

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

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

**DECEMBER 31, 2023 AND 2022**

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

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DECEMBER 31, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinions***

We have audited the financial statements of the Wilkes-Barre/Scranton International Airport ("AVP") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise AVP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AVP as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 AVP 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 opinion.

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

AVP's 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.

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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 AVP'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 opinion. 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 GAAS 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 GAAS, 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 AVP'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 AVP'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 on pages V - IX 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 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 schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of Federal awards and the schedules 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 schedules 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, 2024 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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AVP's internal control over financial reporting and compliance.

*Kohanski & Co., PC*

Scranton, PA  
June 3, 2024

**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 year ended December 31, 2023. 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, Cash Flow, 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 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.

**FINANCIAL HIGHLIGHTS  
2023**

The Airport retained a strong financial position for the year ended December 31, 2023. Airport assets exceeded liabilities by \$107,352,743 (net assets) at December 31, 2023 and \$101,918,208 at December

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

31, 2022; an increase of 5%. 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 \$5,134,075 in 2023 and \$4,313,779 in 2022.

Restricted assets decreased \$1,209,000 or 55% due to the Airport recognizing the revenue from PFC and FAA charges at year end. The activity corresponds with the increase in liabilities payable from restricted assets. The PFC, CFC and FAA 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:

**Table 1**

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

	<b>December 31, 2023</b>
Current and other assets	\$ 10,324
Capital assets, net	101,242
Leases Receivable NCP	5,441
Service Concession Arrangement Receivable NCP	2,435
	<hr/>
Total assets	\$ 119,442
	<hr/>
Current and other liabilities	2,931
Long-term liabilities	395
	<hr/>
Total liabilities	3,326
	<hr/>
Deferred inflows from leases	5,460
Deferred service concession arrangement receipts	3,304
	<hr/>
Net investment in capital assets	101,242
	<hr/>
Restricted	976
Unrestricted	5,134
	<hr/>
Total net position	<b>\$ 107,352</b>

In 2023, the Airport continued to pay close attention to expenses on the operational budget by closely monitoring purchasing decisions, maintaining departmental communications regarding budget availability monthly, and reducing costs where possible. Rising utilities costs due to inflation had an 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

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

the Airport was able to offset losses due to lost revenue in 2021 through 2023.

**Table 2**

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

	<b>December 31, 2023</b>
<b>Revenues:</b>	
<i>Operating revenue:</i>	
Terminal	\$ 2,636
Parking Lot	2,145
Landing Field	1,056
Other Land and Building Rental	872
County Subsidy	326
Gain on Sale of Assets	0
Total operating revenues	7,035
<i>Operating Expenses</i>	14,031
Operating Income (Loss)	(6,996)
Investment Income	132
Interest Expense	0
Total Non-Operating Revenues	132
Loss Before Capital Contributions	(6,864)
Capital Contributions	
Federal Grants	11,205
State Grants	376
Passenger Facility Charge	718
Customer Facility Charge	0
Total Capital contribution	12,299
<b>Change in net position</b>	5,435
<b>Net position - beginning</b>	101,918
<b>Net position - ending</b>	<b>\$ 107,353</b>

In 2023 passenger enplanements had a small decrease of (7%) over the calendar year 2022. The decrease is attributed to less seat availability, and a reduction in departing flights.

The Airport continued to commit significant effort and financial resources to advertising and marketing,

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

which resulted in additional flights being secured at the end of 2023. The airport added several flights near the end of 2023, which will have a positive impact on 2024. The Airport had an operating loss before depreciation of \$819,000 in 2023 as compared to a loss of \$487,000 in 2022; the loss is primarily attributable to the cost of goods increasing due to inflation.

**Capital Asset and Debt Administration**

Capital Assets - The Airport's capital assets, net of depreciation as of December 31, 2023 and 2022, amounted to \$101,242,338 and \$95,418,702, 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 increase in the Airport's capital assets before accumulated depreciation for 2023 was 6.3% compared to a decrease of 4.2% in 2022.

Major capital projects in progress and expenditures incurred during 2023 included the following:

<b>December 31, 2023</b>	
Land	\$194, 711
Building Improvements	\$4,848,014
CIP (net amount)	\$6,909,082

Major capital projects in progress and expenditures incurred during 2022 included the following:

<b>December 31, 2022</b>	
Land	\$3,126,795
Equipment	\$823,352
CIP (net amount)	\$5,572,037

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 (85%) 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  
2024**

Airport management continues to face significant challenges in 2024 as the Airport faced with the tail end of recovery from the pandemic and an increase in inflation. Revenues have increased approximately 3% with a return of service and increases in rates and charges to the airlines. The Airport received a CARES grant for \$20,044,000 to continue operations and employment at the airport. That grant will expire in May of 2024. We also are continuing multiple capital projects, depending on Federal airport capital improvement project funding availability, 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 2024. The Airport received two grants; CRSSA for \$2,380,828 and ARPA for \$3,706,911 which will primarily be used for capital expansion and expenses.

Airport management has three main objectives for 2024. The 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 2024 operating budget.

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 2024 and 2025 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 most of the traveling public ensuring a safe and clean facility. 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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 3,004,429	\$ 4,311,732
Restricted cash	976,330	2,185,727
Accounts receivable	458,641	429,695
Capital grants receivable	4,644,286	613,088
Current portion of leases receivable	312,944	317,436
Current portion of service concession arrangement receivable	869,116	830,943
Prepaid expenses	<u>58,422</u>	<u>61,594</u>
Total Current Assets	10,324,168	8,750,215
LEASES RECEIVABLE, net of current portion	5,441,295	5,292,614
SERVICE CONCESSION ARRANGEMENT RECEIVABLE, net of current portion	2,434,528	3,303,644
CAPITAL ASSETS, net of accumulated depreciation	<u>101,242,338</u>	<u>95,418,702</u>
	<u>\$ 119,442,329</u>	<u>\$ 112,765,175</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,911,586	\$ 266,064
Accrued expenses	161,939	158,394
Retainage payable	857,386	263,282
Unearned grant income	<u>-</u>	<u>44,189</u>
Total Current Liabilities	2,930,911	731,929
NONCURRENT LIABILITIES:		
Compensated absences	<u>394,622</u>	<u>370,401</u>
Total Liabilities	<u>3,325,533</u>	<u>1,102,330</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, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from leases	5,460,409	5,610,050
Deferred service concession arrangement receipts	<u>3,303,644</u>	<u>4,134,587</u>
Total Deferred Inflow of Resources	<u>8,764,053</u>	<u>9,744,637</u>
NET POSITION:		
Net investment in capital assets	101,242,338	95,418,702
Restricted for capital assets	976,330	2,185,727
Unrestricted	<u>5,134,075</u>	<u>4,313,779</u>
Total Net Position	<u>107,352,743</u>	<u>101,918,208</u>
	<u>\$ 119,442,329</u>	<u>\$ 112,765,175</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES:</b>		
Terminal area	\$ 2,635,896	\$ 2,685,977
Parking lot	2,144,786	2,088,968
Landing field	1,055,797	1,106,485
Other land and building rental	872,103	578,508
County subsidy	326,187	326,187
Gain on sale of assets	<u>-</u>	<u>45,000</u>
Total Operating Revenues	<u>7,034,769</u>	<u>6,831,125</u>
<b>OPERATING EXPENSES:</b>		
Administrative	2,366,938	2,077,772
Terminal area	2,595,670	2,482,177
Landing field	1,021,673	968,465
Other land and building rental	384,786	376,948
Garage	466,733	548,932
Emergency equipment	637,694	411,625
Parking lot	429,696	452,005
Depreciation	<u>6,128,171</u>	<u>6,041,100</u>
Total Operating Expenses	<u>14,031,361</u>	<u>13,359,024</u>
<b>LOSS FROM OPERATIONS</b>	<u>(6,996,592)</u>	<u>(6,527,899)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	131,994	17,492
Interest expense	<u>-</u>	<u>(191)</u>
Total Non-Operating Revenues	<u>131,994</u>	<u>17,301</u>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(6,864,598)</u>	<u>(6,510,598)</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Federal grants	11,271,091	7,082,406
State grants	310,156	97
Passenger facility charges	717,886	806,065
Customer facility charges	<u>-</u>	<u>588,494</u>
Total Capital Contributions	<u>12,299,133</u>	<u>8,477,062</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, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
CHANGE IN NET POSITION	5,434,535	1,966,464
NET POSITION - Beginning	<u>101,918,208</u>	<u>99,951,744</u>
NET POSITION - Ending	<u>\$ 107,352,743</u>	<u>\$ 101,918,208</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from operating revenues	\$ 6,711,993	\$ 6,385,051
Cash paid to employees for services and benefits	(3,940,801)	(3,212,286)
Cash paid for operating expenses	<u>(2,376,981)</u>	<u>(3,760,546)</u>
Net Cash Provided (Used) By Operating Activities	<u>394,211</u>	<u>(587,781)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipt of capital grants and contributions	7,505,859	6,767,584
Facility charges collected	717,886	1,394,559
Cash paid for capital asset additions	(11,266,650)	(10,050,775)
Cash paid for interest	-	(191)
Payments on capital leases	<u>-</u>	<u>(24,058)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(3,042,905)</u>	<u>(1,912,881)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash received for interest	<u>131,994</u>	<u>17,492</u>
<b>NET CHANGE IN CASH</b>	<b>(2,516,700)</b>	<b>(2,483,170)</b>
<b>CASH - BEGINNING</b>	<u>6,497,459</u>	<u>8,980,629</u>
<b>CASH - ENDING</b>	<u>\$ 3,980,759</u>	<u>\$ 6,497,459</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash	\$ 3,004,429	\$ 4,311,732
Restricted Cash	<u>976,330</u>	<u>2,185,727</u>
	<u>\$ 3,980,759</u>	<u>\$ 6,497,459</u>
<b>SUPPLEMENTARY DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital asset additions included in accounts payable	<u>\$ 685,157</u>	<u>\$ -</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, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss from operations	\$ (6,996,592)	\$ (6,527,899)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	6,128,171	6,041,100
Change in assets and liabilities:		
Accounts receivable	(28,946)	(119,887)
Prepaid expenses	3,172	(7,355)
Accounts payable	960,365	(117,148)
Accrued expenses	3,545	(13,770)
Retainage payable	594,104	149,508
Compensated absences	24,221	7,670
Lease receivable/deferred inflows	<u>(293,829)</u>	<u>-</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 394,211</u>	<u>\$ (587,781)</u>

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

# WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022**

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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, restricted, and unrestricted net position. 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, 2023 AND 2022**

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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. Grants and accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

#### Leases Receivable

##### Regulated leases

AVP leases certain assets to various third parties as regulated leases. These leases are for assets related directly and substantially to the movement of passengers, baggage, mail, and cargo at the airport. Regulated lease revenue is recorded as operating revenue as it is earned over the life of the regulated leases.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

Leases Receivable (Cont'd)

Non-Regulated Leases

AVP leases certain assets to various third parties as non-regulated leases. As a lessor, AVP is required to recognize a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is equal to the lease receivable, less prepayments received from lessees, or lease incentives paid to lessees. As lease payments are received, the Authority recognizes interest revenue and a reduction to the lease receivable. The Authority also recognizes operating lease revenue calculated as the amortization of the deferred inflow of resources over the lease term.

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.

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
Garage	25
Equipment	5 - 10
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.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**Capital Assets (Cont'd)**

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 time will be paid to the employee.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. AVP does not currently report any deferred outflows of resources.

In addition to liabilities, the statement of financial 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 and so will not be recognized as an inflow of resources (revenue) until that time. AVP currently has one type of deferred inflows of resources. On the statement of net position, deferred inflows of resources are related to lease and service concession receivables. These amounts are deferred and recognized as revenue as payments are received over the term of the related contract.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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.

Recently Implemented Accounting Standards

In June 2017, the Government Accounting Standards Board ("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. AVP implemented the provisions of this pronouncement during the year ended December 31, 2022.

# WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022**

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

#### Effects of New Pronouncements

The following summarizes recent GASB pronouncements. AVP is currently evaluating the effects of these statements on its financial statements.

- Statement No. 99, *Omnibus 2022*, with effective dates for fiscal years through June 15, 2023.
- Statement No. 100, *Accounting Changes and Errors and Corrections - an Amendment of GASB Statement No. 62*, with an effective date for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences*, with an effective date for fiscal years beginning after December 15, 2023.
- Statement No. 102, *Certain Risk Disclosures*, with an effective date for fiscal years beginning after June 15, 2024.

#### Subsequent Events

Management has evaluated subsequent events through June 3, 2024, 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, 2023.

### NOTE 2: 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 a financial institution located in Northeast Pennsylvania. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2023 \$4,529,586 of AVP's cash balances of \$4,779,586 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, 2023 AND 2022**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity consisted of the following for the year ended December 31, 2023:

	Balance January 1, <u>2023</u>	Additions/ <u>Reclassifications</u>	Disposals/ <u>Reclassifications</u>	Balance December 31, <u>2023</u>
Capital assets, not being depreciated:				
Land	\$ 1,663,173	\$ -	\$ -	\$ 1,663,173
Construction-in-progress	<u>13,567,816</u>	<u>11,951,807</u>	<u>5,042,725</u>	<u>20,476,898</u>
Total capital assets, not being depreciated	<u>15,230,989</u>	<u>11,951,807</u>	<u>5,042,725</u>	<u>22,140,071</u>
Capital assets, being depreciated:				
Runways, taxiways, and other land improvements	129,011,774	194,711	-	129,206,485
Buildings and building improvements	66,147,941	4,848,014	-	70,995,955
Equipment	10,402,624	-	-	10,402,624
Garage	9,874,896	-	-	9,874,896
Furniture and fixtures	<u>760,826</u>	<u>-</u>	<u>-</u>	<u>760,826</u>
Total capital assets, being depreciated	<u>216,198,061</u>	<u>5,042,725</u>	<u>-</u>	<u>221,240,786</u>
Less accumulated depreciation:				
Runways, taxiways, and other land improvements	(88,156,793)	(3,516,905)	-	(91,673,698)
Buildings and building improvements	(33,199,505)	(1,688,231)	-	(34,887,736)
Equipment	(7,197,219)	(521,192)	-	(7,718,411)
Garage	(6,708,270)	(391,071)	-	(7,099,341)
Furniture and fixtures	<u>(748,561)</u>	<u>(10,772)</u>	<u>-</u>	<u>(759,333)</u>
Total accumulated depreciation	<u>(136,010,348)</u>	<u>(6,128,171)</u>	<u>-</u>	<u>(142,138,519)</u>
Total capital assets being depreciated, net	<u>80,187,713</u>	<u>(1,085,446)</u>	<u>-</u>	<u>79,102,267</u>
Total capital assets, net	<u>\$ 95,418,702</u>	<u>\$ 10,866,361</u>	<u>\$ 5,042,725</u>	<u>\$ 101,242,338</u>

Depreciation expense charged to operations for 2023 was \$6,128,171.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

NOTE 3: CAPITAL ASSETS (CONT'D)

Capital asset activity consisted of the following for the year ended December 31, 2022:

	Balance January 1, <u>2022</u>	Additions/ <u>Reclassifications</u>	Disposals/ <u>Reclassifications</u>	Balance December 31, <u>2022</u>
Capital assets, not being depreciated:				
Land	\$ 1,663,173	\$ -	\$ -	\$ 1,663,173
Construction-in-progress	<u>7,467,188</u>	<u>10,123,089</u>	<u>4,022,461</u>	<u>13,567,816</u>
Total capital assets, not being depreciated	<u>9,130,361</u>	<u>10,123,089</u>	<u>4,022,461</u>	<u>15,230,989</u>
Capital assets, being depreciated:				
Runways, taxiways, and other land improvements	125,884,979	3,126,795	-	129,011,774
Buildings and building improvements	66,147,941	-	-	66,147,941
Equipment	9,846,683	823,352	267,411	10,402,624
Garage	9,874,896	-	-	9,874,896
Furniture and fixtures	<u>760,826</u>	<u>-</u>	<u>-</u>	<u>760,826</u>
Total capital assets, being depreciated	<u>212,515,325</u>	<u>3,950,147</u>	<u>267,411</u>	<u>216,198,061</u>
Less accumulated depreciation:				
Runways, taxiways, and other land improvements	(84,717,755)	(3,439,038)	-	(88,156,793)
Buildings and building improvements	(31,564,790)	(1,634,715)	-	(33,199,505)
Equipment	(6,926,963)	(537,667)	(267,411)	(7,197,219)
Garage	(6,317,200)	(391,070)	-	(6,708,270)
Furniture and fixtures	<u>(709,951)</u>	<u>(38,610)</u>	<u>-</u>	<u>(748,561)</u>
Total accumulated depreciation	<u>(130,236,659)</u>	<u>(6,041,100)</u>	<u>(267,411)</u>	<u>(136,010,348)</u>
Total capital assets being depreciated, net	<u>82,278,666</u>	<u>(2,090,953)</u>	<u>-</u>	<u>80,187,713</u>
Total capital assets, net	<u>\$ 91,409,027</u>	<u>\$ 8,032,136</u>	<u>\$ 4,022,461</u>	<u>\$ 95,418,702</u>

Depreciation expense charged to operations for 2022 was \$6,041,100.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

NOTE 4: LEASES

Regulated Leases

The Authority leases certain assets to various third parties as regulated leases, as defined by GASB Statement No. 87. These leased assets are regulated under the FAA Rates and Charges Policy and Grant Assurance 22 and include jet bridges, ticket counters, ticket offices, passenger hold rooms, concourse operations space, and baggage service areas. During the years ended December 31, 2023 and 2022, AVP recognized \$1,062,763 and \$1,055,450, respectively, from regulated leases.

Due to the variable nature of the above revenues from year-to-year, expected future minimum payments are indeterminable.

Non-regulated Leases

AVP leases terminal space, hanger space, and land to various third parties. In accordance with GASB No. 87, AVP recognizes a lease receivable and a deferred inflow of resources for its non-regulated leases. Lease payments are generally fixed monthly payments with certain variable payments not included in the measurement of the lease receivable. Variable payments are typically based on a percentage of lessee's revenue above a minimum annual guarantee.

AVP recognized the following related to its lessor agreements for the years ended December 31,:

	<u>2023</u>	<u>2022</u>
Lease revenue	\$ 535,267	\$ 514,724
Interest income related to leases	\$ 212,125	\$ 185,796
Revenue from variable payments not previously included in the measurement of the lease receivables	\$ 493,409	\$ 572,494

AVP's non-regulated leases included the following at December 31,:

	<u>2023</u>	<u>2022</u>
Buildings (10 leases)		
Terms	12 - 249 months	12 - 249 months
Leases receivable	\$ 2,875,911	\$ 2,403,356
Lease revenue	\$ 402,235	\$ 470,731

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

NOTE 4: LEASES (CONT'D)

Non-regulated Leases (Cont'd)

Land (8 leases)			
Terms	12 - 308 months	12 - 308 months	
Leases receivable	\$ 2,881,646	\$ 2,928,181	
Lease revenue	\$ 130,032	\$ 43,993	

Future minimum lease payments expected are as follows:

<u>For the year ending December 31:</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2024	\$ 312,944	\$ 322,297	\$ 635,241
2025	144,036	324,503	468,539
2026	157,402	316,017	473,419
2027	173,217	306,546	479,763
2028	186,517	296,053	482,570
2029 - 2033	1,182,120	1,281,181	2,463,301
2034 - 2038	1,157,914	916,002	2,073,916
2039 - 2043	1,339,600	563,210	1,902,810
2044 - 2048	1,044,936	182,389	1,227,325
2049 - 2051	55,553	2,870	58,423
Total	<u>\$ 5,754,239</u>	<u>\$ 4,511,068</u>	<u>\$ 10,265,307</u>

Deferred inflows of resources relating to the lease receivables are \$5,460,409 and \$5,610,050 at December 31, 2023 and 2022, respectively.

Short-term Leases

In accordance with GASB No. 87, AVP does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months or less, including any options to extend, regardless of their probability of being exercised. Short-term leases primarily consist of various advertising agreements and leases for hanger space.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

NOTE 5: LONG-TERM OBLIGATIONS

	Balance Outstanding January 1, <u>2023</u>	Net Additions (Reductions)	Balance Outstanding December 31, <u>2023</u>
Compensated absences	<u>\$ 370,401</u>	<u>\$ 24,221</u>	<u>\$ 394,622</u>

  

	Balance Outstanding January 1, <u>2022</u>	Net Additions (Reductions)	Balance Outstanding December 31, <u>2022</u>
Compensated absences	<u>\$ 362,731</u>	<u>\$ 7,670</u>	<u>\$ 370,401</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 total revenue was \$717,886 and \$806,065 for the years ended December 31, 2023, and 2022, respectively.

Customer Facility Charges

Customer facility charges ("CFC") are collected from all rental car concessionaires that operate facilities at 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 \$588,494 for the year ended December 31, 2022. For the year ended December 31, 2023, CFC charges were paid directly to AVP QTA, LLC for the Quick Turn-Around Facility.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**NOTE 7: SERVICE CONCESSION ARRANGEMENT**

On September 28, 2018, AVP entered into an extension of their service concession arrangement with SP Plus Corporation ("SP Plus"), under which SP Plus will operate and maintain the Airport's parking lots and garages ("parking facilities"). On August 1, 2021, SP Plus exercised the first of two four year extensions taking the current contract through July 31, 2025. The agreement entitles SP Plus to all income, revenues, and receipts from the operation of the parking facilities and requires SP Plus the operation of the parking facilities and requires SP Plus to pay all costs of operating and maintaining the parking facilities. In exchange, SP Plus will pay AVP a Minimum Annual Guarantee ("MAG") of \$1,000,000 annually over the course of the arrangement. In addition, SP Plus will pay AVP 78% of gross revenue on the first \$1,200,000, then 81% of gross revenue from \$1,200,000 to \$2,000,000, and 93% of gross revenue above \$2,000,000. AVP reports a service concession receivable and deferred inflow of resources of \$3,303,644 and \$4,134,587 as of December 31, 2023 and 2022, respectively.

**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 plans, in the amount of \$326,187 for each of the years ended December 31, 2023 and 2022, and are reported as subsidy revenue and pension expense in the financial statements.

**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 31, 2023 and 2022, revenue from one government agency represented 58% and 46% of total revenue, 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, 2023, AVP has outstanding commitments of \$9,885,676 under contracts totaling \$31,195,647.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**SCHEDULES OF OPERATING EXPENSES  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries and wages	\$ 2,564,361	\$ 2,209,975
Group health insurance	884,905	825,152
Pension	326,187	326,187
Payroll taxes	193,114	171,059
	<hr/>	<hr/>
Total payroll and related expenses	3,968,567	3,532,373
Depreciation expense	6,128,171	6,041,100
Utilities	742,651	809,365
Advertising and public relations	571,342	424,976
Repairs and maintenance	379,766	436,664
Security and fire systems	368,592	413,717
Security	361,316	331,153
Insurance	312,954	274,013
Professional fees	281,657	193,392
Outside services	174,318	184,898
Fuel and oil	163,626	177,200
Taxes and licenses	103,155	109,871
Equipment rental and servicing	87,969	85,371
Refuse and snow removal	79,719	108,088
Telephone	78,111	34,125
Cleaning supplies	72,783	60,579
Trainings and seminars	46,746	16,581
Travel and meetings	36,659	33,738
Dues and subscriptions	29,710	36,585
Office supplies	21,684	17,318
Materials and supplies	10,133	29,848
Miscellaneous	8,071	5,701
Service fees	3,661	2,368
	<hr/>	<hr/>
Total	\$ 14,031,361	\$ 13,359,024

See independent auditor's report.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2023**

GRANTOR	FEDERAL CFDA NUMBER	GRANT NUMBER	AWARD AMOUNT	TOTAL RECEIPTS	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION:					
Pass through grant programs from the Federal Aviation Administration:					
Airport Improvement Program - Rehab Taxiway B	20.106	3-42-0105-066-2018	\$ 416,499	\$ 3,590	\$ 3,590
Airport Improvement Program - Rehab Terminal Drive	20.106	3-42-0105-068-2019	165,025	22,286	22,286
Airport Improvement Program - Extend Taxiway B	20.106	3-42-0105-070-2020	1,480,258	46,930	56,973
CARES Act	20.106	3-42-0105-072-2020	15,214,675	4,324,237	4,454,299
Airport Improvement Program - Extend Taxiway B	20.106	3-42-0105-073-2021	5,130,057	-	126,139
Airport Improvement Program - Extend Taxiway B	20.106	3-42-0105-078-2022	6,990,729	2,843,426	4,506,680
Airport Improvement Program - Extend Taxiway B Phase VIII	20.106	3-42-0105-080-2023	471,088	92,578	106,072
Airport Improvement Program - CARES Act	20.106	3-42-0105-081-2024	4,829,687	-	1,976,302
Small Community Air Service Development Program	20.930	2023-0037-0044	500,000	-	18,750
			<u>\$ 35,198,018</u>	<u>\$ 7,333,047</u>	<u>\$ 11,271,091</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, 2023**

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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, 2023. 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.

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**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, 2023, 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, 2024.

## **Report on 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AVP's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

**CERTIFIED PUBLIC ACCOUNTANTS**

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

### **AVP's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on AVP's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. AVP's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 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 AVP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kohanski & Co., PC*

Scranton, PA  
June 3, 2024

# KOHANSKI

C o m p a n y • P C

## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

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

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

We have audited the Wilkes-Barre/Scranton International Airport's ("AVP") compliance with the types of compliance requirements identified as subject to audit 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, 2023. AVP's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, AVP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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 AVP 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 the major Federal program. Our audit does not provide a legal determination of AVP's compliance with the compliance requirements referred to above.

#### CERTIFIED PUBLIC ACCOUNTANTS

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### ***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 AVP's 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 AVP's 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 GAAS, *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 AVP's compliance with the requirements of its major Federal program as a whole.

In performing an audit in accordance with GAAS, *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 AVP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of AVP's 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 AVP's 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.

*Kohanski & Co., PC*

Scranton, PA  
June 3, 2024

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2023**

**SECTION I - SUMMARY OF AUDITORS' 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)?  X  Yes \_\_\_\_\_ 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 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)

20.106

Name of Federal Program or Cluster

Airport Improvement Program

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

\$ 750,000

Auditee qualified as low-risk auditee: \_\_\_\_\_ Yes  X  No

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED DECEMBER 31, 2023**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING 2023-001 RECOGNITION OF REVENUE AND EXPENSES**

Criteria: 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. Under the accrual basis of accounting, expenses are recorded when a liability is incurred. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred.

Condition: Expenditures related to construction projects were recorded when paid, rather than when the expense was incurred, and the related government reimbursement was recorded when received rather than when earned in accordance with the criteria noted above.

Effect: Cutoff of expenses and revenue was incorrect and the financial statements contained significant errors.

Cause: Internal controls over financial reporting did not include procedures to ensure that transactions were recorded in the correct period.

Recommendation: Internal controls over financial reporting should include procedures to review all transactions as they are entered into the accounting system. This review should include identifying proper account coding as well as identifying the correct period in which the transaction should be recorded. Review and approval procedures should be designed to identify and correct any errors in recording transactions.

View of Responsible Officials: See accompanying corrective action plan.

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

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*.

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2023**

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**PRIOR AUDIT FINDINGS - DECEMBER 31, 2022**

**FINDING 2022-001: RECOGNITION OF REVENUE AND EXPENSES**

Criteria: 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. Under the accrual basis of accounting, expenses are recorded when a liability is incurred. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred.

Condition: Expenditures related to construction projects were recorded when paid, rather than when the expense was incurred, and the related government reimbursement was recorded when received rather than when earned in accordance with the criteria noted above.

Effect: Cutoff of expenses and revenue was incorrect and the financial statements contained significant errors.

Cause: Internal controls over financial reporting did not include procedures to ensure that transactions were recorded in the correct period.

Recommendation: Internal controls over financial reporting should include procedures to review all transactions as they are entered into the accounting system. This review should include identifying proper account coding as well as identifying the correct period in which the transaction should be recorded. Review and approval procedures should be designed to identify and correct any errors in recording transactions.

Auditor's 2023 Status: Finding remains as stated. See current year finding 2023-001.

6/4/2024

100 Terminal Drive, Suite 1  
Avoca, PA 18641

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

RE: Financial Statement Findings  
2023-001: Recognition of Revenue and Expenses

We agree with the auditors' finding, the following action will be taken to improve the accuracy of revenue and expense recognition.

All entries will be reviewed by Assistant Director or Director of Finance. Quarterly reviews will be conducted to ensure all transactions are recorded accurately. Finally, staff will be coached on the correct way to enter transactions using the accrual method of accounting.

Sincerely,



Chris Dalessandro  
Director of Finance

CC: Carl Beardsley  
Executive Director

Michelle Aigeldinger  
Assistant Director of Finance

