

CAPITAL REGION AIRPORT AUTHORITY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capital Region Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Capital Region Airport Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Capital Region Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capital Region Airport Authority, as of June 30, 2021, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Capital Region Airport Authority's basic financial statements. The additional supplementary information, is identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021 on our consideration of Capital Region Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital Region Airport Authority's internal control over financial reporting and compliance.

Maney Costeiran PC

November 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Capital Region Airport Authority (Authority), we offer readers of the Capital Region Airport Authority's financial statements this narrative overview and analysis of the financial activities of the Capital Region Airport Authority for the fiscal year ended June 30, 2021. The information contained in this MD&A should be considered in conjunction with the basic financial statements, required supplementary information, and additional supplementary information contained in this report.

FINANCIAL HIGHLIGHTS

- The aviation industry classifies rate setting methodologies into three types: residual, compensatory, and hybrid. These methodologies are used to develop the rates charged to the airlines for the use of airport facilities. The Authority uses the "compensatory" rate methodology. Here, the Authority assumes the major financial risk of running the airport and charges the airlines fees and rental rates so as to recover the actual costs of the facilities and services that they use. In developing this compensatory model, the Authority established rates based on FAA guidelines. Since a compensatory model is used, a bilateral agreement with the airlines was not necessary, thus the Authority rates were implemented via ordinance as part of the Authority's annual budget process.
- Operating revenues were \$6,231,231 in 2021 and \$8,954,733 in 2020. Commercial passenger and cargo airlines accounted for the majority of this revenue through their payment of landing, apron, and rental fees. Concessions (car rentals, taxi, etc.), fixed based operator's fees, building rents, land rents, and parking lot revenues account for the remainder.
- Operating expenses, exclusive of depreciation/amortization were \$7,110,410 in 2021 and \$8,271,670 in 2020, respectively. Certain operating expenses (\$672,832 and \$966,974, respectively) excluded from the Signatory Airline Operating Agreement computation are Federal Inspection Station operating expenses and Airport market development expenses.
- The Authority's net other postemployment benefit asset totaled \$1,500,292 in 2021. This was a liability of \$58,410 in 2020.
- The Authority's net pension liability totaled \$2,246,455 in 2021 and \$2,724,093 in 2020.
- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$102,008,806 (net position).
- The Authority's total net position increased by \$6,748,496. A majority of this increase is due to an increase in grant funding from the CARES funding through the Airport Improvement Grant.
- The Operating Revenues and Expenses as outlined above produced consistent and competitive Landing Fee Rates for all years presented.
- Mason Jewett Field no longer reflects the indirect labor expenses of the Director of Maintenance or the COO. Thus, for fiscal years 2021 and 2020, net gains for Mason Jewett were \$78,855 and \$9,797, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

➤ Nonoperating revenue is outlined as follows:

- a. Tax revenue remains committed to the annual debt retirement, airport development, international operating expenses, domestic shortfalls, and capital requirements of the Authority. This revenue is also committed to establishing reserves in support of mandated obligations.
- b. Passenger facility charge revenue decreased to \$236,558 in 2021 from \$588,900 in 2020. PFC revenue is a per passenger fee and thus is a direct reflection of airline activity at the Capital Region International Airport.
- c. Customer facility charge revenue decreased to \$163,974 in 2021 from \$307,299 in 2020. Customer facility charge revenue is a per rental car customer fee and thus is a direct reflection of rental car activity at the Capital Region International Airport.
- d. Nonoperating grant revenue increased to \$5,044,735 in 2021 from \$0 in 2020. This grant is entirely associated with the CARES Act funding, in direct response to the COVID-19 pandemic. In 2021, this funding was used to cover payroll and related expenses of the Authority. In 2020, \$321,436 of this grant funding was used for capital improvements and thus was included in the capital contributions section of the statement of revenues, expenses, and changes in net position.
- e. Return on investment remains conservative, as the federal monetary policy and overall economic climate is resulting in modest interest rates. Airport reserves continue to be invested consistently and conservatively and are in accordance with state and Authority policy, thereby ensuring safety of principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

Capital Region Airport Authority's mission, to "provide excellent airport facilities and services that exceed our customers' expectations," has driven a strategic plan which clearly enumerates directives designed to promote the expansion of the Authority's passenger base through increased quality and quantity of air service provided at Capital Region International Airport. In 2021, management continued its aggressive mission to develop national and international cargo and passenger traffic at the Airport.

Key performance indicators for the Authority continue to be changes in net position, as well as nonfinancial measurements including (but not limited to) passenger count, aircraft landings, and cargo activity.

The primary industry challenges are pilot shortage, retirement of smaller aircraft that serves smaller airports, and industry airline consolidation. This industry environment has reinforced management's commitment to diversifying its revenue stream as aggressively as possible, thereby ensuring the long-term viability of Capital Region Airport Authority.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the *Statement of Net Position*, the *Statement of Revenue, Expenses and Changes in Net Position* and the *Statement of Cash Flows*. This report also contains required supplementary information in addition to the basic financial statements themselves.

Capital Region Airport Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The Authority accounts for its activity in a single Enterprise Fund with revenue recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are depreciated (except land and construction in progress) over their useful lives. Construction in progress projects are closed and transferred to their respective capital accounts upon completion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four 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 deteriorating.

The *statement of revenue, expenses and changes in net position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Notes to the Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 41 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's required disclosures for the pension and other postemployment benefit plans on pages 43 through 49 of this report. Certain *additional supplementary information* concerning the Authority's schedule of expenditures of federal awards can be found on pages 51 through 58 of this report.

Capital Region Airport Authority's Net Position

	2021	2020
ASSETS		
Current and other assets	\$ 40,717,122	\$ 34,710,546
Capital assets	64,113,611	65,854,801
Net other postemployment benefit asset	1,500,292	-
TOTAL ASSETS	<u>106,331,025</u>	<u>100,565,347</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,338,070</u>	<u>1,513,163</u>
LIABILITIES		
Current liabilities	1,808,127	1,880,292
Long-term liabilities, excluding net pension liability and net other postemployment benefit liability	192,845	1,256,750
Net pension liability	2,246,455	2,724,093
Net other postemployment benefit liability	-	58,410
TOTAL LIABILITIES	<u>4,247,427</u>	<u>5,919,545</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,412,862</u>	<u>898,655</u>
NET POSITION		
Net investment in capital assets	63,048,611	63,810,607
Restricted	9,023,236	8,740,502
Restricted for OPEB	876,637	-
Unrestricted	<u>29,060,322</u>	<u>22,709,201</u>
TOTAL NET POSITION	<u>\$ 102,008,806</u>	<u>\$ 95,260,310</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

By far the largest portion of the Authority's net position (62%) reflects its net investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment), less any related debt (that is still outstanding) used to acquire those assets. The Authority uses these capital assets to provide infrastructure to the airport operators (airlines, etc.); consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (10%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position (\$29.1 million) may be used to meet the Authority's ongoing operating obligations.

At the end of the current fiscal year, the Authority is able to report positive balances in all three categories of net position.

The Authority's change in net position is affected by the elements outlined below. Of note, Passenger Facility Charges are FAA - approved fees all passengers pay as part of their airline ticket price; moreover, Customer Facility Charges are Rental Car Company - approved fees all customers pay as part of their rental car price. All other line items listed below are outlined in the footnotes herein.

Capital Region Airport Authority's Changes in Net Position

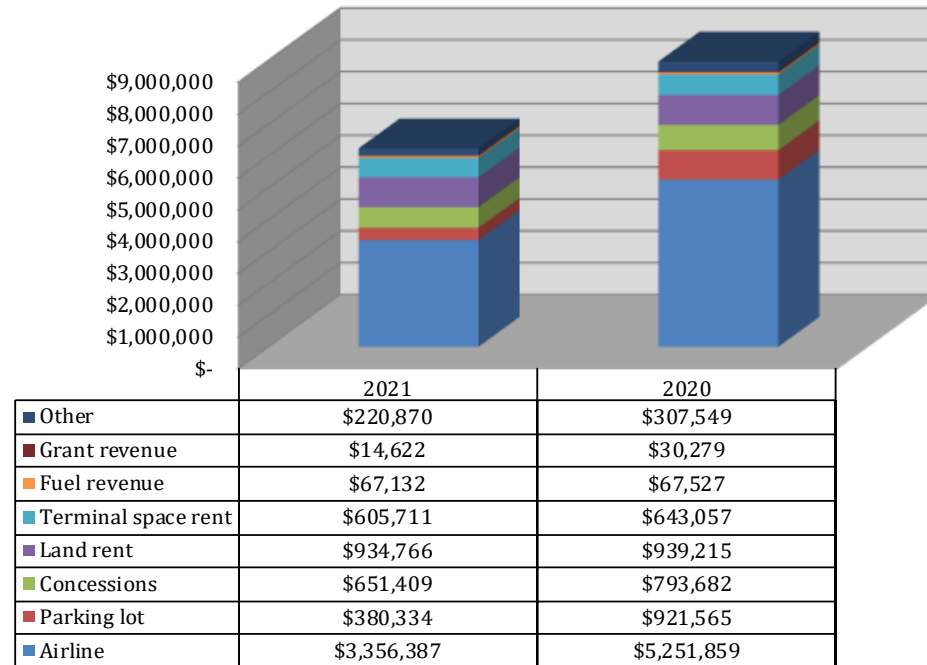
	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 6,231,231	\$ 8,954,733
Operating expenses	<u>10,804,633</u>	<u>12,145,087</u>
Total operating income (loss)	<u>(4,573,402)</u>	<u>(3,190,354)</u>
Non-operating revenue (expenses)		
Property tax revenue	5,672,715	5,609,661
Passenger facility charges	236,558	588,900
Customer facility charges	163,974	307,299
Grant revenue	5,044,735	-
Interest expense	(82,663)	(110,617)
Gain (loss) on sale of capital assets	22,000	85,045
Return on investments - net	<u>52,474</u>	<u>539,977</u>
Total non-operating revenue - net	<u>11,109,793</u>	<u>7,020,265</u>
Net income before capital contributions	6,536,391	3,829,911
Capital contributions	<u>212,105</u>	<u>4,183,573</u>
Change in net position	<u><u>\$ 6,748,496</u></u>	<u><u>\$ 8,013,484</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Region Airport Authority Operating Revenues Year ended June 30, 2021

Revenue

The following chart depicts the Authority's operating revenue sources and their relationship to total operating revenue for the years ended June 30:



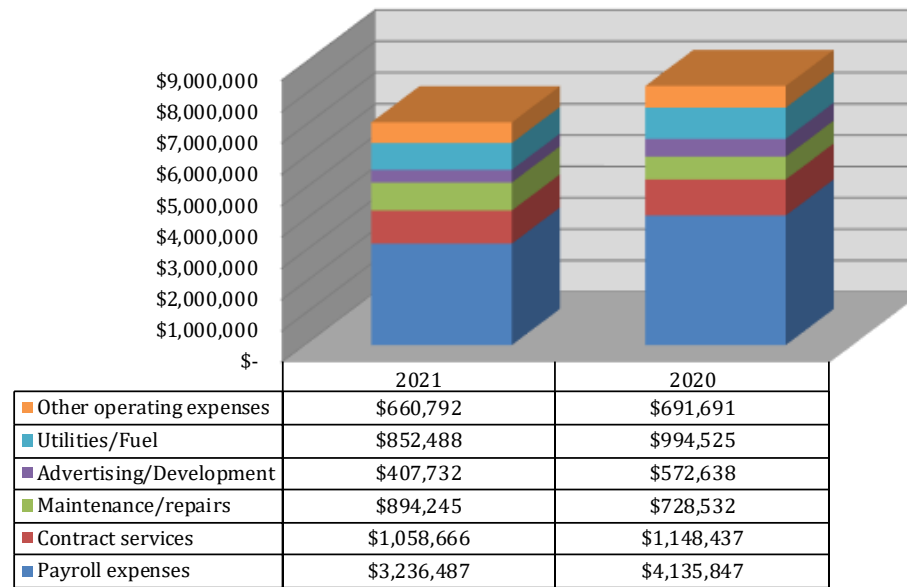
The Authority operates under a compensatory pricing model. A decrease in airline revenue (i.e. landing and apron fees) is a result of several factors: a decrease in enplanements due to the COVID-19 pandemic, as well as a reduction in Rates & Charges. Parking lot fees and concessions also decreased due to a reduction in air traffic and a move to no fee parking during the pandemic. A new parking contract began during the fiscal year 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Region Airport Authority Operating Expenses Year ended June 30, 2021

Expenses

The following chart depicts the Authority's major operating expense categories, exclusive of depreciation, and their relation to total operating expenses for the years ended June 30:



Payroll expenses decreased due to changes in pension and OPEB actuarial assumptions and prior year plan changes. These changes at times reflect a benefit received, which is a decrease to expenses, and are shown netted with payroll and related expenditures on the statement of revenues, expenses, and changes in net position. Advertising/development and contract services decreased primarily due to the discontinuation of the Business Development and Public Awareness programs during FY-2020. Utilities and fuel decreased due to the overall decrease in airport usage due to the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets as of June 30, 2021, amounts to \$64.1 million (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, taxiways, runways, machinery, equipment, software, and construction in process.

Capital Region Airport Authority's Capital Assets (Net of Depreciation and Amortization)

	<u>2021</u>	<u>2020</u>
Land	\$ 21,039,567	\$ 21,039,567
Construction in process	7,159,694	6,393,267
Runways and taxiways	18,344,344	20,343,078
Buildings and improvements	11,284,309	11,995,649
Machinery and equipment	2,670,382	2,468,741
Rolling stock - off road	932,272	536,449
Land improvements	2,303,366	2,614,221
Master plan	337,659	393,799
Software	42,018	70,030
	<u>\$ 64,113,611</u>	<u>\$ 65,854,801</u>

Additional information on the Authority's capital assets can be found in Note 4 of this report.

Long-term Obligations. At the end of the current fiscal year, the Authority had total long-term obligations outstanding of \$1.3 million. This represents compensated absences earned but not used as of year-end and revenue bonds outstanding.

Capital Region Airport Authority's Outstanding Debt Revenue Bonds and other Long-term Debt

	<u>2021</u>	<u>2020</u>
Revenue bonds	\$ 1,065,000	\$ 2,100,000
Compensated absences	257,127	255,667
	<u>\$ 1,322,127</u>	<u>\$ 2,355,667</u>

The Authority's total debt decreased by \$1,033,540 (43.87%) during the current fiscal year. This is attributable to the Authority making the routine payments on debt.

Additional information on the Authority's long-term debt can be found in Note 5 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Airline Rates and Charges

The Authority sets rates and charges annually by adoption of a resolution based on a compensatory rate methodology (cost of services). This methodology utilizes the Authority's statement of operations and debt service requirements to allocate these costs to the various air service providers. These rates include the terminal rental rates, landing fees, and airline apron fees. These rates are as follows:

	<u>2021</u>	<u>2020</u>
Terminal rental (type I space)	\$ 44.03	\$ 57.95
Terminal rental (type II space)	30.82	40.56
Terminal rental (Terminal 2 - per turn)	600.10	652.90
Landing fees (per 1,000 pounds)	2.09	2.92
Airline apron fee (per 1,000 pounds)	1.67	1.74

Economic Factors and Next Year's Budgets and Rates

The primary industry challenge heading into fiscal year 2022 is the continued decrease in enplanements due to the COVID-19 pandemic. Other industry challenges include fewer available airplanes, shortages of pilots, and fewer airlines resulting in reduced competition that continues to test the Capital Region Airport Authority's strategic growth plan. The Authority continues to aggressively seek additional domestic and international passenger and cargo growth at the airport. The Authority also remains committed to providing excellent airport facilities and services that exceed customer's expectations. In support of these initiatives the Authority remains financially prudent and approved a conservative budget for the fiscal year 2022.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Accounting at the Capital Region Airport Authority, 4100 Capital City Boulevard, Lansing, MI 48906.

BASIC FINANCIAL STATEMENTS

CAPITAL REGION AIRPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current assets

Cash and equivalents	\$ 17,632,714
Investments	12,401,199
Receivables	
Trade accounts receivable, net of allowance for doubtful accounts	543,419
Grant receivable	5,058
Passenger facility charges receivable	31,900
Prepaid expenses and other assets	<u>1,079,596</u>

Total current assets	<u>31,693,886</u>
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Noncurrent assets

Cash and equivalents - restricted	9,023,236
Capital assets, not being depreciated/amortized	28,199,261
Capital assets, net of accumulated depreciation/amortization	35,914,350
Net other postemployment benefit asset	<u>1,500,292</u>

Total noncurrent assets	<u>74,637,139</u>
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TOTAL ASSETS	<u>106,331,025</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension related amounts	1,067,087
Other postemployment benefit related amounts	<u>270,983</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,338,070</u>
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LIABILITIES**Current liabilities**

Accounts payable and accrued liabilities	\$ 510,691
Accrued bond interest payable	13,898
Unearned revenue	154,256
Current portion of long-term liabilities	1,065,000
Current portion of compensated absences	<u>64,282</u>

Total current liabilities	<u>1,808,127</u>
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Long-term liabilities, net of current portion

Compensated absences	192,845
Net pension liability	<u>2,246,455</u>

Total long-term liabilities	<u>2,439,300</u>
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TOTAL LIABILITIES	<u>4,247,427</u>
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DEFERRED INFLOWS OF RESOURCES

Pension related amounts	518,224
Other postemployment benefit related amounts	<u>894,638</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,412,862</u>
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NET POSITION

Net investment in capital assets	63,048,611
Restricted	9,023,236
Restricted for OPEB	876,637
Unrestricted	<u>29,060,322</u>

TOTAL NET POSITION	<u><u>\$ 102,008,806</u></u>
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CAPITAL REGION AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2021

OPERATING REVENUES	
Airline	\$ 3,356,387
Parking lot	380,334
Concessions	651,409
Terminal space rent	605,711
Land rent	934,766
Fuel revenue	67,132
Grant revenue	14,622
Other	<u>220,870</u>
Total operating revenues	<u>6,231,231</u>
OPERATING EXPENSES	
Wages	2,498,217
Benefits	(200,368) ¹
Retirement	752,292
Payroll taxes	186,346
Supplies	148,406
Maintenance	874,250
Repairs	19,995
Professional services	1,058,666
Insurance	225,322
Employee development	57,806
Utilities, fuel, and communication	852,488
Equipment	170,350
Advertising	294,294
Airport development	113,438
Other	<u>58,908</u>
Total operating expenses before depreciation/amortization	7,110,410
Depreciation/amortization	<u>3,694,223</u>
Total operating expenses	<u>10,804,633</u>
Operating loss	<u>(4,573,402)</u>
NON-OPERATING REVENUES (EXPENSES)	
Property tax revenue	5,672,715
Passenger facility charge revenue	236,558
Customer facility charge revenue	163,974
Grant revenue	5,044,735
Interest expense	(82,663)
Return on investments - net	52,474
Gain on sale of capital assets	<u>22,000</u>
Total non-operating revenues - net	<u>11,109,793</u>
Net income before capital contributions	6,536,391
CAPITAL CONTRIBUTIONS	<u>212,105</u>
Change in net position	6,748,496
NET POSITION	
Beginning of year	<u>95,260,310</u>
End of year	<u><u>\$ 102,008,806</u></u>

¹ Netted with benefit (expense) related to the changes in net pension liability and other postemployment benefit asset.

See notes to financial statements.

CAPITAL REGION AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities

Charges and rentals	\$ 7,087,480
Payments to suppliers	(3,988,384)
Payments to employees	<u>(4,637,873)</u>

Net cash and cash equivalents used in operating activities (1,538,777)

Cash flows from non-capital financing activities

Taxes collected	5,672,715
Cares reimbursement for operating expenses	<u>5,044,735</u>

Net cash and cash equivalents used in non-capital financing activities 10,717,450

Cash flows for capital and related financing activities

Receipt of capital grants	212,105
Purchase of capital assets	(1,953,033)
Proceeds on sale of capital assets	22,000
Principal repayments on debt	(1,035,000)
Interest paid on bonds payable and other	(40,363)
Passenger facility charges collected	236,558
Customer facility charge revenue	<u>163,974</u>

Net cash and cash equivalents used in capital and related
financing activities (2,393,759)

Cash flows from investing activities

Return on investments - net	52,474
Proceeds (purchases) of investments - net	<u>2,667,585</u>

Net cash and cash equivalents used in investing activities 2,720,059

NET INCREASE IN CASH AND CASH EQUIVALENTS **9,504,973**

CASH AND CASH EQUIVALENTS

Beginning of year	<u>17,150,977</u>
End of year	<u><u>\$ 26,655,950</u></u>

CAPITAL REGION AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2021

STATEMENT OF NET POSITION CLASSIFICATION OF CASH
AND CASH EQUIVALENTS

Cash and equivalents	\$ 17,632,714
Restricted cash	<u>9,023,236</u>
Total cash and cash equivalents	<u><u>\$ 26,655,950</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH AND
CASH EQUIVELENTS USED IN OPERATING ACTIVITIES

Operating loss	\$ (4,573,402)
Depreciation/amortization	3,694,223
Changes in assets and liabilities	
Receivables	856,249
Prepaid and other assets	(25,438)
Accounts payable and accrued liabilities	(113,923)
Unearned revenue	24,900
Accrued and other liabilities	1,460
Pension related items	(414,938)
Other postemployment benefit related items	<u>(987,908)</u>
Net cash and cash equivalents used in operating activities	<u><u>\$ (1,538,777)</u></u>

Capital contributions amounting to \$212,105 were received from both the federal government and the State of Michigan during 2021, and were recorded as additions to property, buildings, equipment, and Authority revenue.

**CAPITAL REGION AIRPORT AUTHORITY
FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Other Post Employment Benefit Trust Fund
	<u>Retiree Health Benefits</u>
ASSETS	
Investments	<u>\$ 5,193,964</u>
NET POSITION	
Restricted for other postemployment benefits	<u>\$ 5,193,964</u>

**CAPITAL REGION AIRPORT AUTHORITY
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Other Post Employment Benefit Trust Fund <u>Retiree Health Benefits</u>
ADDITIONS	
Contributions	
Employer	\$ 703,546
Investment gain - net	<u>1,048,851</u>
Total additions	<u>1,752,397</u>
DEDUCTIONS	
Benefit payments	172,114
Non-investment administrative expenses	<u>7,744</u>
Total deductions	<u>179,858</u>
Change in net position	1,572,539
NET POSITION	
Beginning of year	<u>3,621,425</u>
End of year	<u><u>\$ 5,193,964</u></u>

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Capital Region Airport Authority (the "Authority") was established on October 1, 1970 as a result of Public Acts No. 73 of the Public Acts of 1970, which took effect upon the governor's signature on July 16, 1970 and is located in mid-Michigan. The Authority is governed by the Capital Region Airport Authority Board of Directors (the "Board"), which has responsibility and control over all activities related to the Authority. The Authority is considered a special purpose government engaged only in business type activities.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In accordance with government accounting principles, a government wide presentation of program and general revenues is not applicable to special purpose governments engaged only in business type activities.

The financial statements include the accounts of the Authority and have been prepared on the accrual basis of accounting. The significant accounting policies of the Authority, as presented below, conform with proprietary fund accounting and reflect practices appropriate to the regulatory environment in which it operates.

Additionally, the Authority reports as a fiduciary fund, the other postemployment benefit trust fund. This trust accounts for the accumulated resources related to health benefit payments to qualified retirees.

Measurement Focus and Basis of Accounting

The Authority follows accounting principles general accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. In December 2010, the GASB issued statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions and accounting research bulletins of the AICPA Committee on Accounting Procedures.

These full accrual financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk and Major Customers

Revenue is predominantly from companies in the airline industry located throughout the region. The Authority extends credit to its customers on terms generally practiced in the industry. Major customers (two airlines and one service provider) accounted for approximately 44.4% of operating revenues as of and for the year ended June 30, 2021. Two airlines and the one service provider accounted for approximately 62.6% of accounts receivable.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Receivables

Accounts receivable represents amounts due from airlines and other entities. An allowance for doubtful accounts is recognized based on a specific assessment of receivable balances that remain unpaid. The allowance is determined based on management's estimate of amounts recoverable from each entity. Amounts deemed to be uncollectible are written off in the period of determination. At June 30, 2021, the allowance for doubtful accounts was \$20,000.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items.

Capital Assets

Capital assets, which included property, plant, equipment, and infrastructure assets (e.g., runways, taxiways, and similar items), are reported on the statement of net position. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Costs incurred by the Authority for capital improvement projects are accumulated as airport improvements in progress until the project becomes operational, at which time such costs are transferred to the appropriate capital assets account.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land and construction in progress are not depreciated. Infrastructure, buildings, equipment, vehicles, and software are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	10 - 20
Buildings and improvements	10 - 30
Runways and taxiways	20
Machinery and equipment	3 - 10
Rolling stock - Off road	7 - 10
Master plan	20
Software	3

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category. The first and second are pension and other postemployment benefit related items reported in the statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items and is expensed in the plan year in which it applies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. It is the future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculations. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefits liability and the actual results. The amounts are amortized over a period determined by the actuary.

Pension

The Authority offers a defined benefit pension plan to its employees and records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the Net Pension Liability, deferred outflows of resources, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

The Authority offers retiree healthcare benefits to retirees and records a net other postemployment benefit liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Authority OPEB 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 Authority OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Revenues and Expenses

Property Taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. Authority tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred inflows of resources.

Ingham, Eaton and Clinton counties collect on behalf of the Authority. The 2020 taxable valuation of properties totaled approximately \$8.5 billion (a portion of which is abated and a portion of which is captured by other jurisdictions), on which ad valorem taxes levied consisted of 0.699 mills for operating purposes. This resulted in approximately \$5,670,000 of tax revenue for the Authority.

Compensated Absences

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Authority. All vacation pay is accrued when earned in the financial statements.

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Operating Classification

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainties

The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on clients, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial condition and results of operations is uncertain.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Authority had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this 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. As of June 30, 2021, \$20,807,287 of the Authority's bank balance of \$24,575,808 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposits, checking and savings accounts are included in the above totals. The balance of \$26,655,950 is reported as deposits on the financial statements as of June 30, 2021.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business.

Interest Rate Risk

In accordance with its investment policy, the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government Securities	<u>\$ 12,401,199</u>	<u>1.073</u>

One day maturity equals 0.0027, one year equals 1.00.

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
U.S. Government Securities	<u>\$ 12,401,199</u>	AAA	Standard & Poor's

Foreign Currency Risk

The Authority is not authorized to invest in investments with this type of risk.

Fair Value Measurement

The Authority is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Authority's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The U.S. Government securities investments are subject to the fair value measurement and are considered Level 2.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based on the criteria disclosed in Note 1.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The following summarizes the categorization of these amounts as of June 30, 2021.

Cash and equivalents	\$ 17,632,714
Cash and equivalents - restricted	9,023,236
Investments	<u>12,401,199</u>
	<u><u>\$ 39,057,149</u></u>

NOTE 3 - RESTRICTED ASSETS

The restricted funds at June 30, 2021 are required under the Authority's 2008 and 2012 revenue bond resolutions and the provisions of the Federal Passenger Facility Charge Program. These funds, which consist of cash and investments, are segregated into the following:

2008 and 2012 Revenue Bond Reserve Requirements:	
Bond interest and redemption fund	\$ 1,078,898
Bond reserve account	863,000
Renewal and replacement account	250,000
Operations and maintenance reserve account	1,496,274
Operations and maintenance fund	<u>748,137</u>
Total 2008 and 2012 revenue bond reserve requirements	4,436,309
Passenger facility charges deposits	<u>4,586,927</u>
Total restricted assets	<u><u>\$ 9,023,236</u></u>

Requirements of the following reserve accounts must be maintained for the life of the bonds:

Bond Interest and Redemption Fund - This fund is restricted for payment of the current portion of bond principal and interest.

Bond Reserve Account - For the year ended June 30, 2021, this account maintains a reserve of 10% of the initial face amount of the Series 2012 bonds.

Renewal and Replacement Account - This account was created to establish and maintain a reserve of \$300,000 to be used to pay unanticipated emergency repairs at the Authority's facilities. Upon issuance of the Series 2012 Bonds, this reserve was decreased to \$250,000.

Requirements of the following reserve accounts must be fulfilled prior to the issuance of additional debt of a prior or equal standing with respect to rights in liquidation of existing debt:

Operations and Maintenance Reserve Account - This account maintains a reserve for operations and maintenance equal to the estimated operations and maintenance expense for the period of the next two months as projected in the most recent Authority's budget.

Operations and Maintenance Fund - This account was set up upon issuance of the Series 2012 Bonds to maintain reserve for operations and maintenance expenses equal to the next month's actual operations and maintenance expense.

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTRICTED ASSETS (continued)

Requirements of the following reserve accounts must be maintained if not expensed on approved projects:

Passenger Facility Charge Deposits - These deposits are funds collected from passengers in conjunction with the Federal Passenger Facility Charge Program. The funds may only be used for projects approved by the Federal Aviation Administration in the Authority's record of decision.

In accordance with the annual debt requirements, the Authority paid the remaining principal due on the 2008 and 2012 revenue bonds on July 1, 2021. Therefore, as of November 2, 2021, the 2008 and 2012 revenue bond reserve requirements are no longer in effect, and the related restricted assets of \$4,436,309 as of June 30, 2021 would now be considered unrestricted.

NOTE 4 - CAPITAL ASSETS

The capital assets are as follows:

	Balance July 1, 2020	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2021
Capital assets, not being depreciated/amortized				
Land	\$ 21,039,567	\$ -	\$ -	\$ 21,039,567
Construction in process	6,393,267	1,984,041	(1,217,614)	7,159,694
Total capital assets, not being depreciated/amortized	27,432,834	1,984,041	(1,217,614)	28,199,261
Capital assets, being depreciated/amortized				
Runways and taxiways	56,884,592	839	-	56,885,431
Buildings and improvements	50,222,588	29,937	-	50,252,525
Machinery and equipment	18,357,803	976,592	(6,309,671)	13,024,724
Rolling stock - off road	3,939,415	189,238	454,380	4,583,033
Land improvements	13,912,539	-	-	13,912,539
Master plan	1,738,896	-	-	1,738,896
Software	84,036	-	19,940	103,976
Total capital assets, being depreciated/amortized	145,139,869	1,196,606	(5,835,351)	140,501,124
Less accumulated depreciation/amortization for				
Runways and taxiways	36,541,514	1,999,573	-	38,541,087
Buildings and improvements	38,226,939	741,277	-	38,968,216
Machinery and equipment	15,889,062	170,979	5,705,699	10,354,342
Rolling stock - off road	3,402,966	387,387	139,592	3,650,761
Land improvements	11,298,318	310,855	-	11,609,173
Master plan	1,345,097	56,140	-	1,401,237
Software	14,006	28,012	(19,940)	61,958
Total accumulated depreciation/amortization	106,717,902	3,694,223	5,825,351	104,586,774
Total capital assets, being depreciated/amortized, net	38,421,967	(2,497,617)	(11,660,702)	35,914,350
Total	\$ 65,854,801	\$ (513,576)	\$ (12,878,316)	\$ 64,113,611

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Airport improvements in progress consist of the following:

Federal projects	
MJF ALP Update 2020	\$ 139,482
LAN Taxiway IFE	3,000
PFAS testing	59,883
Cargo Apron Expansion - Design	246,094
Cargo Apron Expansion - Construction	<u>5,769,067</u>
	<u>6,217,526</u>
Local projects	
CCTV Upgrade	239,610
Incinerator Stack Sampling Port Installation	7,200
Radio upgrades	1,260
Re-roofing project	197,266
Furniture Replacement Operations 3rd Floor	8,986
Coffee Bar	45,759
Other Miscellaneous Projects	<u>442,087</u>
	<u>942,168</u>
Total	<u><u>\$ 7,159,694</u></u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Authority for the year ended June 30, 2021.

	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2020	\$ 2,100,000	\$ 255,667	\$ 2,355,667
Additions	-	33,160	33,160
Deletions	<u>(1,035,000)</u>	<u>(31,700)</u>	<u>(1,066,700)</u>
Balance June 30, 2021	1,065,000	257,127	1,322,127
Due within one year	<u>(1,065,000)</u>	<u>(64,282)</u>	<u>(1,129,282)</u>
Due in more than one year	<u><u>\$ -</u></u>	<u><u>\$ 192,845</u></u>	<u><u>\$ 192,845</u></u>

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2021 are comprised of the following issues:

Notes from Direct Borrowings and Direct Placements

Revenue bonds - May 2012 issuance for the purpose of refunding the Authority's 2002 (Series B) bonds. Due in annual installments of \$1,035,000 to \$1,065,000 through July 1, 2021 with an interest rate of 2.61%.	\$ 1,065,000
Compensated absences	<u>257,127</u>
Total general long-term obligations	<u><u>\$ 1,322,127</u></u>

The Authority's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,065,000 contains provisions that in the event of a default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make and assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest, become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2021, are as follows:

Year Ending June 30,	Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest		
2022	\$ 1,065,000	\$ 13,898	\$ -	\$ 1,078,898
Compensated absences	<u>-</u>	<u>-</u>	<u>257,127</u>	<u>257,127</u>
	<u><u>\$ 1,065,000</u></u>	<u><u>\$ 13,898</u></u>	<u><u>\$ 257,127</u></u>	<u><u>\$ 1,336,025</u></u>

Interest expense for the year ended June 30, 2021 was approximately \$27,000.

NOTE 6 - AIRPORT TENANT AGREEMENTS

The Authority has entered into agreements with tenants for the use of certain airport facilities including ready/return rental car parking areas, buildings, terminals, hangars, and customer service areas. The Authority also entered into concession agreements. Normally the terms of the agreements include a fixed minimum annual guaranteed (MAG) payment to the airport as well as additional contingent payments based on the tenants' annual sales volume of business.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - AIRPORT TENANT AGREEMENTS (continued)

Rental income from the airport tenant agreements consists of the following:

Minimum rental	\$ 3,551,134
Contingent rental	<u>1,031,743</u>
	<u><u>\$ 4,582,877</u></u>

Future minimum lease rentals to be received under noncancelable airport tenant agreements, with initial or remaining terms in excess of one year as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 708,765
2023	674,490
2024	656,963
2025	645,625
2026	628,312
2026 - 2057	<u>8,579,157</u>
	<u><u>\$ 11,893,312</u></u>

NOTE 7 - PENSION PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member retirement board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers union and nonunion Authority employees hired prior to January 1, 2012. For employees hired after January 1, 2012 there is a MERS hybrid retirement plan. The hybrid plan contains both a defined benefit and a defined contribution plan element.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLAN (continued)

Benefits Provided (continued)

Retirement benefits for employees are calculated as 2.5% of the employee's final average salary times the employee's years of service. The final average salary is calculated at 5 years for AFSCME, Pol Spv and FOP 165 division employees and three years for nonunion and executive division employees. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Vesting period is 10 years for AFSCME, Pol Spv, FOP 165, and nonunion division employees. Vesting period is six years for executive group employees. Employees are eligible for non-duty disability benefits after 10 years of service for AFSCME, FOP 165, and nonunion division employees and 6 years for executive group employees. All employees are eligible for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Retirement benefits for employee's part of the hybrid plan are calculated as 1.5% of the employee's final 3 year average salary times the employee's years of service. Normal retirement age is 60. Vesting period is 6 years. Employees are eligible for nonduty disability benefits after 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the authority board, generally after negotiations of these terms with the affected unions. AFSCME and POAM union employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees covered by Benefit Terms. At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>37</u>
	<u><u>108</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Contributions as a percentage of covered employee payroll equaled approximately 29.21% for fiscal year 2021.

Net Pension Liability. The employer's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLAN (continued)

Benefits Provided (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.0% in the long-term

Investment rate of return: 7.35%, net of investment expense, including inflation

Although no specific price inflation assumption is needed for this valuation, the assumed long-term annual rate of price inflation is 2.5%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% male and 50% female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Global Equity	60.00%	3.79%
Global Fixed Income	20.00%	0.90%
Private Investments	20.00%	5.25%
	<u>100.00%</u>	

*Long-term rates of return are net of 2.5% inflation.

Discount Rate. The discount rate used to measure the total pension liability is 7.35%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 12/31/2019	\$ 18,301,014	\$ 15,576,921	\$ 2,724,093
Changes for the year			
Service cost	200,412	-	200,412
Interest on total pension liability	1,356,203	-	1,356,203
Difference between expected and actual experience	102,906	-	102,906
Changes of assumptions	460,424	-	460,424
Employer contributions	-	654,952	(654,952)
Employee contributions	-	425	(425)
Net investment income	-	1,973,328	(1,973,328)
Benefit payments including employee refunds	(1,112,886)	(1,112,886)	-
Administrative expense	-	(31,122)	31,122
Net changes	1,007,059	1,484,697	(477,638)
Balances as of 12/31/2020	\$ 19,308,073	\$ 17,061,618	\$ 2,246,455

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.35%, as well as what the employer's net pension liability would be using a discount rate that is one-percentage point lower (6.35%) or one-percentage point higher (8.35%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
Net pension liability at 12/31/2020	\$ 4,357,377	\$ 2,246,455	\$ 461,050

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (continued)

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

For the year ended June 30, 2021 the employer recognized pension expense of \$292,566. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Excess (deficit) investment returns	\$ -	\$ (518,224)
Differences in experience	91,057	-
Differences in assumptions	603,192	-
Contributions subsequent to the measurement date*	372,838	-
	<u>\$ 1,067,087</u>	<u>\$ (518,224)</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability in the subsequent fiscal year.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>June 30,</u>	
2021	\$ 245,115
2022	376,022
2023	(295,769)
2024	(149,343)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the Authority provides post-retirement health care benefits, in accordance with the "Plan". The Plan provides Other Postemployment Benefits (OPEB) for its general employees through a single employer defined benefit plan. Based on the Plan, the Authority is required to have an actuarial calculation every two years. The information provided is the result of the most recent actuarial valuation with a measurement date of June 30, 2021.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description

Plan Administration. The purpose of the Plan is to provide medical, pharmacy, and life insurance benefits for eligible retirees hired before December 1, 2017. The postemployment coverage includes the retiree's spouse in its insured healthcare plan. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. This is a single employer defined benefit plan administered by the Authority. The Plan is held with MERS and is maintained as a trust fund in the Capital Region Airport Authority's financial statements.

The management of the Plan is vested in the Authority Board of Trustees, which consists of six members. The trustees have authorized Authority administration to oversee operations of the trust.

Plan Membership. At June 30, 2021, the date of the latest actuarial valuation, participants in the Plan consisted of:

Inactive plan members or beneficiaries	52
Active plan members	<u>22</u>
Total	<u><u>74</u></u>

Benefits Provided. The Plan is to provide medical, pharmacy, and life insurance benefits to eligible retirees, and their spouse. Benefits are provided through fully insured plans administered by a third-party administrator. The cost of benefits is determined by the schedule of shared participation rates, in which the member is liable for their portion. The Authority Board of Trustees have the authority to establish and amend benefit provisions.

Contributions. The contribution requirements of plan members and the Authority are established and may be amended by the Authority. Retirees are required to contribute 10% of the premium rates with the other portion covered by the employer. This coverage continues until the retiree becomes Medicare eligible and so long as the retiree's share of the premium is paid. The Authority will then contribute a maximum of \$350 per month toward the cost of a Medicare supplemental plan for each the retiree and spouse. For the year ended June 30, 2021, the Authority's average contribution rate was 55.97% of covered payroll.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Investments

Investment Policy. The investment policy of the Authority is determined based on the goals and objectives of the Plan and the risk tolerance of the Authority. As new information regarding the economic environment becomes available, the investment policy may need to be revised. Asset allocations fluctuate due to market performance; however, the targeted OPEB asset allocation is as described below. The Authority's objective in selecting the expected long-term rate of return on assets is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets. The Authority is currently invested in the MERS Total Market Portfolio, with the target asset allocation and expected long-term return reflected below.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	60.00%	3.79%
Global Fixed Income	20.00%	0.90%
Private Investments	20.00%	5.25%
	<u>100.00%</u>	

*Long-term rates of return are net of 2.5% inflation.

Rate of Return. For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 27.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability (Asset)

The Authority's net OPEB asset of \$1,500,292 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Assumptions. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	2.5%, average, including inflation
Investment rate of return	6.00%, net of OPEB plan investment expense, including inflation
Retiree share of benefit related costs	10% of the premium equivalent rates
Healthcare cost trend rates	9%, decreasing by 0.5% per annum to 4.5%

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability (Asset) (continued)

The discount rate was based on the S&P Municipal Bond 20-year High Grade Rate Index.

Mortality rates were based on the RP-2014 Health Annuitant Mortality Table of a 50% male and 50% female blend, with rates multiplied by 105%. The mortality assumptions include a 10% margin for future mortality improvements, relative to actual mortality seen in the 2014-2018 experience study.

Changes in the Net OPEB Liability (Asset)

	Total Net OPEB Liability (Asset)
Balance at 6/30/2020	\$ 58,410
Changes for the year	
Service cost	52,498
Interest	217,202
Difference between expected and actual experience	-
Changes of assumptions	(83,749)
Net difference between projected and actual earnings	(1,048,851)
Employer contributions	(703,546)
Other administrative expenses	7,744
Net change in net OPEB liability (asset)	(1,558,702)
Balance at 6/30/2021	\$ (1,500,292)

There were no changes in actuarial assumptions that affected the change in net OPEB liability (asset) since the June 30, 2021 interim-year disclosure.

Discount Rate. The discount rate used to measure the total net OPEB liability (asset) was 6.00%. The projection of cash flows used to determine the discount rate assumed the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Net OPEB Liability (Asset) (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total net OPEB liability (asset) of the Authority, as well as what the Authority's total net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%). At the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ (1,103,117)	\$ (1,500,292)	\$ (1,838,577)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the Authority, as well as the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8.0%) or one percentage point higher (10.0%) than the current healthcare cost trend rates:

	<u>1% Decrease (8.0% Decreasing to 3.5%)</u>	<u>Healthcare Cost Trend Rates (9.0% Decreasing to 4.5%)</u>	<u>1% Increase (10.0% Decreasing to 5.5%)</u>
Net OPEB liability	\$ (1,689,483)	\$ (1,500,292)	\$ (1,281,140)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Authority recognized OPEB benefit of \$487,908. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (522,535)
Differences between expected and actual experience	8,699	(140,871)
Change of assumptions	<u>262,284</u>	<u>(231,232)</u>
	<u>\$ 270,983</u>	<u>\$ (894,638)</u>

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2022	\$ (193,984)
2023	(121,112)
2024	(145,389)
2025	(163,170)

At June 30, 2021, the Authority did not report a payable to the Plan for required contributions.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover any losses that may result from the above-described activities. No settlements have incurred in excess of coverage in 2021 or any of the prior three years.

NOTE 10 - TAX ABATEMENTS

The Authority is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The Authority receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Ingham County	<u>\$ 57,452</u>

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Authority's 2022 year-end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CAPITAL REGION AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION LIABILITY
AND RELATED RATIOS FOR THE MERS RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED DECEMBER 31)**

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 200,412	\$ 209,121	\$ 196,675	\$ 217,834	\$ 224,823	\$ 249,827	\$ 248,179
Interest	1,356,203	1,341,300	1,342,456	1,330,553	1,286,956	1,258,233	1,216,188
Difference between expected and actual experience	102,906	44,905	(477,777)	(328,093)	66,045	(385,003)	-
Changes of assumptions	460,424	592,485	-	-	-	702,189	-
Benefit payments including employee refunds	(1,112,886)	(1,096,977)	(1,067,076)	(1,054,789)	(1,002,939)	(951,285)	(959,823)
Other	-	1	1	(1)	(493)	1	-
Net change in total pension liability	1,007,059	1,090,835	(5,721)	165,504	574,392	873,962	504,544
Total pension liability beginning	18,301,014	17,210,179	17,215,900	17,050,396	16,476,004	15,602,042	15,097,498
Total pension liability ending	<u>\$ 19,308,073</u>	<u>\$ 18,301,014</u>	<u>\$ 17,210,179</u>	<u>\$ 17,215,900</u>	<u>\$ 17,050,396</u>	<u>\$ 16,476,004</u>	<u>\$ 15,602,042</u>
Plan fiduciary net position							
Contributions-employer	\$ 654,952	\$ 2,062,088	\$ 589,772	\$ 855,404	\$ 1,413,370	\$ 985,285	\$ 492,721
Contributions-employee	425	422	480	469	495	466	94,782
Net investment income	1,973,328	1,797,134	(532,920)	1,642,687	1,242,141	(171,999)	670,221
Benefit payments including employee refunds	(1,112,886)	(1,096,977)	(1,067,076)	(1,054,789)	(1,002,939)	(951,285)	(959,823)
Administrative expense	(31,122)	(31,218)	(26,663)	(25,990)	(24,458)	(24,694)	(24,594)
Net change in plan fiduciary net position	1,484,697	2,731,449	(1,036,407)	1,417,781	1,628,609	(162,227)	273,307
Plan fiduciary net position beginning	15,576,921	12,845,472	13,881,879	12,464,098	10,835,489	10,997,716	10,724,409
Plan fiduciary net position ending	<u>\$ 17,061,618</u>	<u>\$ 15,576,921</u>	<u>\$ 12,845,472</u>	<u>\$ 13,881,879</u>	<u>\$ 12,464,098</u>	<u>\$ 10,835,489</u>	<u>\$ 10,997,716</u>
Employer net pension liability	<u>\$ 2,246,455</u>	<u>\$ 2,724,093</u>	<u>\$ 4,364,707</u>	<u>\$ 3,334,021</u>	<u>\$ 4,586,298</u>	<u>\$ 5,640,515</u>	<u>\$ 4,604,326</u>
Plan fiduciary net position as a percentage of the total pension liability	88.37%	85.12%	74.64%	80.63%	73.10%	65.77%	70.49%
Covered employee payroll	\$ 2,242,505	\$ 2,361,352	\$ 2,171,147	\$ 2,221,471	\$ 2,305,022	\$ 2,581,616	\$ 2,453,195
Employer's net pension liability as a percentage of covered employee payroll	100.18%	115.36%	201.03%	150.08%	198.97%	218.49%	187.69%

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 hereby presents information for those years for which information is available.

**CAPITAL REGION AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS
FOR THE MERS RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 554,546	\$ 549,844	\$ 532,833	\$ 524,548	\$ 513,865	\$ 492,119	\$ 478,276
Contributions in relation to the actuarially determined contribution	<u>654,953</u>	<u>2,062,088</u>	<u>589,772</u>	<u>855,403</u>	<u>1,413,865</u>	<u>892,119</u>	<u>978,276</u>
Contribution deficiency (excess)	<u>\$ (100,407)</u>	<u>\$ (1,512,244)</u>	<u>\$ (56,939)</u>	<u>\$ (330,855)</u>	<u>\$ (900,000)</u>	<u>\$ (400,000)</u>	<u>\$ (500,000)</u>
Covered employee payroll	\$ 2,242,505	\$ 2,361,352	\$ 2,171,147	\$ 2,221,471	\$ 2,305,022	\$ 2,581,616	\$ 2,453,195
Contributions as a percentage of covered employee payroll	29.21%	87.33%	27.16%	38.51%	61.34%	34.56%	39.88%

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 hereby presents information for those years for which information is available.

**CAPITAL REGION AIRPORT AUTHORITY
NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE MERS RETIREMENT PLAN**

Notes to the Schedule of Changes in Employer's Net Pension Liability and Related Ratios

Benefit changes. There were no changes of benefits in 2020.

Changes in assumptions. There were no changes in assumptions in 2020.

Notes to the Schedule of Employer Contributions for the Retirement Plan

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

Previous actuarial methods and assumptions:

A seven year smoothed asset valuation method was used for the time period of 20X2 through 20X8.

Salary increases were expected to be 3.5% for the time period of 20X5 through 20X8.

Investment rate of return was expected to be 7.75% for the time period of 20X5 through 20X8.

**CAPITAL REGION AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET OTHER POSTEMPLOYMENT
BENEFIT LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30)**

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 52,498	\$ 75,742	\$ 49,560	\$ 367,874
Interest	217,202	215,790	230,995	332,831
Changes of benefit terms	-	-	-	(6,891,244)
Difference between expected and actual experience	-	(263,367)	-	71,979
Changes of assumptions	(83,749)	180,113	548,892	(1,435,252)
Benefit payments including employee refunds	(172,114)	(174,141)	(229,542)	(273,762)
Net change in total OPEB liability	13,837	34,137	599,905	(7,827,574)
Total OPEB liability beginning	3,679,835	3,645,698	3,045,793	10,873,367
Total OPEB liability ending	<u>\$ 3,693,672</u>	<u>\$ 3,679,835</u>	<u>\$ 3,645,698</u>	<u>\$ 3,045,793</u>
Plan fiduciary net position				
Contributions-employer	\$ 703,546	\$ 882,031	\$ 982,657	\$ 2,323,762
Net investment gain (loss)	1,048,851	46,852	87,707	(12,843)
Benefit payments including employee refunds	(172,114)	(174,141)	(229,542)	(273,762)
Administrative expense	(7,744)	(5,844)	(4,555)	(897)
Net change in plan fiduciary net position	1,572,539	748,898	836,267	2,036,260
Plan fiduciary net position beginning	3,621,425	2,872,527	2,036,260	-
Plan fiduciary net position ending	<u>\$ 5,193,964</u>	<u>\$ 3,621,425</u>	<u>\$ 2,872,527</u>	<u>\$ 2,036,260</u>
Employer net OPEB liability (asset)	<u>\$ (1,500,292)</u>	<u>\$ 58,410</u>	<u>\$ 773,171</u>	<u>\$ 1,009,533</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	140.62%	98.41%	78.79%	66.85%
Covered employee payroll	\$ 1,257,099	\$ 1,318,678	\$ 2,100,338	\$ 1,688,340
Employer's net OPEB liability (asset) as a percentage of covered employee payroll	-119.35%	4.43%	36.81%	59.79%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Authority hereby presents information for those years for which information is available.

**CAPITAL REGION AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE
OTHER POSTEMPLOYMENT BENEFIT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarial determined contributions	\$ 58,821	\$ 147,296	\$ 145,961	\$ 263,388
Contributions in relation to the actuarially determined contribution	<u>703,546</u>	<u>882,031</u>	<u>982,657</u>	<u>2,323,762</u>
Contribution deficiency (excess)	<u>\$ (644,725)</u>	<u>\$ (734,735)</u>	<u>\$ (836,696)</u>	<u>\$ (2,060,374)</u>
Covered employee payroll	\$ 1,257,099	\$ 1,318,678	\$ 2,100,338	\$ 1,688,340
Contributions as a percentage of covered employee payroll	55.97%	66.89%	46.79%	137.64%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Authority hereby presents information for those years for which information is available.

**CAPITAL REGION AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS (DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return net of investment expense	<u>27.75%</u>	<u>1.51%</u>	<u>3.95%</u>	<u>(3.94)%</u>

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the Authority hereby presents information for those years for which information is available.

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE
AUTHORITY'S OTHER POSTEMPLOYMENT BENEFIT PLAN

Notes to the Schedule of Changes in Employer's Net OPEB Liability (Asset) and Related Ratios

Benefit changes - there were no changes of benefits in 2021.

Changes in assumptions - there were no changes of benefits in 2021.

Notes to the Schedule of Employer Contributions for the OPEB Plan

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Not applicable
	Annual contribution is actuarially determined
Asset valuation method	Market value
Inflation	
Healthcare cost trend rates	9.0% per annum, decreasing by 0.5% per year to
Salary Increases	
Investment rate of return	
Retirement age	Experience based table of rates that are specific to the type of eligibility condition
Mortality	<i>Healthy</i>
	50% Female/50% Male RP-2014 Group
	Annuity Mortality Table
	<i>Disabled</i>
	50% Female/50% Male RP-2014 Group
	Disabled Retiree Mortality Table

ADDITIONAL SUPPLEMENTARY INFORMATION

**CAPITAL REGION AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Program Title	Federal CFDA Number	Award Agreement/ State Project Number	Federal Program Total Award Amount	Total Current Year Expenditures	Funding Sources		
					Federal	State	Local
U.S. Department of Transportation							
Passed through							
Michigan Department of Transportation							
Airport Improvement Program	20.106	B-26-0106-023-2019	\$ 198,822	\$ 128,436	\$ 115,592	\$ 6,422	\$ 6,422
COVID-19 Airport Improvement Program	20.106	3-26-0055-058-2020	10,321,307	5,044,735	5,044,735	-	-
Total U.S. Department of Transportation				5,173,171	5,160,327	6,422	6,422
U.S. Department of Homeland Security							
Direct programs							
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS02-16-H-SLR871 4/1/16-12/31/20	53,036	14,622	14,622	-	-
Total U.S. Department of Homeland Security				14,622	14,622	-	-
 TOTAL FEDERAL AWARDS				<u>\$ 5,187,793</u>	<u>\$ 5,174,949</u>	<u>\$ 6,422</u>	<u>\$ 6,422</u>

CAPITAL REGION AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Capital Region Airport Authority under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Capital Region Airport Authority it is not intended to and does not present the financial position, changes in net position or cash flows of Capital Region Airport Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Authority does not pass-through federal funds.

NOTE 3 - RECONCILIATION WITH THE AUDITED FINANCIAL STATEMENT

Federal expenditures are reported as revenue in the following fund on the financial statements:

Enterprise Fund	
Operating revenue: Grant revenue	\$ 14,622
Non-operating revenue: Grant revenue	5,044,735
Capital contributions	<u>212,105</u>
 Total grant and capital contribution revenue in the financial statements	 5,271,462
 Less: Grant and capital contribution revenue associated with state and local reimbursements	 <u>(96,513)</u>
 Expenditures per schedule of expenditures of federal awards	 <u><u>\$ 5,174,949</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Capital Region Airport Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capital Region Airport Authority (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Region Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Capital Region Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Capital Region Airport Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Region Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiron PC

November 2, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors
Capital Region Airport Authority

Report on Compliance for Each Major Federal Program

We have audited Capital Region Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Capital Region Airport Authority's major federal programs for the year ended June 30, 2021. Capital Region Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Capital Region Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Region Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Capital Region Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Capital Region Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Capital Region Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Capital Region Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capital Region Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manes Costerian PC

November 2, 2021

**CAPITAL REGION AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditors' Results

Financial Statements

Type of audit report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- | | | | | | |
|---|-------|-----|-------|---|---------------|
| ➤ Material weakness(es) identified? | _____ | Yes | _____ | X | No |
| ➤ Significant deficiency(ies) identified? | _____ | Yes | _____ | X | None reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____ | X | No |

Federal Awards

Internal control over major programs:

- | | | | | | |
|---|-------|-----|-------|---|---------------|
| ➤ Material weakness(es) identified? | _____ | Yes | _____ | X | No |
| ➤ Significant deficiency(ies) identified? | _____ | Yes | _____ | X | None reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported with Title 2 CFR Section 200.516(a)?

_____	Yes	_____	X	No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X	Yes	_____	No
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Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**CAPITAL REGION AIRPORT AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no audit findings for the previous audit period.