

**WILKES-BARRE/SCRANTON INTERNATIONAL
AIRPORT**

Single Audit Report

For the Years Ended

December 31, 2019 and 2018

***Rainey & Rainey
Certified Public Accountants***

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**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, 2019 and 2018. 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 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 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 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
2019**

The Airport retained a strong financial position for the year ended December 31, 2019. Airport assets exceeded liabilities by \$98,902,430 (net assets) at December 31, 2019 and \$98,033,086 at December 31,

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2018; an increase of .89%. 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 \$622,777 in 2019 and a deficit of \$34,034 in 2018.

Restricted assets increased \$820,806 or 36.62% 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:

Table 1

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

	December 31, 2019	December 31, 2018	Increase (Decrease)	Percentage Change
Current and other assets	\$ 9,767	\$ 8,634	\$ 1,133	13%
Restricted Assets	3,062	2,241	821	37%
Capital assets, net	<u>95,347</u>	<u>95,940</u>	<u>(593)</u>	<u>-.6%</u>
Total assets	<u>108,176</u>	<u>106,815</u>	<u>1,361</u>	<u>1%</u>
Current and other liabilities	5,806	6,072	(265)	(4%)
Long-term liabilities	<u>406</u>	<u>469</u>	<u>(64)</u>	<u>(14%)</u>
Total liabilities	6,212	6,541	(329)	(5%)
Deferred Inflows of Resources	3,062	2,241	821	37%
Net investment in capital assets	95,217	95,758	(541)	(1%)
Restricted	3,062	2,241	821	37%
Unrestricted (deficit)	<u>623</u>	<u>34</u>	<u>589</u>	<u>1730%</u>
Total net position	<u>\$ 98,902</u>	<u>\$ 98,033</u>	<u>\$ 869</u>	<u>.1%</u>

In 2019, 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 2019 the Airport's expenses were impacted by an aggressive marketing effort designed to increase ridership

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(enplanements) and to enhance Airport awareness within the community. Furthermore, the Airport also implemented a series of customer amenity improvements including upgraded parking gates and modern revenue equipment.

Table 2

Summary of Changes in Net Position Business-Type Activities (in thousands)				
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percentage Change
Revenues:				
<i>Operating revenue:</i>				
Terminal	\$ 2,523	\$ 2,576	(\$53)	(2%)
Parking Lot	3,233	2,646	587	22%
Landing Field	1,317	1,189	129	11%
Other Land and Building Rental	563	565	(2)	0%
Investment Income	142	17	25	151%
Total operating revenues	<u>7,679</u>	<u>6,993</u>	686	10%
Operating Expenses	<u>6,629</u>	<u>6,554</u>	75	1%
Operating Income (Loss) Before Depreciation	1,050	439	611	139%
County Subsidy	307	285	21	8%
Interest Expense	(6)	(6)	0	0%
Depreciation	<u>(4,820)</u>	<u>(5,444)</u>	623	(11%)
Operating Loss	(3,470)	(4,726)	1,256	(27%)
Capital Contributions				
Federal Grants	2,474	4,607	(2,133)	(46%)
State Grants	729	2,338	(1,608)	(69%)
Passenger Facility Charge	<u>1,135</u>	<u>1,552</u>	(417)	(27%)
Total Nonoperating Revenues	<u>4,339</u>	<u>8,497</u>	(4,158)	(49%)
Change in net position	869	3,771	(2,902)	(77%)
Net position – beginning	<u>98,033</u>	<u>94,262</u>	3,771	4%
Net position - ending	<u>\$98,902</u>	<u>\$98,033</u>	\$869	1%

Operationally, the Airport's financial performance was impacted by the dynamics of the constantly changing airline industry, regional economics, and fluctuating travel market demands. 2019's passenger

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enplanements had an increase of (11%) over the calendar year 2018. The increase was primarily attributable to additional flights to Washington DC (IAD), expanded service to existing HUB airports, less flight cancellations due to weather and the addition of larger capacity aircraft.

The Airport continued to commit significant effort and financial resources to advertising and marketing, which resulted in an increased passenger enplanements, expanded services offered by incumbent air service providers, and a stronger environment to attract net new services in the future. The Airport had an operating surplus before depreciation of \$1,050 in 2019 as compared to a surplus of \$439 in 2018; the surplus is primarily attributable to increased revenue. Additionally, marketing efforts have continued at a level of significance, which has helped to increase enplanements and revenue at the Airport.

Capital Asset and Debt Administration

Capital Assets - The Airport's capital assets, net of depreciation as of December 31, 2019 and 2018, amounted to \$95,347,152 and \$95,940,265, 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 2019 was 1% compared to an increase of 3.1% in 2018.

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

Major capital projects in progress and expenditures incurred during 2018 included the following:

December 31, 2018

Land	\$	3,000
Runway, taxiway, and land improvements		3,542,612
Building & improvements		1,225,622
Equipment		783,597
Construction in progress (net)		3,124,901

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.

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**FINANCIAL OBJECTIVES
2020**

Airport management continues to face significant challenges in 2020 as the Airport faces 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 cover costs of operations and maintenance for approximately three years.

Airport management has three main objectives for 2020. 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 rehabilitation of the parking garage, the rehab of Taxiway B and D and the extension of Taxiway B (RWY 4 approach). The third priority is to maintain operating budget controls already set in place and endeavor to achieve a better than break-even operating budget. Airport management will consider revenue price increases to the areas where needed in 2021 to help maintain at least a break-even operating budget going forward based on outcomes of the pandemic and the return to travel in the industry.

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 2020 and 2021 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.

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
Richard P. Rainey, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wilkes-Barre/Scranton International Airport

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Wilkes-Barre/Scranton International Airport as of and for the year ended December 31, 2019 & 2018, and the related notes to the financial statements, which collectively comprise Airport'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Wilkes-Barre/Scranton International Airport, as of December 31, 2019 & 2018, and the respective statement of revenue, expenses, and changes in net position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

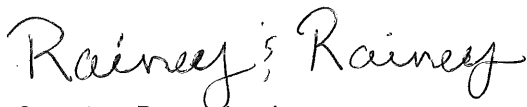
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and operating expenses information on pages 2-6 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilkes-Barre/Scranton International Airport's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2020, on our consideration of the Wilkes-Barre/Scranton International Airport'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 the Wilkes-Barre/Scranton International Airport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wilkes-Barre/Scranton International Airport's internal control over financial reporting and compliance.



Scranton, Pennsylvania
August 10, 2020

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

STATEMENT OF NET POSITION DECEMBER 31, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,574,032	\$ 2,330,122
Accounts receivable	653,244	565,643
Prepaid expenses	118,855	150,112
Government capital grants receivable	<u>5,421,019</u>	<u>5,587,636</u>
Total Current assets	<u>9,767,150</u>	<u>8,633,513</u>
RESTRICTED ASSETS		
Passenger and customer facility charge cash	<u>3,062,233</u>	<u>2,241,427</u>
Total restricted assets	<u>3,062,233</u>	<u>2,241,427</u>
Capital assets, net of accumulated depreciation	<u>95,347,152</u>	<u>95,940,265</u>
TOTAL	<u>\$ 108,176,535</u>	<u>\$ 106,815,205</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 191,421	\$ 299,433
Accrued expenses and other current liabilities	138,499	131,417
Capital lease - current	55,073	52,998
Unearned revenue- government capital grants	<u>5,421,019</u>	<u>5,587,636</u>
Total current liabilities	5,806,012	6,071,484
NONCURRENT LIABILITY		
Compensated absences	330,987	339,566
Capital Lease - non current	<u>74,659</u>	<u>129,642</u>
Total non-current liabilities	405,646	469,208
Total Liabilities	<u>6,211,658</u>	<u>6,540,692</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to customer facility charges	1,979,058	899,963
Deferred amounts related to passenger facility charges	<u>1,083,175</u>	<u>1,341,464</u>
Total deferred inflows of resources	<u>3,062,233</u>	<u>2,241,427</u>
NET POSITION		
Net investment in capital assets, net of related debt	95,217,420	95,757,625
Restricted for capital assets	3,062,233	2,241,427
Unrestricted	<u>622,991</u>	<u>34,034</u>
Total net position	<u>98,902,644</u>	<u>98,033,086</u>
TOTAL	<u>\$ 108,176,535</u>	<u>\$ 106,815,205</u>

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Terminal Area	\$ 2,523,150	\$ 2,576,433
Parking Lot	3,233,047	2,645,967
Landing Field	1,317,071	1,188,478
Other land and building rental	563,490	565,316
Investment income	42,306	16,868
Total Operating Revenues	7,679,064	6,993,063
OPERATING EXPENSES		
Administrative	2,138,528	2,113,251
Terminal Area	2,053,177	1,936,894
Landing Field	895,862	821,883
Other land and building rental	392,783	386,788
Garage	456,511	565,549
Emergency equipment	317,953	378,020
Parking Lot	374,502	351,854
Total operating expenses	6,629,316	6,554,239
OPERATING INCOME BEFORE OTHER INCOME & EXPENSES	1,049,748	438,824
County Subsidy	307,008	285,313
Interest Expense	(6,113)	(6,209)
Depreciation	(4,820,291)	(5,443,767)
OPERATING LOSS	(3,469,648)	(4,725,839)
CAPITAL CONTRIBUTIONS		
Federal grants	2,474,304	4,607,249
State grants	729,393	2,337,536
Passenger & customer facility charge income	1,135,509	1,552,236
Total capital contributions	4,339,206	8,497,021
(DECREASE) INCREASE IN NET POSITION	869,558	3,771,182
NET POSITION, BEGINNING	98,033,086	94,261,904
NET POSITION, ENDING	\$ 98,902,644	\$ 98,033,086

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STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Landing field and terminal area	\$ 3,752,620	\$ 3,750,208
Parking lot and other rental	3,827,794	3,211,283
Other operating revenues	509,653	285,313
Interest received	42,306	16,868
Payments to vendors	(3,211,868)	(3,330,043)
Payments to employees	(3,735,715)	(3,158,932)
Net Cash provided by operating activities	1,184,790	774,696
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition and construction of capital assets	(4,227,178)	(8,679,732)
Net cash used by investing activities	(4,227,178)	(8,679,732)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from government capital grants	3,203,697	6,945,010
Change in restricted cash	(820,806)	(81,265)
Net cash provided by noncapital financing activities	2,382,891	6,863,745
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from passenger facility charge	\$ 1,956,315	\$ 1,633,501
Capital Lease payments	(52,908)	67,046
Net cash provided by capital and related financing activities	1,903,407	1,700,547
NET (DECREASE) INCREASE IN CASH	1,243,910	659,256
CASH BEGINNING	2,330,122	1,670,866
CASH, END	\$ 3,574,032	\$ 2,330,122
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (3,469,648)	\$ (4,725,839)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,820,291	5,443,767
Change in assets and liabilities:		
Accounts receivable, trade	(87,601)	(14,704)
Prepaid expenses and other current assets	31,257	(15,392)
Accounts payable, trade	(108,012)	148,422
Accrued expenses and other current liabilities	7,082	(89,616)
Compensated absences	(8,579)	28,058
Total Adjustments	4,654,438	5,500,535
Net cash provided by operating activities	\$ 1,184,790	\$ 774,696

Schedule of Noncash Investing, Capital, and Financing Activities:

- In 2019, there were no instances of noncash investing

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**1. NATURE OF OPERATIONS AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS

The Wilkes-Barre/Scranton International Airport (the "Airport"), 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. Until such time as the agreement between the counties of Luzerne and Lackawanna is amended or renegotiated, Luzerne County's representatives on the Joint Airport Board for the administration of the Wilkes-Barre/Scranton International Airport shall consist of the County Manager, the Chair of County Council or his/her designee from among Council's other members, and a member of the County Council selected by resolution adopted by an affirmative vote of at least a majority of its current members. The member of the Joint Airport Board appointed by County Council shall serve for a term of four years. Upon the expiration of the term or when the position filled by the member of County Council selected by its members is declared vacant by County Council, County Council shall make the appointment or fill the vacancy within 60 days by resolution adopted by an affirmative vote of at least a majority of its current members. If County Council fails to do so, any resident of Luzerne County may petition the Court of Common Pleas to do so. In such a case, the Court by a majority vote of its members shall make the appointment(s) or fill the vacancy within 30 days after receiving such a petition. The Airport is the basic level of government, which has financial accountability and control over all activities related to the Airport. The Airport's primary source of revenues is user fees and terminal space and other airport facility leases. These leases require a fixed minimum lease payment and/or contingent rentals based on sales over a specific minimum dollar amount.

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in Statement 39, an amendment to Statement 14 issued by the Government Accounting Standard Board "GASB". The specific criteria used in determining whether the Airport should be included in another organization's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, the Airport should not be included in another organization's financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING,
AND BASIS OF PRESENTATION**

Financial Statement Presentation

The Governmental Accounting Standards Board (GASB) establishes standards for external financial reporting for state and local governments and components thereof. The Airport's net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of Airport obligations. The Airport's net position is classified as follows:

Net investment in Capital Assets - This represents the Airport's total investment in capital assets - net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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Restricted Net Position - This includes resources for which the Airport is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position - Unrestricted net position represents resources derived from operations that may be used at the discretion of the Board of Directors for any purpose.

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

BASIS OF ACCOUNTING

The Authority is accounted for as single-purpose, business-type entity since its operations are financed and operated in a manner similar to a private business. The Authority's financial statements are presented on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when earned or when services are provided, and expenses are recognized when the related obligations are incurred.

REVENUES AND EXPENSES

Operating revenues of the Airport consist of terminal, landing field, parking lot and land and building rentals, operating grant revenue and investment income, while non operating income includes subsidies. Transactions related to passenger facility charges, capital activities, and federal, state and county capital grants are components of capital contributions. Operating expenses include the cost of administering the airport system, plus depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

CASH AND CASH EQUIVALENTS

For purposes of the accompanying statements of cash flows, the Airport considers all cash on hand and highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2019 consisted entirely of money market funds.

CAPITAL ASSETS

Capital assets are stated at historical cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The Airport's capitalization threshold for capital assets is \$5,000. Costs incurred for major improvements are carried in construction in progress until the assets are placed in service or are available for use, whichever occurs first. The estimated depreciable lives for the major asset categories are as follows:

<u>CATEGORY</u>	<u>LIFE</u>
Runways, taxiways, and other land improvements	15-25 Years
Buildings and building improvements	20-40 Years
Equipment	5-10 Years
Furniture & Fixtures	5-10 Years

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NOTES TO FINANCIAL STATEMENTS
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COMPENSATED ABSENCES

In accordance with the vesting method provided under GASB Statements No. 16, Accounting for Compensated Absences, accumulated vacation is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

GRANTS

Grants are recorded when they are approved by a governmental agency. Expenditures incurred are subject to audit and possible adjustment by the respective governmental agencies. Under the terms and conditions of such grants, the Airport and/or county governments are required to contribute a specific amount for each project and absorb any and all unallowable costs incurred with respect to such projects.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED CASH

The Airport had cash of \$3,062,233 and \$2,241,427 at December 31, 2019 and 2018, respectively, that was restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Passenger and customer facility charges available for eligible expenses on certain airport projects as approved by the Federal Aviation Administration	\$ 3,062,233	\$ 2,241,427
Total restricted cash	<u>\$ 3,062,233</u>	<u>\$ 2,241,427</u>

ACCOUNTS RECEIVABLE

Accounts receivable are reported at net realized value. Accounts are written off when they are determined to be uncollectible based on management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the Airport's historical losses and periodic review of individual accounts.

DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflow of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The Airport does not have any items that meet this criterion. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The authority has two items that meet the criterion for this category: Deferred amounts related to customer facility charges and deferred amounts related to passenger facility charges. These deferred amounts are to be used to fund future

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

capital and financing costs of rental car related projects or FAA approved projects, respectively.

UNEARNED REVENUE

The Airport received federal and state grant funding during the year in which the eligibility requirements have not been fully met as of December 31, 2019 and 2018. The unearned revenue represents grant funds not yet expended as the construction projects remain ongoing.

2. CASH

The Airport's investment policy states that funds may be invested under the following criteria:

Monies shall be invested from time to time as the monthly estimate of expenditures and receipts make a temporary surplus available. Such investments shall be temporary in nature and shall in all respects conform to the provisions of all applicable statutes and regulations. All investments must be ratified/approved by the Joint Board of Control at its next regularly scheduled public meeting. The investment policy of the Airport adheres to the state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Airport.

DEPOSITS

Commonwealth of Pennsylvania law requires that the Authority's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation, or the National Credit Union Insurance Fund. To the extent that such accounts are so insured, and for any amounts above the insured maximum, the approved collateral as provided by law shall be pledged by the depository.

The Authority's cash deposits are insured up to \$250,000 at financial institutions insured by the FDIC. Any cash deposits in excess of the \$250,000 FDIC limits are uninsured and collateralized by financial institutions via single collateral pool arrangements as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

At December 31, 2019, the Airport's cash includes deposits with a local financial institution. At December 31, 2019 and 2018, \$6,418,125 and \$4,595,114, respectively, of the Airport's bank balance was exposed to custodial credit risk since the balance was not insured through the Federal Depository Insurance Corporation but collateralized with securities held by the financial institution's trust department not in the Airport's name under the provisions of the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended. Act 72 allows banking institutions to cover public funds on deposit in excess of federal insurance.

3. GOVERNMENT GRANTS RECEIVABLE-RESTRICTED

Government capital grants receivable are restricted for Airport Improvement Projects at December 31, 2019 and 2018 and are summarized as follows:

	<u>2019</u>	<u>2018</u>
Federal-FAA	\$ 5,038,467	\$ 4,607,249
State-PennDot	382,552	2,337,536
Total	<u>\$ 5,421,019</u>	<u>\$ 5,587,636</u>

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. Capital Assets

Capital Assets Continued:

	2019			
	1/1/2019	Additons and Transfers In	Disposals and Tranfers Out	12/31/2019
Capital assets not being depreciated:				
Land	\$ 1,575,422	\$ 87,751	\$ -	\$ 1,663,173
Construction in Progress	<u>25,934,635</u>	<u>3,363,246</u>	<u>-</u>	<u>29,297,881</u>
Total capital assets not being depreciated	<u>27,510,057</u>	<u>3,450,998</u>	<u>-</u>	<u>30,961,055</u>
Capital assets being depreciated:				
Runway, taxiway and land improvements	100,753,979	-	-	100,753,979
Building and improvements	64,022,898	57,543	-	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>776,180</u>	<u>-</u>	<u>185,283,814</u>
Less accumulated depreciation for:				
Runway, taxiway and land improvements	76,458,945	2,342,357	-	78,801,302
Building and 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>(4,044,111)</u>	<u>-</u>	<u>64,386,097</u>
Total capital assets, net	<u>\$ 95,940,265</u>	<u>\$ (593,113)</u>	<u>\$ -</u>	<u>\$ 95,347,152</u>

Depreciation expense as of December 31, 2019 was \$4,820,291.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. Capital Assets

A summary of changes in capital assets:

	2018			
	1/1/2018	Additons and Transfers In	Disposals and Tranfers Out	12/31/2018
Capital assets not being depreciated:				
Land	\$ 1,572,422	\$ 3,000	\$ -	\$ 1,575,422
Construction in Progress	22,809,734	7,792,410	4,667,509	25,934,635
Total capital assets not being depreciated	<u>24,382,156</u>	<u>7,795,410</u>	<u>4,667,509</u>	<u>27,510,057</u>
Capital assets being depreciated:				
Runway, taxiway and land improvements	97,211,367	3,542,612	-	100,753,979
Building and improvements	62,797,276	1,225,622	-	64,022,898
Equipment	9,218,264	783,597	-	10,001,861
Garage	8,798,342	-	-	8,798,342
Furniture and Fixtures	930,553	-	-	930,553
Total capital assets being depreciated	<u>178,955,802</u>	<u>5,551,831</u>	<u>-</u>	<u>184,507,633</u>
Less accumulated depreciation for:				
Runway, taxiway and land improvements	73,478,903	2,980,042	-	76,458,945
Building and improvements	25,646,655	1,512,425	-	27,159,080
Equipment	5,900,724	564,987	-	6,465,711
Garage	4,882,129	347,713	-	5,229,842
Furniture and Fixtures	725,238	38,610	-	763,848
Total accumulated depreciation	<u>110,633,649</u>	<u>5,443,776</u>	<u>-</u>	<u>116,077,425</u>
Total capital assets being depreciated, net	<u>68,322,153</u>	<u>108,055</u>	<u>-</u>	<u>68,430,208</u>
Total capital assets, net	<u>\$ 92,704,309</u>	<u>\$ 7,903,465</u>	<u>\$ 4,667,509</u>	<u>\$ 95,940,265</u>

Depreciation expense as of December 31, 2018 was \$5,443,776.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

5. CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred to date on the uncompleted portion of the various projects undertaken by the Airport. These various projects are funded with federal, state and local capital grants. The federal government generally funds 90% of total eligible costs with the remaining balance funded by the state, the counties and the Airport. During 2019 and 2018, federal expenditures were \$2,200,998 and \$4,415,792 and state expenditures were \$179,049 and \$2,562,850 related to these various projects.

6. LEASING OPERATIONS AND COMMITMENTS

The Airport'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, 2019 and 2018, minimum lease revenues amounted to \$2,623,402 and \$2,676,822, respectively, and contingent rentals amounted to \$3,789,742 and \$3,175,149, respectively.

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

YEAR ENDING DECEMBER 31

2020	\$ 121,400
2021	105,200
2022	92,000
2023	92,000
2024	85,000
2025-2028	<u>325,500</u>
Total	<u>\$ 821,100</u>

7. NON-CURRENT LIABILITIES

Changes in Long-term Liabilities

The following summarizes long-term debt activity of the Airport for the year ended December 31, 2019:

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
Capital Leases	\$ 182,640	\$ -0-	\$ 52,908	\$ 129,732	\$ 55,073
Compensated Absences	<u>339,566</u>	<u>232,365</u>	<u>241,034</u>	<u>330,897</u>	<u>0-</u>
Total Long-Term Liabilities	<u>\$ 522,206</u>	<u>\$ 232,365</u>	<u>\$ 293,852</u>	<u>\$ 460,629</u>	<u>\$ 55,073</u>

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Compensated absences are liquidated through Airport's unrestricted funds.

8. COMPENSATED ABSENCES

Union employees of the Airport required to work at least sixteen full work days in a month are credited with up to one sick day per month at rates which vary during the contract period. Sick days may be taken or accumulated within certain limits. No vacation days are permitted to be accumulated.

Full-time nonunion employees of the Airport are credited with sick and vacation at rates which vary with length of service or job classification. Unused vacation or accumulated sick may be paid prior to retirement or termination of the employee's current rate of pay. At December 31, 2019 and 2018, the total amount of compensated absences were \$330,987 and \$339,566, respectively.

9. CAPITAL LEASE OBLIGATION

The Airport entered into a capital lease agreement for equipment. The following is a summary of changes in the capital lease obligation:

Balance, January 1, 2019	\$ 182,640
Additions	-0-
Decreases	<u>(52,908)</u>
Balance, December 31, 2019	129,732
Less current portion	<u>55,073</u>
Long-term portion of capital lease obligation	<u>\$ 74,659</u>

The following is a summary of the future minimum lease payments required under the capital leases along with the present value of the net minimum lease payments as of December 31, 2019:

2020	\$ 59,111
2021	59,111
2022	<u>17,135</u>
Total minimum lease payments	135,357
Less amounts representing interest	<u>(5,625)</u>
Present value of net minimum lease payments	<u>\$ 129,732</u>

Equipment and related accumulated depreciation under capital lease are as follows:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 268,983	\$ 268,983
Less: accumulated depreciation	<u>(106,434)</u>	<u>(76,229)</u>
Net value	<u>\$ 162,549</u>	<u>\$ 192,754</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

10. RETIREMENT PLANS

The Airport participates in both Luzerne and Lackawanna counties' defined benefit plans in which substantially all full-time employees are eligible for participation. In addition, the Airport participated in both Luzerne and Lackawanna counties' deferred compensation plans in which all full-time employees may elect to participate. The counties have funded the airport's annual required contribution, the amounts \$306,524 in 2019 and \$285,313 in 2018 are reported as subsidy revenue and pension expense.

11. NET POSITION

At December 31, 2019, net position of the Airport consisted of the following:

	<u>2019</u>	<u>2018</u>
Net investment in capital assets:		
Net property, plant, and equipment	\$ 95,347,152	\$ 95,940,265
Less: capital lease liability	<u>(129,732)</u>	<u>(182,640)</u>
Total net investment in capital assets	95,217,420	95,757,625
 Restricted for airport projects approved by the FAA	 3,062,233	 2,241,427
 Unrestricted	 <u>622,991</u>	 <u>(34,034)</u>
 Total net position	 <u>\$ 98,902,644</u>	 <u>\$ 98,033,086</u>

None of the net position is restricted by enabling legislation. The airport applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

12. CONCENTRATION OF CREDIT RISK

The Airport services the Northeastern Pennsylvania region and ultimately depends on the area's economic health for the continued success of its operations. Its revenues are generated through lease agreements with local concessions and vendors and national airlines including landing fee charges.

13. COMMITMENTS AND CONTINGENCIES

FEDERAL AND STATE GRANTS

The Airport participates in a number of federal and state programs that are fully or partially funded by grants received from other grantor agencies. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures disallowed due to noncompliance with grant program regulations, the Airport may be required to reimburse the grantor agencies. The Airport believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the financial position of the Airport.

14. SUBSEQUENT EVENTS

The Airport has evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through August 10, 2020, the date on which the financial statements were available to be issued, and has determined that with the exception to the item noted below, no material

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

subsequent events exist that requires disclosure. Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (Covid-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Airport, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Airport is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2019	2018
Salaries and Wages	\$ 2,296,365	\$ 2,218,441
Group Health Insurance	752,436	725,933
Pension	306,524	285,313
Payroll Taxes	176,247	166,281
 Total payroll and related expenses	 <u>3,531,572</u>	 <u>3,395,968</u>
 Utilities	 695,916	 652,081
Materials and Supplies	356,017	460,039
Professional fees	138,334	59,594
Insurance	328,627	288,126
Security	379,819	333,345
Advertising and public relations	359,621	624,986
Equipment rental and servicing	77,810	103,908
Outside services	105,452	90,947
Repairs and maintenance	145,410	54,256
Refuse and snow removal	101,433	103,047
Fuel and oil	58,571	74,522
Travel and meetings	54,893	47,596
Cleaning supplies	55,377	48,634
Security and fire systems	119,353	69,776
Trainings and Seminars	21,645	36,816
Dues and subscriptions	20,704	25,656
Office supplies	25,869	24,079
Telephone	23,543	23,354
Taxes and Licenses	21,362	9,742
Miscellaneous	4,226	2,254
Service fees	3,762	25,511
 TOTAL	 <u>\$ 6,629,316</u>	 <u>\$ 6,554,239</u>

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	AWARD	FEDERAL CFDA NUMBER	GRANT/CONTRACT NUMBER	FEDERAL EXPENDITURES	AMOUNT PASSED THROUGH TO SUBRECIPIENTS	
					DECEMBER 31, 2019	DECEMBER 31, 2019
U.S. DEPARTMENT OF TRANSPORTATION:						
Passed through Federal Aviation Administration:						
Rehab Taxiway D (East)	\$ 346,076	20.106	AIP-3-42-0105-65-2020	\$ 286,810	\$	-
Extend Taxiway B	416,499	20.106	AIP 3-42-0105-66-2018	362,582		-
Rehab Taxiway B&D	8,423,514	20.106	AIP 3-42-0105-64-2017	1,663,006		-
Rehab Terminal Drive	165,025	20.106	AIP 3-42-0105-68-2019	1,800		-
Rehab Taxiway D	2,846,517	20.106	AIP-3-42-0105-69-2019	1,575		-
Rehab Taxiway B&D	628,564	20.106	AIP 3-42-0105-62-2016	8,519		-
Total U.S. Department Of Transportation	\$ 12,826,195			\$ 2,324,292	\$	-

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019**

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Wilkes-Barre/Scranton International Airport. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

Scope of the audit pursuant to 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):

- a) All major and non-major federal grant activity of the Wilkes-Barre/Scranton International Airport is included in the accompanying Schedule of Expenditures of Federal Awards.
- b) The Airport is a sub-recipient of Federal Funds from the U.S. Department of Transportation.
- c) The Airport is a sub-recipient of Federal Funds from the Federal Aviation Administration. The federal cognizant agency is the U.S. Department of Transportation.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the notes to the Airport's financial statements.

Indirect Cost Rate

The Airport has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
SUMMARY OF AUDITOR'S RESULTS
DECEMBER 31, 2019 AND 2018

Part I - Summary of Auditors Results

Financial Statement Section

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
Reportable condition(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u>	No

Federal Awards Section

Dollar threshold used to determine Type A programs:	<u>\$750,000</u>		
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u>	No
Type of auditor's report on compliance for major programs:	<u>Unmodified</u>		
Internal Control over compliance:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
Were reportable condition(s) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u>	No
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u>	No

Identification of major programs:

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

**WILKES-BARRE/SCRANTON INTERNATIONAL AIRPORT
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

There were no prior year audit findings.

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
Richard P. Rainey, CPA

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

Board of Directors
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 business-type activities, the Wilkes-Barre/Scranton International Airport, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Wilkes-Barre/Scranton International Airport's basic financial statements, and have issued our report thereon dated August 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wilkes-Barre/Scranton International Airport'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 Wilkes-Barre/Scranton International Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wilkes-Barre/Scranton International Airport's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wilkes-Barre/Scranton International Airport'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rainey & Rainey". The signature is written in black ink and is positioned above the typed address and date.

Scranton, Pennsylvania
August 10, 2020

CERTIFIED PUBLIC ACCOUNTANTS

Thomas P. Rainey, CPA
Richard P. Rainey, CPA

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

Board of Directors
Wilkes-Barre/Scranton International Airport

Report on Compliance for Each Major Federal Program

We have audited the Wilkes-Barre/Scranton International Airport's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wilkes-Barre/Scranton International Airport's major federal programs for the year ended December 31, 2019 & 2018. Wilkes-Barre/Scranton International Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Wilkes-Barre/Scranton International Airport's compliance.

Opinion on Each Major Federal Program

In our opinion, the Wilkes-Barre/Scranton International Airport's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019 and 2018.

Report on Internal Control over Compliance

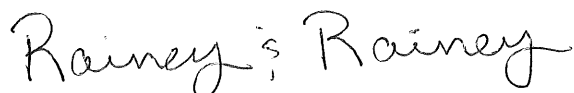
Management of the Wilkes-Barre/Scranton International Airport, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Wilkes-Barre/Scranton International Airport'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 the Wilkes-Barre/Scranton International Airport'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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Scranton, Pennsylvania
August 10, 2020