



Erie Regional Airport Authority

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2021 AND 2020

ERIE REGIONAL AIRPORT AUTHORITY
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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, 2021 and 2020, 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, 2021 and 2020, 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.

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, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

ERIE REGIONAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020. 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, 2021, 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 and Washington D.C. Delta Airlines (operated by SkyWest) pulled service in July 2020 that was being offered to Detroit. These three airlines offered a combined average of seven daily departures until July 2020 when average daily departures decreased to 4 per day. 2021 annual enplanements increased by 54.46% from the 2020 level, primarily attributed to the recovery of the airline industry from the COVID-19 pandemic and resulting travel restrictions.

Airline Enplanement Data

2021 – 66,965
2020 – 43,354
2019 – 106,765
2018 – 95,136
2017 – 85,580

Airline Market Share

American Airlines led all airlines in 2021 Erie market share with 53.9% of the local market and United Airlines finished second with 46.1%.

	<u>American</u>	<u>Delta</u>	<u>United</u>	<u>Other</u>
2021	54%	0%	46%	0%
2020	53%	20%	27%	0%
2019	34%	40%	26%	0%
2018	27%	43%	30%	0%
2017	21%	48%	31%	0%

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Flight Operations

Total airport operations (takeoffs plus landings) in 2021 increased by 76.2% from 2020 levels. All 2021 operations categories were up from 2020.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Air Carrier (Mainline Jets)	1,071	445	18	3	16
General Aviation/Civil	20,699	10,564	20,375	17,951	17,199
Airline	4,359	3,804	6,577	6,095	6,241
Military	<u>872</u>	<u>508</u>	<u>260</u>	<u>373</u>	<u>520</u>
Total	<u>27,001</u>	<u>15,321</u>	<u>27,230</u>	<u>24,422</u>	<u>23,976</u>

Current and Future Capital Projects

Beginning in 2022, the Authority has the following projects planned:

- Completion of the Customs and Border Protection building
- Reconstruction of Taxiway Alpha
- General aviation apron rehab

Financial Highlights

The Authority's net position increased \$10,782,664 and \$6,254,674 in 2021 and 2020, respectively. The increase in 2021 was primarily due to an increase in capital contributions recognized by the Authority.

Total capital contributions were \$12,345,527 and \$6,311,255 in 2021 and 2020, respectively. Some of the major capital projects undertaken during 2021 included: Apron rehab and expansion \$5,625,720, maintenance equipment \$2,326,445, snow removal equipment building construction \$1,695,203, a new passenger boarding bridge \$1,781,776, Customs and Border Protection building upgrades \$804,689, landside improvements \$517,230, and terminal building door replacement \$425,213.

The Authority's income from operations before depreciation in 2021 equaled \$19,143 compared to loss from operations before depreciation of \$221,474 in 2020. Operating revenues decreased \$207,758 amounting to \$2,995,365 in 2021 compared to \$3,203,123 in 2020. Total operating expenses, excluding depreciation, decreased \$448,375, from \$3,424,597 in 2020 to \$2,976,222 in 2021, primarily due to a decrease in salaries, wages, and benefits expenses across all departments. The increase in income from operations before depreciation was due to an increase in enplaned passengers and reduction in Authority operating expenses.

Depreciation expense increased \$224,155, from \$4,207,137 in 2020 to \$4,431,292 in 2021.

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 represent the fiduciary activities of the Authority.

**ERIE REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 2021, 2020, and 2019.

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 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 flow from operating activities is also presented.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, 2021, 2020 and 2019 is shown below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unrestricted Current Assets	\$ 4,262,437	\$ 8,433,902	\$ 5,206,063
Restricted Use Assets	9,670,553	1,641,705	2,000,573
Capital Assets	93,521,728	84,563,262	81,619,410
Non-Current Assets	487,997	-	-
Deferred Outflows of Resources – Pensions	<u>92,094</u>	<u>839,972</u>	<u>466,566</u>
 Total Assets and Deferred Outflows of Resources	 <u>108,034,809</u>	 <u>95,478,841</u>	 <u>89,292,612</u>
 Current Liabilities	 432,006	 185,433	 200,584
Current Liabilities for Restricted Assets	2,344,298	523,261	327,831
Non-Current Liabilities	-	548,869	822,286
Deferred Inflows of Resources – Pensions	<u>312,105</u>	<u>57,542</u>	<u>32,849</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>3,088,409</u>	 <u>1,315,105</u>	 <u>1,383,550</u>
 Net Position:			
Net Investment in Capital Assets	93,521,728	84,563,262	81,619,410
Restricted – Capital and PFC Projects	7,326,255	1,118,444	1,672,742
Unrestricted	<u>4,098,417</u>	<u>8,482,030</u>	<u>4,616,910</u>
 Total Net Position	 <u>\$ 104,946,400</u>	 <u>\$ 94,163,736</u>	 <u>\$ 87,909,062</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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.

2020 Results

The largest portion of the Authority's 2020 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 \$530,101 from 2019. In addition, the operating grants receivable increased \$1,490,206 attributed to CARES Act funding received in 2020.

The largest portion of the Authority's 2020 liabilities was due to the net pension liability and accounts payable for capital projects. Based on the timing of projects at year end, the capital grants payable balance increased \$195,430 from 2019. The net pension liability decreased by \$273,417 from 2019, which was mostly attributable to positive performance from the investment portfolio during 2020.

Summary of Changes in Net Position

Summary Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2021, 2020 and 2019 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Operating	\$ 2,955,365	\$ 3,203,123	\$ 4,336,364
Capital Contributions	12,355,527	6,311,255	1,534,655
Nonoperating	<u>3,467,002</u>	<u>4,541,704</u>	<u>746,707</u>
Total Revenues	<u>18,817,894</u>	<u>14,056,082</u>	<u>6,617,726</u>
Expenses:			
Operating	2,976,222	3,424,597	3,594,015
Depreciation	4,431,292	4,207,137	4,192,191
Loss on Disposition of Capital Assets	600,116	167,172	141,567
Sale Proceeds Returned to Funding Agency	27,600	-	-
Interest	<u>-</u>	<u>2,502</u>	<u>7,277</u>
Total Expenses	<u>8,035,230</u>	<u>7,801,408</u>	<u>7,935,050</u>
Increase (Decrease) in Net Position	<u>\$ 10,782,664</u>	<u>\$ 6,254,674</u>	<u>\$(1,317,324)</u>

**ERIE REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Discussion of 2021 Results

Income from operations before depreciation was \$19,143 in 2021, compared to loss of \$221,474 in 2020. Increase in net position before capital contributions excluding depreciation was \$2,858,429 in 2021 compared to \$4,150,556 in 2020.

The operating revenues of the Authority in 2021 were \$2,995,365, compared to \$3,203,123 in 2020, a decrease of \$207,758. The decrease was primarily due to issuing two credits for terminal rent from 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.

Discussion of 2020 Results

Loss from operations before depreciation was \$221,474 in 2020, compared to income of \$742,349 in 2019. Increase in net position before capital contributions excluding depreciation was \$4,150,556 in 2020 compared to \$1,340,212 in 2019.

The operating revenues of the Authority in 2020 were \$3,203,123, compared to \$4,336,364 in 2019, a decrease of \$1,133,241. The decrease was primarily due to a decrease in passengers. Landing fees, security reimbursements, parking revenue, and rental car revenues all decreased.

The operating expenses of the Authority, excluding depreciation, were \$3,424,597 in 2020, compared to \$3,594,015 in 2019, a decrease of \$169,418. Personnel costs, utilities, and repairs expenses all decreased while general, administrative, and other expenses increased.

Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents for 2021, 2020 and 2019. Cash equivalents are defined as cash-on-hand, bank deposits and highly liquid investments with maturity of three months or less.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash Flows Provided by (Used in):			
Operating Activities	\$ 311,509	\$ (1,054,297)	\$ 456,607
Non-Capital Financing Activity	2,354,477	2,655,420	761
Capital and Related Financing Activities	(6,871,617)	(921,149)	(965,010)
Investing Activities	<u>3,133</u>	<u>10,432</u>	<u>25,230</u>
Increase (Decrease) in Cash and Cash Equivalents	(4,202,498)	690,406	(482,412)
Cash, Beginning of Year	<u>6,940,921</u>	<u>6,250,515</u>	<u>6,732,927</u>
Cash, End of Year	<u>\$ 2,738,423</u>	<u>\$ 6,940,921</u>	<u>\$6,250,515</u>

**ERIE REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 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.

During 2020, the Authority acquired property and equipment totaling \$7,368,414. The major additions included snow removal equipment building construction, terminal building roof replacement, security upgrades, jet bridge renovations, rental car canopy, landside paving and renovations, and a trackless lawn mower.

Long-Term Debt Summary

In April 2020, the Authority entered into a loan agreement with Erie Bank for the rental car canopy project with a total available draw amount of \$1,800,000. The loan was not fully drawn by the Authority and all loan proceeds obtained were repaid prior to the end of 2020.

Impact of COVID-19

Enplanements in 2021 increased by 23,611 (43,354 in 2020 compared to 66,965 in 2021), which resulted in an increase of 54.5%. Recovery is primarily attributed to pent-up demand in the leisure market, coupled with the Authority's ability to ensure its capacity meets demand. To determine each airport's level of recovery, analysts in the airline industry have been comparing 2021 numbers to pre-Covid 2019 levels. American Airlines and United Airlines accounted for 64,384 passengers in 2019 versus 66,965 passengers in 2021, an increase of 2,581 passengers. As a result of the increase in traffic, ERI management were able to renegotiate the parking revenue MAG beginning in October 2021, as well as reinstate the minimum annual guarantee (MAG) for the rental car companies beginning in January 2022. The Authority also reduced operating expenses by \$448,375 (\$2,976,222 in 2021 compared to \$3,424,597 in 2020). As a result, the Authority's net income from operations before depreciation was \$19,143, an increase of \$240,617 from 2020. The Authority's net position has maintained a strong current ratio with liquid assets attributed to the reimbursements received and receivable from the FAA for operating and maintenance expenses under the CARES, CRRSAA, and ARPA grants. Enplanements for the first two months of 2022 are 76.4% higher than the same period in 2021.

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted Assets		
Cash	\$ 1,723,406	\$ 6,393,254
Accounts Receivable - Trade	308,791	377,729
Operating Grants Receivable	2,096,407	1,490,206
Prepaid Expenses	133,833	172,713
	<u>4,262,437</u>	<u>8,433,902</u>
Total Unrestricted Current Assets		
Restricted Assets		
Cash	1,015,017	547,667
Capital Grants Receivable	8,613,414	1,072,393
Passenger Facility Charge Receivable	42,122	21,645
	<u>9,670,553</u>	<u>1,641,705</u>
Total Restricted Current Assets		
Total Current Assets		
	13,932,990	10,075,607
CAPITAL ASSETS		
Nondepreciable Capital Assets	36,693,770	37,595,101
Depreciable Capital Assets, Net	56,827,958	46,968,161
	<u>93,521,728</u>	<u>84,563,262</u>
Total Capital Assets		
NET PENSION ASSET		
	487,997	-
	<u>487,997</u>	<u>-</u>
Total Assets		
	107,942,715	94,638,869
DEFERRED OUTFLOWS OF RESOURCES - PENSION		
	92,094	839,972
	<u>92,094</u>	<u>839,972</u>
Total Assets and Deferred Outflows of Resources		
	<u>\$ 108,034,809</u>	<u>\$ 95,478,841</u>

	<u>2021</u>	<u>2020</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts Payable	\$ 298,461	\$ 68,390
Accrued Liabilities	97,607	85,556
Customer Deposits	35,938	31,487
Total Unrestricted Current Liabilities	432,006	185,433
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts Payable - Capital Related	2,344,298	523,261
Total Current Liabilities Payable from Restricted Assets	2,344,298	523,261
Total Current Liabilities	2,776,304	708,694
NET PENSION LIABILITY	-	548,869
Total Liabilities	2,776,304	1,257,563
DEFERRED INFLOWS OF RESOURCES - PENSION	312,105	57,542
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,088,409</u>	<u>\$ 1,315,105</u>
NET POSITION		
Net Investment in Capital Assets	\$ 93,521,728	\$ 84,563,262
Restricted for Capital and Passenger Facility Charge Projects	7,326,255	1,118,444
Unrestricted	4,098,417	8,482,030
Total Net Position	<u>\$ 104,946,400</u>	<u>\$ 94,163,736</u>

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Terminal Rent	\$ 1,071,072	\$ 1,205,319
Landing Fees	324,751	342,326
Fuel Flowage Fees	66,819	72,667
Security Reimbursement	354,114	400,229
Other Aeronautical Revenue	103,456	99,095
Parking	166,103	167,294
Rental Car	390,021	340,048
Concessions	49,304	41,554
Government Agency Rent	390,540	441,459
Other Non-Aeronautical Revenue	79,185	93,132
Total Operating Revenues	<u>2,995,365</u>	<u>3,203,123</u>
OPERATING EXPENSES		
Salaries, Wages, and Benefits	1,660,289	1,890,570
Insurance	382,606	389,595
Utilities	178,058	228,651
Equipment and Supplies	147,110	189,655
Professional Services	257,181	257,959
Building Repairs	35,529	84,816
Equipment Repairs	45,730	43,073
General, Administrative, and Other	269,719	340,278
Total Operating Expenses Before Depreciation	<u>2,976,222</u>	<u>3,424,597</u>
Income (Loss) from Operations Before Depreciation	19,143	(221,474)
DEPRECIATION EXPENSE		
	<u>4,431,292</u>	<u>4,207,137</u>
Operating Income (Loss)	(4,412,149)	(4,428,611)
NONOPERATING REVENUES (EXPENSES)		
Passenger Facility Charges	287,956	201,233
Customer Facility Charges	215,235	184,413
Operating Grants Received	2,960,678	4,145,626
Loss on Disposition of Capital Assets	(600,116)	(167,172)
Sale Proceeds Returned to Funding Agency	(27,600)	-
Interest Income	3,133	10,432
Interest Expense	-	(2,502)
Total Nonoperating Revenues (Expenses)	<u>2,839,286</u>	<u>4,372,030</u>
Increase (Decrease) in Net Position Before Capital Contributions	(1,572,863)	(56,581)
CAPITAL CONTRIBUTIONS		
Federal and State Grants	12,345,527	6,091,055
Other	10,000	220,200
Total Capital Contributions	<u>12,355,527</u>	<u>6,311,255</u>
Change in Net Position	10,782,664	6,254,674
NET POSITION, BEGINNING OF YEAR	<u>94,163,736</u>	<u>87,909,062</u>
NET POSITION, END OF YEAR	<u>\$ 104,946,400</u>	<u>\$ 94,163,736</u>

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	\$ 3,064,303	\$ 3,162,607
Cash Payments to Suppliers of Goods or Services	(872,612)	(1,483,809)
Cash Payments for Employee Compensation and Benefits	(1,880,182)	(2,733,095)
Net Cash Provided by (Used in) Operating Activities	311,509	(1,054,297)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Receipts from Operating Grants	2,354,477	2,655,420
Net Cash Provided by (Used in) Noncapital Financing Activities	2,354,477	2,655,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(12,200,936)	(7,172,984)
Proceeds from Disposition of Capital Assets	32,100	50,253
Proceeds from Issuance of Long-Term Debt	-	794,263
Principal Paid on Long-Term Debt	-	(794,263)
Interest Paid on Long-Term Debt	-	(2,502)
Capital Grant Receipts	4,804,505	5,560,954
Capital Donations from Others	10,000	220,200
Passenger Facility Charges	267,479	238,517
Customer Facility Charges	215,235	184,413
Net Cash Provided by (Used in) Capital and Related Financing Activities	(6,871,617)	(921,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	3,133	10,432
Net Cash Provided by (Used in) Investing Activities	3,133	10,432
INCREASE (DECREASE) IN CASH	(4,202,498)	690,406
CASH, BEGINNING OF YEAR	6,940,921	6,250,515
CASH, END OF YEAR	\$ 2,738,423	\$ 6,940,921
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION		
Cash	\$ 1,723,406	\$ 6,393,254
Restricted Cash	1,015,017	547,667
Total Cash	\$ 2,738,423	\$ 6,940,921

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (4,412,149)	\$ (4,428,611)
Depreciation of Capital Assets	4,431,292	4,207,137
Changes in Operating Assets and Liabilities		
Accounts Receivable	68,938	(36,516)
Prepaid Expenses	38,880	(159,026)
Net Pension Asset	(487,997)	-
Deferred Outflows of Resources	747,878	(373,406)
Accounts Payable	202,471	3,758
Accrued Liabilities	12,051	(13,175)
Customer Deposits	4,451	(1,734)
Deferred Revenue	-	(4,000)
Net Pension Liability	(548,869)	(273,417)
Deferred Inflows of Resources	254,563	24,693
Net Cash Provided by (Used in) Operating Activities	<u>\$ 311,509</u>	<u>\$ (1,054,297)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital Asset Acquisitions Included in Accounts Payable	\$ 2,344,298	\$ 523,261

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
	Pension	Pension
	Trust Fund	Trust Fund
ASSETS	<u> </u>	<u> </u>
Investments, at Fair Value	\$ 3,715,469	\$ 3,451,735
Accrued Investment Income	868	1,340
	<u> </u>	<u> </u>
Total Assets	3,716,337	3,453,075
LIABILITIES		
Accounts Payable	<u>2,382</u>	<u>2,272</u>
Total Liabilities	<u>2,382</u>	<u>2,272</u>
NET POSITION		
Net Position Restricted for Pensions	<u>3,713,955</u>	<u>3,450,803</u>
Total Net Position	<u><u>\$ 3,713,955</u></u>	<u><u>\$ 3,450,803</u></u>

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	Pension	Pension
	Trust Fund	Trust Fund
ADDITIONS		
Contributions		
Plan Members	\$ 22,380	\$ 39,957
Employer	42,000	758,764
	<hr/>	<hr/>
Total Contributions	64,380	798,721
Investment Earnings		
Net Appreciation (Depreciation) in Fair Value of Investments	146,511	347,232
Interest and Dividends	224,668	102,822
	<hr/>	<hr/>
Net Investment Earnings	371,179	450,054
	<hr/>	<hr/>
Total Additions	435,559	1,248,775
DEDUCTIONS		
Benefits Paid	144,245	558,167
Administrative Expenses	28,162	22,780
	<hr/>	<hr/>
Total Deductions	172,407	580,947
	<hr/>	<hr/>
Change in Net Position	263,152	667,828
NET POSITION, BEGINNING	<hr/> 3,450,803	<hr/> 2,782,975
NET POSITION, ENDING	<hr/> \$ 3,713,955	<hr/> \$ 3,450,803

See notes to financial statements.

ERIE REGIONAL AIRPORT AUTHORITY

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, 2021 and 2020.

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.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020 are deemed collectible by management; therefore, no allowance for doubtful accounts has been recorded.

Investments and Investment Income

Investments in money market funds and mutual funds 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

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020.

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.

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

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 \$287,956 and \$201,233 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020. 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 \$215,235 and \$184,413 for the years ended December 31, 2021 and 2020, respectively. These amounts are included in nonoperating revenues on the statements of revenues, expenses and changes in net position.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the change in net 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, 2021 and 2020, \$250,000 was insured by the FDIC, and the remaining bank balances of \$2,497,565 and \$6,699,504, 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: United States treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, 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 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.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Disclosures About Fair Value of Investments

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets 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, 2021 and 2020:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>December 31, 2021</u>				
Mutual Funds	\$ 3,510,678	\$ 3,510,678	\$ -	\$ -
Cash and Cash Equivalents	204,791	204,791	-	-
Total Investments by Fair Value Level	<u>\$ 3,715,469</u>	<u>\$ 3,715,469</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2020</u>				
Mutual Funds	\$ 3,316,343	\$ 3,316,343	\$ -	\$ -
Cash and Cash Equivalents	135,392	135,392	-	-
Total Investments by Fair Value Level	<u>\$ 3,451,735</u>	<u>\$ 3,451,735</u>	<u>\$ -</u>	<u>\$ -</u>

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.

Other Information on Investments

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.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, the Authority’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, 2021 and 2020 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, 2021 and 2020, the Plan’s investment in mutual funds constituted 94% and 96%, respectively, of its total investments.

NOTE C CAPITAL ASSETS

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	<u>37,595,101</u>	<u>3,650,723</u>	<u>(4,501,195)</u>	<u>(50,859)</u>	<u>36,693,770</u>
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	<u>(47,044,414)</u>	<u>(4,431,292)</u>	<u>-</u>	<u>2,744,666</u>	<u>(48,731,040)</u>
Total Depreciable Capital Assets, Net	<u>46,968,161</u>	<u>5,939,958</u>	<u>4,501,195</u>	<u>(581,356)</u>	<u>56,827,958</u>
CAPITAL ASSETS, NET	<u>\$ 84,563,262</u>	<u>\$ 9,590,681</u>	<u>\$ -</u>	<u>\$ (632,215)</u>	<u>\$ 93,521,728</u>

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Capital assets activity for the year ended December 31, 2020 consists of the following:

	Balance January 1, 2020	Additions	Transfers	Disposals	Balance December 31, 2020
NONDEPRECIABLE CAPITAL ASSETS					
Land	\$ 29,359,722	\$ -	\$ -	\$ -	\$ 29,359,722
Construction in Progress	2,007,861	3,867,541	(195,357)	-	5,680,045
Aviation Easements	2,555,334	-	-	-	2,555,334
Total Nondepreciable Capital Assets	33,922,917	3,867,541	(195,357)	-	37,595,101
DEPRECIABLE CAPITAL ASSETS					
Buildings, Runways, and Improvements	95,485,580	3,242,315	195,357	(14,014,448)	84,908,804
Equipment, Fixtures, and Other	8,354,818	258,558	-	(717,984)	7,895,392
Master Plan	1,208,379	-	-	-	1,208,379
Total Depreciable Capital Assets	105,048,777	3,500,873	195,357	(14,732,432)	94,012,575
Less Accumulated Depreciation	(57,352,284)	(4,207,137)	-	14,515,007	(47,044,414)
Total Depreciable Capital Assets, Net	47,696,493	(706,264)	195,357	(217,425)	46,968,161
CAPITAL ASSETS, NET	\$ 81,619,410	\$ 3,161,277	\$ -	\$ (217,425)	\$ 84,563,262

NOTE D LONG-TERM DEBT

Erie Bank Loan Agreement – Rental Car Facility

In April 2020, the Authority entered into a loan agreement with Erie Bank for a loan in the amount of \$1,800,000. The proceeds from the loan are restricted for funding the rental car facility project. The note was secured by the net revenues of the Authority, all customer facility charges, and all assets of the Authority. The term of the loan was five years and was set to mature on October 1, 2025 with a fixed interest rate of 3.91% per annum. Monthly payments of principal and interest were originally scheduled to begin on November 1, 2020. However, the loan was not fully drawn and was repaid during September 2020 prior to the first scheduled monthly payment.

Interest expense on all the long-term debt borrowings and the line of credit agreement for the years ended December 31, 2021 and 2020 was \$0 and \$2,502, respectively.

Changes in Long-Term Debt

There were no changes in long-term debt for the year ended December 31, 2021.

The following is a summary of changes in long-term debt for the year ended December 31, 2020:

	2020			
	Beginning Balance	Debt Proceeds	Debt Retirements	Ending Balance
Loan - Rental Car Facility	\$ -	\$ 794,263	\$ (794,263)	\$ -
	<u>\$ -</u>	<u>\$ 794,263</u>	<u>\$ (794,263)</u>	<u>\$ -</u>

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE E 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 (4.00% at December 31, 2021). There were no outstanding borrowings on this line of credit note at December 31, 2021 and 2020.

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 F 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.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The employees covered by the Plan at the January 1, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	9	8
Inactive Employees Entitled to but not yet Receiving Benefits	9	9
Active Employees	<u>20</u>	<u>27</u>
	<u>38</u>	<u>44</u>

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, 2021 and 2020, employees contributed \$22,380 and \$39,957, respectively, and the Authority contributed \$42,000 and \$758,764, respectively, to the Plan.

Net Pension Liability

The Authority's net pension liability for the year ended December 31, 2021 was measured as of January 1, 2021, and was determined by an actuarial valuation prepared as of January 1, 2021. The Authority's net pension liability for the year ended December 31, 2020, was measured as of January 1, 2020, and was determined by an actuarial valuation prepared as of January 1, 2019. For the year ended December 31, 2020, update procedures were used to roll forward the total pension liability from January 1, 2019 to the measurement date of January 1, 2020.

The total pension liability in the January 1, 2021 and January 1, 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.31% for January 1, 2021; 2.0% for January 1, 2019
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. 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-2018 for the January 1, 2019 actuarial valuation.

ERIE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

The actuarial assumptions used in the January 1, 2021 and January 1, 2019 valuations 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:

	2021	
ASSET CLASS	Target Allocation	Long-Term Expected Real Rate of Return
Mutual Funds - Equity	50 - 70%	7.70%
Fixed Income	30 - 50%	4.30%
	<u>100%</u>	
	2020	
ASSET CLASS	Target Allocation	Long-Term Expected Real Rate of Return
Mutual Funds - Equity	50 - 70%	7.70%
Fixed Income	30 - 50%	4.30%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.4% for the years ended December 31, 2021 and 2020. 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.

ERIE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

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

	2021		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(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	<u>(366,537)</u>	<u>670,329</u>	<u>(1,036,866)</u>
Balance, End of Year	<u>\$ 2,965,017</u>	<u>\$ 3,453,014</u>	<u>\$ (487,997)</u>
	2020		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance, Beginning of Year	\$ 3,181,199	\$ 2,358,913	\$ 822,286
Changes for the Year			
Service Cost	88,526	-	88,526
Interest	204,323	-	204,323
Contributions – Employer	-	162,000	(162,000)
Contributions – Employee	-	27,867	(27,867)
Net Investment Income	-	377,363	(377,363)
Benefit Payments	(142,494)	(142,494)	-
Administrative Expense	-	(964)	964
Net Changes	<u>150,355</u>	<u>423,772</u>	<u>(273,417)</u>
Balance, End of Year	<u>\$ 3,331,554</u>	<u>\$ 2,782,685</u>	<u>\$ 548,869</u>

ERIE REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

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 (5.4%)	Current Discount Rate (6.4%)	1% Increase (7.4%)
Authority's Net Pension Liability	\$ (123,016)	\$ (487,997)	\$ (792,494)

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

For the years ended December 31, 2021 and 2020, the Authority recognized pension expense of \$7,575 and \$136,634, respectively. At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	<u>\$ 92,094</u>	<u>\$ 312,105</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 81,208	\$ -
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	57,542
Authority's Contributions Made Subsequent to the Measurement Date of the Net Pension Liability	758,764	-
Total	<u>\$ 839,972</u>	<u>\$ 57,542</u>

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NOTES TO FINANCIAL STATEMENTS

At December 31, 2021 and 2020, the Authority reported \$42,000 and \$758,764, 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, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to the pension will be recognized in pension expense as follows:

2022	\$	(50,788)
2023		(37,502)
2024		(114,065)
2025		(59,656)
		<u>(262,011)</u>
	\$	<u>(262,011)</u>

Pension Plan Fiduciary Net Position

As of January 1, 2021 and 2020, the Plan's fiduciary net position was comprised of the following:

	<u>2021</u>	<u>2020</u>
Plan Investments		
Cash and Cash Equivalents	\$ 135,392	\$ 52,955
Fixed Income Mutual Funds	1,069,529	908,773
Equity Mutual Funds	<u>2,246,814</u>	<u>1,820,957</u>
Total Plan Investments	3,451,735	2,782,685
Accrued Investment Income	<u>1,279</u>	<u>-</u>
Plan Fiduciary Net Position	<u>\$ 3,453,014</u>	<u>\$ 2,782,685</u>

The required disclosures on fair value and certain other investment information are included in Note B. The investments held at January 1, 2020 were also all included within Level 1 of the fair value hierarchy.

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 14.81% and 15.84% for the measurement periods ended January 1, 2021 and 2020, respectively.

NOTE G 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

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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	\$30,807 and \$32,761 for the years ended December 31, 2021 and 2020, 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	\$2,402 and \$565 for the years ended December 31, 2021 and 2020, respectively

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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Customer Facility Charges	\$ 454,505	\$ 251,036
Passenger Facility Charges	<u>560,512</u>	<u>296,631</u>
Total	<u>\$ 1,015,017</u>	<u>\$ 547,667</u>

NOTE I LEASING AGREEMENTS WITH AUTHORITY AS LESSOR

The Authority leases facilities to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, and the Federal Aviation Administration. All of the leases are accounted for as operating leases. Substantially all the assets classified under capital assets are held by the Authority for the purpose of rental and related use. Lease rental income for the years ended December 31, 2021 and 2020 was \$2,032,941 and \$2,150,999, respectively.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Minimum lease payments on current lease agreements expected to be received in each of the next five years and thereafter are as follows:

2022	\$ 1,656,146
2023	598,165
2024	429,515
2025	185,488
2026	117,243
2027 - 2031	558,069
2032 - 2036	360,525
2037 - 2041	360,525
2042 - 2046	360,525
2047 - 2051	<u>147,210</u>
Future Minimum Lease Payments	<u>\$ 4,773,411</u>

NOTE J 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, 2021 and 2020.

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 2021 and 2020.

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 K MAJOR CUSTOMERS / FUNDING CONCENTRATION

For the year ended December 31, 2021, approximately 57% of the operating revenues were from two commercial airlines. For the year ended December 31, 2020, approximately 56% of the operating revenues were from three commercial airlines. In July 2020, one of these commercial airlines suspended its operations at the Airport. Delta Air Lines, Inc. accounted for 20% of the market share at the Airport during the year ended December 31, 2020.

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, 2021 and 2020, the FAA also provided funding to reimburse a significant portion of the Authority's operating expenditures as a result of the COVID-19 pandemic.

ERIE REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE L 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 had an outstanding letter of credit in the amount of \$171,719 at December 31, 2021 and 2020, to be used as financial security for the construction of a snow removal equipment building. This letter of credit security was released by Millcreek Township on January 25, 2022.

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 M FUTURE CHANGES IN ACCOUNTING PRINCIPLE

Accounting for Leases

GASB Standard No. 87, *Leases* (GASB 87): GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will reorganize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and non-lease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. 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 lease commenced. 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, 2022, which is the date the financial statements were available to be issued.

Pending Sale of Authority Property

During 2020, the Authority entered into a sales agreement to sell approximately 21 acres of property on Wilkins Road (also referred to as "Orchard Park"). As of the issuance date of these financial statements, the sales agreement on Authority property is pending Federal Aviation Administration (FAA) approval. Should this sale be consummated, the selling price in the sales agreement is \$400,000, while the book value of the assets associated with the property as of December 31, 2021 was approximately \$2.3 million. Because the property was acquired with Federal grant funding through the Authority's noise mitigation program, the Authority would be required to remit the proceeds from this sale to the FAA.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ 81,721	\$ 88,526	\$ 76,583	\$ 88,105	\$ 83,424	\$ 94,140	\$ 91,398
Interest	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	(557,243)	(142,494)	(108,947)	(311,747)	(108,854)	(92,424)	(92,754)
Net Change in Total Pension Liability	(366,537)	150,355	296,798	(41,550)	(26,696)	181,867	150,649
Total Pension Liability – Beginning	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)	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	758,764	162,000	153,000	138,000	132,000	126,000	126,000
Contributions – Employee	39,957	27,867	28,002	26,149	29,575	27,847	24,946
Net Investment Income	429,836	377,363	(131,118)	268,633	132,756	(46,925)	80,696
Benefit Payments	(557,243)	(142,494)	(108,947)	(311,747)	(108,854)	(92,424)	(92,754)
Administrative Expense	(985)	(964)	(908)	(887)	(866)	(845)	(817)
Net Change in Plan Fiduciary Net Position	670,329	423,772	(59,971)	120,148	184,611	13,653	138,071
Plan Fiduciary Net Position – Beginning	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)	3,453,014	2,782,685	2,358,913	2,418,884	2,298,736	2,114,125	2,100,472
Net Pension Liability – Ending (a)-(b)	\$ (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	116.46%	83.53%	74.15%	83.86%	78.56%	71.60%	75.81%
Covered-Employee Payroll	\$ 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	-37.78%	39.39%	58.73%	35.59%	45.59%	60.36%	40.20%

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

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

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 mortality 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 mortality 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 mortality 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 mortality 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

	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	\$ 1,118,974	\$ 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	3.75%	58.74%	11.63%	10.93%	10.55%	9.59%	9.07%

ERIE REGIONAL AIRPORT AUTHORITY

SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS (CONTINUED)

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 F to the financial statements.