Susquehanna Area Regional Airport Authority

Independent Auditor’s Report and Financial Statements

December 31, 2018 and 2017

Susquehanna Area Regional Airport Authority
December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Susquehanna Area Regional Airport Authority
Middletown, Pennsylvania

We have audited the accompanying financial statements of Susquehanna Area Regional Airport Authority (SARAA), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise SARAA's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Susquehanna Area Regional Airport Authority as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SARAA's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
April 18, 2019

Susquehanna Area Regional Airport Authority
Management's Discussion and Analysis
December 31, 2018 and 2017
(Unaudited)

Management's Discussion & Analysis (MD&A) of the financial performance and activity of the Susquehanna Area Regional Airport Authority (SARAA) is to provide the reader with an introduction to SARAA's basic financial statements as of and for the years ended December 31, 2018 and 2017. The information contained in the basic financial statements, including the notes, is essential to a full understanding of the financial statement data.

SARAA is a joint municipal authority created in 1997 under the Pennsylvania Municipality Authorities Act. SARAA is governed by representatives from the counties of Dauphin, Cumberland and York, the cities of Harrisburg and York and the townships of Lower Swatara (Dauphin County) and Fairview (York County). SARAA is an independent entity governed by a board of directors who are not compensated. Each of the municipalities appoints representatives to serve for 5-year terms on the board that consists of 15 directors. Each county appoints three board members; each city appoints two board members; each of the two townships appoints one board member. The board members cannot be recalled during their term. After their term expires, they continue to serve until their sponsoring county, city or township replaces them or until they resign.

SARAA owns and operates four airports: 1) Harrisburg International Airport (HIA), primarily located in Lower Swatara Township, Dauphin County, Pennsylvania (Harrisburg International Airport is known as the MDT airport code. The airport is adjacent to the Borough of Middletown, PA) 2) Capital City Airport (CXY), located in Fairview Township, York County, Pennsylvania 3) the Franklin County Regional Airport (FCRA), located near Chambersburg, Pennsylvania, and 4) the Gettysburg Regional Airport (GRA), located near Gettysburg, Pennsylvania.

SARAA and the Harrisburg International Airport have no financial ties with the City of Harrisburg or any of the other appointing counties, cities or townships.

This MD&A is a section of the annual report required by Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34).

Industry Headlines and SARAA's Activities and Highlights

The U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported Calendar Year (CY) 2018 U.S. total domestic revenue passenger miles flown increased by 4.9% when compared to PY 2017. Domestic scheduled capacity, measured by available seat-miles, increased 4.6% as well resulting in a load factor of 83.0%, virtually the same as 2017's 82.5%.

In February 2019, BTS reported the 3rd quarter 2018 domestic average roundtrip fare (the most recent quarter for which data is available) was $343, up from a $336 average fare during the third quarter of 2017.

At HIA, 2018 passenger traffic increased 8.4% when compared to 2017, as 1,294,765 total passengers used the facility. The airlines enplaned a total of 652,301 passengers in 2018, up 8.4% from 2017. American (+9.5%), Allegiant (+17.1%), United (+7.0%) and Frontier all served more passengers in 2018 when compared to 2017, while Delta (-4.4%) and Air Canada (-0.2%) served fewer passengers.

Frontier Airlines returned to HIA in July 2018 with new twice-weekly service to Denver and Raleigh-Durham. In August, they added three times weekly service to Orlando International Airport. Frontier ended service to Raleigh after six weeks, however, Orlando service is year-round and Denver service is being increased to three times a week beginning in May 2019.

Southern Airways Express ended service to Pittsburgh in June 2018. Service began in October 2016, however, it operated very sporadically through May 2017 due to a shortage of pilots and significant delays in training new ones. Suspended over the summer, more frequent service returned in October 2017 but ended in June 2018 due to lack of demand and profitability.

Air Canada ended Toronto service after 20-plus years in October 2018 as the airline does not have a suitable replacement for the 18-seat Beech 1900 aircraft. The Beech-1900 is being retired from the fleet as it had become too expensive to operate and maintain.

Total 2018 departing seat capacity at HIA increased 7.4% compared to 2017. Delta (-4.3%) was the only airline at Harrisburg International Airport to offer fewer seats for sale in 2018 when compared to 2017. Smaller planes utilized were the main reason for the decline. Air Canada (+18.3%), American (+5.4%), United (+6.7%), Allegiant (+16.1%) and Frontier increased frequency and added flights to their 2018 schedules. The airports average 2018 annual departing load factor increased nearly one point to 81.7%.

A total of 57,303 tons of cargo were flown into and out of Harrisburg International Airport in 2018 representing an 8.5% increase compared to 2017. UPS tonnage increased 11.8%, FedEx tonnage increased 7.4% while commercial airline belly cargo declined 17.8%. The Federal Aviation Administration (FAA) reported there were 51,199 total 2018 airport operations at HIA, a decrease of 2.5% compared to 2017.

The following table shows the 2018 percentage fluctuation from 2017 for change in seats, change in enplanement passengers and passenger market share: (List ranked by 2018 passenger market share):

	Change in Seats	Change in Enplaned Passengers	Market Share
American Airlines	5.4%	9.5%	41.0%
Delta Air Lines	-4.3%	-4.4%	23.7%
United Airlines	6.7%	7.0%	19.1%
Allegiant	16.1%	17.1%	12.3%
Air Canada	18.3%	-0.2%	1.2%
Southern Airways Express	52.7%	68.9%	0.1%
Frontier	100.0%	0.0%	2.4%
Charters	n/a	-6.9%	0.2%
Total Passenger Airlines	7.4%	8.7%	100.0%

The following table shows a summary of various activities at HIA:

	2018	2017	% Change
Enplanements	652,301	600,443	8.6%
Air carrier operations	28,244	29,323	-3.7%
Landed weight (passenger airlines only)	765,012,656	709,280,689	7.9%
Cargo tons	57,303	51,886	10.4%
Parking revenue	$ 8,058,216	$ 7,528,151	7.0%

Financial Highlights

The Authority passed a balanced $31million revenue and expense budget for 2018 to meet all maintenance and operations, capital and debt service obligations. 2018 enplanements were forecast for about 614,000, similar to the budgeted 2017 levels. Actual 2018 enplanements were 6.2% better than expected. Improved performance, primarily in non-airline revenues, produced a better than expected year, as Net Operating Revenue (excluding depreciation) was 5.1% ahead of the budgeted expectations.

- Operating revenues were 3.2% ahead of the 2018 budget and 5.6% better than 2017. Operating expenses (excluding depreciation) were 2.2% more than budget and were 9.8% more than 2017.
- Commercial development constructed by tenants at HIA totaled $26.3 million. It included a hotel, two hangars and two other buildings.
- SARAA owed the airlines for revenue sharing under the Airline Operating Agreement. For 2018, the liability was for $1.1 million. These payments are deducted 50% each from Facilities Revenue and Landing Fee revenue.
- The required bond coverage ratio was met and maintained for 2018. More information is available in the Long-Term Debt section of the Management's Discussion and Analysis.
- All monthly debt service payments required by the bond trustee were made.

Overview of Financial Statements

SARAA only engages in business-type activities. These are activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services. SARAA reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business.

SARAA's financial report includes Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. Comparative financial statements with fiscal year 2017 are presented.

The net position of SARAA is comprised of these categories:

- *Net investment in capital assets* - reflects SARAA's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. SARAA uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.
- *Restricted* - represents resources that are subject to external restrictions on how they may be used.
- *Unrestricted* - represents resources that may be used to meet SARAA's ongoing obligations to the public and creditors.

2018 to 2017 Comparative Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reflect the operating activity of SARAA for the years using the accrual basis of accounting, similar to private sector companies. The change in net position is an indicator of whether the overall fiscal condition of SARAA has improved or worsened during the year.

The change in net position for the years ended December 31, 2018 and 2017 was $35.9 million and $6.2 million, respectively. The comparative analysis is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2018 and 2017.

	2018	2017	Dollar Change	Percent Change
Operating Revenues				
Facilities revenue	$ 8,800,775	$ 8,767,732	$ 33,043	0.4%
Parking fees	8,058,216	7,528,151	530,065	7.0%
Vehicle rental fees and customer facility charges	4,237,422	4,033,805	203,617	5.0%
Landing fees	4,064,456	4,049,564	14,892	0.4%
Apron and gate use fees	1,408,556	1,325,342	83,214	6.3%
Concession fees	534,018	499,803	34,215	6.8%
Fuel flowage and other commissions	464,273	432,568	31,705	7.3%
Other income	675,915	657,151	18,764	2.9%
Total operating revenues	28,243,631	27,294,116	949,515	3.5%
Operating Expenses				
Salaries, wages, payroll taxes and benefits	7,873,942	7,332,038	541,904	7.4%
Professional and consulting fees	486,005	532,976	(46,971)	-8.8%
Marketing	580,664	452,626	128,038	28.3%
Insurance	527,628	569,174	(41,546)	-7.3%
Utilities	1,417,836	1,493,561	(75,725)	-5.1%
Parking facility	2,062,987	2,316,605	(253,618)	-10.9%
Repairs and maintenance	2,121,446	1,508,281	613,165	40.7%
Supplies, parts and other	3,482,275	2,689,511	792,764	29.5%
Depreciation	14,612,373	13,877,413	734,960	5.3%
Total operating expenses	33,165,156	30,772,185	2,392,971	7.8%
Loss From Operations	(4,921,525)	(3,478,069)	(1,443,456)	41.5%
Nonoperating Expenses Net of Revenues	(2,656,971)	(2,967,383)	310,412	-10.5%
Capital Contributions, Grants and Contributions From Lessees	43,433,707	12,666,762	30,766,945	242.9%
Increase in Net Position	35,855,211	6,221,310	29,633,901	476.3%
Net Position, Beginning of Year	86,348,731	80,127,421	6,221,310	7.8%
Net Position, End of Year	$ 122,203,942	$ 86,348,731	$ 35,855,211	41.5%

Loss From Operations: Depreciation is a noncash expense, so the loss does not reflect the cash position. The Statements of Cash Flows present an accurate portrayal of cash activity. Also, the Schedule of Capital and Noncapital Revenues and Expenses, which is presented as supplementary information, is more reflective of SARAA's annual fiscal operations.

Significant Variances for 2018 to 2017

- **Operating Revenues:** In 2018, the Total Operating Revenues increased 3.5%. The increase of enplanements drove a substantial increase in Parking fees and Vehicle rental fees and customer facility charges. Also, Apron and gate use fees increased for two reasons: 1) additional exclusive cargo ramp rented by UPS and, 2) Avflight, the only general aviation Fixed Base Operator, built a new facility west of the terminal and was charged for the use of the ramp.
- **Operating Expenses (other than depreciation):** The operating expenses increased 9.8% or $1.6 million.
  - Three new full time positions and a part time position were added to handle increased security demands and ongoing maintenance concerns. SARAA's retirement contributions increased from a 4% match to a 6% match.
  - Paving repairs were made to a road and gate area at HIA.
  - Building automation system software was updated for the terminal at HIA.
  - More was spent on deicing and other winter materials for the airfield than the prior year or what was programmed in the budget due to enable weather preparedness.
  - The loading bridge repair project escalated to full scale and more repair materials were purchased.
  - Safety gear for the fire department was replaced for HIA.
  - Airfield signs and lighting, LED lighting upgrades, radios and water leak detection equipment were purchased.
- **Operating Expenses (depreciation):** Depreciation increased 5.3% or $735,000.
  - HIA has a single large runway that is undergoing a three year rehabilitation process, 2017-2019. The previous rehabilitation occurred in 1997. Depreciation recorded in 2018 for the '17 & '18 phases is $718,000.
  - Commercial development constructed by tenants at HIA totaled $26.3 million. It included a hotel, two hangars and two other buildings. 2018 depreciation recorded for these assets totaled $381,000.
- **Nonoperating Expenses Net of Revenue:**
  - Overall interest expense decreased after a temporary increase in 2017 to a more normal level in 2018. As a result of the refinancing of the 2008A bonds with the 2017 bonds, annual interest savings are approximately $891,000 per year, 2018 through 2032.
- **Capital Contributions and Grants:**
  - The amounts recorded vary year-to-year with the level of construction activity at SARAA's four airports. When there is more construction or other capital activity, there are more grant dollars reimbursing those costs. In 2018, construction activity was much more than 2017 ($17.2 million vs. $12.7 million). The eastern end of the lone runway at HIA was rehabilitated.
  - Commercial development constructed by tenants at HIA totaled $26.3 million. It included a hotel, two hangars and two other buildings.

2017 to 2016 Comparative Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reflect the operating activity of SARAA for the years using the accrual basis of accounting, similar to private sector companies. The change in net position is an indicator of whether the overall fiscal condition of SARAA has improved or worsened during the year.

The change in net position for the years ended December 31, 2017 and 2016 was $6.2 million and $(1.6) million, respectively. The comparative analysis is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2017 and 2016.

	2017	2016	Dollar Change	Percent Change
Operating Revenues				
Facilities revenue	$ 8,767,732	$ 8,819,504	$ (51,772)	-0.6%
Parking fees	7,528,151	7,560,682	(32,531)	-0.4%
Vehicle rental fees and customer facility charges	4,033,805	4,105,690	(71,885)	-1.8%
Landing fees	4,049,564	3,843,564	206,000	5.4%
Apron and gate use fees	1,325,342	1,243,532	81,810	6.6%
Concession fees	499,803	498,262	1,541	0.3%
Fuel flowage and other commissions	432,568	452,150	(19,582)	-4.3%
Other income	657,151	776,934	(119,783)	-15.4%
Total operating revenues	27,294,116	27,300,318	(6,202)	0.0%
Operating Expenses				
Salaries, wages, payroll taxes and benefits	7,332,038	6,954,043	377,995	5.4%
Professional and consulting fees	532,976	520,254	12,722	2.4%
Marketing	452,626	548,535	(95,909)	-17.5%
Insurance	569,174	582,184	(13,010)	-2.2%
Utilities	1,493,561	1,503,883	(10,322)	-0.7%
Parking facility	2,316,605	2,416,851	(100,246)	-4.1%
Repairs and maintenance	1,508,281	1,761,318	(253,037)	-14.4%
Supplies, parts and other	2,689,511	2,464,308	225,203	9.1%
Depreciation	13,877,413	15,141,581	(1,264,168)	-8.3%
Total operating expenses	30,772,185	31,892,957	(1,120,772)	-3.5%
Loss From Operations	(3,478,069)	(4,592,639)	1,114,570	24.3%
Nonoperating Expenses Net of Revenues	(2,967,383)	(3,899,670)	932,287	-23.9%
Capital Contributions and Grants	12,666,762	6,885,294	5,781,468	84.0%
Increase (Decrease) in Net Position	6,221,310	(1,607,015)	7,828,325	487.1%
Net Position, Beginning of Year	80,127,421	81,734,436	(1,607,015)	-2.0%
Net Position, End of Year	$ 86,348,731	$ 80,127,421	$ 6,221,310	7.8%

Loss From Operations: Depreciation is a noncash expense, so the loss does not reflect the cash position. The Statements of Cash Flows present an accurate portrayal of cash activity. Also, the Schedule of Capital and Noncapital Revenues and Expenses, which is presented as supplementary information, is more reflective of SARAA's annual fiscal operations.

Significant Variances for 2017 to 2016

- **Operating Revenues:** In 2017, the Total Operating Revenues decreased a very small amount. Increased landing fees and apron and gate use fees from the airlines offset the loss of rent from the former Bethlehem Steel property, which was sold in April. Also, other income was reduced from 2016 as SARAA received a FEMA grant for clearing of a record January 2016 snowstorm.
- **Operating Expenses (other than depreciation):** These operating expenses increased less than 1%. We increased four new staff positions to facilitate succession and increase essential building maintenance staff for the airports. Snow costs were down from the prior year (when a record snowfall was recorded in January 2016).
- **Operating Expenses (depreciation):** Depreciation decreased 8.3% or $1.3 million.
  - Capitalized interest (financing cost during construction) was incurred for a group of projects placed in service in 2004 & 2005. These included the terminal building, parking garage, parallel taxiway and other associated projects for which SARAA originally used bond financing. The depreciation of capitalized interest was completed in 2017. $233,000 of depreciation was recorded. Last year's depreciation was $1.6 million thus the large reduction of depreciation expense.
- **Nonoperating Expenses Net of Revenue:**
  - SARAA sold the former Bethlehem Steel property, which was close but not contiguous to the Airport (separated by a railroad line). The property was sold for $3.3 million recognizing a $2.0 million gain.
  - Interest expense increased temporarily as replacement bonds were issued in mid-November for the 2008A bonds. The 2008A bonds were retired at the start of 2018. The issuance costs of $384,000 are recognized in 2017. Annual interest savings will be approximately $891,000 per year, 2018 through 2032.
- **Capital Contributions and Grants:** The amounts recorded vary year-to-year with the level of construction activity at SARAA's four airports. When there is more construction or other capital activity, there are more grant dollars reimbursing those costs. In 2017, construction activity was much more than 2016 ($12.7 million vs. $3.1 million). The western end of the lone runway at HIA was rehabilitated. The southern half of the runway at GRA was rebuilt. An oil/water separator was installed at CXY to improve drainage.

Statements of Net Position Summary

A condensed summary of SARAA's statements of net position at year-end is shown below:

	2018	2017	2016
Assets			
Assets			
Current assets	$ 23,683,814	$ 22,543,960	$ 17,532,241
Noncurrent restricted cash and investments	14,562,988	14,695,099	15,289,755
Noncurrent other assets	801,668	410,619	-
Capital assets, net	240,052,545	210,050,949	210,797,540
Total assets	$ 279,101,015	$ 247,700,627	$ 243,619,536
Liabilities			
Current liabilities	$ 15,495,414	$ 14,911,245	$ 11,929,107
Long-term liabilities	141,401,659	146,440,651	151,563,008
Total liabilities	156,897,073	161,351,896	163,492,115
Net Position			
Net investment in capital assets	102,463,474	66,372,842	66,827,468
Restricted	8,211,914	8,138,973	7,735,617
Unrestricted	11,528,554	11,836,916	5,564,336
Total net position	122,203,942	86,348,731	80,127,421
Total liabilities and net position	$ 279,101,015	$ 247,700,627	$ 243,619,536

Statements of Net Position Discussion - 2018 vs. 2017

Current assets: Overall, current assets increased $1.1 million. The cash balance increased from 2017 year end. Grants receivable decreased $1.2 million from 2017 as the runway rehabilitation project is more up-to-date in grant activity than it was a year ago. Investments increased $470,000 as the capital improvement investment account increased with the Transportation Security Administration's first year of reimbursement of the Electronic Baggage Screening Program. Restricted cash and investments increased as funds set aside in the debt service funds bond principal and interest returned to a normal level after the 2008A bond refunding the prior year.

Noncurrent cash and investments: The Debt Service Reserve funds (DSRF) were maintained, increasing slightly by $67,500. The Renewal and Replacement Reserve fund was decreased $329,000 and the Maintenance and Operation Reserve fund was increased $157,000. These funds are required to be maintained at certain prescribed levels to be in compliance with the bond indenture.

Capital assets, net of accumulated depreciation increased $30 million:

- Commercial development constructed by tenants at HIA totaled $26.3 million. It included a hotel, two hangars and two other buildings.
- The eastern end of the lone runway at HIA was rehabilitated with a project cost of $16 million.

Current liabilities increased to $15.5 million. The liability to the airlines for the revenue sharing required by the Airline Operating Agreement increased by $600,000 to $1,115,000.

Long-Term Liabilities:

The $5 million decrease in long-term liabilities was caused by the annual routine reduction of bond principal ($4.6 million) and the annual offsetting of bond premiums to interest expense ($721,000).

Note 8, Bonds Payable, provides complete details.

Net position serves as a useful indicator of SARAA's financial position. SARAA's total assets exceeded total liabilities by $122 million at December 31, 2018. This is an increase from the prior year of $36 million. A primary reason assets increased was the tenants' commercial development at HIA and the rehabilitation of the eastern end of HIA's runway. The primary reason liabilities decreased was the scheduled payment of bond debt.

The largest component of SARAA's net position (83.8% as of December 31, 2018) is invested in capital assets (e.g., land, infrastructure, buildings, improvements and equipment), net of the related debt outstanding used to acquire those capital assets. Although SARAA's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided annually from operations since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

The components of restricted net position are limited to their use by external sources as described below:

- Bond resolution requires funds be put aside to ensure the continued operation of the airports.
- The FAA requires the use of passenger facility charges (PFC's) collected from passengers by the airlines only for approved capital projects including debt service thereon.

Unrestricted net position may be used for any lawful airport system purpose.

Statements of Net Position Discussion - 2017 vs. 2016

Current assets: Overall, current assets increased $5.0 million. The cash balance decreased from 2016 year end. Grants receivable increased $3.9 million from 2016 as three significant construction projects were substantially completed in 2017 but the final wrap up of the projects will not be completed until the first half of 2018. Investments increased $2.9 million as the capital improvement investment account increased with the proceeds from the sale of the former Bethlehem Steel property. Restricted cash and investments were reduced as the 2008A bonds were refunded in 2017. Funds set aside in the related debt service fund for the 2008A bond interest were no longer needed and transferred to the escrow fund under the authority of the trustee.

Noncurrent cash and investments: The Debt Service Reserve funds (DSRF) were reduced $839,000, which parallels the reduction of bond debt. The 2017 $38.8 million bonds replaced the 2008A $43.5 million bonds causing the reduction of the DSRF. Little changed in the Renewal and Replacement Reserve fund. The Maintenance and Operation Reserve fund was increased $202,000 as SARAA's approved budget increased for 2017. These funds are required to be maintained at certain prescribed levels to be in compliance with the bond indenture.

Capital assets, net of accumulated depreciation, decreased as the former Bethlehem Steel property was sold in April of 2017.

Current liabilities increased substantially to $15.0 million. Capital construction debt increased $4.2 million from 2016 as project costs were accrued for three major construction projects among others. Accrued interest payable for bond debt decreased $1.2 million as the 2008A bonds were refunded during the year.

Long-Term Liabilities:

The $5.1 million decrease in long-term liabilities was impacted by the following:

- Principal started being paid on the 2012A senior bonds. The first $4.4 million principal was paid January 2017.
- The 2012C subordinate bonds were paid off in January 2017. This was the last subordinate debt of SARAA.
- The $38.8 million 2017 bonds were issued to replace the 2008A $43.5 million bonds. A premium of $4.3 million was collected upon the sale of 2017 bonds. It will be used to offset future interest expense through amortization over the life of the bonds.

Note 8, Bonds Payable, provides complete details.

Net position serves as a useful indicator of SARAA's financial position. SARAA's total assets exceeded total liabilities by $86 million at December 31, 2017. This is an increase from the prior year of $6.2 million. A primary reason assets increased was the sale of the former Bethlehem Steel property. The primary reason liabilities decreased was the scheduled payment of bond debt and the refinancing of the 2008A bonds.

The largest component of SARAA's net position (76.9% as of December 31, 2017) is invested in capital assets (e.g., land, infrastructure, buildings, improvements and equipment), net of the related debt outstanding used to acquire those capital assets. Although SARAA's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided annually from operations since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

The components of restricted net position are limited to their use by external sources as described below:

- Bond resolution requires funds be put aside to ensure the continued operation of the airports.
- The FAA requires the use of passenger facility charges (PFC's) collected from passengers by the airlines only for approved capital projects including debt service thereon.

Unrestricted net position may be used for any lawful airport system purpose.

Cash and Investment Management

	2018	2017	2016
Cash and cash equivalents	$ 1,075,872	$ 676,181	$ 1,087,229
Maintenance and operations reserve	3,026,804	2,869,403	2,667,645
Renewal and replacement reserve	172,849	501,379	501,232
Coverage account	2,122,678	2,501,167	2,419,624
Capital improvement account	5,704,620	4,856,417	2,087,277
Passenger facility charge	201,651	24,904	178,839
Accrued interest	115,920	144,354	101,608
	$ 12,420,394	$ 11,573,805	$ 9,043,454

The above funds are invested according to the Commonwealth of Pennsylvania Municipal Authorities Act Section 5611 as described in Note 4, Deposits and Investments, of the financial statements. All funds are secure as they are insured by the FDIC or collateralized by the respective financial institution as permitted by Act 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

The Maintenance and Operations Reserve is set by the Master Trust Indenture for the 2008, 2012 and 2017 Bonds at one sixth of the current year's operating budget.

The Renewal and Replacement Reserve is set by the Master Trust Indenture at a $500,000 maximum. The payback shall be made in the year following the use of the Renewal and Replacement Reserve. In 2018, two shuttle buses, a mini-excavator, garage service truck and a compact pickup were purchased, for which the reserve was used.

The Coverage Account has a beneficial effect in calculating the bond covenant's debt service coverage.

Capital Improvement Account represents remaining revenues to be used by SARAA for any lawful aviation purpose. The Capital Improvement Account increased with the Transportation Security Administration's first year of reimbursement of the Electronic Baggage Screening Program. Further details may be found in Note 5, Restricted and Unrestricted Cash and Investments, of the financial statements.

SARAA's restricted debt service funds at December 31 were as follows:

	2018	2017	2016
Debt service funds	$ 7,882,553	$ 7,068,576	$ 8,092,840
Debt service reserve funds	11,247,415	11,179,963	12,019,270
	$ 19,129,968	$ 18,248,539	$ 20,112,110

The trustee, Manufacturers Traders and Trust Co., holds the above funds. They are invested under direction of SARAA according to Section 4.07(h) in the applicable Supplemental Trust Indenture with respect to SARAA's Senior Bonds and Section 4.04(g) in the Third Supplemental Subordinate Trust Indenture with respect to SARAA's Subordinate Bonds. Permitted investments are defined in the Senior Master Indenture and in the Fourth Supplemental Trust Indenture.

In 2018, both the debt service and debt service reserve funds increased as a result of the refinancing of the 2008A bonds with the 2017 bonds in November 2017.

Capital Asset Activity

The following are projects underway or were completed in 2018:

- Phase 4 of the runway 13/31 rehabilitation was completed. It involved work on the eastern end of the airport. Another phase is scheduled to be done in 2019
- Commercial development constructed by tenants at HIA totaled $26.3 million. It included a hotel, two hangars and two other buildings
- Perimeter fence at GRA
- The Master Plan for CXY was completed
- Weather reporting equipment installed at FCRA
- Five new vehicles and five new pieces of equipment were acquired for HIA
- Roof replaced on Building 514 at HIA
- New plows were acquired for CXY
- The Flight Information Display System (FIDS) is in process of being replaced

Cash paid for capital projects was $19.2 million. SARAA received $18.4 million in capital grants toward the capital additions. See Note 6, Capital Assets, to the financial statements for a summary of capital asset activity.

Long-Term Debt

Capital acquisitions are funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges (PFC), public debt issues, the renewal and replacement account, capital improvement account and airport operating revenue.

The use of PFC's is fully explained in Note 2, Passenger Facility Charges, of the financial statements. Currently, all PFC's are irrevocably committed as an offset to the debt service requirements of the 2017, 2008B, 2012A and 2012B bonds through 2018. SARAA's management fully intends to continue to use the PFCs to offset bond debt service requirements into the foreseeable future.

SARAA's annual debt service for their four bond issues is scheduled at approximately $11.1 million annually through 2032. In 2033 through 2037, debt service decreases to $9.3 million annually. Principal payments beginning in 2018 are focused on the 2012A bonds. No new bond issues except possible refundings are anticipated in the immediate future.

SARAA, through its Master Trust Indentures, has covenants to maintain a debt service coverage ratio of not less than 1.25 for senior lien debt and 1.10 for senior and subordinate debt. Debt service coverage is calculated based on a formula included in the bond indentures and the airline agreements. Historically, the Authority has maintained a coverage ratio higher than its requirement. Starting in 2017, only senior lien debt is outstanding.

The debt service coverage calculation follows on the next page.

	2018	2017
Total operating revenues	$ 28,243,631	$ 27,294,116
Additions:		
Revenue sharing to airlines	1,115,004	514,754
Investment income	406,487	228,463
Total revenues	29,765,122	28,037,333
Less: Management and operating expenses	(18,552,783)	(16,894,772)
Airport System net revenues	11,212,339	11,142,561
Add: Coverage account balances [1]	2,101,834	2,466,377
Net revenues plus coverage account balances	13,314,173	13,608,938
Annual Senior Bonds debt service	11,123,950	12,253,009
Less: PFC Revenues	(2,657,700)	(2,387,500)
Less: Escrow Earnings	(58,915)	
Net Senior Bonds debt service	8,407,335	9,865,509
Senior Bonds Debt Service Coverage [2]	1.58	1.38
Adjusted Senior Bonds Debt Service Coverage [3]	1.25	1.10

[1] Limited to 25% of net Senior Bond debt service.
[2] Coverage calculated as required by the Indenture, which incorporates the coverage account balance (which can total up to a maximum of 25% of Senior Debt Service) as part of the numerator and accounts for PFC revenue as an offset to debt service in the denominator. Minimum debt service coverage requirement for Bonds per the Indenture is 1.25.
[3] Calculated as Net Revenues plus PFC Revenues divided by Senior Debt Service.

Requests for Information

This financial report is designed to provide a general overview of SARAA's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Deputy Director, Finance & Administration, Harrisburg International Airport, One Terminal Drive, Suite 300, Middletown, PA 17057 or via SARAA's website www.flyhia.com.

Susquehanna Area Regional Airport Authority

Statements of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	$ 1,075,872	$ 676,181
Accounts receivable, net of allowance of $70,000	1,456,235	996,979
Grants receivable	3,409,680	4,592,132
Tenant improvement allowance	40,132	-
Prepaids and other assets	541,311	527,585
Inventory	1,074,050	995,052
Investments	7,827,298	7,357,584
Total unrestricted current assets	15,424,578	15,145,513
Restricted Assets		
Cash and investments	8,084,204	7,093,480
Passenger facility charge receivables	175,032	304,967
Total restricted current assets	8,259,236	7,398,447
Total current assets	23,683,814	22,543,960
Noncurrent Assets		
Cash and investments, restricted	14,562,988	14,695,099
Tenant improvement allowance	801,668	410,619
Capital assets		
Nondepreciable capital assets	24,898,155	24,538,583
Depreciable capital assets	215,154,390	185,512,366
Net capital assets	240,052,545	210,050,949
Total noncurrent assets	255,417,201	225,156,667
Total assets	$ 279,101,015	$ 247,700,627

	2018	2017
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 2,483,290	$ 1,935,901
Accounts payable - construction	3,757,611	4,638,712
Accrued interest payable	3,246,975	2,630,256
Accrued expenses	1,000,165	908,048
Unearned revenue	306,704	362,664
Current portion of notes payable	70,669	30,664
Current portion of bonds payable	4,630,000	4,405,000
Total current liabilities	15,495,414	14,911,245
Noncurrent Liabilities		
Estimated costs of remediation	850,000	850,000
Unearned revenue	-	7,840
Bond and other deposits	65,733	94,144
Notes payable, less current portion	816,779	468,312
Bonds payable, less current portion	139,669,147	145,020,355
Total noncurrent liabilities	141,401,659	146,440,651
Total liabilities	156,897,073	161,351,896
Net Position		
Net investment in capital assets	102,463,474	66,372,842
Restricted	8,211,914	8,138,973
Unrestricted	11,528,554	11,836,916
Total net position	122,203,942	86,348,731
Total liabilities and net position	$ 279,101,015	$ 247,700,627

Susquehanna Area Regional Airport Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Facilities revenue	$ 8,800,775	$ 8,767,732
Parking fees	8,058,216	7,528,151
Vehicle rental fees and customer facility charges	4,237,422	4,033,805
Landing fees	4,064,456	4,049,564
Apron and gate use fees	1,408,556	1,325,342
Concession fees	534,018	499,803
Fuel flowage and other commissions	464,273	432,568
Other income	675,915	657,151
Total operating revenues	28,243,631	27,294,116
Operating Expenses		
Salaries, wages, payroll taxes and benefits	7,873,942	7,332,038
Professional and consulting fees	486,005	532,976
Marketing	580,664	452,626
Insurance	527,628	569,174
Utilities	1,417,836	1,493,561
Parking facility	2,062,987	2,316,605
Repairs and maintenance	2,121,446	1,508,281
Supplies, parts and other	3,482,275	2,689,511
Total operating expenses before depreciation	18,552,783	16,894,772
Income From Operations Before Depreciation	9,690,848	10,399,344
Depreciation expense	14,612,373	13,877,413
Loss From Operations	(4,921,525)	(3,478,069)
Nonoperating Revenues (Expenses)		
Passenger facility charges	2,704,443	2,377,210
Investment income	409,049	284,817
Bond issue costs	-	(384,284)
Interest expense	(5,787,130)	(7,289,336)
Gain on disposal of capital assets and sale of easements	16,667	2,044,210
Total nonoperating expenses	(2,656,971)	(2,967,383)
Decrease in Net Position Before Capital Contributions and Grants	(7,578,496)	(6,445,452)
Capital Contributions and Grants		
Federal, state and local grants	17,174,415	12,666,762
Contributions from lessees	26,259,292	-
Increase in Net Position	35,855,211	6,221,310
Net Position, Beginning of Year	86,348,731	80,127,421
Net Position, End of Year	$ 122,203,942	$ 86,348,731

Susquehanna Area Regional Airport Authority

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Cash received from customers	$ 27,720,575	$ 27,579,322
Cash paid to employees for services	(7,810,236)	(7,301,531)
Cash paid to suppliers for goods and services	(10,224,176)	(9,849,360)
Net cash provided by operating activities	9,686,163	10,428,431
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(4,405,000)	(4,225,000)
Proceeds from bond issuance	-	43,038,690
Bonds refunded	-	(43,535,000)
Bond issue costs	-	(384,284)
Interest paid	(5,891,619)	(9,089,450)
Principal payment on loans	(55,383)	(33,839)
Proceeds from notes payable	443,855	410,617
Tenant improvement allowance	(431,181)	(410,619)
Passenger facility charges received	2,834,378	2,233,542
Acquisition and construction of capital assets	(19,235,778)	(10,037,312)
Proceeds from sale of easements	3,333	13,167
Proceeds from sale of capital assets	13,334	3,168,290
Capital grants received	18,356,867	8,804,730
Net cash used in capital and related financing activities	(8,367,194)	(10,046,468)
Cash Flows From Investing Activities		
Investment income	409,049	284,817
Purchase of investment securities	(19,700,269)	(26,170,549)
Proceeds from sales of investment securities	18,371,942	25,092,721
Net cash used in investing activities	(919,278)	(793,011)
Net Increase (Decrease) in Cash and Cash Equivalents	399,691	(411,048)
Cash and Cash Equivalents, Beginning of Year	676,181	1,087,229
Cash and Cash Equivalents, End of Year	$ 1,075,872	$ 676,181

Susquehanna Area Regional Airport Authority

Statements of Cash Flows (Continued)

Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	$ (4,921,525)	$ (3,478,069)
Item not requiring cash		
Depreciation of capital assets	14,612,373	13,877,413
Change in assets and liabilities		
Accounts receivable	(459,256)	387,727
Inventory	(78,998)	(124,034)
Prepaids and other assets	(13,726)	(8,276)
Unearned revenue	(63,800)	(102,521)
Bond and other deposits	(28,411)	(26,213)
Accounts payable and accrued expenses	639,506	(97,596)
Net cash provided by operating activities	$ 9,686,163	$ 10,428,431
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	$ 3,757,611	$ 4,638,712
Contributions from lessees	26,259,292	-

Note 1: Reporting Entity

On January 2, 1998, the Commonwealth of Pennsylvania (Commonwealth), acting through the Pennsylvania Department of Transportation (PennDOT), transferred operation and ownership of the Harrisburg International Airport (HIA), primarily located in Lower Swatara Township, Dauphin County, Pennsylvania and Capital City Airport (CXY), located in Fairview Township, York County, Pennsylvania (Airports), to the Susquehanna Area Regional Airport Authority (SARAA), a joint municipal authority duly created under the Pennsylvania Municipality Authorities Act. The assets and obligations of the Airports, as well as the assignment of all leases, agreements, permits and approvals, were transferred to SARAA in consideration of a one-dollar payment to the Commonwealth.

SARAA is organized under the Municipal Authorities Act (Act) as a joint authority by the Counties of Dauphin, Cumberland and York; the Cities of Harrisburg and York; and the Townships of Fairview and Lower Swatara. Under the Act, SARAA is an independent entity governed by a board of directors. Each of the municipalities appoints representatives to serve for 5-year terms on the board that consists of 15 directors. Each county appoints three board members, each city appoints two board members, while each of the two townships appoints one board member. An Executive Director of Aviation and a Deputy Executive Director of Aviation are employed to act on behalf of the board in connection with administration of the operational responsibilities retained by SARAA.

SARAA also owns and operates the Franklin County Regional Airport (FCRA), located near Chambersburg, Pennsylvania and the Gettysburg Regional Airport (GRA), located near Gettysburg, Pennsylvania.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Measurement Focus

The financial statements of SARAA have been prepared using the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

SARAA follows the reporting requirements for special-purpose governments involved in business-type activities, which provide an entity-wide perspective in the financial statement presentation. These standards require presentation of management's discussion and analysis, as required supplementary information and financial statements consisting of the statements of net position, statements of revenues, expenses and changes in net position using a specified format that distinguishes between operating and nonoperating revenues and expenses and statements of cash flows using the direct method.

Management of SARAA has made a number of estimates and assumptions relating to the reporting of assets and liabilities, recognition of revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from the estimates.

Revenue Recognition

Revenue is recognized on an accrual basis with the establishment of corresponding accounts receivable. The allowance method for accounts receivable is used to measure bad debts. The allowance for doubtful accounts is determined based upon management's historical analysis and estimation of collectability of such accounts.

Cash and Cash Equivalents

SARAA considers all highly liquid investments (including restricted investments) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist primarily of money market accounts.

Investments

Investments are stated at fair value based on estimates from external investment managers and quoted market prices.

Inventories

Inventories of supplies are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Restricted Assets

Proceeds from debt and funds set aside for payment of debt are classified as restricted assets since their use is limited by applicable debt agreements. It is SARAA's policy to first apply restricted resources when a cost is incurred for which both restricted and unrestricted net position are available.

Capital Assets

Capital assets, such as land, buildings, equipment and infrastructure assets are stated at cost (or estimated historical cost). Donated capital assets are measured at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date. SARAA capitalizes assets with an expected useful life of more than one year and a cost greater than $10,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings, including parking facility	3 to 35
Land improvements	5 to 25
Runways, taxiways and aprons	3 to 30
Utilities and sewers	10 to 50
Roads and parking areas	4 to 20
Heavy equipment, furniture and fixtures	3 to 25
Vehicles	3 to 15
Facility planning, design and other studies	5 to 20

Expenditures for capital assets and for major renewals and betterments that extend the estimated useful life of the assets are capitalized, while routine maintenance and repairs are charged to expense as incurred. At the time capital assets are sold, retired, or disposed of, the costs of such assets and related accumulated depreciation are removed and any gain or loss on disposal is reflected as nonoperating activity. All costs relating to the construction of property and equipment are capitalized, including interest during the period of construction.

Donated capital assets are measured at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Lessee-Financed Improvements

Certain leases include provisions whereby lessee-financed improvements become the property of SARAA. Prior to the adoption of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, SARAA recorded lessee-financed improvements only upon leasehold reversion or lease termination, at which time the improvements were capitalized at acquisition value and recorded as a capital contribution. With the adoption of GASB Statement No. 33, SARAA now recognizes lessee-financed improvements upon completion of construction, or upon the asset being placed in service, whichever occurs first. However, lessee-financed improvements placed in service prior to the adoption of GASB Statement No. 33 continue to be recognized only upon leasehold reversion or lease termination.

Net Position

Net position is categorized into three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. Restricted net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the Commonwealth. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. Capital funding is recorded as capital contributions and earned as allowable capital expenditures are incurred, whereas funding for the Noise Relocation Project is recorded as nonoperating revenues as related expenses are incurred.

Rental Income

All leases wherein SARAA is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms.

Operating Versus Nonoperating and Net Position Recognition

The policy of SARAA is to report as operating revenues and expenses items that result from providing services in connection with the principal ongoing activities of the airport. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Passenger Facility Charges

Passenger facility charges (PFCs) are fees imposed on enplaned passengers by airports (and collected by airlines) for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. PFCs are restricted for use in the acquisition of real estate, construction of certain airport improvements (including payment of debt service) and other costs, as approved by the FAA.

SARAA has received approval from the Federal Aviation Administration (FAA) to impose and use a passenger facility charge of $4.50 per eligible enplaned passenger up to approximately $129 million. Among the projects to be financed by SARAA's PFCs are portions of the construction of the new terminal building, terminal loop road, terminal aprons, navaids and runway lighting and parallel taxiway and related work. PFCs are deposited on a pro-rata basis monthly to pay debt service on the 2008B, 2012A, 2012 and 2017.

SARAA's PFCs are recognized as earned as nonoperating revenues and amounted to $2,704,443 and $2,377,210 for 2018 and 2017, respectively.

Customer Facility Charges

SARAA collects a customer facility charge (CFC) from all rental car concessionaires that operate facilities on the airport. The CFC is $3.75 per rental car transaction per day. CFC's may be used in the following priority: (1) payment of annual debt service on the Airport System Revenue Bonds used to fund the design and construction of the multi-modal transportation center/ground transportation center; and (2) payment of operating and maintenance costs for the rental car portions of the multi-modal transportation center/ground transportation center. CFC revenue totaled $1,809,259 and $1,764,661 for 2018 and 2017, respectively, and is included in operating revenues on the statements of revenues, expenses and changes in net position.

Note 3: Major Customers

Major customers of SARAA represent the following percentages in SARAA operating revenues and passengers:

	2018		2017	
	Revenues	Number of Passengers	Revenues	Number of Passengers
Delta Airlines	13%	24%	14%	27%
American Airlines	13%	41%	13%	33%
United Airlines	11%	19%	11%	19%

Susquehanna Area Regional Airport Authority

Notes to Financial Statements
December 31, 2018 and 2017

Note 4: Deposits and Investments

The fair values of deposits and investment securities by type of investment are:

	2018			
	Operating Cash and Cash Equivalents	Restricted Cash and Investments	Unrestricted Investments	Total
Cash and cash equivalents	$ 1,075,872	$ 952,083	$ 2,962,298	$ 4,990,253
Money market funds	-	11,588,900	-	11,588,900
Certificates of deposit	-	9,864,120	4,865,000	14,729,120
U.S. Government-sponsored enterprises	-	126,169	-	126,169
Accrued investment income	-	115,920	-	115,920
	$ 1,075,872	$ 22,647,192	$ 7,827,298	$ 31,550,362

	2017			
	Operating Cash and Cash Equivalents	Restricted Cash and Investments	Unrestricted Investments	Total
Cash and cash equivalents	$ 676,181	$ 2,113,039	$ 6,907,584	$ 9,696,804
Money market funds	-	12,008,549	-	12,008,549
Certificates of deposit	-	7,422,563	450,000	7,872,563
U.S Government-sponsored enterprises	-	100,074	-	100,074
Accrued investment income	-	144,354	-	144,354
	$ 676,181	$ 21,788,579	$ 7,357,584	$ 29,822,344

Deposits

Commonwealth of Pennsylvania law requires that SARAA's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Insurance Fund. To the extent that such accounts are so insured, and for any amounts above the insured maximum, the approved collateral as provided by law shall be pledged by the depository.

At December 31, 2018 and 2017, the carrying value and the bank balances of SARAA's deposits were as follows:

	2018		2017	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents	$ 4,990,253	$ 5,381,673	$ 9,696,804	$ 11,659,547
Certificates of deposit	14,729,120	14,729,120	7,872,563	7,872,563

Of the bank balances in 2018 and 2017, $750,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining balances were collateralized by financial institutions via single collateral pool arrangements as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

Investments

SARAA's practice is to follow Section 5611 of the Commonwealth of Pennsylvania Municipality Authorities Act. In accordance with their investment policy, SARAA is authorized to invest in (1) U.S. Treasury bills; (2) short-term obligations of the U.S. government or its agencies or instrumentalities; (3) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; and (4) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investments of that company are in the authorized investments for authority funds listed (1) through (3) above.

SARAA had the following investments and maturities as of December 31, 2018 and 2017:

	2018			
	Moody's Rating	Carrying Value	Investment Maturity (in years) Less than 1	1 to 5
Money market funds	Aaa-mf	$ 11,588,900	$ 11,588,900	$ -
Certificates of deposit	Not Rated	14,729,120	10,653,711	4,075,409
U.S. Government-sponsored enterprises	Aaa	126,169	126,169	-
Accrued investment income	n/a	115,920	115,920	-
		$ 26,560,109	$ 22,484,700	$ 4,075,409

	Moody's Rating	Carrying Value	2017 Investment Maturity (in years) Less than 1	1 to 5
Money market funds	Aaa-mf	$ 12,008,549	$ 12,008,549	$ -
Certificates of deposit	Not Rated	7,872,563	4,759,716	3,112,847
U.S. Government-sponsored enterprises	Aaa	100,074	19,907	80,167
Accrued investment income	n/a	144,354	144,354	-
		$ 20,125,540	$ 16,932,526	$ 3,193,014

Interest Rate Risk: The risk that changes in interest rates of debt securities will adversely affect the value of an investment. SARAA does not have an investment policy that manages exposure to fair value losses arising from increasing interest rates.

Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of SARAA's various investment securities is presented in the previous table.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, SARAA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2018, SARAA's investments were not exposed to custodial credit risk. The U.S. Government-sponsored enterprise securities are not collateralized. The municipal obligations and U.S. Government-sponsored enterprise securities are held in SARAA's name by M&T Investment Group, the trustee. Certificates of deposit were insured by FDIC or collateralized.

Concentration of Credit Risk: SARAA's investment policy does not address the concentration of credit risk. As of December 31, 2018 and 2017, SARAA had the following concentration in its investment portfolio:

	Percentage of Investment Portfolio 2018	2017
Money market funds	44%	60%
Certificates of deposit	55%	39%
Municipal obligations	0%	0%
U.S. Government-sponsored enterprises	1%	1%

Foreign Currency Risk: This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. SARAA's investment policy prohibits investments in foreign investments.

Note 5: Restricted and Unrestricted Cash and Investments

Restricted Cash and Investments

SARAA is required to restrict assets for various purposes in accordance with the terms of airline use agreements, bond ordinances and other contractual agreements. A summary of the restricted assets consists of the following:

	2018	2017
Maintenance and operating reserve account	$ 3,026,804	$ 2,869,403
Renewal and replacement account	172,849	501,379
Passenger facility charges	201,651	24,904
Debt service settlement fund	-	30,702
Debt service fund	7,882,553	7,037,874
Debt service reserve	11,247,415	11,179,963
Total	22,531,272	21,644,225
Accrued income	115,920	144,354
Total restricted investments	22,647,192	21,788,579
Less current portion	(8,084,204)	(7,093,480)
Noncurrent portion	$ 14,562,988	$ 14,695,099

The maintenance and operation reserve fund must be maintained at a balance at least equal to one-sixth of SARAA's current operating and maintenance budget as a contingency reserve for payment of operation and maintenance expenses. Assets of the renewal and replacement fund must be maintained to pay for repairs or replacement of property not provided for by monies available in other funds including repairs and replacements done on an emergency basis. Passenger facility charges represent monies collected by SARAA not yet expended in accordance with the Federal Aviation Administration approval. The debt service fund is to pay principal and interest on the outstanding bonds. Amounts in the debt service reserve fund are available to pay debt service on the bonds if the amounts held in the debt service fund are insufficient to pay in full any principal and interest then due.

Unrestricted Investments

The following are unrestricted investments that are held by SARAA at December 31, 2018 and 2017. The capital improvement account represents all remaining revenues to be used by SARAA for any lawful aviation purposes. The coverage account can be used by SARAA to accumulate reserves of up to 25% of aggregate annual senior debt service.

	2018	2017
Capital improvement account	$ 5,704,620	$ 4,856,417
Coverage account	2,122,678	2,501,167
	$ 7,827,298	$ 7,357,584

Note 6: Capital Assets

Capital assets consist of the following:

	Balance December 31, 2017	Additions	Transfers	Disposals	Balance December 31, 2018
Capital assets not being depreciated:					
Land and improvements	$ 22,222,547	$ -	$ -	$ -	$ 22,222,547
Construction in progress	2,316,036	18,347,843	(17,988,271)	-	2,675,608
Total capital assets not being depreciated	24,538,583	18,347,843	(17,988,271)	-	24,898,155
Capital assets being depreciated:					
Buildings, including parking facility	187,504,597	12,882	298,990	-	187,816,469
Land improvements	10,707,141	-	505,005	-	11,212,146
Runways, taxiways and aprons	128,335,399	-	16,072,004	-	144,407,403
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	22,751,249	-	-	-	22,751,249
Heavy equipment, furniture and fixtures	31,927,030	-	417,783	-	32,344,813
Vehicles	10,318,452	-	439,015	(137,066)	10,620,401
Facility planning, design and other studies	4,607,926	-	255,474	-	4,863,400
Tenant construction	-	26,259,292	-	-	26,259,292
Total capital assets being depreciated	416,298,969	26,272,174	17,988,271	(137,066)	460,422,348
Less accumulated depreciation for:					
Buildings, including parking facility	92,401,027	4,406,303	-	-	96,807,330
Land improvements	7,318,229	432,416	-	-	7,750,645
Runways, taxiways and aprons	65,477,384	6,422,034	-	-	71,899,418
Utilities and sewers	9,602,403	352,454	-	-	9,954,857
Roads and parking areas	19,687,400	486,520	-	-	20,173,920
Heavy equipment, furniture and fixtures	24,814,069	1,475,245	-	-	26,289,314
Vehicles	8,353,174	436,733	-	(134,066)	8,655,841
Facility planning, design and other studies	3,132,917	215,011	-	-	3,347,928
Tenant construction	-	388,705	-	-	388,705
Total accumulated depreciation	230,786,603	14,615,421	-	(134,066)	245,267,958
Total capital assets being depreciated, net	185,512,366	11,656,753	17,988,271	(3,000)	215,154,390
Capital assets, net	$ 210,050,949	$ 30,004,596	$ -	$ (3,000)	$ 240,052,545

	Balance December 31, 2016	Additions	Transfers	Disposals	Balance December 31, 2017
Capital assets not being depreciated:					
Land and improvements	$ 23,428,445	$ -	$ -	$ (1,205,898)	$ 22,222,547
Construction in progress	4,919,581	14,339,767	(16,943,312)	-	2,316,036
Total capital assets not being depreciated	28,348,026	14,339,767	(16,943,312)	(1,205,898)	24,538,583
Capital assets being depreciated:					
Buildings, including parking facility	187,504,597	-	-	-	187,504,597
Land improvements	10,688,965	-	18,176	-	10,707,141
Runways, taxiways and aprons	113,414,039	-	14,921,360	-	128,335,399
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	22,751,249	-	-	-	22,751,249
Heavy equipment, furniture and fixtures	30,264,393	-	1,676,446	(13,809)	31,927,030
Vehicles	10,075,564	-	324,057	(81,169)	10,318,452
Facility planning, design and other studies	4,604,653	-	3,273	-	4,607,926
Total capital assets being depreciated	399,450,635	-	16,943,312	(94,978)	416,298,969
Less accumulated depreciation for:					
Buildings, including parking facility	87,758,541	4,642,486	-	-	92,401,027
Land improvements	6,890,988	427,241	-	-	7,318,229
Runways, taxiways and aprons	59,756,128	5,721,256	-	-	65,477,384
Utilities and sewers	9,188,252	414,151	-	-	9,602,403
Roads and parking areas	19,006,984	680,416	-	-	19,687,400
Heavy equipment, furniture and fixtures	23,441,694	1,386,184	-	(13,809)	24,814,069
Vehicles	7,976,129	455,167	-	(78,122)	8,353,174
Facility planning, design and other studies	2,982,405	150,512	-	-	3,132,917
Total accumulated depreciation	217,001,121	13,877,413	-	(91,931)	230,786,603
Total capital assets being depreciated, net	182,449,514	(13,877,413)	16,943,312	(3,047)	185,512,366
Capital assets, net	$ 210,797,540	$ 462,354	$ -	$ (1,208,945)	$ 210,050,949

Note 7: Line of Credit

SARAA has a $1 million bank line of credit, the line of credit does not have a maturity date and any outstanding borrowings are due on demand. At December 31, 2018, there were no borrowings against this line. The line of credit is secured by a pledge of net revenues and is junior and subordinate to SARAA's senior debt obligations. Interest varies with the bank's prime rate, which was 4.50%, and is payable monthly.

Note 8: Bonds Payable

SARAA has issued the following debt instruments to provide funds for the construction of major capital facilities.

Senior and Subordinate Airport System Revenue Bonds

Bonds outstanding at December 31, 2018 and 2017 comprised the following:

	2018	2017
Senior airport system revenue bonds:		
Series B of 2008. Consists of term bonds with an interest rate of 9.875% with final maturity in 2034	$ 1,280,000	$ 1,280,000
Series A of 2012. Consists of serial bonds with an interest rate of 5.000% and term bonds with a 5.000% interest rate with final maturity in 2027	48,970,000	53,375,000
Unamortized bond premium	2,194,268	2,720,342
Total Series A of 2012	51,164,268	56,095,342
Series B of 2012. Consists of term bonds with an interest rate of 4.000% with final maturity in 2033	49,520,000	49,520,000
Unamortized bond discount	(441,012)	(479,477)
Total Series B of 2012	49,078,988	49,040,523
Series 2017. Consists of term bonds with an interest rate of 5.000% with final maturity in 2038	38,765,000	38,765,000
Unamortized bond premium	4,010,891	4,244,490
Total Series 2017	42,775,891	43,009,490
	144,299,147	149,425,355
Current portion of long-term debt	(4,630,000)	(4,405,000)
	$ 139,669,147	$ 145,020,355

The purpose of the Series 2008 Bonds was to provide funds to refinance certain variable rate bonds of SARAA, refinance an unsecured line of credit and to pay the costs of issuance of the bonds.

In December 2012, SARAA issued the 2012A, 2012B and 2012C Revenue Bonds (Series 2012 Bonds) in the amounts of $53,375,000, $49,520,000 and $16,090,000, respectively. The Series 2012 Bonds were issued as a current refunding of all of SARAA's then outstanding 2003A, 2003B, and 2003D Revenue Bonds. As a result of the bond issue, all debt service reserve funds are cash funded.

In November 2017, SARAA issued the 2017 Revenue Bonds (Series 2017 Bonds) in the amount of $38,765,000, including an original issue premium of $4,273,690. The Series 2017 Bonds were issued as a current refunding of all of SARAA's then outstanding Series 2008A Bonds. As a result of the bond issue, all debt service reserve funds are cash funded.

Annual Debt Service Requirements to Maturity

The annual requirements to pay principal and interest to maturity on the senior and subordinate airport revenue bonds outstanding at December 31, 2018 are summarized as follows:

Years Ending December 31	Senior Airport System Revenue Bonds Principal	Senior Airport System Revenue Bonds Interest	Total
2019	$ 4,630,000	$ 6,493,950	$ 11,123,950
2020	4,855,000	6,262,450	11,117,450
2021	5,100,000	6,019,700	11,119,700
2022	5,355,000	5,764,700	11,119,700
2023	5,620,000	24,529,500	30,149,500
2024 - 2028	32,610,000	16,838,850	49,448,850
2029 - 2033	40,320,000	8,242,450	48,562,450
2034 - 2038	40,045,000	441,250	40,486,250
	$ 138,535,000	$ 74,592,850	$ 213,127,850

Covenants

Senior Bonds

Net revenues for each fiscal year shall be at least equal to the senior bonds debt service required to be funded by SARAA, plus required deposits to the debt service reserve funds and transfers to the maintenance and operations reserve fund and renewal and replacement fund. Net revenues together with the amount in the coverage account shall also equal 125% of senior bond’s debt service. In addition, SARAA has irrevocably committed to use a portion of the PFC receipts through 2018 for senior bond debt service.

Subordinate Bonds

Net revenues for each fiscal year shall be at least equal to the senior and subordinate bonds debt service required to be funded by SARAA, plus required deposits to the debt service reserve funds, maintenance and operations reserve fund and renewal and replacement fund. Net revenues together with the amount in the coverage account shall also equal 110% of senior and subordinate bonds debt service. At December 31, 2018, there were no subordinate bonds outstanding.

Changes in Long-Term Liabilities

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Current Portion
Long-term debt					
Senior revenue bonds	$ 142,940,000	$ -	$ 4,405,000	$ 138,535,000	$ 4,630,000
Bond premium/(discount), net	6,485,355	-	721,208	5,764,147	-
Total long-term debt	149,425,355	-	5,126,208	144,299,147	4,630,000
Other long-term liabilities					
Notes payable	498,976	443,855	55,383	887,448	70,669
Estimated costs of remediation	850,000	-	-	850,000	-
Unearned revenue	370,504	246,489	310,289	306,704	306,704
Security deposits	94,144	11,350	39,761	65,733	-
Total long-term liabilities	$ 151,238,979	$ 701,694	$ 5,531,641	$ 146,409,032	$ 5,007,373

	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Current Portion
Long-term debt					
Senior revenue bonds	$ 147,710,000	$ 38,765,000	$ 43,535,000	$ 142,940,000	$ 4,405,000
Subordinate revenue bonds	4,225,000	-	4,225,000	-	-
Bond premium/(discount), net	2,775,797	4,273,690	564,132	6,485,355	-
Total long-term debt	154,710,797	43,038,690	48,324,132	149,425,355	4,405,000
Other long-term liabilities					
Note payable	122,198	410,617	33,839	498,976	30,664
Estimated costs of remediation	850,000	-	-	850,000	-
Unearned revenue	473,025	405,441	507,962	370,504	362,664
Security deposits	120,357	40,837	67,050	94,144	-
Total long-term liabilities	$ 156,276,377	$ 43,895,585	$ 48,932,983	$ 151,238,979	$ 4,798,328

Note 9: Operating Leases

Rental Income From Operating Leases

SARAA leases space at HIA, CXY, FCRA and GRA on a fixed fee as well as contingent rental basis. Six on-airport rental car companies at HIA guarantee minimum commissions for the term of their agreements through December 31, 2019. Many of the leases provide for a periodic review and redetermination of the rental amounts. Substantially all of SARAA's capital assets are held for the purpose of rental or related use.

Minimum future rentals on noncancelable leases to be received in the future are as follows:

	Airline Agreements	Other Leases	Total
2019	$ 2,633,340	$ 4,094,018	$ 6,727,358
2020	-	1,970,893	1,970,893
2021	-	1,806,805	1,806,805
2022	-	1,488,502	1,488,502
2023	-	1,451,052	1,451,052
2024 - 2028	-	6,321,979	6,321,979
2029 - 2033	-	3,670,467	3,670,467
2034 - 2038	-	2,472,375	2,472,375
2039 - 2043	-	1,522,287	1,522,287
2044 - 2048	-	891,659	891,659
	$ 2,633,340	$ 25,690,037	$ 28,323,377

Note 10: Retirement Benefits

SARAA has established a 457(b) defined-contribution plan for the benefit of all of its employees. This plan allows for employees to elect contributions either in a dollar amount or percentage not exceeding 15% of the employee's total salary or wages. SARAA does not make any employer contributions to this plan.

SARAA has also established a 401(a) retirement plan (Plan) for its employees, which is entirely funded through SARAA contributions. All full-time employees are eligible to participate. Effective January 1, 2018, full-time employees have up to 6% of employee salaries and wages contributed as a match of the employees' contributions to the 457(b) plan. SARAA's contributions to the Plan amounted to $315,792 in 2018 and $212,156 in 2017. There are no employee contributions to the Plan.

Note 11: Risk Management

Risk management is the responsibility of SARAA. Operationally, SARAA is exposed to various risks of loss related to the theft of, damage to and destruction of assets, natural disasters as well as certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry deductibles ranging from $500 to $100,000. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of limited coverage for acts of terrorism. Coverage terms, limits and deductibles have each been benchmarked in comparison with those maintained at other comparable airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

There was no significant reduction of coverage in 2018, and there have been no settlements in excess of the described insurance coverage from 2015 - 2018.

Note 12: Pollution Remediation Obligation

SARAA has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. SARAA has identified pollution clean-up obligations relating to asbestos and PCB at its facilities and has recorded estimated costs of remediation of $850,000. Clean-up costs are capitalized when they are incurred to prepare property for sale, prepare property for use when acquired with pollution obligations, or restore pollution-caused decline in service capacity; in all other cases, they are expensed. The accruals are not reduced by possible recoveries from federal and state grants. The measurement of environmental liabilities by SARAA is based on currently available facts, present laws and regulations and current technology. Such estimates take into consideration SARAA's prior experience in site investigation and remediation, the data concerning cleanup costs available from other companies and regulatory authorities and the professional judgment of SARAA's environmental experts in consultation with outside environmental specialists, when necessary.

On April 16, 1997, PennDOT, the Pennsylvania Department of Environmental Protection (DEP) and the U.S. Department of Environmental Protection entered into a Memo of Understanding (MOU) that required PennDOT to operate a water treatment facility and comply with other institutional controls. SARAA must operate the water plant and pump a minimum volume of ground water from several wells on airport property to control a plume of ground water contamination that exists on the property. Well water that is pumped is treated and subsequently sold to airport tenants as potable water.

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Investments				
Money market funds	$ 11,588,900	$ 11,588,900	$ -	$ -
U.S. Government-sponsored enterprises	126,169	-	126,169	-
December 31, 2017				
Investments				
Money market funds	$ 12,008,549	$ 12,008,549	$ -	$ -
U.S. Government-sponsored enterprises	100,074	-	100,074	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 14: Commitments and Contingencies

SARAA is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net position and cash flows of SARAA. Events could occur that would change this estimate materially in the near term.

Supplementary Information

Susquehanna Area Regional Airport Authority
Schedules of Capital and Noncapital Revenues and Expenses
Years Ended December 31, 2018 and 2017

	2018	2017
Noncapital Related Revenues		
Facilities revenue	$ 8,800,775	$ 8,767,732
Parking fees	8,058,216	7,528,151
Vehicle rental fees and customer facility charges	4,237,422	4,033,805
Landing fees	4,064,456	4,049,564
Apron and gate use fees	1,408,556	1,325,342
Concession fees	534,018	499,803
Fuel flowage and other commissions	464,273	432,568
Other income	673,529	657,151
Investment income	52,326	19,168
Total noncapital related revenues	28,293,571	27,313,284
Noncapital Related Expenses, Net of Operating Grant Revenue		
Salaries, wages, payroll taxes and benefits	7,873,942	7,332,038
Professional and consulting fees	486,005	532,976
Marketing	580,664	452,626
Insurance	527,628	569,174
Utilities	1,417,836	1,493,561
Parking facility	2,062,987	2,316,605
Repairs and maintenance	2,121,446	1,508,281
Supplies, parts and other	3,482,275	2,689,511
Operating grant revenue	(2,386)	-
Total noncapital related expenses, net of operating grant revenue	18,550,397	16,894,772
Excess of Noncapital Related Revenues Over Noncapital Related Expenses	9,743,174	10,418,512
Capital Related Revenues (Expenses)		
Restricted investment income	356,723	265,649
Passenger facility charges	2,704,443	2,377,210
Federal, state and local grants	17,174,415	12,666,762
Contributions from lessees	26,259,292	-
Depreciation	(14,612,373)	(13,877,413)
Bond issue costs	-	(384,284)
Interest expense	(5,787,130)	(7,289,336)
Gain on disposal of capital assets and sale of easements	16,667	2,044,210
Deficit capital related revenues under capital related revenues (expenses)	26,112,037	(4,197,202)
Increase in Net Position	35,855,211	6,221,310
Net Position, Beginning of Year	86,348,731	80,127,421
Net Position, End of Year	$ 122,203,942	$ 86,348,731

Susquehanna Area Regional Airport Authority

Schedules of Airline and Non-Airline Revenues
Years Ended December 31, 2018 and 2017

	2018	2017
Passenger Airline Revenues		
Facilities revenue	$ 5,756,024	$ 5,895,252
Landing fees	2,471,775	2,569,833
Apron and gate use fees	949,160	954,611
Fuel flowage and other commissions	76,987	69,886
Total passenger airline revenues	9,253,946	9,489,582
Cargo Airline Revenues		
Landing fees	1,392,624	1,288,816
Apron and gate use fees	413,508	358,402
Fuel flowage and other commissions	39,493	38,210
Total cargo airline revenues	1,845,625	1,685,428
Non-Airline Revenues		
Parking fees	8,058,216	7,528,151
Vehicle rental fees and customer facility charges	4,237,422	4,033,805
Facilities rental	3,044,751	2,872,480
Landing and apron fees - general aviation	245,945	203,244
Fuel flowage and other commissions	347,793	324,472
Concessions fees	534,018	499,803
Other income	675,915	657,151
Total non-airline revenues	17,144,060	16,119,106
Total Operating Revenues	$ 28,243,631	$ 27,294,116