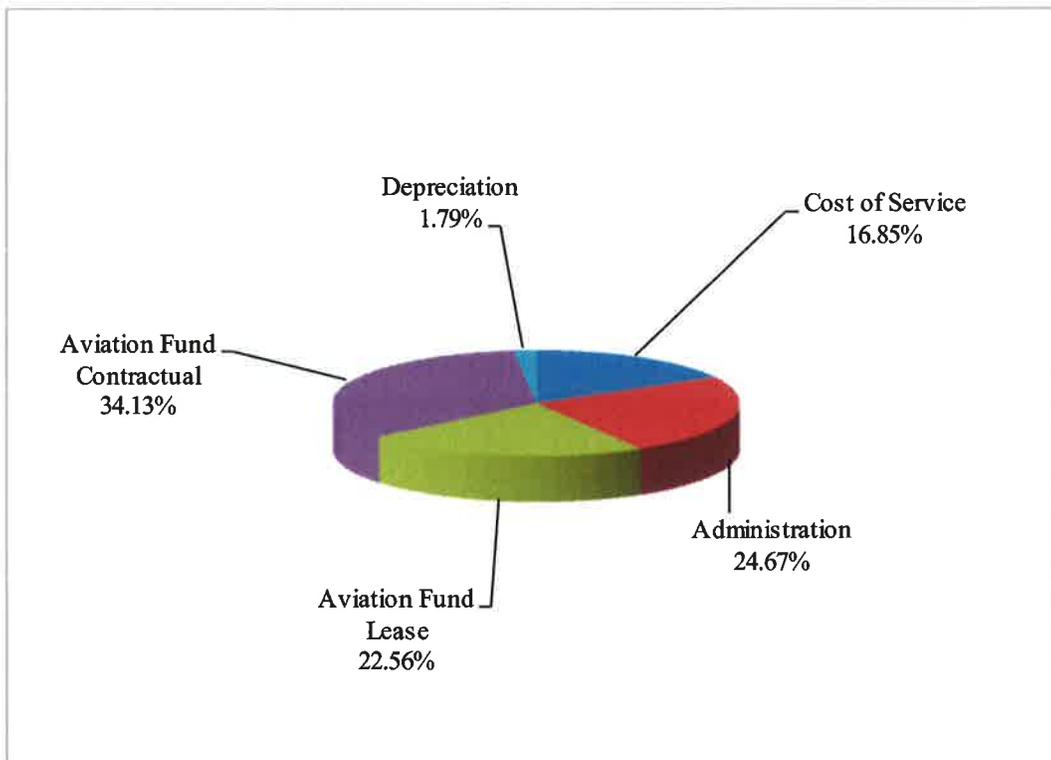


Table A-4 Operating Expenditures for the Year Ended June 30, 2015



SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2015

5. FACTORS BEARING ON THE AUTHORITY'S FUTURE

- **General Economic Climate-** Air travel can broadly be divided into business travel and leisure travel. Both of these depend, to varying degrees, on the strength of the economy. In a strong economy, travel tends to increase, which will result in an increase in revenue. In a weak economy, the reverse is true.
- **Air Service Development-** The Authority actively works to bring new airline service to Syracuse, both through adding new carriers and through existing airlines serving new destinations. To the extent it is successful, traffic through the Airport increases which increases revenue.
- **Contract/Agreement Negotiations-** The Authority will be negotiating several contracts and agreements over the next several years which will have an effect on the Airport's cost structure.
- **Continued Transition from City to Authority-** While the operating certificate for the airport has been transferred from the City of Syracuse to the Authority, it still remains the Authority's intent to transfer the bulk of the employees from the City to the Authority.

6. CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's citizens, customers, and creditors with 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 Executive Director at 1000 Colonel Eileen Collins Blvd, Syracuse, NY 13212.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF NET POSITION
June 30, 2015

Assets	
Current Assets	
Cash	\$ 20,671,074
Accounts Receivable	5,612,721
Due From City	151,750
Prepaid Expenses	<u>162,208</u>
Total Current Assets	<u>26,597,753</u>
 Non-Current Assets	
Restricted Cash	21,201,020
Capital Assets, Net	<u>4,475,880</u>
Total Non-Current Assets	<u>25,676,900</u>
 Deferred Outflows of Resources	
Pensions	<u>51,535</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 52,326,188</u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$ 2,386,063
Accrued Liabilities	160,816
Due to City	750,669
Note Payable - Current	<u>12,064</u>
Total Current Liabilities	<u>3,309,612</u>
 Non-Current Liabilities	
Net Pension Liability - Proportionate Share	<u>27,633</u>
 Deferred Inflows of Resources	
Unearned Revenue	151,750
Pensions	<u>16,590</u>
Total Deferred Inflows of Resources	<u>168,340</u>
 Net Position	
Net Investment in Capital Assets	4,475,880
Restricted	21,201,020
Unrestricted	<u>23,143,703</u>
Total Net Position	<u>48,820,603</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 52,326,188</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For the Year Ended June 30, 2015

Operating Revenues	
Landing Fees	\$ 6,485,468
Parking Rents	8,620,450
Terminal Rents	8,356,592
Concession and Other	7,005,551
Miscellaneous	<u>4,594</u>
Total Operating Revenue	<u>30,472,655</u>
 Operating Expenses	
Cost of Service	4,864,901
Administration	7,119,243
City's Aviation Fund Lease	6,510,644
City's Aviation Fund Contractual Expenses	<u>9,852,363</u>
Total Operating Expense	<u>28,347,151</u>
Operating Revenues in Excess of Operating Expenses Before Depreciation	<u>2,125,504</u>
Depreciation	<u>516,389</u>
Gain Before Non-Operating Income and Expenses	<u>1,609,115</u>
 Non-Operating Income (Expense)	
Capital Grants	4,996,455
Capital Contribution Expense to City's Aviation Fund	(6,158,950)
Passenger Facility Charges	4,055,692
Interest Income	92,511
Interest Expense	<u>(1,608)</u>
Total Non-Operating Income	<u>2,984,100</u>
 Net Position	
Increase in Net Position	<u>4,593,215</u>
Net Position, Beginning of Year	44,254,352
Prior-Period Adjustment	<u>(26,964)</u>
Net Position, Beginning of Year (Restated)	<u>44,227,388</u>
Net Position, End of Year	<u>\$ 48,820,603</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash Flows From (Used By) Operating Activities	
Cash Received From Providing Services	\$ 29,168,435
Cash Paid to Suppliers	(27,656,958)
Cash Paid to Employees	(669,265)
Net Cash From Operating Activities	<u>842,212</u>
Cash Flows From Investing Activities	
Interest Received	<u>92,511</u>
Net Cash Flows From Investing Activities	<u>92,511</u>
Cash Flows From (Used By) Capital and Related Financing Activities	
Purchase of Capital Assets	(6,095,392)
Principal Payments on Notes Payable	(46,991)
Interest Paid	(1,608)
Capital Grants	4,996,455
Passenger Facility Charges	<u>4,055,692</u>
Net Cash Flows From Capital and Related Financing Activities	<u>2,908,156</u>
Net Increase in Cash	3,842,879
Cash, Beginning of Year	<u>38,029,215</u>
Cash , End of Year	<u>\$ 41,872,094</u>
Reconciliation of Income Before Non-Operating to Net Cash Flows From (Used By) Operating Activities:	
Gain Before Non-Operating Income and Expenses	\$ 1,609,115
Adjustments to Reconcile Gain Before Non-Operating Income to Net Cash Flows From (Used By) Operating Activities:	
Depreciation	516,389
(Increase) Decrease in Assets:	
Accounts Receivable	2,059,453
Due From City	60,500
Prepaid Expenses	(5,327)
Pension Asset	(51,535)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,803,581)
Accrued Liabilities	128,111
Due To City	(627,671)
Unearned Revenue	(60,501)
Pension Liability - Proportionate Share	669
Pensions	<u>16,590</u>
Net Cash From Operating Activities	<u>\$ 842,212</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

1. ORGANIZATION

The Syracuse Regional Airport Authority (“the Authority”), a public benefit corporation, was established to provide the necessary tools and support to Syracuse Hancock International Airport (Airport) to maintain and operate the facilities in a safe, secure and efficient manner. The Authority is committed to promoting the growth and success of the Syracuse Hancock International Airport by overseeing fiscal responsibility, regional marketing, job creation in the aviation industry, and those industries that support aviation. The Authority was organized under the Public Authorities Law of the State of New York on August 17, 2011.

The Authority meets the criteria set forth in Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City of Syracuse, New York (City)’s basic financial statements based on the City’s responsibility for the appointment of the Authority members. As such, the Authority is included in the City’s basic financial statements. The accompanying financial statements present the financial position and the changes in net position and cash flows of the Authority only. The Authority is not involved in any joint ventures.

Transfer of Operations

On March 1, 2014, the City transferred responsibility for the operation of the Airport to the Authority, represented by agreements discussed below. The United States Department of Transportation Federal Aviation Administration approved this transfer effective March 1, 2014. The Authority, as operator of the Airport, shall have the sole right and responsibility to establish Airport policies and plans, adopt all Airport budgets, determine levels of operational service, and set fees, rates and charges.

The City signed a non-cancellable lease agreement (lease agreement) with the Authority which was effective March 1, 2014, for an initial period of forty (40) years, and renewals of the lease term are automatic for additional ten year terms. Per the lease agreement, the Authority will lease all premises that comprise the Airport, and will maintain, repair and operate the Airport, at its own cost and expense. All land acquired and improvements made by or on behalf of the Authority to the Airport during the term of the agreement shall be deemed property of the City, and title shall vest in the City upon acquisition or completion of the project in which improvements are made.

The Authority signed an assignment and assumption agreement with the City, effective March 1, 2014, transferring the City’s responsibility of Airport operations to the Authority, including all outstanding grant agreements related to the Airport with the United States Department of Transportation, the Department of Homeland Security Transportation Security Administration and the Federal Aviation Administration Passenger Facility Charge Records of Decision. The City also transferred substantially all of the assets and liabilities of its Aviation Enterprise Fund to the Authority which included cash, receivables, equipment and personal property, and contractual liabilities payable by the City’s Aviation Fund.

The Authority signed a services agreement with the City effective March 1, 2014, which allows the City to continue to perform services that have been rendered by employees of the City’s Department of Aviation, most of whom are represented by a union for the purpose of collective bargaining, for an initial period of ten (10) fiscal years beginning June 30, 2014 and two (2) successive periods of five (5) fiscal years (July 1 to June 30). The services agreement also allows the City to continue to make certain expenditures that are necessary and appropriate for the operation of the Airport. The Authority recorded \$9,852,363 in operating expenses as “City’s Aviation Fund Contractual Expenses” for the year ended June 30, 2015 related to this agreement.

SYRACUSE REGIONAL AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE CITY OF SYRACUSE, NEW YORK)
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority's financial statements are prepared in accordance with GAAP as applied to enterprise funds of governmental units. The (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. All activities of the Authority are accounted for within a single proprietary (Enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Revenues from landing fees, parking rents, terminal rents, concessions and other similar revenue are reported as operating revenues. All expenses related to operating the Airport are reported as operating expenses. Passenger facility charges, federal and state grants and interest are reported as non-operating revenue. Interest expense is reported as non-operating expense, special and extraordinary items are reported separately after non-operating revenues and non-operating expenses.

Net Position Classifications

In the financial statements there are three classes of Net Position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Authority.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash

The Authority's cash consists of demand deposits. New York State Public Authority Law governs the Authority's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets consist of monies and other resources which are restricted legally as described below:

Capital Improvement Funds - These assets represent capital debt proceeds and grant funds that are restricted for designated capital projects and cannot be expended for any other item.

Passenger Facility Charges - These assets represent Passenger Charges (PFC) collections based on an approved FAA application to "Impose" such charges on enplaned passengers at the Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects. The Authority recognizes and reports as non-operating income PFCs earned when all conditions have been met that entitles the Authority to retain the PFCs. PFCs received prior to this time are reported as restricted net position.

Capital Assets

Capital assets include vehicles, equipment and all other tangible assets that are used in operations and have useful lives extending beyond a single reporting period. Capital Assets that were transferred to the Authority on March 1, 2014 from the City's Aviation Fund are carried at historical cost, net of accumulated depreciation. Acquisitions of assets costing \$5,000 or more are recorded at cost.

Maintenance and repairs are expensed as incurred. When depreciable assets are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to an expense. Capital assets are written off when fully depreciated unless clearly identified as still being in use. Capital assets are written-down due to impairment if circumstances indicate a significant or unexpected decline in an assets service utility has occurred. Impaired capital assets are written down using an approach that best matches the asset's decline in service utility. Disposed of assets and assets held for sale are reported at the lower of carrying value or fair value less disposal costs. Depreciation of capital assets is computed using the straight-line method at various rates considered adequate to allocate costs over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

Machinery and equipment	3-10 years
Vehicles	3-9 years

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category and this relates to pensions. This represents the effect of the net change in the Authority's proportion of the collective net pension asset or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions not included in pension expense.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. The first item is unearned revenue which represents the principal portion of unrecognized lease payments. The second item is related to pensions reported in the Statement of Revenues, Expenses, and Change in Net Position. This represents the effect of the net change in the Authority's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

Certain expenditures for airport capital assets are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the State and the Authority, or from various State allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation are reported in the statement of revenues, expenses and changes in net position, after non-operating income (expense), as capital contributions.

Revenue Recognition

Landing Fees - Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the maximum landed weight of the aircraft. The estimated landing fee structure is determined annually pursuant to an agreement between the Authority and the signatory airlines based on the adopted operating budget of the Authority and is adjusted at the fiscal year end for the actual landed weight of all aircraft and actual expenses. Landing fees are recognized as revenue based on number of landings and certain other criteria.

Fixed Based Operations (FBO), Rents, Concessions and Ground Transportation - FBO revenues are generated from commercial and general aviation users, rental cars, advertising and other commercial tenants. Leases are for various terms and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective lease and concession revenue is recognized based on reported concessionaire revenue.

Other-All other types of revenues are recognized when earned.

Special Items and Extraordinary Items

Special Items- Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. There are no special items recorded for the year ended June 30, 2015.

Extraordinary Items- Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. There were no extraordinary items recorded for the year ended June 30, 2015.

New Accounting Standard

The Authority changed accounting policies related to the financial statement presentation of defined benefit pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, in 2015. The new pronouncements require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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3. RECEIVABLES

Accounts receivable is recorded net of allowances for probable uncollectable accounts.

	<u>June 30, 2015</u>
Enterprise	\$ 4,050,897
Grants	1,084,338
Passenger Facility Charges	<u>477,486</u>
Total	<u>\$ 5,612,721</u>

4. CAPITAL ASSETS

Per the agreement between the Authority and the City of Syracuse, certain land, buildings and improvements with a cost of approximately \$375,500,000, with accumulated depreciation of approximately \$225,000,000 are included in the City of Syracuse's Aviation Fund. The Authority's Airport Lease Agreement with the City of Syracuse provides that all land acquired and improvements made to the Syracuse Hancock International Airport, on behalf of the Authority, shall be deemed property of the City of Syracuse. As a result, the Authority's policy is to remove Construction in Progress by recording an operating expense as "Capital Contribution Expense to City's Aviation Fund," when the project is substantially complete. Capital asset balances and activity for the year ended June 30, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ <u>2,889,208</u>	\$ <u>5,282,761</u>	\$ <u>6,158,950</u>	\$ <u>2,013,019</u>
Capital Assets Being Depreciated				
Machinery and Equipment	8,102,358	677,471		8,779,829
Vehicles	<u>9,470,315</u>	<u>135,160</u>		<u>9,605,475</u>
Total	<u>17,572,673</u>	<u>812,631</u>		<u>18,385,304</u>
Accumulated Depreciation				
Machinery and Equipment	6,008,981	471,027		6,480,008
Vehicles	<u>9,397,073</u>	<u>45,362</u>		<u>9,442,435</u>
Total	<u>15,406,054</u>	<u>516,389</u>		<u>15,922,443</u>
Net Capital Assets	<u>\$ 5,055,827</u>	<u>\$ 5,579,003</u>	<u>\$ 6,158,950</u>	<u>\$ 4,475,880</u>

Depreciation expense for the year ended June 30, 2015 was \$516,389.

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5. OPERATING LEASE COMMITMENTS AND LEASED ASSETS

The authority entered into a lease agreement with the City, commencing on March 1, 2014 which is effective for an initial term of forty (40) years. See Note 1 related to transfer of operations of the Airport.

The lease agreement gives the Authority the exclusive right to operate, maintain and improve the Airport subject to certain restrictions and conditions. The renewals of the lease term are automatic for additional ten year terms. The City retains physical ownership of the current and future land, buildings and improvements of the Airport made by or on behalf of the Authority.

The Authority is required to make rental payments to the City equal to the principal and interest due on Airport related debt issued by the City. These rental payments totaled \$6,510,644 for the year ended June 30, 2015. Future minimum lease payments due to the City for the year ended June 30, 2015 under this operating lease are as follows:

2016	\$	6,079,185
2017		5,574,450
2018		3,464,050
2019		3,336,250
2020		3,327,850
2021-2025		16,032,181
2026-2030		15,238,345
2031-2035		15,241,662
2036-2037		<u>6,098,875</u>
Total	\$	<u>74,392,848</u>

6. CAPITAL LEASE

The City has entered into a capital lease agreement with a vendor for certain equipment which will become the property of the Authority when lease payments expire at the end of the lease term. The leased asset and the related liability under the capital lease are recorded at the lower of the present value of the lease payments or the fair market value of the asset. The capital asset was fully amortized at June 30, 2015. The related liability is presented on the statement of net position. The minimum future lease payments are as follows:

Period Ended June 30:		
2016	\$	12,150
Less: Amounts representing interest between 5% and 8.5% per annum		<u>(86)</u>
Total	\$	<u>12,064</u>

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7. SPECIAL ITEM

During the year ended June 30, 2014, the Authority recognized transfers from the City of Syracuse's Aviation Fund which was recognized on the statement of revenues, expenses, and changes in net position as "Special Item – Transfer From Aviation Fund" in the amount of \$39,288,017.

<u>SPECIAL ITEM DETAIL:</u>	
<u>Description</u>	<u>Amount</u>
<u>ASSETS</u>	
Cash	\$ 33,452,969
Accounts Receivable	6,039,232
Due From Other Funds	<u>273,000</u>
Total Assets	<u>39,765,201</u>
<u>LIABILITIES</u>	
Accounts Payable and Accrued Expenses	(4,897,163)
Capital Lease Obligation	<u>(107,667)</u>
Total Liabilities	<u>(5,004,830)</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned Revenue	<u>(272,752)</u>
<u>NET CAPITAL ASSETS</u>	<u>4,800,398</u>
Special Item - Transfer From Aviation Fund	\$ 39,288,017

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8. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) *Plan Description*

The Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(b) *Contributions*

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 but before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2015, were paid.

The required contributions for the current year and two preceding years were:

	<u>Amount</u>
2013	\$ 0
2014	\$ 0
2015	\$ 37,337

(c) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the Authority reported a liability of \$27,633 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2015 the Authority's proportion was .000818%.

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For the year ended June 30, 2015, the Authority recognized pension expense of \$61,300. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 885	\$
Net difference between projected and actual earnings on Pensions plan investments	4,800	
Changes in proportion and differences between contributions and proportionate share of contributions		16,590
Contributions subsequent to the measurement date	45,850	
Total	\$ 51,535	\$ 16,590

At June 30, 2015, \$45,850 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2016	\$ 1,284
2017	\$ 1,284
2018	\$ 1,284
2019	\$ 1,284
2020	\$ 0
Thereafter	\$ 0

(d) Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	7.50%	
Salary scale	4.90%	
Decrement tables	April 1, 2005 - March 31, 2010	
	System's Experience	
Inflation rate	2.70%	

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

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The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below.

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Assumption <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Proportionate share of the net pension liability (assets)	\$ 184,189	\$ 27,633	\$ (104,538)

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(g) *Pension Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) *Payables to the Pension Plan*

The Authority has recorded an amount due to ERS in amount of \$45,850 at June 30, 2015. This amount represents the three months of the Authority's fiscal year that will be covered in the ERS 2015-2016 billing cycle and has been accrued as a liability at June 30, 2015.

9. CUSTODIAL CREDIT RISK

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. While the Authority does not have a specific policy for custodial credit risk, New York State statutes govern the Authority's investment policies, as discussed previously in these notes.

As of June 30, 2015, the Authority's bank balances of \$41,787,090 were fully collateralized by federal depository insurance and securities held by an agent of the pledging financial institution in the Authority's name.

10. PRIOR PERIOD ADJUSTMENT

A prior period adjustment to reduce beginning net assets by \$26,964 has been reflected in the financial statements to record the net pension liability, deferred outflows/inflows, and adjusted pension expense and net position in accordance to GASB 68.

11. RISK MANAGEMENT

Potential Grantor Liability

The Authority is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties.

Self-Insured Health and Dental Insurance

The Authority participates in the health and dental insurance consortium managed by Onondaga County Employees Benefit Association (OCEBA). This is a self-insured plan whereby the insurance risk is retained by the Authority although such risk is spread among the participants in the Plan. The Authority has not recorded an estimate of incurred but not reported claims as of June 30, 2015 as it is deemed immaterial to the financial statements. In addition, as a participant in the Plan, the Authority had a deficit balance of \$104,670 maintained by the plan as of June 30, 2015. This amount represents the difference between premiums collected and claims paid.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the statement of net position through the date of February 9, 2016, which is the date the financial statements were available to be issued.

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SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
For the Year Ended June 30, 2015

	ERS Pension Plan
	Last Fiscal Year
	<u>2015</u>
Contractually Required Contribution	\$ 39,337
Contributions in Relation to the Contractually Required Contribution	<u>39,337</u>
Contribution Deficiency (Excess)	<u>\$</u>
Authority's Covered-ERS Employee Payroll	\$ 645,254
Contributions as a Percentage of Covered-Employee Payroll	6.10%

See Independent Auditor's Report.

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SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

ERS Pension Plan

	2015	2014
Authority's proportion of the net pension liability	0.0008180%	0.0008180%
Authority's proportionate share of the net pension liability	\$ 27,633 \$	36,964
Authority's covered-employee payroll	\$ 645,254 \$	186,947
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.28%	19.77%
Plan fiduciary net position as a percentage of total pension liability	0.0%	0.0%