Erie Regional Airport Authority

FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors
90 Years and Still Counting

ERIE REGIONAL AIRPORT AUTHORITY
TABLE OF CONTENTS

McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors
90 Years and Still Counting

2402 West 8th Street
Erie, PA 16505
814.453.6594
Fax: 814.455.3642
www.mpbcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Erie Regional Airport Authority
Erie, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Erie Regional Airport Authority (Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Authority as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Authority 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 opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note L to the financial statements, during 2022, the Authority adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2021. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

Erie • Meadville • Franklin • Grove City • Titusville

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Authority's ability to continue as a going concern for twelve 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Authority'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 the Authority'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 and pension information 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Erie, Pennsylvania
April 21, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the Erie Regional Airport Authority (Authority or ERAA) provides an introduction to the major activities affecting the operations of the Erie International Airport, Tom Ridge Field and an introduction and overview to the financial performance and statements of the Authority for the years ended December 31, 2022 and 2021. The information contained in this MD&A should be considered in conjunction with a reading of the basic financial statements.

Following this MD&A are the basic financial statements of the Authority together with notes thereto, which are essential to a full understanding of the data contained in the financial statements.

Airport Activities and Highlights:

Airline Activity

As of December 31, 2022, the Airport was served by two major airline brands. American Airlines (operated by Piedmont) offered jet service to Charlotte, and United Airlines (operated by Air Wisconsin) offered jet service to Chicago O'Hare. These two airlines offered a combined average of four daily departures. 2022 annual enplanements decreased 6.9% from the 2021 level, primarily attributed to United Airlines no longer servicing Washington D.C.

Airline Enplanement Data

2022 – 62,355
2021 – 66,965
2020 – 43,354
2019 – 106,765
2018 – 95,136

Airline Market Share

American Airlines led both airlines in 2022 Erie market share with 53.4% of the local market and United Airlines finishing second with 46.6%. Delta Airlines (operated by SkyWest) pulled service in July 2020 that was being offered to Detroit.

	American	Delta	United	Other
2022	53%	0%	47%	0%
2021	54%	0%	46%	0%
2020	53%	20%	27%	0%
2019	34%	40%	26%	0%
2018	27%	43%	30%	0%

United Airlines made an announcement to pull service from ERI beginning June 2, 2023, leaving the Authority with one signatory airline (American Airlines). United's market share was 47% and 46% for years 2022 and 2021, respectively. The loss of service is likely to impact other non-aeronautical revenue sources, including a decrease in revenue from rental car operations, parking, and restaurant concessions. Despite strong load factors out of ERI, United cited "analysis of operations and market demand" as reasons for pulling service. Slower recovery from business travelers, retirement of small-fleet aircraft serving smaller airports, and pilot shortages all played key parts. Airport management is working aggressively to pursue an ULCC to fill United's void. ULCC's primarily target leisure travelers and offer point-to-point service, rather than the conventional hub-and-spoke system that regional carriers use. In order to attract an ULCC to begin operations at ERI, management plans to submit an application for a Small Community Air Service Development Grant to provide additional aid, which already includes in-kind donations from local businesses. Management will also be developing a newly structured "rates and charges" schedule that will be more competitive amongst airports ERI's size and in the geographical region in which ERI operates with the hopes of promoting aeronautical growth. During the pandemic, the Authority trimmed operating expenses from roughly $3.6M in 2019 down to $3.0M in 2021 and 2022. The reduction in operating costs provides Authority leadership with the ability to lessen the burden on air carriers. Creating new, non-aeronautical revenue sources has never been more important, which is why management is exploring ways to utilize recently acquired vacant land around the airport. This multi-pronged approach is designed to make ERI much more attractive to air carriers operating in this currently highly-competitive industry.

Flight Operations

Total airport operations (takeoffs plus landings) in 2022 decreased by 7.4% from 2021 levels. All 2022 operations categories were down from 2021 with the exception of Airline operations.

	2022	2021	2020	2019	2018
Air Carrier (Mainline Jets)	252	1,071	445	18	3
General Aviation/Civil	18,803	20,699	10,564	20,375	17,951
Airline	5,158	4,359	3,804	6,577	6,095
Military	791	872	508	260	373
Total	25,004	27,001	15,321	27,230	24,422

Current and Future Capital Projects

Beginning in 2023, the Authority has the following projects planned:

- Reconstruction of Taxiway Alpha
- Rehabilitation of the general aviation apron

Financial Highlights

The Authority's net position decreased $1,881,377 and increased $10,793,397 in 2022 and 2021, respectively. The decrease in 2022 was primarily due to a decrease in capital contributions recognized by the Authority.

Total capital contributions were $713,671 and $12,345,527 in 2022 and 2021, respectively. Some of the major capital projects undertaken during 2022 included: Apron rehab and expansion $293,242, general aviation apron rehab $488,953, a new passenger boarding bridge $267,162, and taxiway alpha design and construction $397,072.

The Authority's loss from operations before depreciation in 2022 equaled $71,958 compared to income from operations before depreciation of $11,465 in 2021. Operating revenues decreased $22,970, amounting to $2,964,717 in 2022 compared to $2,987,687 in 2021. Total operating expenses, excluding depreciation, increased $60,453, from $2,976,222 in 2021 to $3,036,675 in 2022.

Depreciation expense increased $276,853, from $4,431,292 in 2021 to $4,708,145 in 2022.

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the 2022 fiscal year and implemented retrospectively for the 2021 fiscal year. In adopting this new standard, the Authority recognized a lease asset of $1,280,225 and $575,888 as of December 31, 2022 and 2021, respectively, deferred inflows of resources of $1,256,782 and $566,489 as of December 31, 2022 and 2021, respectively, and interest income from leases of $41,414 and $18,411 for the years ended December 31, 2022 and 2021, respectively. A restatement to record the effects of the new reporting guidance resulted in an increase in previously reported net position of $10,733. Any impact of this restatement is not reflected in the 2020 amounts included in this management's discussion and analysis.

Overview of the Basic Financial Statements

The Authority's financial report consists of the enterprise fund, which represents the business-type activities of the Authority, and the pension trust fund, which represents the fiduciary activities of the Authority.

The enterprise fund consists of three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The reporting entity consists of the Authority and its blended component units, The Erie Airport Hospitality Services, LLC (The Landing Zone) and Erie International Airport Services, LLC (EIAS). Both blended component units are 100% owned by the Erie Regional Airport Authority, and the board members of the Authority are also the board members of the blended component units. There was no activity in the blended component units of the Authority during the years ended 2022, 2021, and 2020.

The pension trust fund consists of two financial statements: the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The reporting entity consists of the Authority's single employer, defined benefit pension plan. The Authority contributes to the pension plan, which is administered by the Authority's Board of Directors. The assets of the plan are held in trust for the exclusive benefit of the individual participants and beneficiaries.

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund and a single fiduciary fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land and easements) are depreciated over their estimated useful lives. Restricted asset amounts are restricted for construction activities, when applicable. Additions to the pension are recognized in the period in which they are due. Deductions from the pension are recognized when due and are payable in accordance with the terms of the plan.

Statement of Net Position

This statement presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or decreasing. Net position is shown in three components: net investment in capital assets; restricted; and unrestricted.

Statement of Revenues, Expenses and Changes in Net Position

This is the operating statement of the Authority. Revenues and expenses are categorized as either operating or non-operating, based upon GASB Statements 33 and 34.

Statement of Cash Flows

This statement is used to report the classification of cash receipts and payments according to whether they are from operating, non-capital financing, capital and related financing, and/or investing activities. The Authority reports cash flows from operating activities using the direct method, as required by GASB 34. Using the direct method, the Authority reports cash flows from operating activities directly by showing major classes of operating cash receipts and payments, such as receipts from customers, payments to suppliers, payments to employees, etc. A reconciliation of operating income to net cash flows from operating activities is also presented.

Statement of Fiduciary Net Position

This statement presents information on the pension trust fund's assets and liabilities, with the difference between them reported as net position restricted for pensions. The statement does not include the future pension benefit obligations of the Authority. Over time, increases or decreases in net position restricted for pensions may serve as a useful indicator of the Plan's ability to fulfill future benefit obligations as they become due under the provisions of the Plan.

Statement of Changes in Fiduciary Net Position

This statement presents the activity of the pension trust fund. Additions consist of contributions made to the plan and the net investment earnings of the investment portfolio. Deductions consist of benefit payments made to participants and beneficiaries and administrative expenses incurred for operating the plan.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Authority's pension liability and contributions.

Financial Position Summary

A condensed summary of the Authority's total net position at December 31, 2022, 2021 and 2020 is shown below.

	2022	2021	2020
Unrestricted Current Assets	$ 11,918,066	$ 4,455,193	$ 8,433,902
Restricted Use Assets	1,578,569	9,670,553	1,641,705
Capital Assets	90,550,736	93,521,728	84,563,262
Non-Current Assets	1,367,843	872,463	-
Deferred Outflows of Resources	18,980	92,094	839,972
Total Assets and Deferred Outflows of Resources	105,434,194	108,612,031	95,478,841
Current Liabilities	527,468	432,006	185,433
Current Liabilities for Restricted Assets	243,927	2,344,298	523,261
Non-Current Liabilities	-	-	548,869
Deferred Inflows of Resources	1,587,043	878,594	57,542
Total Liabilities and Deferred Inflows of Resources	2,358,438	3,654,898	1,315,105
Net Position:			
Net Investment in Capital Assets	90,550,736	93,521,728	84,563,262
Restricted - Capital and PFC Projects	1,334,642	7,326,255	1,118,444
Unrestricted	11,190,378	4,109,150	8,482,030
Total Net Position	$ 103,075,756	$ 104,957,133	$ 94,163,736

2022 Results

The largest portion of the Authority's 2022 assets represents its investment in capital assets (e.g. land, easements, buildings and improvements, and equipment). The restricted portion of the Authority's net position represents amounts restricted for capital, PFC, and CFC projects. Based on the timing of projects at year end, the capital grants receivable balance decreased $7,891,475 from 2021. In addition, the operating grants receivable decreased $2,012,321 attributed to receipt of CARES Act funding received in 2021.

The largest portion of the Authority's 2022 liabilities was due to accounts payable. Based on the timing of projects at year end, the capital grants payable balance decreased $2,100,371 from 2021.

2021 Results

The largest portion of the Authority's 2021 assets represents its investment in capital assets (e.g. land, easements, buildings and improvements, and equipment). The restricted portion of the Authority's net position represents amounts restricted for capital, PFC, and CFC projects. Based on the timing of projects at year end, the capital grants receivable balance increased $7,541,021 from 2020. In addition, the operating grants receivable increased $606,201 attributed to CARES Act funding received in 2021.

The largest portion of the Authority's 2021 liabilities was due to accounts payable for capital projects. Based on the timing of projects at year end, the capital grants payable balance increased $1,821,037 from 2020. The net pension liability in the amount of $548,869 in 2020 became a net pension asset in the amount of $487,997 in 2021, which was mostly attributable to fully funding the pension near the end of 2020.

Summary of Changes in Net Position

Summary Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Revenues:			
Operating	$ 2,964,717	$ 2,987,687	$ 3,203,123
Capital Contributions	713,671	12,355,527	6,311,255
Nonoperating	2,185,055	3,485,413	4,541,704
Total Revenues	5,863,443	18,828,627	14,056,082
Expenses:			
Operating	3,036,675	2,976,222	3,424,597
Depreciation	4,708,145	4,431,292	4,207,137
Loss on Disposition of Capital Assets	-	600,116	167,172
Sale Proceeds Returned to Funding Agency	-	27,600	-
Interest	-	-	2,502
Total Expenses	7,744,820	8,035,230	7,801,408
Increase (Decrease) in Net Position	$ (1,881,377)	$ 10,793,397	$ 6,254,674

Discussion of 2022 Results

Loss from operations before depreciation was $71,958 in 2022, compared to income of $11,465 in 2021. Increase in net position before capital contributions excluding depreciation was $2,113,097 in 2022 compared to $2,869,162 in 2021.

The operating revenues of the Authority in 2022 were $2,964,717 compared to $2,987,687 in 2021, a decrease of $22,970. Terminal rents were down, attributed to reducing the airlines common-use rates by 50% as well as accepting a federal grant that provided terminal rent relief to terminal tenants. Landing fees, fuel flowage fees, and parking revenues increased while security reimbursements, government agency rents, and hangar rents all remained consistent with 2021 levels.

The operating expenses of the Authority, excluding depreciation, were $3,036,675 in 2022, compared to $2,976,222 in 2021, an increase of $60,453. Personnel costs decreased while utilities, building repairs, and equipment and supplies expenses all increased.

Discussion of 2021 Results

Income from operations before depreciation was $11,465 in 2021, compared to loss of $221,474 in 2020. Increase in net position before capital contributions excluding depreciation was $2,869,162 in 2021 compared to $4,150,556 in 2020.

The operating revenues of the Authority in 2021 were $2,987,687, compared to $3,203,123 in 2020, a decrease of $215,436. The decrease was primarily due to issuing two credits for terminal rent that was funded by two federal grants. The Authority accepted two federal grants that provided terminal rent relief to terminal tenants. Landing fees, security reimbursements, parking revenue, and rental car revenues all remained consistent with 2020 levels.

The operating expenses of the Authority, excluding depreciation, were $2,976,222 in 2021, compared to $3,424,597 in 2020, a decrease of $448,375. Personnel costs, utilities, general, administrative, and building repairs expenses all decreased.

Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents for 2022, 2021 and 2020. Cash equivalents are defined as cash-on-hand, bank deposits and highly liquid investments with maturity of three months or less.

	2022	2021	2020
Cash Flows Provided by (Used in):			
Operating Activities	$ (289,489)	$ 311,509	$ (1,054,297)
Non-Capital Financing Activity	3,649,730	2,354,477	2,655,420
Capital and Related Financing Activities	5,252,022	(6,871,617)	(921,149)
Investing Activities	(4,958,371)	3,133	10,432
Increase (Decrease) in Cash and Cash Equivalents	3,653,892	(4,202,498)	690,406
Cash, Beginning of Year	2,738,423	6,940,921	6,250,515
Cash, End of Year	$ 6,392,315	$ 2,738,423	$ 6,940,921

Capital Acquisitions and Construction Activities

Capital asset acquisitions with an initial cost of approximately $5,000 or more are capitalized at cost. Acquisitions are funded using a variety of sources including Federal Airport Improvement Grants with matching State Grants, State Capital Development Grants, Passenger Facility Charges, debt issuances, and airport general operating revenues.

During 2022, the Authority acquired property and equipment totaling $1,737,153. The major additions included the completion of a passenger boarding bridge, Customs and Border Protection renovation, completion of the deicing system renovation, and completion of the apron rehab and expansion.

During 2021, the Authority acquired property and equipment totaling $14,021,973. The major additions included 4 pieces of equipment, snow removal equipment building construction, apron rehab and expansion, terminal building door replacement, acquisition of two parcels of land, a passenger boarding bridge, Customs and Border Protection renovation, landside paving and renovations, and deicing system renovation.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Office of the Chief Financial Officer, 4411 West 12th Street, Erie, Pennsylvania 16505.

BASIC FINANCIAL STATEMENTS

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted Assets		
Cash	$ 5,571,754	$ 1,723,406
Accounts Receivable - Trade	190,169	308,791
Operating Grants Receivable	84,086	2,096,407
Investments	5,027,670	-
Lease Receivable, Current	549,680	191,422
Lease Interest Receivable	2,891	1,334
Prepaid Expenses	491,816	133,833
Total Unrestricted Current Assets	11,918,066	4,455,193
Restricted Assets		
Cash	820,561	1,015,017
Capital Grants Receivable	721,939	8,613,414
Passenger Facility Charge Receivable	36,069	42,122
Total Restricted Current Assets	1,578,569	9,670,553
Total Current Assets	13,496,635	14,125,746
NONCURRENT ASSETS		
Nondepreciable Capital Assets	34,121,755	36,693,770
Depreciable Capital Assets, Net	56,428,981	56,827,958
Lease Receivable, Long-Term	730,545	384,466
Total Noncurrent Assets	91,281,281	93,906,194
NET PENSION ASSET	637,298	487,997
Total Assets	105,415,214	108,519,937
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Pension	18,980	92,094
Total Deferred Outflows of Resources	18,980	92,094
Total Assets and Deferred Outflows of Resources	$ 105,434,194	$ 108,612,031

	2022	2021
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts Payable	$ 102,647	$ 298,461
Accrued Liabilities	102,557	97,607
Customer Deposits	9,046	35,938
Deferred Revenue	313,218	-
Total Unrestricted Current Liabilities	527,468	432,006
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts Payable - Capital Related	243,927	2,344,298
Total Current Liabilities Payable from Restricted Assets	243,927	2,344,298
Total Current Liabilities	771,395	2,776,304
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pension	330,261	312,105
Deferred Inflows of Resources - Leases	1,256,782	566,489
Total Deferred Inflows of Resources	1,587,043	878,594
Total Liabilities and Deferred Inflows of Resources	$ 2,358,438	$ 3,654,898
NET POSITION		
Net Investment in Capital Assets	$ 90,550,736	$ 93,521,728
Restricted for Capital and Passenger Facility Charge Projects	1,334,642	7,326,255
Unrestricted	11,190,378	4,109,150
Total Net Position	$ 103,075,756	$ 104,957,133

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Terminal Rent	$ 738,042	$ 1,071,072
Landing Fees	376,846	324,751
Fuel Flowage Fees	97,755	66,819
Security Reimbursement	355,534	354,114
Other Aeronautical Revenue	111,904	103,456
Parking	358,480	166,103
Rental Car	452,535	386,193
Concessions	23,037	49,304
Government Agency Rent	378,568	386,820
Other Non-Aeronautical Revenue	72,016	79,055
Total Operating Revenues	2,964,717	2,987,687
OPERATING EXPENSES		
Salaries, Wages, and Benefits	1,575,802	1,660,289
Insurance	396,609	382,606
Utilities	235,788	178,058
Equipment and Supplies	202,710	147,110
Professional Services	242,914	257,181
Building Repairs	46,498	35,529
Equipment Repairs	43,189	45,730
General, Administrative, and Other	293,165	269,719
Total Operating Expenses Before Depreciation	3,036,675	2,976,222
Income (Loss) from Operations Before Depreciation	(71,958)	11,465
DEPRECIATION EXPENSE	4,708,145	4,431,292
Operating Income (Loss)	(4,780,103)	(4,419,827)
NONOPERATING REVENUES (EXPENSES)		
Passenger Facility Charges	257,361	287,956
Customer Facility Charges	220,986	215,235
Operating Grants Received	1,637,409	2,960,678
Loss on Disposition of Capital Assets	-	(600,116)
Sale Proceeds Returned to Funding Agency	-	(27,600)
Interest Income	69,299	21,544
Total Nonoperating Revenues (Expenses)	2,185,055	2,857,697
Increase (Decrease) in Net Position Before Capital Contributions	(2,595,048)	(1,562,130)
CAPITAL CONTRIBUTIONS		
Federal and State Grants	713,671	12,345,527
Other	-	10,000
Total Capital Contributions	713,671	12,355,527
Change in Net Position	(1,881,377)	10,793,397
NET POSITION, BEGINNING OF YEAR	104,957,133	94,163,736
NET POSITION, END OF YEAR	$ 103,075,756	$ 104,957,133

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	$ 3,354,064	$ 3,045,892
Cash Payments to Suppliers of Goods or Services	(1,813,116)	(872,612)
Cash Payments for Employee Compensation and Benefits	(1,830,437)	(1,880,182)
Net Cash Provided by (Used in) Operating Activities	(289,489)	293,098
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Receipts from Operating Grants	3,649,730	2,354,477
Net Cash Provided by (Used in) Noncapital Financing Activities	3,649,730	2,354,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquistion and Construction of Capital Assets	(3,837,524)	(12,200,936)
Proceeds from Disposition of Capital Assets	-	32,100
Capital Grant Receipts	8,605,146	4,804,505
Capital Donations from Others	-	10,000
Passenger Facility Charges	263,414	267,479
Customer Facility Charges	220,986	215,235
Net Cash Provided by (Used in) Capital and Related Financing Activities	5,252,022	(6,871,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	69,299	21,544
Net Change in Fair Value of Investments	(15,170)	-
Investment Purchases	(5,012,500)	-
Net Cash Provied by (Used in) Investing Activities	(4,958,371)	21,544
INCREASE (DECREASE) IN CASH	3,653,892	(4,202,498)
CASH, BEGINNING OF YEAR	2,738,423	6,940,921
CASH, END OF YEAR	$ 6,392,315	$ 2,738,423
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION		
Cash	$ 5,571,754	$ 1,723,406
Restricted Cash	820,561	1,015,017
Total Cash	$ 6,392,315	$ 2,738,423

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (4,780,103)	$ (4,419,827)
Depreciation of Capital Assets	4,708,145	4,431,292
Changes in Operating Assets and Liabilities		
Accounts Receivable	118,622	68,938
Prepaid Expenses	(357,983)	38,880
Lease Receivable	(704,337)	(575,888)
Lease Interest Receivable	(1,557)	(1,334)
Net Pension Asset	(149,301)	(487,997)
Deferred Outflows of Resources	73,114	747,878
Accounts Payable	(195,814)	202,471
Accrued Liabilities	4,950	12,051
Customer Deposits	(26,892)	4,451
Deferred Revenue	313,218	-
Net Pension Liability	-	(548,869)
Deferred Inflows of Resources - Pension	18,156	254,563
Deferred Inflows of Resources - Leases	690,293	566,489
Net Cash Provided by (Used in) Operating Activities	$ (289,489)	$ 293,098
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital Asset Acquisitions Included in Accounts Payable	$ 243,927	$ 2,344,298

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2022 AND 2021

	2022 Pension Trust Fund	2021 Pension Trust Fund
ASSETS		
Investments, at Fair Value	$ 3,012,258	$ 3,715,469
Accrued Investment Income	2,266	868
Total Assets	3,014,524	3,716,337
LIABILITIES		
Accounts Payable	2,088	2,382
Total Liabilities	2,088	2,382
NET POSITION		
Net Position Restricted for Pensions	3,012,436	3,713,955
Total Net Position	$ 3,012,436	$ 3,713,955

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022 Pension Trust Fund	2021 Pension Trust Fund
ADDITIONS		
Contributions		
Plan Members	$ 21,788	$ 22,380
Employer	-	42,000
Total Contributions	21,788	64,380
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	(584,705)	146,511
Interest and Dividends	87,815	224,668
Net Investment Income	(496,890)	371,179
Total Additions	(475,102)	435,559
DEDUCTIONS		
Benefits Paid	200,471	144,245
Administrative Expenses	25,946	28,162
Total Deductions	226,417	172,407
Change in Net Position	(701,519)	263,152
NET POSITION, BEGINNING	3,713,955	3,450,803
NET POSITION, ENDING	$ 3,012,436	$ 3,713,955

See notes to financial statements.

NOTE A NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Erie Regional Airport Authority (Authority) operates and maintains the Erie International Airport, Tom Ridge Field (Airport). Principal operating revenues are derived from aircraft landing fees, space rentals, commissions, and concession fees. Grants are typically received from state and federal agencies for most capital additions and improvements.

Principles Determining Scope of Reporting Entity

In accordance with the standards of the Governmental Accounting Standards Board (GASB), the financial statements must present the Authority (the primary government) and its component units. The financial statements of the Authority comprise the activities of the Authority and its two blended component units, Erie Airport Hospitality Services, LLC (Landing Zone) and Erie International Airport Services, LLC (EIAS). There was no activity involving either the Landing Zone or EIAS during the years ended December 31, 2022 and 2021.

The Fiduciary activities represent the defined benefit pension plan administered by the Authority's Board of Directors. The Authority froze the eligibility to the pension plan for employees hired after December 31, 2019 and began to offer a 401(a) deferred compensation plan with employer matching contributions for employees hired on or after January 1, 2020.

The Authority is not included in any other Governmental "Reporting Entity" as defined by GASB, even though either the City of Erie, Pennsylvania and/or the County of Erie, Pennsylvania must approve the appointment of the Authority's Board members. The Board is responsible for all Authority operations and is primarily accountable for fiscal matters.

Basis of Accounting and Presentation

The accounts of the Authority are organized into an Enterprise Fund, which represent the business-type activities; and a pension trust fund, which represent the fiduciary activities. The Authority uses a separate set of self-balancing accounts for each fund including: assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, additions, and deductions.

The Authority 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, required supplementary information, and financial statements consisting of the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows using the direct method. These statements also include the fiduciary activities of the pension trust fund. The two generic fund types are categorized as follows:

The Authority reports the following enterprise fund:

> Enterprise Fund – The financial statements of the Enterprise Fund use the economic resource measurement focus and are presented on the accrual basis of accounting. 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. The Authority's operating revenues and expenses result from providing services in connection with the Authority's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. When both restricted and unrestricted resources are available for use, the Authority's policy is to use restricted resources first, then unrestricted resources as they are needed.

The Authority reports the following fiduciary fund:

Pension Trust Fund – The pension trust fund is used to account for the assets held by the Authority in a trustee capacity for active and retired employees. The financial statements of the Fiduciary Fund use the economic resource measurement focus and are presented on the accrual basis of accounting. These standards require presentation of financial statements consisting of the statement of fiduciary net position and statement of changes in fiduciary net position. Under the accrual basis of accounting, additions are recognized in the period in which they are due, and deductions are recognized when due and payable in accordance with the terms of the plan. The Fiduciary Fund's fiscal year end is December 31 of each year. The amounts presented in these financial statements are as of and for the years ended December 31, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, the Authority had no cash equivalents.

Accounts Receivable

Trade receivables are generally recorded when revenue is recognized. The allowance for doubtful accounts is determined based on several factors, such as historical collections, current economic conditions, and facts and circumstances related to individual customer balances. Customer balances are charged to the allowance when all efforts to collect have been exhausted. All accounts receivable balances at December 31, 2022 and 2021 are deemed collectible by management; therefore, no allowance for doubtful accounts has been recorded.

Investments and Investment Income

Investments in money market funds, mutual funds, and U.S. Treasury securities are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at fair value, and the unrealized gains and losses for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. The Authority capitalizes assets with an expected useful life of more than one year and a cost greater than $5,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Authority:

Buildings, Runways, and Improvements	1 - 40 years
Equipment, Fixtures, and Other	3 - 30 years
Master Plan	20 years

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.

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Deferred Outflows of Resources

The Authority reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its statements of net position.

Compensated Absences

Authority policies permit full-time employees to receive paid compensation for vacations, holidays and sick leave benefits. Vacation time that has been earned but not paid is accrued by the Authority. Sick leave for union employees can be accumulated or is eligible to be paid out at the end of the year. Employees working in the department of public safety may carry over unused compensatory time to the following year, but the amount of accumulated time is limited to forty hours. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date.

Defined Benefit Pension Plan

The Authority has a single-employer, defined benefit pension plan, Erie Regional Airport Authority Employees' Pension Plan (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases

Authority as Lessor

With certain exceptions for regulated leases and short-term leases, the Authority, as a lessor, recognizes a lease receivable, which is initially recorded at the commencement of the lease term and measured at the present value of lease payments expected to be received during the lease term. A corresponding deferred inflow of resources is also recorded at the commencement of the lease term. The deferred inflow of resources is measured as the value of the lease receivable adjusted for any payments received at or before the commencement of the lease term that relate to future periods.

The lease receivable is reduced by the principal portion of lease payments received and amortization of the discount on the receivable is reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. Any initial direct costs are reported as an outflow of resources for that period. Modifications to the lease arrangement, including but not limited to changes in the lease payments or lease terms result in remeasurement of the lease receivable and deferred inflows of resources. In the case of a partial or full lease termination, the Authority reduces the carrying value of the lease receivable and the related deferred inflow of resources and includes a gain or loss for the difference.

Key estimates and judgments include the discount rate, lease term, and lease receipts. The Authority uses its estimated incremental borrowing rate at lease inception as the discount rate for leases. The lease term includes the noncancellable period of the lease and renewal or termination option periods only when the options are reasonably certain to be exercised at lease commencement. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. Some leases include variable payments adjusted for inflation that depend on an index and those lease receipts are initially measured using the index as of the commencement of the lease term.

For lease agreements that are short term, the Authority recognizes lease payments as inflows of resources (revenues) based on the payment provisions of the lease agreement. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Regulated Leases

The leases between the Authority and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASB Statement No. 87, the Authority recognizes inflows of resources based on the payment provisions of the lease agreement, and the accounting policies under the *'Authority as Lessor'* do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note G.

Deferred Inflows of Resources

The Authority reports an acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its statements of net position.

Net Position

The difference between the Authority's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is its net position. Net position consists of three components – net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding debt related to the acquisition, construction, or improvement of those assets. To the extent that debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Net position is reported as restricted when constraints placed on net asset use is either externally imposed by creditors, grantors, contributors, laws, regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority's restricted assets are expendable. The unrestricted net position consists of net assets that do not meet the definition of the two preceding categories.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses are subject to reimbursement from federal grant programs. Funds are also received for airport development from the Commonwealth of Pennsylvania. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement under these grant programs generally require compliance with terms and conditions specified in the grant contract agreements and are subject to audit or approval by certain grantor agencies. Capital funding is recorded as capital contributions and earned as allowable capital expenditures are incurred, whereas funding for operating grants is recorded as nonoperating revenues as related expenses are incurred.

Passenger Facility Charge Revenue

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.

The Authority received approval from the FAA to impose a PFC of $4.50 per enplaned passenger beginning November 1, 2006 for PFC application number 06-06-C-01-ERI. The Authority received approval for an amendment to this application from the FAA that increased the total application approved collection amount to $10,582,878. This application is set to expire the earlier of May 1, 2024, or when the Authority has collected the full application amount.

During 2008, the Authority received approval from the FAA to impose and use a PFC of $4.50 per enplaned passenger for PFC application number 08-08-C-01-ERI. The PFC collections on this application are estimated to begin on May 1, 2024, and are expected to expire the earlier of February 1, 2025, or when the Authority has collected the full application amount of $589,960.

The Authority's PFCs are recognized as earned nonoperating revenues and amounted to $257,361 and $287,956 for the years ended December 31, 2022 and 2021, respectively.

Customer Facility Charges

The Authority collects a customer facility charge (CFC) from all rental car concessionaires that operate facilities on the airport. The CFC was $4.50 per rental car transaction for the years ended December 31, 2022 and 2021. CFCs may be used in the following priority: (1) payment of annual debt service on debt obligations incurred in connection with the planning, design, and construction of a Rental Car Canopy; (2) repay the Authority for the annual amortization of any amounts of the Authority's funds expended on or invested in capital rental car facilities; (3) to pay the annual operations and maintenance expenses, as well as any major maintenance expenses, expended by the Authority for Rental Car Service Building, the Car Rental Canopy or any additional rental car facilities; (4) to fund a reserve against any future shortfalls in CFC revenues; (5) to defease or prepay the amounts of any indebtedness the Authority has incurred in connection with the above or other rental car improvements; and (6) to be held in reserve to pay the cost of future improvements to rental car facilities. CFC revenue totaled $220,986 and $215,235 for the years ended December 31, 2022 and 2021, respectively. These amounts are included in nonoperating revenues on the statements of revenues, expenses and changes in net position.

Revenue Recognition

Airfield Landing Fee Charges – Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure is determined annually pursuant to an agreement between the Authority and the signatory airlines. Landing fees are recognized as revenue when the related facilities are utilized.

Terminal Rents, Concessions and Ground Transportation – Rental and concession fees are generated from airlines, parking lots, food and beverage, retail, rental cars, advertising, and other commercial tenants. Leases are for terms from one to thirty years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases.

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

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. The reclassifications had no effect on the changes in financial position.

NOTE B DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania law requires that the Authority's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share 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.

Of the bank balance at December 31, 2022 and 2021, $250,000 was insured by the FDIC, and the remaining bank balances of $6,287,844 and $2,497,565, respectively, were uninsured and 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

Pennsylvania statutes restrict the investment of Authority funds into certain authorized investment types, including: 1) United States treasury bills, 2) short-term obligations of the United States Government or its agencies or instrumentalities, 3) deposits in saving accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above the insured maximum, if the approved collateral as provided by law shall be pledged by the depository, and 4) obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth. The defined benefit pension plan is not subject to the same restrictions as the Authority.

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

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.

Investments Held by the Authority

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements 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, 2022:

		Fair Value Measurements Using		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
December 31, 2022				
U.S. Treasury Securities	$ 4,882,038	$ 4,882,038	$ -	$ -
Money Market Funds	145,632	145,632	-	-
Total Investments by Fair Value Level	$ 5,027,670	$ 5,027,670	$ -	$ -

The Authority did not have an investment balance at December 31, 2021.

Other Information on Investments Held by the Authority

Interest Rate Risk – The Authority does not have a policy that limits the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have a policy that limits the investment choices in accordance with Pennsylvania statutes and prudent business practices.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one economic sector or issuer. At December 31, 2022, the Authority's investments in U.S. Treasury Securities constituted 97% of its total investments.

Investments Held by the Pension Trust Fund

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements 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, 2022 and 2021:

		Fair Value Measurements Using		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
December 31, 2022				
Mutual Funds	$ 2,937,057	$ 2,937,057	$ -	$ -
Money Market Funds	75,201	75,201	-	-
Total Investments by Fair Value Level	$ 3,012,258	$ 3,012,258	$ -	$ -
December 31, 2021				
Mutual Funds	$ 3,510,678	$ 3,510,678	$ -	$ -
Money Market Funds	202,122	202,122	-	-
Cash	2,669	2,669	-	-
Total Investments by Fair Value Level	$ 3,715,469	$ 3,715,469	$ -	$ -

Other Information on Investments Held by the Pension Trust Fund

Interest Rate Risk – The Plan does not have a formal investment policy that limits the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy does not limit its holdings in obligations of any single entity or to securities with ratings at minimal levels. At December 31, 2022 and 2021, the Plan's investments in bond mutual funds were not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan's investments at December 31, 2022 and 2021 are held by counterparties in other than the Authority's name.

Concentration of Credit Risk – The Plan places no limit on the amount that may be invested in any one economic sector or issuer. At December 31, 2022 and 2021, the Plan's investments in mutual funds constituted 98% and 94%, respectively, of its total investments.

NOTE C CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022 consists of the following:

	Balance January 1, 2022	Additions	Transfers	Disposals	Balance December 31, 2022
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 29,831,239	$ -	$ -	$ -	$ 29,831,239
Construction in Progress	4,307,197	1,031,796	(3,603,811)	-	1,735,182
Aviation Easements	2,555,334	-	-	-	2,555,334
Total Nondepreciable Capital Assets	36,693,770	1,031,796	(3,603,811)	-	34,121,755
DEPRECIABLE CAPITAL ASSETS					
Buildings, Runways, and Improvements	94,176,742	705,357	3,603,811	(1,073,687)	97,412,223
Equipment, Fixtures, and Other	10,173,877	-	-	(49,392)	10,124,485
Master Plan	1,208,379	-	-	-	1,208,379
Total Depreciable Capital Assets	105,558,998	705,357	3,603,811	(1,123,079)	108,745,087
Less Accumulated Depreciation	(48,731,040)	(4,708,145)	-	1,123,079	(52,316,106)
Total Depreciable Capital Assets, Net	56,827,958	(4,002,788)	3,603,811	-	56,428,981
CAPITAL ASSETS, NET	$ 93,521,728	$ (2,970,992)	$ -	$ -	$ 90,550,736

Capital assets activity for the year ended December 31, 2021 consists of the following:

	Balance January 1, 2021	Additions	Transfers	Disposals	Balance December 31, 2021
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 29,359,722	$ 522,376	$ -	$ (50,859)	$ 29,831,239
Construction in Progress	5,680,045	3,128,347	(4,501,195)	-	4,307,197
Aviation Easements	2,555,334	-	-	-	2,555,334
Total Nondepreciable Capital Assets	37,595,101	3,650,723	(4,501,195)	(50,859)	36,693,770
DEPRECIABLE CAPITAL ASSETS					
Buildings, Runways, and Improvements	84,908,804	8,011,775	4,501,195	(3,245,032)	94,176,742
Equipment, Fixtures, and Other	7,895,392	2,359,475	-	(80,990)	10,173,877
Master Plan	1,208,379	-	-	-	1,208,379
Total Depreciable Capital Assets	94,012,575	10,371,250	4,501,195	(3,326,022)	105,558,998
Less Accumulated Depreciation	(47,044,414)	(4,431,292)	-	2,744,666	(48,731,040)
Total Depreciable Capital Assets, Net	46,968,161	5,939,958	4,501,195	(581,356)	56,827,958
CAPITAL ASSETS, NET	$ 84,563,262	$ 9,590,681	$ -	$ (632,215)	$ 93,521,728

NOTE D LINE OF CREDIT

The Authority has entered into a discretionary demand line of credit note agreement with Erie Bank in the amount of $1,000,000. The advances on this line of credit are to be used for working capital and are provided at the sole discretion of Erie Bank. Interest is paid monthly on the outstanding balance at the bank's prime rate subject to a floor of 4% per annum (7.50% at December 31, 2022). There were no outstanding borrowings on this line of credit note at December 31, 2022 and 2021.

The Authority entered into a security agreement with Erie Bank and has pledged all net revenues to Erie Bank. The Bank acknowledged that under current FAA regulations governing passenger facility charge revenues (PFCs), its security interest will attach only to PFCs approved by the FAA with respect to the applicable project. The Authority also granted Erie Bank a security interest in all assets. However, excluded from the security interest are any assets that would cause the Borrower to not comply with, or expose the Authority to sanctions under, a statute or regulation, or would cause the Borrower to not comply with the terms of any grant, FAA approval for PFCs, or other subsidy. The agreement with Erie Bank is supported by a financial covenant, whereby the Authority's net operating revenues plus PFC revenues, is required to equal at least 125% of the required annual payments of principal and interest on long-term debt and interest expense on indebtedness for borrowed money with an original term of one year or less.

NOTE E PENSION PLAN

Plan Description

The Authority contributes to the Erie Regional Airport Authority Employees' Pension Plan (Plan), a single-employer, defined benefit pension plan. The Plan is administered by the Authority's Board of Directors. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Authority's governing body. The Plan does not issue a separate report that includes financial statements and required supplementary information for the Plan. Effective January 1, 2010, the Authority's Board of Directors approved an amendment to limit the Plan to full-time employees, but grandfathered part-time employees already participating in the Plan. Prior to that date, substantially all Authority employees were covered by the Plan. Effective January 1, 2020, eligibility for the Plan was frozen to new participants, while existing Plan participants will continue to accrue service.

Benefits Provided

The Plan provides retirement and death benefits to Plan members and their beneficiaries. Retirement benefits for employees at normal retirement are calculated as 45% of the average monthly compensation reduced proportionately for years of service less than 25 at retirement. For purposes of the retirement benefit, average monthly compensation is defined as the average total compensation excluding bonuses and other extra and overtime pay and excluding employer contributions to a Section 125 Plan for the sixty (60) highest consecutive months of service out of the last one hundred twenty (120) months prior to termination. Death benefits are determined in the same manner as retirement benefits and are payable at the later of the early retirement date of the member or the first calendar month following the death of the member. The early retirement date is age 55 with 10 years of service, and the normal retirement date is the later of age 62 or 5 years of service. A voluntary early retirement incentive program commencing on or before May 15, 2020 allowed any eligible participant to elect to retire under this voluntary early retirement incentive program. To be eligible for this program, a participant must have reached at least age 59 ½ as of the effective date of retirement, be an active employee of the Authority as of March 25, 2020 working on a full-time basis, and not be considered a highly compensated employee.

The employees covered by the Plan at January 1, 2022 and 2021 are:

	2022	2021
Inactive Employees or Beneficiaries Currently Receiving Benefits	9	9
Inactive Employees Entitled to but not yet Receiving Benefits	9	9
Active Employees	20	20
	38	38

Contributions

The authority to establish and amend requirements of Plan members and the Authority is set forth in state law and is vested in the Plan's Board of Directors. Eligible employees are required to participate in the cost of the Plan by providing employee contributions to the Plan equal to 2% of their base pay plus any additional percentage necessary to equal (in the aggregate) 50% of the amount by which the Authority's Minimum Municipal Obligation exceeds $159,714. The Authority contributes the balance required to fund the Plan in accordance with Pennsylvania Act 205 of 1984, as amended by Act 44 of 2009. The actuarially determined contribution was determined using the entry age normal cost method. For the years ended December 31, 2022 and 2021, employees contributed $21,788 and $22,380, respectively, and the Authority contributed $0 and $42,000, respectively, to the Plan.

Net Pension Liability

The Authority's net pension liability was measured as of January 1, 2022 and 2021, for the years ended December 31, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. For the year ended December 31, 2022, update procedures were used to roll forward the total pension liability from January 1, 2021 to the measurement date of January 1, 2022.

The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.31%
Salary Increases	2.5%
Investment Rate of Return	6.4%
Asset Valuation Method	Fair Market Value
Lump Sum Probability	33.33%
Assumed Retirement Age	25% at age 62; 25% at age 63; 25% at age 64; 100% at age 65
Turnover Table	T-9

Mortality rates were based on the Society of Actuaries RP-2014 total dataset mortality adjusted to 2006 for base rates and projected to the valuation date using mortality improvement scale MP-2020 for the January 1, 2021 actuarial valuation.

The actuarial assumptions used in the January 1, 2021 valuation were primarily based on generally used assumptions for larger populations, as experience studies performed for this Plan would not be effective due to the limited number of participants.

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

	2022 and 2021	
	Target Allocation	Long-Term Expected Real Rate of Return
ASSET CLASS		
Mutual Funds - Equity	50 - 70%	7.50%
Fixed Income	30 - 50%	4.70%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.4% for the years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability are:

	2022		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, Beginning of Year	$ 2,965,017	$ 3,453,014	$ (487,997)
Changes for the Year			
Service Cost	67,760	-	67,760
Interest	189,144	-	189,144
Contributions – Employer	-	42,000	(42,000)
Contributions – Employee	-	22,380	(22,380)
Net Investment Income	-	343,127	(343,127)
Benefit Payments	(142,882)	(142,882)	-
Administrative Expense	-	(1,302)	1,302
Net Changes	114,022	263,323	(149,301)
Balance, End of Year	$ 3,079,039	$ 3,716,337	$ (637,298)

	2021		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, Beginning of Year	$ 3,331,554	$ 2,782,685	$ 548,869
Changes for the Year			
Service Cost	81,721	-	81,721
Interest	199,132	-	199,132
Differences Between Expected and Actual Experience	(90,147)	-	(90,147)
Contributions – Employer	-	758,764	(758,764)
Contributions – Employee	-	39,957	(39,957)
Net Investment Income	-	429,836	(429,836)
Benefit Payments	(557,243)	(557,243)	-
Administrative Expense	-	(985)	985
Net Changes	(366,537)	670,329	(1,036,866)
Balance, End of Year	$ 2,965,017	$ 3,453,014	$ (487,997)

The net pension liability (asset) of the Authority has been calculated using a discount rate of 6.4%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease -5.40%	Current Discount Rate (6.4%)	1% Increase -7.40%
Authority's Net Pension Liability	$ (258,281)	$ (637,298)	$ (953,504)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2022 and 2021, the Authority recognized pension expense of $(58,031) and $7,575, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 18,980	$ 50,347
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	279,914
Total	$ 18,980	$ 330,261

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 50,094	$ 70,247
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	241,858
Authority’s Contributions Made Subsequent to the Measurement Date of the Net Pension Liability	42,000	-
Total	$ 92,094	$ 312,105

At December 31, 2022 and 2021, the Authority reported $0 and $42,000, respectively, as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability at December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to the pension will be recognized in pension expense as follows:

2023	$	(62,516)
2024		(139,079)
2025		(84,672)
2026		(25,014)
	$	(311,281)

Pension Plan Fiduciary Net Position

As of January 1, 2022 and 2021, the Plan's fiduciary net position was comprised of the following:

	2022		2021	
Plan Investments	$	3,715,469	$	3,451,735
Accrued Investment Income		868		1,279
Plan Fiduciary Net Position	$	3,716,337	$	3,453,014

The required disclosures on fair value and certain other investment information pertaining to the investments held by the Plan are included in Note B.

Investment Rate of Return – The annual money-weighted rate of return on pension plan investments, net of expenses, which expresses net investment performance adjusted for changing amounts actually invested each month was 10.05% and 14.81% for the measurement periods ended January 1, 2022 and 2021, respectively.

NOTE F DEFERRED COMPENSATION PLANS

The Authority offers its employees a deferred compensation plan adopted in accordance with Internal Revenue Code Section 457. This defined contribution plan is administered by a third-party provider. The plan permits employee contributions only. All full-time employees are eligible to participate, and contributions are always 100% vested. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Plan Sponsor, the Erie Regional Airport Authority. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen financial emergency. The assets of the plan are held in trust for the exclusive benefit of the individual participants and beneficiaries and, therefore, the assets and liabilities are not included in the Authority's financial statements.

The details on the deferred compensation plan are as follows:

Name of Plan	Erie Regional Airport Authority 457(b) Deferred Compensation Plan
Plan Administrator	Erie Regional Airport Authority
Employee Contributions	$30,165 and $30,807 for the years ended December 31, 2022 and 2021, respectively

The Authority also offers certain employees a defined contribution retirement plan adopted in accordance with Internal Revenue Code Section 401. This plan is administered by a third-party provider. Full-time employees hired on or after January 1, 2020 and employees not accruing benefits under the Erie Regional Airport Authority Employee's Retirement Plan are eligible to participate. The plan provides employer matching contributions of 50 percent of employees' salary deferral amount on the first 6 percent of employees' compensation. Vesting in the employer matching contributions plus earnings thereon are based on years of continuous service. A participant is fully vested after seven years of continuous service. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Plan Sponsor, the Erie Regional Airport Authority. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen financial emergency. The assets of the plan are held in trust for the exclusive benefit of the individual participants and beneficiaries and, therefore, the assets and liabilities are not included in the Authority's financial statements.

The details on the deferred compensation plan are as follows:

Name of Plan	Erie Regional Airport Authority 401(a) Matching Retirement Plan
Plan Administrator	Erie Regional Airport Authority
Employer Contributions	$2,689 and $2,402 for the years ended December 31, 2022 and 2021, respectively

NOTE G LEASING AGREEMENTS WITH AUTHORITY AS LESSOR

Leases Accounted for Under GASB 87

The Authority leases facilities (except for regulated leases as described below) to car rental companies, concessionaires, and other airport users. The Authority elected the practical expedient to account for multiple components in a lease contract as a single lease unit. The Authority's leases generally contain options to extend or terminate the lease. We evaluate historical experience and consider the economic and strategic incentives of exercising the renewal options at the lease commencement. Renewal option periods are included within the lease term and associated payments are included in the measurement of the lease receivable when the options to extend are reasonably certain at lease commencement. The leases often include provisions for rent changes based on the consumer price index or other market indexes, resulting in additional variable lease revenues that are not included in the measurement of the lease receivables. These variable payments based on index are considered to be (fixed in substance) and are included in the calculation of the lease receivable. Variable payments not included in the measurement of the lease receivable are based on a percentage of the lessee's revenue above the minimum annual guarantee and are not included in the calculation of the lease receivable. As lessor, the asset underlying the lease is not derecognized. The lease agreements do not include any material residual value guarantees, and there were no termination penalties recognized for the years ended December 31, 2022 and 2021.

Lease arrangements with an initial term in excess of one year are accounted for as leases receivable and extend through August 31, 2027. Inflows of resources earned from leases with an initial term in excess of one year included lease revenue of $550,031 and $195,653 for the years ended December 31, 2022 and 2021, respectively, and interest income of $41,414 and $18,411 for the years ended December 31, 2022 and 2021, respectively. Lease revenue from variable payments not previously included in the measurement of the lease receivable was $18,537 and $294,655 for the years ended December 31, 2022 and 2021, respectively. Short-term leases with an initial term of 12 months (or less), including any options to extend, regardless of their probability of being exercised are not recognized in leases receivable on the statements of net position.

Due to the decline in passenger traffic resulting from the COVID-19 pandemic, concession sales were significantly reduced. In response to this, the Board of Directors temporarily authorized revised payment terms to suspend minimum annual guarantees (MAGs) through December 31, 2021, and require rental car agencies to pay rent only in the amount of the percentage of gross sales defined in each agreement. Due to the variable nature of the above revenues, expected future minimum payments during 2021 were indeterminable and, accordingly, the 2021 payments were not recognized in the measurement of the lease receivable and deferred inflow of resources under GASB Statement No. 87 during the year ended December 31, 2021. Lease revenue from rental car agencies during 2021 was recognized as variable payments not included in the measurement of the lease receivable during the year ended December 31, 2021.

Minimum lease payments expected to be received in future years (except for regulated leases as described below) for leases with an initial or remaining term in excess of one year at December 31, 2022 are as follows:

Year Ending December 31,	Lease Revenue	Interest Revenue	Total
2023	$ 549,680	$ 27,815	$ 577,495
2024	478,303	13,757	492,060
2025	246,507	2,096	248,603
2026	3,394	103	3,497
2027	2,342	22	2,364
Future Minimum Lease Payments	$ 1,280,226	$ 43,793	$ 1,324,019

Substantially all the assets classified under capital assets are held by the Authority for the purpose of rental and related use.

Regulated Leases

The Authority leases facilities to commercial airlines, fixed base operators who service the airline industry, the Federal Aviation Administration, and other aeronautical users that are considered regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation (DOT) and the Federal Aviation Administration regulate aviation leases between airport and air carriers and other aeronautical users through various policies and guidance, including the FAA's Rates and Charges Policy and Federal Grant Assurances. In accordance with GASB Statement No. 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases.

Inflows of resources earned from regulated leases included lease revenue of $1,167,819 and $1,601,846 for the years ended December 31, 2022 and 2021, respectively. Lease revenue from variable payments not included in the schedule of future minimum payments was $114,702 and $66,819 for the years ended December 31, 2022 and 2021, respectively.

Future expected minimum payments related to the Authority's regulated leases as of December 31, 2022 are as follows:

2023	$ 1,121,295
2024	234,725
2025	223,755
2026	203,830
2027	203,830
2028 - 2032	977,292
2033 - 2037	413,423
2038 - 2042	413,423
2043 - 2047	413,423
2048 - 2052	105,684
2053 - 2057	2,188
Future Minimum Lease Payments	$ 4,312,868

Under the agreements with the airlines, they may have preferential or exclusive use of certain space and facilities of the terminal building and gates as summarized below:

Terminal	Total Terminal Area (sq. ft.)	Non-Exclusively Used Terminal Area (sq. ft.)	Exclusively Used Terminal Area (sq. ft.)	Airlines Using the Terminal Area Exclusively
T1	4,062	-	4,062	American Airlines
T1	1,337	-	1,337	United Airlines
T1	17,309	17,309	-	Common Use Air Carrier Space
Total	22,708	17,309	5,399	
	Total no. of Gates	**Common Use Gates**	**Preferential Use Gates**	**Airlines Using the Gates Preferentially**
T1	7	7	-	Various Airlines
Total	7	7	-	

According to the lease agreements, the above airlines are entitled to use the gates on a preferential basis in accordance with the scheduling protocols. The Authority has the right to schedule aircraft operations of other airlines on the preferential-use gates if such scheduling will not interfere with the above airlines' operation.

NOTE H RESTRICTED CASH

The Authority is required to restrict cash for various purposes in accordance with the terms of contractual and grant agreements. A summary of the restricted cash as of December 31, 2022 and 2021is as follows:

	2022	2021
Customer Facility Charges	$ 165	$ 454,505
Passenger Facility Charges	820,396	560,512
Total	$ 820,561	$ 1,015,017

NOTE I RISK MANAGEMENT

Risk management is the responsibility of the Authority. Operationally, the Authority 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 with various different levels of deductibles. Settlement amounts have not exceeded insurance coverage for the years ended December 31, 2022 and 2021.

The Authority carries property insurance on all airport property and buildings. In addition, the Authority carries general airport owner and operator liability insurance of $50,000,000. Authority employees who handle money are covered by a Blanket Employees Bond. 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. For insured programs, there have been no significant reductions in insurance coverage during 2022 and 2021.

The Authority participates in a public entity risk pool with the Pennsylvania Municipal Authorities Association (PMAA) for unemployment compensation. In exchange for a quarterly premium, the PMAA indemnifies the Authority against unemployment compensation benefits payable to the extent of available PMAA assets. The Authority has no liability for unemployment compensation in excess of premium obligations, but rather is subjected to modified premiums in the future based upon their experience.

NOTE J MAJOR CUSTOMERS / FUNDING CONCENTRATION

For the year ended December 31, 2022, approximately 43% of the operating revenues were from two commercial airlines, and 12% of operating revenues was from the parking concessionaire. For the year ended December 31, 2021, approximately 57% of the operating revenues were from two commercial airlines.

The Authority also regularly relies on grants received through the Airport Improvement Program of the Federal Aviation Administration (FAA) and the Commonwealth of Pennsylvania to provide a significant portion of the funding for its capital improvement expenditures. The outbreak and rapid spread of a novel strain of coronavirus (COVID-19) had resulted in a prolonged period of travel, commercial and other similar restrictions, which reduced demand for air travel and negatively impacted the Authority's operations. For the years ended December 31, 2022 and 2021, the FAA also provided funding to reimburse a significant portion of the Authority's operating expenditures as a result of the COVID-19 pandemic.

NOTE K COMMITMENTS AND CONTINGENCIES

The Authority is involved in various legal matters in the normal course of business. Considering available information, management does not believe that any matters will have a material impact on the financial statements. Events could occur that could change materially in the near term.

The Authority is a defendant in a claim asserting breach of contract and specific performance concerning a sales agreement entered into for real estate owned by the Authority. While a loss in this matter is possible, management does not believe it to be probable and the amount of any obligation is undetermined at this time. The Authority also carries insurance policy coverage that management understands would cover the potential obligation on this claim.

The Authority operates an airport. The Authority's operations are concentrated in the aeronautical industry. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to, the Federal Aviation Administration (FAA) and the PennDOT Bureau of Aviation. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change which could impact the Authority materially in the near term.

NOTE L CHANGE IN ACCOUNTING PRINCIPLE

In 2022, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The adoption of GASB 87 resulted in the recognition of leases receivable and deferred inflows of resources - leases on the statements of net position. The provisions for this statement were applied retrospectively to all periods presented. Accordingly, the 2021 financial statements have been restated as summarized below:

	2021 As Previously Reported	Restatement Related to Adoption of GASB 87	2021 As Restated
Statement of Net Postion			
Leases Receivable, Current	$ -	$ 191,422	$ 191,422
Lease Interest Receivable	-	1,334	1,334
Leases Receivable, Long-Term	-	384,466	384,466
Deferred Inflows of Resources - Leases	-	566,489	566,489
Unrestricted Net Postion	4,098,417	10,733	4,109,150
Net Position	104,946,400	10,733	104,957,133
Statement of Revenues, Expenses and Changes in Net Position			
Rental Car	390,021	(3,828)	386,193
Government Agency Rent	390,540	(3,720)	386,820
Other Non-Aeronautical Revenue	79,185	(130)	79,055
Interest Income	3,133	18,411	21,544
Change in Net Position	10,782,664	10,733	10,793,397

NOTE M FUTURE CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides a new framework for accounting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Users will recognize a right-to-use subscription asset and a corresponding subscription liability. The liability will be measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate charged by the vendor, and the user will recognize amortization of the discounts on the subscription liability as an outflow of resources. An exception to the general model is provided for short-term arrangements that cannot last more than 12 months. Contracts that contain both a subscription component and a nonsubscription component will need to be separated so each component is accounted for accordingly. GASB 96 is effective for financial statements for fiscal years beginning after June 15, 2022. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each arrangement was begun. The Authority is in the process of evaluating the impact the standard will have on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Authority is in the process of evaluating the impact the standard will have on the financial statements.

NOTE N SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 21, 2023, which is the date the financial statements were available to be issued.

FAA Approval of PFC Application #9

On January 11, 2023, the Authority received approval from the FAA to impose and use a PFC of $4.50 per enplaned passenger for PFC application 23-09-C-00-ERA. The PFC collections on this application are estimated to begin on February 1, 2025, and are expected to expire the earlier of May 1, 2031, or when the Authority has collected the full application amount of $1,779,365.

United Airlines, Inc. to Suspend Operations at the Authority

In March 2023, United Airlines announced they would be suspending service from the Erie Regional Airport Authority. The termination of the Air Transport Operator's Use and Lease Agreement with United Airlines, Inc. is expected to become effective June 2, 2023. United Airlines, Inc. accounted for 19% of the operating revenues at the Airport during the year ended December 31, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

ERIE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	$ 67,760	$ 81,721	$ 88,526	$ 76,583	$ 88,105	$ 83,424	$ 94,140	$ 91,398
Interest	189,144	199,132	204,323	185,726	182,092	190,535	180,151	170,322
Differences Between Expected and Actual Experience	-	(90,147)	-	143,436	-	(164,945)	-	(18,317)
Changes of Assumptions	-	-	-	-	-	(26,856)	-	-
Benefit Payments	(142,882)	(557,243)	(142,494)	(108,947)	(311,747)	(108,854)	(92,424)	(92,754)
Net Change in Total Pension Liability	114,022	(366,537)	150,355	296,798	(41,550)	(26,696)	181,867	150,649
Total Pension Liability – Beginning	2,965,017	3,331,554	3,181,199	2,884,401	2,925,951	2,952,647	2,770,780	2,620,131
Total Pension Liability – Ending (a)	3,079,039	2,965,017	3,331,554	3,181,199	2,884,401	2,925,951	2,952,647	2,770,780
Plan Fiduciary Net Position								
Contributions – Employer	42,000	758,764	162,000	153,000	138,000	132,000	126,000	126,000
Contributions – Employee	22,380	39,957	27,867	28,002	26,149	29,575	27,847	24,946
Net Investment Income	343,127	429,836	377,363	(131,118)	268,633	132,756	(46,925)	80,696
Benefit Payments	(142,882)	(557,243)	(142,494)	(108,947)	(311,747)	(108,854)	(92,424)	(92,754)
Administrative Expense	(1,302)	(985)	(964)	(908)	(887)	(866)	(845)	(817)
Net Change in Plan Fiduciary Net Position	263,323	670,329	423,772	(59,971)	120,148	184,611	13,653	138,071
Plan Fiduciary Net Position – Beginning	3,453,014	2,782,685	2,358,913	2,418,884	2,298,736	2,114,125	2,100,472	1,962,401
Plan Fiduciary Net Position – Ending (b)	3,716,337	3,453,014	2,782,685	2,358,913	2,418,884	2,298,736	2,114,125	2,100,472
Net Pension Liability – Ending (a)-(b)	$ (637,298)	$ (487,997)	$ 548,869	$ 822,286	$ 465,517	$ 627,215	$ 838,522	$ 670,308
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.70%	116.46%	83.53%	74.15%	83.86%	78.56%	71.60%	75.81%
Covered-Employee Payroll	$ 1,118,974	$ 1,291,843	$ 1,393,370	$ 1,400,121	$ 1,308,053	$ 1,375,801	$ 1,389,250	$ 1,667,540
Net Pension Liability as a Percentage of Covered-Employee Payroll	-56.95%	-37.78%	39.39%	58.73%	35.59%	45.59%	60.36%	40.20%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority has presented information for only those years for which information is available. Information presented in this schedule has been determined as of the measurement date (January 1) of the net pension liability in accordance with GASB Statement No. 68.

Actuarial Assumption Changes Included in the Schedule Above

2022 – For the year ended December 31, 2022, there were no changes in assumptions from the previous year.

2021 – For the year ended December 31, 2021, there was a change in assumption for the mortality improvement scale. The mortality improvement scale changed from the RP-2014 total dataset morality table adjusted to 2006 for base rates and projected to the valuation date using mortality improvements scale MP-2018 in 2020 to the RP-2014 total dataset morality table adjusted to 2006 for base rates and projected to the valuation date using mortality improvements scale MP-2020 in 2021. The projected inflation rate changed from 2.0% in 2020 to 2.31% in 2021.

2020 – For the year ended December 31, 2020, there were no changes in assumptions from the previous year.

2019 – For the year ended December 31, 2019, there was a change in assumption for the mortality improvement scale. The mortality improvement scale changed from the RP-2014 total dataset morality table adjusted to 2006 for base rates and projected to the valuation date using mortality improvements scale MP-2016 in 2018 to the RP-2014 total dataset morality table adjusted to 2006 for base rates and projected to the valuation date using mortality improvements scale MP-2018 in 2019.

2018 – For the year ended December 31, 2018, there were no changes in assumptions from the previous year.

2017 – For the year ended December 31, 2017, there were changes in assumptions for the mortality table and projected salary increase. The mortality table changed from the RP-2014 mortality table with MMP-2007 improvements in 2016 to the Society of Actuaries RP-2014 total dataset mortality adjusted to 2006 for base rates and projected to the valuation date using mortality improvement scale MP-2016 in 2017. The projected salary increase changed from 3% in 2016 to 2.5% in 2017.

2016 – For the year ended December 31, 2016, there were no changes in assumptions from the previous year.

ERIE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ -	$ 41,095	$ 167,855	$ 159,714	$ 152,409	$ 131,580	$ 128,703	$ 122,892
Contributions in Relation to the Actuarially Determined Contribution	-	42,000	758,764	162,000	153,000	138,000	132,000	126,000
Contribution Deficiency (Excess)	$ -	$ (905)	$ (590,909)	$ (2,286)	$ (591)	$ (6,420)	$ (3,297)	$ (3,108)
Covered-Employee Payroll	$ 1,086,846	$ 1,118,974	$ 1,291,843	$ 1,393,370	$ 1,400,121	$ 1,308,053	$ 1,375,801	$ 1,389,250
Contributions as a Percentage of Covered-Employee Payroll	0.00%	3.75%	58.74%	11.63%	10.93%	10.55%	9.59%	9.07%

Notes to Schedule of Authority Pension Contributions:

Valuation date: Actuarially determined contribution rates are calculated in a valuation report prepared by the actuary every two years as required by Pennsylvania Act 205. The most recent valuation date prior to the end of the fiscal year in which contributions are reported was January 1, 2021.

Methods and assumptions used to determine contribution rates in the most recent actuarial valuation:

Actuarial cost method: Individual entry age normal

Amortization method: Pennsylvania Act 205

Remaining amortization period: Not applicable because the Plan was fully funded for January 1, 2021 valuation, 7 years for January 1, 2019 valuation, 8 years for January 1, 2017 valuation, 7 years for January 1, 2015 valuation

Asset valuation method: Smoothing technique described in Pennsylvania Act 44 of 2009

Inflation: 2.31%

Salary increases: 2.5%

Investment rate of return: 6.4%

Retirement age: 25% at age 62; 25% at age 63; 25% at age 64; 100% at age 65

Mortality: Society of Actuaries RP-2014 total dataset mortality adjusted to 2006 for base rates and projected to the valuation date using the mortality improvement scale MP-2020

Turnover table: Crocker Sarason T-9 table

Lump sum election rate: 33.33%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority has presented information for only those years for which information is available under the provisions of GASB Statement No. 68.

Funding assumptions used are determined based on Pennsylvania Act 205 guidance and client circumstances. Several of these assumptions are different from the GASB No. 68 assumptions used to measure the net pension liability, which are disclosed in Note E to the financial statements.