

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY

Financial Statements

December 31, 2022

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LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
Lehigh-Northampton Airport Authority
Allentown, Pennsylvania

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the business-type activities and fiduciary activities of the Lehigh-Northampton Airport Authority (the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards 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 other supplementary information on pages 55 and 56 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 other supplementary information on pages 55 and 56 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. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority'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 Authority's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
June 12, 2023

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2022**

Management's Discussion and Analysis (MD&A) of the Lehigh-Northampton Airport Authority (Authority) provides a brief introduction to its organizational structure, facilities, major activities affecting the operations of the facilities, as well as an overview to the financial performance and statements of the Airport Authority for the year ended December 31, 2022.

AUTHORITY

The Airport Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body politic and corporate organized by Lehigh and Northampton Counties under the Municipality Authorities Act, 53 PA. C. S. as amended and supplemented. Organized in 1948, LNAA is the oldest airport authority in the Commonwealth, and was initially sponsored by the Cities of Allentown and Bethlehem and the County of Lehigh. Shortly after the Airport Authority was organized, the City of Easton and the County of Northampton became additional sponsors. The name of the Airport was changed from Allentown-Bethlehem to Allentown-Bethlehem-Easton (ABE), and the name of the Airport Authority became Lehigh-Northampton Airport Authority (LNAA). In 1968, the two Counties (Lehigh and Northampton) assumed the entire sponsorship. In 1994, the name of the Airport was changed to Lehigh Valley International Airport (LVIA). On December 3, 1999, the LNAA acquired Braden Airpark (N43) in Forks Township, Northampton County. On November 1, 2000, the Airport Authority acquired Queen City Municipal Airport (XLL) in the City of Allentown, Lehigh County.

LEHIGH VALLEY INTERNATIONAL AIRPORT

Founded in 1929 as Allentown Airport, Lehigh Valley International Airport (ABE) is a commercial service airport occupying approximately 2,278 acres of land east of the Lehigh River, at its closest point, in Lehigh and Northampton counties. It is located approximately four miles northeast of Allentown, four miles northwest of Bethlehem and twelve miles west of Easton.

- The Major Airfield Facilities consist of two runways (6/24 and 13/31) and associated taxiways providing access to the air carrier aircraft ramp to the east, a light general aviation area to the northeast, fixed based operator (FBO) facilities to the southwest, and an air cargo area to the west. The primary runway (6/24) is 7,599 feet long and the crosswind runway (13/31) is 5,800 feet long. Both are equipped with Category 1 precision instrument landing systems (ILS) and high intensity runway edge lighting systems.
 - The Main Passenger Terminal Building contains a total of approximately 175,000 square feet of floor space consisting of three levels and an underground passenger walkway which leads to a separate ground level Satellite Terminal Facility containing ground and second level passenger hold rooms with access to eight passenger boarding bridges and two ground loading parking positions. The Airport currently has 1,666 public surface automobile spaces allocated among Short and Long-term parking, with 410 additional public parking spaces in the overflow parking lot, and 287 additional spaces are used by the car rental agencies. There are also 300 Trans-Bridge Lines bus service customer parking spots. The General Aviation facilities at ABE consists of 329,127 square feet of aircraft storage space and 73,871 square feet of associated office/shop space provided in 8 bulk hangars and 50 T-hangars. The Authority has an additional 62 T-hangars and 6 bulk hangars at Queen City Municipal Airport and Braden Airpark.
 - The Airport Authority operates a consolidated airport maintenance facility located in the north central quadrant of the airfield consisting of a 23,400 square foot facility and associated storage facilities for equipment and material storage.
 - The Airport Authority also operates a 13,000 square foot Aircraft Rescue and Firefighting (ARFF) facility located in the northeast quadrant of the airfield. ABE is served by a 24-hour Air Traffic control tower operated by the Federal Aviation Administration (FAA).
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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
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AIRLINES

Scheduled Passenger Airlines

Allegiant Air

American Airlines

- Envoy Air Inc.
- Landline Bus Service
- Piedmont Airlines Inc.
- PSA Airlines
- Skywest Airlines

Delta Airlines

- Endeavor Air
- Skywest Airlines

United Express

- Air Wisconsin
- GoJet Airlines LLC
- Landline Bus Service
- Skywest Airlines

Charter Routes

Allegiant Air

Sun Country

Swift Air

Cargo Airlines

ABX Air

Air Transport International

Atlas Air

Federal Express

Sun Country

During the FY 2022, the Airport was served primarily by four commercial airlines: Allegiant Air, American Airlines, Delta Airlines, and United Airlines. At the beginning of FY 2022, those airlines offered 14 non-stop flights and provided regular service to 14 cities with an average of 16 flights a day. Flights include daily airline bus service to Newark and Philadelphia. Top destinations continue to be the leisure markets in Florida, South Carolina, and Tennessee, but we also had excellent service to major hubs including Atlanta, Charlotte, Chicago, Detroit, Newark, Philadelphia, and Washington D.C. At the conclusion of FY 2022, the Authority temporarily lost daily service to Detroit and Washington D.C.

At the conclusion of FY 2022, the Airport was served primarily by four commercial airlines: Allegiant Air, American Airlines, Delta Airlines, and United Airlines. These airlines offered 14 non-stop flights and provided regular service to 14 cities with an average of 18 flights a day. Popular destinations continue to be the leisure markets in Florida, South Carolina, and Tennessee, but ABE also provided excellent connectivity to major hubs including Atlanta, Charlotte, Chicago, Newark, and Philadelphia.

Lehigh Valley International Airport (ABE) surpassed pre-pandemic passenger traffic levels in 2022 with 912,256 passengers, less than 300 passengers ahead of 2019 passengers. ABE's return to pre-pandemic passenger traffic is fueled by a 35% increase in traffic by Allegiant versus 2019 levels. Legacy traffic, Delta, American, and United, collectively decreased by 21% versus 2019 traffic. Passenger traffic started the first quarter of 2022 down 7% versus the same quarter of 2019, but recovered over the remainder of the year ending the year, remaining even vs. 2021 levels.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
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The Authority's traffic recovery is on par with the average recovery rate in TSA checkpoint throughput, and slightly below in seats. On average all US airports, as well as ABE, were down 4.3% in TSA checkpoint throughput in 2022. The average US airport was down 1.9% in available seats versus ABE which was down 4.6%. Compared to ten similar size small and non-hub airports such as Harrisburg (MDT) and Wilkes-Barre / Scranton (AVP), ABE posted the top recovery rate in both TSA throughput and scheduled seats; the average of those ten airports were down 24.2% in TSA throughput and down 20.7% in available seats versus 2019. ABE management and the Board of Governors are steadfast in ensuring the safety of employees, passengers, and other stakeholders as passenger traffic continues to rise post-pandemic.

In 2022, ABE used approximately \$2.8 million of COVID-19 financial assistance from the federal government included Coronavirus Aid Relief & Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and FEMA Support. The \$2.8 million was approximately \$1 million lower than budgeted. ABE was able to reduce the amount of CARES support to the operating budget in 2022 due to the quicker than anticipated resurgence in passenger traffic and lower operating expenses. The \$1 million of reduced CARES funding will be used to offset some of the cost of planned structure demolition and rising inflation in 2023. The Authority will use the remaining COVID-19 financial assistance strategically until the pandemic is officially over and the Authority is more confident in maintaining sufficient operating revenues.

Despite the lingering impact of the pandemic, ABE continued its essential role of serving the region through daily operations of both passenger airline and air cargo service. Below are other significant achievements at ABE:

- Operating revenues minus operating expenses (excluding depreciation) was \$9,761,175 surpassing the previous highest level from 2021 by \$1,449,026.
- 2022 was the highest volume of air cargo processed through ABE on record – 237,945,266 pounds.
- At the conclusion of 2022 the Terminal Connector / Security Checkpoint Project was 67% complete and on schedule to be completed during the Summer of 2023. ABE secured an additional \$6.7 million in federal and state funding for this project.
- The Authority successfully negotiated two long term contracts with the Teamsters and the International Association of Fire Fighters (IAFF) Unions.
- After losing daily air service to Philadelphia (PHL) with American Airlines during the pandemic, ABE was able to secure twice daily American Airlines Bus service to PHL in June of 2022.
- During 2022, the Authority invested \$862,388 into a new terminal building at Braden Airpark.
- ABE unveiled a real-time TSA Passenger Security Screening wait time tracker.

The legacy airlines (American, Delta, and United) use the "hub and spoke" system of operating, which concentrates mostly on streamlining passenger traffic through their major hubs (Ex: Atlanta Airport for Delta, etc.). The "hub and spoke" system, ABE's proximity to Philadelphia and Newark airports, pilot and aircraft shortages, and lingering pandemic impacts creates a challenging environment for expanding air service. Even with the previously described challenges, ABE has built a solid foundation for a faster recovery compared to other regional airports due to the Allegiant crew base operation established in 2020 providing more service options for leisure travelers – which is the largest demographic of passengers at ABE – and a growing air cargo operation that supports the logistics / ecommerce emergence across the region. After ABE cost per enplaned passenger (CPE) almost doubled in 2020, the 2022 CPE increased by 5% to \$19.06.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
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ABE is committed to lowering our cost to commercial airlines while reinvesting in the Airport long term. During 2022, ABE continued progress the \$90MM Rehabilitation Program for Runway 6-24.

ABE remained committed to our mission of being a customer-centric organization that operates facilities safely and efficiently while working closely with stakeholders, and tenants to deliver the highest level of customer service for Airport passengers. ABE's continued vision to be the best regional airport system in North America is firmly in our sights.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles disseminated by the Governmental Accounting Standards Board. Revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are recorded in Land, Building and Equipment accounts and except for land are depreciated over their useful lives. See notes to the financial statements for a summary of the Authority's organization and significant financial policies.

The basic financial statements of the Authority, including notes, follow the Management Discussion and Analysis. The notes are essential for a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's financial position and activities.

- The **Statement of Net Position** presents information on all the Authority's assets and liabilities, and deferred outflows and inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.
- The **Statement of Revenues, Expenses and Changes in Net Position** presents information showing the change in the Authority'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 affect the Authority's cash accounts are recorded in this statement. 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.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2022

FINANCIAL POSITION SUMMARY

The Authority's financial position can be analyzed from its changes in net position over the years. As of December 31, 2022, the Authority's assets exceeded liabilities by \$278.8 million as compared to \$268.0 million in 2021.

	2022	2021	Changes
Assets and Deferred Outflows of Resources			
Current and Other Assets	\$ 36,466,684	\$ 39,180,116	\$ (2,713,432)
Capital Assets	308,861,052	292,676,340	16,184,712
GASB 87 - Right of Use Asset - Leases	678,094	-	678,094
GASB 87 - Short Term Lease Receivable	2,641,833	-	2,641,833
GASB 87 - Long Term Lease Receivable	10,280,514	-	10,280,514
Deferred Outflows of Resources - Pension	2,531,256	442,523	2,088,733
Total Assets and Deferred Outflows of Resources	<u>\$ 361,459,433</u>	<u>\$ 332,298,979</u>	<u>\$ 29,160,454</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 18,267,324	\$ 19,412,243	\$ (1,144,919)
Non-Current Liabilities	48,373,923	44,900,747	3,473,176
GASB 87 - Lease Liability	675,612	-	675,612
Net Pension Liability	1,925,942	(2,052,633)	3,978,575
GASB 87 - Deferred Inflows of Resources	13,004,053	-	13,004,053
Deferred Inflows of Resources - Pension	379,860	1,990,570	(1,610,710)
Total Liabilities and Deferred Inflows of Resources	<u>82,626,714</u>	<u>64,250,927</u>	<u>18,375,787</u>
Net Position	<u>\$ 278,832,719</u>	<u>\$ 268,048,052</u>	<u>\$ 10,784,667</u>

The Authority's overall financial position was impacted by several factors in 2022:

1. COVID-19 and the related inflationary impact on the economy of both business and leisure air travel.
2. The amount and timing of various operational grants such as CARES, CRRSA, etc. Prior to 2020, the Authority only received capital infrastructure grants and rarely received any operational grants.
3. Strong management and board oversight to manage expenses and remain committed to crucial capital projects while maintaining adequate cash levels.
4. Lower overall performance of the pension investment portfolio as both the non-union and union portfolios had a -15.2% rate of return in 2022. As of year-end, both plans went from 12% overfunded at the end of 2021 to 11% underfunded at the end of 2022.

The largest portion of the Authority's net position is net investment in capital assets (\$251,718,281) representing capital assets less related debt to acquire those capital assets. These assets are available to the airlines, passengers and service providers at the airport and are financed by the funds received from federal grants, state grants, and annual operating income.

The restricted portion of the Authority's net position \$3.8 million, represents bond funds earmarked for specific use and restricted by bond resolutions, Passenger Facility Charges (PFC) regulated funds, an Operation & Maintenance Reserve Fund used only for deficiencies in the Operating Funds, and a Renewal/Replacement Fund for major repairs, replacement, or reconstruction of the Airport's facilities as required by Bond Indenture. The remaining \$23.4 million of unrestricted net position may be used to meet the Authority's ongoing obligations without restriction.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2022

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating Revenues	\$ 37,149,689	\$ 30,851,104	\$ 6,298,585
Operating Expenses	27,506,756	22,538,955	4,967,801
Depreciation and Amortization Expense	12,477,140	11,381,684	1,095,456
Total Expenses	<u>39,983,896</u>	<u>33,920,639</u>	<u>6,063,257</u>
Operating Loss	(2,834,207)	(3,069,535)	235,328
Non-Operating Revenues (Expenses), Net	<u>1,817,591</u>	<u>6,281,994</u>	<u>(4,464,403)</u>
Loss before Capital Contributions	(1,016,616)	3,212,459	(4,229,075)
Capital Contributions	<u>11,801,284</u>	<u>23,625,585</u>	<u>(11,824,301)</u>
Increase (Decrease) in Net Position	<u>\$ 10,784,668</u>	<u>\$ 26,838,044</u>	<u>\$ (16,053,376)</u>

The significant items affecting the 2022 Changes in Net Position are as follows:

Operating revenue increased \$6,380,290 or 20.7%, in 2022:

1. The 2022 final aircraft landing fee was \$4.68 per 1,000 pounds, down \$0.14 from budget and up \$0.12 from final rate in 2021.
2. Passenger landed weight increased by 806 tons (0.1%).
3. Overall terminal revenue increased by 21.7% versus 2021. Rental revenue from the airlines increased by 26.6% and restaurant concessionaires' revenues increased by 53%.
4. 2022 parking revenue increased by \$1,671K or 36.6% from last year.
5. Aviation Services revenue increased \$1,444K (24.5%) from 2021.
6. Capital Contributions from Federal sources and State Grant income decreased by \$11,824K or 50% from last year's level. The majority of capital contributions were attributed to the continued runway rehabilitation, CARES and CRRSA reimbursements, and grants associated with the terminal connector.

Operating expenses, including depreciation, increased \$6,063,257 or 17.9% from 2021 to 2022:

1. Wages and benefit costs increased by \$3,530K or 27.5% based primarily on the inflationary impact on the regional labor force.
2. Legal services decreased \$760K or 80.5% due to legal costs stemming from the bid protest associated with the Terminal Connector/TSA Checkpoint project during 2021.
3. Utility expenses increased by \$426K or 42.2% due to the significant increases from our electricity contracts as a result of Talon Energy filing for bankruptcy.
4. Maintenance repairs expense increased by \$299K due to a major increase in costs associated with keeping the airport operating.
5. Payment in lieu of taxes increased by \$157K or 36.0% due to increasing passenger counts and corresponding parking volumes.
6. Non-Grant funded capital assets depreciation increased \$880K indicating a continued investment in infrastructure.
7. The implementation of GASB 87 related adjustments included in operating revenue comprised of a \$360,603 negative adjustment to lease revenue and a recognition of \$397,141 of interest revenue. Please see Note 8 (Lease Accounting – GASB 87) for more information.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2022

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION (Continued)

The following is a summary of revenues at Lehigh Valley International Airport (ABE) by cost center and the percentage of the total for both 2022 and 2021:

ABE Only				
Operating Revenues	2022	%	2021	%
Airfield	\$ 6,225,744	16.09%	\$ 5,878,114	17.80%
Terminal	8,608,733	22.26%	7,075,303	21.43%
Parking & Roadways	6,236,977	16.12%	4,566,298	13.83%
Aviation Leased Areas	3,836,586	9.92%	3,355,372	10.16%
Non-Aviation Leased Areas	830,180	2.15%	755,063	2.29%
Ground Handling	2,328,264	6.02%	1,745,456	5.29%
Aviation Services	7,346,387	18.99%	5,902,206	17.88%
Advertising	414,966	1.07%	282,072	0.85%
Cares Act Reimbursements	2,853,549	7.38%	3,458,447	10.47%
Total Operating Revenues	<u>\$ 38,681,386</u>	<u>100.00%</u>	<u>\$ 33,018,331</u>	<u>100.00%</u>

A summary of expenses, excluding depreciation expense, at Lehigh Valley International Airport by cost center and the percentage of the total for both 2022 and 2021:

ABE Only				
Operating Expenses	2022	%	2021	%
Airfield	\$ 5,005,376	19.25%	\$ 4,341,463	20.42%
Terminal	6,466,797	24.87%	5,522,600	25.97%
Parking & Roadways	1,456,283	5.60%	1,139,028	5.36%
Aviation Leased Areas	1,265,621	4.87%	1,042,230	4.90%
Non-Aviation Leased Areas	396,616	1.53%	537,518	2.53%
Ground Handling	3,032,632	11.66%	2,110,236	9.92%
Aviation Services	4,992,129	19.20%	3,430,230	16.13%
Advertising	144,377	0.56%	85,107	0.40%
Administrative	3,456,176	13.29%	3,057,336	14.38%
GASB 87 - Interest/Expense Adjust	(218,202)	-0.84%	-	0.00%
Total Operating Expenses	<u>\$ 25,997,805</u>	<u>100.00%</u>	<u>\$ 21,265,748</u>	<u>100.00%</u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
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December 31, 2022

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION (Continued)

CAPITAL ASSETS

The following reflects changes on capital assets:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Capital Assets:			
Land	\$ 51,352,054	\$ 51,352,054	\$ -
Property and Avigation Easements	44,307,392	44,307,392	-
Construction in Progress	78,075,505	62,430,611	15,644,894
Land Improvements	145,042,258	134,471,637	10,570,621
Buildings, Systems and Equipment	162,171,088	159,965,807	2,205,281
Capital Planning and Studies	2,795,991	2,795,991	-
Total Capital Assets	<u>483,744,288</u>	<u>455,323,492</u>	<u>28,420,796</u>
Less: Accumulated Depreciation	<u>(174,883,236)</u>	<u>(162,647,152)</u>	<u>(12,236,084)</u>
Capital Assets, Net (Note 5)	<u>\$ 308,861,052</u>	<u>\$ 292,676,340</u>	<u>\$ 16,184,712</u>

A significant portion of the increase in Buildings, Systems, and Equipment was for the Runway 6-24 Rehabilitation and Terminal Connector Project. More information is available in Note 5.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2022**

LONG TERM DEBT

Changes in long-term debt during 2022 are reflected below:

	Balance January 1, 2022	Additions	Deductions/ Payments	Balance December 31, 2021	Amount Due In One Year
Direct Placements:					
Bonds Payable - Series 2015	\$ 33,945,000	\$ -	\$ (2,470,000)	\$ 31,475,000	\$ 3,790,000
Bonds Payable - Series 2018	9,835,000	-	(175,000)	9,660,000	185,000
Bonds Payable - Series 2021	110,000	7,710,150	-	7,820,150	-
Direct Borrowings:					
Notes Payable	500,919	-	(12,504)	488,415	480,119
Direct Financing Notes	4,419,363	927,096	(1,591,398)	3,755,061	1,290,072
Other Liabilities:					
Net Pension Liability (Asset)	(2,052,633)	4,624,211	(645,636)	1,925,942	-
Total	<u>\$ 46,757,649</u>	<u>\$ 13,261,457</u>	<u>\$ (4,894,538)</u>	<u>\$ 55,124,568</u>	<u>\$ 5,745,191</u>

In 2021, the Authority issued \$23,000,000 of Tax-Exempt Revenue Bonds. Series 2021A consisting of \$15,000,000 is designated for reimbursement of the non-grant proceeds spent on the construction of the new Terminal Connector/TSA Checkpoint. Series 2021B consists of \$8,000,000 of short-term bridge financing for state grants associated with the Terminal Connector/TSA Checkpoint. As of FY 2022, the Authority has received reimbursement of \$7,182,115 from the 2021A Series and \$638,035 from the 2021B Series Bonds. The Terminal Connector/TSA Checkpoint will add an additional TSA screening lane, modernize the existing terminal complex, and accommodate the increased passenger traffic seen at the airport pre-pandemic and again in 2022.

In 2018, the Authority issued a \$10,000,000 Taxable Revenue Bond designated for the building of Hangar 11. The Additional Hangar was built based on the regional demand for more corporate and general aviation hangar space. At the end of 2022, the Hangar was 98.5% occupied.

In 2015, the Authority issued revenue bonds and revenue refunding bonds to refinance all bonds payable and provide proceeds for capital related settlements. In June 2020, the Authority amended the 2015 series bonds. The 2020 amendment deferred \$2.4 million principal payments due in 2020; approximately \$1.3 million will be added to the 2022 debt service payments and the remaining \$1.1 million principal is scheduled for 2029 debt service. In addition, the Authority established a direct financing transaction to finance system improvements, equipment, and various environmental assessments. See Note 7 and 8 for more detail.

Notes Payable primarily consist of debt secured by the properties deeded to LNAA in conjunction with the sale to The Rockefeller Group.

The Net Pension Liability increased primarily due to a very poor year in financial equity markets as compared to actuarial assumptions. Both the Authority's non-union and union pension plans assume an annual return of 7.5% versus the -15.2% actual return in 2022. The Authority was able to meet its primary investment goal to remain in the top 50% of the peer universe including other municipalities' defined benefit plans during 2022.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2022**

CURRENTLY KNOWN FACTS

In mid-March 2020, the airport industry was negatively impacted by COVID-19. ABE experienced a significant drop in both passenger traffic and concessionaire revenue. The crisis required all airport stakeholders to adapt quickly and collaboratively to ensure the financial stability of ABE. The Authority has effectively navigated through revenue shortfalls, business, and inflationary challenges, while also keeping our employees, passengers, and other stakeholders safe. Passenger traffic has returned to pre-pandemic levels in 2022. The Authority continues to grow despite current challenges and diminishing governmental CARES support.

This financial report was designed to provide our stakeholders, patrons, and other interested parties with a general overview of the Lehigh Northampton Airport Authority's finances and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact the Authority at (610) 266-6001.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2022

<u>Assets and Deferred Outflows of Resources</u>	
<u>Current Assets</u>	
Unrestricted Assets:	
Cash and Cash Equivalents (Note 2 and 3)	\$ 20,188,405
Accounts Receivable, Net of Allowance of \$127	2,999,631
Capital Grants Receivable (Note 4)	2,722,135
Inventory and Prepaids	1,489,067
GASB 87 - Short Term Lease Receivable (Note 12)	2,641,833
Total Unrestricted Assets	<u>30,041,071</u>
Restricted Assets:	
Cash and Cash Equivalents - Debt Service and Bond Proceeds (Note 2)	<u>4,775,324</u>
Total Current Assets	<u>34,816,395</u>
<u>Non-Current Assets</u>	
Unrestricted Assets:	
GASB 87 - Long Term Lease Receivable (Note 12)	10,280,514
Restricted Assets:	
Cash and Cash Equivalents-Restricted and Designated (Note 2)	<u>4,292,122</u>
Capital Assets:	
Land	51,352,054
Property and Avigation Easements	44,307,392
Construction in Progress	78,075,503
Total Non-Depreciable Capital Assets	<u>173,734,949</u>
Land Improvements	145,042,257
Buildings, Systems and Equipment	162,171,088
Capital Planning and Studies	2,795,991
Total Depreciable Capital Assets	<u>310,009,336</u>
Total Capital Assets	<u>483,744,285</u>
Less: Accumulated Depreciation	<u>(174,883,233)</u>
Capital Assets, Net (Note 5)	<u>308,861,052</u>
GASB 87 - Lease Asset	
Right of Use Asset - Leases	877,869
Less: Accumulated Amortization Right of Use Asset - Leases	<u>(199,775)</u>
GASB 87 - Lease Asset (Note 8)	<u>678,094</u>
Total Non-Current Assets	<u>324,111,782</u>
<u>Deferred Outflows of Resources:</u>	
Pension Related (Note 10)	<u>2,531,256</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 361,459,433</u></u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2022

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities

Payable from Unrestricted:	
Accounts Payable-Operations	\$ 2,725,277
Accounts and Retainages Payable - Capital	7,981,826
Unearned Revenues	281,016
Payroll Related Liabilities	826,559
Notes Payable - Current Portion (Note 7)	480,119
Direct Financing Notes - Current Portion (Note 7)	1,290,072
Total Unrestricted Liabilities	<u>13,584,869</u>
Current Liabilities Payable from Restricted Assets:	
Bonds Payable - Current Portion (Note 7)	3,975,000
Accrued Bond Interest Payable	707,455
Total Current Restricted Liabilities	<u>4,682,455</u>
Total Current Liabilities	<u>18,267,324</u>

Non-Current Liabilities

Unearned Revenues	422,364
Notes Payable (Note 7)	8,296
Direct Financing Notes, Net (Note 7)	2,464,989
Bonds Payable, Net (Note 7)	44,980,150
Net Pension Liability / (Asset) (Note 10)	1,925,942
Total Payable from Unrestricted Liabilities	<u>49,801,741</u>
Payable from Restricted and Designated:	
Leasehold Deposits	<u>498,124</u>
Total Non-Current Liabilities	<u>50,299,865</u>

GASB 87 - Lease Liabilities

GASB 87 - Lease Liability - Short Term	213,670
GASB 87 - Lease Liability - Long Term	461,942
Total GASB 87 - Lease Liability	<u>675,612</u>

Deferred Inflows of Resources

GASB 87 Related (Note 12)	13,004,053
Pension Related (Note 10)	379,860
Total Deferred Inflow of Resources	<u>13,383,913</u>

Net Position

Net Investment in Capital Assets (Note 9)	251,718,281
Restricted (Note 9)	3,824,185
Unrestricted	23,290,253
Total Net Position	<u>278,832,719</u>

Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 361,459,433</u>
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LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year ended December 31, 2022

Operating Revenues

Airfield	\$ 6,225,744
Terminal	5,499,248
Concessions and Advertising	3,524,452
Parking and Roadways	6,236,977
Hangar, Building and Land Rents	4,666,766
Ground Handling	2,328,264
Fuel and Handling Sales	7,346,388
General Aviation	1,403,556
GASB 87 - Lease Revenue Impact	(573,257)
GASB 87 - Interest Revenue	491,551
Total Operating Revenues	<u>37,149,689</u>

Operating Expenses

Wages and Related Benefits	16,359,394
Contract Services, Advertising and Other	3,789,667
Materials, Supplies, Repairs and Maintenance	1,653,027
Utilities, Taxes and Insurance	3,006,405
GASB 87 - Lease Expense Impact	(241,919)
GASB 87 - Interest Expense	23,717
Cost of Sale - Fuel	2,916,465
GASB 87 - Amortization Expense	215,720
Depreciation	12,261,420
Total Operating Expenses	<u>39,983,896</u>

Operating Loss

(2,834,207)

Non-Operating Revenues (Expenses)

Investment Income	221,397
Other Income	403,421
Federal Grants - CARES/CRRSA Act	2,853,549
Federal Grants - Concessionaires	(92,953)
State Grants	244,682
State Grants - Project Expenses	(244,682)
Interest Expense	(1,567,823)
Total Non-Operating Revenues (Expenses)	<u>1,817,591</u>

Income before Capital Contributions

(1,016,616)

Capital Contributions

Passenger Facility Charges	1,846,523
Car Rental Customer Facility Charges	348,381
Federal Grants	8,302,819
State Grants	1,303,561
Total Capital Contributions	<u>11,801,284</u>

Increase in Net Position

10,784,668

Total Net Position, Beginning of Year

268,048,052

Total Net Position, End of Year

\$ 278,832,719

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year ended December 31, 2022

Cash Flows from Operating Activities:

Operating Cash Receipts from Customers	\$ 35,329,827
Cash Paid to Suppliers for Goods and Services	(11,058,115)
Cash Paid to Employees for Services and Benefits	(15,984,677)
Net Cash Provided by Operating Activities	<u>8,287,034</u>

Cash Flows from Noncapital Financing Activities:

Federal Grants Received	2,853,549
Federal Grants Concessionaire Passed Through	(92,953)
State Grants Received	244,682
State Grants Project Expenses Passed Through	(244,682)
Net Cash Provided by Noncapital Financing Activities	<u>2,760,596</u>

Cash Flows from Capital and Related Financing Activities:

Capital Grants Received	13,638,780
Passenger Facility Charges	1,846,523
Car Rental Facility Charges	348,381
Proceeds from Bonds	7,710,150
Acquisition of Capital Assets	(28,664,204)
Principal Paid on Notes Payable	(12,504)
Interest Paid on Direct Financing Notes	(202,350)
Principal Paid on Direct Financing Notes	(1,591,398)
Principal Paid on Bonds	(2,645,000)
Interest Paid on Bonds	(1,564,927)
Net Cash Provided by Capital and Related Financing Activities	<u>(11,136,551)</u>

Cash Flows from Investing Activities:

Interest Received	221,397
Net Cash Provided by Investing Activities	<u>221,397</u>

Net Increase in Cash and Cash Equivalents 132,477

Cash and Cash Equivalents, Beginning of Year	29,123,374
Cash and Cash Equivalents, End of Year	<u>\$ 29,255,851</u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year ended December 31, 2022

Reconciliation of Operating Loss to
Net Cash Provided by Operating Activities:

Operating Loss	<u>\$ (2,834,207)</u>
Adjustments to Reconcile Loss to Net Cash Provided by Operating Activities:	
Depreciation	12,261,420
Amortization	215,720
Provision for Bad Debt	36,765
Changes in Assets and Liabilities:	
Accounts Receivable	(1,262,354)
Inventory and Prepaid Expenses	75,863
Net Pension Liability (Asset)	3,978,575
Deferred Outflows - Pension Related	(2,088,733)
Deferred Inflows - Pension Related	(1,610,710)
Unearned Revenues	(555,427)
Accounts Payable	192,740
Accrued Payroll Expenses	95,585
Right of Use Asset (GASB 87)	(893,814)
Lease Liabilities (GASB 87)	675,612
Total Adjustments	<u>11,121,242</u>
Net Cash Provided by Operating Activities	<u>\$ 8,287,035</u>
Non-Cash Items from capital and related financing activities	
Direct Financing Notes Obligations and Additions	\$ 927,096
Accounts and Retainage Payable in Capital Assets	7,981,826
Cash and Cash Equivalents	
<u>Current Assets</u>	
Unrestricted Assets	\$ 20,188,405
Restricted Assets	4,775,324
<u>Noncurrent Assets</u>	
Restricted and Designated	4,292,122
Total Cash and Cash Equivalents	<u>\$ 29,255,851</u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2022

	Pension Trust Funds
	Total
Assets	
Cash (Cash and cash equivalents)	
Checking/Savings Account	\$ 313,027
Total Cash	<u>313,027</u>
Receivables	
Accrued interest and dividends	1,143
Members Contribution	4,679
Employee Contributions	157,585
Total Receivables	<u>163,407</u>
Investments:	
Mutual Funds	15,146,119
Total Investments	<u>15,146,119</u>
Total Assets	<u><u>\$ 15,622,553</u></u>
 Net Position Restricted for Pension	 <u><u>\$ 15,622,553</u></u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended December 31, 2022

	<u>Pension Trust Funds</u>
	<u>Total</u>
Additions:	
Contributions:	
Members' Contribution	\$ 15,294
Employer Contributions	630,342
Total Contributions	<u>645,636</u>
Investment Income:	
Interest	152,964
Dividends	145,889
Net Appreciation/(depreciation) in fair value of investments	<u>(3,112,966)</u>
Total Investment Income	<u>(2,814,113)</u>
Less Investment Expenses	<u>(41,182)</u>
Net Investment Income	<u>(2,855,295)</u>
Total Additions	(2,209,659)
Deductions:	
Pension Payments	904,790
Refund terminated members' contributions	8,061
Administrative Expenses	<u>27,950</u>
Total Deductions	<u>940,801</u>
Net Increase/(Decrease)	(3,150,460)
Net Position Restricted for Pension	
Balance on January 1	18,773,013
Balance on December 31	<u>\$ 15,622,553</u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 - Summary of Significant Accounting Policies

Authority Operations

The Lehigh-Northampton Airport Authority (the "Authority") was created pursuant to the Pennsylvania Municipality Authorities Act of 1945. The Authority's affairs are conducted by a 15-member Board who are appointed by Lehigh and Northampton Counties. The Authority owns and operates the Lehigh Valley International Airport (ABE), Braden Airpark (N43) and Queen City Airport (XLL), all located in the Lehigh Valley, Pennsylvania.

Measurement Focus and Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Fiduciary Fund

The Authority's defined benefit pension trust funds are presented in a fiduciary fund in the accompanying financial statements. These assets are being held for the benefit of pension participants and cannot be used for the activities or obligations of the Authority. The Fiduciary Fund has been presented as of its year end of December 31, 2022.

Net Position

The Authority's net position is classified as follows:

- *Net Investment in Capital Assets:* The Authority's investment in capital assets, net of outstanding debt obligations related to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position:* Net position is reported as restricted when constraints placed on use are imposed externally. External restrictions are imposed by creditors, grantors, contributors, laws, or regulations of other governments. The Authority's restricted assets are expendable.
- *Unrestricted Net Position:* Net position whose use by the Authority is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board.

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

Revenue and Expense Classifications

The Authority classifies revenues and expenses as operating or non-operating.

- Operating consists of revenue and expenses sources that constitute the principal ongoing activities of the Authority's operations and excludes infrequent operations and/or events. The major components of the Authority's operating revenue consist of landing fees, terminal, hangar, building and land rentals, concession fees, parking fees, ground handling fee, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged based on recovery of actual costs for operating and maintaining the ABE airfield and terminal areas. Hangar, building, and land rentals are based on leases for various terms with fixed rates. Concession fees are determined as a percentage of gross monthly revenues as well as minimum rental guarantees. The major components of the Authority's operating expenses consist of wages and benefits, contract services, advertising, materials, supplies, repairs and maintenance, utilities, taxes and insurance.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

- Non-operating and capital contributions consist of financing, investing and other activities, which do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of non-operating revenue are interest income, passenger and customer facility charges, and noncapital federal and state grant revenues. The major component of non-operating expenses is interest expense and grant project expenses not related to the Authority's operations. Capital contributions include capital asset related funding from federal, state and local sources.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Concentrations

The primary source of net revenues is the Operating Agreements between the Authority and the airlines. The four major airlines at the Authority are Allegiant, American, Delta, and United. The financial results of the Authority are largely dependent upon conditions in the national economy and the U.S. airline industry. Accounts receivable have been adjusted for all known doubtful accounts.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash-on-hand, demand and time deposits, liquid investments, and debt instruments purchased with a maturity of three months or less, including restricted assets.

Restricted Assets

Funds are set aside as restricted assets, and they are not available for current expenses, when constraints placed on their use are legally enforceable due to either:

- Externally imposed requirements by creditors (such as through debt covenants), grantors or contributors.
- Laws or regulations of other governments.
- Constitutional provisions or enabling legislation.

Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are eligible to be paid from either restricted or unrestricted resources, it is the general policy to apply restricted resources first, then unrestricted resources as needed.

Receivables and Allowance policy

Accounts Receivables are reported in the period earned at present value less the estimated portion that is expected to be uncollectible. The Authority uses a specific identification method for its estimate of the allowance. As of December 31, 2022, the allowance for uncollectible accounts was \$127. Grant receivables include both billed and unbilled receivables. No allowance was reported by management for grant receivables.

Inventories

The Authority adjusted many of its aviation fuel to a just in time inventory process. The inventories listed are stated at the lower of cost or market (net realizable value). Inventories include the remaining aviation fuel and fluids with costs determined using the first-in, first-out (FIFO) method of accounting.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Assets acquired are stated at historical cost and include the expense of federal grants to construct and improve the facilities of the Authority. The capitalization threshold is \$5,000. Depreciation on property and equipment are computed under the straight-line method with rates varying based on the assets' estimated useful lives ranging from three to fifty years. Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	3 - 15
Building and Systems	20 - 40
Master Plan	15 - 20
Land Improvements	5 - 40

The costs of property and aviation easements are not amortized as they have indefinite useful lives. Costs of studies for noise compatibility and roadways as well as master plan updates are amortized over the life of the plan.

Evaluation of Long-Lived Assets

The Authority accounts for long-lived assets under GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Authority's capital assets include property, equipment, and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Authority is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. This Statement requires the Authority to report the effects of capital asset impairments in its financial statements when they occur and to account for insurance recoveries in the same manner. As of December 31, 2022, there have been no impairments to the Authority's capital assets.

Compensated Absences

The Authority accounts for compensated absences by accruing a liability for employees' compensation of future absences in accordance with GASB No. 16 *Accounting for Compensated Absences*. Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Paid time off (PTO), compensatory time, and sick pay vests as earned based on years of service. Sick time payout varies to a maximum of \$20 per day depending on job classification. As of December 31, 2022, the liability for the compensated absences was \$508,419 as part of the payroll related current liabilities.

Compensated absence liability activity for the year ended December 31, 2022, is summarized below:

Balance	Additions	Deletions	Balance
<u>January 1, 2022</u>	<u>and Transfers</u>	<u>and Transfers</u>	<u>December 31, 2022</u>
\$453,351	\$79,758	\$ (24,690)	\$ 508,419

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Retainage Payable

The Authority engages in 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 the Authority. The Authority's policy is to record the retainage payable only after completion of the work and acceptance of the contractor invoices have occurred. Retainage payable on completed and uncompleted contracts are included with accounts and retainages payable – capital on the accompanying statements of net position. As of December 31, 2022, the liability for Retainage was \$2,880,842.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. The Authority's activities are related to recognition of changes in its defined benefit plans' net pension liability, as well as the present value recognition of future lease payments, both incoming and outgoing, associated with deferred leases. The defined benefit will be amortized in future periods, while the deferred lease value will be amortized over the life of the lease as it pertains to GASB 87 implementation (Note 12).

Net Pension Liability (Asset)

The Authority has recorded a net pension liability reflecting the difference between the total pension liabilities and the fiduciary net positions of its' two single employer defined benefit plans. For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position, and additions and deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the single employer defined benefit plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Grant Revenue Policy

Capital funding provided under government grants and agreements are considered earned as the related allowable expenses are incurred. Certain expenses for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), as well as the Aviation Development Program (ADP) and the Transportation Assistance Program (TAP)/Capital Budget through the Pennsylvania Department of Transportation – Bureau of Aviation (BOA), with certain matching funds provided by the Authority. Grants and related agreements for the acquisition and construction of land, property and certain types of equipment are reported in the Statements of Revenues, Expenses and Changes in Net Position, after non-operating revenue and expenses, as capital contributions.

Passenger Facility Revenue and Customer Facility Charges

The 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.

COVID-19 Disruption

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 impacted economic activity and financial markets globally. The operations and business results of the Authority have returned to pre-pandemic levels. Management continues to follow a conservative strategy regarding the use of remaining Coronavirus Response Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funds. At the end of 2022, the Authority has a remaining CARES/CRRSA/ARPA balance of \$7 million.

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

For the year ended December 31, 2022, the Authority adopted the following accounting pronouncements.

- **GASB Statement No. 87, Leases** requires the recognition of certain leased assets and liabilities for leases previously classified as operating leases and recognizes inflows of resources or outflows of resources based on the payment provisions of the contract at the implementation date of 1/1/2022. At 1/1/2022 lease receivables and deferred inflows of resources were approximately \$14 million and lease liabilities and right of use assets were approximately \$878 thousand. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. GASB 87 had a material effect on the financial statement of the Authority. For a detailed discussion please refer to Note 8 - Leases.

Note 2 - Cash and Cash Equivalents - Restricted and Designated

Certain cash and cash equivalents are segregated from the Authority's operating cash to reflect certain requirements as follows as of December 31, 2022:

Restricted

Operations and Maintenance Reserve - Noncurrent	\$ 3,278,179
Renewal and Replacement Capital - Noncurrent	500,000
Debt Service Fund - Current	4,712,642
Series 2018 Bond Capital Project Account - Current	62,682
Total Restricted Cash	<u>8,553,503</u>

Designated

AEP Scholarship Fund - Noncurrent	17,229
Leasehold Security Deposits - Noncurrent	496,714
Total Designated Cash	<u>513,943</u>

Total Restricted and Designated Cash	<u><u>\$ 9,067,446</u></u>
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Operations and Maintenance Reserve Fund - The Authority is required by the continuing Bond Indenture to maintain at the end of each year a reserve fund of cash equal to 1/6 of the current year's original operating budget. These funds may only be utilized to make up any deficiencies in the Operating Fund.

Renewal and Replacement Fund - The Authority is required by the Series 1993 Bond Indenture to maintain, at the end of each year, a reserve fund of cash in the amount of \$500,000 which may be applied to pay the cost of major replacement, reconstruction, or repairs of the Authority's airport facilities.

Debt Service Fund - In 2015, the Authority issued 2015 series bonds. The set-up of the bonds required the establishment of several accounts such as construction project fund, a cost of issuance fund and an escrow holding fund for pending payments. In 2018 and 2021, the Authority issued 2018 and 2021 series bonds, which also requires an escrow holding fund for pending payments.

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 2 - Cash and Cash Equivalents - Restricted and Designated (Continued)

AEP Scholarship Fund - In 2013, the Authority established the Aviation & Aerospace Exposure and Education Program (AEP) Scholarship Fund. Beginning in 2016, the fund will pay a maximum of \$2,000 annually to Lehigh Valley area students interested in pursuing careers in aviation and aerospace. The AEP Scholarship Fund is a by-product of the Aviation & Aerospace Exposure and Education Program launched in late 2014. The program has exposed Lehigh Valley students to aviation and aerospace related careers, aeronautical facilities, and equipment, including aircraft, spacecraft, ground vehicles, cooperative education projects and on-the-job training experiences.

Leasehold Security Deposits - Various tenants, as required by lease agreements, have deposited funds with the Authority as security on leased space.

Note 3 - Cash and Investments

Cash

Deposits in savings accounts or time deposits or share accounts of institutions are insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, approved collateral as provided by law is pledged by the depository. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, money market funds at amortized cost and small amounts of cash on hand on December 31, 2022. The difference between the carrying value and the bank balance is principally caused by outstanding checks and deposits in-transit. On December 31, 2022, the Authority's deposits consisted of the following:

	Carrying Value	Bank Balance
	<hr/>	<hr/>
Demand Deposits	\$ 24,463,298	\$ 24,473,838
Money Market Funds	4,792,553	4,792,553
	<hr/> <u>\$ 29,255,851</u>	<hr/> <u>\$ 29,266,391</u>

Note 4 - Capital Grants Receivable

Capital Grants receivable represent reimbursable amounts for eligible grant expenditures:

U.S. Department of Transportation	\$ 2,535,180
Pennsylvania Department of Transportation	186,955
Total Capital Grants Receivable	<hr/> <u>\$ 2,722,135</u>

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 5 - Capital Assets

A summary of changes in capital assets for the year ending December 31, 2022, are as follows:

	Balance January 1, 2022	Transfers and Additions	Transfers and Retirements	Balance December 31, 2022
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 51,352,054	\$ -	\$ -	\$ 51,352,054
Property and Avigation Easements	44,307,392	-	-	44,307,392
Construction in Progress	62,430,611	28,835,628	13,190,736	78,075,503
Total Capital Assets not Being Depreciated	158,090,057	28,835,628	13,190,736	173,734,949
<u>Other Capital Assets:</u>				(414,834)
Land Improvements:				
Drainage and Landscaping	3,322,635	-	-	3,322,635
Landing Area Improvements	118,836,986	10,445,757	-	129,282,743
Road Improvements	4,386,979	-	-	4,386,979
Parking Facilities	7,925,036	124,864	-	8,049,900
	134,471,636	10,570,621	-	145,042,257
Buildings, Systems and Equipment:				
Terminal	76,580,792	236,081	-	76,816,873
Hangars	40,971,046	28,537	-	40,999,583
Property Acquisitions	1,689,566	-	-	1,689,566
Maintenance Building	4,475,025	-	-	4,475,025
Government Building	427,832	-	-	427,832
Fire Station	4,966,159	13,092	-	4,979,251
Equipment and Furnishings	30,855,387	1,927,571	-	32,782,958
	159,965,807	2,205,281	-	162,171,088
Capital Planning and Studies	2,795,991	-	-	2,795,991
Total Other Capital Assets	297,233,434	12,775,902	-	310,009,336
Total Capital Assets	455,323,491	41,611,530	13,190,736	483,744,285
<u>Less Accumulated Depreciation:</u>				
Land Improvements:				
Drainage and Landscaping	3,238,930	9,270	-	3,248,200
Landing Area Improvements	71,856,704	5,036,174	-	76,892,878
Road Improvements	1,411,734	276,055	-	1,687,789
Parking Facilities	4,793,960	342,642	-	5,136,602
Buildings, Systems and Equipment:				
Terminal	42,865,735	2,549,173	-	45,414,908
Hangars	14,121,585	1,138,538	-	15,260,123
Property Acquisitions	1,238,999	48,554	-	1,287,553
Maintenance Building	2,404,025	121,353	-	2,525,378
Government Building	248,047	21,392	-	269,439
Fire Station	2,259,626	133,608	-	2,393,234
Equipment and Furnishings	17,099,126	2,288,194	-	19,387,320
Capital Planning and Studies	1,108,680	271,129	-	1,379,809
Total Accumulated Depreciation	162,647,151	12,236,082	-	174,883,233
Total Other Capital Assets, Net	134,586,283	539,820	-	135,126,103
Total Capital Assets, Net	\$ 292,676,340	\$ 29,375,448	\$ 13,190,736	\$ 308,861,052

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 5 - Capital Assets (continued)

The completion of the Runway 6/24 Rehabilitation Project wrapped up in 2022 which accounted for \$9.4 million in Landing Area Improvements.

In 2022, the Authority installed a 50K Gallon Jet Fuel Tank resulting in \$662K increase in Equipment and Furnishings Assets.

Note 6 - Passenger Facility Charge Fund and Customer Facility Charge Fund

The Passenger Facility Charge (PFC) was established under the Aviation Safety and Capacity Expansion Act of 1990. The Act authorizes airports to impose a charge of \$4.50 on each fare-paying passenger enplaning at the facility. Charges are collected by the air carriers and remitted to the airport. Their use is restricted to eligible airport projects, which will:

- Preserve or enhance capacity, safety, or security.
- Reduce noise resulting from an airport; or
- Furnish opportunities for enhanced competition between or among air carriers.

In March 2005, the Authority was approved to impose and use up to \$27,940,236 of PFC revenue to fund the local share of various airport improvement projects in the main terminal. In 2020, the Authority reduced the overall amount of PFC funding by \$6,500,000 to account for other grants received. The final PFC project total of \$21,440,236 was closed in 2020.

In 2019, the Authority was approved to impose and use up to \$23,381,196 to fund new airport improvement projects. During 2022, the Authority collected \$1,846,523 in PFCs from the Airlines. The current approved charge expires June 1, 2033.

The Customer Facility Charge (CFC) was established in October 2015 to fund capital improvements specific to the rental car concessionaires. In 2022, the fund collected \$348,381. Most of the funds are being used to help fund the Multi-Modal Transportation project.

There are no cash balances for CFC and a \$2,031 cash balance for the PFC Fund on December 31, 2022.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 - Long-Term Debt

A) Bonds Payable

On November 5, 2015, the Authority issued \$43,065,000 of Airport Revenue Refunding Bonds, Series 2015A, 2015B, 2015C and 2015D and the Airport Revenue Bonds Series 2015E (collectively the "Series 2015 Bonds") with maturities through January 1, 2035. The Series 2015A-D bonds totaling \$36,025,000, with an average interest rate of 2.41%, along with other available funds of the Authority, were used to (i) refund all the Authority's outstanding Airport Revenue Bonds Series 2000 and Airport Revenue Refunding Bonds Series 2005, with an average interest rate of 5.81%, and (ii) pay the costs of issuance of the Series 2015 Bonds. The Series 2015E bonds in the amount of \$7,040,000 were used to fund capital purchases and pay issuance costs. The Authority refunded the Series 2000 and 2005 bonds to improve cash flow by refinancing at a lower interest rate to reduce overall debt service.

On June 29, 2018, the Authority issued a \$10,000,000 of Airport Taxable Revenue Bond, Series 2018 with an average interest rate of 5.24%. The Series 2018 bonds were restricted to the Hangar 11 construction project on airport property.

On June 3, 2021, the Authority issued \$23,000,000 of Airport Tax Exempt Revenue Bonds, Series 2021A and 2021B. Series 2021A is for \$15,000,000 with monthly interest only payments the initial 24 months based on a Wall Street Journal U.S. Prime Rate discounted 83% based on Non-bank Qualified Tax-Exempt rate. Series 2021A is restricted to reimbursement of the Terminal Connector construction project. After the initial 24 months, the Authority has the option to fix the interest rate up to another 8 years. Series 2021B is for \$8,000,000 also with an initial interest rate based on a Wall Street Journal U.S. Prime Rate discounted 83% based on Non-bank Qualified Tax-Exempt rate. Series 2021B is restricted to short term grant bridge funding associated with the Terminal Connector project. Series 2021B ends after 24 months in year 2023. Total interest paid in 2022 on these Series A and B was \$225,573.

As of December 31, 2022, the Authority has not drawn down all available funds on Series 2021A and 2021B. Through June 12, 2023, the outstanding balance on Series 2021A is \$9,361,678. The outstanding balance on Series 2021B is \$638,035.

The Bond Resolutions require the Authority to maintain several funds to meet specified requirements regarding debt service, costs of issuance and project costs. These funds are presently maintained by US Bank, N.A. The Authority reported they were in compliance on December 31, 2022. The 2015, 2018, and 2021 bond financial covenants require the Authority to maintain a net revenue ratio of at least 1.25 of annual debt service. For 2022, the Authority reported a ratio of 2.14 including the CARES support funding.

The Bonds are considered as a direct placement of debt. The Bond Resolutions include provisions in case of an event of default that allows for an acceleration of payment on the Bonds.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 - Long-Term Debt (Continued)

A) Bonds Payable (Continued)

Bonds Payable consisted of the following direct placement debt as of December 31, 2022:

2.44% Airport Revenue Refunding Bonds, Series 2015A, Due in Annual Installments on Each January 1, Beginning 2018 at \$125,000 Increasing to a Final Payment of \$4,145,000 in 2030.	\$ 21,865,000
2.24% Airport Revenue Refunding Bonds, Series 2015C, Due in Annual Installments on Each January 1, Beginning 2017 at \$1,230,000 Decreasing to a Final Payment of \$1,850,000 in 2023.	1,850,000
2.24% Airport Revenue Refunding Bonds, Series 2015D, Due in Annual Installments on Each January 1, Beginning 2017 at \$540,000 Decreasing to a Final Payment of \$720,000 in 2023.	720,000
3.48% Airport Revenue Bonds, Series 2015E, Due in Annual Installments on Each January 1, Beginning 2031 at \$1,310,000 Increasing to a Final Payment of \$1,510,000 in 2035.	7,040,000
5.24% Airport Revenue Bond, Series 2018, Due in Annual Installments on Each January 1, Beginning 2021 at \$165,000 Increasing to a Final Payment of \$655,000 in 2048.	9,660,000
5.40% Airport Revenue Bond, Series 2021A Interest Only until June 30, 2023	7,182,115
5.40% Airport Revenue Bond, Series 2021B Interest Only until June 30, 2023	638,035
	<hr/> 48,955,150
Less: Current Portion	(3,975,000)
Bonds Payable, Net of Current Portion	<hr/> <u>\$ 44,980,150</u>

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 - Long-Term Debt (Continued)

The future annual payments required to retire bond debt obligations are:

Year Ending December 31,	Series 2015		
	Principal	Interest	Total Debt Service
2023	\$ 3,790,000	\$ 836,066	\$ 4,626,066
2024	2,585,000	748,730	3,333,730
2025	2,650,000	685,656	3,335,656
2026	2,715,000	620,996	3,335,996
2027	2,780,000	554,750	3,334,750
2028-2032	12,585,000	1,694,822	14,279,822
2033-2035	4,370,000	307,806	4,677,806
Total	<u>\$ 31,475,000</u>	<u>\$ 5,448,826</u>	<u>\$ 36,923,826</u>

Year Ending December 31,	Series 2018		
	Principal	Interest	Total Debt Service
2023	\$ 185,000	\$ 501,337	\$ 686,337
2024	190,000	491,512	681,512
2025	200,000	481,294	681,294
2026	215,000	470,421	685,421
2027	225,000	458,893	683,893
2028-2032	1,310,000	2,100,454	3,410,454
2033-2037	1,690,000	1,709,550	3,399,550
2038-2042	2,180,000	1,204,414	3,384,414
2043-2047	2,810,000	554,654	3,364,654
2048	655,000	17,161	672,161
Total	<u>\$ 9,660,000</u>	<u>\$ 7,989,690</u>	<u>\$ 17,649,690</u>

Year Ending December 31,	Series 2021 *		
	Principal	Interest	Total Debt Service
2023	\$ 75,092	\$ 421,057	\$ 496,149
2024	156,385	414,017	570,401
2025	165,033	405,368	570,401
2026	174,160	396,241	570,401
2027	183,792	386,609	570,401
2028-2032	7,065,687	1,269,320	8,335,007
Total	<u>\$ 7,820,150</u>	<u>\$ 3,292,611</u>	<u>\$ 11,112,761</u>

* Final Values to be Determined (Based on Variable Interest Rate).

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 - Long-Term Debt (Continued)

B) Notes Payable

Real Estate Note Payable

Payable in full upon the sale of property under agreement with Rockefeller Group, including interest at zero percent.	\$ 467,615
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People's Security Bank & Trust Rent Credit

Capital Improvements credit valued at \$125,000 as a monthly rent credit over a 10 year period starting September 4, 2014	20,800
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Total Notes Payable	488,415
Less: Current Portion	(480,119)
Notes Payable, Net of Current Portion	\$ 8,296

The Notes Payable are considered direct borrowings. They both are collateralized by Authority assets. Future annual scheduled principal payments on the notes payable during the next five years and thereafter are as follows:

Years Ending December 31:	
2023	\$ 480,119
2024	8,296
Total Notes Payable	\$ 488,415

C) Direct Financing Notes

The Authority is obligated under certain leases accounted for as direct financing notes. Future minimum lease payments pertaining to these notes are due as follows:

Year Ending December 31,		
	2023	\$ 1,414,870
	2024	654,147
	2025	594,580
	2026	400,788
	2027	347,828
	2028-2029	699,731
Total Minimum Lease Payments		4,111,944
Less: Amount Representing Interest		(356,883)
Present Value of Minimum Lease Payments		3,755,061
Less: Current Portion		(1,290,072)
Obligations Under Capital Lease - Noncurrent		\$ 2,464,989

Interest expense on direct financing notes amounted to \$202,350 in 2022.

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 - Long-Term Debt (Continued)

Property held under direct financing notes, included with building, systems, and equipment on the statement of net position, consists of the following on December 31, 2022:

<u>Classification:</u>	
Equipment	\$ 9,573,128
Building Improvements	3,661,584
Total	13,234,712
Less: Accumulated Depreciation	(9,479,651)
Property and Equipment Under	
Direct Financing Notes, Net	<u>\$ 3,755,061</u>

The Authority has open lease lines of credit with a maximum value of \$2,000,000. The lease lines have various expiration dates. There were no draws or payments on lines of credit in 2022 and no outstanding balance at December 31, 2022. The indicative interest rates are based upon the average US swap rates or the Wall Street Prime rates at the time of closing of the lease line. Collateral is the actual capital item being leased. If the loan is considered in default the entire outstanding lease amount becomes due at that point.

D) Changes in Long-Term Debt

	Balance January 1, 2022	Additions	Deductions/ Payments	Balance December 31, 2022	Amount Due In One Year
Direct Placements:					
Bonds Payable - Series 2015	\$ 33,945,000	\$ -	\$ (2,470,000)	\$ 31,475,000	\$ 3,790,000
Bonds Payable - Series 2018	9,835,000	-	(175,000)	9,660,000	185,000
Bonds Payable - Series 2021	110,000	7,710,150	-	7,820,150	-
Direct Borrowings:					
Notes Payable	500,919	-	(12,504)	488,415	480,119
Direct Financing Notes	4,419,363	927,096	(1,591,398)	3,755,061	1,290,072
Other Liabilities:					
Net Pension Liability (Asset)	(2,052,633)	4,624,211	(645,636)	1,925,942	-
Total	<u>\$ 46,757,649</u>	<u>\$ 13,261,457</u>	<u>\$ (4,894,538)</u>	<u>\$ 55,124,568</u>	<u>\$ 5,745,191</u>

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 8 - Lease Commitments (Lessee)

Obligations Under GASB 87 Leases

The Authority, as a lessee, recognizes a lease liability along with a right of use asset and associated accumulated amortizations for all leases with certain exceptions for short-term leases. The lease liability is measured at the present value of the lease payments expected to be received over the duration of the lease term. The right of use asset should be measured at the value of the lease liability in addition to any payments paid at or before the commencement of the lease term that relate to the future periods.

The Authority has several obligations for various equipment rentals, which are accounted for under the GASB 87 provisions. At December 31, 2022, The Authority recognized the following net book value related to its lessee agreements:

Equipment and Furnishings - Fuel Trucks (7 leases)	
Right of Use Asset	637,260
Lease Liability	(635,220)
Equipment and Furnishings - Office Equipment (6 leases)	
Right of Use Asset	40,834
Lease Liability	(40,392)

The right of use assets had an original value of \$877,869 and had amortization expense in 2022 of \$215,720.

The following is a schedule of future minimum rental payments for those leases that have initial or remaining non-cancellable lease terms longer than one year as of December 31, 2022.

Year Ending December 31,	Principal	Interest	Total Payments
2023	\$ 213,671	\$ 21,441	\$ 235,112
2024	219,413	13,500	232,913
2025	177,035	5,691	182,727
2026	42,023	2,082	44,105
2027	23,471	294	23,765
Total	<u>\$ 675,612</u>	<u>\$ 43,008</u>	<u>\$ 718,621</u>

Total rental expense under all leases reported in the statement of revenue, expenses, and changes in net position was \$286,832 for the year ended December 31, 2022.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 9 – Net Investment in Capital Assets and Restricted Net Position

Elements of Net Position consist of the following on December 31, 2022:

Net Investment in Capital Assets:

Capital Assets:

Land	\$ 51,352,054
Property and Avigation Easements	44,307,392
Construction in Progress	78,075,503
Land Improvements	145,042,257
Building, Systems & Equipment	162,171,088
Capital Planning and Studies	2,795,991
Total Capital Assets	483,744,285
Less: Accumulated Depreciation	(174,883,233)
Total Capital Assets, Net	308,861,052

Less: Related Liabilities and Proceeds:

Accounts and Retainage Payable - Capital	(7,981,827)
Notes Payable	(488,415)
Bonds Payable	(44,980,150)
Less: Capital Related Bond Proceeds - Series 2018	62,682
Obligations Under Direct Financing Notes	(3,755,061)
Total Related Liabilities and Proceeds	(57,142,771)
Net Investment in Capital Assets	251,718,281

Restricted Net Position:

Cash and Cash Equivalents, Restricted and Designated (Note 2)	4,292,122
Cash and Cash Equivalents - Debt Service Funds (Note 2)	4,775,324
Total Assets	9,067,446
Less: Related Liabilities from Restricted Assets:	
Capital Related Bond Proceeds - Series 2018	(62,682)
Bonds Payable - Current Portion	(3,975,000)
Accrued Bond Interest Payable	(707,455)
Leasehold Deposits	(498,124)
Total Related Liabilities	(5,243,261)
Restricted Net Position	\$ 3,824,185

None of the Authority's restricted net position is considered restricted by enabling legislation.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 10 - Retirement Plans

Defined Benefit Plan Descriptions

The Lehigh Northampton Airport Authority Non-Union Employees' Retirement Plan and the Lehigh Northampton Airport Authority Union Employees' Retirement Plan are single employer defined benefit pension plans controlled by the provisions of the plan documents. The plans are governed by the Authority's eight-member Pension Board, which is made up of five board members and three employee representatives. The employee representatives consist of a member of the Non-Union, a member of the Union and a member of the current retirees. The Board of Governors selects the representatives. The Pension Board may amend the plan provisions and is responsible for management of the assets of the plans. The Pension Board has delegated custodial services and management of certain assets of the plans to outside advisors.

The Authority filed actuarial valuation reports Form 205C with the Public Employee Retirement Commission for each of the plans. The reports dated January 1, 2022, were the most recently certified by the municipality's chief administrative officer for the Non-Union and Union Plans. The reports indicated the municipality maintains pension plans to provide pension or retirement benefits for Non-Union and Union employees.

	<u>Non-Union</u>	<u>Union</u>
Plan Status		
Active Employees	46	49
Retirees and beneficiaries currently receiving benefits	37	50
Terminated employees entitled to benefits but not yet receiving them	31	22
Total	<u>114</u>	<u>121</u>

The plans prepare financial statements on the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due, and the employer has made a formal commitment to provide the contributions. The pension plans' investments are reported at fair value. The plans do not issue separate audited financial statements.

Benefits Provided

The plans cover all full-time non-union and union employees upon completion of ninety days of credited service. The Pension Boards make determinations on benefit provisions.

The Non-Union plan's normal retirement date is at age 65 with five years of service. Additional early retirement date clauses for age 60 with ten years of service or age 50 with twenty years of service are also available. Effective January 1, 2018, the Non-Union pension plan was closed for newly hired full-time employees; newly hired Non-Union receive the defined contribution plan only.

The Union plan's normal retirement date is at age 65 with ten years of service for Police and Firemen and five years for Teamsters. An early retirement date clause for age 60 and ten years of service is also available. Postponement of retirement dates and disability retirement are also allowed.

In addition, effective January 1, 2018, newly hired full-time Teamster Union employees must contribute 2% of their gross pay toward the defined benefit pension plan. Effective January 1, 2019, the Union pension plan was closed for newly hired full-time Firemen; newly hired Firemen receive the defined contribution plan only. January 1, 2020, through December 31, 2021 newly hired police officers had a choice of defined pension or the defined contribution plan. Effective January 1, 2022, all newly hired police officers will go into the defined contribution plan.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 10 - Retirement Plans (Continued)

Retirement benefits vest 100% after 5 years of service under the Non-Union Plan and for Teamster members under the Union Plan. For Police and Firefighters members the retirement benefits vest 100% after 10 years of service under the Union Plan. The general retirement benefits are computed at 3/4 of 1% of compensation for each year of credited service, plus 20% compensation in excess of covered compensation. The union firefighter plan has a second part to the calculation. Early retirement, disability, and death benefits are available under each plan.

Contributions

The Pennsylvania Recovery Program for Municipal Pension Systems, Act 2015, requires that annual contributions to the plan be based upon the Minimum Municipal Obligation (MMO). The MMO is based on each plans' biennial actuarial valuation. In accordance with the governing documents of the plans, employees are not required to contribute to the plan.

Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

The 2022 Employer contributions to the Non-Union plan was \$385,454 and the Union plan was \$244,888. On December 31, the Authority had a payable to the plans in the amount of \$162,264, which was paid the first week of January 2023. Newly hired Teamster employees contributed \$15,294 toward the defined pension plan.

Total Pension Liability / (Asset)

The components of the liability of the Authority to plan members for benefits provided through the pension plans (the net pension liability) was as follows:

	<u>Non-Union</u>	<u>Union</u>	<u>Total</u>
Total Pension Liability	\$ 9,745,817	\$ 7,802,678	\$ 17,548,495
Plan Fiduciary Net Position	8,519,562	7,102,991	15,622,553
Net Pension Liability/(Asset)	<u>\$ 1,226,255</u>	<u>\$ 699,687</u>	<u>\$ 1,925,942</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>87.4%</u>	<u>91.0%</u>	<u>89.0%</u>

The Authority's total pension liability was determined as part of a biennial actuarial valuation on January 1, 2022. The measurement date of the total pension liability was December 31, 2021. Update procedures were used to roll forward to the plan's fiscal year ended December 31, 2022. Total pension liability as of December 31, 2022 was determined using the following actuarial assumptions:

Salary Increases – 4.50%
Investment Return – 7.50% per year, net of investment expenses
Mortality - The RP-2000 Mortality Table projected to 2017 using Scale AA
Form of Annuity - Straight Life
Retirement Age - Normal retirement age, or age on valuation date if greater
Disability - None assumed
COLA – None assumed
Actuarial Cost Method – Entry Age Normal Cost

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 10 - Retirement Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the investments of both pension plans was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.24%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. The two plans have similar targeted allocations and expected real rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 are summarized in the following table:

Asset Class	<u>Non-Union</u>		<u>Union</u>	
	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity:				
Large Cap	40%	5.37%	40%	5.37%
Mid Cap	0%	6.53%	0%	6.53%
Small Cap	10%	6.53%	10%	6.53%
International Equity	10%	6.22%	10%	6.22%
Fixed Income	38%	2.09%	38%	2.09%
Real Estate	0%	4.87%	0%	4.87%
Cash	2%	-0.45%	2%	-0.45%
	<u>100%</u>		<u>100%</u>	

The annual money weighted rate of return on pension plan investments, net of pension plan investment expense, for the Non-Union plan was -15.21% and the Union plan was -15.48%. The Plan Fiduciary Net Position consisted of the following:

<u>Plan Fiduciary Net Position</u>	<u>Total of Both Plans</u>		
	<u>Non-Union</u>	<u>Union</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 170,503	\$ 142,524	\$ 313,027
Accrued Interests and Dividends Receivable	778	365	1,143
Members Contribution Receivable	-	4,679	4,679
Employer Contribution Receivable	96,363	61,222	157,585
Mutual Funds	8,251,918	6,894,201	15,146,119
Total	<u>\$ 8,519,562</u>	<u>\$ 7,102,991</u>	<u>\$ 15,622,553</u>

Under GASB, the investments are measured at fair value using Level 1.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 10 - Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for both plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Total for Both Plans		
	Total Pension	Plan	Net
	Liability	Fiduciary Net Position	Pension Liability / (Asset)
Balances at 12/31/2021	\$ 16,720,380	\$ 18,773,013	\$ (2,052,633)
Changes for the year:			
Service cost	484,809	-	484,809
Interest	1,256,157	-	1,256,157
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Employer Contributions	-	630,342	(630,342)
Employee Contributions	-	15,294	(15,294)
Net investment income	-	(2,855,295)	2,855,295
Benefit payments	(912,851)	(912,851)	-
Administrative expenses	-	(27,950)	27,950
Balances at 12/31/2022	<u>\$ 17,548,495</u>	<u>\$ 15,622,553</u>	<u>\$ 1,925,942</u>

	Non-Union Plan			Union Plan		
	Total Pension	Plan	Net	Total Pension	Plan	Net
	Liability	Fiduciary Net Position	Pension Liability / (Asset)	Liability	Fiduciary Net Position	Pension Liability / (Asset)
Balances at 12/31/2021	\$ 9,240,294	\$ 10,129,139	\$ (888,845)	\$ 7,480,086	\$ 8,643,874	\$ (1,163,788)
Changes for the year:						
Service cost	258,486	-	258,486	226,323	-	226,323
Interest	695,588	-	695,588	560,569	-	560,569
Changes in Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	-	-	-	-
Changes in Assumptions	-	-	-	-	-	-
Employer Contributions	-	385,454	(385,454)	-	244,888	(244,888)
Member Contributions	-	-	-	-	15,294	(15,294)
Net investment income	-	(1,534,530)	1,534,530	-	(1,320,765)	1,320,765
Benefit payments	(448,551)	(448,551)	-	(464,300)	(464,300)	-
Administrative expenses	-	(11,950)	11,950	-	(16,000)	16,000
Balances at 12/31/2022	<u>\$ 9,745,817</u>	<u>\$ 8,519,562</u>	<u>\$ 1,226,255</u>	<u>\$ 7,802,678</u>	<u>\$ 7,102,991</u>	<u>\$ 699,687</u>

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 10 - Retirement Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability / (Asset):			
Non-Union Plan	\$ 2,328,710	\$ 1,226,255	\$ 291,442
Union Plan	\$ 1,494,974	\$ 699,687	\$ 16,016
Total Net Pension Liability (Asset)	<u>\$ 3,823,684</u>	<u>\$ 1,925,942</u>	<u>\$ 307,458</u>

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

For the year ended December 31, 2022, the Authority plans recognized pension expense of \$909,474 which included \$545,394 for Non-Union plan and \$364,080 for the Union plan. On December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Total of Both Plans</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences Between Expected and Actual Experience	\$ -	\$ (379,860)	\$ (379,860)
Changes in Assumptions	323,030	-	323,030
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,208,226	-	2,208,226
Total	<u>\$ 2,531,256</u>	<u>\$ (379,860)</u>	<u>\$ 2,151,396</u>

	<u>Non-Union</u>		<u>Union</u>	
<u>Individual Plans</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (85,503)	\$ -	\$ (294,357)
Changes in Assumptions	190,145	-	132,885	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,197,149	-	1,011,077	-
Total	<u>\$ 1,387,294</u>	<u>\$ (85,503)</u>	<u>\$ 1,143,962</u>	<u>\$ (294,357)</u>

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 10 - Retirement Plans (Continued)

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

Year ended December 31,	<u>Total</u>	<u>Non-Union</u>	<u>Union</u>
2022	221,992	161,761	60,231
2023	527,553	323,027	204,526
2024	640,970	410,363	230,607
2025	819,802	449,868	369,934
2026	(39,243)	(29,312)	(9,931)
Thereafter	(19,678)	(13,916)	(5,762)
	<u>\$ 2,151,396</u>	<u>\$ 1,301,791</u>	<u>\$ 849,605</u>

Investment related deferrals are amortized over a 5-year period and other deferrals are amortized over the remaining service lives of plan members.

Defined Contribution Plans

Lehigh-Northampton Airport Authority Union Employee Retirement Plan sponsors defined contribution plans for each of the Fire, Police and Teamsters employees. These plans cover all full-time unionized employees after 90 days of service. The Authority is required to contribute \$.47 per hour for each hour a Teamster employee works and \$.18 per hour for each hour a Fire or Police employee works. Additionally, newly hired firefighters as of January 1, 2019, receive 6% of their gross salary contributed by the Authority. Employer contributions to the plans were \$54,549 for the year ended December 31, 2022.

Lehigh-Northampton Airport Authority Non-Union Employee Retirement Plan sponsors a defined contribution plan for severance benefits to terminated regular, full-time non-union employees. Benefits accrue based upon length of service, currently at \$300 per each full year of service. Employer contributions to the plan were \$13,900 for the year ended December 31, 2022. Effective January 1, 2018, newly hired full-time non-union employees receive 3% of their gross salary contributed by the Authority and up to another 3% as a dollar-for-dollar match based on the employee's level of contribution. The vesting is graded at 20% each year, fully vested after five years of full-time employment. Employer contributions to the plan were \$146,899 for the year ended December 31, 2022.

The Plans benefit provisions and contribution rates are determined by the respective Authority Pension Boards. The Plans assets are held in trust with external custodian. The Plans do not issue stand-alone financial statements.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 11 - Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time employees, permits employees to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is available to employees at termination, retirement, death, or unforeseeable emergency.

Assets of the Plan are held in trust with Mission Square, previously known as ICMA-RC. Mission Square provides the platform for participants to choose their investments.

Note 12 - Lease Revenues (Lessor) – GASB 87

The Authority leases certain of its capital assets, such as terminal space, hangars, and land to airlines and other tenants under leases. The airline terminal space rents are determined annually based upon actual operating costs of the related airport space. Such costs are allocated pro rata to each tenant based upon factors such as square footage. A majority of the airline terminal space leases, as well as other leases, are contracted on a month-to-month basis and accordingly are not reflected in the schedule below.

The Authority, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. For the lessor the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received over the duration of the lease term. The deferred inflow of resources should be measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to the future periods.

During the year ending December 31, 2022, The Authority recognized the following related to its GASB 87 lessor agreements:

Lease Revenue	\$ (573,257)
Interest income related to leases	491,551

During the year ending December 31, 2022, The Authority recognized variable lease revenues not subject to GASB 87 of \$2,531,339. In accordance with GASB 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for variable leases. Variable lease agreements include rental and concession leases that have minimum annual guarantees and leases where payments are determined on a percentage of sales.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 12 - Lease Revenues (Lessor) – GASB 87 (Continued)

Building (14 leases)	
Lease Receivable	3,452,662
Lease Revenue	21,985
Land (1 leases)	
Lease Receivable	79,065
Lease Revenue	499,289
Advertising (34 leases)	
Lease Receivable	3,019,988
Lease Revenue	22,527
Terminal (18 leases)	
Lease Receivable	6,370,631
Lease Revenue	29,456

The receivable on these leases was discounted to the net present value determined as of January 1, 2022. The discount rates are based on The Authority's borrowing rate and length of the lease ranging from 3.41% to 5.27%

Future principal and interest payment requirements related to The Authority's lease receivable as of December 31, 2022 are as follows:

Year Ending December 31,	Principal	Interest	Total Payments
2023	\$ 2,641,834	\$ 421,807	\$ 3,063,641
2024	2,466,652	334,036	2,800,688
2025	1,984,199	250,447	2,234,646
2026	406,710	216,434	623,144
2027	370,206	201,562	571,768
2028-2032	1,456,061	830,137	2,286,198
2033-2037	1,725,998	532,557	2,258,555
2038-2042	1,397,821	200,644	1,598,465
2043-2047	472,866	25,070	497,936
Total	<u>\$ 12,922,347</u>	<u>\$ 3,012,694</u>	<u>\$ 15,935,041</u>

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 12 - Lease Revenues (Lessor) – GASB 87 (Continued)

Regulated Leases

The Authority leases certain assets to various third parties that are considered regulated leases, as defined by GASB 87. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. For example, U.S. Department of Transportation (DOT) and the Federal Aviation Administration regulate aviation leases between airport and air carriers and other aeronautical users through various policies and guidance, including the FAA's Rates and Charges Policy and Federal Grant Assurances. In accordance with GASB 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases. The regulated lease assets include hangars and land. Leased land and several of the terminal office locations are considered exclusive use by the second parties to the agreement, while most terminal areas are considered shared/joint use.

During the year ending December 31, 2022, The Authority recognized regulated lease revenues not subject to GASB 87 of \$4,188,579.

Future expected minimum payments related to The Authority's regulated leases as of December 31, 2022 are as follows:

Year Ending December 31,	Amount
2023	\$ 2,484,116
2024	2,228,044
2025	1,557,630
2026	1,109,382
2027	1,072,694
2028-2029	1,165,434
Total	<u>\$ 9,617,300</u>

(Continued)

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 13 - Commitments and Contingencies

Self-Insurance: The Authority has elected to be a Self-Insured Reimbursable Employer in the Pennsylvania Unemployment Insurance Program. If any employees become eligible for unemployment insurance benefits, the Authority will be required to fund such benefits at that time. In 2022, The Authority incurred \$2,637 for unemployment benefits.

The Authority has Self-Insurance Medical Plan for their full-time employees. The Authority has purchased a 115% aggregate stop loss protection and \$65,000 individual stop loss protection to wrap around the plan. In 2022, the Authority spent \$1,983,490 on this plan.

Other Commitments: The Authority is under numerous facility construction and improvement contracts for which they are committed to 100% of the estimated costs of these projects. Most project costs are funded through Federal and State grants and bond proceeds. Contract commitments as of December 31, 2022 are already reflected in the balance sheet under Accounts and Retainage Payable- Capital. The Authority has commitments of \$18,750,684 primarily for the construction of the Runway Rehab and Terminal Connector projects as of December 31, 2022.

The Authority has an agreement with the Catasauqua School District and Hanover Township to make payments in lieu of taxes levied at 7% and 3% as defined in the agreement. The total amount paid by the Authority to these entities in 2022 was \$592,398.

Note 14 – Fiduciary Fund

The Authority's pension trust funds are presented as a fiduciary fund. The pension plan is not audited separately. Information regarding the pension plan is included in Note 10. Additional information follows:

Basis of Accounting and Presentation: The financial statements are prepared using the accrual basis of accounting. Contributions from the employees and the Authority are recognized as revenue in the period in which employees provide service and expenses are recorded when incurred regardless of when payment is made. Benefit payments are recognized when due and payable in accordance with the terms of the Plan.

Cash and cash equivalents: The Authority holds collateralized demand deposit account sweep accounts with a pension trustee totaling \$313,027 for the two plans.

Fair Value of Investments: Investments are presented at fair value or estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate and government fixed income securities not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Other investments not having an established market are recorded at estimated fair value.

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements).

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 14 – Fiduciary Fund (Continued)

The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the reporting entity's own assumptions about the fair value of an asset or liability.

The Authority has the following fair value measurements as of December 31, 2022:

	Fair Value Measurement as of December 31, 2021		
	Level 1	Level 2	Level 3
Investments at fair value			
Cash equivalents	\$ 313,027	\$ -	\$ -
Fixed income mutual funds	5,541,907	-	-
Equity mutual funds	9,605,355	-	-
Total investments by fair value level	15,460,289	-	-

Interest Rate Risk: The Plan's policy does not limit the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The fixed income mutual funds have an average effective duration of 6.6 years.

Credit Risk: The Plan's policy limits investments in equities, fixed income, and cash equivalents. Fixed income mutual funds include underlying holdings in U.S. government securities such as U.S. Treasuries and mortgage-backed securities. Other holdings within the fixed income mutual funds have a credit quality of BBB or higher rating.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 14 – Fiduciary Fund (Continued)

Financial information for both plans is provided below:

	Total of Both Plans		
	Non-Union	Union	Total
Assets			
Receivables:			
Member Contributions	\$ -	\$ 4,679	\$ 4,679
Employee Contributions	\$ 96,363	\$ 61,222	\$ 157,585
Total Receivables	96,363	65,901	162,264
Investments:			
Cash and Cash Equivalents	170,503	142,524	313,027
Accrued Income	778	365	1,143
Mutual Funds	8,251,918	6,894,201	15,146,119
Total Investments	8,423,199	7,037,090	15,460,289
Total Assets	<u>\$ 8,519,562</u>	<u>\$ 7,102,991</u>	<u>\$ 15,622,553</u>
Net Position Restricted for Pension	<u>\$ 8,519,562</u>	<u>\$ 7,102,991</u>	<u>\$ 15,622,553</u>

	Pension Trust Funds		
	Non-Union	Union	Total
Additions:			
Contributions:			
Members' Contribution	\$ -	\$ 15,294	\$ 15,294
Employer Contributions	385,454	244,888	630,342
Total Contributions	385,454	260,182	645,636
Investment Income:			
Interest	83,055	69,909	152,964
Dividends	78,738	67,151	145,889
Net Appreciation/(depreciation) in fair value of investments	(1,674,714)	(1,438,252)	(3,112,966)
Total Investment Income	(1,512,921)	(1,301,192)	(2,814,113)
Less Investment Expenses	(21,609)	(19,573)	(41,182)
Net Investment Income	<u>(1,534,530)</u>	<u>(1,320,765)</u>	<u>(2,855,295)</u>
Total Additions	(1,149,076)	(1,060,583)	(2,209,659)
Deductions:			
Pension Payments	448,551	456,239	904,790
Refund terminated members' contributions	-	8,061	8,061
Administrative Expenses	11,950	16,000	27,950
Total Deductions	<u>460,501</u>	<u>480,300</u>	<u>940,801</u>
Net Increase/(Decrease)	(1,609,577)	(1,540,883)	(3,150,460)
Net Position Restricted for Pension			
Balance on January 1	10,129,139	8,643,874	18,773,013
Balance on December 31	<u>\$ 8,519,562</u>	<u>\$ 7,102,991</u>	<u>\$ 15,622,553</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NON-UNION EMPLOYEES RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2022**

Non-Union	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability									
Service Cost	\$ 153,664	\$ 186,571	\$ 195,900	\$ 300,532	\$ 314,056	\$ 296,121	\$ 309,446	\$ 247,355	\$ 258,486
Interest	442,607	469,249	490,465	543,886	576,377	606,322	641,525	660,248	695,588
Differences Between Expected and Actual Experience	-	14,821	-	202,686	-	(36,873)	-	(188,943)	-
Changes in Assumptions	-	-	-	537,977	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(227,859)	(394,089)	(405,803)	(415,511)	(433,958)	(438,748)	(454,050)	(446,532)	(448,551)
Net Change in Total Pension Liability	368,412	276,552	280,562	1,169,570	456,475	426,822	496,921	272,128	505,523
Total Pension Liability - Beginning	5,492,852	5,861,264	6,137,816	6,418,378	7,587,948	8,044,423	8,471,245	8,968,166	9,240,294
Total Pension Liability - Ending	<u>\$5,861,264</u>	<u>\$6,137,816</u>	<u>\$6,418,378</u>	<u>\$7,587,948</u>	<u>\$8,044,423</u>	<u>\$8,471,245</u>	<u>\$8,968,166</u>	<u>\$9,240,294</u>	<u>\$9,745,817</u>
Plan Fiduciary Net Pension									
Contributions - Employer	\$ 199,425	\$ 233,962	\$ 231,968	\$ 367,310	\$ 606,441	\$ 461,800	\$ 461,422	\$ 395,643	\$ 385,454
Net Investment Income	325,671	(26,178)	411,905	819,152	(326,701)	1,300,945	1,034,039	1,155,496	(1,534,530)
Benefit Payments, Including Refunds of Member Contributions	(227,859)	(394,089)	(405,803)	(415,511)	(433,958)	(438,748)	(454,050)	(446,532)	(448,551)
Administrative Expense	-	(8,120)	(6,475)	(21,910)	(2,975)	(10,321)	(12,609)	(21,897)	(11,950)
Net Change in Plan Fiduciary Net Position	297,237	(194,425)	231,595	749,041	(157,193)	1,313,676	1,028,802	1,082,710	(1,609,577)
Plan Net Position - Beginning	5,777,696	6,074,933	5,880,508	6,112,103	6,861,144	6,703,951	8,017,627	9,046,429	10,129,139
Plan Net Position - Ending	<u>\$6,074,933</u>	<u>\$5,880,508</u>	<u>\$6,112,103</u>	<u>\$6,861,144</u>	<u>\$6,703,951</u>	<u>\$8,017,627</u>	<u>\$9,046,429</u>	<u>\$10,129,139</u>	<u>\$8,519,562</u>
Authority's Net Pension Liability / (Asset)	<u>\$ (213,669)</u>	<u>\$ 257,308</u>	<u>\$ 306,275</u>	<u>\$ 726,804</u>	<u>\$ 1,340,472</u>	<u>\$ 453,618</u>	<u>\$ (78,263)</u>	<u>\$ (888,845)</u>	<u>\$ 1,226,255</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>103.6%</u>	<u>95.8%</u>	<u>95.2%</u>	<u>90.4%</u>	<u>83.3%</u>	<u>94.6%</u>	<u>100.9%</u>	<u>109.6%</u>	<u>87.4%</u>
Covered Payroll	<u>\$2,567,786</u>	<u>\$3,124,844</u>	<u>\$3,574,200</u>	<u>\$3,828,752</u>	<u>\$4,357,200</u>	<u>\$4,428,000</u>	<u>\$4,319,000</u>	<u>\$3,446,604</u>	<u>\$3,596,117</u>
Authority's Net Pension Liability as a Percentage of Covered Payroll	<u>-8.3%</u>	<u>8.2%</u>	<u>8.6%</u>	<u>19.0%</u>	<u>30.8%</u>	<u>10.2%</u>	<u>-1.8%</u>	<u>-25.8%</u>	<u>34.1%</u>

Assumption Changes – In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA, the interest rate assumption was lowered from 8% to 7.5% per annum and the salary scale assumption was lowered from 5.0% to 4.5% per annum.

Benefit Changes – In 2018, the plan was amended to freeze participation in the plan to Non-Union employees hired on or before December 31, 2017.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS - PENSION PLANS
FOR THE LAST TEN YEARS**

<u>Union</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Pension Liability									
Service Cost	\$ 105,621	\$ 101,313	\$ 106,379	\$ 169,273	\$ 176,890	\$ 195,563	\$ 204,363	\$ 216,577	\$ 226,323
Interest	420,314	432,211	453,278	488,017	515,437	495,986	519,862	537,287	560,569
Changes in Benefit Terms						(99,389)	-	-	-
Differences Between Expected and Actual Experience	-	(124,987)	-	40	-	(542,382)	-	(75,279)	-
Changes in Assumptions	-	-	-	502,011	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(222,878)	(272,963)	(277,538)	(289,836)	(308,770)	(348,402)	(415,585)	(442,065)	(464,300)
Net Change in Total Pension Liability	303,057	135,574	282,119	869,505	383,557	(298,624)	308,640	236,520	322,592
Total Pension Liability - Beginning	5,259,738	5,562,795	5,698,369	5,980,488	6,849,993	7,233,550	6,934,926	7,243,566	7,480,086
Total Pension Liability - Ending	<u>\$ 5,562,795</u>	<u>\$ 5,698,369</u>	<u>\$ 5,980,488</u>	<u>\$ 6,849,993</u>	<u>\$ 7,233,550</u>	<u>\$ 6,934,926</u>	<u>\$ 7,243,566</u>	<u>\$ 7,480,086</u>	<u>\$ 7,802,678</u>
Plan Fiduciary Net Pension									
Contributions - Employer	\$ 152,341	\$ 156,573	\$ 115,146	\$ 185,577	\$ 349,954	\$ 273,866	\$ 224,762	\$ 340,107	\$ 244,888
Contributions - Member	-	-	-	-	1,693	7,300	10,819	13,220	15,294
Net Investment Income	299,392	(21,965)	377,105	752,673	(296,408)	1,161,383	906,445	995,123	(1,320,765)
Benefit Payments, Including Refunds of Member Contributions	(222,878)	(272,963)	(277,538)	(289,836)	(308,770)	(348,402)	(415,585)	(442,065)	(464,300)
Administrative Expense	-	(8,280)	(4,200)	(23,593)	(2,975)	(9,625)	(17,279)	(28,355)	(16,000)
Net Change in Plan Fiduciary Net Position	228,855	(146,635)	210,513	624,821	(256,506)	1,084,522	709,162	878,030	(1,540,883)
Plan Net Position - Beginning	5,311,112	5,539,967	5,393,332	5,603,845	6,228,666	5,972,160	7,056,682	7,765,844	8,643,874
Plan Net Position - Ending	<u>\$ 5,539,967</u>	<u>\$ 5,393,332</u>	<u>\$ 5,603,845</u>	<u>\$ 6,228,666</u>	<u>\$ 5,972,160</u>	<u>\$ 7,056,682</u>	<u>\$ 7,765,844</u>	<u>\$ 8,643,874</u>	<u>\$ 7,102,991</u>
Authority's Net Pension Liability / (Asset)	<u>\$ 22,828</u>	<u>\$ 305,037</u>	<u>\$ 376,643</u>	<u>\$ 621,327</u>	<u>\$ 1,261,390</u>	<u>\$ (121,756)</u>	<u>\$ (522,278)</u>	<u>\$ (1,163,788)</u>	<u>\$ 699,687</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>99.6%</u>	<u>94.6%</u>	<u>93.7%</u>	<u>90.9%</u>	<u>82.6%</u>	<u>101.8%</u>	<u>107.2%</u>	<u>115.6%</u>	<u>91.0%</u>
Covered Payroll	<u>\$ 1,807,026</u>	<u>\$ 1,886,125</u>	<u>\$ 2,222,600</u>	<u>\$ 2,175,520</u>	<u>\$ 2,949,800</u>	<u>\$ 2,900,000</u>	<u>\$ 2,901,225</u>	<u>\$ 2,720,504</u>	<u>\$ 2,916,424</u>
Authority's Net Pension Liability as a Percentage of Covered Payroll	<u>1.3%</u>	<u>16.2%</u>	<u>16.9%</u>	<u>28.6%</u>	<u>42.8%</u>	<u>-4.2%</u>	<u>-18.0%</u>	<u>-42.8%</u>	<u>24.0%</u>

Assumption Changes – In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA, the interest rate assumption was lowered from 8% to 7.5% per annum and the salary scale assumption was lowered from 5.0% to 4.5% per annum.

Benefit Changes – Effective January 1, 2018, all full-time newly hired Teamster employees will contribute 2% of gross pay to the plan. Effective January 1, 2019, the plan was amended to freeze participation in the plan to Fire Fighters hired on or before December 31, 2018 and their benefit will be based on 1.5% of compensation for each year of credited service earned on or after January 1, 2019.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS - PENSION PLANS
FOR THE LAST TEN YEARS**

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

Lehigh-Northampton Airport Authority Non-Union Employees' Retirement Plan

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 224,819	\$ 199,425	\$ 233,962	\$ 215,473	\$ 231,968	\$ 456,171	\$ 461,800	\$ 461,422	\$ 395,643	\$ 248,680
Contributions in Relation to the Actuarially Determined Contribution	224,819	199,425	233,962	231,968	367,310	606,441	461,800	461,422	395,643	385,454
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,495)</u>	<u>\$ (135,342)</u>	<u>\$ (150,270)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,774)</u>
Covered Payroll	<u>\$2,678,624</u>	<u>\$2,567,786</u>	<u>\$3,124,844</u>	<u>\$3,574,200</u>	<u>\$3,828,752</u>	<u>\$4,357,200</u>	<u>\$4,428,000</u>	<u>\$4,319,000</u>	<u>\$3,446,604</u>	<u>\$3,596,117</u>
Contributions as a Percentage of Covered Payroll	<u>8.4%</u>	<u>7.8%</u>	<u>7.5%</u>	<u>6.5%</u>	<u>9.6%</u>	<u>13.9%</u>	<u>10.4%</u>	<u>10.7%</u>	<u>11.5%</u>	<u>10.7%</u>

Lehigh-Northampton Airport Authority Union Employees' Retirement Plan

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 132,677	\$ 152,341	\$ 156,573	\$ 117,777	\$ 115,146	\$ 276,954	\$ 273,866	\$ 224,762	\$ 272,517	\$ 157,992
Contributions in Relation to the Actuarially Determined Contribution	132,677	152,341	156,573	115,145	185,577	349,954	273,866	224,762	340,107	244,888
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,632</u>	<u>\$ (70,431)</u>	<u>\$ (73,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,590)</u>	<u>\$ (86,896)</u>
Covered Payroll	<u>\$1,837,316</u>	<u>\$1,807,026</u>	<u>\$1,886,125</u>	<u>\$2,222,600</u>	<u>\$2,175,520</u>	<u>\$2,949,800</u>	<u>\$2,900,000</u>	<u>\$2,901,225</u>	<u>\$2,720,504</u>	<u>\$2,916,424</u>
Contributions as a Percentage of Covered Payroll	<u>7.2%</u>	<u>8.4%</u>	<u>8.3%</u>	<u>5.2%</u>	<u>8.5%</u>	<u>11.9%</u>	<u>9.4%</u>	<u>7.7%</u>	<u>12.5%</u>	<u>8.4%</u>

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF INVESTMENT RETURNS – PENSION PLANS
FOR THE LAST TEN FISCAL YEARS**

Lehigh-Northampton Airport Authority Non-Union Employees' Retirement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	<u>6.01%</u>	<u>-0.06%</u>	<u>7.11%</u>	<u>13.48%</u>	<u>-4.70%</u>	<u>19.39%</u>	<u>12.90%</u>	<u>12.82%</u>	<u>-15.21%</u>

Lehigh-Northampton Airport Authority Union Employees' Retirement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	<u>6.04%</u>	<u>-0.02%</u>	<u>7.10%</u>	<u>13.59%</u>	<u>-4.74%</u>	<u>19.57%</u>	<u>13.03%</u>	<u>12.91%</u>	<u>-15.48%</u>

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES - PENSION PLANS
YEAR ENDED DECEMBER 31, 2022**

Actuarial Methods

1. Liabilities - All plan benefits are valued using the entry age normal cost valuation method.
2. Assets - Plan assets are valued using market values except insurance holdings, if any, which are valued at reported contract values.

Actuarial Assumptions

1. Economic Assumptions
 - a) Investment Return: 7.50% per annum, net of investment expenses
 - b) Salary Increase: 4.50% compound annually
2. Demographic Assumptions
 - a) Mortality - The RP - 2000 Mortality Table projected to 2017 using Scale AA
 - b) Termination - Annual rates based on the following scale as a percentage:

<u>AGE</u>	<u>MALE</u>	<u>FEMALE</u>
25	12.50%	17.50%
40	6.00%	9.00%
55	0.00%	0.00%

- c) Disability - Non-Assumed
- d) Retirement Age - normal retirement age or age on valuation date if greater
- e) Form of Annuity - Straight Life

SUPPLEMENTARY INFORMATION

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF DEPARTMENTAL OPERATING REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2022

Cost Centers	Revenue		Operating Expenses							Income (Loss)	
	Operating Revenue	Wages & Benefits	Contract Services Advertising Other	Materials Supplies Repairs & Maint	Utilities Taxes Insurance	Cost of Sales - Fuel	GASB 87 Adjustments	Allocated Expenses	Total Expenses	from Operations before Capital	
Airfield	\$ 6,225,744	\$ 2,377,820	\$ 293,593	\$ 435,384	\$ 64,416	\$ -	\$ -	\$ 1,834,163	\$ 5,005,376	\$ 1,220,368	
Terminal	8,608,733	2,490,703	319,366	464,804	621,646	-	-	2,570,278	6,466,797	2,141,936	
Parking and Roadway	6,236,977	484,134	208,959	73,653	592,379	-	-	97,158	1,456,283	4,780,694	
Aviation Leased Area	3,836,586	82,695	95,468	91,392	310,040	-	-	686,026	1,265,621	2,570,965	
Non-Aviation Leased Area	830,180	49,002	27,207	41,700	227,429	-	-	51,278	396,616	433,564	
Ground Handling	2,328,264	2,005,060	32,322	53,549	-	498,047	-	443,654	3,032,632	(704,368)	
Aviation Services	7,346,387	2,102,735	312,249	251,324	123,702	1,872,861	-	329,258	4,992,129	2,354,258	
Advertising	414,966	41,589	81,894	-	-	-	-	20,894	144,377	270,589	
Administrative	-	2,640,001	742,038	25,558	-	-	-	48,579	3,456,176	(3,456,176)	
Allocated Expenses	-	3,536,084	1,523,513	145,637	936,507.00	-	-	(6,141,741)	-	-	
GASB 87 - Adjustment	(81,706)	-	-	-	-	-	(218,202)	-	(218,202)	136,496	
Total LVIA	35,746,131	15,809,823	3,636,609	1,583,001	2,876,119	2,370,908	(218,202)	(60,454)	25,997,805	9,748,326	
Queen City Airport	1,264,630	443,252	37,724	56,159	107,794	511,589	-	35,085	1,191,602	73,028	
Braden Airpark	138,928	106,319	102,495	13,033	22,492	33,968	-	25,369	303,676	(164,748)	
Events	-	-	12,839	834	-	-	-	-	13,673	(13,673)	
Total	\$ 37,149,689	\$ 16,359,394	\$ 3,789,667	\$ 1,653,027	\$ 3,006,405	\$ 2,916,465	\$ (218,202)	\$ -	\$ 27,506,756	\$ 9,642,933	

- (1) Allocated Expenses are for shared non-administrative expenses. These expenses are allocated to a respective cost center by their appropriate cost driver.
(2) Allocated expenses include Police, Fire, IT, shared development, and planning expenses.
(3) Administrative Expenses include costs associated with the Executive Director, Board, Finance, Marketing and Human Resources.
(4) This schedule excludes depreciation expenses and therefore does not reconcile directly to the statement of revenues, expenses, and changes in net position.

See independent auditors' report on supplementary information.

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF DEPARTMENTAL OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2022

	Lehigh Valley International Airport	Queen City Airport *	Braden Airpark *	Total
OPERATING REVENUES:				
Airfield				
Landing Fees	\$ 5,307,065	\$ -	\$ -	\$ 5,307,065
Apron Parking Fees	918,679	-	-	918,679
Total	6,225,744	-	-	6,225,744
Terminal				
Airlines	5,468,263	-	-	5,468,263
Utility Fees & Other	30,985	-	-	30,985
Total	5,499,248	-	-	5,499,248
Concessions and Advertising				
Concession & Other	617,562	-	-	617,562
Rental Cars	1,948,867	-	-	1,948,867
Restaurant/Newsstand	396,704	-	-	396,704
Advertising	414,966	-	-	414,966
Other	146,353	-	-	146,353
Total	3,524,452	-	-	3,524,452
Parking and Roadways	6,236,977	-	-	6,236,977
Building & Hanger Leases				
Hanger Rents	3,239,985	98,956	76,125	3,415,065
T-Hangars	215,859	215,266	11,744	442,869
Building Rents	578,100	39,929	1,108	619,137
Land Rents	252,080	158,342	-	410,422
Ramp, Gatecard and Other Income	380,742	26,150	7,026	413,918
Total	4,666,766	538,643	96,003	5,301,411
Ground Handling	2,328,264	-	-	2,328,264
Fuel & Handling				
Fuel Sales	3,353,582	712,436	41,615	4,107,632
Landing Fees	306,032	-	-	306,032
Into Plane Fees	3,154,666	-	-	3,154,666
Hangar & Ramp Rentals	284,220	-	-	284,220
Miscellaneous Income	247,888	13,551	1,310	262,749
Total	7,346,388	725,987	42,925	8,115,299
GASB 87 Adjustments	(81,706)	-	-	(81,706)
Total Operating Revenues	\$ 35,746,132	\$ 1,264,629	\$ 138,928	\$ 37,149,689

* Queen City Airport and Braden Airpark's Building and Hangar leases, Fuel and Handling are reported as General Aviation Services on the Statement of Revenues, Expenses and Changes in Net Position.

See independent auditors' report on supplementary information.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

<u>Grant Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Accumulated Awards</u>	<u>Remaining Awards</u>	<u>Cash Awards Received During Year</u>	<u>Grant Receivable / (Deferred) Beginning of Year</u>	<u>Revenue Recognized During Year</u>	<u>Eligible Federal Expenditures During Year</u>	<u>Grant Receivable / (Deferred) End of Year</u>
<u>Department of Transportation</u>										
<u>Airport Improvement Program</u>										
<i>Direct Awards:</i>										
Rehabilitate Runway 6/24 - Phase III Construction	20.106	3-42-0001-105-2018	\$ 17,215,083	\$ 16,765,083	\$ 450,000	\$ 1,694,808	\$ 375,628	\$ 1,703,870	\$ 1,703,870	\$ 384,690
Rehabilitate Runway 6/24 - Phase IV Construction; Rehabilitate Taxiway A Lighting - Phase II Construction; & Rehabilitate Taxiway E Lighting - Phase II Construction	20.106	3-42-0001-106-2019	11,531,021	10,428,521	1,102,500	50,602	896,084	209,505	209,505	1,054,987
Rehabilitate Runway 6/24 (Reimbursement Agreement), Phase V	20.106	3-42-0001-107-2019	348,295	313,466	34,830	-	34,830	-	-	34,830
Rehabilitate Runway 6/24 Cpmstrict), Phase VI	20.106	3-42-0001-108-2019	8,503,344	8,503,341	3	850,332	850,332	-	-	-
COVID 19 CARES Act - Payroll & Operational and Maintenance Expenses	20.106	3-42-0001-109-2020	6,191,170	5,161,320	1,029,850	1,699,953	-	1,699,953	1,699,953	-
Rehabilitate Runway 6/24 - Phase VII Construction	20.106	3-42-0001-110-2020	9,641,712	8,677,541	964,171	1,896,680	517,807	2,075,954	2,075,954	697,080
Rehabilitate Runway 6/24 (RA) - Phase VIII	20.106	3-42-0001-111-2020	64,100	57,690	6,410	-	6,410	-	-	6,410
Rehabilitate Runway 6/24 - Phase IX	20.106	3-42-0001-112-2021	12,671,796	6,892,370	5,779,426	4,140,442	241,921	3,898,521	3,898,521	-
COVID-19 Coronavirus Response and Relief Supplemental Appropriation	20.106	3-42-0001-113-2021	3,403,803	3,403,803	-	1,038,934	-	1,038,934	1,038,934	-
COVID-19 CRRSA/Concessions Relief	20.106	3-42-0001-114-2021	92,953	92,953	-	92,953	-	92,953	92,953	-
COVID-19 Airport Rescue Grant Agreement	20.106	3-42-0001-115-2022	5,987,974	-	5,987,974	-	-	-	-	-
COVID-19 Airport Rescue Grant Agreement Concessions Rent Relief	20.106	3-42-0001-116-2022	371,812	-	371,812	-	-	-	-	-
Rehabilitate Runway 6/24 - Phase X	20.106	3-42-0001-117-2022	14,821,100	-	14,821,100	-	-	303,361	303,361	303,361
Queen City Remove Obstructions (Construct), Phase II	20.106	3-42-0002-026-2019	403,565	286,304	117,262	41,425	37,620	3,805	3,805	-
Queen City Removal Obstructions, Phase IV	20.106	3-42-0002-027-2020	424,405	345,942	78,463	119,997	109,687	24,516	24,516	14,206
Queen City Runway 15/33 Rehabilitation - Design	20.106	3-42-0002-029-2020	340,033	317,353	22,680	79,970	21,973	69,581	69,581	11,584
COVID-19 Airport Rescue Grant Agreement - Queen City	20.106	3-42-0002-031-2022	59,000	-	59,000	-	-	-	-	-
Queen City Runway 15/33 Rehabilitation - Phase I Construction	20.106	3-42-0002-032-2022	2,064,121	-	2,064,121	-	-	11,294	11,294	11,294
Total Airport Improvement Program			94,135,288	61,245,686	32,889,602	11,706,096	3,092,290	11,132,246	11,132,246	2,518,441
<u>Department of Homeland Security</u>										
Pass-through: PA Emergency Management Agency										
COVID-19 Disaster Grants - Public Assistance	97.036	077-UBR6Y-00	81,426	64,688	16,738	21,709	14,326	24,121	24,121	16,738
Total			\$ 94,216,714	\$ 61,310,374	\$ 32,906,340	\$ 11,727,806	\$ 3,106,617	\$ 11,156,368	\$ 11,156,368	\$ 2,535,179

See accompanying notes to the Schedule of Expenditures of Federal Awards

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

1. Basis of Presentation

General: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Authority on the accrual basis of accounting. The Authority's reporting entity is defined in Note 1 to the financial statements.

Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2022. 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 the Authority, it is not intended to and does not present the statements of net position, statements of revenues, expenses and changes in net position, or statements of cash flows of the Authority.

Basis of Accounting and Cost Principles: Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has not elected to use the 10-percent de-minimus indirect cost rate as allowed under the Uniform Guidance.

Subrecipients: Of the Federal expenditures presented in the schedule, the Authority did not provide any Federal awards to subrecipients.

Non-Cash and Federal Insurance: The Authority did not receive non-cash assistance or have Federal insurance in effect during the year.

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 Governors
Lehigh-Northampton Airport Authority
Allentown, Pennsylvania

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 and fiduciary activities of the Lehigh-Northampton Airport Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.


Crowe LLP

Indianapolis, Indiana
June 12, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Governors
Lehigh-Northampton Airport Authority
Allentown, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Lehigh-Northampton Airport Authority's (the "Authority") 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 the Authority's major federal program for the year ended December 31, 2022. The Authority'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, the Authority 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, 2022.

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

Responsibilities of Management for Compliance

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

(Continued)

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 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.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
June 12, 2023

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified?	_____	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no
<i>Federal Awards</i>		
Internal control over major federal programs:		
Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified?	_____	___X___ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	___X___ no
Identification of major federal programs: Assistance Listing Number(s) 20.106	Name of Federal Program or Cluster: COVID-19 Airport Improvement Program	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	___X___ yes	_____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY
CHARGE (PFC) PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AND THE SCHEDULE OF PASSENGER
FACILITY CHARGES COLLECTED AND EXPENDED

Board of Governors
Lehigh-Northampton Airport Authority
Allentown, Pennsylvania

Report on Compliance of Passenger Facility Charges

Opinion on Passenger Facility Charge Program

We have audited the Lehigh-Northampton Airport Authority's (the "Authority") compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration ("Guide"), that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2022.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2022.

Basis for Opinion on Passenger Facility Charge 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 the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's passenger facility charge program.

(Continued)

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 the Authority'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 Guide 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 the Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Guide, 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 the Authority'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 the Authority'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 Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 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 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Accordingly, this report is not suitable for any other purpose.

(Continued)

Report on Supplemental Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the Authority as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 12, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying supplemental schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as specified in the Guide 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 supplemental schedule of passenger facility charges collected and expended is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
June 12, 2023

LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF EXPENDITURES - PASSENGER FACILITY CHARGES
YEAR ENDED DECEMBER 31, 2022

			Cumulative Total -	Quarter End				Year End	Cumulative Total -
	Date Approved	Amount Approved	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	December 31, 2022	December 31, 2022
Revenues									
Total Passenger Facility Charge Revenue Received			\$ 41,711,338	\$ 374,579	\$ 540,717	\$ 519,368	\$ 411,822	\$ 1,846,486	\$ 43,557,824
Interest Earned on PFC Deposits			617,641	2	3	9	22	36	617,677
Total Revenue			42,328,979	374,581	540,720	519,377	411,844	1,846,522	44,175,501
Expenses									
Previous Completed Applications		\$ 17,035,286	17,035,286	-	-	-	-	-	17,035,286
Application: #05-07-C-00-ABE									
"Main Terminal Renovation and Additions"		6/1/2005	21,440,236	21,440,236	-	-	-	-	21,440,236
Application: #19-08-C-00-ABE									
		6/4/2019							
1 Terminal Vertical Transportation Improvements		14,500,000	-	-	-	-	-	-	-
2 Rehabilitate Runway 6-24		1,048,110	1,048,110	-	-	-	-	-	1,048,110
3 Acquire Snow Removal Equipment		61,001	61,001	-	-	-	-	-	61,001
4 Update Airport Master Plan & Obstruction Study		65,700	65,700	-	-	-	-	-	65,700
5 Acquire ARFF Vehicle & Equipment		44,275	44,275	-	-	-	-	-	44,275
6 Acquire Land for Development		1,025,862	1,025,862	-	-	-	-	-	1,025,862
7 Runway 13/31 RSA, Install EMAS		1,139,376	1,139,376	-	-	-	-	-	1,139,376
8 Noise Compatibility Study (Part 150 Update)		12,591	12,591	-	-	-	-	-	12,591
9 Noise Mitigation Measures for Residences		2,183,566	454,185	320,000	540,000	510,000	359,381	1,729,381	2,183,566
10 Noise Mitigation Measures for Public Buildings		58,196	-	-	-	-	58,196	58,196	58,196
11 Conduct Environmental Study		13,458	-	-	-	-	13,458	13,458	13,458
12 Remove Obstructions (Runway 24 RPZ)		54,051	-	-	-	-	45,815	45,815	45,815
13 Rehabilitate Apron [Air Carrier Apron]		97,222	-	-	-	-	-	-	-
14 Acquire Land For Approaches		359,098	-	-	-	-	-	-	-
15 Rehabilitate Taxiway B		303,898	-	-	-	-	-	-	-
16 Acquire Land for Development		132,779	-	-	-	-	-	-	-
17 Rehabilitate Runway Lighting		132,052	-	-	-	-	-	-	-
18 Construct Aircraft Rescue & Fire Fighting Building		217,600	-	-	-	-	-	-	-
19 Rehabilitate Taxiway A		247,100	-	-	-	-	-	-	-
20 Construct Air Cargo Apron		185,261	-	-	-	-	-	-	-
21 Passenger Boarding Bridge Rehabilitation		1,500,000	-	-	-	-	-	-	-
Total Application: #05-07-C-00-ABE		\$ 23,381,196	\$ 3,851,100	\$ 320,000	\$ 540,000	\$ 510,000	\$ 476,850	\$ 1,846,850	\$ 5,697,950
Total Expenditures			\$ 42,326,622	\$ 320,000	\$ 540,000	\$ 510,000	\$ 476,850	\$ 1,846,850	\$ 44,173,472
Excess (Deficit) of Revenue Over Expenditures			\$ 2,357	\$ 54,581	\$ 720	\$ 9,377.00	\$ (65,006)	\$ (328)	\$ 2,029

See accountants' report on supplementary information

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

Summary of Auditor's Results

We have issued an unmodified opinion, dated June 12, 2023 on the financial statements of the Authority as of and for the year ended December 31, 2022.

Our audit disclosed no material weaknesses or significant deficiencies that are considered to be material weaknesses in relation to internal control over financial reporting or internal control over the passenger facility charge program.

Our audit disclosed no instances of non-compliance, which are material to the Authority's financial statements.

We have issued an unmodified opinion, dated June 12, 2023 on the Authority's compliance for the passenger facility charge program.

Findings Relating to the Financial Statements

Our audit disclosed no findings, which are required to be reported in accordance with the Passenger Facility Charge Audit Guide for Public Agencies.

Findings and Questioned Costs for the Passenger Facility Charge Program

Our audit disclosed no findings or questioned costs for passenger facility charge program as defined by the Passenger Facility Charge Audit Guide for Public Agencies.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The prior year's audit disclosed no findings required to be reported in accordance with the provisions of the Passenger Facility Charge Audit Guide for Public Agencies.