

# **Susquehanna Area Regional Airport Authority**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

# Susquehanna Area Regional Airport Authority

December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 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.

### ***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 are 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 23, 2021

# Susquehanna Area Regional Airport Authority

## Management's Discussion and Analysis

### December 31, 2020 and 2019

#### (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, 2020 and 2019. 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**

After years of steady growth, the airline industry in the United States, and around the world, was devastated by the impacts of the COVID-19 pandemic. The U.S. Transportation Security Administration (TSA) reported screening slightly more than 326,000,000 airline passengers at U.S. airport security checkpoints during Calendar Year (CY) 2020. This was down 61% when compared to the nearly 854,000,000 screened during CY 2019.

According to aviation data provider Cirium, during 2020, commercial airline flights in the Continental U.S. decreased by 39% compared to 2019. These flight reductions resulted in a seat capacity decline of 41%, a 48% decline in available seat miles for sale and a 72% collapse in airline ticket revenue.

At Harrisburg International Airport, 2019 was the busiest year in the airport's 50-year history. However, in 2020, the COVID-19 pandemic changed everything. Departing flights decreased 38%, seat capacity declined by 39% and airline ticket revenues were down by 66%. The airlines enplaned a total of 317,660 passengers lead by American (-52.9%), Allegiant (-45.2%), Delta (-66.6%), United (-67.8%) and Frontier (-73.0%). Due to the near collapse of business travel, 2020 was the first time Allegiant served more passengers than United and Delta.

As of April 2021, all airlines serving Harrisburg, pre-COVID-19, have remained in the market and only the Boston route (served by American) is still on hiatus. The Harrisburg/Boston route is dominated by business travelers and service is expected to resume later in 2021.

Total 2020 departing seat capacity at HIA decreased 39% compared to 2019. American (-34.1%) offered the most seats for sale followed by Allegiant (-21.6%), Delta (-44.2%), United (-54.2%) and Frontier (-61.0%). The airports average 2020 departing load factor decreased 27 points to 59.2% for the year.

A total of 56,534 tons of cargo were flown into and out of Harrisburg International Airport in 2020 representing a 2% increase compared to 2019. UPS tonnage increased 5%, FedEx tonnage decreased 3% while commercial airline belly cargo decreased by 64%. The regional cargo airlines increased air cargo tonnage nearly 55%. This was due primarily to DHL's upgraded service from turboprop to jet aircraft twice a day during the November and December peak holiday season. The Federal Aviation Administration (FAA) reported there were 37,720 total 2020 airport operations at HIA, a decrease of 20% compared to 2019.

The following table shows the 2020 percentage fluctuation from 2019 for change in seats, change in enplanement passengers and passenger market share: (List ranked by 2020 passenger market share):

	<b>Change in Seats</b>	<b>Change in Enplaned Passengers</b>	<b>Market Share</b>
American Airlines	-34.1%	-52.9%	41.5%
Allegiant	-21.6%	-45.2%	14.7%
Delta Air Lines	-44.2%	-66.6%	21.5%
United Airlines	-54.2%	-67.8%	17.1%
Frontier	-61.0%	-73.0%	5.0%
Total Passenger Airlines	-39.2%	-58.3%	100.0%

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

	<b>2020</b>	<b>2019</b>	<b>% Change</b>
Enplanements	317,660	761,842	-58.3%
Air carrier operations	21,619	30,691	-29.6%
Landed weight (passenger airlines only)	514,166,707	844,711,804	-39.1%
Cargo tons	56,534	55,428	2.0%
Parking revenue	\$ 3,302,042	\$ 9,149,860	-63.9%

## Financial Highlights

After a record year in 2019, 2020 continued along that trajectory until mid-March when the COVID-19 pandemic hit, and travel decreased severely. Financial activity for the balance of 2020 focused on preservation of the airports' finances, maintaining our debt service obligations and retaining all airport authority staff.

- Although a balanced 2020 budget was passed in late 2019, it was not used as a financial measurement as the dire situation caused by the pandemic rendered it useless.
- All operating and maintenance spending was re-evaluated to identify any discretionary spending not required for the safe operation of SARAA's airport network. These expenses were subsequently deferred to maximize current liquidity apart from personnel. No employees were terminated as a direct result of the pandemic, all employees who departed voluntarily were replaced if their position was determined to be essential.
- Capital Spending was limited to projects that were subsidized greatly by grants or were essential for the continued improvement of the Authority's airports. Other projects were suspended until more favorable financial times.
- \$10 million of CARES Act grant funding was awarded to the Authority in 2020. \$4.4 million was drawn to preserve liquidity and maintain debt coverage requirements. In March 2021, SARAA applied for \$4.3 million of Coronavirus Response and Relief Supplemental Appropriations Act grant funds.
- No airline, tenant and concessionaire partners received any alteration to their business terms of operation outside of the scope of their agreements. A clause in the rental car agreements was exercised to abate their minimum annual guarantee (or MAG) on a prorated basis due to the pandemic causing a material curtailment of deplanements from the proceeding years figures.
- Parking operations were consolidated in April 2020 from short-term and long-term facilities exclusively into the terminal adjacent garage at a reduced rate of \$10/day.
- Cargo airline activity remained strong as cargo landed weight increased 5.7%.
- The required bond coverage ratio was met and maintained for 2020. 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 2019 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.

### 2020 to 2019 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, 2020 and 2019 was \$8.1 million and \$7.3 million, respectively. The comparative analysis is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2020 and 2019.

	2020	2019	Dollar Change	Percent Change
<b>Operating Revenues</b>				
Facilities revenue	\$ 9,375,180	\$ 8,719,290	\$ 655,890	7.5%
Parking fees	3,302,042	9,149,860	(5,847,818)	-63.9%
Vehicle rental fees and customer facility charges	2,439,659	4,668,882	(2,229,223)	-47.7%
Landing fees	3,183,136	3,163,745	19,391	0.6%
Apron and gate use fees	1,422,148	1,530,901	(108,753)	-7.1%
Concession fees	341,820	672,138	(330,318)	-49.1%
Fuel flowage and other commissions	291,812	495,206	(203,394)	-41.1%
Other income	596,875	759,959	(163,084)	-21.5%
Total operating revenues	<u>20,952,672</u>	<u>29,159,981</u>	<u>(8,207,309)</u>	<u>-28.1%</u>
<b>Operating Expenses</b>				
Salaries, wages, payroll taxes and benefits	8,181,237	8,432,836	(251,599)	-3.0%
Professional and consulting fees	438,902	624,373	(185,471)	-29.7%
Marketing	329,225	560,569	(231,344)	-41.3%
Insurance	636,937	573,110	63,827	11.1%
Utilities	1,166,739	1,458,260	(291,521)	-20.0%
Parking facility	1,032,472	2,053,596	(1,021,124)	-49.7%
Repairs and maintenance	1,527,414	2,389,156	(861,742)	-36.1%
Supplies, parts and other	2,097,856	3,421,237	(1,323,381)	-38.7%
Depreciation	15,649,610	15,579,700	69,910	0.4%
Total operating expenses	<u>31,060,392</u>	<u>35,092,837</u>	<u>(4,032,445)</u>	<u>-11.5%</u>
<b>Loss From Operations</b>	(10,107,720)	(5,932,856)	(4,174,864)	70.4%
<b>Nonoperating Expenses</b>				
<b>Net of Revenues</b>	(3,644,635)	(1,805,216)	(1,839,419)	101.9%
<b>Capital Contributions, Grants and Contributions From Lessees</b>				
	<u>21,820,820</u>	<u>15,044,800</u>	<u>6,776,020</u>	<u>45.0%</u>
<b>Increase in Net Position</b>	8,068,465	7,306,728	761,737	10.4%
<b>Net Position, Beginning of Year</b>	<u>129,510,670</u>	<u>122,203,942</u>	<u>7,306,728</u>	<u>6.0%</u>
<b>Net Position, End of Year</b>	<u>\$ 137,579,135</u>	<u>\$ 129,510,670</u>	<u>\$ 8,068,465</u>	<u>6.2%</u>

**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 2020 to 2019**

- **Operating Revenues:** In 2020, the Total Operating Revenues decreased 28%. The decline in pandemic-caused loss of passenger activity led to lower revenues in many categories. The 58% decrease of enplanements drove a substantial decrease in Parking fees and Vehicle rental fees and customer facility charges and Concession fees. Parking rates were cut to \$10/day in the garage and the long-term lot was closed to save costs. Cargo landed weight accounted for 47% of all landed weight, up from 33% in 2019. The Landing fee rate increased from \$3.17 to \$3.31 in 2020. Fuel flowage fees were not charged to the signatory passenger and cargo airlines. They are now included in the Landing fee. The airlines maintained their rent payments but the revenue sharing with them decreased significantly.
- **Operating Expenses (other than depreciation):** The operating expenses before depreciation decreased 21% or \$4.1 million.
  - Personnel attrition eroded our employment by four full-time positions. Only essential positions were refilled.
  - All discretionary spending was halted authority wide and essential spending was managed to maximize cash flows.
- **Operating Expenses (depreciation):** Depreciation increased .4% or \$70,000.
- **Nonoperating Expenses Net of Revenue:**
  - Passenger Facility Charges (PFC) decreased 59%, or \$1.86 million, as a byproduct of our decreased enplanements.
- **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 capital activity, there are more grant dollars reimbursing those costs. In 2020, capital dollar volume was more than 2019 (\$18.1 million vs. \$15.0 million). The flood dike at HIA is being rehabilitated for the first time in over 70 years. The total contract is \$20.2 million and is expected to be completed in 2021.
  - \$10 million of CARES Act grant funding was awarded to the Authority in 2020. \$4.4 million was drawn to preserve liquidity.

### **2019 to 2018 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, 2019 and 2018 was \$7.3 million and \$35.9 million, respectively. The comparative analysis is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2019 and 2018.

	2019	2018	Dollar Change	Percent Change
<b>Operating Revenues</b>				
Facilities revenue	\$ 8,719,290	\$ 8,800,775	\$ (81,485)	-0.9%
Parking fees	9,149,860	8,058,216	1,091,644	13.5%
Vehicle rental fees and customer facility charges	4,668,882	4,237,422	431,460	10.2%
Landing fees	3,163,745	4,064,456	(900,711)	-22.2%
Apron and gate use fees	1,530,901	1,408,556	122,345	8.7%
Concession fees	672,138	534,018	138,120	25.9%
Fuel flowage and other commissions	495,206	464,273	30,933	6.7%
Other income	759,959	675,915	84,044	12.4%
Total operating revenues	<u>29,159,981</u>	<u>28,243,631</u>	<u>916,350</u>	<u>3.2%</u>
<b>Operating Expenses</b>				
Salaries, wages, payroll taxes and benefits	8,432,836	7,873,942	558,894	7.1%
Professional and consulting fees	624,373	486,005	138,368	28.5%
Marketing	560,569	580,664	(20,095)	-3.5%
Insurance	573,110	527,628	45,482	8.6%
Utilities	1,458,260	1,417,836	40,424	2.9%
Parking facility	2,053,596	2,062,987	(9,391)	-0.5%
Repairs and maintenance	2,389,156	2,121,446	267,710	12.6%
Supplies, parts and other	3,421,237	3,482,275	(61,038)	-1.8%
Depreciation	15,579,700	14,612,373	967,327	6.6%
Total operating expenses	<u>35,092,837</u>	<u>33,165,156</u>	<u>1,927,681</u>	<u>5.8%</u>
<b>Loss From Operations</b>	(5,932,856)	(4,921,525)	(1,011,331)	-20.5%
<b>Nonoperating Expenses</b>				
Net of Revenues	(1,805,216)	(2,656,971)	851,755	-32.1%
<b>Capital Contributions and Grants</b>	<u>15,044,800</u>	<u>43,433,707</u>	<u>(28,388,907)</u>	<u>-65.4%</u>
<b>Increase in Net Position</b>	7,306,728	35,855,211	(28,548,483)	79.6%
<b>Net Position, Beginning of Year</b>	<u>122,203,942</u>	<u>86,348,731</u>	<u>35,855,211</u>	<u>41.5%</u>
<b>Net Position, End of Year</b>	<u>\$ 129,510,670</u>	<u>\$ 122,203,942</u>	<u>\$ 7,306,728</u>	<u>6.0%</u>

**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 2019 to 2018

- **Operating Revenues:** In 2019, the Total Operating Revenues increased 3.2%. The increase of enplanements drove a substantial increase in Parking fees and Vehicle rental fees and customer facility charges. Despite a 7.6% increase in landed weight, Landing fees decreased 22.2%. This was caused by a decrease in the Landing fee rate from \$3.71 to \$3.17. Apron and gate use fees and Concession fees increased due to increased flight and enplanement activity respectively.
- **Operating Expenses (other than depreciation):** The operating expenses increased 5.2% or \$960,000.
  - New full-time positions were added to handle increased security demands, operations and ongoing maintenance concerns.
  - Consulting fees increased as we renegotiated our airline operating agreement and rental car agreement.
  - Repairs and maintenance increased due to the construction of temporary PFAS water treatment facility adjacent to one of the airport wells.
- **Operating Expenses (depreciation):** Depreciation increased 6.6% or \$967,000.
  - 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 2019 for the '17, '18 & '19 phases is \$1,311,000 vs. \$718,000 recorded in 2018.
  - Commercial development constructed by tenants at HIA totaled \$26.3 million. It included a hotel, two hangars and two other buildings. 2019 depreciation recorded for these assets totaled \$524,000 vs. \$381,000 recorded in 2018.
- **Nonoperating Expenses Net of Revenue:**
  - Passenger Facility Charges (PFC) increased 17.2%, or \$467,000, as a byproduct of our increased enplanements.
  - Investment income increased 49% with the more attractive market rates prevalent in 2019.
  - Interest expense decreased \$179,000 on schedule in 2019. 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 2019, construction dollar volume was less than 2018 (\$15.0 million vs. \$17.2 million).
  - Commercial development constructed by tenants at HIA totaled \$26.3 million in 2018. It included a hotel, two hangars and two other buildings.

## Statements of Net Position Summary

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
Current assets	\$ 19,735,780	\$ 22,105,943	\$ 23,683,814
Noncurrent restricted cash and investments	15,093,163	14,679,109	14,562,988
Noncurrent other assets	718,959	760,727	801,668
Capital assets, net	<u>245,260,135</u>	<u>242,141,779</u>	<u>240,052,545</u>
<b>Total assets</b>	<u><u>\$ 280,808,037</u></u>	<u><u>\$ 279,687,558</u></u>	<u><u>\$ 279,101,015</u></u>
<b>Liabilities</b>			
Current liabilities	\$ 13,089,392	\$ 14,306,251	\$ 15,495,414
Long-term liabilities	<u>130,139,510</u>	<u>135,870,637</u>	<u>141,401,659</u>
<b>Total liabilities</b>	<u><u>143,228,902</u></u>	<u><u>150,176,888</u></u>	<u><u>156,897,073</u></u>
<b>Net Position</b>			
Net investment in capital assets	119,166,882	111,728,266	102,463,474
Restricted	8,981,733	8,663,174	8,211,914
Unrestricted	<u>9,430,520</u>	<u>9,119,230</u>	<u>11,528,554</u>
<b>Total net position</b>	<u><u>137,579,135</u></u>	<u><u>129,510,670</u></u>	<u><u>122,203,942</u></u>
<b>Total liabilities and net position</b>	<u><u>\$ 280,808,037</u></u>	<u><u>\$ 279,687,558</u></u>	<u><u>\$ 279,101,015</u></u>

## Statements of Net Position Discussion - 2020 vs. 2019

**Current assets:** Overall, current assets decreased \$2.4 million. The cash balance decreased from 2019 year end. Grants receivable increased \$667,000 from 2019 as the flood dike rehabilitation project was active over the winter. Investments decreased \$2.0 million as the capital improvement and coverage investment accounts decreased. The capital improvement account was used to fund three capital projects (\$550,000). The Authority received \$1.0 million from the Transportation Security Administration's third year of reimbursement of the Electronic Baggage Screening Program. Restricted cash and investments decreased as prescribed on the bond debt service schedule.

**Noncurrent cash and investments:** The Debt Service Reserve funds (DSRF) were maintained, increasing slightly by \$10,000. The Renewal and Replacement Reserve fund was increased \$257,000 and the Maintenance and Operation Reserve fund was increased \$148,000. 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 \$2.1 million:

- Work in Progress inventory increased \$12.5 million. Substantial projects in the balance include the HIA's Flood Dike, Cargo Apron, and GRA's South Parking Apron.

**Current liabilities** decreased by \$1.2 million. Accounts payable (regular and construction) decreased \$1 million. The liability to the airlines for the revenue sharing required by the Airline Operating Agreement decreased from \$1,704,000 to \$28,000.

## **Noncurrent Liabilities:**

The \$5.7 million decrease in noncurrent liabilities was caused by the annual routine reduction of bond principal (\$5.1 million) and the annual offsetting of bond premiums to interest expense (\$671,000).

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 \$138 million at December 31, 2020. This is an increase from the prior year of \$130 million. Assets increased only slightly but liabilities decreased primarily by the scheduled payment of bond debt.

The largest component of SARAA's net position (86.6% as of December 31, 2020) 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 - 2019 vs. 2018**

**Current assets:** Overall, current assets decreased \$1.6 million. The cash balance increased from 2018 year end. Grants receivable decreased \$686,000 from 2018 as the runway rehabilitation project is more up to date in grant activity than it was a year ago. Investments decreased \$1.3 million as the capital improvement investment account decreased. It was used to fund the paving of Airport Drive at HIA (\$1.7 million) and three other capital projects (\$.6 million). The Authority received \$1.0 million from the Transportation Security Administration's second year of reimbursement of the Electronic Baggage Screening Program. Restricted cash and investments increased as prescribed on the bond debt service schedule.

**Noncurrent cash and investments:** The Debt Service Reserve funds (DSRF) were maintained, decreasing slightly by \$34,000. The Renewal and Replacement Reserve fund was increased \$71,000 and the Maintenance and Operation Reserve fund was increased \$80,000. 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 \$2.1 million:

- Work in Progress inventory increased \$3.0 million. Substantial projects in the balance include the HIA Cargo Apron, Flood Dike, Flight Information Displays (FIDS), GRA's South Parking Apron and FCRA's Parallel Taxiway.

**Current liabilities** decreased by \$1.2 million. The dollar volume of capital construction activity decreased by \$1,900,000 from 2018 to 2019. The liability to the airlines for the revenue sharing required by the Airline Operating Agreement increased from \$1,115,000 to \$1,704,000.

### Noncurrent Liabilities:

The \$5.5 million decrease in noncurrent liabilities was caused by the annual routine reduction of bond principal (\$4.9 million) and the annual offsetting of bond premiums to interest expense (\$671,000).

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 \$130 million at December 31, 2019. This is an increase from the prior year of \$122 million. Assets increased only slightly but liabilities decreased by the scheduled payment of bond debt primarily.

The largest component of SARAA's net position (86.3% as of December 31, 2019) 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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 396,891	\$ 1,294,584	\$ 1,075,872
Maintenance and operations reserve	3,254,083	3,106,379	3,026,804
Renewal and replacement reserve	500,346	243,366	172,849
Coverage account	1,244,797	2,023,395	2,122,678
Capital improvement account	3,315,488	4,491,053	5,704,620
Passenger facility charge	96	230,920	201,651
Accrued interest	61,847	63,483	115,920
	<u>\$ 8,773,548</u>	<u>\$ 11,453,180</u>	<u>\$ 12,420,394</u>

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. The reserve was used in 2020 to fund the acquisition of a mini-pumper fire truck. This vehicle is used primarily for the parking garage and other landside. In 2019, a shuttle bus and three maintenance trucks were replaced.

The Coverage Account has a beneficial effect in calculating the bond covenant’s debt service coverage. Using the CARES Act grants for debt service decreased the balance needed for the desired beneficial effect of 25% of net senior debt service. CARES Act grants were applied as an offset to debt service, reducing net senior debt service and thereby improving coverage.

Capital Improvement Account represents remaining revenues to be used by SARAA for any lawful aviation purpose. The Capital Improvement Account decreased as it was used to fund three capital projects (\$550,000). The Authority received \$1.0 million from the Transportation Security Administration’s third 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:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Debt service funds	\$ 8,109,867	\$ 7,991,627	\$ 7,068,576
Debt service reserve funds	<u>11,276,887</u>	<u>11,265,881</u>	<u>11,179,963</u>
	<u>\$ 19,386,754</u>	<u>\$ 19,257,508</u>	<u>\$ 18,248,539</u>

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.

**Capital Asset Activity**

The following are projects underway or were completed in 2020:

- The flood dike adjacent to the Susquehanna River and HIA’s lone runway is under rehabilitation. The work is expected to be completed in 2021.
- Airport Drive, the main artery that runs the length of HIA, was rehabilitated and repaved in 2019 and the east and west ends were completed in 2020.
- Work continues on a multi-year project to develop the South Parking Apron at GRA.
- Two new pieces of fire equipment were acquired, an Aircraft Rescue Fire Fighting vehicle and a mini pumper used for the parking garage and other landside uses.
- A new Parallel Taxiway was completed at FCRA.
- Two new plow trucks with tow behind brooms and a shuttle bus were acquired for HIA.
- Two obstruction removal projects at CXY and GRA continue in the design stages.

Cash paid for capital projects was \$19.5 million. SARAA received \$15.7 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 assigned as an offset to the debt service requirements of the 2017, 2008B, 2012A and 2012B bonds through 2020. 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 are focused on the 2012A bonds through 2026 and then they switch to the 2012B 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 is as follows.

	<b>2020</b>	<b>2019</b>
Total operating revenues	\$ 20,952,672	\$ 29,159,981
Additions:		
Revenue sharing to airlines	28,841	1,691,275
Investment income	388,952	610,627
Total revenues	<u>21,370,465</u>	<u>31,461,883</u>
Less: Management and operating expenses	<u>(15,410,782)</u>	<u>(19,513,137)</u>
Airport System net revenues	5,959,683	11,948,746
Add: Coverage account balances <sup>1</sup>	<u>1,244,797</u>	<u>2,005,613</u>
Net revenues plus coverage account balances	<u>7,204,480</u>	<u>13,954,359</u>
Annual Senior Bonds debt service	11,119,700	11,117,450
Less: PFC Revenues	(1,638,350)	(3,095,000)
Less: CARES Act funds used for debt service	<u>(4,443,945)</u>	<u>-</u>
Net Senior Bonds debt service	<u>5,037,405</u>	<u>8,022,450</u>
Senior Bonds Debt Service Coverage <sup>2</sup>	1.43	1.74
Adjusted Senior Bonds Debt Service Coverage <sup>3</sup>	1.08	1.35

<sup>1</sup> Limited to 25% of net Senior Bond debt service.

<sup>2</sup> 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.

<sup>3</sup> Calculated as Net Revenues plus PFC Revenues and Cares Act Funds 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](http://www.flyhia.com).

# Susquehanna Area Regional Airport Authority

## Statements of Net Position December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
<b>Unrestricted Assets</b>		
Cash and cash equivalents	\$ 396,891	\$ 1,294,584
Accounts receivable, net of allowance of \$70,000	1,381,602	1,369,883
Grants receivable	3,390,853	2,723,594
Tenant improvement allowance	41,768	40,942
Prepays and other assets	685,841	725,552
Inventory	1,041,386	992,286
Investments	4,560,285	6,514,448
Total unrestricted current assets	11,498,626	13,661,289
<b>Restricted Assets</b>		
Cash and investments	8,109,963	8,222,547
Passenger facility charge receivables	127,191	222,107
Total restricted current assets	8,237,154	8,444,654
Total current assets	19,735,780	22,105,943
<b>Noncurrent Assets</b>		
Cash and investments, restricted	15,093,163	14,679,109
Tenant improvement allowance	718,959	760,727
Capital assets		
Nondepreciable capital assets	40,481,975	28,015,289
Depreciable capital assets	204,778,160	214,126,490
Net capital assets	245,260,135	242,141,779
Total noncurrent assets	261,072,257	257,581,615
Total assets	\$ 280,808,037	\$ 279,687,558

	<u>2020</u>	<u>2019</u>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,047,163	\$ 3,170,168
Accounts payable - construction	2,904,965	1,810,083
Accrued interest payable	3,009,850	3,131,225
Accrued expenses	719,387	969,983
Unearned revenue	240,621	303,607
Current portion of notes payable	67,406	66,185
Current portion of bonds payable	5,100,000	4,855,000
Total current liabilities	<u>13,089,392</u>	<u>14,306,251</u>
<b>Noncurrent Liabilities</b>		
Estimated costs of remediation	920,000	920,000
Bond and other deposits	19,167	57,359
Notes payable, less current portion	776,977	750,599
Bonds payable, less current portion	<u>128,423,366</u>	<u>134,142,679</u>
Total noncurrent liabilities	<u>130,139,510</u>	<u>135,870,637</u>
Total liabilities	<u>143,228,902</u>	<u>150,176,888</u>
<b>Net Position</b>		
Net investment in capital assets	119,166,882	111,728,266
Restricted	8,981,733	8,663,174
Unrestricted	<u>9,430,520</u>	<u>9,119,230</u>
Total net position	<u>137,579,135</u>	<u>129,510,670</u>
Total liabilities and net position	<u>\$ 280,808,037</u>	<u>\$ 279,687,558</u>

**Susquehanna Area Regional Airport Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Facilities revenue	\$ 9,375,180	\$ 8,719,290
Parking fees	3,302,042	9,149,860
Vehicle rental fees and customer facility charges	2,439,659	4,668,882
Landing fees	3,183,136	3,163,745
Apron and gate use fees	1,422,148	1,530,901
Concession fees	341,820	672,138
Fuel flowage and other commissions	291,812	495,206
Other income	596,875	759,959
Total operating revenues	<u>20,952,672</u>	<u>29,159,981</u>
<b>Operating Expenses</b>		
Salaries, wages, payroll taxes and benefits	8,181,237	8,432,836
Professional and consulting fees	438,902	624,373
Marketing	329,225	560,569
Insurance	636,937	573,110
Utilities	1,166,739	1,458,260
Parking facility	1,032,472	2,053,596
Repairs and maintenance	1,527,414	2,389,156
Supplies, parts and other	2,097,856	3,421,237
Total operating expenses before depreciation	<u>15,410,782</u>	<u>19,513,137</u>
<b>Income From Operations Before Depreciation</b>	5,541,890	9,646,844
Depreciation expense	<u>15,649,610</u>	<u>15,579,700</u>
<b>Loss From Operations</b>	<u>(10,107,720)</u>	<u>(5,932,856)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Passenger facility charges	1,312,608	3,171,344
Investment income	388,952	610,627
Interest expense	(5,416,344)	(5,608,581)
Gain on disposal of capital assets and sale of easements	70,149	21,394
Total nonoperating expenses	<u>(3,644,635)</u>	<u>(1,805,216)</u>
<b>Decrease in Net Position Before Capital Contributions and Grants</b>	(13,752,355)	(7,738,072)
<b>Capital Contributions and Grants</b>		
Federal, state and local grants	21,670,820	15,044,800
Contributions from lessees	<u>150,000</u>	<u>-</u>
<b>Increase in Net Position</b>	8,068,465	7,306,728
<b>Net Position, Beginning of Year</b>	<u>129,510,670</u>	<u>122,203,942</u>
<b>Net Position, End of Year</b>	<u>\$ 137,579,135</u>	<u>\$ 129,510,670</u>

**Susquehanna Area Regional Airport Authority**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 20,877,967	\$ 29,243,236
Cash paid to employees for services	(8,470,025)	(8,471,392)
Cash paid to suppliers for goods and services	(9,361,939)	(10,495,900)
Net cash provided by operating activities	3,046,003	10,275,944
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(4,855,000)	(4,630,000)
Interest paid	(6,157,032)	(6,395,800)
Principal payment on loans	(66,185)	(70,663)
Proceeds from notes payable	93,784	-
Tenant improvement allowance	40,942	40,131
Passenger facility charges received	1,407,524	3,124,269
Acquisition and construction of capital assets	(17,452,935)	(19,546,462)
Proceeds from sale of easements	-	6,667
Proceeds from sale of capital assets	-	14,727
Capital grants received	21,003,561	15,730,886
Net cash used in capital and related financing activities	(5,985,341)	(11,726,245)
<b>Cash Flows From Investing Activities</b>		
Investment income	388,952	610,627
Purchase of investment securities	(22,838,487)	(23,654,963)
Proceeds from sales of investment securities	24,491,180	24,713,349
Net cash provided by investing activities	2,041,645	1,669,013
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(897,693)	218,712
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,294,584	1,075,872
<b>Cash and Cash Equivalents, End of Year</b>	\$ 396,891	\$ 1,294,584

# Susquehanna Area Regional Airport Authority

## Statements of Cash Flows (Continued) Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Loss From Operations to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Loss from operations	\$ (10,107,720)	\$ (5,932,856)
Item not requiring cash		
Depreciation of capital assets	15,649,610	15,579,700
Change in assets and liabilities		
Accounts receivable	(11,719)	86,352
Inventory	(49,100)	81,764
Prepays and other assets	39,711	(184,241)
Unearned revenue	(62,986)	(3,097)
Bond and other deposits	(38,192)	(8,374)
Accounts payable and accrued expenses	<u>(2,373,601)</u>	<u>656,696</u>
Net cash provided by operating activities	<u>\$ 3,046,003</u>	<u>\$ 10,275,944</u>
<b>Noncash Capital and Related Financing Activities</b>		
Capital assets included in accounts payable at end of year	\$ 2,904,965	\$ 1,810,083
Contributions from lessees	150,000	-

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### 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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements

December 31, 2020 and 2019

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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### 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:

	<b>Years</b>
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.

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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements

December 31, 2020 and 2019

### ***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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

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, nav aids 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, 2012B and 2017.

SARAA's PFCs are recognized as earned as nonoperating revenues and amounted to \$1,312,608 and \$3,171,344 for 2020 and 2019, 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 \$1,037,336 and \$2,013,964 for 2020 and 2019, 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:

	2020		2019	
	Revenues	Number of Passengers	Revenues	Number of Passengers
American Airlines	18%	47%	14%	42%
Delta Airlines	10%	17%	9%	22%
United Airlines	8%	13%	8%	17%

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### Note 4: Deposits and Investments

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

	<b>2020</b>			
	<b>Operating Cash and Cash Equivalents</b>	<b>Restricted Cash and Investments</b>	<b>Unrestricted Investments</b>	<b>Total</b>
Cash and cash equivalents	\$ 396,891	\$ 1,277,144	\$ 1,441,536	\$ 3,115,571
Money market funds	-	12,411,792	-	12,411,792
Commercial paper	-	2,118,719	-	2,118,719
Certificates of deposit	-	7,210,541	1,165,459	8,376,000
U.S. Government- sponsored enterprises	-	123,083	-	123,083
Local government investment trust	-	-	1,953,290	1,953,290
Accrued investment income	-	61,847	-	61,847
	<u>\$ 396,891</u>	<u>\$ 23,203,126</u>	<u>\$ 4,560,285</u>	<u>\$ 28,160,302</u>

  

	<b>2019</b>			
	<b>Operating Cash and Cash Equivalents</b>	<b>Restricted Cash and Investments</b>	<b>Unrestricted Investments</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,294,584	\$ 2,008,113	\$ 1,222,235	\$ 4,524,932
Money market funds	-	8,378,211	-	8,378,211
Certificates of deposit	-	11,872,726	1,148,271	13,020,997
U.S Government- sponsored enterprises	-	579,123	-	579,123
Local government investment trust	-	-	4,143,942	4,143,942
Accrued investment income	-	63,483	-	63,483
	<u>\$ 1,294,584</u>	<u>\$ 22,901,656</u>	<u>\$ 6,514,448</u>	<u>\$ 30,710,688</u>

An immaterial revision has been made to separately present SARAA's investment in the local government investment trust. Previously, this was classified as a component of certificates of deposit and cash and cash equivalents. This change has no impact on any major financial statement line item.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### 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, 2020 and 2019, the carrying value and the bank balances of SARAA's deposits were as follows:

	2020		2019	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents	\$ 3,115,571	\$ 5,877,195	\$ 4,524,932	\$ 5,359,346
Certificates of deposit	8,376,000	8,376,000	13,020,997	13,793,061

Of the bank balances in 2020, \$1 million 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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

SARAA had the following investments and maturities as of December 31, 2020 and 2019:

	S&P / Moody's Rating	Carrying Value	2020	
			Investment Maturity (in years) Less than 1	1 to 5
Money market funds	Aaa-mf	\$ 12,411,792	\$ 12,411,792	\$ -
Commercial paper	A1 / P1	2,118,719	2,118,719	-
Certificates of deposit	Not Rated	8,376,000	4,214,133	4,161,867
U.S. Government-sponsored enterprises	Aaa	123,083	123,083	-
Local government investment trust	AAAm	1,953,290	1,953,290	-
Accrued investment income	n/a	61,847	61,847	-
		<u>\$ 25,044,731</u>	<u>\$ 20,882,864</u>	<u>\$ 4,161,867</u>

  

	S&P / Moody's Rating	Carrying Value	2019	
			Investment Maturity (in years) Less than 1	1 to 5
Money market funds	Aaa-mf	\$ 8,378,211	\$ 8,373,182	\$ 5,029
Certificates of deposit	Not Rated	13,020,997	6,909,267	6,111,730
U.S. Government-sponsored enterprises	Aaa	579,123	579,123	-
Local government investment trust	AAAm	4,143,942	4,143,942	-
Accrued investment income	n/a	63,483	63,483	-
		<u>\$ 26,185,756</u>	<u>\$ 20,068,997</u>	<u>\$ 6,116,759</u>

**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, 2020, 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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

**Concentration of Credit Risk:** SARAA's investment policy does not address the concentration of credit risk. As of December 31, 2020 and 2019, SARAA had the following concentration in its investment portfolio:

	<b>Percentage of Investment Portfolio</b>	
	<b>2020</b>	<b>2019</b>
Money market funds	50%	32%
Certificates of deposit	33%	50%
U.S. Government-sponsored enterprises	0%	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:

	<b>2020</b>	<b>2019</b>
Maintenance and operating reserve account	\$ 3,254,083	\$ 3,106,379
Renewal and replacement account	500,346	243,366
Passenger facility charges	96	230,920
Debt service fund	8,109,867	7,991,627
Debt service reserve	11,276,887	11,265,881
Total	<u>23,141,279</u>	<u>22,838,173</u>
Accrued income	61,847	63,483
Total restricted investments	<u>23,203,126</u>	<u>22,901,656</u>
Less current portion	<u>(8,109,963)</u>	<u>(8,222,547)</u>
Noncurrent portion	<u>\$ 15,093,163</u>	<u>\$ 14,679,109</u>

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019. 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.

	<b>2020</b>	<b>2019</b>
Capital improvement account	\$ 3,315,488	\$ 4,491,053
Coverage account	1,244,797	2,023,395
	<u>\$ 4,560,285</u>	<u>\$ 6,514,448</u>

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### Note 6: Capital Assets

Capital assets consist of the following:

	Balance December 31, 2019	Additions	Transfers	Disposals	Balance December 31, 2020
Capital assets not being depreciated:					
Land and improvements	\$ 22,292,547	\$ -	\$ -	\$ -	\$ 22,292,547
Construction in progress	5,722,742	18,875,478	(6,377,790)	(31,002)	18,189,428
Total capital assets not being depreciated	<u>28,015,289</u>	<u>18,875,478</u>	<u>(6,377,790)</u>	<u>(31,002)</u>	<u>40,481,975</u>
Capital assets being depreciated:					
Buildings, including parking facility	187,837,745	150,000	184,277	-	188,172,022
Land improvements	11,227,701	896	-	-	11,228,597
Runways, taxiways and aprons	151,850,097	-	2,480,908	(227,406)	154,103,599
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	26,722,476	-	406,076	-	27,128,552
Heavy equipment, furniture and fixtures	32,237,428	-	901,956	-	33,139,384
Vehicles	11,311,800	-	2,394,733	(653,895)	13,052,638
Facility planning, design and other studies	4,863,400	-	9,840	-	4,873,240
Tenant construction	28,354,355	-	-	-	28,354,355
Total capital assets being depreciated	<u>474,552,177</u>	<u>150,896</u>	<u>6,377,790</u>	<u>(881,301)</u>	<u>480,199,562</u>
Less accumulated depreciation for:					
Buildings, including parking facility	101,226,860	4,433,376	-	-	105,660,236
Land improvements	8,215,543	444,871	-	-	8,660,414
Runways, taxiways and aprons	79,036,949	7,500,905	-	-	86,537,854
Utilities and sewers	10,307,308	352,454	-	-	10,659,762
Roads and parking areas	20,676,989	688,465	-	-	21,365,454
Heavy equipment, furniture and fixtures	27,142,055	606,292	-	-	27,748,347
Vehicles	8,959,111	411,670	-	(653,895)	8,716,886
Facility planning, design and other studies	3,575,710	227,950	-	-	3,803,660
Tenant construction	1,285,162	983,627	-	-	2,268,789
Total accumulated depreciation	<u>260,425,687</u>	<u>15,649,610</u>	<u>-</u>	<u>(653,895)</u>	<u>275,421,402</u>
Total capital assets being depreciated, net	<u>214,126,490</u>	<u>(15,498,714)</u>	<u>6,377,790</u>	<u>(227,406)</u>	<u>204,778,160</u>
Capital assets, net	<u>\$ 242,141,779</u>	<u>\$ 3,376,764</u>	<u>\$ -</u>	<u>\$ (258,408)</u>	<u>\$ 245,260,135</u>

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

	Balance December 31, 2018	Additions	Transfers	Disposals	Balance December 31, 2019
Capital assets not being depreciated:					
Land and improvements	\$ 22,222,547	\$ 70,000	\$ -	\$ -	\$ 22,292,547
Construction in progress	2,675,608	17,657,574	(14,547,700)	(62,740)	5,722,742
Total capital assets not being depreciated	<u>24,898,155</u>	<u>17,727,574</u>	<u>(14,547,700)</u>	<u>(62,740)</u>	<u>28,015,289</u>
Capital assets being depreciated:					
Buildings, including parking facility	187,816,469	-	21,276	-	187,837,745
Land improvements	11,212,146	-	15,555	-	11,227,701
Runways, taxiways and aprons	144,407,403	102,818	7,442,693	(102,817)	151,850,097
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	22,751,249	-	3,971,227	-	26,722,476
Heavy equipment, furniture and fixtures	32,344,813	-	208,389	(315,774)	32,237,428
Vehicles	10,620,401	40,000	793,497	(142,098)	11,311,800
Facility planning, design and other studies	4,863,400	-	-	-	4,863,400
Tenant construction	26,259,292	14,623	2,095,063	(14,623)	28,354,355
Total capital assets being depreciated	<u>460,422,348</u>	<u>157,441</u>	<u>14,547,700</u>	<u>(575,312)</u>	<u>474,552,177</u>
Less accumulated depreciation for:					
Buildings, including parking facility	96,807,330	4,419,530	-	-	101,226,860
Land improvements	7,750,645	464,898	-	-	8,215,543
Runways, taxiways and aprons	71,899,418	7,137,531	-	-	79,036,949
Utilities and sewers	9,954,857	352,451	-	-	10,307,308
Roads and parking areas	20,173,920	503,069	-	-	20,676,989
Heavy equipment, furniture and fixtures	26,289,314	1,159,112	-	(306,371)	27,142,055
Vehicles	8,655,841	438,625	-	(135,355)	8,959,111
Facility planning, design and other studies	3,347,928	227,782	-	-	3,575,710
Tenant construction	388,705	896,457	-	-	1,285,162
Total accumulated depreciation	<u>245,267,958</u>	<u>15,599,455</u>	<u>-</u>	<u>(441,726)</u>	<u>260,425,687</u>
Total capital assets being depreciated, net	<u>215,154,390</u>	<u>(15,442,014)</u>	<u>14,547,700</u>	<u>(133,586)</u>	<u>214,126,490</u>
Capital assets, net	<u>\$ 240,052,545</u>	<u>\$ 2,285,560</u>	<u>\$ -</u>	<u>\$ (196,326)</u>	<u>\$ 242,141,779</u>

### 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, 2020 and 2019, 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 3.25%, and is payable monthly.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### 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, 2020 and 2019 comprised the following:

	<u>2020</u>	<u>2019</u>
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	39,485,000	44,340,000
Unamortized bond premium	1,293,754	1,717,933
Total Series A of 2012	<u>40,778,754</u>	<u>46,057,933</u>
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	(364,082)	(402,547)
Total Series B of 2012	<u>49,155,918</u>	<u>49,117,453</u>
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	3,543,694	3,777,293
Total Series 2017	<u>42,308,694</u>	<u>42,542,293</u>
	133,523,366	138,997,679
Current portion of long-term debt	<u>(5,100,000)</u>	<u>(4,855,000)</u>
	<u>\$ 128,423,366</u>	<u>\$ 134,142,679</u>

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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### ***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, 2020 are summarized as follows:

Years Ending December 31	Senior Airport System Revenue Bonds		Total
	Principal	Interest	
2021	\$ 5,100,000	\$ 6,019,700	\$ 11,119,700
2022	5,355,000	5,764,700	11,119,700
2023	5,620,000	5,496,950	11,116,950
2024	5,905,000	5,215,950	11,120,950
2025	6,200,000	4,920,700	11,120,700
2026 - 2030	35,690,000	19,916,850	55,606,850
2031 - 2035	39,955,000	11,937,850	51,892,850
2036 - 2039	25,225,000	2,563,750	27,788,750
	<u>\$ 129,050,000</u>	<u>\$ 61,836,450</u>	<u>\$ 190,886,450</u>

### ***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 2019 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, 2020 and 2019, there were no subordinate bonds outstanding.



# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

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

	<b>Other Leases</b>
2021	\$ 5,144,784
2022	4,832,446
2023	4,841,001
2024	4,798,337
2025	1,567,615
2026 - 2030	5,941,722
2031 - 2035	4,078,059
2036 - 2040	2,734,913
2041 - 2045	2,405,572
2046 - 2047	482,931
	<u>\$ 36,827,380</u>

SARAA has entered into an Airline Operating Agreement and Terminal Building Lease (Airline Agreement) with certain passenger, charter and cargo airlines serving the airport (collectively, the Signatory Airlines). Other airlines operate under an airport use permit that generally has a term of no more than two years. The Airline Agreement's hybrid residual rate-making features are designed to ensure that the Authority's debt service and related coverage obligations, including the rate covenant, will be met. The Airline Agreement authorizes SARAA to implement new fees and charges as necessary. In the event of an airline bankruptcy, SARAA may adjust the rates and charges for all Signatory Airlines in the current rate period to recover the rates and charges due from the bankrupt carrier. However, there can be no assurance that such other airlines will be financially able to absorb the additional costs. Rental rates under these agreements are determined annually.

The Airline Agreement expired as of December 31, 2019. Subsequent to that date, the signatory airlines are operating under carryover provisions of the existing Airline Agreement.

### **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 \$306,415 in 2020 and \$337,249 in 2019. There are no employee contributions to the Plan.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### 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 2020, and there have been no settlements in excess of the described insurance coverage from 2017 - 2020.

### 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 \$920,000 and \$920,000 as of December 31, 2020 and 2019, respectively. 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.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements

December 31, 2020 and 2019

### 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, 2020 and 2019:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2020</b>				
Investments				
Money market funds	\$ 12,411,792	\$ 12,411,792	\$ -	\$ -
U.S. Government-sponsored enterprises	123,083	-	123,083	-
<b>December 31, 2019</b>				
Investments				
Money market funds	\$ 8,378,211	\$ 8,378,211	\$ -	\$ -
U.S. Government-sponsored enterprises	579,123	-	579,123	-

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements

December 31, 2020 and 2019

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, 2020.

### ***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.

SARAA's investment in the local government investment trust is measured at net asset value. The local government investment trust seeks to allow local units of government to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly liquid and maximizes the return on the investment. There are no unfunded commitments or restrictions on redemptions. The local government investment trust in which SARAA is invested is not rated.

SARAA's investment in non-negotiable certificates of deposit and commercial paper are carried at amortized cost.

## **Note 14: Commitments and Contingencies**

### ***Litigation***

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.

### ***Investments***

SARAA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of net position.

# Susquehanna Area Regional Airport Authority

## Notes to Financial Statements December 31, 2020 and 2019

### ***Economic Volatility***

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of SARAA, including significant declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

In December 2020, the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) was signed into law. The CRRSAA includes \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the COVID-19 pandemic. SARAA's airports have applied for \$4.3 million of funds through this program.

In March 2021, the American Rescue Plan Act (ARPA) was signed into law. ARPA includes \$8 billion in funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the coronavirus disease 2019 (COVID-19) pandemic.

## **Supplementary Information**

**Susquehanna Area Regional Airport Authority**  
**Schedules of Capital and Noncapital Revenues and Expenses**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Noncapital Related Revenues</b>		
Facilities revenue	\$ 9,375,180	\$ 8,719,290
Parking fees	3,302,042	9,149,860
Vehicle rental fees and customer facility charges	2,439,659	4,668,882
Landing fees	3,183,136	3,163,745
Apron and gate use fees	1,422,148	1,530,901
Concession fees	341,820	672,138
Fuel flowage and other commissions	291,812	495,206
Other income	583,397	758,497
Investment income	12,194	54,081
Total noncapital related revenues	<u>20,951,388</u>	<u>29,212,600</u>
<b>Noncapital Related Expenses, Net of Operating Grant Revenue</b>		
Salaries, wages, payroll taxes and benefits	8,181,237	8,432,836
Professional and consulting fees	438,902	624,373
Marketing	329,225	560,569
Insurance	636,937	573,110
Utilities	1,166,739	1,458,260
Parking facility	1,032,472	2,053,596
Repairs and maintenance	1,527,414	2,389,156
Supplies, parts and other	2,097,856	3,421,237
Operating grant revenue	<u>(13,478)</u>	<u>(1,462)</u>
Total noncapital related expenses, net of operating grant revenue	<u>15,397,304</u>	<u>19,511,675</u>
<b>Excess of Noncapital Related Revenues Over Noncapital Related Expenses</b>	<u>5,554,084</u>	<u>9,700,925</u>
<b>Capital Related Revenues (Expenses)</b>		
Restricted investment income	376,758	556,546
Passenger facility charges	1,312,608	3,171,344
Federal, state and local grants	21,670,820	15,044,800
Contributions from lessees	150,000	-
Depreciation	(15,649,610)	(15,579,700)
Interest expense	(5,416,344)	(5,608,581)
Gain on disposal of capital assets and sale of easements	70,149	21,394
Deficit capital related revenues under capital related revenues (expenses)	<u>2,514,381</u>	<u>(2,394,197)</u>
<b>Increase in Net Position</b>	8,068,465	7,306,728
<b>Net Position, Beginning of Year</b>	<u>129,510,670</u>	<u>122,203,942</u>
<b>Net Position, End of Year</b>	<u>\$ 137,579,135</u>	<u>\$ 129,510,670</u>

**Susquehanna Area Regional Airport Authority**  
**Schedules of Airline and Non-Airline Revenues**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Passenger Airline Revenues</b>		
Facilities revenue	\$ 6,284,736	\$ 5,646,777
Landing fees	1,594,938	1,927,741
Apron and gate use fees	865,353	1,026,623
Fuel flowage and other commissions	-	96,264
Total passenger airline revenues	8,745,027	8,697,405
<b>Cargo Airline Revenues</b>		
Landing fees	1,475,743	1,038,393
Apron and gate use fees	512,012	434,678
Fuel flowage and other commissions	-	28,804
Total cargo airline revenues	1,987,755	1,501,875
<b>Non-Airline Revenues</b>		
Parking fees	3,302,042	9,149,860
Vehicle rental fees and customer facility charges	2,439,659	4,668,882
Facilities rental	3,090,444	3,072,513
Landing and apron fees - general aviation	157,238	267,211
Fuel flowage and other commissions	291,812	370,138
Concessions fees	341,820	672,138
Other income	596,875	759,959
Total non-airline revenues	10,219,890	18,960,701
<b>Total Operating Revenues</b>	<b>\$ 20,952,672</b>	<b>\$ 29,159,981</b>