

Susquehanna Area Regional Airport Authority

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Susquehanna Area Regional Airport Authority

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Susquehanna Area Regional Airport Authority
Middletown, Pennsylvania

Opinion

We have audited the financial statements of Susquehanna Area Regional Airport Authority (SARAA) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise SARAA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SARAA as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of SARAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SARAA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SARAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SARAA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions 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. Such 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. The information has been subjected to the auditing procedures applied in the audits 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 22, 2022

Susquehanna Area Regional Airport Authority

Management's Discussion and Analysis

December 31, 2021 and 2020

(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, 2021 and 2020. 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 580,043,700 airline passengers at U.S. airport security checkpoints during Calendar Year (CY) 2021. This was up 79.5% when compared to the 323,083,859 screened during PY 2020.

According to aviation data provider Cirium, during 2021, commercial airline flights in the Continental U.S. increased by 24.7% compared to 2020. These flight additions resulted in a seat capacity increase of 29.5%, a 31.4% increase in available seat miles for sale and a 60.9% increase in airline ticket revenue.

At Harrisburg International Airport, departing flights increased 17.9%, seat capacity increased by 19.8% and airline ticket revenues were up by 50%. The airlines enplaned/deplaned a total of 1,020,180 passengers in 2021, up 161% from 2020. American (+154.7%), Allegiant (+155.7%), Delta (175.6%), United (171.0%) and Frontier (170.6%) all carried more passengers in 2021 when compared to 2020.

Total 2021 departing seat capacity at HIA increased 19.8% compared to 2020. American (11.6%) offered the most seats for sale followed by Allegiant (24.9%), Delta (27.2%), United (22.9%) and Frontier (47.3%). The airports average 2021 departing load factor increased from 2020 by 20.5 points to 79.7% for the year.

A total of 63,549 tons of cargo were flown into and out of Harrisburg International Airport in 2021 representing a 12.4% increase compared to 2020. UPS tonnage increased 14.0%, FedEx tonnage increased 3% while commercial airline belly cargo decreased by -9.7%. The regional cargo airlines increased air cargo tonnage nearly 107.5%. This was due primarily to DHL's return to daily jet aircraft service beginning May of 2021. The Federal Aviation Administration (FAA) reported there were 48,788 total 2021 airport operations at HIA, an increase of 29.3% compared to 2020.

The following table shows the 2021 percentage fluctuation from 2020 for change in seats, change in enplanement passengers and passenger market share: (List ranked by 2021 passenger market share):

	Change in Seats	Change in Enplaned Passengers	Market Share
American Airlines	11.6%	207.5%	44.8%
Allegiant	24.9%	209.9%	18.6%
Delta Air Lines	27.2%	254.4%	19.1%
United Airlines	22.9%	238.9%	13.9%
Frontier	47.3%	251.5%	3.4%
Total Passenger Airlines	19.8%	221.6%	100.0%

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

	2021	2020	% Change
Enplanements	512,820	317,660	61.4%
Air carrier operations	23,520	21,619	8.8%
Landed weight (passenger airlines only)	608,831,303	514,166,707	18.4%
Cargo tons	63,549	56,534	12.4%
Parking revenue	\$ 5,303,675	\$ 3,302,042	60.6%

Financial Highlights

2020 continued along the historic growth trajectory experienced in 2019 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. 2021 operations were a continuance of these priorities as well as the planned holding of all rates and charges at 2020 levels.

- A balanced 2021 budget was passed in late 2020, it was developed to meet all cash flow and covenant requirements through the judicious use of the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and American Rescue Plan Act (ARPA) funds.

- All operating and maintenance spending was budgeted to maintain and operate safe and secure aviation facilities. No additional positions were considered and pay freezes for senior staff remained in place for 2021. Total O&M expenses were decreased by \$2.3 million from our 2020 budget.
- 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.
- Approximately \$22 million of CARES, CRRSA and ARPA grant funding was awarded to the Authority in 2020/21 of which \$17.7 million remained available to be drawn in 2021 and beyond. \$3.7 million was drawn in 2021 to preserve liquidity, offset capital spending (CARES only) and maintain debt coverage requirements.
- 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. All rental car MAG's have returned to their contractual amounts as of October 2021.
- Parking operations were consolidated in April 2020 from short-term and long-term facilities exclusively into the terminal adjacent garage and continued as such at a reduced rate of \$12/day for 2021. Due to capacity constraints in the garage the long-term lot reopened in December 2021 at a rate of \$10/day.
- Cargo airline activity remained strong as cargo landed weight increased 12.4%.
- The required bond coverage ratio was met and maintained for 2021. 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 2020 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.

2021 to 2020 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, 2021 and 2020 was (\$1.5) million and \$8.1 million, respectively. The comparative analysis is a summary of the Statement of Revenues, Expenses and Changes in Net Position for 2021 and 2020.

	2021	2020	Dollar Change	Percent Change
Operating Revenues				
Facilities revenue	\$ 8,809,591	\$ 9,375,180	\$ (565,589)	-6.0%
Parking fees	5,303,675	3,302,042	2,001,633	60.6%
Vehicle rental fees and customer facility charges	4,198,118	2,439,659	1,758,459	72.1%
Landing fees	3,346,450	3,183,136	163,314	5.1%
Apron and gate use fees	1,803,038	1,422,148	380,890	26.8%
Concession fees	458,458	341,820	116,638	34.1%
Fuel flowage and other commissions	402,535	291,812	110,723	37.9%
Other income	610,531	596,875	13,656	2.3%
Total operating revenues	<u>24,932,396</u>	<u>20,952,672</u>	<u>3,979,724</u>	<u>19.0%</u>
Operating Expenses				
Salaries, wages, payroll taxes and benefits	8,182,372	8,181,237	1,135	0.0%
Professional and consulting fees	482,798	438,902	43,896	10.0%
Marketing	311,623	329,225	(17,602)	-5.3%
Insurance	540,618	636,937	(96,319)	-15.1%
Utilities	1,748,884	1,166,827	582,057	49.9%
Parking facility	766,857	1,032,472	(265,615)	-25.7%
Repairs and maintenance	2,276,639	1,527,414	749,225	49.1%
Supplies, parts and other	2,619,513	2,097,768	521,745	24.9%
Depreciation	15,811,592	15,649,610	161,982	1.0%
Total operating expenses	<u>32,740,896</u>	<u>31,060,392</u>	<u>1,680,504</u>	<u>5.4%</u>
Loss From Operations	(7,808,500)	(10,107,720)	2,299,220	-22.7%
Nonoperating Expenses				
Net of Revenues	(3,141,161)	(3,644,635)	503,474	-13.8%
Capital Contributions, Grants and Contributions From Lessees				
	<u>9,471,613</u>	<u>21,820,820</u>	<u>(12,349,207)</u>	<u>-56.6%</u>
Increase (Decrease) in Net Position	(1,478,048)	8,068,465	(9,546,513)	-118.3%
Net Position, Beginning of Year	<u>137,579,135</u>	<u>129,510,670</u>	<u>8,068,465</u>	<u>6.2%</u>
Net Position, End of Year	<u>\$ 136,101,087</u>	<u>\$ 137,579,135</u>	<u>\$ (1,478,048)</u>	<u>-1.1%</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 2021 to 2020

- **Operating Revenues:** In 2021, the Total Operating Revenues increased 19.0%. The continuance of pandemic-caused loss of passenger activity led to lower revenues in many categories. The 2021 enplanements were 67.3% of 2019 record levels and drove a substantial decrease in Parking fees and Customer Facility Charges and Concession fees. Parking rates were increased to \$12/day in the garage and the long-term lot was closed through December to save costs. Cargo landed weight accounted for 46.2% of all landed weight, down from 47.0% in 2020. The Landing fee rate remained at \$3.31 in 2021. Fuel flowage fees were included in the landing fees paid by the signatory passenger and cargo airlines. The airlines maintained their rent payments and received revenue sharing based on actual revenues exceeding budgeted amount, actual expenses coming in under budget and federal relief funds being drawn to maintain coverage requirements.
- **Operating Expenses (other than depreciation):** The operating expenses before depreciation increased 9.9% or \$1.5 million.
 - Personnel attrition and staff retirements offset annual increases to staff salaries, maintaining the 2020 expenditure amount through 2021. 2021 personnel costs were \$1,135 over 2020 amounts. All positions were refilled when vacancies occurred.
 - Repair and Maintenance expenses increased 49.1% as pandemic related repair deferrals resumed.
 - Utility expenditures increased 49.9% due in part to the accrual of pending Municipal Separate Storm Sewer System (MS4) fees
- **Operating Expenses (depreciation):** Depreciation increased 1.0% or \$161,982.
- **Nonoperating Expenses Net of Revenue:**
 - Passenger Facility Charges (PFC) increased 53.5%, or \$702,000, as a byproduct of increased 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 2021, capital dollar volume was less than 2020 (\$8.2 million vs. \$18.1 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 was completed and moved to fixed assets in 2021.
 - \$12.2 million of CRRSA and ARPA Act grant funding was awarded to the Authority in 2021 to supplement the \$5.4 million of CARES Act funding carried forward from 2020. \$3.7 million was drawn to preserve liquidity.

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
Operating Revenues				
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>
Operating Expenses				
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	1,166,827	1,458,269	(291,442)	-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	2,097,768	3,421,228	(1,323,460)	-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>
Loss From Operations	(10,107,720)	(5,932,856)	(4,174,864)	-70.4%
Nonoperating Expenses				
Net of Revenues	(3,644,635)	(1,805,216)	(1,839,419)	101.9%
Capital Contributions and Grants	<u>21,820,820</u>	<u>15,044,800</u>	<u>6,776,020</u>	<u>45.0%</u>
Increase in Net Position	8,068,465	7,306,728	761,737	-10.4%
Net Position, Beginning of Year	<u>129,510,670</u>	<u>122,203,942</u>	<u>7,306,728</u>	<u>6.0%</u>
Net Position, End of Year	<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

Statements of Net Position Summary

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 22,485,445	\$ 19,735,780	\$ 22,105,943
Noncurrent restricted cash and investments	14,636,558	15,093,163	14,679,109
Noncurrent other assets	677,191	718,959	760,727
Capital assets, net	<u>235,225,258</u>	<u>245,260,135</u>	<u>242,141,779</u>
Total assets	<u><u>\$ 273,024,452</u></u>	<u><u>\$ 280,808,037</u></u>	<u><u>\$ 279,687,558</u></u>
Liabilities			
Current liabilities	\$ 12,786,075	\$ 13,089,392	\$ 14,306,251
Long-term liabilities	<u>124,137,290</u>	<u>130,139,510</u>	<u>135,870,637</u>
Total liabilities	<u><u>136,923,365</u></u>	<u><u>143,228,902</u></u>	<u><u>150,176,888</u></u>
Net Position			
Net investment in capital assets	117,204,372	119,166,882	111,728,266
Restricted	8,948,124	8,981,733	8,663,174
Unrestricted	<u>9,948,591</u>	<u>9,430,520</u>	<u>9,119,230</u>
Total net position	<u><u>136,101,087</u></u>	<u><u>137,579,135</u></u>	<u><u>129,510,670</u></u>
Total liabilities and net position	<u><u>\$ 273,024,452</u></u>	<u><u>\$ 280,808,037</u></u>	<u><u>\$ 279,687,558</u></u>

Statements of Net Position Discussion - 2021 vs. 2020

Current assets: Overall, current assets increased \$2.7 million. The cash balance increased from 2020 year end. Grants receivable decreased \$2.7 million from 2020. Investments increased \$1.8 million as the capital improvement and coverage investment accounts increased. The capital improvement account received an increase of \$1 million due to CARES Act funds being utilized for local share grant matches. The Authority received \$758 thousand from the Transportation Security Administration's fourth 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, decreasing by \$143,000. The Renewal and Replacement Reserve fund was decreased \$324,000 and the Maintenance and Operation Reserve fund was increased \$12,000. 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 decreased \$10.0 million:

- Work in Progress inventory decreased \$13.6 million. Substantial projects in the balance include the HIA's Cargo Apron and GRA's South Parking Apron.

Current liabilities decreased by \$303,000. Accounts payable (regular and construction) decreased \$1.9 million. The liability to the airlines for the revenue sharing required by the Airline Operating Agreement increased from \$28,000 to \$1,015,000.

Noncurrent Liabilities:

The \$6.0 million decrease in noncurrent liabilities was caused by the annual routine reduction of bond principal (\$4.8 million) and the annual offsetting of bond premiums to interest expense (\$619,000).

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 \$136.1 million at December 31, 2021. This is a decrease from the prior year of \$137.6 million. Assets decreased due to depreciation at a rate that exceed the decrease in liabilities, whose decrease was primarily attributable to the scheduled payment of bond debt.

The largest component of SARAA's net position (86.1% as of December 31, 2021) 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 - 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 investment account 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 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 by the scheduled payment of bond debt primarily.

The largest component of SARAA's net position (86.6% 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

	2021	2020	2019
Cash and cash equivalents	\$ 3,399,926	\$ 396,891	\$ 1,294,584
Maintenance and operations reserve	3,266,162	3,254,083	3,106,379
Renewal and replacement reserve	176,298	500,346	243,366
Coverage account	1,270,113	1,244,797	2,023,395
Capital improvement account	5,084,007	3,315,488	4,491,053
Passenger facility charge	1,152	96	230,920
Accrued interest	60,446	61,847	63,483
	<u>\$ 13,258,104</u>	<u>\$ 8,773,548</u>	<u>\$ 11,453,180</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 2021 to fund the purchase of CAT loader w/box plow, Kubota UTV, Graco paint stripping machine, (2) box plows and to recarpet the terminal concourses. In 2020 to fund the acquisition of a mini-pumper fire truck.

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Debt service funds	\$ 8,237,848	\$ 8,109,867	\$ 7,991,627
Debt service reserve funds	<u>11,133,652</u>	<u>11,276,887</u>	<u>11,265,881</u>
	<u>\$ 19,371,500</u>	<u>\$ 19,386,754</u>	<u>\$ 19,257,508</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 2021:

- The flood dike adjacent to the Susquehanna River and HIA's lone runway was rehabilitated with work 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. The next phase of the removal buildings 26 & 96 (former air force HQ and barracks) began in 2021 to be completed Q1 2022.
- Design of a baggage handling system (BHS) upgrade began in 2021 to be completed in 2022.
- A snow removal equipment (SRE) building project at FCRA began in 2021 to be completed in 2022.
- Work continues on a multi-year project to develop the South Parking Apron at GRA.
- Two obstruction removal projects at CXY and GRA continue in the design stages.

Cash paid for capital projects was \$8.4 million. SARAA received \$9.2 million in capital grants toward the capital additions due to closeouts of grants with funds expended in previous fiscal years as well as the CARES Act local match draw. 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 refunding of 2012 bonds in Q4-2022 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.

	2021	2020
Total operating revenues	\$ 24,932,396	\$ 20,952,672
Additions:		
Revenue sharing to airlines	1,015,266	28,841
Investment income	36,892	388,952
Total revenues	<u>25,984,554</u>	<u>21,370,465</u>
Less: Management and operating expenses	<u>(16,929,304)</u>	<u>(15,410,782)</u>
Airport System net revenues	9,055,250	5,959,683
Add: Coverage account balances ¹	<u>1,270,113</u>	<u>1,244,797</u>
Net revenues plus coverage account balances	<u>10,325,363</u>	<u>7,204,480</u>
Annual Senior Bonds debt service	11,119,700	11,119,700
Less: PFC Revenues	(1,992,000)	(1,638,350)
Less: CARES Act funds used for debt service	<u>(2,129,885)</u>	<u>(4,443,945)</u>
Net Senior Bonds debt service	<u>6,997,815</u>	<u>5,037,405</u>
Senior Bonds Debt Service Coverage ²	1.48	1.43
Adjusted Senior Bonds Debt Service Coverage ³	1.19	1.08

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 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.

Susquehanna Area Regional Airport Authority

Statements of Net Position December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Unrestricted Assets		
Cash and cash equivalents	\$ 3,399,926	\$ 396,891
Accounts receivable, net of allowance of \$70,000	1,647,656	1,381,602
Grants receivable	739,213	3,390,853
Tenant improvement allowance	41,768	41,768
Prepays and other assets	750,743	685,841
Inventory	1,164,005	1,041,386
Investments	6,354,120	4,560,285
Total unrestricted current assets	14,097,431	11,498,626
Restricted Assets		
Cash and investments	8,239,000	8,109,963
Passenger facility charge receivables	149,014	127,191
Total restricted current assets	8,388,014	8,237,154
Total current assets	22,485,445	19,735,780
Noncurrent Assets		
Cash and investments, restricted	14,636,558	15,093,163
Tenant improvement allowance	677,191	718,959
Capital assets		
Nondepreciable capital assets	26,883,638	40,481,975
Depreciable capital assets	208,341,620	204,778,160
Net capital assets	235,225,258	245,260,135
Total noncurrent assets	250,539,007	261,072,257
Total assets	\$ 273,024,452	\$ 280,808,037

	<u>2021</u>	<u>2020</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 2,676,835	\$ 1,047,163
Accounts payable - construction	378,123	2,904,965
Accrued interest payable	2,882,350	3,009,850
Accrued expenses	1,066,520	719,387
Unearned revenue	347,007	240,621
Current portion of notes payable	80,240	67,406
Current portion of bonds payable	5,355,000	5,100,000
Total current liabilities	<u>12,786,075</u>	<u>13,089,392</u>
Noncurrent Liabilities		
Estimated costs of remediation	920,000	920,000
Bond and other deposits	16,710	19,167
Notes payable, less current portion	696,739	776,977
Bonds payable, less current portion	122,503,841	128,423,366
Total noncurrent liabilities	<u>124,137,290</u>	<u>130,139,510</u>
Total liabilities	<u>136,923,365</u>	<u>143,228,902</u>
Net Position		
Net investment in capital assets	117,204,372	119,166,882
Restricted	8,948,124	8,981,733
Unrestricted	9,948,591	9,430,520
Total net position	<u>136,101,087</u>	<u>137,579,135</u>
Total liabilities and net position	<u>\$ 273,024,452</u>	<u>\$ 280,808,037</u>

Susquehanna Area Regional Airport Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Facilities revenue	\$ 8,809,591	\$ 9,375,180
Parking fees	5,303,675	3,302,042
Vehicle rental fees and customer facility charges	4,198,118	2,439,659
Landing fees	3,346,450	3,183,136
Apron and gate use fees	1,803,038	1,422,148
Concession fees	458,458	341,820
Fuel flowage and other commissions	402,535	291,812
Other income	610,531	596,875
Total operating revenues	24,932,396	20,952,672
Operating Expenses		
Salaries, wages, payroll taxes and benefits	8,182,372	8,181,237
Professional and consulting fees	482,798	438,902
Marketing	311,623	329,225
Insurance	540,618	636,937
Utilities	1,748,884	1,166,827
Parking facility	766,857	1,032,472
Repairs and maintenance	2,276,639	1,527,414
Supplies, parts and other	2,619,513	2,097,768
Total operating expenses before depreciation	16,929,304	15,410,782
Income From Operations Before Depreciation	8,003,092	5,541,890
Depreciation expense	15,811,592	15,649,610
Loss From Operations	(7,808,500)	(10,107,720)
Nonoperating Revenues (Expenses)		
Passenger facility charges	2,014,879	1,312,608
Investment income	36,892	388,952
Interest expense	(5,217,908)	(5,416,344)
Gain on disposal of capital assets and sale of easements	24,976	70,149
Total nonoperating expenses	(3,141,161)	(3,644,635)
Decrease in Net Position Before Capital Contributions and Grants	(10,949,661)	(13,752,355)
Capital Contributions and Grants		
Federal, state and local grants	9,471,613	21,670,820
Contributions from lessees	-	150,000
(Decrease) Increase in Net Position	(1,478,048)	8,068,465
Net Position, Beginning of Year	137,579,135	129,510,670
Net Position, End of Year	\$ 136,101,087	\$ 137,579,135

Susquehanna Area Regional Airport Authority

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash received from customers	\$ 24,772,728	\$ 20,877,967
Cash paid to employees for services	(7,837,696)	(8,470,025)
Cash paid to suppliers for goods and services	(7,304,781)	(9,361,939)
Net cash provided by operating activities	9,630,251	3,046,003
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(5,100,000)	(4,855,000)
Interest paid	(5,909,933)	(6,157,032)
Principal payment on loans	(67,404)	(66,185)
Proceeds from notes payable	-	93,784
Tenant improvement allowance	41,768	40,942
Passenger facility charges received	1,993,056	1,407,524
Acquisition and construction of capital assets	(8,278,581)	(17,452,935)
Capital grants received	12,123,253	21,003,561
Net cash used in capital and related financing activities	(5,197,841)	(5,985,341)
Cash Flows From Investing Activities		
Investment income	36,892	388,952
Purchase of investment securities	(14,380,159)	(22,838,487)
Proceeds from sales of investment securities	12,913,892	24,491,180
Net cash provided by (used in) investing activities	(1,429,375)	2,041,645
Net Increase (Decrease) in Cash and Cash Equivalents	3,003,035	(897,693)
Cash and Cash Equivalents, Beginning of Year	396,891	1,294,584
Cash and Cash Equivalents, End of Year	\$ 3,399,926	\$ 396,891

Susquehanna Area Regional Airport Authority

Statements of Cash Flows (Continued) Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Loss From Operations to Net Cash		
Provided by Operating Activities		
Loss from operations	\$ (7,808,500)	\$ (10,107,720)
Item not requiring cash		
Depreciation of capital assets	15,811,592	15,649,610
Change in assets and liabilities		
Accounts receivable	(266,054)	(11,719)
Inventory	(122,619)	(49,100)
Prepays and other assets	(64,902)	39,711
Unearned revenue	106,386	(62,986)
Bond and other deposits	(2,457)	(38,192)
Accounts payable and accrued expenses	<u>1,976,805</u>	<u>(2,373,601)</u>
Net cash provided by operating activities	<u>\$ 9,630,251</u>	<u>\$ 3,046,003</u>
Noncash Capital and Related Financing Activities		
Capital assets included in accounts payable at end of year	\$ 378,123	\$ 2,904,965
Contributions from lessees	-	150,000

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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:

	<u>Years</u>
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, 2021 and 2020

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, 2021 and 2020

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 \$2,014,879 and \$1,312,608 for 2021 and 2020, 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 \$1,568,571 and \$1,037,336 for 2021 and 2020, 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:

	2021		2020	
	Revenues	Number of Passengers	Revenues	Number of Passengers
American Airlines	18%	45%	18%	47%
Delta Airlines	9%	19%	10%	17%
United Airlines	7%	14%	8%	13%

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Note 4: Deposits and Investments

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

	2021			
	Operating Cash and Cash Equivalents	Restricted Cash and Investments	Unrestricted Investments	Total
Cash and cash equivalents	\$ 3,399,926	\$ 1,885,929	\$ 3,209,221	\$ 8,495,076
Money market funds	-	8,578,638	-	8,578,638
Commercial paper	-	1,950,503	-	1,950,503
Certificates of deposit	-	10,400,042	1,190,744	11,590,786
Local government investment trust	-	-	1,954,155	1,954,155
Accrued investment income	-	60,446	-	60,446
	<u>\$ 3,399,926</u>	<u>\$ 22,875,558</u>	<u>\$ 6,354,120</u>	<u>\$ 32,629,604</u>
	2020			
	Operating Cash and Cash Equivalents	Restricted Cash and Investments	Unrestricted Investments	Total
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>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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, 2021 and 2020, the carrying value and the bank balances of SARAA's deposits were as follows:

	2021		2020	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Cash and cash equivalents	\$ 8,495,076	\$ 8,729,036	\$ 3,115,571	\$ 5,877,195
Certificates of deposit	11,590,786	11,590,786	8,376,000	8,376,000

Of the bank balances in 2021, \$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, 2021 and 2020

SARAA had the following investments and maturities as of December 31, 2021 and 2020:

	S&P / Moody's Rating	Carrying Value	2021	
			Investment Maturity (in years) Less than 1	1 to 5
Money market funds	Aaa-mf	\$ 8,578,638	\$ 8,578,638	\$ -
Commercial paper	A1 / P1	1,950,503	1,950,503	-
Certificates of deposit	Not Rated	11,590,786	6,890,962	4,699,824
Local government investment trust	AAAm	1,954,155	1,954,155	-
Accrued investment income	n/a	60,446	60,446	-
		<u>\$ 24,134,528</u>	<u>\$ 19,434,704</u>	<u>\$ 4,699,824</u>

	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>

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, 2021, 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, 2021 and 2020

Concentration of Credit Risk: SARAA's investment policy does not address the concentration of credit risk. As of December 31, 2021 and 2020, SARAA had the following concentration in its investment portfolio:

	Percentage of Investment Portfolio	
	2021	2020
Money market funds	36%	50%
Certificates of deposit	48%	33%

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:

	2021	2020
Maintenance and operating reserve account	\$ 3,266,162	\$ 3,254,083
Renewal and replacement account	176,298	500,346
Passenger facility charges	1,152	96
Debt service fund	8,237,848	8,109,867
Debt service reserve	11,133,652	11,276,887
Total	<u>22,815,112</u>	<u>23,141,279</u>
Accrued income	60,446	61,847
Total restricted investments	<u>22,875,558</u>	<u>23,203,126</u>
Less current portion	<u>(8,239,000)</u>	<u>(8,109,963)</u>
Noncurrent portion	<u>\$ 14,636,558</u>	<u>\$ 15,093,163</u>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020. 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.

	2021	2020
Capital improvement account	\$ 5,084,007	\$ 3,315,488
Coverage account	1,270,113	1,244,797
	<u>\$ 6,354,120</u>	<u>\$ 4,560,285</u>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

Note 6: Capital Assets

Capital assets consist of the following:

	Balance December 31, 2020	Additions	Transfers	Disposals	Balance December 31, 2021
Capital assets not being depreciated:					
Land and improvements	\$ 22,292,547	\$ -	\$ -	\$ -	\$ 22,292,547
Construction in progress	18,189,428	5,779,357	(19,375,052)	(2,642)	4,591,091
Total capital assets not being depreciated	<u>40,481,975</u>	<u>5,779,357</u>	<u>(19,375,052)</u>	<u>(2,642)</u>	<u>26,883,638</u>
Capital assets being depreciated:					
Buildings, including parking facility	188,172,022	-	-	-	188,172,022
Land improvements	11,228,597	-	19,141,306	-	30,369,903
Runways, taxiways and aprons	154,103,599	-	36,845	-	154,140,444
Utilities and sewers	20,147,175	-	-	-	20,147,175
Roads and parking areas	27,128,552	-	-	-	27,128,552
Heavy equipment, furniture and fixtures	33,139,384	-	99,893	-	33,239,277
Vehicles	13,052,638	-	97,008	(279,120)	12,870,526
Facility planning, design and other studies	4,873,240	-	-	-	4,873,240
Tenant construction	28,354,355	-	-	-	28,354,355
Total capital assets being depreciated	<u>480,199,562</u>	<u>-</u>	<u>19,375,052</u>	<u>(279,120)</u>	<u>499,295,494</u>
Less accumulated depreciation for:					
Buildings, including parking facility	105,660,236	4,432,430	-	-	110,092,666
Land improvements	8,660,414	427,812	-	-	9,088,226
Runways, taxiways and aprons	86,537,854	7,563,488	-	-	94,101,342
Utilities and sewers	10,659,762	352,451	-	-	11,012,213
Roads and parking areas	21,365,454	705,387	-	-	22,070,841
Heavy equipment, furniture and fixtures	27,748,347	602,037	-	-	28,350,384
Vehicles	8,716,886	527,541	-	(279,120)	8,965,307
Facility planning, design and other studies	3,803,660	216,818	-	-	4,020,478
Tenant construction	2,268,789	983,628	-	-	3,252,417
Total accumulated depreciation	<u>275,421,402</u>	<u>15,811,592</u>	<u>-</u>	<u>(279,120)</u>	<u>290,953,874</u>
Total capital assets being depreciated, net	<u>204,778,160</u>	<u>(15,811,592)</u>	<u>19,375,052</u>	<u>-</u>	<u>208,341,620</u>
Capital assets, net	<u>\$ 245,260,135</u>	<u>\$ (10,032,235)</u>	<u>\$ -</u>	<u>\$ (2,642)</u>	<u>\$ 235,225,258</u>

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

	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>

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, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020 comprised the following:

	<u>2021</u>	<u>2020</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	34,385,000	39,485,000
Unamortized bond premium	924,363	1,293,754
Total Series A of 2012	<u>35,309,363</u>	<u>40,778,754</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	(325,617)	(364,082)
Total Series B of 2012	<u>49,194,383</u>	<u>49,155,918</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	3,310,095	3,543,694
Total Series 2017	<u>42,075,095</u>	<u>42,308,694</u>
	127,858,841	133,523,366
Current portion of long-term debt	<u>(5,355,000)</u>	<u>(5,100,000)</u>
	<u>\$ 122,503,841</u>	<u>\$ 128,423,366</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, 2021 and 2020

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, 2021 are summarized as follows:

Years Ending December 31	Senior Airport System Revenue Bonds		Total
	Principal	Interest	
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	6,510,000	4,610,700	11,120,700
2027 - 2031	37,235,000	18,376,200	55,611,200
2032 - 2036	39,900,000	10,129,050	50,029,050
2037 - 2038	17,225,000	1,302,500	18,527,500
	<u>\$ 123,950,000</u>	<u>\$ 55,816,750</u>	<u>\$ 179,766,750</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, 2021 and 2020, there were no subordinate bonds outstanding.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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

	Other Leases
2022	\$ 11,233,556
2023	11,336,523
2024	11,447,347
2025	6,600,542
2026	6,747,446
2027 - 2031	36,052,760
2032 - 2036	41,007,723
2037 - 2040	37,684,240
	<u>\$ 162,110,137</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 \$311,518 in 2021 and \$306,415 in 2020. There are no employee contributions to the Plan.

Susquehanna Area Regional Airport Authority

Notes to Financial Statements December 31, 2021 and 2020

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 2021, and there have been no settlements in excess of the described insurance coverage from 2018 - 2021.

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, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020:

	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)
December 31, 2021				
Investments				
Money market funds	\$ 8,578,638	\$ 8,578,638	\$ -	\$ -
December 31, 2020				
Investments				
Money market funds	\$ 12,411,792	\$ 12,411,792	\$ -	\$ -
U.S. Government-sponsored enterprises	123,083	-	123,083	-

Susquehanna Area Regional Airport Authority

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021.

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, 2021 and 2020

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.

Supplementary Information

Susquehanna Area Regional Airport Authority
Schedules of Capital and Noncapital Revenues and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Noncapital Related Revenues		
Facilities revenue	\$ 8,809,591	\$ 9,375,180
Parking fees	5,303,675	3,302,042
Vehicle rental fees and customer facility charges	4,198,118	2,439,659
Landing fees	3,346,450	3,183,136
Apron and gate use fees	1,803,038	1,422,148
Concession fees	458,458	341,820
Fuel flowage and other commissions	402,535	291,812
Other income	610,086	583,397
Investment income	21,259	12,194
Total noncapital related revenues	<u>24,953,210</u>	<u>20,951,388</u>
Noncapital Related Expenses, Net of Operating Grant Revenue		
Salaries, wages, payroll taxes and benefits	8,182,372	8,181,237
Professional and consulting fees	482,798	438,902
Marketing	311,623	329,225
Insurance	540,618	636,937
Utilities	1,748,884	1,166,827
Parking facility	766,857	1,032,472
Repairs and maintenance	2,276,639	1,527,414
Supplies, parts and other	2,619,513	2,097,768
Operating grant revenue	<u>(445)</u>	<u>(13,478)</u>
Total noncapital related expenses, net of operating grant revenue	<u>16,928,859</u>	<u>15,397,304</u>
Excess of Noncapital Related Revenues Over Noncapital Related Expenses	<u>8,024,351</u>	<u>5,554,084</u>
Capital Related Revenues (Expenses)		
Restricted investment income	15,633	376,758
Passenger facility charges	2,014,879	1,312,608
Federal, state and local grants	9,471,613	21,670,820
Contributions from lessees	-	150,000
Depreciation	(15,811,592)	(15,649,610)
Interest expense	(5,217,908)	(5,416,344)
Gain on disposal of capital assets and sale of easements	24,976	70,149
Capital related revenues over (under) capital related expenses	<u>(9,502,399)</u>	<u>2,514,381</u>
(Decrease) Increase in Net Position	(1,478,048)	8,068,465
Net Position, Beginning of Year	<u>137,579,135</u>	<u>129,510,670</u>
Net Position, End of Year	<u>\$ 136,101,087</u>	<u>\$ 137,579,135</u>

Susquehanna Area Regional Airport Authority
Schedules of Airline and Non-Airline Revenues
Years Ended December 31, 2021 and 2020

	2021	2020
Passenger Airline Revenues		
Facilities revenue	\$ 5,683,400	\$ 6,284,736
Landing fees	1,684,393	1,594,938
Apron and gate use fees	1,202,619	865,353
Total passenger airline revenues	8,570,412	8,745,027
Cargo Airline Revenues		
Landing fees	1,497,137	1,475,743
Apron and gate use fees	540,105	512,012
Total cargo airline revenues	2,037,242	1,987,755
Non-Airline Revenues		
Parking fees	5,303,675	3,302,042
Vehicle rental fees and customer facility charges	4,198,118	2,439,659
Facilities rental	3,126,191	3,090,444
Landing and apron fees - general aviation	225,234	157,238
Fuel flowage and other commissions	402,535	291,812
Concessions fees	458,458	341,820
Other income	610,531	596,875
Total non-airline revenues	14,324,742	10,219,890
Total Operating Revenues	\$ 24,932,396	\$ 20,952,672