

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**

**Financial Statements**

**December 31, 2023**

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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**FINANCIAL STATEMENTS**  
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**December 31, 2023**

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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, 2023, 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, 2023, 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.

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## ***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.

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### **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 56 and 57 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information on pages 56 and 57 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 May 31, 2024 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

Indianapolis, Indiana  
May 31, 2024

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2023**

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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, 2023.

**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 1946, the LNAA was the first Airport Authority formed in the Commonwealth of Pennsylvania under the Municipal Authorities Act of 1945. 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 2,067 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 Terminal Complex is comprised of a Main Passenger Terminal Building that contains a total of approximately 201,100 square feet of space consisting of three levels. In 2023, a new Passenger Screening Checkpoint and Terminal Connector was added which provides an above ground connection to the Satellite Terminal Facility. The Satellite Terminal contains ground and second level passenger hold rooms with access to eight passenger boarding bridges and two ground level aircraft parking positions. The existing underground passenger walkway was renovated and reconfigured as part of the 2023 Connector Project to provide one-way flow for passengers moving from the Satellite Terminal to the Main Terminal.
- 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 used by car rental agencies. There are also 175 Trans-Bridge Lines bus service customer parking spaces. 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.

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- 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 vehicles, 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).

**AIRLINES**

**Scheduled Passenger Airlines**

Allegiant Air

American Airlines

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

**Cargo Airlines**

ABX Air

Air Transport International

Federal Express

During the FY 2023, ABE was served primarily by four commercial airlines: Allegiant Air, American Airlines, Delta Airlines, and United Airlines. Those airlines offered regular, non-stop service to 14 cities with an average of 18 flights per day. Non-stop service also includes daily scheduled airline bus service to Newark and Philadelphia. Top destinations continue to be the leisure markets in Florida, South Carolina, Tennessee, but ABE also had excellent service to major hubs including Atlanta, Charlotte, Chicago, Newark, and Philadelphia. During 2023, the Airport Authority introduced additional leisure routes to Denver, CO and Melbourne, FL.

Lehigh Valley International Airport (ABE) continued to see increased passenger traffic levels in 2023 reaching its highest passenger traffic level since 2004 with 930,946 passengers. ABE's surge in passenger traffic continues to be fueled by another 10% increase in traffic by Allegiant versus 2022 traffic. Legacy traffic from American, Delta, and United, collectively decreased by 6% versus 2022. Passenger traffic started the first quarter of 2023 up 19% versus the same quarter of 2022, but this was countered by a slight drop off of passenger activity from April through August, ending the year 2% above total 2022 levels.



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ABE's traffic recovery is slightly below the average recovery rates for both TSA checkpoint throughput and available airline seats. On average all US airports were up 8.5% in TSA checkpoint throughput versus ABE which was down 1.1% during 2023. The average US airport was up 10.3% in available seats versus ABE which was down 8.0%. Compared to ten similar size small and non-hub "peer" airports such as Harrisburg (MDT) and Wilkes-Barre / Scranton (AVP), ABE posted one of the top recovery rates in both TSA throughput and scheduled airline seats; the average of those ten airports were down 21.3% in TSA throughput and down 19.8% in available seats versus 2019.

In 2023, ABE used approximately \$3.1 million of COVID-19 financial assistance from the federal government included Coronavirus Aid Relief & Economic Security (CARES) Act, American Rescue Plan Act (ARPA), and FEMA Support, including \$0.37 million of Concessionaire Relief. The \$3.1 million was approximately \$1.4 million lower than budgeted. ABE was able to reduce the amount of ARPA support to the operating budget in 2023 due to the resurgence in passenger traffic and lower operating expenses. The \$1.4 million of reduced 2023 ARPA funding will be used to fund planned structure demolition and help offset the inflationary impact on expenses in 2024. The Authority will use the remaining COVID-19 financial assistance strategically through 2025.

ABE continued its essential role of serving the region and the Commonwealth of Pennsylvania through daily operations of both passenger airline and air cargo service. Below are other significant achievements at ABE in 2023:

- Operating revenues minus operating expenses (excluding depreciation) was \$9,763,741 surpassing the previous highest level from 2022 by \$2,566.
- The Authority saw a fourth consecutive year of record growth in 2023 with 275,605,699 pounds of air cargo processed at ABE during the calendar year.
- At the conclusion of 2023 the TSA Checkpoint / Terminal Connector Project was 97% complete, with the Checkpoint opening for operation on August 30, 2023, and the remainder of the project is scheduled for completion in the Spring of 2024.
- The Authority successfully negotiated a long-term Collective Bargaining Agreement (CBA) with the Police Union. All other CBAs with the LNAA are under agreement through at least August of 2026.
- After the suspension of American Airlines air service to Philadelphia (PHL) during the pandemic, ABE secured twice daily American Airlines Bus service to PHL in June of 2022 restoring an important connection for the region. In 2023, a TSA temporary measure allowed ABE to become one of the first airports in the country to permit passengers to process through the TSA Security Checkpoint at ABE before boarding the bus via the Satellite Terminal and ultimately deboarding on the secured area tarmac at PHL.

The legacy airlines operating at ABE (American, Delta, and United) operate with a "hub and spoke" model, which concentrates on moving 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 Northeast Corridor. After ABE cost per enplaned passenger (CPE) almost doubled in 2020, the 2023 CPE increased by only 4% to \$19.77.

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The Authority is committed to managing ABE's costs to commercial airlines while reinvesting in airport infrastructure long term. During 2023, ABE completed a new TSA Checkpoint and Terminal Connector while also maintaining steady process on the \$90MM Rehabilitation Program for Runway 6-24.

LNAA is determined to continue its mission of being a customer-centric organization that operates facilities safely and efficiently while working closely with stakeholders, and partners to deliver the highest level of customer service for Airport passengers. LNAA's vision to be the best regional airport system in North America remains squarely in our sights.

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

The Airport 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 (GASB). 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 Airport Authority's organization and significant financial policies.

The basic financial statements of the LNAA, 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 Airport Authority's basic financial statements are designed to provide readers with a broad overview of the LNAA'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, 2023**

**FINANCIAL POSITION SUMMARY**

The Authority's financial position can be analyzed from its changes in net position over the years. As of December 31, 2023, the Authority's assets exceeded liabilities by \$298 million as compared to \$279 million in 2022.

	<u>2023</u>	<u>2022</u>	<u>Changes</u>
<b>Assets and Deferred Outflows of Resources</b>			
Current and Other Assets	\$ 44,897,873	\$ 36,466,684	\$ 8,431,189
Capital Assets	322,770,604	308,861,052	13,909,552
GASB 87 - Right of Use Asset - Leases	455,980	678,094	(222,114)
GASB 96 - Right of Use Asset - Subscriptions	235,769	-	235,769
GASB 87 - Short Term Lease Receivable	2,776,840	2,641,833	135,007
GASB 87 - Long Term Lease Receivable	16,223,160	10,280,514	5,942,646
Deferred Outflows of Resources - Pension	2,504,816	2,531,256	(26,440)
Total Assets and Deferred Outflows of Resources	<u>\$ 389,865,042</u>	<u>\$ 361,459,433</u>	<u>\$ 28,405,608</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current Liabilities	\$ 18,635,935	\$ 18,267,324	\$ 368,611
Non-Current Liabilities	51,812,689	48,373,923	3,438,766
GASB 87 - Lease Liability	461,942	675,612	(213,670)
GASB 96 - Subscription Liability	136,271	-	136,271
Net Pension Liability	2,485,891	1,925,942	559,949
GASB 87 - Deferred Inflows of Resources	18,485,939	13,004,053	5,481,886
Deferred Inflows of Resources - Pension	193,252	379,860	(186,608)
Total Liabilities and Deferred Inflows of Resources	<u>92,211,919</u>	<u>82,626,714</u>	<u>9,585,205</u>
<b>Net Position</b>	<u>\$ 297,653,123</u>	<u>\$ 278,832,719</u>	<u>\$ 18,820,403</u>

The Authority's overall financial position was impacted by several factors in 2023:

1. The overall economy, including the related inflationary impact on both business and leisure air travel.
2. The amount and timing of various operational grants such as CARES, ARPA, etc. Prior to 2020, the LNAA 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. The overall performance of the pension investment portfolio and the associated actuarial assumptions.

The largest portion of the Airport Authority's net position is net investment in capital assets (\$263,532,894) 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 Airport Authority's net position \$3.5 million, represents bond funds earmarked for specific use and restricted by bond resolutions, 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 \$30.7 million is unrestricted and may be used to meet the Airport Authority's ongoing obligations without restriction.

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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2023**

**SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Operating Revenues	\$ 39,157,326	\$ 37,149,689	\$ 2,007,637
Operating Expenses	29,393,580	27,506,756	1,886,824
Depreciation and Amortization Expense	15,403,629	12,477,140	2,926,489
Total Expenses	<u>44,797,209</u>	<u>39,983,896</u>	<u>4,813,313</u>
Operating Loss	(5,639,882)	(2,834,207)	(2,805,675)
Non-Operating Revenues (Expenses), Net	1,602,407	1,817,591	(215,184)
Loss before Capital Contributions	<u>(4,037,475)</u>	<u>(1,016,616)</u>	<u>(3,020,859)</u>
Capital Contributions	22,857,879	11,801,284	11,056,595
Increase (Decrease) in Net Position	<u>\$ 18,820,403</u>	<u>\$ 10,784,668</u>	<u>\$ 8,035,735</u>

The significant items affecting the 2023 Changes in Net Position are as follows:

Operating revenue increased \$2,007,637 or 5.4%, in 2023:

1. The 2023 final aircraft landing fee was \$4.53 per 1,000 pounds, down \$0.30 from budget and down \$0.15 from the final 2022 rate.
2. Passenger landed weight increased by 15,910 tons (6.6%) from last year.
3. Overall terminal revenue increased by 6.3% versus 2022. Rental revenue from the airlines increased by 8.3% and restaurant concessionaires' revenues increased by 18%.
4. 2023 parking revenue increased by \$180K or 3% from last year.
5. Aviation Services revenue decreased \$482K (6.6%) from 2022.
6. Capital Contributions from Federal sources and State Grant income increased by \$11,113K or 54% from last year's level. Most of the capital contributions were attributed to the continued runway rehabilitation, CARES and ARPA reimbursements, and grants associated with the terminal connector.
7. The GASB 87 related adjustments included in operating revenue were comprised of a (\$257k) negative adjustment to lease revenue and a recognition of \$853k of interest revenue.

Operating expenses, including depreciation, increased \$4,813,313 or 12% from 2022 to 2023:

1. Wages and benefit costs increased by \$1,831K or 11% versus 2022, based primarily on the rise of regional labor costs.
2. Contract Services increased \$550K versus 2022 mainly due to demolition projects completed in 2023.
3. Dues and Subscription expenses increased by \$156K or 26% due to a significant increase in cyber security prevention fees associated with keeping the airport safe from cyber-attacks.
4. Advertising fees increased \$137K compared to 2022 due to increased advertising opportunities associated with the new terminal connector.
5. Maintenance materials and repair related expenses increased by \$132K due to inflationary increases.
6. Non-Grant funded capital assets depreciation increased \$609K indicating a continued investment in infrastructure.
7. The implementation of GASB 96 related adjustments included in operating expenses created positive subscription expense impact of (\$132K), interest expense of \$10K and amortization expense of \$23K.

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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**December 31, 2023**

**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 2023 and 2022:

<b>ABE Only</b>					
<b>Operating Revenues</b>		<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Airfield	\$	6,474,724	15.94%	\$ 6,225,744	16.13%
Terminal		9,154,908	22.53%	8,608,733	22.30%
Parking & Roadways		6,417,295	15.79%	6,236,977	16.16%
Aviation Leased Areas		4,308,298	10.60%	3,836,586	9.94%
Non-Aviation Leased Areas		1,202,646	2.96%	830,180	2.15%
Ground Handling		1,960,070	4.82%	2,328,264	6.03%
Aviation Services		6,864,802	16.90%	7,346,387	19.03%
Advertising		602,770	1.48%	414,966	1.08%
Cares Act Reimbursements		3,050,361	7.51%	2,853,549	7.39%
GASB 87 - Revenue Adjustment		595,767	1.47%	(81,706)	-0.21%
Total Operating Revenues	\$	<u>40,631,641</u>	<u>100.00%</u>	\$ <u>38,599,680</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 2023 and 2022:

<b>ABE Only</b>					
<b>Operating Expenses</b>		<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Airfield	\$	4,975,632	18.09%	\$ 5,005,376	19.25%
Terminal		7,240,690	26.33%	6,466,797	24.87%
Parking & Roadways		1,491,062	5.42%	1,456,283	5.60%
Aviation Leased Areas		575,459	2.09%	1,265,621	4.87%
Non-Aviation Leased Areas		335,551	1.22%	396,616	1.53%
Ground Handling		3,722,055	13.53%	3,032,632	11.66%
Aviation Services		5,104,999	18.56%	4,992,129	19.20%
Advertising		147,313	0.54%	144,377	0.56%
Administrative		4,246,960	15.44%	3,456,176	13.29%
GASB 87 - Interest/Expense Adjust		(213,671)	-0.78%	(218,202)	-0.84%
GASB 96 - Interest/Expense Adjust		(122,510)	-0.45%	-	0.00%
Total Operating Expenses	\$	<u>27,503,540</u>	<u>100.44%</u>	\$ <u>25,997,805</u>	<u>100.00%</u>

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2023**

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**SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION (Continued)**

**CAPITAL ASSETS**

The following reflects changes on capital assets:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Capital Assets:</b>			
Land	\$ 51,119,439	\$ 51,352,054	\$ (232,615)
Property and Avigation Easements	44,307,392	44,307,392	-
Construction in Progress	56,910,716	78,075,503	(21,164,787)
Land Improvements	177,894,113	145,042,257	32,851,856
Buildings, Systems and Equipment	165,741,178	162,171,088	3,570,090
Capital Planning and Studies	2,795,991	2,795,991	-
Total Capital Assets	<u>498,768,829</u>	<u>483,744,285</u>	15,024,544
Less: Accumulated Depreciation	<u>(175,998,225)</u>	<u>(174,883,233)</u>	<u>(1,114,992)</u>
Capital Assets, Net (Note 5)	<u>\$ 322,770,604</u>	<u>\$ 308,861,052</u>	<u>\$ 13,909,552</u>

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

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2023**

**LONG-TERM DEBT**

Changes in long-term debt during 2023 are reflected below:

	Balance January 1, 2023	Additions	Deductions/ Payments	Balance December 31, 2023	Amount Due In One Year
Direct Placements:					
Bonds Payable - Series 2015	\$ 31,475,000	\$ -	\$ (3,790,000)	\$ 27,685,000	\$ 2,585,000
Bonds Payable - Series 2018	9,660,000	-	(185,000)	9,475,000	190,000
Bonds Payable - Series 2021	7,820,150	7,817,885	(788,035)	14,850,000	600,000
Direct Borrowings:					
Notes Payable	488,415	269,403	(480,079)	277,739	277,739
Direct Financing Notes	3,755,061	813,384	(1,366,461)	3,201,984	768,294
Other Liabilities:					
Net Pension Liability (Asset)	1,925,942	3,627,437	(3,067,488)	2,485,891	-
<b>Total</b>	<b>\$ 55,124,568</b>	<b>\$ 12,528,109</b>	<b>\$ (9,677,063)</b>	<b>\$ 57,975,614</b>	<b>\$ 4,421,033</b>

In 2021, the Lehigh-Northampton Airport Authority (LNAA) 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 2023, the LNAA has received the full \$15,000,000 funding from the 2021A Series and paid off the balance in full of the 2021B Series bridge Bonds. The Terminal Connector/TSA Checkpoint has added additional TSA screening lanes, modernized the existing terminal complex, and accommodated the rising passenger traffic at ABE.

In 2018, the Airport 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. For the duration of 2023, the Hangar was between 95% and 100% occupied.

In 2015, the Airport Authority issued revenue bonds and revenue refunding bonds to refinance all bonds payable and provide proceeds for capital related settlements. In June 2020, the LNAA amended the 2015 series bonds. The 2020 amendment deferred \$2.4 million principal payments due in 2020; approximately \$1.3 million was added to the 2022 debt service payments and the remaining \$1.1 million principal is scheduled for 2029 debt service. See Note 7 and 8 for more detail.

Notes and Grants Payable primarily consist of payables associated with a FAA Reimbursable Grant Agreement adjustment incurred during 2023. These established payables will be netted against the first receipts of 2024.

The Net Pension Liability increased primarily due to a change in assumptions adopted during 2023. LNAA updated the mortality tables reflecting the increased longevity of its pension recipients. In addition, the assumed rate of return was reduced by 0.25%. Both the Airport Authority's non-union and union pension plans assume an annual return of 7.25% versus the 15.6% actual return in 2023. The Airport Authority was able to meet its primary investment goal to remain in the top 50% of their peer universe including other municipalities' defined benefit plans during 2023.

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2023**

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**CURRENTLY KNOWN FACTS**

Other than the uncertainty of general economic indicators on the Airport Authority, Airlines, and its customers there are no other facts, decisions or conditions management believes will have a significant impact on the financial position or results of operations.

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, 2023**

<b><u>Assets and Deferred Outflows of Resources</u></b>	
<b><u>Current Assets</u></b>	
Unrestricted Assets:	
Cash and Cash Equivalents (Note 2 and 3)	\$ 27,005,572
Accounts Receivable, Net of Allowance of \$13,620	2,802,482
Capital Grants Receivable (Note 4)	3,158,603
Inventory and Prepays	1,448,422
GASB 87 - Short Term Lease Receivable (Note 12)	2,776,840
Total Unrestricted Assets	<u>37,191,919</u>
Restricted Assets:	
Cash and Cash Equivalents - Debt Service and Bond Proceeds	<u>5,786,506</u>
Total Current Assets	<u>42,978,425</u>
<b><u>Non-Current Assets</u></b>	
Unrestricted Assets:	
GASB 87 - Long Term Lease Receivable (Note 12)	16,223,160
Restricted Assets:	
Cash and Cash Equivalents-Restricted and Designated (Note 2)	<u>4,696,288</u>
Capital Assets:	
Land	51,119,439
Property and Avigation Easements	44,307,392
Construction in Progress	56,910,716
Total Non-Depreciable Capital Assets	<u>152,337,547</u>
Land Improvements	177,894,113
Buildings, Systems and Equipment	165,741,178
Capital Planning and Studies	2,795,991
Total Depreciable Capital Assets	<u>346,431,282</u>
Total Capital Assets before Right of Use Assets	498,768,829
Less: Accumulated Depreciation	<u>(175,998,225)</u>
Capital Assets, Net before Right of Use Assets (Note 5)	<u>322,770,604</u>
Right of Use Assets - Leases	877,869
Less: Accumulated Amortization	<u>(421,889)</u>
Net Lease Assets (Note 8)	<u>455,980</u>
Right of Use Assets - Subscriptions	258,781
Less: Accumulated Amortization	<u>(23,012)</u>
Net Subscription Assets (Note 8)	<u>235,769</u>
Total Capital Assets	<u>323,462,353</u>
Total Non-Current Assets	<u>344,381,801</u>
<b><u>Deferred Outflows of Resources:</u></b>	
Pension Related (Note 10)	<u>2,504,816</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 389,865,042</u></b>

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

**Liabilities, Deferred Inflows of Resources and Net Position**

**Current Liabilities**

Payable from Unrestricted:	
Accounts Payable-Operations	\$ 2,974,083
Accounts and Retainages Payable - Capital	7,455,814
Unearned Revenues	313,062
Payroll Related Liabilities	722,415
Notes and Grants Payable - Current Portion (Note 7)	8,336
Direct Financing Notes - Current Portion (Note 7)	768,294
Total Unrestricted Liabilities	12,242,004
Current Liabilities Payable from Restricted Assets:	
Bonds Payable - Current Portion (Note 7)	3,375,000
Notes and Grants Payable - Current Portion (Note 7)	269,403
Deferred Grant Revenue	2,126,918
Accrued Bond Interest Payable	622,610
Total Current Restricted Liabilities	6,393,931
Total Current Liabilities	18,635,935

**Non-Current Liabilities**

Unearned Revenues	180,546
Notes Payable (Note 7)	-
Direct Financing Notes, Net (Note 7)	2,433,690
Bonds Payable, Net (Note 7)	48,635,000
Net Pension Liability / (Asset) (Note 10)	2,485,891
Total Payable from Unrestricted Liabilities	53,735,127
Payable from Restricted and Designated:	
Leasehold Deposits	563,453
Total Non-Current Liabilities	54,298,580

**GASB 87 - Lease Liabilities**

GASB 87 - Lease Liability - Short Term	219,412
GASB 87 - Lease Liability - Long Term	242,530
Total GASB 87 - Lease Liability	461,942

**GASB 96 - Subscription Liabilities**

GASB 96 - Subscription Liability - Short Term	124,456
GASB 96 - Subscription Liability - Long Term	11,815
Total GASB 96 - Lease Liability	136,271

**Deferred Inflows of Resources**

GASB 87 Related (Note 12)	18,485,939
Pension Related (Note 10)	193,252
Total Deferred Inflow of Resources	18,679,191

**Net Position**

Net Investment in Capital Assets (Note 9)	263,532,894
Restricted (Note 9)	3,461,986
Unrestricted	30,658,243
Total Net Position	297,653,123

<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 389,865,042</b>
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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**Year ended December 31, 2023**

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<b>Operating Revenues</b>	
Airfield	\$ 6,474,724
Terminal	5,952,326
Concessions and Advertising	3,805,353
Parking and Roadways	6,417,295
Hangar, Building and Land Rents	5,510,944
Ground Handling	1,960,070
Fuel and Handling Sales	6,864,802
General Aviation	1,576,045
GASB 87 - Lease Revenue Impact	(257,542)
GASB 87 - Interest Revenue	853,309
Total Operating Revenues	39,157,326
<b>Operating Expenses</b>	
Wages and Related Benefits	18,189,997
Contract Services, Advertising and Other	4,759,734
Materials, Supplies, Repairs and Maintenance	1,516,201
Utilities, Taxes and Insurance	3,148,093
Cost of Sale - Fuel	2,115,738
GASB 87 - Lease Expense Impact	(235,112)
GASB 96 - Subscription Expense Impact	(132,362)
GASB 87 - Interest Expense	21,441
GASB 96 - Interest Expense	9,852
GASB 87 - Amortization Expense	222,114
GASB 96 - Amortization Expense	23,012
Depreciation	15,158,503
Total Operating Expenses	44,797,209
<b>Operating Loss</b>	(5,639,882)
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income	1,049,608
Other Expense	(212,838)
Federal Grants - CARES/ARPA Act	3,050,361
Federal Grants - Concessionaires	(371,812)
Interest Expense	(1,912,912)
Total Non-Operating Revenues (Expenses)	1,602,407
<b>Income before Capital Contributions</b>	(4,037,475)
<b>Capital Contributions</b>	
Passenger Facility Charges	1,790,242
Car Rental Customer Facility Charges	348,321
Federal Grants	17,066,414
State Grants	3,652,901
Total Capital Contributions	22,857,879
<b>Increase in Net Position</b>	18,820,403
<b>Total Net Position, Beginning of Year</b>	278,832,719
<b>Total Net Position, End of Year</b>	297,653,123

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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**Year ended December 31, 2023**

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**Cash Flows from Operating Activities:**

Operating Cash Receipts from Customers	39,498,916
Cash Paid to Suppliers for Goods and Services	(9,123,398)
Cash Paid to Employees for Services and Benefits	(17,894,361)
<b>Net Cash Provided by Operating Activities</b>	<b><u>12,481,157</u></b>

**Cash Flows from Noncapital Financing Activities:**

Federal Grants Received	3,050,361
Federal Grants Concessionaire Passed Through	(371,812)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b><u>2,678,549</u></b>

**Cash Flows from Capital and Related Financing Activities:**

Capital Grants Received	20,282,847
Passenger Facility Charges	1,790,242
Car Rental Facility Charges	348,321
Proceeds from Bonds	7,817,885
Acquisition of Capital Assets	(29,389,220)
Principal Paid on Notes Payable	(480,079)
Interest Paid on Direct Financing Notes	(143,320)
Principal Paid on Direct Financing Notes	(1,366,461)
Principal Paid on Bonds	(4,763,035)
Interest Paid on Bonds	(2,073,979)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>(7,976,799)</u></b>

**Cash Flows from Investing Activities:**

Interest Received	1,049,608
<b>Net Cash Provided by Investing Activities</b>	<b><u>1,049,608</u></b>

**Net Increase in Cash and Cash Equivalents** 8,232,515

<b>Cash and Cash Equivalents, Beginning of Year</b>	29,255,851
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 37,488,366</u></b>

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
Year ended December 31, 2023

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

<b>Operating Loss</b>	<b>\$ (5,639,882)</b>
Adjustments to Reconcile Loss to Net Cash Provided by Operating Activities:	
Depreciation	15,158,503
Amortization	245,126
Provision for Bad Debt	(13,493)
Changes in Assets and Liabilities:	
Accounts Receivable	197,148
Inventory and Prepaid Expenses	40,644
Net Pension Liability (Asset)	559,948
Deferred Outflows - Pension Related	26,439
Deferred Inflows - Pension Related	(186,608)
Unearned Revenues	2,336,689
Accounts Payable	196,969
Accrued Payroll Expenses	(104,144)
Right of Use Asset (GASB 96)	(258,781)
Lease Liabilities (GASB 87)	(213,671)
Subscription Liabilities (GASB 96)	136,271
Total Adjustments	<u>18,121,040</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>12,481,157</u></b>
<b>Non-Cash Items from capital and related financing activities</b>	
Direct Financing Notes Obligations and Additions	\$ 813,384
Accounts and Retainage Payable in Capital Assets	7,455,814
<b>Cash and Cash Equivalents</b>	
<b><u>Current Assets</u></b>	
Unrestricted Assets	\$ 27,005,572
Restricted Assets	5,786,506
<b><u>Noncurrent Assets</u></b>	
Restricted and Designated	4,696,288
Total Cash and Cash Equivalents	<u>\$ 37,488,366</u>

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2023**

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	<b>Pension Trust Funds</b>
	<b>Total</b>
<b>Assets</b>	
Cash (Cash and cash equivalents)	
Checking/Savings Account	\$ 385,977
Total Cash	<u>385,977</u>
Receivables	
Accrued interest and dividends	16,505
Total Receivables	<u>16,505</u>
Investments:	
Equities	11,034,410
Fixed Income	6,297,411
Total Investments	<u>17,331,821</u>
Total Assets	<u>\$ 17,734,303</u>
 <b>Net Position Restricted for Pension</b>	 <u>\$ 17,734,303</u>

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year ended December 31, 2023

	<u>Pension Trust Funds</u>
	<u>Total</u>
<b>Additions:</b>	
Contributions:	
Members' Contribution	\$ 22,575
Employer Contributions	627,393
Total Contributions	<u>649,968</u>
Investment Income:	
Interest	235,234
Dividends	168,627
Net Appreciation/(depreciation) in fair value of investments	2,054,297
Total Investment Income	<u>2,458,158</u>
Less Investment Expenses	<u>(40,638)</u>
Net Investment Income	<u>2,417,520</u>
Total Additions	3,067,488
<b>Deductions:</b>	
Pension Payments	921,858
Refund terminated members' contributions	3,880
Administrative Expenses	30,000
Total Deductions	<u>955,738</u>
Net Increase/(Decrease)	2,111,750
<b>Net Position Restricted for Pension</b>	
Balance on January 1	15,622,553
Balance on December 31	<u>\$ 17,734,303</u>

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**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 Lehigh Valley, Pennsylvania.

***Measurement Focus and Basis of Accounting***

The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies, and as such, the LNAA 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 Lehigh-Northampton Airport 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 Airport Authority. The Fiduciary Fund has been presented as of its year end of December 31, 2023.

***Net Position***

The Authority's net position is classified as follows:

- *Net Investment in Capital Assets:* The Airport 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 Airport Authority's restricted assets are expendable.
- *Unrestricted Net Position:* Net position whose use by the Airport 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 Airport Authority's policy is to use restricted resources first, then unrestricted resources as they are needed.

***Revenue and Expense Classifications***

The Lehigh-Northampton Airport 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 Airport Authority's operations and excludes infrequent operations and/or events. The major components of the LNAA'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 Airport 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, 2023**

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**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 LNAA 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 Lehigh-Northampton Airport 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, 2023, the allowance for uncollectible accounts was \$13,620. 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.

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**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 forty 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 Airport Authority accounts for long-lived assets under GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Airport 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.

**Compensated Absences**

The Airport 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, 2023, the liability for the compensated absences was \$464,366 as part of the payroll related current liabilities.

Compensated absence liability activity for the year ended December 31, 2023, is summarized below:

Balance January 1, 2023	Additions and Transfers	Deletions and Transfers	Balance December 31, 2023
\$508,419	\$57,354	(\$101,408)	\$464,365

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

***Retainage Payable***

The Airport 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 LNAA. The Airport Authority's policy is to record the retainage payable only after completion of the work and the acceptance of contractor invoices have occurred. Retainage payable on completed and uncompleted contracts is included with accounts and retainages payable – capital on the accompanying statements of net position. As of December 31, 2023, the liability for Retainage was \$2,406,040.

***Deferred Grant Revenue***

The Airport Authority records any grant proceeds received prior to incurring associated costs as a deferred grant revenue (liability). Once project costs are incurred the revenue is acknowledged and the corresponding deferred grant revenue (liability) is reduced.

***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 Airport 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 Airport 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.

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

***COVID-19 Residual Impact***

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 LNAA have returned to pre-pandemic levels. Management continues to follow a conservative strategy regarding the use of remaining American Rescue Plan Act (ARPA) funds. At the end of 2023, the Airport Authority had a remaining ARPA balance of \$4.4 million which will be used during 2024-2025.

***Adoption of New Accounting Pronouncements***

For the year ended December 31, 2023, the Airport Authority adopted the following accounting pronouncements.

- **GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA)** requires the recognition of SBITA's right of use subscription asset and its corresponding subscription liability based on the payment provisions of the contract at the implementation date of 1/1/2023. Similar to GASB 87, GASB 96 establishes a single model for subscription accounting based on the principle that subscriptions are financing of the right to use an underlying asset. GASB 96 had a material effect on the financial statement of the Authority. For a detailed discussion please refer to Note 8 - Leases and Subscriptions.

**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, 2023:

**Restricted**

Operations and Maintenance Reserve - Noncurrent	\$ 3,616,817
Renewal and Replacement Capital - Noncurrent	500,000
Debt Service Fund - Current	3,570,000
Series 2018 Bond Capital Project Account - Current	63,424
DCED State Grant Project Account	2,153,082
Total Restricted Cash	9,903,323

**Designated**

AEP Scholarship Fund - Noncurrent	20,257
Leasehold Security Deposits - Noncurrent	559,214
Total Designated Cash	579,471

Total Restricted and Designated Cash	\$ 10,482,794
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***Operations and Maintenance Reserve Fund*** - The Airport 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 for any deficiencies in the Operating Fund.

***Renewal and Replacement Fund*** - The Airport 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.

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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

Debt Service Fund - In 2015, the Airport Authority issued 2015 series bonds. The set-up of the bonds required the establishment of several accounts such as a 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.

DCED State Grant Project Fund - In 2023, the Airport Authority received \$2.6 million in grant funding and incurred \$423K in corresponding project costs during that time. The residual \$2.1 million is found in the Deferred Grant Revenue (liability) account.

AEP Scholarship Fund - In 2013, the Airport 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, 2023. The difference between the carrying value and the bank balance is principally caused by outstanding checks and deposits in-transit. On December 31, 2023, the Airport Authority's deposits consisted of the following:

	Carrying Value	Bank Balance
Demand Deposits	\$ 31,681,603	\$ 21,210,677
Money Market Funds	5,806,763	16,280,858
	\$ 37,488,366	\$ 37,491,535

**Note 4 - Capital Grants Receivable**

Capital Grants receivable represent reimbursable amounts for eligible grant expenditures. On December 31, 2023, the Authority's grant expenditures consisted of the following:

U.S. Department of Transportation	\$ 3,101,833
Pennsylvania Department of Transportation	56,770
Total Capital Grants Receivable	\$ 3,158,603

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**Note 5 - Capital Assets**

A summary of changes in capital assets for the year ending December 31, 2023, are as follows:

	Balance January 1, 2023	Transfers and Additions	Transfers and Retirements	Balance December 31, 2023
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 51,352,054	\$ -	\$ 232,615	\$ 51,119,439
Property and Avigation Easements	44,307,392	-	-	44,307,392
Construction in Progress	78,075,503	33,634,571	54,799,358	56,910,716
<b>Total Capital Assets not Being Depreciated</b>	<b>173,734,949</b>	<b>33,634,571</b>	<b>55,031,973</b>	<b>152,337,547</b>
<u>Other Capital Assets:</u>				
Land Improvements:				
Drainage and Landscaping	3,322,635	-	-	3,322,635
Landing Area Improvements	129,282,743	44,508,358	12,175,499	161,615,602
Road Improvements	4,386,979	518,997	-	4,905,976
Parking Facilities	8,049,900	-	-	8,049,900
	<u>145,042,257</u>	<u>45,027,355</u>	<u>12,175,499</u>	<u>177,894,113</u>
Buildings, Systems and Equipment:				
Terminal	76,816,873	1,794,732	538,670	78,072,935
Hangars	40,999,583	341,181	66,969	41,273,795
Property Acquisitions	1,689,566	-	-	1,689,566
Maintenance Building	4,475,025	-	-	4,475,025
Government Building	427,832	-	-	427,832
Fire Station	4,979,251	528,555	-	5,507,806
Equipment and Furnishings	32,782,958	2,763,448	1,252,187	34,294,219
	<u>162,171,088</u>	<u>5,427,916</u>	<u>1,857,826</u>	<u>165,741,178</u>
Capital Planning and Studies	2,795,991	-	-	2,795,991
<b>Total Other Capital Assets</b>	<b>310,009,336</b>	<b>50,455,271</b>	<b>14,033,325</b>	<b>346,431,282</b>
<b>Total Capital Assets</b>	<b>483,744,285</b>	<b>84,089,842</b>	<b>69,065,298</b>	<b>498,768,829</b>
<u>Less Accumulated Depreciation:</u>				
Land Improvements:				
Drainage and Landscaping	3,248,200	9,270	-	3,257,470
Landing Area Improvements	76,892,878	6,943,872	11,571,325	72,265,425
Road Improvements	1,687,789	267,910	-	1,955,699
Parking Facilities	5,136,602	343,982	-	5,480,584
Buildings, Systems and Equipment:				
Terminal	45,414,908	2,651,142	329,205	47,736,845
Hangars	15,260,123	1,147,378	66,969	16,340,532
Property Acquisitions	1,287,553	47,898	-	1,335,451
Maintenance Building	2,525,378	117,890	-	2,643,268
Government Building	269,439	21,392	-	290,831
Fire Station	2,393,234	161,873	-	2,555,107
Equipment and Furnishings	19,387,320	2,366,791	1,252,187	20,501,924
Capital Planning and Studies	1,379,809	255,280	-	1,635,089
<b>Total Accumulated Depreciation</b>	<b>174,883,233</b>	<b>14,334,678</b>	<b>13,219,686</b>	<b>175,998,225</b>
<b>Total Other Capital Assets, Net</b>	<b>135,126,103</b>	<b>36,120,593</b>	<b>813,639</b>	<b>170,433,057</b>
<b>Total Capital Assets, Net</b>	<b>\$ 308,861,052</b>	<b>\$ 69,755,164</b>	<b>\$ 55,845,612</b>	<b>\$ 322,770,604</b>

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 5 - Capital Assets (Continued)**

The completion of the third, fourth, and seventh phases of the eleven phase Runway 6/24 Rehabilitation Project were closed out during 2023 which accounted for \$41.4 million in Landing Area Improvements.

In 2023 the Airport Authority continued to catch up on long overdue projects. Completed projects include Terminal Loop Repaving, multiple HVAC replacements, GPU upgrades, and IT upgrade/access projects.

In tandem with the finishing stages of the terminal connector, the Airport Authority took the opportunity to capitalize on additional modernization projects such as an award-winning TSA Security Checkpoint video wall, additional flight informational display systems (FIDS), updated signage and carpet throughout the terminal.

**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 Airport 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 Airport 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 LNAA was approved to impose and use up to \$23,381,196 to fund new airport improvement projects. During 2023, the Airport Authority collected \$1,790,242 in PFCs from the Airlines. The current approved charge expires June 1, 2033.

A Customer Facility Charge (CFC) of \$1.00 per day was established in June 2015 to fund capital improvements specific to rental car concessionaire vehicle rentals. In 2023, the fund collected \$348,321. Most of the funds are being used to help fund the Multi-Modal Transportation project.

There are no cash balances for CFC and a \$2,270 cash balance for the PFC Fund on December 31, 2023.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 7 - Long-Term Debt**

**A) Bonds Payable**

On November 5, 2015, the Airport 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 Airport 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 Airport 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. On December 28, 2023, the 2021B series was paid off and closed out. On October 1, 2023, the Series 2021A was financed at 5.96% fixed rate for 8 years. Total interest paid in 2023 on these Series A and B was \$667,692.

The Bond Resolutions require the Airport Authority to fund our bi-annual debt service monthly to our bond custodian US Bank, N.A. The LNAA reported they were in compliance on December 31, 2023. 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 2023, the Authority reported a ratio of 2.29 including the CARES/ARPA 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 allow for an acceleration of payment on the Bonds.



**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 7 - Long-Term Debt (Continued)**

**A) Bonds Payable (Continued)**

Bonds Payable consisted of the following direct placement debt as of December 31, 2023:

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.	\$ 20,645,000
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.	9,475,000
5.96% Airport Revenue Bond, Series 2021A Principal Payments of \$50,000 per month	14,850,000
	52,010,000
Less: Current Portion	(3,375,000)
Bonds Payable, Net of Current Portion	\$ 48,635,000

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**Note 7 - Long-Term Debt** (Continued)

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

Year Ending December 31,	Series 2015 A & E		
	Principal	Interest	Total Debt Service
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	2,850,000	486,918	3,336,918
2029-2033	11,140,000	1,359,980	12,499,980
2034-2035	2,965,000	155,730	3,120,730
Total	\$ 27,685,000	\$ 4,612,760	\$ 32,297,760

Year Ending December 31,	Series 2018		
	Principal	Interest	Total Debt Service
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	235,000	446,841	681,841
2029-2033	1,380,000	2,029,976	3,409,976
2034-2038	1,780,000	1,618,636	3,398,636
2039-2043	2,290,000	1,087,300	3,377,300
2044-2048	2,960,000	403,480	3,363,480
Total	\$ 9,475,000	\$ 7,488,353	\$ 16,963,353

Year Ending December 31,	Series 2021A		
	Principal	Interest *	Total Debt Service
2024	\$ 600,000	\$ 786,321	\$ 1,386,321
2025	600,000	753,951	1,353,951
2026	600,000	721,581	1,321,581
2027	600,000	689,211	1,289,211
2028	600,000	656,841	1,256,841
2029-2032	11,850,000	2,677,943	14,527,943
Total	\$ 14,850,000	\$ 6,285,848	\$ 21,135,848

\* Estimated based on timing of loan periods

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**Note 7 - Long-Term Debt (Continued)**

**B) Notes and Grants Payable**  
**Grants Payable**

DCED Grant tax received is payable back to the state above a \$500 threshold.	\$	26,164
FAA Reimbursable Grant refund to be reduced as part of our next FAA grant submission.		243,239

**Notes Payable**

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		8,336
Total Notes Payable		277,739
Less: Current Portion		(277,739)
Notes Payable, Net of Current Portion	\$	-

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:		
2024		277,739
Total Notes Payable	\$	277,739

**C) Direct Financing Notes**

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

Year Ending December 31,			
	2024	\$	881,936
	2025		822,368
	2026		628,577
	2027		480,705
	2028		348,672
	2029		351,058
Total Minimum Payments			3,513,316
Less: Amount Representing Interest			(311,332)
Present Value of Minimum Payments			3,201,984
Less: Current Portion			(768,294)
Obligations Under Capital - Noncurrent		\$	2,433,690

Interest expense on direct financing notes amounted to \$143,320 in 2023.

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**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, 2023:

<u>Classification:</u>	
Equipment	\$ 10,386,512
Building Improvements	<u>3,661,584</u>
Total	14,048,096
Less: Accumulated Depreciation	<u>(10,846,112)</u>
Property and Equipment Under Direct Financing Notes, Net	<u>\$ 3,201,984</u>

The Airport Authority has open lines of credit with a maximum value of \$686,616. The lines have various expiration dates. 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, 2023	Additions	Deductions/ Payments	Balance December 31, 2023	Amount Due In One Year
Direct Placements:					
Bonds Payable - Series 2015	\$ 31,475,000	\$ -	\$ (3,790,000)	\$ 27,685,000	\$ 2,585,000
Bonds Payable - Series 2018	9,660,000	-	(185,000)	9,475,000	190,000
Bonds Payable - Series 2021	7,820,150	7,817,885	(788,035)	14,850,000	600,000
Direct Borrowings:					
Notes & Grants Payable	488,415	269,403	(480,079)	277,739	277,739
Direct Financing Notes	3,755,061	813,384	(1,366,461)	3,201,984	768,294
Other Liabilities:					
Net Pension Liability (Asset)	<u>1,925,942</u>	<u>3,627,437</u>	<u>(3,067,488)</u>	<u>2,485,891</u>	<u>-</u>
<b>Total</b>	<u>\$ 55,124,568</u>	<u>\$ 12,528,109</u>	<u>\$ (9,677,063)</u>	<u>\$ 57,975,614</u>	<u>\$ 4,421,033</u>

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 8 – Lease and Subscription Commitments (Lessee)**

***Obligations Under GASB 87 Leases***

The Airport Authority, as a lessee, recognizes the 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 Airport Authority has several obligations for various equipment rentals, which are accounted for under the GASB 87 provisions. During the year ending December 31, 2023, The LNAA recognized the following related to its lessee agreements:

Equipment and Furnishings - Fuel Trucks (7 leases)		
Net Right of Use Asset	\$	430,784
Lease Liability	\$	(436,798)
Equipment and Furnishings - Office Equipment (6 leases)		
Net Right of Use Asset	\$	25,196
Lease Liability	\$	(25,144)

The following is a schedule of future minimum rental payments for those operating leases that have initial or remaining non-cancellable lease terms longer than one year as of December 31, 2023.

Year Ending December 31,	Principal	Interest	Total Payments
2024	\$ 219,413	\$ 13,500	\$ 232,913
2025	177,036	5,691	182,727
2026	42,023	2,082	44,105
2027	23,471	294	23,765
Total	\$ 461,942	\$ 21,567	\$ 483,510

Total rental expense under all operating leases reported in the statement of revenue, expenses, and changes in net position was \$273,912 for the year ended December 31, 2023.

***Obligations Under GASB 96 Subscriptions***

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

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**Note 8 – Lease and Subscription Commitments (Lessee) (Continued)**

The Airport Authority has several obligations for various subscription agreements, which are accounted for under the GASB 96 provisions. As of January 1, 2023, the value of the Right of Use Asset and Liability was recorded at \$192,206 and \$187,782 respectively. During the year ending December 31, 2023, The LNAA recognized the following related to its subscription liability agreements:

IT Subscriptions	
Right of Use Asset	\$235,769
Subscription Liability	(\$136,271)

The following is a schedule of future minimum payments for those subscriptions that have initial or remaining non-cancellable terms longer than one year as of December 31, 2023.

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 124,456	\$ 3,911	\$ 128,367
2025	11,815	63	11,878
Total	<u>\$ 136,271</u>	<u>\$ 3,974</u>	<u>\$ 140,245</u>

Total expense under all subscriptions reported in the statement of revenue, expenses, and changes in net position was \$128,066 for the year ended December 31, 2023.

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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

Elements of Net Position consist of the following on December 31, 2023:

Net Investment in Capital Assets:

Capital Assets:

Land	\$ 51,119,439
Property and Avigation Easements	44,307,392
Construction in Progress	56,910,716
Land Improvements	177,894,113
Building, Systems & Equipment	165,741,178
Capital Planning and Studies	2,795,991
Total Capital Assets	498,768,829
Less: Accumulated Depreciation	(175,998,225)
Total Capital Assets, Net	322,770,604

Less: Related Liabilities and Proceeds:

Accounts and Retainage Payable - Capital	(7,455,814)
Notes and Grants Payable	(8,336)
Bonds Payable	(48,635,000)
Less: Capital Related Bond Proceeds - Series 2018	63,424
Obligations Under Direct Financing Notes	(3,201,984)
Total Related Liabilities and Proceeds	(59,237,710)
Net Investment in Capital Assets	263,532,894

Restricted Net Position:

Cash and Cash Equivalents, Restricted and Designated (Note 2)	4,696,288
Cash and Cash Equivalents - Debt Service Funds (Note 2)	5,786,506
Total Assets	10,482,794
Less: Related Liabilities from Restricted Assets:	
Capital Related Bond Proceeds - Series 2018	(63,424)
Notes and Grants Payable	(269,403)
Bonds Payable - Current Portion	(3,375,000)
Deferred Grant Revenue - Current Portion	(2,126,918)
Accrued Bond Interest Payable	(622,610)
Leasehold Deposits	(563,453)
Total Related Liabilities	(7,020,808)
Restricted Net Position	\$ 3,461,986

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

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**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.

<b>Plan Status</b>	<b>Non-Union</b>	<b>Union</b>
Active Employees	43	54
Retirees and beneficiaries currently receiving benefits	37	49
Terminated employees entitled to benefits but not yet receiving them	34	22
Total	114	125

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 are part of the defined contribution plan.



**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**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 plan's 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 2023 Employer contributions to the Non-Union plan was \$388,848 and the Union plan was \$238,545. Newly hired Teamster employees contributed \$22,575 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	\$ 11,385,191	\$ 8,835,003	\$ 20,220,194
Plan Fiduciary Net Position	9,753,840	7,980,463	17,734,303
Net Pension Liability/(Asset)	<u>\$ 1,631,351</u>	<u>\$ 854,540</u>	<u>\$ 2,485,891</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>85.7%</u>	<u>90.3%</u>	<u>87.7%</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, 2023. Total pension liability as of December 31, 2023, was determined using the following updated actuarial assumptions:

- Salary Increases – 4.25%
- Investment Return – 7.25% per year, net of investment expenses
- Mortality – PubG-2010 projected 5 year past the valuation date using most recent MP Scale 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**  
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**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 2.47%) 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, 2023, are summarized in the following table:

Asset Class	Non-Union		Union	
	Target Allocation	Expected Real Rate of Return	Target Allocation	Expected Real Rate of Return
Domestic Equity:				
Large Cap	41%	6.20%	42%	6.20%
Mid Cap	0%	7.25%	0%	7.25%
Small Cap	10%	7.25%	10%	7.25%
International Equity	10%	6.91%	10%	6.91%
Fixed Income	36%	3.51%	36%	3.51%
Real Estate	0%	5.01%	0%	5.01%
Cash	3%	0.76%	2%	0.76%
	100%		100%	

The annual money weighted rate of return on pension plan investments, net of pension plan investment expense, for the Non-Union plan was 15.57% and the Union plan was 15.70%. The Plan Fiduciary Net Position consisted of the following:

Plan Fiduciary Net Position	Total of Both Plans		
	Non-Union	Union	Total
Cash and Cash Equivalents	\$ 243,327	\$ 142,650	\$ 385,977
Accrued Interests and Dividends Receivable	9,221	7,284	16,505
Equities	6,037,838	4,996,572	11,034,410
Fixed Income	3,463,454	2,833,957	6,297,411
Total	\$ 9,753,840	\$ 7,980,463	\$ 17,734,303

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

***Discount Rate***

The discount rate used to measure the total pension liability was reduced to 7.25% for both plans in 2023. 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.

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**Note 10 - Retirement Plans (Continued)**

***Changes in Net Pension Liability***

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

	<b>Total for Both Plans</b>					
	<b>Non-Union Plan</b>			<b>Union Plan</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balances at 12/31/2022	\$ 17,548,495	\$ 15,622,553	\$ 1,925,942	\$ 9,745,817	\$ 8,519,562	\$ 1,226,255
Changes for the year:						
Service cost	517,558	-	517,558	270,512	-	270,512
Interest	1,398,156	-	1,398,156	785,165	-	785,165
Changes in Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	188,382	-	188,382	170,872	-	170,872
Changes in Assumptions	1,493,341	-	1,493,341	872,495	-	872,495
Employer Contributions	-	627,393	(627,393)	-	388,848	(388,848)
Employee Contributions	-	22,575	(22,575)	-	-	-
Net investment income	-	2,417,520	(2,417,520)	-	1,319,800	(1,319,800)
Benefit payments	(925,738)	(925,738)	-	(459,670)	(459,670)	-
Administrative expenses	-	(30,000)	30,000	-	(14,700)	14,700
Balances at 12/31/2023	<u>\$ 20,220,194</u>	<u>\$ 17,734,303</u>	<u>\$ 2,485,891</u>	<u>\$ 11,385,191</u>	<u>\$ 9,753,840</u>	<u>\$ 1,631,351</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, 2023**

**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 7.25% as well as what the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Net Pension Liability / (Asset):			
Non-Union Plan	\$ 3,041,319	\$ 1,631,351	\$ 445,057
Union Plan	\$ 1,808,975	\$ 854,540	\$ 41,363
Total Net Pension Liability (Asset)	\$ 4,850,294	\$ 2,485,891	\$ 486,420

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

For the year ended December 31, 2023, the Authority plans recognized pension expense of \$1,027,174 which included \$656,057 for Non-Union plan and \$371,117 for the Union plan. On December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Total of Both Plans</u></b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
Differences Between Expected and Actual Experience	\$ 62,925	\$ (193,252)	\$ (130,327)
Changes in Assumptions	1,473,856	-	1,473,856
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	968,035	-	968,035
Total	<u>\$ 2,504,816</u>	<u>\$ (193,252)</u>	<u>\$ 2,311,564</u>

<b><u>Individual Plans</u></b>	<b><u>Non-Union</u></b>		<b><u>Union</u></b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 62,925	\$ -	\$ -	\$ (193,252)
Changes in Assumptions	859,252	-	614,604	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	517,501	-	450,534	-
Total	<u>\$ 1,439,678</u>	<u>\$ -</u>	<u>\$ 1,065,138</u>	<u>\$ (193,252)</u>

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**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:

	<b>Total</b>	<b>Non-Union</b>	<b>Union</b>
Year ended December 31,			
2024	519,775	354,466	165,309
2025	633,192	441,802	191,390
2026	812,024	481,307	330,717
2027	(47,022)	2,127	(49,149)
2028	237,302	163,269	74,033
Thereafter	156,293	(3,293)	159,586
	\$ 2,311,564	\$ 1,439,678	\$ 871,886

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 \$67,691 for the year ended December 31, 2023.

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 \$75 per each calendar quarter of service. Employer contributions to the plan were \$13,275 for the year ended December 31, 2023. 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 \$186,151 for the year ended December 31, 2023.

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.

**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.

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**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**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 operating 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, 2023, The Authority recognized the following related to its lessor agreements:

Lease Revenue	\$	(257,542)
Interest income related to leases	\$	853,309
Revenue from variable payments not previously included in the measurement of lease receivables	\$	2,716,325
Building (7 leases)		
Lease Receivable	\$	3,253,951
Lease Revenue	\$	22,465
Land (4 leases)		
Lease Receivable	\$	6,505,215
Lease Revenue	\$	33,640
Advertising (23 leases)		
Lease Receivable	\$	4,737,559
Lease Revenue	\$	13,403
Terminal (8 leases)		
Lease Receivable	\$	4,503,275
Lease Revenue	\$	188,037

The receivable on these leases was discounted to the net present value determined as of January 1, 2023. The discount rates are based on The Authority's borrowing rate and length of the lease ranging from 3.41% to 6.54%.

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(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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

Future principal and interest payment requirements related to The Authority's lease receivable as of December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total Payments
2024	\$ 2,776,840	\$ 801,579	\$ 3,578,419
2025	2,228,297	697,070	2,925,367
2026	447,098	655,196	1,102,294
2027	360,894	639,831	1,000,725
2028	337,379	626,247	963,626
2029-2033	2,126,038	2,917,283	5,043,321
2034-2038	5,343,077	1,996,941	7,340,018
2039-2043	5,057,654	562,773	5,620,427
2044-2048	322,722	12,393	335,115
Total	<u>\$ 19,000,000</u>	<u>\$ 8,909,313</u>	<u>\$ 27,909,313</u>

**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.

Future expected minimum payments related to The Authority's regulated leases as of December 31, 2023, are as follows:

Year Ending December 31,	Amount
2024	\$ 2,292,811
2025	\$ 1,667,512
2026	\$ 1,410,473
2027	\$ 1,372,343
2028	\$ 1,238,524
2029-2034	\$ 1,711,599
2035-2039	\$ 20,160
Total	<u>\$ 9,713,422</u>

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**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 2023, The Authority incurred \$3,450 for unemployment benefits.

The Authority has a 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 2023, the Authority spent \$2,125,658 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, 2023, are already reflected in the balance sheet under Accounts and Retainage Payable- Capital. The Authority has commitments of \$20,438,932 primarily for the construction of the Runway Rehab and Terminal Connector projects.

The Authority has an agreement with the Catasauqua Area School District and Hanover Township, Lehigh County to make payments in lieu of taxes levied at 7% and 3%, respectively as defined in the agreement. The total amount paid by the Authority to these entities in 2023 was \$605,788.

**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 \$385,977 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, 2023**

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**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, 2023:

	Fair Value Measurement as of December 31, 2023		
	Level 1	Level 2	Level 3
Investments at fair value			
Cash equivalents	\$ 385,977	\$ -	\$ -
Fixed income mutual funds	16,505	-	-
Equity mutual funds	17,331,821	-	-
Total investments by fair value level	17,734,303	-	-

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, 2023**

**Note 14 – Fiduciary Fund (Continued)**

Financial information for both plans is provided below:

	Total of Both Plans		
	Non-Union	Union	Total
<b>Assets</b>			
Cash (Cash and cash equivalents)			
Checking/Savings Account	\$ 243,327	\$ 142,650	\$ 385,977
Total Cash	243,327	142,650	385,977
Receivables			
Accrued interest and dividends	9,221	7,284	16,505
Total Receivables	9,221	7,284	16,505
Investments:			
Equities	6,037,838	4,996,572	11,034,410
Fixed Income	3,463,454	2,833,957	6,297,411
Total Investments	9,501,292	7,830,529	17,331,821
Total Assets	\$ 9,753,840	\$ 7,980,463	\$ 17,734,303
<b>Net Position Restricted for Pension</b>	<b>\$ 9,753,840</b>	<b>\$ 7,980,463</b>	<b>\$ 17,734,303</b>
	Pension Trust Funds		
	Non-Union	Union	Total
<b>Additions:</b>			
Contributions:			
Members' Contribution	\$ -	\$ 22,575	\$ 22,575
Employer Contributions	388,848	238,545	627,393
Total Contributions	388,848	261,120	649,968
Investment Income:			
Interest	129,682	105,552	235,234
Dividends	92,114	76,513	168,627
Net Appreciation/(depreciation) in fair value of investments	1,122,139	932,158	2,054,297
Total Investment Income	1,343,935	1,114,223	2,458,158
Less Investment Expenses	(24,135)	(16,503)	(40,638)
Net Investment Income	1,319,800	1,097,720	2,417,520
Total Additions	1,708,648	1,358,840	3,067,488
<b>Deductions:</b>			
Pension Payments	459,670	462,188	921,858
Refund terminated members' contributions	-	3,880	3,880
Administrative Expenses	14,700	15,300	30,000
Total Deductions	474,370	481,368	955,738
Net Increase/(Decrease)	1,234,278	877,472	2,111,750
<b>Net Position Restricted for Pension</b>			
Balance on January 1	8,519,562	7,102,991	15,622,553
Balance on December 31	\$ 9,753,840	\$ 7,980,463	\$ 17,734,303

**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, 2023**

<b>Non-Union</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Pension Liability</b>										
Service Cost	\$ 153,664	\$ 186,571	\$ 195,900	\$ 300,532	\$ 314,056	\$ 296,121	\$ 309,446	\$ 247,355	\$ 258,486	\$ 270,512
Interest	442,607	469,249	490,465	543,886	576,377	606,322	641,525	660,248	695,588	785,165
Differences Between Expected and Actual Experience	-	14,821	-	202,686	-	(36,873)	-	(188,943)	-	170,872
Changes in Assumptions	-	-	-	537,977	-	-	-	-	-	872,495
Benefit Payments, Including Refunds of Member Contributions	<u>(227,859)</u>	<u>(394,089)</u>	<u>(405,803)</u>	<u>(415,511)</u>	<u>(433,958)</u>	<u>(438,748)</u>	<u>(454,050)</u>	<u>(446,532)</u>	<u>(448,551)</u>	<u>(459,670)</u>
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	1,639,374
Total Pension Liability - Beginning	<u>5,492,852</u>	<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>
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>	<u>\$ 11,385,191</u>
<b>Plan Fiduciary Net Pension</b>										
Contributions - Employer	\$ 199,425	\$ 233,962	\$ 231,968	\$ 367,310	\$ 606,441	\$ 461,800	\$ 461,422	\$ 395,643	\$ 385,454	\$ 388,848
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)	1,319,800
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)	(459,670)
Administrative Expense	-	(8,120)	(6,475)	(21,910)	(2,975)	(10,321)	(12,609)	(21,897)	(11,950)	(14,700)
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)	1,234,278
Plan Net Position - Beginning	<u>5,777,696</u>	<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>
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>	<u>\$ 9,753,840</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>	<u>\$ 1,631,351</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>	<u>85.7%</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>	<u>\$ 3,814,010</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>	<u>42.8%</u>

Assumption Changes – In 2017, the mortality assumption was changed from 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.

Assumption Changes – In 2023, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubG-2010 projected 5 year past the valuation date using the most recent MP Scale, the interest rate assumption was lowered from 7.5% to 7.25% per annum and the salary scale assumption was lowered from 4.5% to 4.25% per annum.

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.

(Continued)

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
UNION EMPLOYEES RETIREMENT PLAN  
SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE LAST TEN YEARS ENDED DECEMBER 31, 2023**

<b>Union</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Pension Liability</b>										
Service Cost	\$ 105,621	\$ 101,313	\$ 106,379	\$ 169,273	\$ 176,890	\$ 195,563	\$ 204,363	\$ 216,577	\$ 226,323	\$ 247,046
Interest	420,314	432,211	453,278	488,017	515,437	495,986	519,862	537,287	560,569	612,991
Changes in Benefit Terms						(99,389)	-	-	-	-
Differences Between Expected and Actual Experience	-	(124,987)	-	40	-	(542,382)	-	(75,279)	-	17,510
Changes in Assumptions	-	-	-	502,011	-	-	-	-	-	620,846
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)	(466,068)
Net Change in Total Pension Liability	303,057	135,574	282,119	869,505	383,557	(298,624)	308,640	236,520	322,592	1,032,325
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	7,802,678
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>	<u>\$ 8,835,003</u>
<b>Plan Fiduciary Net Pension</b>										
Contributions - Employer	\$ 152,341	\$ 156,573	\$ 115,146	\$ 185,577	\$ 349,954	\$ 273,866	\$ 224,762	\$ 340,107	\$ 244,888	\$ 238,545
Contributions - Member	-	-	-	-	1,693	7,300	10,819	13,220	15,294	22,575
Net Investment Income	299,392	(21,965)	377,105	752,673	(296,408)	1,161,383	906,445	995,123	(1,320,765)	1,097,720
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)	(466,068)
Administrative Expense	-	(8,280)	(4,200)	(23,593)	(2,975)	(9,625)	(17,279)	(28,355)	(16,000)	(15,300)
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)	877,472
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	7,102,991
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>	<u>\$ 7,980,463</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>	<u>\$ 854,540</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>	<u>90.3%</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>	<u>\$ 3,015,094</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>	<u>28.3%</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.

Assumption Changes – In 2023, the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubG-2010 projected 5 year past the valuation date using the most recent MP Scale, the interest rate assumption was lowered from 7.5% to 7.25% per annum and the salary scale assumption was lowered from 4.5% to 4.25% per annum.

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 ENDING DECEMBER 31, 2023**

**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>	<u>2023</u>
Actuarially Determined Contribution	\$ 199,425	\$ 233,962	\$ 215,473	\$ 231,968	\$ 456,171	\$ 461,800	\$ 461,422	\$ 395,643	\$ 248,680	\$ 264,891
Contributions in Relation to the Actuarially Determined Contribution	199,425	233,962	231,968	367,310	606,441	461,800	461,422	395,643	385,454	388,848
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (16,495)	\$ (135,342)	\$ (150,270)	\$ -	\$ -	\$ -	\$ (136,774)	\$ (123,957)
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>	<u>\$3,814,010</u>
Contributions as a Percentage of Covered Payroll	<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>	<u>10.2%</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>	<u>2023</u>
Actuarially Determined Contribution	\$ 152,341	\$ 156,573	\$ 117,777	\$ 115,146	\$ 276,954	\$ 273,866	\$ 224,762	\$ 272,517	\$ 157,992	\$ 162,502
Contributions in Relation to the Actuarially Determined Contribution	152,341	156,573	115,145	185,577	349,954	273,866	224,762	340,107	244,888	238,545
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 2,632	\$ (70,431)	\$ (73,000)	\$ -	\$ -	\$ (67,590)	\$ (86,896)	\$ (76,043)
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>	<u>\$3,015,094</u>
Contributions as a Percentage of Covered Payroll	<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>	<u>7.9%</u>

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

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	<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>	<u>2023</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>	<u>15.57%</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>	<u>2023</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>	<u>15.70%</u>

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES - PENSION PLANS  
YEAR ENDED DECEMBER 31, 2023**

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**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: 7.25% 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, 2023**

Cost Centers	Revenue		Operating Expenses							Total Expenses	Income (Loss) from Operations before Capital Contributions
	Operating Revenue	Wages & Benefits	Contract Services Advertising Other	Materials Supplies Repairs & Maint	Utilities Taxes Insurance	Cost of Sales - Fuel	GASB 87/96 Adjustments	Allocated Expenses			
Airfield	\$ 6,474,724	\$ 2,502,341	\$ 244,147	\$ 486,527	\$ 75,328	\$ -	\$ -	\$ 1,667,304	\$ 4,975,647	\$ 1,499,077	
Terminal	9,154,909	2,832,381	461,494	334,767	685,119	-	-	2,926,958	7,240,719	1,914,190	
Parking and Roadway	6,417,295	409,256	217,485	45,337	606,570	-	-	212,415	1,491,063	4,926,232	
Aviation Leased Area	4,308,298	88,871	22,837	106,405	313,615	-	-	43,733	575,461	3,732,837	
Non-Aviation Leased Area	1,202,646	49,211	9,335	26,506	210,672	-	-	39,828	335,552	867,094	
Ground Handling	1,960,070	2,378,273	16,793	48,866	-	245,731	-	1,032,401	3,722,064	(1,761,994)	
Aviation Services	6,864,802	2,211,405	390,595	224,625	138,074	1,257,066	-	883,242	5,105,007	1,759,795	
Advertising	602,770	52,692	94,621	-	-	-	-	-	147,313	455,457	
Administrative	-	2,752,930	765,971	21,316	-	-	-	706,749	4,246,966	(4,246,966)	
Allocated Expenses	-	4,349,740	2,311,653	160,956	986,971	-	-	(7,809,320)	-	-	
GASB 87 - Adjustment	595,767	-	-	-	-	-	8,443	-	8,443	587,324	
GASB 96 - Adjustment	-	-	-	-	-	-	(99,500)	-	(99,500)	99,500	
<b>Total LVIA</b>	<b>37,581,281</b>	<b>17,627,100</b>	<b>4,534,931</b>	<b>1,455,305</b>	<b>3,016,349</b>	<b>1,502,797</b>	<b>(91,057)</b>	<b>(296,690)</b>	<b>27,748,735</b>	<b>9,832,546</b>	
Queen City Airport	1,419,301	520,097	57,257	47,805	112,049	575,468	-	217,815	1,530,491	(111,190)	
Braden Airpark	156,744	42,800	122,180	7,862	19,695	37,473	-	78,875	308,885	(152,141)	
Events	-	-	45,366	5,229	-	-	-	-	50,595	(50,595)	
<b>Total</b>	<b>\$ 39,157,326</b>	<b>\$ 18,189,997</b>	<b>\$ 4,759,734</b>	<b>\$ 1,516,201</b>	<b>\$ 3,148,093</b>	<b>\$ 2,115,738</b>	<b>\$ (91,057)</b>	<b>\$ -</b>	<b>\$ 29,638,706</b>	<b>\$ 9,518,620</b>	

- (1) Allocated Expenses are for shared non-administrative expenses. These expenses are allocated to the 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, 2023**

<b>OPERATING REVENUES:</b>	<b>Lehigh Valley International Airport</b>	<b>Queen City Airport *</b>	<b>Braden Airpark *</b>	<b>Total</b>
<b>Airfield</b>				
Landing Fees	\$ 5,587,263	\$ -	\$ -	\$ 5,587,263
Apron Parking Fees	887,461	-	-	887,461
Total	<u>6,474,724</u>	<u>-</u>	<u>-</u>	<u>6,474,724</u>
<b>Terminal</b>				
Airlines	5,923,837	-	-	5,923,837
Utility Fees & Other	28,489	-	-	28,489
Total	<u>5,952,326</u>	<u>-</u>	<u>-</u>	<u>5,952,326</u>
<b>Concessions and Advertising</b>				
Concession & Other	748,844	-	-	748,844
Rental Cars	1,925,587	-	-	1,925,587
Restaurant/Newsstand	470,410	-	-	470,410
Advertising	602,770	-	-	602,770
Other	57,742	-	-	57,742
Total	<u>3,805,353</u>	<u>-</u>	<u>-</u>	<u>3,805,353</u>
<b>Parking and Roadways</b>	<u>6,417,295</u>	<u>-</u>	<u>-</u>	<u>6,417,295</u>
<b>Building &amp; Hanger Leases</b>				
Hanger Rents	3,703,022	104,877	80,170	3,888,069
T-Hangars	233,053	234,193	19,254	486,500
Building Rents	605,231	41,691	-	646,922
Land Rents	597,415	169,182	-	766,597
Ramp, Gatecard and Other Income	372,223	28,763	8,037	409,023
Total	<u>5,510,944</u>	<u>578,706</u>	<u>107,461</u>	<u>6,197,111</u>
<b>Ground Handling</b>	<u>1,960,070</u>	<u>-</u>	<u>-</u>	<u>1,960,070</u>
<b>Fuel &amp; Handling</b>				
Fuel Sales	2,958,583	829,372	47,875	3,835,830
Landing Fees	288,547	-	-	288,547
Into Plane Fees	2,972,956	-	-	2,972,956
Hangar & Ramp Rentals	255,097	-	-	255,097
Miscellaneous Income	389,619	11,223	1,408	402,250
Total	<u>6,864,802</u>	<u>840,595</u>	<u>49,283</u>	<u>7,754,680</u>
GASB 87 Adjustments	<u>595,767</u>	<u>-</u>	<u>-</u>	<u>595,767</u>
<b>Total Operating Revenues</b>	<u>\$ 37,581,281</u>	<u>\$ 1,419,301</u>	<u>\$ 156,744</u>	<u>\$ 39,157,326</u>

\* 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, 2023**

<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>
<b>Department of Transportation</b>										
<b>Airport Improvement Program</b>										
<i>Direct Awards:</i>										
Rehabilitate Runway 6/24 - Phase III Construction	20.106	3-42-0001-105-2018	\$ 17,215,083	\$ 17,149,773	\$ 65,310	\$ 384,690	\$ 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	11,473,511	57,510	1,044,990	1,054,987	662	662	10,659
Rehabilitate Runway 6/24 (Reimbursement Agreement), Phase V	20.106	3-42-0001-107-2019	313,466	313,466	-	-	-	-	-	-
COVID 19 CARES Act - Payroll & Operational and Maintenance Expenses	20.106	3-42-0001-109-2020	6,191,170	6,191,170	-	1,029,850	-	1,029,850	1,029,850	-
Rehabilitate Runway 6/24 - Phase VII Construction	20.106	3-42-0001-110-2020	9,641,712	9,352,461	289,251	674,920	697,080	248,634	248,634	270,794
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	10,876,963	1,794,833	3,984,593	-	4,495,533	4,495,533	510,940
COVID-19 Airport Rescue Grant Agreement	20.106	3-42-0001-115-2022	5,987,974	1,222,352	4,765,622	1,222,352	-	1,572,961	1,572,961	350,609
COVID-19 Airport Rescue Grant Agreement Concessions Rent Relief	20.106	3-42-0001-116-2022	371,812	371,812	-	371,812	-	371,812	371,812	-
Rehabilitate Runway 6/24 - Phase X	20.106	3-42-0001-117-2022	14,821,100	4,834,135	9,986,965	4,834,135	303,361	5,688,963	5,688,963	1,158,188
New Terminal Security Checkpoint	20.106	3-42-0001-118-2023	5,000,000	4,850,000	150,000	4,850,000	-	4,850,000	4,850,000	-
Equipment for Security Checkpoint	20.106	3-42-0001-119-2023	600,000	-	600,000	-	-	87,345	87,345	87,345
Rehabilitate Runway 6/24 - Phase XI	20.106	3-42-0001-120-2023	4,987,205	-	4,987,205	-	-	-	-	-
Queen City Removal Obstructions, Phase IV	20.106	3-42-0002-027-2020	424,405	406,195	18,210	60,253	14,206	46,048	46,048	-
Queen City Runway 15/33 Rehabilitation - Design	20.106	3-42-0002-029-2020	340,033	335,257	4,776	17,904	11,584	6,321	6,321	-
COVID-19 Airport Rescue Grant Agreement - Queen City	20.106	3-42-0002-031-2022	59,000	59,000	-	59,000	-	59,000	59,000	-
Queen City Runway 15/33 Rehabilitation - Phase I Construction	20.106	3-42-0002-032-2022	2,064,121	964,054	1,100,067	964,054	11,294	1,650,430	1,650,430	697,669
Queen City Runway 15/33 Lighting Rehabilitation	20.106	3-42-0002-034-2023	1,398,892	-	1,398,892	-	-	9,220	9,220	9,220
Total Airport Improvement Program			<u>93,682,890</u>	<u>68,457,839</u>	<u>25,225,051</u>	<u>19,498,553</u>	<u>2,483,612</u>	<u>20,116,779</u>	<u>20,116,779</u>	<u>3,101,834</u>
<b>Department of Homeland Security</b>										
Pass-through: PA Emergency Management Agency COVID-19 Disaster Grants - Public Assistance	97.036	077-UBR6Y-00	81,426	81,426	-	16,738	16,738	-	-	-
<b>Total</b>			<u>\$ 93,764,316</u>	<u>\$ 68,539,265</u>	<u>\$ 25,225,051</u>	<u>\$ 19,515,292</u>	<u>\$ 2,500,350</u>	<u>\$ 20,116,779</u>	<u>\$ 20,116,779</u>	<u>\$ 3,101,834</u>

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, 2023**

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**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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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, 2023, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 31, 2024.

**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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Indianapolis, Indiana  
May 31, 2024

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, 2023. 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, 2023.

***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.

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(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 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.

### **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.

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(Continued)

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  
May 31, 2024

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2023**

**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, 2023.

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, 2023.

#### ***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.

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(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.

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(Continued)

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.

### **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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated May 31, 2024, 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

Indianapolis, Indiana  
May 31, 2024

**LEHIGH-NORTHAMPTON AIRPORT AUTHORITY**  
**SUPPLEMENTAL SCHEDULE OF EXPENDITURES - PASSENGER FACILITY CHARGES**  
**YEAR ENDED DECEMBER 31, 2023**

	Date Approved	Amount Approved	Cumulative Total -	Quarter End				Year End	Cumulative Total -
			December 31, 2023	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	December 31, 2023	December 31, 2023
<b>Revenues</b>									
Total Passenger Facility Charge Revenue Received			\$ 43,557,824	\$ 398,496	\$ 453,384	\$ 463,999	\$ 473,856	\$ 1,789,735	\$ 45,347,559
Interest Earned on PFC Deposits			617,677	51	127	65	264	507	618,184
<b>Total Revenue</b>			<b>44,175,501</b>	<b>398,547</b>	<b>453,511</b>	<b>464,064</b>	<b>474,120</b>	<b>1,790,242</b>	<b>45,965,743</b>
<b>Expenses</b>									
<i>Previous Completed Applications</i>		\$ 17,035,286	17,035,286	-	-	-	-	-	17,035,286
<i>Application: #05-07-C-00-ABE</i>									
<i>"Main Terminal Renovation and Additions"</i>	6/1/2005	21,440,236	21,440,236	-	-	-	-	-	21,440,236
<i>Application: #19-08-C-00-ABE</i>									
	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	2,183,566	-	-	-	-	-	2,183,566
10 Noise Mitigation Measures for Public Buildings		58,196	58,196	-	-	-	-	-	58,196
11 Conduct Environmental Study		13,458	13,458	-	-	-	-	-	13,458
12 Remove Obstructions (Runway 24 RPZ)		54,051	45,815	8,236	-	-	-	8,236	54,051
13 Rehabilitate Apron [Air Carrier Apron]		97,222	-	97,222	-	-	-	97,222	97,222
14 Acquire Land For Approaches		359,098	-	289,542	69,556	-	-	359,098	359,098
15 Rehabilitate Taxiway B		303,898	-	-	303,898	-	-	303,898	303,898
16 Acquire Land for Development		132,779	-	-	26,546	106,233	-	132,779	132,779
17 Rehabilitate Runway Lighting		132,052	-	-	-	132,052	-	132,052	132,052
18 Construct Aircraft Rescue & Fire Fighting Building		217,600	-	-	-	217,600	-	217,600	217,600
19 Rehabilitate Taxiway A		247,100	-	-	-	44,115	202,985	247,100	247,100
20 Construct Air Cargo Apron		185,261	-	-	-	-	185,261	185,261	185,261
21 Passenger Boarding Bridge Rehabilitation		1,500,000	-	-	-	-	106,754	106,754	106,754
Total Application: #05-07-C-00-ABE		\$ 23,381,196	\$ 5,697,950	\$ 395,000	\$ 400,000	\$ 500,000	\$ 495,000	\$ 1,790,000	\$ 7,487,950
<b>Total Expenditures</b>			<b>\$ 44,173,472</b>	<b>\$ 395,000</b>	<b>\$ 400,000</b>	<b>\$ 500,000</b>	<b>\$ 495,000</b>	<b>\$ 1,790,000</b>	<b>\$ 45,963,472</b>
<b>Excess (Deficit) of Revenue Over Expenditures</b>			<b>\$ 2,029</b>	<b>\$ 3,547</b>	<b>\$ 53,511</b>	<b>\$ (35,936)</b>	<b>\$ (20,880)</b>	<b>\$ 242</b>	<b>\$ 2,271</b>

Reference Note 6 for additional PFC 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, 2023**

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**Summary of Auditor's Results**

We have issued an unmodified opinion, dated May 31, 2024 on the financial statements of the Authority as of and for the year ended December 31, 2023.

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 May 31, 2024 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.