

**WILKES-BARRE/SCRANTON**  
**INTERNATIONAL AIRPORT**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
AND SINGLE AUDIT REPORTS**

**DECEMBER 31, 2020 AND 2019**

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

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DECEMBER 31, 2020 AND 2019

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## INDEPENDENT AUDITORS' REPORT

To the Joint Board of Control of  
Wilkes-Barre/Scranton International Airport:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Wilkes-Barre/Scranton International Airport ("AVP") as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise AVP's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wilkes-Barre/Scranton International Airport, as of December 31, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior-Period Financial Statements**

The financial statements of AVP as of December 31, 2019 were audited by other auditors whose report dated August 10, 2020 expressed an unmodified opinion on those financial statements.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise AVP's basic financial statements. The accompanying schedule of expenditures of Federal awards as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

*Other Information (Cont'd)*

The schedule of expenditures of Federal awards and the schedule of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards and the schedule of operating expenses are 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 June 3, 2021 on our consideration of AVP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 AVP's internal control over financial reporting and compliance.

*Kohanski & Co., PC*

Scranton, PA  
June 3, 2021

## **WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The following narrative overview and analysis is provided by the management of the Wilkes- Barre/Scranton Airport (Airport) and is intended to serve only as an introduction to the Airport's basic financial statements and is made part of this audit report for the years ended December 31, 2020 and 2019. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Airport's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are recorded in land, building, and equipment accounts and are depreciated over their useful lives (except land). See Note 1 to the financial statements for a summary of the Airport's organization and significant accounting policies. Following this discussion and analysis are the basic financial statements of the Airport, including the notes, which are essential to a full understanding of the data contained in the financial statements. The Airport's basic financial statements are designed to provide readers with a broad overview of the Airport's financial position and activities.

The Airport's basic financial statements consist of the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Fund Net Position, Statements of Cash Flows, and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents information on all of the Airport's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Airport's financial condition.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing the change in the Airport's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that provide or use cash are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FINANCIAL HIGHLIGHTS 2020**

The Airport retained a strong financial position for the year ended December 31, 2020. Airport assets exceeded liabilities by \$103,114,330 (net assets) at December 31, 2020 and \$101,908,767 at December 31, 2019; an increase of 1.1%. Of this amount, the unrestricted net position which may be used to meet the Airport's ongoing financial capital projects obligations, operational obligations, and stated priorities was \$3,977,396 in 2020 and \$3,059,286 in 2019.

Restricted assets decreased \$19,892 or .6% due to the Airport recognizing the revenue from PFC & CFC charges at year end. The activity corresponds with the increase in liabilities payable from restricted assets. The PFC & CFC revenue generated is restricted in use for allowable costs of approved airport projects as determined by the FAA.

The analyses in Table 1 and Table 2 below focus on the summary of net position and summary of changes in net position for the Airport's business-type activities:

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Table 1

Summary of Net Position  
Business-Type Activities (in thousands)

	December 31, <u>2020</u>	December 31, <u>2019</u>	Increase (Decrease)	Percentage Change
Current and other assets	\$ 8,686	\$ 7,413	\$ 1,273	15%
Capital assets, net	<u>96,175</u>	<u>95,916</u>	<u>259</u>	<u>0%</u>
Total assets	<u>104,861</u>	<u>103,329</u>	<u>1,532</u>	<u>2%</u>
Current and other liabilities	1,393	1,016	377	27%
Long-term liabilities	<u>355</u>	<u>405</u>	<u>(50)</u>	<u>(-14)%</u>
Total liabilities	<u>1,748</u>	<u>1,421</u>	<u>327</u>	<u>19%</u>
Net investment in capital assets	96,095	95,787	308	0%
Restricted	3,042	3,062	(20)	-1%
Unrestricted (deficit)	<u>3,977</u>	<u>3,059</u>	<u>918</u>	<u>23%</u>
Total net position	<u>\$ 103,114</u>	<u>\$ 101,908</u>	<u>\$ 1,206</u>	<u>1%</u>

In 2020, the Airport continued to pay close attention to expenses on the operational budget by closely monitoring purchasing decisions, maintaining departmental communications regarding budget availability on a monthly basis, and reducing costs where possible. Rising utilities costs previously had a large impact on the operational budget. However, that overall impact was maintained under control by the Airport's continued diligence regarding utility contracts for natural gas and electricity, the continued replacement of lighting fixtures with new high efficiency fixtures to minimize any increases. In 2020 the Airport's expenses were impacted by the pandemic which caused a dramatic reduction in ridership (enplanements) and losses in revenue. Furthermore, with the passing of the CARES act funding of \$20,044,362 the Airport was able to offset losses due to lost revenue.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Table 2

Summary of Changes in Net Position Business-Type Activities  
(in thousands)

	December 31, <u>2020</u>	December 31, <u>2019</u>	Increase (Decrease)	Percentage Change
Operating revenue:				
Terminal	\$ 1,054	\$ 2,523	\$ (1,469)	-58%
Parking lot	1,012	3,233	(2,221)	-69%
Landing field	328	1,317	(989)	-75%
Other land and building rental	472	563	(91)	-16%
County subsidy	<u>305</u>	<u>307</u>	<u>(2)</u>	<u>-1%</u>
Total operating revenues	<u>3,171</u>	<u>7,943</u>	<u>(4,772)</u>	<u>60%</u>
Operating expenses	<u>11,819</u>	<u>11,449</u>	<u>370</u>	<u>3%</u>
Operating income (loss)	<u>(8,648)</u>	<u>(3,506)</u>	<u>(5,142)</u>	<u>59%</u>
Investment income	29	42	(13)	-31%
Interest expense	<u>(4)</u>	<u>(6)</u>	<u>2</u>	<u>-33%</u>
Total non-operating revenues	<u>25</u>	<u>36</u>	<u>(11)</u>	<u>-31%</u>
Loss before capital contributions	<u>(8,622)</u>	<u>(3,470)</u>	<u>(5,152)</u>	<u>60%</u>

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Capital contributions

Federal grants	7,931	2,395	5,536	70%
State grants	757	729	28	4%
Passenger facility charge	603	1,253	(650)	-108%
Customer facility charge	<u>534</u>	<u>725</u>	<u>(191)</u>	<u>-36%</u>
Total non-operating revenues	<u>9,827</u>	<u>5,104</u>	<u>4,723</u>	<u>-42%</u>
Change in net position	1,205	1,634	(2,902)	-241%
Net position - beginning	<u>101,908</u>	<u>100,274</u>	<u>3,771</u>	<u>4%</u>
Net position - ending	<u>\$ 103,113</u>	<u>\$ 101,908</u>	<u>\$ 869</u>	<u>1%</u>

Operationally, the Airport's financial performance was impacted by the COVID pandemic dynamics which caused airline industry, regional economics, and fluctuating travel market demands to drop to almost zero activity. 2020's passenger enplanements had a decrease of (63%) over the calendar year 2019. The decrease was primarily attributable to the pandemic.

The Airport continued to commit significant effort and financial resources to advertising and marketing, which resulted in slight recovery passenger enplanements in the last quarter with the return of service from American Airlines and United Airlines. The Airport believe that Delta Airlines will return sometime in the latter part of 2021. The Airport had an operating loss before depreciation of \$3,098 in 2020 as compared to a surplus of \$1,314 in 2019; the loss is primarily attributable to the pandemic in 2020 and the surplus in 2019 is primarily attributable to increased revenue.

### **Capital Asset and Debt Administration**

Capital Assets - The Airport's capital assets, net of depreciation as of December 31, 2020 and 2019, amounted to \$96,175,765 and \$95,916,980, respectively. The capital assets include land and land improvements (including runways and taxiways); buildings and building improvements; equipment, parking garage, furniture and fixtures; as well as construction in progress. The total decrease in the Authority's capital assets before accumulated depreciation for 2020 was 1% compared to an increase of 3.1% in 2019.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Major capital projects in progress and expenditures incurred during 2020 included the following:

**December 31, 2020**

Building & improvements	\$ 34,537
Equipment	\$ 99,257
Garage	\$ 17,177
Construction in progress (net)	\$ 867,746

Major capital projects in progress and expenditures incurred during 2019 included the following:

**December 31, 2019**

Land	\$ 87,751
Building & improvements	\$ 57,543
Equipment	\$ 713,721
Garage	\$ 4,916
Construction in progress (net)	\$ 3,363,246

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including federal grants, state grants, PFCs, and cost recovery through airline rates and charges. By far the largest portion of the Airport's net assets (89%) reflect its investment in capital assets (land, buildings, equipment) with no debt being incurred to acquire those assets.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FINANCIAL OBJECTIVES 2021**

Airport management continues to face significant challenges in 2021 as the Airport faced the pandemic and a reduction of travel, revenues have decreased approximately 95%. The Airport received a CARES grant for \$20,044,000 to continue operations and employment at the airport. We also are continuing multiple capital projects, depending on Federal airport capital improvement project funding availability, unfunded TSA and FAA mandates, replacement and upgrading of aging equipment, a constantly changing air transportation industry with unprecedented market dynamics and the potential continuation of the pandemic into 2021. The airport projects that the CARES grant will continue to cover costs of operations and maintenance for approximately two more years.

Airport management has three main objectives for 2021. The first priority is to minimize expenses and attract additional air service, which is imperative to maintaining existing facilities and ensuring the financial resources to continue an aggressive capital improvement schedule. The second priority is to complete and continue several design/construction projects including: the extension of Taxiway B (RWY 4 approach), access road to the Airport, the construction of a Hangar and several other major maintenance projects within the Terminal building. The third priority is to maintain operating budget controls already set in place and endeavor to achieve a better than projected loss for the 2021 operating budget. As deferral and abatement agreements expire Airport management will consider continuation of those agreements depending on overall recovery of the economics of the airline industry and the country.

Recognizing the basic need to maintain necessary cash assets, management has committed to reducing and containing cost growth related to insurance, security, utilities, and services while attempting to maintain high standards and efficiencies during the anticipated period of uncertainty. Utilizing the delegated funds from the CARES grant in the budget for marketing, the Airport will continue attempts to retain and return of air service in 2021 and 2022 to pre-pandemic levels.

Airport management is looking to continue to improve the public's image of the airport by improving customer service and by providing more customer amenities desired by the majority of the traveling public ensuring a safe and clean facility free of the virus. The challenge will be to make these improvements without significantly affecting the operation budget and customers who travel from our Airport.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 4,560,637	\$ 3,573,323
Restricted cash	3,042,341	3,062,233
Accounts receivable	327,705	653,244
Capital grants receivable	588,922	-
Prepaid expenses	<u>166,929</u>	<u>124,522</u>
Total Current Assets	8,686,534	7,413,322
CAPITAL ASSETS, net of accumulated depreciation	<u>96,175,765</u>	<u>95,916,980</u>
	<u>\$ 104,862,299</u>	<u>\$ 103,330,302</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES:		
Current portion of capital lease	\$ 57,115	\$ 55,073
Accounts payable	568,569	191,421
Accrued expenses	67,393	769,395
Retainage payable	<u>699,848</u>	<u>-</u>
Total Current Liabilities	<u>1,392,925</u>	<u>1,015,889</u>
NONCURRENT LIABILITIES:		
Compensated absences	330,987	330,987
Capital lease, net of current portion	<u>24,057</u>	<u>74,659</u>
Total Noncurrent Liabilities	<u>355,044</u>	<u>405,646</u>
Total Liabilities	<u>1,747,969</u>	<u>1,421,535</u>

The accompanying notes are an integral part of these financial statements.

WILKES-BARRE/ SCRANTON INTERNATIONAL AIRPORT

STATEMENTS OF NET POSITION (CONT'D)  
DECEMBER 31, 2020 AND 2019

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	<u>2020</u>	<u>2019</u>
NET POSITION:		
Net investment in capital assets	96,094,593	95,787,248
Restricted for capital assets	3,042,341	3,062,233
Unrestricted	<u>3,977,396</u>	<u>3,059,286</u>
Total Net Position	<u>103,114,330</u>	<u>101,908,767</u>
	<u>\$ 104,862,299</u>	<u>\$ 103,330,302</u>

The accompanying notes are an integral part of these financial statements.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES:</b>		
Terminal area	\$ 1,054,584	\$ 2,523,150
Parking lot	1,011,850	3,233,047
Landing field	328,216	1,317,071
Other land and building rental	472,246	563,490
County subsidy	<u>304,705</u>	<u>306,794</u>
Total Operating Revenues	<u>3,171,601</u>	<u>7,943,552</u>
<b>OPERATING EXPENSES:</b>		
Administrative	1,825,340	1,920,895
Terminal area	2,127,758	2,146,471
Landing field	755,899	941,835
Other land and building rental	356,624	389,830
Garage	426,276	471,837
Emergency equipment	401,511	345,539
Parking lot	375,940	412,905
Depreciation	<u>5,549,837</u>	<u>4,820,291</u>
Total Operating Expenses	<u>11,819,185</u>	<u>11,449,603</u>
<b>LOSS FROM OPERATIONS</b>	<u>(8,647,584)</u>	<u>(3,506,051)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	29,657	42,306
Interest expense	<u>(4,102)</u>	<u>(6,113)</u>
Total Non-Operating Revenues	<u>25,555</u>	<u>36,193</u>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(8,622,029)</u>	<u>(3,469,858)</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Federal grants	7,931,687	2,395,174
State grants	757,725	729,393
Passenger facility charges	603,372	1,253,740
Customer facility charges	<u>534,808</u>	<u>725,805</u>
Total Capital Contributions	<u>9,827,592</u>	<u>5,104,112</u>

The accompanying notes are an integral part of these financial statements.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION (CONT'D)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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	<u>2020</u>	<u>2019</u>
CHANGE IN NET POSITION	<u>1,205,563</u>	<u>1,634,254</u>
NET POSITION - Beginning	101,908,767	98,033,086
Restatement (Note 2)	<u>-</u>	<u>2,241,427</u>
As restated	<u>101,908,767</u>	<u>100,274,513</u>
NET POSITION - Ending	<u>\$ 103,114,330</u>	<u>\$ 101,908,767</u>

The accompanying notes are an integral part of these financial statements.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from operating revenues	\$ 3,192,435	\$ 7,622,769
Cash paid to employees for services and benefits	(4,053,713)	(3,516,824)
Cash paid for operating expenses	<u>(1,578,343)</u>	<u>(2,332,329)</u>
Net Cash Provided (Used) By Operating Activities	<u>(2,439,621)</u>	<u>1,773,616</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipt of capital grants and contributions	8,100,490	3,124,567
Facility charges collected	1,138,180	1,979,545
Cash paid for capital asset additions	(5,808,622)	(4,797,006)
Cash paid for interest	(4,102)	(6,113)
Payments on capital leases	<u>(48,560)</u>	<u>(52,908)</u>
Net Cash Provided By Capital and Related Financing Activities	<u>3,377,386</u>	<u>248,085</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash received for interest	<u>29,657</u>	<u>42,306</u>
NET CHANGE IN CASH	967,422	2,064,007
CASH - BEGINNING	<u>6,635,556</u>	<u>4,571,549</u>
CASH - ENDING	<u>\$ 7,602,978</u>	<u>\$ 6,635,556</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash	\$ 4,560,637	\$ 3,573,323
Restricted Cash	<u>3,042,341</u>	<u>3,062,233</u>
	<u>\$ 7,602,978</u>	<u>\$ 6,635,556</u>

The accompanying notes are an integral part of these financial statements.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS (CONT'D)  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from operations	\$ (8,647,584)	\$ (3,506,051)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	5,549,837	4,820,291
Change in assets and liabilities:		
Accounts receivable	325,539	(87,601)
Prepaid expenses	(42,407)	25,590
Accounts payable	377,148	(108,012)
Accrued expenses	(702,002)	637,978
Retainage payable	699,848	-
Compensated absences	-	(8,579)
Net Cash Provided (Used) By Operating Activities	<u>\$ (2,439,621)</u>	<u>\$ 1,773,616</u>

The accompanying notes are an integral part of these financial statements.

# WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

The Wilkes-Barre/Scranton International Airport ("AVP"), located in Avoca, Pennsylvania, is owned jointly by the Counties of Luzerne and Lackawanna, Pennsylvania (the "Counties"); and is controlled by the Joint Board of Control, which consists of the county commissioners from Lackawanna County, the Luzerne County Manager, the Chair of Luzerne County Council or his/her designee, and a member of the Luzerne County Council selected by resolution adopted by an affirmative vote of at least a majority of its current members. The Airport's primary sources of revenues are user fees, terminal space and other airport facility leases, and grants.

#### Basis of Accounting

The financial statements of AVP have been prepared on the accrual basis of accounting to conform to U.S. generally accepted accounting principles, as they apply to enterprise funds of governmental units.

#### Basis of Presentation: Proprietary Fund

The governmental fund category used by AVP is the proprietary fund. Two fund types are included in the proprietary fund category; enterprise and internal services funds. AVP uses the enterprise fund type.

Enterprise funds account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private businesses and are intended to be self-supporting through charges to users.

Proprietary funds distinguish 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. The principal operating revenues for AVP are user fees and lease revenue. Operating expenses for AVP include the cost of services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund statements provide both long-term and short-term financial information which is similar to the information reported by a business-type entity. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into net investment in capital assets and unrestricted net assets. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Federal and State Grants

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

Passenger and Customer Facility Charges

Passenger facility charges and customer facility charges are recognized as revenue in the financial statements when collected from airlines. There is no receivable recorded as there is no reasonable method of determining the amount.

Cash

For purposes of the statements of cash flows, AVP considered all unrestricted highly liquid investments with an initial maturity of three months or less to be cash.

Restricted Cash

Several cash accounts, which were funded through facility charges collected by the airlines and car rental agencies are restricted for various programs undertaken by AVP.

Accounts and Capital Grants Receivable

Accounts and capital grants receivable are reported at amounts management expects to collect on balances outstanding. Accounts are charged to bad debt expense when considered uncollectible based on a periodic review of individual accounts. Grants and accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Prepaid expenses

Prepaid expenses consist primarily of expenses paid in advance of the period covered. AVP amortizes the payment on the straight-line method over the term of the policy or contract.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Capital Assets

Capital assets consist of property and equipment which are carried at cost and depreciated on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Runways, taxiways, and other land improvements	15 - 20
Buildings and building improvements	20 - 40
Equipment	5 - 10
Garage	25
Furniture and fixtures	5 - 10

All capital assets, except land and construction-in-progress, are depreciated. Land is never depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

The cost and accumulated depreciation of property sold or retired are eliminated from the accounts and the resulting gain or loss is included in income. Normal maintenance and repairs are charged to expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Retainage Payable

AVP enters into construction contracts that may include retainage provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by AVP. AVP's policy is to record the retainage payable only after completion of the work and acceptance of the contractor invoices have occurred.

Compensated Absences

AVP's policy allows employees to accumulate unused sick leave up to a maximum amount allowed per their contract. Upon termination, accumulated sick leave and any accumulated vacation will be paid to the employee.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Income Taxes

AVP is exempt from Federal and state income tax and therefore, no provision for income tax has been made.

Use of Restricted/Unrestricted Net Position

When both restricted and unrestricted resources are available for use, it is AVP's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Effects of New Pronouncements

The following summarizes recent Governmental Accounting Standards Board ("GASB") pronouncements and their impact, if any, on the financial statements:

In June 2017, GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for previously classified operating leases as inflows of resources or outflows of resources based on payment provisions of the contract.

The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. AVP is currently evaluating the effects of this statement on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are: 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period.

The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2020. AVP is currently evaluating the effects of this statement on its financial statements.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Effects of New Pronouncements (Cont'd)

GASB has also issued the following pronouncements which management of AVP does not expect to impact the financial statements.

- Statement No. 91, *Conduit Debt Obligations*, with an effective date for fiscal years beginning after December 15, 2021.
- Statement No. 92, *Omnibus 2020*, with an effective date for fiscal years beginning after June 15, 2021.
- Statement No. 93, *Replacement of Interbank Offered Rates*, with an effective date for fiscal years ending after June 15, 2021.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, with an effective date for fiscal years ending after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, with an effective date for fiscal years ending after June 15, 2022.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a suppression of GASB Statement No. 32*, with effective dates through June 15, 2021.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to agree to the December 31, 2020 format.

Subsequent Events

Management has evaluated subsequent events through June 3, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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**NOTE 2: RESTATEMENT**

In accordance with GASB statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, fees charged by governments should be recognized as revenue when received or when measurable and available. AVP's policy had been to record the PFC and CFC charges as unearned revenue when received and to recognize revenue when qualifying expenditures had been incurred. As a result of this error, net assets as of December 31, 2018 has been restated by \$2,241,427. In addition, facility charge revenue for the year ended December 31, 2019 has been increased by \$844,036 to reflect fees received during the year which had previously been reported as unearned revenue.

**NOTE 3: CASH AND INVESTMENTS**

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, AVP's deposits may not be returned to it. AVP's investment policy requires deposits to be made in insured bank accounts. AVP maintains cash balances at several financial institutions located in Northeast Pennsylvania. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2020 \$8,011,438 of AVP's cash balances of \$8,261,438 was secured by securities pledged as collateral by the financial institution, in AVP's name.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

NOTE 4: CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended December 31, 2020:

	Balance January 1, <u>2020</u>	Additions/ <u>Reclassifications</u>	Disposals/ <u>Reclassifications</u>	Balance December 31, <u>2020</u>
Capital assets, not being depreciated:				
Land	\$ 1,663,173	\$ -	\$ -	\$ 1,663,173
Construction-in-progress	<u>29,867,711</u>	<u>5,709,365</u>	<u>17,789,765</u>	<u>17,787,311</u>
Total capital assets, not being depreciated	<u>31,530,884</u>	<u>5,709,365</u>	<u>17,789,765</u>	<u>19,450,484</u>
Capital assets, being depreciated:				
Runways, taxiways, and other land improvements	100,753,979	15,251,097	256,995	115,748,081
Buildings and building improvements	64,080,441	2,447,132	379,632	66,147,941
Equipment	10,715,582	190,793	1,082,447	9,823,928
Garage	8,803,258	-	-	8,803,258
Furniture and fixtures	<u>930,553</u>	<u>-</u>	<u>169,727</u>	<u>760,826</u>
Total capital assets, being depreciated	<u>185,283,813</u>	<u>17,889,022</u>	<u>1,888,801</u>	<u>201,284,034</u>
Less accumulated depreciation:				
Runways, taxiways, and other land improvements	(78,801,302)	(2,970,576)	(256,995)	(81,514,883)
Buildings and building improvements	(28,670,565)	(1,637,251)	(379,632)	(29,928,184)
Equipment	(7,045,468)	(555,195)	(1,082,447)	(6,518,216)
Garage	(5,577,924)	(348,205)	-	(5,926,129)
Furniture and fixtures	<u>(802,458)</u>	<u>(38,610)</u>	<u>(169,727)</u>	<u>(671,341)</u>
Total accumulated depreciation	<u>(120,897,717)</u>	<u>(5,549,837)</u>	<u>(1,888,801)</u>	<u>(124,558,753)</u>
Total capital assets being depreciated, net	<u>64,386,096</u>	<u>12,339,185</u>	<u>-</u>	<u>76,725,281</u>
Total capital assets, net	<u>\$ 95,916,980</u>	<u>\$ 18,048,550</u>	<u>\$ 17,789,765</u>	<u>\$ 96,175,765</u>

Depreciation expense charged to operations for 2020 was \$5,549,837.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

NOTE 4: CAPITAL ASSETS (CONT'D)

Capital asset activity consisted of the following for the year ended December 31, 2019:

	Balance January 1, <u>2019</u>	Additions/ Reclassifications	Disposals/ Reclassifications	Balance December 31, <u>2019</u>
Capital assets, not being depreciated:				
Land	\$ 1,575,422	\$ 87,751	\$ -	\$ 1,663,173
Construction-in-progress	<u>25,934,635</u>	<u>3,933,076</u>	<u>-</u>	<u>29,867,711</u>
Total capital assets, not being depreciated	<u>27,510,057</u>	<u>4,020,827</u>	<u>-</u>	<u>31,530,884</u>
Capital assets, being depreciated:				
Runways, taxiways, and other land improvements	100,753,979	-	-	100,753,979
Buildings and building improvements	64,022,899	57,542	-	64,080,441
Equipment	10,001,861	713,721	-	10,715,582
Garage	8,798,342	4,916	-	8,803,258
Furniture and fixtures	<u>930,553</u>	<u>-</u>	<u>-</u>	<u>930,553</u>
Total capital assets, being depreciated	<u>184,507,634</u>	<u>776,179</u>	<u>-</u>	<u>185,283,813</u>
Less accumulated depreciation:				
Runways, taxiways, and other land improvements	(76,458,945)	(2,342,357)	-	(78,801,302)
Buildings and building improvements	(27,159,080)	(1,511,485)	-	(28,670,565)
Equipment	(6,465,711)	(579,757)	-	(7,045,468)
Garage	(5,229,842)	(348,082)	-	(5,577,924)
Furniture and fixtures	<u>(763,848)</u>	<u>(38,610)</u>	<u>-</u>	<u>(802,458)</u>
Total accumulated depreciation	<u>(116,077,426)</u>	<u>(4,820,291)</u>	<u>-</u>	<u>(120,897,717)</u>
Total capital assets being depreciated, net	<u>68,430,208</u>	<u>(4,044,112)</u>	<u>-</u>	<u>64,386,096</u>
Total capital assets, net	<u>\$ 95,940,265</u>	<u>\$ (23,285)</u>	<u>\$ -</u>	<u>\$ 95,916,980</u>

Depreciation expense charged to operations for 2019 was \$4,820,291.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

NOTE 5: LONG-TERM OBLIGATIONS

Capitalized Leases

AVP has entered into various leases for equipment with a net book value of \$132,344 at December 31, 2020 payable in annual installments including interest from 3.70% to 3.82%, with final payments through May 2022.

Future minimum lease payments on the above capital leases are as follows:

Year Ending December 31,	
2021	\$ 59,112
2022	<u>24,248</u>
Total minimum lease payments	83,360
Less: amounts representing interest	<u>2,188</u>
Present value of minimum lease payments	81,172
Less: current portion	<u>57,115</u>
Obligations under capital lease - noncurrent	<u>\$ 24,057</u>

Other Long-Term Obligations

	Balance Outstanding January 1, 2020	Net Additions (Reductions)	Balance Outstanding December 31, 2020
Compensated absences	<u>\$ 330,987</u>	<u>\$ -</u>	<u>\$ 330,987</u>

NOTE 6: FACILITY CHARGE REVENUE

Passenger Facility Charge Revenue

Passenger facility charges ("PFCs") are fees imposed on enplaned passengers by airports (and collected by airlines) for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. PFCs are restricted for use in the acquisition of real estate, construction of certain airport improvements (including payment of debt service) and other costs, as approved by the FAA. The current PFC is \$4.35 per enplaned passenger and totaled \$603,372 and \$1,253,740 for the years ended December 31, 2020, and 2019, respectively.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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NOTE 6: FACILITY CHARGE REVENUE (CONT'D)

Customer Facility Charges

Customer facility charges ("CFC") are collected from all rental car concessionaires that operate facilities on the airport. The CFC is \$3.50 per rental car transaction and must be used to fund capital improvements specific to the concessionaires. CFC revenue totaled \$534,808 and \$725,805 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7: LEASING OPERATIONS AND COMMITMENTS

AVP's leasing operations consist principally of terminal areas and other airport facilities, under short-term and long-term lease agreements and are classified as operating leases. Such operating leases primarily require a fixed minimum lease payment and/or contingent rentals based on sales over a specified minimum dollar amount. For the years ended December 31, 2020 and 2019, minimum lease revenues amounted to \$293,333 and \$2,623,402, respectively, and contingent rentals amounted to \$1,723,009 and \$3,789,742, respectively.

Beginning in March 2020, AVP waived all space rentals and landing fees for the airlines, and the minimum annual guaranteed payment for the operator of the parking lots in response to the COVID-19 pandemic. The waiver will expire June 30, 2021.

The following is a schedule by year of future minimum lease revenues on leases that have an initial or remaining non-cancelable lease term in excess of one year.

<u>Year Ending December 31,</u>	
2021	\$ 402,996
2022	366,049
2023	310,276
2024	184,893
2025	185,416
2026-2029	<u>747,112</u>
	<u>\$ 2,196,742</u>

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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**NOTE 8: RETIREMENT PLANS**

AVP participates in both Luzerne and Lackawanna counties' defined benefit pension plans in which substantially all full-time employees are eligible for participation. In addition, AVP participates in both Luzerne and Lackawanna counties' deferred compensation plans in which all full-time employees may elect to participate. The counties have funded AVP's annual required contribution for the defined benefit pension plan, in the amount of \$304,705 and \$306,524 for the years ended December 31, 2020 and 2019, respectively; and are reported as subsidy revenue and pension expense.

**NOTE 9: CONCENTRATIONS**

AVP receives a substantial amount of its revenue from Federal and state governments. A significant reduction in the level of this revenue, if it were to occur, would affect AVP's programs and activities. For the years ended December 30, 2020 and 2019, revenue from one government agency represented 61% and 21%, respectively.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

In the normal course of business, AVP is party to commitments, contracts, governmental regulations including environmental regulations, and contingent liabilities. AVP's management is of the opinion that the outcome of any such matters would not have a material effect on the financial position or results of operations of AVP.

AVP is under numerous facility construction and improvement contracts for which they are committed to 100% of the estimated costs of these projects. The majority of costs of the projects are funded through Federal and state grants. At December 31, 2020, AVP has outstanding commitments of \$3,843.34 under contracts totaling \$17,509,066.

On March 11, 2020, the World Health Organization declared, a novel strain of coronavirus disease ("COVID-19") a pandemic. The extent of COVID-19's effect on AVP's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape.

Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 for twelve months from the date of this report.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**SCHEDULE OF OPERATING EXPENSES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 2,312,022	\$ 2,296,359
Group health insurance	871,464	752,436
Pension	304,705	306,524
Payroll taxes	<u>168,225</u>	<u>170,084</u>
Total payroll and related expenses	3,656,416	3,525,403
Depreciation expense	5,549,837	4,820,291
Utilities	624,511	669,302
Security	286,700	313,107
Insurance	277,118	334,790
Outside services	204,594	105,452
Repairs and maintenance	174,683	268,845
Security and fire systems	157,941	147,914
Advertising and public relations	147,120	380,289
Professional fees	145,374	111,553
Fuel and oil	136,207	178,889
Taxes and licenses	135,323	88,074
Cleaning supplies	54,296	55,377
Materials and supplies	53,724	110,289
Refuse and snow removal	53,503	101,434
Equipment rental and servicing	41,832	77,810
Telephone	32,225	23,543
Office supplies	19,987	25,868
Trainings and seminars	18,859	21,645
Dues and subscriptions	14,449	23,135
Travel and meetings	13,989	54,893
Miscellaneous	13,749	1,825
Service fees	<u>6,748</u>	<u>9,875</u>
Total	<u>\$ 11,819,185</u>	<u>\$ 11,449,603</u>

See independent auditor's report.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2020**

GRANTOR	FEDERAL CFDA NUMBER	GRANT NUMBER	AWARD AMOUNT	TOTAL RECEIPTS	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>					
Passed through grant programs from the Federal Aviation Administration:					
Airport Improvement Program - Rehab Taxiway B&D West	20.106	3-42-0105-064-2017	\$ 8,423,514	\$ 169,051	\$ 169,051
Airport Improvement Program - Extend Taxiway D East	20.106	3-42-0105-065-2018	346,076	31,784	31,784
Airport Improvement Program - Extend Taxiway B	20.106	3-42-0105-066-2018	416,499	49,348	49,348
Airport Improvement Program - Rehab Terminal Drive	20.106	3-42-0105-068-2019	165,025	66,291	66,291
Airport Improvement Program - Rehab Taxiway D	20.106	3-42-0105-069-2019	2,846,517	2,034,523	2,161,609
Airport Improvement Program - Extend Taxiway B	20.106	3-42-0105-070-2020	1,480,258	438,587	438,587
Airport Improvement Program - Extend Taxiway B Phase IV	20.106	3-42-0105-071-2020	215,226	193,703	193,703
Airport Improvement Program - CARES Act	20.106	3-42-0105-072-2020	20,044,362	4,051,830	4,482,671
			<u>\$ 33,937,477</u>	<u>\$ 7,035,117</u>	<u>\$ 7,593,044</u>

See independent auditor's report and notes to Schedule of Expenditures of Federal Awards.

# WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2020

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### NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the "Schedule") includes the Federal award activity of the Wilkes-Barre/Scranton International Airport ("AVP") under programs of the Federal government for the year ended December 31, 2020. 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 AVP, it is not intended to and does not present the financial position or changes in financial position of AVP.

### NOTE 2: REPORTING ENTITY

The accompanying schedule presents the expenditures of all Federal award programs of AVP. AVP's reporting entity is defined in Note 1 to the basic financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed-through other government agencies are included in the Schedule.

### NOTE 3: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of Federal awards is presented on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### NOTE 4: INDIRECT COSTS

AVP has elected not to use the ten percent de minimis indirect cost rate. Indirect costs are allocated to programs based on applicable criteria relative to the Federal program.



**INDEPENDENT AUDITORS' 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 Joint Board of Control of  
Wilkes-Barre/Scranton International Airport:

We have audited, in accordance with the 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 Wilkes-Barre/Scranton International Airport ("AVP"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the AVP's basic financial statements, and have issued our report thereon dated June 3, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AVP'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AVP's internal control. Accordingly, we do not express an opinion on the effectiveness of the AVP'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.

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the AVP'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 AVP'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 AVP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kohanski & Co., PC*

Scranton, PA  
June 3, 2021



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

To the Joint Board of Control of  
Wilkes-Barre/Scranton International Airport:

**Report on Compliance for Each Major Federal Program**

We have audited the Wilkes-Barre/Scranton International Airport's ("AVP") compliance with the types of compliance requirements described in the OMB Compliance Supplement, that could have a direct and material effect on AVP's major Federal program for the year ended December 31, 2020. AVP's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

**CERTIFIED PUBLIC ACCOUNTANTS**

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of AVP's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, AVP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2020.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be material weaknesses.

AVP's responses to the internal control over compliance findings identified in our audits are described in the accompanying schedule of findings and questioned costs. AVP's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kohanski & Co., PC*

Scranton, PA  
June 3, 2021

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Basic Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes     X     No

- Significant deficiency(ies) identified that is (are)  
not considered to be material weakness(es)?            Yes     X     None reported

Noncompliance material to financial  
statements noted?            Yes     X     No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?     X     Yes            No

- Significant deficiency(ies) identified that is (are)  
not considered to be material weakness(es)?            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 in accordance with 2CFR Section  
200.516(a) of Uniform Guidance?            Yes     X     No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.106

Airport Improvement Program

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

\$ 750,000

Auditee qualified as low-risk auditee:     X     Yes            No

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2020

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

There were no findings required to be reported.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2020**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FINDING 2020-001: TRACKING FEDERAL EXPENDITURES**

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") requires non-federal government entities that expend more than \$750,000 in Federal financial assistance to have a Single Audit.

Condition: AVP receives Federal funding from a single source. At the beginning of the audit, we requested a list of Federal expenditures to determine whether AVP had reached the threshold for requiring a Single Audit under the Uniform Guidance. The schedule provided to us was not accurate and excluded some Federal expenditures.

Cause: Internal controls over financial reporting do not include procedures for accurately tracking and reporting all Federal funds received by AVP.

Effect: There is an increased risk of noncompliance if AVP does not have controls in place to identify and report all Federal funds received and expended.

Recommendation: We recommend AVP designate an individual to act as a coordinator. This individual would be responsible for identifying Federal awards, tracking expenditures and preparing the schedule of expenditures of Federal awards.

View of Responsible Officials: See accompanying corrective action plan.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2020

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTD)**

**FINDING 2020-002: UNALLOWABLE COSTS**

Criteria: Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Subpart E, states that costs charged to Federal funds must comply with any requirements or restrictions.

Condition: AVP received duplicate reimbursements totaling \$269,533 for payroll expenditures submitted twice for reimbursement under the CARES Act award.

Cause: Lack of review procedures in internal controls over Federal awards prevented AVP from properly identifying errors in the documents submitted to the Federal Aviation Administration for reimbursement.

Effect: There is an increased risk of noncompliance including the risk that Federal funds may be used for unallowed or ineligible costs.

Recommendation: Internal controls over compliance should be developed which include review and approvals by an individual familiar with Federal program requirements.

View of Responsible Officials: See accompanying corrective action plan.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**PRIOR AUDIT FINDINGS - DECEMBER 31, 2019**

There were no findings required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

June 3<sup>rd</sup>, 2021

Kohanski & Company, P.C.  
4 Meadow Ave., Suite C  
Scranton, PA 18505

RE: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
2020-001: TRACKING FEDERAL EXPENDITURES  
2020-002: UNALLOWABLE COSTS

2020-001: TRACKING FEDERAL EXPENDITURES

We agree with the auditors' comments, and the following action will be taken to improve the situation. We have designated an individual to be a coordinator, Stephen Mykulen, P.E. whom is the airport Director of Engineering who will oversee the tracking and preparing of expenditures of Federal awards along the with Tia Toney, Assistant Finance and Administration.

2020-002: UNALLOWABLE COSTS

We agree with the auditors' finding, the following action will be taken to improve the situation. We will have the finance department develop the policies and procedures regarding the CARES grant by the end of the third quarter of 2021. We will then consolidate these documents into one user file that will be available to staff members that are involved. Revisions to the users' file will be made as needed to ensure the user file is current at all times. The Assistant Finance and Administration employee will be responsible in developing the draws which will include a review and approval by either the Executive Director or Assistant Director for each draw on the Grant. The staff will be advised of all revisions. The duplicate reimbursements will be refunded to the grant by the end of June through the FAA DELFI SYSTEM.

Sincerely,



Gary Borthwick  
Assistant Director

Cc: Carl Beardsley, Jr.  
Executive Director

