# CAPITAL REGION AIRPORT AUTHORITY

## REPORT ON FINANCIAL STATEMENTS
## (with required supplementary information)

## YEAR ENDED JUNE 30, 2024

Maner Costerisan

**TABLE OF CONTENTS**

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Capital Region Airport Authority

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Capital Region Airport Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Capital Region Airport Authority, as of June 30, 2024, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Capital Region Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Capital Region Airport Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Capital Region Airport Authority's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

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

***Supplementary Information***

Our 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 accompanying additional supplementary information, as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 other supplementary information is fairly stated, in all material respects, in relation to the basic 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 December 12, 2024, on our consideration of the Capital Region Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Capital Region Airport Authority's internal control over financial reporting and compliance.

Maner Costerisan PC

December 12, 2024

**CAPITAL REGION AIRPORT AUTHORITY**
**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, 2024. 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 $8,328,087 in 2024 and $7,272,115 in 2023. 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 remaining.

- Operating expenses, exclusive of depreciation were $10,917,506 in 2024 and $13,666,791in 2023, respectively. Certain operating expenses ($4,353,121 and $4,879,128, 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 $3,028,270 in 2024 and $2,480,115 in 2023, respectively.

- The Authority's net pension liability totaled $2,988,933 in 2024 and $3,845,550 in 2023.

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $129,513,774 (net position).

- The Authority's total net position increased by $16,523,142. Most of this increase is due to an increase in usage of grant funding, an increase in property tax revenue, an increase in capital contributions, and an increase in the return on Authority investments. These were accompanied by a decrease in advertising and airport development expenses.

- 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 2024 and 2023, net gains for Mason Jewett were $57,482 and $43,641, respectively.

## FINANCIAL HIGHLIGHTS (continued)

- 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 increased to $453,364 in 2024 from $368,473 in 2023. 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 increased to $239,954 in 2024 from $200,265 in 2023. 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 $13,042,705 in 2024 from $5,114,971 in 2023. This is due to an increase in the Airport Improvement Program grant funding, offset by the decrease in CARES Act funding, in direct response to the COVID-19 pandemic, which was fully utilized in the prior year. In 2024, this grant concluded, and grant revenue associated with government projects was recognized. In 2023, this funding was used to cover payroll and related expenses of the Authority in addition to utilities.

  e. Return on investment increased to $2,195,689 in 2024 from $684,153 in 2023. Airport reserves continue to be invested consistently and conservatively and are in accordance with state and Authority policy, thereby ensuring the safety of principal. During 2023-2024 and 2022-2023, changes in the federal monetary policy and overall economic climate resulted in increased interest rates. This had a favorable impact on the investments held by the Authority.

## 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 2024, 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 serve 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.

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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.

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 21 through 42 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 44 through 50 of this report. Certain *additional supplementary information* concerning the Authority's schedule of expenditures of federal awards can be found on pages 52 through 60 of this report.

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Capital Region Airport Authority's Net Position

| | 2024 | 2023 |
|---|---|---|
| ASSETS | | |
| Current and other assets | $ 65,877,845 | $ 57,875,113 |
| Capital assets | 78,262,740 | 66,714,635 |
| Net other postemployment benefit asset | 3,028,270 | 2,480,115 |
| TOTAL ASSETS | 147,168,855 | 127,069,863 |
| DEFERRED OUTFLOWS OF RESOURCES | 1,722,088 | 2,536,513 |
| LIABILITIES | | |
| Current liabilities | 6,853,279 | 3,044,047 |
| Long-term liabilities, excluding net pension liability and net other postemployment benefit liability | 225,238 | 228,028 |
| Net pension liability | 2,988,933 | 3,845,550 |
| TOTAL LIABILITIES | 10,067,450 | 7,117,625 |
| DEFERRED INFLOWS OF RESOURCES | 9,309,719 | 9,498,119 |
| NET POSITION | | |
| Net investment in capital assets | 78,262,740 | 66,714,635 |
| Restricted | 409,157 | 3,845,556 |
| Restricted for OPEB | 3,028,270 | 2,480,115 |
| Unrestricted | 47,813,607 | 39,950,326 |
| TOTAL NET POSITION | $ 129,513,774 | $ 112,990,632 |

By far the largest portion of the Authority's net position (60%) 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 (3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position ($47.8 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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.

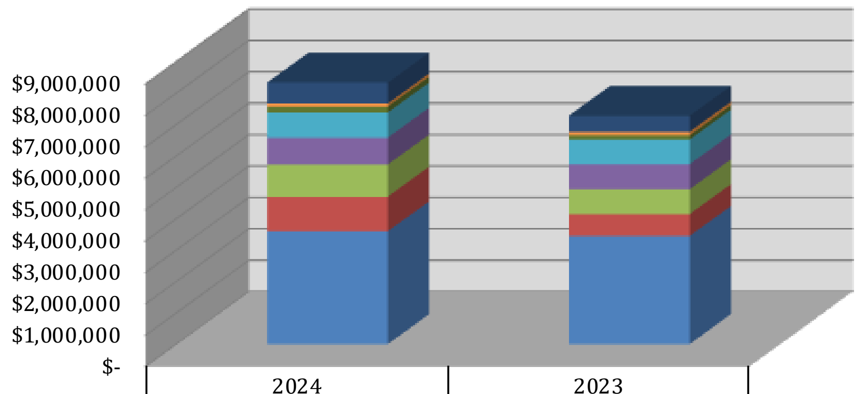
Capital Region Airport Authority's Changes in Net Position

| | 2024 | 2023 |
|---|---|---|
| Operating revenues | $ 8,328,087 | $ 7,272,115 |
| Operating expenses | 14,733,633 | 17,379,609 |
| Total operating income (loss) | (6,405,546) | (10,107,494) |
| Non-operating revenue (expenses) | | |
| Property tax revenue | 6,637,359 | 6,213,566 |
| Passenger facility charges | 453,364 | 368,473 |
| Customer facility charges | 239,954 | 200,265 |
| Grant revenue | 13,042,705 | 5,114,971 |
| Gain on sale of capital assets | 31,200 | 96,279 |
| Return on investments - net | 2,195,689 | 684,153 |
| Total non-operating revenue - net | 22,600,271 | 12,677,707 |
| Net income before capital contributions | 16,194,725 | 2,570,213 |
| Capital contributions | 328,417 | 2,697,730 |
| Change in net position | $ 16,523,142 | $ 5,267,943 |

**Capital Region Airport Authority**
**Operating Revenues**
**Year ended June 30, 2024**

## Revenue

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



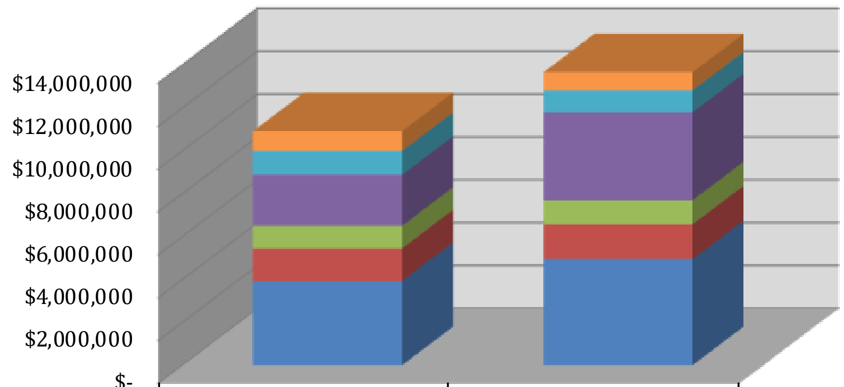

| | 2024 | 2023 |
|---|---|---|
| Other | $666,911 | $509,585 |
| Fuel revenue | $99,048 | $112,347 |
| Lease interest revenue | $189,478 | $134,977 |
| Land rent | $798,693 | $786,005 |
| Terminal space rent | $856,504 | $798,453 |
| Concessions | $1,022,834 | $788,296 |
| Parking lot | $1,101,276 | $698,333 |
| Airline | $3,593,343 | $3,444,119 |

The Authority operates under a compensatory pricing model. A increase in airline revenue (i.e. landing and apron fees) is a result of several factors: a slight increase in enplanements, as well as a slight increase in Rates & Charges. Parking lot fees and concessions also increased due to the aforementioned increases in enplanement and deplanement activity. Terminal space rent increased due to the addition of a new airline. Airline traffic has increased and remained steady, but is not yet to pre-pandemic levels.

**Capital Region Airport Authority**
**Operating Expenses**
**Year ended June 30, 2024**

## 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:




| | 2024 | 2023 |
|---|---|---|
| Other operating expenses | $930,527 | $854,480 |
| Utilities/Fuel | $1,109,769 | $1,014,660 |
| Advertising/Development | $2,376,673 | $4,105,694 |
| Maintenance/repairs | $1,055,805 | $1,128,420 |
| Contract services | $1,511,193 | $1,621,655 |
| Payroll and related | $3,933,539 | $4,941,882 |

Payroll expenses decreased due to changes in pension and OPEB actuarial assumptions and prior year plan changes. Advertising/development and contract services decreased primarily due to an increased focus on advertising in an effort to spur increased awareness and traffic to the Authority in the prior year that was not a priority in the current fiscal year. Utilities and fuel remained consistent due to the consistency seen after the prior year rebound in travel.

Capital Asset and Debt Administration

**Capital Assets.** The Authority's investment in capital assets as of June 30, 2024, amounts to $78.3 million (net of accumulated depreciation). 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)

| | 2024 | 2023 |
|---|---|---|
| Land | $ 21,039,567 | $ 21,039,567 |
| Construction in process | 26,764,387 | 11,546,255 |
| Runways and taxiways | 12,973,243 | 14,730,423 |
| Buildings and improvements | 10,116,170 | 10,892,678 |
| Machinery and equipment | 3,966,875 | 4,491,801 |
| Rolling stock - off road | 535,098 | 790,249 |
| Land improvements | 2,680,700 | 2,988,350 |
| Master plan | 186,700 | 235,312 |
| | $ 78,262,740 | $ 66,714,635 |

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 about $300,000. This represents compensated absences earned but not used as of year-end. The revenue bonds outstanding at the end of the prior fiscal year were paid in full during 2023-2024.

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

| | 2024 | 2023 |
|---|---|---|
| Compensated absences | $ 300,317 | $ 304,037 |

The Authority's total long-term obligations decreased by $3,720 (1.22%) during the current fiscal year. This is attributable to the annual changes in the earned leave balances of employees.

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

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:

| | 2024 | 2023 |
|---|---|---|
| Terminal rental (type I space) | $ 50.43 | $ 50.53 |
| Terminal rental (type II space) | 35.30 | 35.37 |
| Terminal rental (Terminal 2 - per turn) | 489.68 | 461.13 |
| Landing fees (per 1,000 pounds) | 2.02 | 1.96 |
| Airline apron fee (per 1,000 pounds) | 1.77 | 1.72 |

Economic Factors and Next Year's Budgets and Rates

The primary industry challenge heading into fiscal year 2024 is the continued decrease in enplanements due to the COVID-19 pandemic and 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 is working to expand 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 2024.

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 Vice President 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, 2024**

| | |
|---|---|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | $ 50,023,866 |
| Investments | 4,444,044 |
| Receivables | |
| Trade, net of allowance for doubtful accounts | 1,021,156 |
| Leases | 1,189,384 |
| Grants | 302,194 |
| Passenger facility charges | 35,900 |
| Prepaid expenses and other assets | 365,793 |
| Total current assets | 57,382,337 |
| Noncurrent assets | |
| Cash and cash equivalents - restricted | 409,157 |
| Receivables - leases, net of current portion | 8,086,351 |
| Capital assets, not being depreciated | 47,803,954 |
| Capital assets, net of accumulated depreciation | 30,458,786 |
| Net other postemployment benefit asset | 3,028,270 |
| Total noncurrent assets | 89,786,518 |
| TOTAL ASSETS | 147,168,855 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension related amounts | 1,573,745 |
| Other postemployment benefit related amounts | 148,343 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 1,722,088 |

See notes to financial statements.

| | |
|---|---|
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and accrued liabilities | $ 1,918,274 |
| Unearned revenue | 4,859,926 |
| Current portion of compensated absences | 75,079 |
| Total current liabilities | 6,853,279 |
| Long-term liabilities, net of current portion | |
| Compensated absences | 225,238 |
| Net pension liability | 2,988,933 |
| Total long-term liabilities | 3,214,171 |
| TOTAL LIABILITIES | 10,067,450 |
| DEFERRED INFLOWS OF RESOURCES | |
| Leases | 9,234,360 |
| Pension related amounts | 53,090 |
| Other postemployment benefit related amounts | 22,269 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 9,309,719 |
| NET POSITION | |
| Investment in capital assets | 78,262,740 |
| Restricted passenger facility charge deposits | 409,157 |
| Restricted for OPEB | 3,028,270 |
| Unrestricted | 47,813,607 |
| TOTAL NET POSITION | $129,513,774 |

See notes to financial statements.

## CAPITAL REGION AIRPORT AUTHORITY
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## YEAR ENDED JUNE 30, 2024

| | |
|---|---|
| OPERATING REVENUES | |
| Airline | $ 3,593,343 |
| Parking lot | 1,101,276 |
| Concessions | 1,022,834 |
| Terminal space rent | 856,504 |
| Land rent | 798,693 |
| Interest | 189,478 |
| Fuel revenue | 99,048 |
| Other | 666,911 |
| TOTAL OPERATING REVENUES | 8,328,087 |
| OPERATING EXPENSES | |
| Wages | 2,828,064 |
| Benefits | (11,448) |
| Retirement | 904,530 |
| Payroll taxes | 212,393 |
| Supplies | 174,533 |
| Maintenance | 1,045,427 |
| Repairs | 10,378 |
| Professional services | 1,511,193 |
| Insurance | 280,878 |
| Employee development | 179,222 |
| Utilities, fuel, and communication | 1,109,769 |
| Equipment | 219,127 |
| Advertising | 1,047,995 |
| Airport development | 1,328,678 |
| Other | 76,767 |
| Total operating expenses before depreciation | 10,917,506 |
| Depreciation | 3,816,127 |
| TOTAL OPERATING EXPENSES | 14,733,633 |
| Operating loss | (6,405,546) |
| NON-OPERATING REVENUES | |
| Property tax revenue | 6,637,359 |
| Passenger facility charge revenue | 453,364 |
| Customer facility charge revenue | 239,954 |
| Grant revenue - Federal | 10,972,677 |
| Grant revenue - State | 2,070,028 |
| Return on investments - net | 2,195,689 |
| Gain on sale of capital assets | 31,200 |
| TOTAL NON-OPERATING REVENUES - NET | 22,600,271 |
| Net income before capital contributions | 16,194,725 |
| CAPITAL CONTRIBUTIONS | 328,417 |
| Change in net position | 16,523,142 |
| NET POSITION | |
| Beginning of year | 112,990,632 |
| End of year | $ 129,513,774 |

See notes to financial statements.

**CAPITAL REGION AIRPORT AUTHORITY**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED JUNE 30, 2024**

| | |
|---|---|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | |
| Cash flows from operating activities | |
| Charges and rentals | $ 7,313,709 |
| Payments to suppliers | (5,088,861) |
| Payments to employees | (4,739,113) |
| Net cash and cash equivalents used in operating activities | (2,514,265) |
| Cash flows from non-capital financing activities | |
| Taxes collected | 6,637,359 |
| Cash flows for capital and related financing activities | |
| Receipt of capital grants | 15,742,705 |
| Purchase of capital assets | (15,035,815) |
| Proceeds on sale of capital assets | 31,200 |
| Passenger facility charges collected | 453,364 |
| Customer facility charge revenue | 239,954 |
| Net cash and cash equivalents used in capital and related financing activities | 1,431,408 |
| Cash flows from investing activities | |
| Return on investments - net | 2,195,689 |
| Proceeds (purchases) of investments - net | (1,338,138) |
| Net cash and cash equivalents provided in investing activities | 857,551 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 6,412,053 |
| CASH AND CASH EQUIVALENTS | |
| Beginning of year | 44,020,970 |
| End of year | $ 50,433,023 |

See notes to financial statements.

**CAPITAL REGION AIRPORT AUTHORITY**
**STATEMENT OF CASH FLOWS**
**JUNE 30, 2024**

| | | |
|---|---|---|
| STATEMENT OF NET POSITION CLASSIFICATION OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents | $ | 50,023,866 |
| Restricted cash and cash equivalents | | 409,157 |
| Total cash and cash equivalents | $ | 50,433,023 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH AND CASH EQUIVELENTS USED IN OPERATING ACTIVITIES | | |
| Operating loss | $ | (6,405,546) |
| Depreciation | | 3,816,127 |
| Changes in assets and liabilities | | |
| Receivables | | (1,024,539) |
| Receivables - leases | | (37,395) |
| Prepaid and other assets | | 809,393 |
| Accounts payable and accrued liabilities | | 1,085,713 |
| Unearned revenue | | 24,449 |
| Accrued and other liabilities | | (3,720) |
| Pension related items | | 13,407 |
| Deferred inflow - leases | | 23,107 |
| Other postemployment benefit related items | | (815,261) |
| Net cash and cash equivalents provided in operating activities | $ | (2,514,265) |

Capital contributions amounting to $328,417 were received from both the federal government and the State of Michigan during 2024, and were recorded as additions to property, buildings, equipment, and Authority revenue.

See notes to financial statements.

**CAPITAL REGION AIRPORT AUTHORITY**
**FIDUCIARY FUND**
**STATEMENT OF NET POSITION**
**JUNE 30, 2024**

| | Other Post Employment Benefit Trust Fund |
|---|---|
| | Retiree Health Benefits |
| ASSETS | |
| Investments | $ 6,274,551 |
| | |
| NET POSITION | |
| Restricted for other postemployment benefits | $ 6,274,551 |

See notes to financial statements.

**CAPITAL REGION AIRPORT AUTHORITY**
**FIDUCIARY FUND**
**STATEMENT OF CHANGES IN NET POSITION**
**YEAR ENDED JUNE 30, 2024**

| | Other Post Employment Benefit Trust Fund |
|---|---|
| | Retiree Health Benefits |
| ADDITIONS | |
| Contributions | |
| Employer | $ 210,719 |
| Investment earnings - net | 579,678 |
| TOTAL ADDITIONS | 790,397 |
| DEDUCTIONS | |
| Benefit payments | 188,109 |
| Non-investment administrative expenses | 12,453 |
| TOTAL DEDUCTIONS | 200,562 |
| Change in net position | 589,835 |
| NET POSITION | |
| Beginning of year | 5,684,716 |
| End of year | $ 6,274,551 |

See 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.

### 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 (three airlines) accounted for approximately 44.6% of operating revenues as of and for the year ended June 30, 2024. Two airlines and one service provider accounted for approximately 40.8% of accounts receivable.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*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.

*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, 2024, the allowance for doubtful accounts was $20,000.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)</u>

*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 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 |

*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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Deferred Outflows/Inflows of Resources (continued)*

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 three items that qualify for reporting in this category. The first and second are 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. The Authority also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the Authority in which the Authority is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

*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.

*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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*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.

*Leases*

Lessor: The Authority is a lessor for noncancelable leases of certain airport facilities including ready/return rental car parking areas, buildings, terminals, hangars, and customer service areas. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for any lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Authority determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of the leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 2023 taxable valuation of properties totaled approximately $9.3 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 $6,640,000 of tax revenue for the Authority.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenses (continued)

*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.

*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.

## NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2024, 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, 2024, $49,358,340 of the Authority's bank balance of $50,617,229 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 $50,433,023 is reported as deposits on the financial statements as of June 30, 2024.

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.

## NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|---|---|---|
| Money Market Government Funds | $ 4,444,044 | 0.1080 |

One day maturity equals 0.0027, one year equals 1.00.

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.

| Investment Type | Fair Value | Rating | Rating Agency |
|---|---|---|---|
| Money Market Government Funds | $ 4,444,044 | AAAm | 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.

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Fair Value Measurement (continued)

| | Level 1 | Level 2 | Level 3 | Balance at June 30, 2024 |
|---|---|---|---|---|
| Investments by fair value level: | | | | |
| Money Market Government Funds | $ - | $ 4,444,044 | $ - | $ 4,444,044 |

Investments in Entities that Calculate Net Asset Value per Share

The Authority holds shares or interests in a trust with the Michigan Employer Retirement System where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

These funds invest in U.S. Treasury obligations, federal agencies of the U.S. government, and repurchase agreements. It purchases securities that are legally permissible under state statutes.

At the year ended June 30, 2024, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| Investment Type | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|---|---|---|---|---|
| MERS Total Market Portfolio | $ 6,274,551 | $ - | No restrictions | None |

The deposits 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.

The following summarizes the categorization of these amounts as of June 30, 2024.

| | Primary Government | Fiduciary Fund | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 50,023,866 | $ - | $ 50,023,866 |
| Cash and cash equivalents - restricted | 409,157 | - | 409,157 |
| Investments | 4,444,044 | 6,274,551 | 10,718,595 |
| | $ 54,877,067 | $ 6,274,551 | $ 61,151,618 |

## NOTE 3 - RESTRICTED ASSETS

The restricted funds at June 30, 2024 are required under the provisions of the Federal Passenger Facility Charge Program. These funds, which consist of cash and investments, are segregated into the following:

| | |
|---|---|
| Passenger facility charges deposits | $ 409,157 |

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.

## NOTE 4 - CAPITAL ASSETS

The capital assets are as follows:

| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land | $ 21,039,567 | $ - | $ - | $ 21,039,567 |
| Construction in process | 11,546,255 | 15,218,132 | - | 26,764,387 |
| Total capital assets, not being depreciated/amortized | 32,585,822 | 15,218,132 | - | 47,803,954 |
| Capital assets, being depreciated | | | | |
| Runways and taxiways | 56,966,352 | - | - | 56,966,352 |
| Buildings and improvements | 51,376,158 | - | - | 51,376,158 |
| Machinery and equipment | 15,704,552 | 146,100 | 127,512 | 15,723,140 |
| Rolling stock - off road | 4,633,772 | - | 37,063 | 4,596,709 |
| Land improvements | 15,130,194 | - | - | 15,130,194 |
| Master plan | 1,738,896 | - | - | 1,738,896 |
| Software | 103,976 | - | - | 103,976 |
| Total capital assets, being depreciated | 145,653,900 | 146,100 | 164,575 | 145,635,425 |
| Less accumulated depreciation for: | | | | |
| Runways and taxiways | 42,235,929 | 1,757,180 | - | 43,993,109 |
| Buildings and improvements | 40,483,480 | 776,508 | - | 41,259,988 |
| Machinery and equipment | 11,212,751 | 671,026 | 127,512 | 11,756,265 |
| Rolling stock - off road | 3,843,523 | 255,151 | 37,063 | 4,061,611 |
| Land improvements | 12,141,844 | 307,650 | - | 12,449,494 |
| Master plan | 1,503,584 | 48,612 | - | 1,552,196 |
| Software | 103,976 | - | - | 103,976 |
| Total accumulated depreciation | 111,525,087 | 3,816,127 | 164,575 | 115,176,639 |
| Total capital assets, being depreciated, net | 34,128,813 | (3,670,027) | - | 30,458,786 |
| Total | $ 66,714,635 | $ 11,548,105 | $ - | $ 78,262,740 |

## NOTE 4 - CAPITAL ASSETS (continued)

Airport improvements in progress consist of the following:

| | |
|---|---|
| Federal projects | |
| MJF ALP Update | $ 227,460 |
| MJF Taxiline Rehab - Design | 68,152 |
| MJF Taxiline Rehab - Construction | 343,723 |
| Cargo Ramp Expansion, Phase 1 - Design | 215,274 |
| Cargo Ramp Expansion, Phase 1 - Construction | 5,786,409 |
| Taxiway C Rehab - Design | 111,940 |
| Taxiway C Rehab - Construction | 1,851,564 |
| Taxiway Transient Apron Entrance - Construction | 948,782 |
| De-Icing Containments Facility - Design | 162,428 |
| De-Icing Containments Facility - Construction | 853,092 |
| Cargo Ramp Expansion, Phase 2&3 - Design | 603,361 |
| Cargo Ramp Expansion, Phase 2&3 - Construction | 1,652,694 |
| Cargo Ramp Expansion, Phase 2&3 - CA/RPR | 6,979,112 |
| Terminal Apron Rehab - Design | 172,677 |
| Terminal Apron Rehab - Construction | 3,500 |
| LAN Master Plan Update | 1,088,825 |
| Port Lansing Site Readiness | 291,446 |
| | 21,360,439 |
| State of Michigan projects | |
| PFAS Monitoring and Testing | 118,786 |
| Cargo Ramp Expansion - Construction | 2,000,000 |
| | 2,118,786 |
| Local projects | |
| Refresh Voice Routers | 38,867 |
| Chiller Rehab | 184,678 |
| Terminal Interior Improvements | 59,474 |
| Snow Removal Equipment Builidng Addition | 184,984 |
| Car Rental Service Center | 956,270 |
| Coffee Bar | 534,548 |
| Replace Crash Phone System | 40,646 |
| MJF Fuel System Project | 194,776 |
| CCRV Upgrade | 19,872 |
| Capital City Boulevard Signage and Landscaping | 271,820 |
| IT Infrastructure Project | 152,410 |
| Replace Baggage Claim Roll-up Doors | 17,111 |
| PFAS Testing for Cargo Ramp Expansion | 28,300 |
| MJF Terminal Upgrades | 101,012 |
| ATCT Fire Alarm Sprinklers | 49,131 |
| EV Charging Units | 123,378 |
| Charging Tables | 32,632 |
| Port Lansing and Dewitt Road Signage | 92,161 |
| Various Vehicles | 193,349 |
| Other Miscellaneous Projects | 9,743 |
| | 3,285,162 |
| Total | $ 26,764,387 |

## NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Authority for the year ended June 30, 2024.

| | Compensated Absences |
|---|---|
| Balance July 1, 2023 | $ 304,037 |
| Additions | 10,365 |
| Deletions | (14,085) |
| Balance June 30, 2024 | 300,317 |
| Due within one year | (75,079) |
| Due in more than one year | $ 225,238 |

## NOTE 6 - LEASES

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.

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

| | |
|---|---|
| Minimum rental | $ 3,717,163 |
| Contingent rental | 2,124,110 |
| | $ 5,841,273 |

The Capital Region Airport Authority leases land, buildings, and hangar space to various tenants. The Capital Region Airport Authority recognized $1,655,197 in lease revenue and $189,478 in interest revenue during the current fiscal year related to leases. As of June 30, 2024, the Capital Region Airport Authority's current portion of lease payments receivable was $1,189,384, and $8,086,351 was considered non-current. Also, the Capital Region Airport Authority has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2024, the balance of the deferred inflow of resources was $9,234,360.

**NOTE 6 - LEASES (continued)**

Future expected payments associated with the existing leases are as follows:

| Year Ending June 30, | Total |
|---|---|
| 2025 | $ 1,355,743 |
| 2026 | 1,030,126 |
| 2027 | 926,073 |
| 2028 | 870,692 |
| 2029 | 850,006 |
| 2030 and thereafter | 5,606,901 |
| Total payments | 10,639,541 |
| Less: interest | (1,363,806) |
| Total lease receivable | $ 9,275,735 |

**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.

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.

**NOTE 7 - PENSION PLAN (continued)**

Benefits Provided (continued)

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, 2023 valuation date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 54 |
| Inactive employees entitled to but not yet receiving benefits | 20 |
| Active employees | 38 |
| | 112 |

**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 28.41% for fiscal year 2024.

**Net Pension Liability.** The employer's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**Actuarial Assumptions.** The total pension liability in the December 31, 2023 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: 7.18%, net of investment and administrative expense, including inflation

Although no specific price inflation assumption is needed for this valuation, the assumed long-term annual rate of price inflation is 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

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

**NOTE 7 - PENSION PLAN (continued)**

Benefits Provided (continued)

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:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return | Money-Weighted Rate of Return |
|---|---|---|---|
| Global Equity | 60.00% | 4.20% | 2.63% |
| Global Fixed Income | 20.00% | 0.90% | 0.40% |
| Private Investments | 20.00% | 1.90% | 1.40% |
| | 100.00% | | 4.43% |
| Inflation | | | 2.50% |
| Assumed investment rate of return | | | 6.93% |
| Administration expenses netted above | | | 0.25% |
| Investment rate of return (discount rate) | | | 7.18% |

**Discount Rate.** The discount rate used to measure the total pension liability is 7.18%. 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.

## 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 12/31/2022 | $ 20,994,192 | $ 17,148,642 | $ 3,845,550 |
| Changes for the year | | | |
| Service cost | 226,011 | - | 226,011 |
| Interest on total pension liability | 1,479,509 | - | 1,479,509 |
| Difference between expected and actual experience | (79,635) | - | (79,635) |
| Changes of assumptions | 145,659 | - | 145,659 |
| Employer contributions | - | 746,055 | (746,055) |
| Employee contributions | - | 421 | (421) |
| Net investment income | - | 1,921,612 | (1,921,612) |
| Benefit payments including employee refunds | (1,400,350) | (1,400,350) | - |
| Administrative expense | - | (39,928) | 39,928 |
| Other charges | (1) | - | (1) |
| Net changes | 371,193 | 1,227,810 | (856,617) |
| Balances as of 12/31/2023 | $ 21,365,385 | $ 18,376,452 | $ 2,988,933 |

**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 7.18%, as well as what the employer's net pension liability would be using a discount rate that is one-percentage point lower (6.18%) or one-percentage point higher (8.18%) than the current rate.

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| Net pension liability at 12/31/2023 | $ 5,269,003 | $ 2,988,933 | $ 1,057,987 |

**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, 2024 the employer recognized pension expense of $843,886. 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 | $ 903,275 | $ - |
| Differences in experience | 80,639 | (53,090) |
| Differences in assumptions | 97,106 | - |
| Contributions subsequent to the measurement date* | 492,725 | - |
| | $ 1,573,745 | $ (53,090) |

* 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:

| Year Ending | Pension Expense |
|---|---|
| 2025 | $ 264,063 |
| 2026 | 332,768 |
| 2027 | 571,798 |
| 2028 | (140,699) |

Changes in Assumptions

Change in discount rate from 7.25% to 7.18%.

Changes in Benefits

There were no changes of benefit terms during plan year 2023.

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Authority provides post-employment 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, 2024.

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, 2024, the date of the latest actuarial valuation, participants in the Plan consisted of:

| | |
|---|---|
| Inactive plan members or beneficiaries | 50 |
| Active plan members | 15 |
| Total | 65 |

**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, 2024, the Authority's average contribution rate was 20.58% of covered payroll.

**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 | Money-Weighted Rate of Return |
|---|---|---|---|
| Global Equity | 60.00% | 3.50% | 2.10% |
| Global Fixed Income | 20.00% | 1.56% | 0.31% |
| Private Investments | 20.00% | 5.44% | 1.09% |
| | 100.00% | | 3.50% |
| Inflation | | | 2.50% |
| Investment rate of return | | | 6.00% |

**Rate of Return.** For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 10.27%. 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 $3,028,270 was measured as of June 30, 2024, 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.

## NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability (Asset) (continued)

**Actuarial Assumptions.** The total OPEB liability in the June 30, 2024 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 | Pre-65; 7.25% per annum, decreasing by 0.25% per year to 4.5%<br>Post-65; 19.6% per annum, decreasing by 15.1% to 4.5% |

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)

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a)-(b) |
| Balance at 6/30/2023 | $ 3,204,601 | $ 5,684,716 | $ (2,480,115) |
| Changes for the year | | | |
| Service cost | 40,362 | - | 40,362 |
| Interest on total OPEB liability | 189,055 | - | 189,055 |
| Difference between expected and actual experience | (35,915) | - | (35,915) |
| Changes of assumptions | 36,287 | - | 36,287 |
| Employer contributions | - | 210,719 | (210,719) |
| Net investment gain | - | 579,678 | (579,678) |
| Benefit payments including employee refunds | (188,109) | (188,109) | - |
| Administrative expenses | - | (12,453) | 12,453 |
| Net change in net OPEB liability (asset) | 41,680 | 589,835 | (548,155) |
| Balance at 6/30/2024 | $ 3,246,281 | $ 6,274,551 | $ (3,028,270) |

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

There were no changes in actuarial assumptions that affected the change in net OPEB liability (asset) since the June 30, 2024 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.

**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:

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| Net OPEB liability | $ (2,731,816) | $ (3,028,270) | $ (3,285,786) |

**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 (6.25%) or one percentage point higher (8.25%) than the current healthcare cost trend rates:

| | 1% Decrease (6.25% Decreasing to 3.5%) | Healthcare Cost Trend Rates (7.25% Decreasing to 4.5%) | 1% Increase (8.25% Decreasing to 5.5%) |
|---|---|---|---|
| Net OPEB liability | $ (3,139,843) | $ (3,028,270) | $ (2,905,257) |

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

For the year ended June 30, 2024, the Authority recognized OPEB benefit of $815,261. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Net difference between projected and actual earnings on OPEB plan investments | $ 81,319 | $ - |
| Differences between expected and actual experience | 41,860 | - |
| Change of assumptions | 25,164 | (22,269) |
| | $ 148,343 | $ (22,269) |

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, | OPEB Expense |
|---|---|
| 2025 | $ 111,639 |
| 2026 | (96,358) |
| 2027 | 63,135 |
| 2028 | 47,658 |

At June 30, 2024, 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 2024 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:

| Municipality | Taxes Abated |
|---|---|
| Ingham County | $ 43,982 |
| Eaton County | 20,509 |
| | $ 64,491 |

## NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)**

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
    ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 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 TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED DECEMBER 31)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total pension liability | | | | | | | | | | |
| Service cost | $ 226,011 | $ 235,346 | $ 202,543 | $ 200,412 | $ 209,121 | $ 196,675 | $ 217,834 | $ 224,823 | $ 249,827 | $ 248,179 |
| Interest | 1,479,509 | 1,438,163 | 1,430,361 | 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 | (79,635) | 241,915 | (94,535) | 102,906 | 44,905 | (477,777) | (328,093) | 66,045 | (385,003) | - |
| Changes of assumptions | 145,659 | - | 690,493 | 460,424 | 592,485 | - | - | - | 702,189 | - |
| Benefit payments including employee refunds | (1,400,350) | (1,280,567) | (1,177,601) | (1,112,886) | (1,096,977) | (1,067,076) | (1,054,789) | (1,002,939) | (951,285) | (959,823) |
| Other | (1) | 1 | - | - | 1 | 1 | (1) | (493) | 1 | - |
| Net change in total pension liability | 371,193 | 634,858 | 1,051,261 | 1,007,059 | 1,090,835 | (5,721) | 165,504 | 574,392 | 873,962 | 504,544 |
| Total pension liability beginning | 20,994,192 | 20,359,334 | 19,308,073 | 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 | $ 21,365,385 | $ 20,994,192 | $ 20,359,334 | $ 19,308,073 | $ 18,301,014 | $ 17,210,179 | $ 17,215,900 | $ 17,050,396 | $ 16,476,004 | $ 15,602,042 |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions-employer | $ 746,055 | $ 1,487,583 | $ 746,516 | $ 654,952 | $ 2,062,088 | $ 589,772 | $ 855,404 | $ 1,413,370 | $ 985,285 | $ 492,721 |
| Contributions-employee | 421 | 457 | 16,122 | 425 | 422 | 480 | 469 | 495 | 466 | 94,782 |
| Net investment income | 1,921,612 | (2,168,219) | 2,526,119 | 1,973,328 | 1,797,134 | (532,920) | 1,642,687 | 1,242,141 | (171,999) | 670,221 |
| Benefit payments including employee refunds | (1,400,350) | (1,280,567) | (1,177,601) | (1,112,886) | (1,096,977) | (1,067,076) | (1,054,789) | (1,002,939) | (951,285) | (959,823) |
| Administrative expense | (39,928) | (35,961) | (27,426) | (31,122) | (31,218) | (26,663) | (25,990) | (24,458) | (24,694) | (24,594) |
| Other | - | 1 | - | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | 1,227,810 | (1,996,706) | 2,083,730 | 1,484,697 | 2,731,449 | (1,036,407) | 1,417,781 | 1,628,609 | (162,227) | 273,307 |
| Plan fiduciary net position beginning | 17,148,642 | 19,145,348 | 17,061,618 | 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 | $ 18,376,452 | $ 17,148,642 | $ 19,145,348 | $ 17,061,618 | $ 15,576,921 | $ 12,845,472 | $ 13,881,879 | $ 12,464,098 | $ 10,835,489 | $ 10,997,716 |
| Employer net pension liability | $ 2,988,933 | $ 3,845,550 | $ 1,213,986 | $ 2,246,455 | $ 2,724,093 | $ 4,364,707 | $ 3,334,021 | $ 4,586,298 | $ 5,640,515 | $ 4,604,326 |
| Plan fiduciary net position as a percentage of the total pension liability | 86.01% | 81.68% | 94.04% | 88.37% | 85.12% | 74.64% | 80.63% | 73.10% | 65.77% | 70.49% |
| Covered employee payroll | $ 2,505,594 | $ 2,397,002 | $ 2,321,730 | $ 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 | 119.29% | 160.43% | 52.29% | 100.18% | 115.36% | 201.03% | 150.08% | 198.97% | 218.49% | 187.69% |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarial determined contributions | $ 709,953 | $ 703,161 | $ 596,650 | $ 554,546 | $ 549,844 | $ 532,833 | $ 524,548 | $ 513,865 | $ 492,119 | $ 478,276 |
| Contributions in relation to the actuarially determined contribution | 746,055 | 1,487,583 | 746,517 | 654,953 | 2,062,088 | 589,772 | 855,403 | 1,413,865 | 892,119 | 978,276 |
| Contribution deficiency (excess) | $ (36,102) | $ (784,422) | $ (149,867) | $ (100,407) | $ (1,512,244) | $ (56,939) | $ (330,855) | $ (900,000) | $ (400,000) | $ (500,000) |
| Covered employee payroll | $ 2,625,886 | $ 2,601,950 | $ 2,321,730 | $ 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 | 28.41% | 57.17% | 32.15% | 29.21% | 87.33% | 27.16% | 38.51% | 61.34% | 34.56% | 39.88% |

**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 2023.

*Changes in Assumptions.* The assumption changes for 2023 were:

- Discount rate decreased to 7.18% from 7.25%.

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 | 19 years |
| Asset valuation method | 5 year smoothed |
| Inflation | 3.00% |
| Salary increases | 7.35% |
| Investment rate of return | Varies depending on plan adoption |
| Retirement age | 50% Female/50% Male RP-2014 Group |
| Mortality | Annuity Mortality Table |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Total OPEB liability | | | | | | | |
| Service cost | $ 40,362 | $ 39,981 | $ 51,822 | $ 52,498 | $ 75,742 | $ 49,560 | $ 367,874 |
| Interest | 189,055 | 183,621 | 218,332 | 217,202 | 215,790 | 230,995 | 332,831 |
| Changes of benefit terms | | - | - | - | - | - | (6,891,244) |
| Difference between expected and actual experience | (35,915) | (6,607) | (315,695) | - | (263,367) | - | 71,979 |
| Changes of assumptions | 36,287 | 25,265 | (368,295) | (83,749) | 180,113 | 548,892 | (1,435,252) |
| Benefit payments including employee refunds | (188,109) | (156,061) | (161,434) | (172,114) | (174,141) | (229,542) | (273,762) |
| Net change in total OPEB liability | 41,680 | 86,199 | (575,270) | 13,837 | 34,137 | 599,905 | (7,827,574) |
| Total OPEB liability beginning | 3,204,601 | 3,118,402 | 3,693,672 | 3,679,835 | 3,645,698 | 3,045,793 | 10,873,367 |
| Total OPEB liability ending | $ 3,246,281 | $ 3,204,601 | $ 3,118,402 | $ 3,693,672 | $ 3,679,835 | $ 3,645,698 | $ 3,045,793 |
| Plan fiduciary net position | | | | | | | |
| Contributions-employer | $ 210,719 | $ 163,383 | $ 738,209 | $ 703,546 | $ 882,031 | $ 982,657 | $ 2,323,762 |
| Net investment gain (loss) | 579,678 | 394,864 | (468,642) | 1,048,851 | 46,852 | 87,707 | (12,843) |
| Benefit payments including employee refunds | (188,109) | (156,061) | (161,434) | (172,114) | (174,141) | (229,542) | (273,762) |
| Administrative expense | (12,453) | (9,996) | (9,571) | (7,744) | (5,844) | (4,555) | (897) |
| Net change in plan fiduciary net position | 589,835 | 392,190 | 98,562 | 1,572,539 | 748,898 | 836,267 | 2,036,260 |
| Plan fiduciary net position beginning | 5,684,716 | 5,292,526 | 5,193,964 | 3,621,425 | 2,872,527 | 2,036,260 | - |
| Plan fiduciary net position ending | $ 6,274,551 | $ 5,684,716 | $ 5,292,526 | $ 5,193,964 | $ 3,621,425 | $ 2,872,527 | $ 2,036,260 |
| Employer net OPEB liability (asset) | $ (3,028,270) | $ (2,480,115) | $ (2,174,124) | $ (1,500,292) | $ 58,410 | $ 773,171 | $ 1,009,533 |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 193.28% | 177.39% | 169.72% | 140.62% | 98.41% | 78.79% | 66.85% |
| Covered employee payroll | $ 1,024,098 | $ 1,024,360 | $ 1,056,286 | $ 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 | 295.70% | 242.11% | 205.83% | 119.35% | 4.43% | 36.81% | 59.79% |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Actuarial determined contributions | $ - | $ - | $ - | $ 58,821 | $ 147,296 | $ 145,961 | $ 263,388 |
| Contributions in relation to the actuarially determined contribution | 210,719 | 163,383 | 738,209 | 703,546 | 882,031 | 982,657 | 2,323,762 |
| Contribution deficiency (excess) | $ (210,719) | $ (163,383) | $ (738,209) | $ (644,725) | $ (734,735) | $ (836,696) | $ (2,060,374) |
| Covered employee payroll | $ 1,024,098 | $ 1,024,360 | $ 1,056,286 | $ 1,257,099 | $ 1,318,678 | $ 2,100,338 | $ 1,688,340 |
| Contributions as a percentage of covered employee payroll | 20.58% | 15.95% | 69.89% | 55.97% | 66.89% | 46.79% | 137.64% |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return net of investment expense | 10.27% | 7.46% | (8.92)% | 27.75% | 1.51% | 3.95% | (3.94)% |

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

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

*Benefit Changes* - there were no changes of benefits in 2024.

*Changes in Assumptions* - there were no changes of assumptions in 2024.

<u>Notes to the Schedule of Employer Contributions for the OPEB Plan</u>

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | Not applicable<br>Annual contribution is actuarially determined |
| Asset valuation method | Market value |
| Inflation | 2.50% |
| Healthcare cost trend rates | |
| Salary Increases | 2.50% |
| Investment rate of return | 6.00% |
| Retirement age | |
| Mortality | *Healthy*<br>50% Female/50% Male RP-2014 Group Annuity Mortality Table<br>*Disabled*<br>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, 2024

| Program Title | Federal Assistance Listing 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 | $ 1,880 | $ 1,692 | $ 94 | $ 94 |
| Airport Improvement Program | | B-26-0106-025-2022 | 410,646 | 326,537 | 293,883 | 16,327 | 16,327 |
| Airport Improvement Program | | 3-26-0055-059-2021 | 100,746 | 2,700 | 2,430 | 135 | 135 |
| Airport Improvement Program | | 3-26-0055-064-2022 | 2,780,848 | 19,763 | 17,787 | 988 | 988 |
| Airport Improvement Program | | 3-26-0055-065-2023 | 1,170,924 | 1,118,884 | 1,006,996 | 55,944 | 55,944 |
| Airport Improvement Program | | 3-26-0055-066-2023 | 8,183,000 | 7,819,309 | 7,037,379 | 390,965 | 390,965 |
| Airport Improvement Program | | 3-26-0055-067-2023 | 1,576,481 | 1,088,825 | 979,943 | 54,441 | 54,441 |
| Airport Improvement Program | | 3-26-0055-068-2023 | 172,377 | 168,976 | 152,078 | 8,449 | 8,449 |
| Airport Improvement Program | | 3-26-0055-069-2023 | 823,818 | 750,720 | 675,648 | 37,536 | 37,536 |
| Airport Improvement Program | | 3-26-0055-070-2024 | 2,083,528 | 3,500 | 3,150 | 175 | 175 |
| Total U.S. Department of Transportation | | | | $ 11,301,094 | $ 10,170,986 | $ 565,054 | $ 565,054 |

The accompanying notes are an integral part of this schedule.

**CAPITAL REGION AIRPORT AUTHORITY**
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2024**

## 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, 2024. 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 | |
| Capital contributions | $ 328,417 |
| Grant revenue - Federal | 10,972,677 |
| Total grant and capital contribution revenue in the financial statements | 11,301,094 |
| Less: Grant and capital contribution revenue associated with state reimbursements | (565,054) |
| Less: Grant and capital contribution revenue associated with local reimbursements | (565,054) |
| Federal expenditures per schedule of expenditures of federal awards | $ 10,170,986 |

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

# 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 of the
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 the business-type activities and the aggregate remaining fund information of the Capital Region Airport Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 12, 2024.

**Report on 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.

**Report on 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.

Maner Costerisan PC

December 12, 2024

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

# 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 of the
Capital Region Airport Authority

## Report on Compliance for Each Major Federal Program

### *Opinion on 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, 2024. 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.

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, 2024.

### *Basis for Opinion on Each Major Federal Program*

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Capital Region Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Capital Region Airport Authority' compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Capital Region Airport Authority' federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Capital Region Airport Authority' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Capital Region Airport Authority' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Capital Region Airport Authority' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Capital Region Airport Authority' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Capital Region Airport Authority' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Maner Costerisan PC

December 12, 2024

**CAPITAL REGION AIRPORT AUTHORITY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2024**

## 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 |

Identification of major programs:

| Assistance Listing 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 |

## 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, 2024**

There were no audit findings for the previous audit period.