PENINSULA AIRPORT COMMISSION

A Component Unit of the City of Newport News, Virginia

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2021

And Report of Independent Auditor

PENINSULA AIRPORT COMMISSION
COMMISSION MEMBERS

JUNE 30, 2021

Jay Joseph	Chair
Rob Coleman	Vice-Chair
Thomas Herbert	Treasurer
Lindsey Smith	Secretary
Sharon Scott	Assistant Treasurer
Brian Kelly	Assistant Secretary

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Commissioners
Peninsula Airport Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Peninsula Airport Commission (the "Commission"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Peninsula Airport Commission, as of June 30, 2021, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The Commission Members and Supplementary Information, including the Schedule of Collections and Expenditures of Passenger Facility Charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Commission Members have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
December 7, 2021

Management's Discussion and Analysis ("MD&A") of the Peninsula Airport Commission's ("Commission") activities and financial performance provides the reader with an introduction and overview to the basic financial statements of the Commission as of and for the fiscal year ended June 30, 2021. The Commission is directly responsible for the operation of the Newport News-Williamsburg International Airport's ("PHF" or "Airport") activities. The information contained in MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in this report.

Following the MD&A are the basic financial statements of the Commission together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, this section also presents certain supplementary information regarding debt service requirements to maturity and information regarding capital acquisition and construction activities.

Airport Activities and Highlights

Airport activities increased (decreased) in major areas in relation to previous years as follows:

	2021	2020
Enplanements	63,473	157,073
% Increase (decrease)	-59.59%	-23.02%
Aircraft operations	39,090	54,441
% Increase (decrease)	-28.20%	-15.29%
Landed weight	106,622,340	182,226,046
% Increase (decrease)	-41.49%	-20.89%
Parking (vehicles)	27,863	66,557
% Increase (decrease)	-58.14%	-27.17%
Parking (revenue)	490,841	$1,355,469
% Increase (decrease)	-63.79%	-24.75%
Rental car commissions	1,498,710	$1,056,946
% Increase (decrease)	41.80%	-20.77%
Customer facility charge	676,137	$969,225
% Increase (decrease)	-30.24%	-21.01%

While the numbers above paint an accurate depiction of the past two fiscal years, for one to truly gain a solid basis for evaluation, outside influence to that fiscal climate must be denoted. The first 11 months of FY21 remained weak due to the COVID-19 Pandemic.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of a novel strain of coronavirus ("COVID-19"). Following this, on March 16, U.S. guidelines were issued to restrict discretionary travel. On January 21, 2021, the President of the United States mandated the wearing of masks at airports. Subsequently the United States Department of Homeland Security issued masks be worn on commercial aircraft and airports. As you will see in the operating activity totals, the pandemic continues to greatly impact the Airport's airline passenger totals during FY21 when compared with pre-pandemic performance.

The longer-term effects of the COVID-19 impact on the Commission's operations and financials remain uncertain.

The entire fiscal year, the Airport was served by American Airlines.

Financial Operations Highlights

Net position decreased by $2.2 million in 2021 compared to a $4.5 million decrease in 2020.

- Operating income decreased by 35.68% from $7.5 million to $4.8 million due to COVID-19, decreases in passenger travel, airline service, and rental car revenues.

- Cost of sales from Take PHFlight restaurant decreased by 39.23% from $435 thousand to $265 thousand as a result of COVID-19, decreased passengers and sales during the fiscal year.

- Operating expenses decreased by 11.26% from $7.0 million to $6.2 million as a result of decreases in expenses associated with pension and other postemployment benefits, professional services, and utilities.

- Depreciation expense decreased slightly by 0.52% from $7.9 million to $7.9 million as a result of assets primarily in the administrative, maintenance, and airfield areas being fully depreciated in the current fiscal year.

- The above factors resulted in a loss from operations of $1.7 million more than the 2020 results. This variance compared to the gains in the fiscal year ended June 30, 2019, was due from the effects of COVID-19, the decreases in passenger travel, airline service, and rental car revenues.

- Nonoperating income (expenses) increased by approximately $825 thousand from 2020, with a net nonoperating gain of $2.2 million in 2021 compared to a net gain of $1.4 million in 2020. This increase in nonoperating activity was primarily due to the Coronavirus Aid, Relief, and Economic Security Act Federal Grant reimbursements.

- Capital contributions received in the form of grants from the federal government and the Commonwealth of Virginia increased by 54.04% from $3.4 million in 2020 to $5.2 million in 2021 due to the timing of capital projects.

- Capital projects that were completed or started in FY 2021 included $311 thousand on airfield perimeter road design, $253 thousand on airfield perimeter road construction, $334 thousand on taxiway A and D shoulders and lights, $83 thousand on maintenance equipment and vehicles, $68 thousand on terminal equipment, $83 thousand on a new beacon, $60 thousand for parking lot projects, and $45 thousand on miscellaneous projects. There is $91 thousand in terminal equipment that incurred no additional costs in FY 2021 and was still open at year-end.

Summary of Operations and Changes in Net Position

	2021	2020
Operating income	$ 4,792,082	$ 7,450,219
Cost of sales	(264,558)	(435,369)
Operating expenses	(6,259,271)	(7,010,129)
Income from operations before depreciation	(1,731,747)	4,721
Depreciation	(7,888,361)	(7,847,448)
Loss before other nonoperating income and expenses	(9,620,108)	(7,842,727)
Other nonoperating income	2,210,853	1,385,074
Loss before capital contributions	(7,409,255)	(6,457,653)
Capital contributions	5,177,358	3,361,001
Change in net position	$ (2,231,897)	$ (3,096,652)

Financial Position Summary

Net position may serve over time as a useful indicator of the Commission's financial position. The Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $78.65 million at June 30, 2021, a $2.26 million decrease from June 30, 2020.

	2021	2020
Assets:		
Current and other assets	$ 16,296,435	$ 13,953,875
Capital assets	78,080,381	81,713,974
Total assets	94,376,816	95,667,849
Deferred outflows of resources	859,506	668,586
Liabilities:		
Long-term liabilities	10,447,682	12,476,223
Current liabilities	2,797,767	1,117,909
Total liabilities	13,245,449	13,594,132
Deferred inflows of resources	3,310,993	1,830,526
Net position:		
Net investment in capital assets	71,647,480	74,736,760
Restricted	12,538,838	10,728,097
Unrestricted	(5,506,438)	(4,553,080)
Total net position	$ 78,679,880	$ 80,911,777

The largest portion of the Commission's net position each year (91% at June 30, 2021), represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Commission uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Commission's net position (16% at June 30, 2021), represents federal and state grant funds that are subject to external restrictions as well as the net pension asset. These restrictions stipulate how funds can be used. Annual entitlement funds from the Commonwealth of Virginia can be used for 100% of the nonfederal portion of projects that are funded under provisions of the Federal Airport Improvement Program as well as other approved uses as stipulated in the Airport Program Manual. Passenger Facility Charge Funds are reserved for Federal Aviation Administration and Airline approved projects.

Airport Rates and Charges

The Commission established an Airline Use and Lease Agreement ("Agreement") effective November 1, 1992, which in part establishes the rates and charges for the use of the Airport. Landing fees are $1.98 per 1,000 lbs. of landed weight at June 30, 2021. Terminal rental rates are $34 per square foot at June 30, 2021. The Commission also has the ability under the Agreement to adjust Airport rates and charges annually to ensure adherence to all financial covenants in its bond resolutions. It establishes new rates and charges for the use of its facilities and for services provided to its customers on an annual basis. Airline permits were negotiated with the airlines in 2012 and are on a month-to-month schedule. New Airport rates and charges were approved for FY 2020 and went into effect on July 1, 2019.

Revenues

A summary of revenues is as follows:

	2021	Percent of Total	2020	Percent of Total
Operating revenues:				
Airfield	$ 1,283,617	17.6%	$ 1,612,863	17.7%
Terminal and landside	2,581,738	35.5%	4,829,339	53.0%
Other rents	351,690	4.8%	392,854	4.3%
Trailer park rent	526,063	7.2%	539,616	5.9%
Administrative and miscellaneous	48,624	0.7%	73,397	0.8%
Maintenance reimbursement	350	0.0%	2,150	0.0%
Total operating revenues	4,792,082	65.9%	7,450,219	81.7%
Nonoperating income:				
Federal grants	2,478,952	34.1%	1,656,926	18.2%
Interest income	1,516	0.0%	1,587	0.0%
Other	1,827	0.0%	11,356	0.2%
Gain on sale of assets	-	0.0%	(8,116)	-0.1%
Total nonoperating income	2,482,295	34.1%	1,669,869	18.4%
Total revenues	$ 7,274,377	100.0%	$ 9,120,088	100.1%

Expenses

A summary of expenses is as follows:

	2021	Percent of Total	2020	Percent of Total
Cost of sales	$ 264,558	1.8%	$ 435,369	2.8%
Operating expenses:				
Airfield	838,217	5.7%	770,188	4.9%
Terminal and landside	2,309,977	15.7%	2,418,593	15.5%
Other rents	350,514	2.4%	395,273	2.5%
Trailer park rent	401,550	2.7%	388,223	2.5%
Administrative and miscellaneous	2,010,523	13.7%	2,697,149	17.3%
Maintenance	348,490	2.4%	340,703	2.2%
Total operating expenses	6,259,271	42.6%	7,010,129	45.0%
Depreciation expense	7,888,361	53.7%	7,847,448	50.3%
Nonoperating expense:				
Interest expense	271,442	1.8%	292,911	1.9%
Total nonoperating expenses	271,442	1.8%	292,911	1.9%
Total expenses	$ 14,683,632	100.0%	$ 15,585,857	100.0%

Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents for the past two years. Cash equivalents are considered cash-on-hand and bank deposits with an original maturity of three months or less:

	2021	2020
Cash flow from operating activities	$ (86,036)	$ 205,007
Cash flow from noncapital financing activities	2,478,952	944,000
Cash flow from capital and related financing activities	(450,032)	1,529,618
Cash flow from investing activities	(814,591)	(2,504,957)
Net change in cash and cash equivalents	1,128,293	173,668
Cash and cash equivalents, beginning of period	1,802,791	1,629,123
Cash and cash equivalents, end of period	$ 2,931,084	$ 1,802,791

The Commission's available cash and cash equivalents increased by $1.13 million between 2020 and 2021. Pending reimbursements from the Federal Aviation Administration on capital projects at June 30, 2021 totaled $1.38 million and is not reflected in the cash flow above.

Financial Statements

The Commission's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Commission is structured as a single enterprise fund with operating income recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land and construction-in-progress) are depreciated over their useful lives. Reference the notes to the financial statements for a summary of the Commission's significant accounting policies.

Capital Acquisitions and Construction Activities

During FY 2021, the Commission expended $4.52 million on capital activities. This included costs incurred during 2021 for $2.40 million on airfield projects, $430 thousand on maintenance equipment and vehicles, $200 thousand on terminal equipment, and $204 thousand on other land acquisitions. Construction-in-progress during FY 2021 related primarily to airfield and terminal improvements.

Capital asset acquisitions and improvements, exceeding $5,000, are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants with matching state grants and Airport funds, debt issuance, and Airport revenue.

Long-Term Debt

In 2002, the Airport issued $2,500,000 of Virginia Resources Authority Airport Improvement Revenue Bonds, Subordinate Series 2002, at 4.5% interest, maturing in July 2027. The Airport used the proceeds to pay down $2,500,000 of 3.93% short-term financing. State entitlement funds are designated for payment of these bonds. During 2016, the interest rate was reduced to 2.75%.

Balance outstanding June 30, 2021 – $826,667 and 2020 – $953,963.

In 2006, the Airport issued $7,000,000 of Airport Improvements Bonds, Unsecured Tax-Exempt Bond, Series 2005A, dated December 21, 2005, at 4.30% interest, maturing in January 2032. The Airport used the proceeds to pay for the construction of a parking garage.

Balance outstanding June 30, 2021 – $3,857,168 and 2020 – $4,142,242.

In 2006, the Airport issued $3,000,000 of Airport Improvements Bonds, Unsecured Taxable Bond, Series 2005B, dated December 21, 2005, at 5.81% interest, maturing in January 2032. During 2018, the interest rate was reduced to 3.95%. The Airport used the proceeds to pay for the construction of a parking garage.

Balance outstanding June 30, 2021 – $1,749,066 and 2020 – $1,881,009.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Director of Finance, Peninsula Airport Commission, Newport News – Williamsburg International Airport, 900 Bland Boulevard, Suite G, Newport News, VA.

PENINSULA AIRPORT COMMISSION
STATEMENTS OF NET POSITION

JUNE 30, 2021 (WITH 2020 COMPARATIVE BALANCES)

	2021	For Comparative Purposes Only 2020
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	$ 2,931,084	$ 1,802,791
Accounts receivable, net of $5,000 allowance for doubtful accounts	82,737	232,322
Accounts receivable - Federal Aviation Administration (Note 4)	1,380,652	822,480
Prepaid expenses and other assets	240,494	240,313
Total Current Assets	4,634,967	3,097,906
Restricted Assets:		
Cash and cash equivalents (Notes 3 and 6)	11,661,468	10,843,534
Total Restricted Assets	11,661,468	10,843,534
Capital Assets (Note 5):		
Land	6,808,770	6,604,658
Construction in progress	1,761,977	751,780
Airfield	93,452,411	91,052,152
Terminal	89,624,700	89,414,632
Other	7,070,965	6,640,833
Trailer park and rental units	1,548,885	1,548,885
	200,267,708	196,012,940
Less accumulated depreciation	(122,187,327)	(114,298,966)
Total Capital Assets, Net	78,080,381	81,713,974
Other assets - net pension asset (Note 9)	-	12,435
Total Assets	$ 94,376,816	$ 95,667,849
DEFERRED OUTFLOWS OF RESOURCES		
Pension (Note 9)	$ 483,850	$ 270,719
Healthcare OPEB Local (Note 10)	328,543	351,345
GLI OPEB VRS (Note 11)	47,113	46,522
Total Deferred Outflows of Resources	$ 859,506	$ 668,586

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

PENINSULA AIRPORT COMMISSION
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 (WITH 2020 COMPARATIVE BALANCES)

	2021	For Comparative Purposes Only 2020
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable (Note 8)	$ 566,183	$ 542,221
Accounts payable	1,808,406	276,463
Accrued liabilities	394,641	271,993
Security deposits	28,537	27,232
Total Current Liabilities	2,797,767	1,117,909
Long-Term Liabilities:		
Bonds payable, less current portion (Note 8)	5,866,718	6,434,993
Net pension liability (Note 9)	462,777	-
Net Healthcare OPEB - Local (Note 10)	3,918,094	5,837,984
Net GLI OPEB - VRS (Note 11)	200,093	203,246
Total Long-Term Liabilities	10,447,682	12,476,223
Total Liabilities	$ 13,245,449	$ 13,594,132
DEFERRED INFLOWS OF RESOURCES		
Pension (Note 9)	$ -	$ 218,123
Healthcare OPEB Local (Note 10)	3,288,735	1,586,011
GLI OPEB VRS (Note 11)	22,258	26,392
Total Deferred Inflows of Resources	$ 3,310,993	$ 1,830,526
NET POSITION		
Net investment in capital assets	$ 71,647,480	$ 74,736,760
Restricted	12,538,838	10,728,097
Unrestricted	(5,506,438)	(4,553,080)
Total Net Position	$ 78,679,880	$ 80,911,777

PENINSULA AIRPORT COMMISSION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2021 (WITH 2020 COMPARATIVE BALANCES)

	2021	For Comparative Purposes Only 2020
Operating income	$ 4,792,082	$ 7,450,219
Cost of sales	(264,558)	(435,369)
Gross Profit	4,527,524	7,014,850
Operating expenses	(6,259,271)	(7,010,129)
Depreciation	(7,888,361)	(7,847,448)
Loss from Operations	(9,620,108)	(7,842,727)
Nonoperating Revenues (Expenses):		
Federal grant revenues	2,478,952	1,656,926
Interest income	1,516	1,587
Interest expenses	(271,442)	(292,911)
Other income	1,827	11,356
Gain on sale of capital assets	-	8,116
Net Nonoperating Revenues	2,210,853	1,385,074
Loss before Capital Contributions	(7,409,255)	(6,457,653)
Capital Contributions	5,177,358	3,361,001
Change in net position	(2,231,897)	(3,096,652)
Total net position, beginning of the year	80,911,777	84,008,429
Total net position, end of the year	$ 78,679,880	$ 80,911,777

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

PENINSULA AIRPORT COMMISSION
STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2021 (WITH 2020 COMPARATIVE BALANCES)

	2021	For Comparative Purposes Only 2020
Cash flows from operating activities:		
Receipts from customers and users	$ 4,941,667	$ 7,777,164
Payments to employees	(3,658,482)	(4,501,510)
Payments to suppliers	(1,369,221)	(3,070,647)
Net cash flows from operating activities	(86,036)	205,007
Cash flows from noncapital and related financing activities:		
Contributions from federal grants	2,478,952	944,000
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,254,768)	(1,021,724)
Proceeds from the sale of equipment	-	8,116
Changes in security deposits	1,305	(2,020)
Principal payments on bonds	(544,313)	(522,844)
Interest paid on debt	(271,442)	(292,911)
Capital contributions	4,619,186	3,361,001
Net cash flows from capital and related financing activities	(450,032)	1,529,618
Cash flows from investing activities:		
Investment in future projects	-	(5,150)
Interest received and other income	3,343	12,943
Change in restricted cash and cash equivalents	(817,934)	(2,512,750)
Net cash flows from investing activities	(814,591)	(2,504,957)
Net increase in cash and cash equivalents	1,128,293	173,668
Cash and cash equivalents, beginning of year	1,802,791	1,629,123
Cash and cash equivalents, end of year	$ 2,931,084	$ 1,802,791

PENINSULA AIRPORT COMMISSION
STATEMENTS OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2021 (WITH 2020 COMPARATIVE BALANCES)

	2021	For Comparative Purposes Only 2020
Reconciliation of operating loss to net cash provided by operating activities:		
Loss from operations	$ (9,620,108)	$ (7,842,727)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	7,888,361	7,847,448
Decrease (increase) in operating assets:		
Accounts receivable	149,585	256,722
Prepaid expenses and other assets	(181)	23,897
Increase (decrease) in operating liabilities:		
Accounts payable	1,531,943	19,471
Accrued liabilities	122,648	(98,666)
Net pension liability (asset) and related flows of resources	43,958	(71,780)
Net OPEB liability and related flows of resources	(202,242)	70,642
Net cash flows from operating activities	$ (86,036)	$ 205,007
Supplemental disclosure of noncash capital and related financing activities:		
Contributed capital funded by accounts receivable - FAA	$ 1,380,652	$ 822,480

Note 1—Organization and nature of business

The Peninsula Airport Commission (the "Commission") is a municipal corporation created by the Virginia General Assembly in February 1946. The Commission is directly responsible for operation of the Newport News – Williamsburg International Airport ("Airport") and is the owner of approximately 2,000 acres of property surrounding the Airport. A Board of Commissioners consisting of six members, four appointed by the City of Newport News, Virginia ("City") and two by the City of Hampton, Virginia, exercises oversight responsibility. Professional management conducts the day-to-day operations of the Commission.

The Commission is considered a component unit of the City in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The criteria for including the Commission within the City's reporting entity is financial accountability, which is defined as appointment of a voting majority of the component unit's board and either the ability to impose the primary government's will or the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government. The City appoints four of the Commission's six board members.

Note 2—Summary of significant accounting policies

Measurement Focus and Basis of Accounting – The Commission's financial statements are presented as a business-type activity using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board ("GASB"). Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when incurred. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets. The Commission generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Commission may defer the use of restricted assets based on a review of the specific transaction.

Operating Income – The Commission's main sources of operating income are from operation of the Airport, parking facilities, concessions, and rental fees from operation of a trailer park.

Cash and Cash Equivalents – The Commission includes all cash accounts not subject to withdrawal restrictions or penalties and all highly-liquid debt instruments with an original purchased maturity of three months or less as cash and cash equivalents in the accompanying Statements of Net Position and Statements of Cash Flows.

Inventories – Inventories consisting of maintenance and janitorial supplies are valued at the lower of cost or net realizable value on the first-in, first-out ("FIFO") basis, and are not for resale. The cost is recorded as an operating expense as inventory items are consumed.

Inventories consisting of food and beverage are valued at the lower of cost or net realizable value on the FIFO basis. The cost is recorded in cost of sales as inventory items are sold.

Capital Assets – Capital assets are stated at cost or fair value at the date of acquisition if acquired without cost. Capital acquisitions and improvements exceeding $5,000 are capitalized at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Airfield	5 – 33 years
Terminal	3 – 33 years
Other	3 – 30 years
Trailer park and rental units	3 – 33 years

Note 2—Summary of significant accounting policies (continued)

Maintenance and repairs, including replacement of minor items of physical properties that do not improve or extend the life of the respective assets, are expensed currently.

Income Taxes – The Commission is exempt from federal and state income taxes under provisions of Section 115 of the Internal Revenue Code of 1954, as amended, and the statues of the Commonwealth of Virginia (“Commonwealth”).

Allowance for Doubtful Accounts – The Commission evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate.

Advertising – Advertising costs are charged to operations when incurred. During 2021, the Commission expensed $297,343 in advertising costs within operating expenses.

Virginia Retirement System (“VRS”) Pensions and Other Postemployment Benefits (“OPEB”) – For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Commission’s plans and the additions to/deductions from the Commission’s Plan’s fiduciary net position have been determined on the same basis as they were reported by the VRS. 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources, representing a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources, representing an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The Commission has the following items that qualifies for reporting as either deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are a deferred outflow and will be applied to the net pension or OPEB liability in the next fiscal year.

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. These differences will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow.

- Differences resulting from changes in assumptions on pension plan or OPEB investments. This change in flow of resources will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.

- Difference between projected and actual earnings on pension and OPEB plan investments. This change in flow of resources will be recognized in pension or OPEB expense over a closed five-year period.

- Difference resulting from a change in the Commission’s proportion of the collective net OPEB liability. This change in flow of resources will be recognized in OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan.

Note 2—Summary of significant accounting policies (concluded)

Deferred Outflows/Inflows of Resources – In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources, representing a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources, representing an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The Commission has the following items that qualifies for reporting as either deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are a deferred outflow and will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. These differences will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow.
- Differences resulting from changes in assumptions on pension plan or OPEB investments. This change in flow of resources will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.
- Difference between projected and actual earnings on pension and OPEB plan investments. This change in flow of resources will be recognized in pension or OPEB expense over a closed five-year period.
- Difference resulting from a change in the Commission's proportion of the collective net OPEB liability. This change in flow of resources will be recognized in OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and changes in net position during the reporting period. Significant items subject to such estimates include the valuation allowance for receivables, capital assets, and obligations related to employee benefits. Actual results could differ from those estimates and assumptions.

Subsequent Events – In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through December 7, 2021, the date the financial statements were available to be issued.

Note 3—Cash and cash equivalents

The Commission is governed by the Virginia Security for Public Deposits Act and the Investment of Public Funds Act. The deposits held and reported at carrying value are shown below:

Type	2021 Carrying Value	For Comparative Purposes Only 2020 Carrying Value
Demand deposits	$ 8,204,473	$ 6,290,719
Cash on hand	4,750	4,750
Money market funds	6,383,329	6,350,856
Total deposits	$ 14,592,552	$ 12,646,325
Reconciliation to Statement of Net Position:		
Current - cash and cash equivalents	$ 2,931,084	$ 1,802,791
Restricted assets - cash and cash equivalents	11,661,468	10,843,534
	$ 14,592,552	$ 12,646,325

Custodial Credit Risk and Concentration of Investments – Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of approximately $14,587,000 at June 30, 2021, which was fully insured by depository insurance or secured with collateral held by the Commission's agent in its name. At June 30, 2021, amounts subject to custodial credit risk as they were uninsured by the Federal Deposit Insurance Corporation ("FDIC"), due to exceeding the $250,000 financial institutions limit, were approximately $14,248,000 and were fully collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

All investments, if any, evidenced by individual securities, are registered in the name of the Commission.

The Commission places no limit on the amount it may invest in any one issuer. At June 30, 2021, the Commission's concentration of credit risk from cash and investments is detailed in this note.

Note 3—Cash and cash equivalents (continued)

Investment Interest Rate Risk – The Commission has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. No investments were held by the Commission at June 30, 2021.

Investment Credit Risk – The Commission has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the U.S. government, its agencies, and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the Commonwealth of Virginia is pledged;

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;

3. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations;

4. County, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district;

5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administration and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and

6. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in points above.

Note 4—Accounts receivable – Federal Aviation Administration

The Virginia Department of Aviation and the Federal Aviation Administration ("FAA") contributes grant funds to finance construction costs for Airport improvements and terminal expansion. At June 30, 2021, $1,380,652 was receivable by the Commission on cost reimbursable grants.

Note 5—Capital assets

A summary of changes in capital assets for the Commission follows:

	Balances, June 30, 2020	Increases	Decreases	Balances, June 30, 2021
Capital assets not being depreciated:				
Land	$ 6,604,658	$ 204,111	$ -	$ 6,808,769
Construction in progress	751,780	4,050,657	(3,040,460)	1,761,977
Total non-depreciable	7,356,438	4,254,768	(3,040,460)	8,570,746
Other capital assets:				
Airfield	91,052,152	2,400,258	-	93,452,410
Terminal	89,414,632	199,510	-	89,614,142
Other	6,640,833	440,692	-	7,081,525
Trailer park and rental units	1,548,885	-	-	1,548,885
Total depreciable	188,656,502	3,040,460	-	191,696,962
Less accumulated depreciation for:				
Airfield	62,110,531	4,038,187	-	66,148,718
Terminal	46,641,066	3,491,754	-	50,132,820
Other	3,998,484	358,420	-	4,356,904
Trailer park and rental units	1,548,885	-	-	1,548,885
Total accumulated depreciation	114,298,966	7,888,361	-	122,187,327
Depreciable capital assets, net	74,357,536	(4,847,901)	-	69,509,635
Capital assets, net	$ 81,713,974	$ (593,133)	$ (3,040,460)	$ 78,080,381

Note 6—Restricted cash

The Commission receives annual entitlement funds from the Commonwealth. The amount allocated to each airport is calculated on the basis of the previous calendar year's enplaned passengers at that airport as a percentage of the total enplaned passengers in the Commonwealth. Entitlement funds may be used for 100% of the nonfederal portion of projects that are funded under provisions of the Federal Airport Improvement Program and for various projects not funded by the Airport Improvement Program. Restricted cash also includes the Passenger Facility Charge ("PFC") disclosed in Note 14 as well as asset forfeiture funds. Asset forfeitures are funds received through federal agencies for assisting in a law enforcement effort resulting in a federal forfeiture. These funds may be used to supplement, not supplant, the law enforcement department's normal operating budget. At June 30, 2021, the Commission's restricted cash from entitlement funds, asset forfeiture funds, and from PFC was $11,661,468.

Note 7—Compensated absences and sick leave accrual

All employees of the Commission are entitled to vacation in accordance with Commission policy. At termination or retirement, employees are paid for any unused leave up to 240 hours. The Commission has accrued $193,429 for compensated absences as of June 30, 2021. These liabilities are recorded in accrued liabilities on the Statements of Net Position.

All employees of the Commission are also entitled to sick leave in accordance with Commission policy. At retirement, employees are paid for unused leave. The Commission has accrued $155,534 for sick leave as of June 30, 2021. These liabilities are recorded in accrued liabilities on the Statements of Net Position.

Note 8—Long-term obligations

Following is a summary of long-term obligations of the Commission:

	Balance, June 30, 2020	Additions	Reductions	Balance, June 30, 2021	Current Portion
Airport improvement bonds:					
Series 2002	$ 953,963	$ -	$ (127,296)	$ 826,667	$ 130,537
Series 2005A	4,142,242	-	(285,074)	3,857,168	296,210
Series 2005B	1,881,009	-	(131,943)	1,749,066	139,436
Total improvement bonds	$ 6,977,214	$ -	$ (544,313)	$ 6,432,901	$ 566,183
Compensated absences - vacation	$ 151,291	$ 42,138	$ -	$ 193,429	
Compensated absences - sick	$ 44,291	$ 111,243	$ -	$ 155,534	
Net pension liabilities (assets)	$ (12,435)	$ 475,212	$ -	$ 462,777	
Net OPEB liabilities - local	$ 5,837,984	$ -	$ (1,919,890)	$ 3,918,094	
Net OPEB liabilities - GLI	$ 203,246	$ -	$ (3,153)	$ 200,093	

Note 8—Long-term obligations (continued)

	2021	For Comparative Purposes Only 2020
Airport Improvement Bonds Series 2002 - In July 2002, the Commission issued $2,500,000 of Virginia Resources Authority ("VRA") Airport Improvement Revenue Bonds, Subordinate Series 2002, at 4.5% interest with monthly principal and interest payments of $13,971. During 2016, the Commission negotiated an interest rate reduction to 2.75% for the remainder of the term of the bond, which reduced the monthly principal and interest payment to $12,637 and accelerated the maturity date to May 2027.	$ 826,667	$ 953,963
Airport Improvement Bonds Series 2005A - In December 2005, the Commission issued $7,000,000 of Unsecured Tax-Exempt Bonds, at 4.30% interest. Interest only payments are required until February 2007, at which time, monthly principal and interest payments of $38,118 are due. The bonds mature in January 2032.	3,857,168	4,142,242
Airport Improvement Bonds Series 2005B - In December 2005, the Commission issued $3,000,000 of Unsecured Taxable Bonds, at 5.81% interest with monthly principal and interest payments of $18,982. During 2018, the Commission negotiated an interest rate reduction to 3.95% for the remainder of the term of the bond, which reduced the monthly principal and interest payment to $16,982. The bonds mature in January 2032.	1,749,066	1,881,009
Total maturities	6,432,901	6,977,214
Less current maturities	(566,183)	(542,221)
Net long-term maturities	$ 5,866,718	$ 6,434,993

Years Ending June 30:	**Principal**	**Interest**
2022	$ 566,183	$ 244,963
2023	577,352	224,429
2024	611,529	200,169
2025	635,626	186,221
2026	639,043	151,278
2027–2031	3,090,241	383,841
2032	312,927	3,839
	$ 6,432,901	$ 1,394,740

Note 9—Defined benefit pension plan

Plan Description – All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The VRS administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- https://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- https://www.varetirement.org/hybrid.html.

Employees Covered by Benefit Terms – As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	42
Inactive members:	
Vested inactive members	16
Nonvested inactive members	29
Inactive members active elsewhere in VRS	19
Total inactive members	64
Active members	39
Total covered employees	145

Contributions – The contribution requirement for active employees is governed by Section 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2021, was 5.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $124,612 for the year ended June 30, 2021.

Note 9—Defined benefit pension plan (continued)

Net Pension Liability (Asset) – The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with U.S. GAAP, less that employer's fiduciary net position. For political subdivisions, the net pension liability (asset) was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50% General
Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return, net of pension plan investment expense, including inflation	6.75%*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for U.S. GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15% of deaths are assumed to be service related. Public Safety Employees – 45% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled) – updated to a more current mortality table (RP-2014 projected to 2020)
- Retirement Rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal Rates – adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – lowered rates
- Line of Duty Disability – increased rate from 14% to 15%
- Discount Rate – decreased rate from 7.00% to 6.75%

Note 9—Defined benefit pension plan (continued)

Public Safety Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled) – updated to a more current mortality table (RP-2014 projected to 2020)
- Retirement Rates – increased age 50 rates at older ages and lowered rates at older ages
- Withdrawal Rates – adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – adjusted rates to better fit experience
- Line of Duty Disability – decreased rate from 60% to 45%
- Discount Rate – decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return – The long-term expected rate of return on pension VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) 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 asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00	0.46	0.07
Credit strategies	14.00	5.38	0.75
Real assets	14.00	5.01	0.70
Private equity	14.00	8.34	1.17
MAPS - multi-asset public strategies	6.00	3.04	0.18
PIP - private investment partnership	3.00	6.49	0.19
	100.00%		4.64
		Inflation	2.50
		*Expected arithmetic nominal return	7.14%

* The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled FY2020 actuarial valuations provide a median return of 6.81%.

Note 9—Defined benefit pension plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that VRS member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer-contribution rate. For the year ended June 30, 2020, the alternate rate was the employer-contribution rate used in FY 2012 or 100% of the actuarially determined employer-contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) – (b)
Balances at June 30, 2019	$ 7,955,649	$ 7,968,084	$ (12,435)
Changes for the year:			
Service cost	220,559	-	220,559
Interest	523,017	-	523,017
Differences between expected and actual experience	86,622	-	86,622
Contributions – employer	-	95,291	(95,291)
Contributions – employee	-	114,232	(114,232)
Net investment income	-	150,873	(150,873)
Benefit payments, including refunds of employee contributions	(414,500)	(414,500)	-
Administrative expenses	-	(5,232)	5,232
Other changes	-	(178)	178
Net changes	415,698	(59,514)	475,212
Balances at June 30, 2020	$ 8,371,347	$ 7,908,570	$ 462,777

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability of the Commission using the discount rate of 6.75%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	$ 976,279	$ (12,435)	$ 800,565

Note 9—Defined benefit pension plan (concluded)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2021, the Commission recognized pension expense of $156,853. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 236,391	$ -
Change of assumptions	66,165	-
Differences between expected and actual experience	56,682	-
Employer contributions subsequent to the measurement date	124,612	-
Total as of June 30, 2020	$ 483,850	$ -

The $124,612 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2022	$ 109,268
2023	93,507
2024	80,487
2025	75,976
	$ 359,238

Pension Plan Data – Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report ("Annual Report"). A copy of the 2019 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218 2500.

Note 10—Other postemployment benefits, healthcare

Plan Description – In addition to providing the pension benefits described in Note 9, the Commission provides OPEB for retired employees through a single-employer, defined benefit plan ("Plan"). The benefits, benefit levels, employee contributions, and employer contributions are governed by the Commission and can be amended by the Commission through its personnel manual and employment contracts. The OPEB plan does not issue a publicly available report.

Benefits Provided – The Commission provides postemployment healthcare benefits to its retirees. Employees hired prior to July 1, 2010 are eligible to retire and receive postretirement medical benefits at the earlier of age 55 with at least five years of service or age 50 with 30 years of service. Employees hired on or after July 1, 2010 are eligible to retire and receive postretirement medical benefits at the earlier of age 60 with at least five years of service or when the employees' age plus service is greater than or equal to 90.

The Commission receives health coverage through the City, which offers medical coverage to eligible retirees and their eligible dependents through Anthem KeyCare Plans and Optima Health, a Humana Plan and Delta Dental. Benefits include general inpatient and outpatient medical services, dental care, and prescription drugs. Non-Medicare eligible retirees had a choice of three: Anthem KeyCare Plans: a PPO Plan, a HMO Plan or a High-Deductible Health Plan with a health savings account for the first half of the fiscal year. Optima Health Plans were offered for the second half of the fiscal year. For those retirees eligible for Medicare, the Commission provides the benefits available through the Humana Plan reduced by any amounts payable by Medicare.

Employees Covered by Benefit Terms – As of the June 30, 2020 measurement date, the following employees were covered by the benefit terms of the plan:

Inactive members:	
Currently receiving benefits	43
Entitled to but not yet receiving benfits	5
Total inactive members	48
Active members	39
Total covered employees	87

Total OPEB Liability – The Commission's total OPEB liability of $3,918,094 was based on the total OPEB liability as of the valuation date, July 1, 2020.

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases, including inflation	3.0%
Healthcare cost trend rates	4.0%
Retirees' share of benefit-related costs	45% of projected health insurance

Note 10—Other postemployment benefits, healthcare (continued)

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on scale BB.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2019.

	Total OPEB Liability
Balances at June 30, 2019	$ 5,837,984
Changes for the year:	
Service cost	341,320
Interest	214,771
Differences between expected and actual experience	(1,045,450)
Change in assumptions	(1,343,817)
Benefit payments, including refunds of employee contributions	(86,714)
Net changes	(1,919,890)
Balances at June 30, 2020	$ 3,918,094

Discount Rate – Since the Plan is pay-as-you-go and is not funded, the discount rate will be based on a 20-year, tax-exempt general obligation municipal bond index. This Plan uses the Bond Buyer GO 20-Bond Municipal Bond Index to satisfy the requirements of U.S. GAAP. As this index is issued weekly, the value closest to, but not after the, reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 25, 2020 was 2.21%.

The Plan does not have a trust established for the payment of OPEB benefits.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
OPEB liability	$ 4,481,741	$ 3,918,094	$ 3,433,236

Note 10—Other postemployment benefits, healthcare (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Trend Minus 1%	Current Healthcare Cost Trend %	Trend Plus 1%
OPEB liability	$ 3,314,286	$ 3,918,094	$ 4,683,018

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Commission recognized OPEB expense of ($87,291). At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 215,803	$ 1,938,016
Differences between expected and actual experience	-	1,350,719
Employer contributions subsequent to the measurement date	112,740	-
Total as of June 30, 2020	$ 328,543	$ 3,288,735

The $112,740 reported as deferred outflows of resources related to OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2022	$ (643,382)
2023	(643,382)
2024	(643,384)
2025	(503,296)
2026	(298,165)
Therafter	(341,323)
	$ (3,072,932)

Note 11—Other postemployment benefits – VRS Group Life Insurance Program ("GLI")

Plan Descriptions – In addition to their participation in the pension plans offered through the VRS, the Commission also participates in the VRS GLI OPEB ("GLI") plan, which is a multiple-employer, cost-sharing plan providing coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the optional GLI. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life- insurance/basic-group-life-insurance.asp.

Contributions – The contribution requirements for the GLI program are governed by Sections 51.1-506 and 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer-contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI program from the Commission were $12,300 for the year ended June 30, 2021.

GLI OPEB Liability, Expense, and Deferred Inflows and Outflows of Resources Related to the GLI Program – The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI program for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2021 proportionate share of liability	$200,093
June 30, 2020 proportion share of contributions	0.01199%
June 30, 2019 proportion share of contributions	0.01249%
June 30, 2021 expense	$4,448

Note 11—Other postemployment benefits – VRS Group Life Insurance (GLI) Program (continued)

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 6,011	$ -
Change of assumptions	10,007	4,178
Change in proportionate share	5,961	16,283
Differences between expected and actual experience	12,834	1,797
Employer contributions subsequent to the measurement date	12,300	-
Total as of June 30, 2020	$ 47,113	$ 22,258

The $12,300 reported deferred outflows of resources related to OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2021	$ (168)
2022	1,529
2023	4,313
2024	6,200
2025	845
Thereafter	(164)
	$ 12,555

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
Locality- general employees	3.50 – 5.35%
Investment rate of return, net of expense, including inflation	6.75%*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for U.S. GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Note 11—Other postemployment benefits – VRS Group Life Insurance (GLI) Program (continued)

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

Net OPEB Liability – The net OPEB liability represent the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date June 30, 2020, net OPEB liability amounts for the GLI VRS OPEB program is as follows (amounts expressed in thousands):

		Group Life Insurance Program
Total OPEB liability	$	3,523,937
Plan fiduciary net position		1,855,102
Employers' net OPEB liability		1,668,835
Plan fiduciary net position as a percentage of total OPEB liability		52.64%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of U.S. GAAP in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return – The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) 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 asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00	0.46	0.07
Credit strategies	14.00	5.38	0.75
Real assets	14.00	5.01	0.70
Private equity	14.00	8.34	1.17
MAPS - multi-asset public strategies	6.00	3.04	0.18
PIP - private investment partnership	3.00	6.49	0.19
	100.00%		4.64
		Inflation	2.50
		*Expected arithmetic nominal return	7.14%

Note 11—Other postemployment benefits – VRS Group Life Insurance (GLI) Program (concluded)

* The above allocation provides for a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.5%. The VRS board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate – The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that VRS member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net GLI OPEB liability of the Commission using the discount rate of 6.75%, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 263,038	$ 200,093	$ 148,976

OPEB Plan Fiduciary Net Position – Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Annual Report. A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12—Leasing arrangements as lessor

The Commission leases property to tenants including terminal space, hangars and land. Lease terms range from one to 25 years.

Future minimum lease payments to be received from noncancelable operating leases are as follows:

Years Ending June 30,		
2022	$	751,527
2023		745,472
2024		641,311
2025		291,384
2026		156,645
Thereafter		1,279,717
	$	3,866,056

In 2019, the City renewed a lease for the fire station. The new lease is effective from July 2019 through June 2021 with an option to extend for two additional one year periods. The lease calls for lease payments of $20,700 per year.

Note 13—Leased equipment

The Commission leases equipment under a long-term noncancelable operating lease. The lease term is five years and expires in August 2022. Lease expense was $14,340 during 2021.

Future minimum annual rentals are as follows:

Years Ending June 30,		
2022	$	2,390
	$	2,390

Note 14—Passenger facility charge

As of July 1, 2010, the FAA has given the Commission authority to impose a PFC, under multiple PFC applications, of $4.50 per passenger for 28 planned projects. The total approved revenue to be collected under these multiple applications is $26,346,720. During 2021, $247,193 of PFC revenue was collected under these agreements and was recognized as capital contributions on the Statements of Revenue, Expenses, and Changes in Net Position.

Note 15—Concentration of operating income

The primary source of the Commission's operating income is from activity associated with airlines that utilize the Airport's facilities. Due to the vulnerability of the industry in which the Commission operates, operating income, and expenses are susceptible to rapid fluctuations. In addition to revenue generated by airlines and its passengers, there are other sources of income that are being explored using the Airport's property for development of non-aeronautical revenue and maximizing aeronautical revenues by way of increasing rates and charges.

Note 16—Contingencies

Federally Assisted Grant Programs – The Commission participates in a number of federally assisted grant programs. Although the Commission has been audited in accordance with provisions of the Uniform Guidance, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for disallowed expenditures under terms of the grant. Based on prior experience, the Commission believes such disallowances, if any, will not be significant.

Lawsuits – From time to time, the Commission is a defendant in certain lawsuits and claims which are incidental to its operations. Management is of the opinion that the accompanying financial statements will not be materially affected by the ultimate resolution of litigation pending or threatened as of June 30, 2021.

Note 17—Commitments

At June 30, 2021, the Commission had commitments outstanding, in the form of contracts and purchase orders, of approximately $750,000, primarily for construction projects.

Note 18—Uncertainties

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of a novel strain of coronavirus ("COVID-19"). As there is still a significant level of uncertainty associated with pandemic, the Commission continues to actively monitor developments and will take steps to respond accordingly.

REQUIRED SUPPLEMENTARY INFORMATION

PENINSULA AIRPORT COMMISSION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2021

	2020	2019	2018	2017	2016	2015	2014
Schedule of Changes in the Commission's Net Pension Liability (Asset) and Related Ratios:							
Total Pension Liability:							
Service cost	$ 220,559	$ 218,774	$ 196,971	$ 245,825	$ 252,646	$ 247,082	$ 238,814
Interest	523,017	502,928	517,397	492,440	463,530	431,301	408,005
Differences between expected and actual experience	86,622	12,947	(523,768)	68,645	74,866	145,651	-
Changes of assumptions	-	227,543	-	(56,025)	-	-	-
Benefit payments, including refunds of employee contributions	(414,500)	(382,446)	(412,169)	(376,548)	(379,542)	(347,684)	(280,352)
Net Change in Total Pension Liability	415,698	579,746	(221,569)	374,337	411,500	476,350	366,467
Total pension liability – beginning	7,955,649	7,375,903	7,597,472	7,223,135	6,811,635	6,335,285	5,968,818
Total pension liability – ending (a)	8,371,347	7,955,649	7,375,903	7,597,472	7,223,135	6,811,635	6,335,285
Plan Fiduciary Net Position:							
Contributions – employer	95,291	97,542	132,061	137,317	156,792	158,360	220,175
Contributions – employee	114,232	115,053	108,617	116,965	117,182	118,594	117,539
Net investment income	150,873	505,920	534,359	801,269	113,294	291,702	870,249
Benefit payments, including refunds of employee contributions	(414,500)	(382,446)	(412,169)	(376,548)	(379,542)	(347,684)	(280,352)
Administrative expense	(5,232)	(5,070)	(4,660)	(4,659)	(4,133)	(4,010)	(4,591)
Other	(178)	(318)	(474)	(711)	(48)	(61)	45
Net Change in Plan Fiduciary Net Position	(59,514)	330,681	357,734	673,633	3,545	216,901	923,065
Plan fiduciary net position – beginning	7,968,084	7,637,403	7,279,669	6,606,036	6,602,491	6,385,590	5,462,525
Plan fiduciary net position – ending (b)	7,908,570	7,968,084	7,637,403	7,279,669	6,606,036	6,602,491	6,385,590
Commission's net pension liability(asset) – ending (a)-(b)	$ 462,777	$ (12,435)	$ (261,500)	$ 317,803	$ 617,099	$ 209,144	$ (50,305)
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	94.47 %	100.16 %	103.55 %	95.82 %	91.46 %	96.93 %	100.79 %
Covered payroll (c)	$ 2,462,544	$ 2,441,718	$ 2,268,631	$ 2,286,395	$ 2,369,678	$ 2,382,571	$ 2,352,297
Commission's net pension liability(asset) as a percentage of covered payroll [(a)-(b)] / (c)	18.79 %	(0.51)%	(11.53)%	13.90 %	26.04 %	8.78 %	(2.14)%

Net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

PENINSULA AIRPORT COMMISSION

SCHEDULE OF CHANGES IN TOTAL HEALTHCARE OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2021

	2020	2019	2018	2017
Schedule of Changes in the Commission's OPEB Liability and Related Ratios:				
Total OPEB Liability:				
Service cost	$ 341,320	$ 305,601	$ 333,652	$ 387,298
Interest	214,771	208,945	229,887	198,590
Differences between expected and actual experience	(1,045,450)	-	(795,584)	-
Changes of assumptions	(1,343,817)	302,125	(640,341)	(980,611)
Benefit payments, including refunds of employee contributions	(86,714)	(142,981)	(101,287)	(95,518)
Net Change in Total OPEB Liability	(1,919,890)	673,690	(973,673)	(490,241)
Total OPEB liability – beginning	5,837,984	5,164,294	6,137,967	6,628,208
Total OPEB liability – ending (a)-(b)	$ 3,918,094	$ 5,837,984	$ 5,164,294	$ 6,137,967

OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

PENINSULA AIRPORT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY (UNAUDITED)

YEAR ENDED JUNE 30, 2021

	2020	2019	2018	2017
GLI Plan:				
Commission's proportion of the net GLI OPEB liability	0.011990%	0.012490%	0.01194%	0.01240%
Commission's proportionate share of net GLI OPEB liability	$ 200,093	$ 203,246	$ 182,000	$ 187,000
Employer's covered payroll	2,462,544	2,441,718	2,268,631	2,286,395
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.13%	8.32%	8.02%	8.18%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64%	52.00%	51.22%	48.86%

OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

PENINSULA AIRPORT COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

YEAR ENDED JUNE 30, 2021

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
VRS Pension Plan:					
2021	$ 124,612	$ 124,612	$ -	$ 2,225,207	5.60%
2020	111,829	111,829	-	2,462,544	4.54%
2019	110,854	110,854	-	2,441,718	4.54%
2018	139,067	139,067	-	2,268,631	6.13%
2017	140,156	140,156	-	2,286,395	6.13%
2016	158,058	158,058	-	2,369,678	6.67%
2015	158,918	158,918	-	2,382,571	6.67%
2014	220,175	220,175	-	2,352,297	9.36%
2013	216,015	216,015	-	2,307,848	9.36%
2012	202,606	202,606	-	2,535,744	7.99%
GLI OPEB Plan:					
2021	$ 12,300	$ 12,300	$ -	$ 2,225,207	0.55%
2020	12,835	12,835	-	2,462,544	0.52%
2019	12,730	12,730	-	2,441,718	0.52%
2018	11,812	11,812	-	2,268,631	0.52%
2017	11,889	11,889	-	2,286,395	0.52%

This schedule is intended to present 10 years of information. GASB 68 and GASB 75 were implemented in fiscal year 2015 and 2018, respectively; additional years will be presented as the information becomes available.

Changes of Benefit Terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS board action are as follows:

General Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled) – updated to a more current mortality table (RP-2014 projected to 2020)
- Retirement Rates – lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal Rates – adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – lowered rates
- Line of Duty Disability – increased rate from 14% to 15%
- Discount Rate – decreased rate from 7.00% to 6.75%

Public Safety Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled) – updated to a more current mortality table (RP-2014 projected to 2020)
- Retirement Rates – increased age 50 rates at older ages and lowered rates at older ages
- Withdrawal Rates – adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability Rates – adjusted rates to better fit experience
- Line of Duty Disability – decreased rate from 60% to 4%
- Discount Rate – decrease rate from 7.00% to 6.75%

SUPPLEMENTARY INFORMATION

PENINSULA AIRPORT COMMISSION
SCHEDULE OF OPERATING INCOME

YEAR ENDED JUNE 30, 2021 (WITH 2020 COMPARATIVE BALANCES)

	2021		For Comparative Purposes Only 2020	
	Amount	**Percent**	**Amount**	**Percent**
AIRFIELD				
Landing and tie-down fees	$ 134,305		$ 491,488	
Fixed base operator commissions	215,001		181,802	
Fuel flowage fees	83,723		118,692	
Hangar rental and operations fees	850,588		820,881	
Total Airfield	1,283,617	21.6%	1,612,863	21.6%
TERMINAL AND LANDSIDE				
Rents:				
Airline offices	180,976		600,380	
Car rental and other	51,546		110,626	
Commissions:				
Car rental	1,498,710		2,026,171	
Communications and other	208,664		551,250	
Parking lot fees	490,841		1,381,397	
Other	151,001		159,515	
Total Terminal and Landside	2,581,738	64.9%	4,829,339	64.8%
OTHER RENTS	351,690	5.3%	392,854	5.3%
TRAILER PARK RENTS	526,063	7.2%	539,616	7.2%
ADMINISTRATIVE AND MISCELLANEOUS	48,624	1.0%	73,397	1.0%
MAINTENANCE REIMBURSEMENT	350	0.0%	2,150	0.0%
Total Operating Income	$ 4,792,082	100%	$ 7,450,219	100%

PENINSULA AIRPORT COMMISSION
SCHEDULE OF INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION PER ACTIVITY

YEAR ENDED JUNE 30, 2021 WITH 2020 COMPARATIVE BALANCES

	Airfield		Terminal and Landside		Other Rents		Trailer Park		Allocated Costs - Administrative and Miscellaneous		Allocated Costs - Maintenance		Total	
	2021	2020*	2021	2020*	2021	2020*	2021	2020*	2021	2020*	2021	2020*	2021	2020*
OPERATING INCOME	$ 1,283,617	$ 1,612,863	$ 2,581,738	$ 4,829,339	$ 351,690	$ 392,854	$ 526,063	$ 539,616	$ 48,624	$ 73,397	$ 350	$ 2,150	$ 4,792,082	$ 7,450,219
Cost of sales	-	-	(264,558)	(435,369)	-	-	-	-	-	-	-	-	(264,558)	(435,369)
Net operating income	1,283,617	1,612,863	2,317,180	4,393,970	351,690	392,854	526,063	539,616	48,624	73,397	350	2,150	4,527,524	7,014,850
OPERATING EXPENSES														
Advertising	-	-	218	-	-	-	-	-	297,125	243,459	-	-	297,343	243,459
Audit	-	-	-	-	-	-	-	-	58,238	37,400	-	-	58,238	37,400
Auto and equipment	-	-	-	-	-	-	-	-	161	3,244	1,959	4,303	2,120	7,547
Commission fee	-	-	-	-	-	-	-	-	12,954	17,267	-	-	12,954	17,267
Communications	-	-	40,358	42,199	-	-	-	-	22,682	24,643	258	344	63,298	67,186
Crash and rescue	16,369	17,800	-	-	-	-	-	-	-	-	-	-	16,369	17,800
Dues and subscriptions	-	-	-	-	-	-	1,964	2,438	18,057	14,441	-	-	20,021	16,879
General office	-	-	-	-	-	-	-	-	18,881	29,702	-	-	18,881	29,702
Insurance	-	-	2,087	-	-	-	2,652	2,576	212,653	261,784	-	-	217,392	264,359
Janitorial supplies	-	-	39,833	47,641	-	-	-	-	-	-	-	-	39,833	47,641
Labor	488,149	499,427	1,103,899	1,155,414	192,507	192,980	133,429	146,233	713,253	1,024,304	125,178	128,875	2,756,415	3,147,234
Management fees	-	-	-	-	-	-	709	854	-	-	-	-	709	854
Miscellaneous	-	-	-	-	-	-	22	192	2,131	-	-	-	2,153	192
Payroll taxes and benefits	184,753	148,571	403,448	318,999	74,622	57,326	44,215	39,446	198,847	232,655	45,652	46,437	951,537	843,434
Postage	-	-	-	-	-	-	-	-	3,068	3,835	-	-	3,068	3,835
Professional services	5,073	5,371	1,289	1,978	-	-	20,704	12,959	271,901	397,681	-	-	298,967	417,989
Repairs, maintenance, and supplies	111,942	64,370	252,682	318,439	29,932	59,024	45,633	30,473	133,165	90,208	144,853	128,750	718,207	691,264
Retiree healthcare OPEB	-	-	-	-	-	-	-	-	(87,291)	174,176	-	-	(87,291)	174,176
Shop and linen supplies	-	-	7,463	336	-	-	-	-	-	-	-	-	7,463	336
Small tools	-	-	-	-	-	-	-	-	-	-	2,039	1,868	2,039	1,868
Training	-	-	-	-	-	-	-	-	385	2,548	-	-	385	2,548
Trash removal	-	-	22,137	33,452	-	-	18,386	16,346	-	-	-	-	40,523	49,798
Travel and promotions	-	-	750	764	-	-	-	-	24,806	30,530	18	65	25,574	31,359
Uniforms	3,706	5,915	12,445	17,483	-	-	-	-	-	-	20,181	24,047	36,332	47,445
Utilities	28,225	28,734	423,368	481,889	53,453	85,942	133,836	136,706	109,507	109,273	8,352	6,012	756,741	848,556
Total Operating Expenses	838,217	770,188	2,309,977	2,418,593	350,514	395,273	401,550	388,223	2,010,523	2,697,149	348,490	340,703	6,259,271	7,010,129
Income (Loss) from Operations before Depreciation	$ 445,400	$ 842,675	$ 7,203	$ 1,975,377	$ 1,176	$ (2,419)	$ 124,513	$ 151,393	$ (1,961,899)	$ (2,623,752)	$ (348,140)	$ (338,553)	$ (1,731,747)	$ 4,721

* For comparable purposes only. Certain amounts have been reclassified for consistency in presentation with year-end June 30, 2021, amounts.

PENINSULA AIRPORT COMMISSION
SCHEDULE OF PLEDGED REVENUE COVERAGE

YEAR ENDED JUNE 30, 2021 WITH 2020 COMPARATIVE BALANCES

Airport Improvement Revenue Bonds, Series 2002

				Debt Service		
Fiscal Year	**Operating Revenues and Interest**	**Less Operating Expenses and Interest**	**Net Revenues Available for Debt Service**	**Principal**	**Interest**	**Coverage**
2021	$ 7,272,550	$ 6,795,271	$ 477,279	$ 544,313	$271,442	0.59
2020	9,108,732	7,738,409	1,370,323	522,844	292,911	1.68
2019	8,671,142	7,709,830	961,312	503,445	313,809	1.18
2018	8,102,545	7,425,792	676,753	465,357	350,111	0.83
2017	7,830,161	7,201,072	629,089	449,553	389,934	0.75
2016	7,778,757	6,829,019	949,738	427,513	421,375	1.12
2015	8,141,719	6,928,267	1,213,452	401,312	451,543	1.42
2014	7,745,280	7,725,871	19,409	383,101	472,159	0.02

Note - Per Virginia Resources Authority guidance, CARES Act Federal assistance is to be used for operational purposes and, therefore, should be included in Operating Revenues for this analysis.

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Peninsula Airport Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Peninsula Airport Commission (the "Commission"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 7, 2021. Our report includes a reference to other auditors who audited the financial statements of the Commission, as of and for the year ended June 30, 2021, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Peninsula Airport Commission's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Cherry Bekaert LLP

Richmond, Virginia
December 7, 2021

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**

2. Significant deficiencies in internal control disclosed by the audit of the financial statements**: Yes, Finding 2021-001**

3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**

4. Noncompliance, which is material to the financial statements: **No**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2021-001 – Significant Deficiency – Segregation of Duties

Criteria: Yearly, the Commission's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reported externally through its financial statements. The efficient, effective and timely preparation of the financial statement depends heavily on finance personnel to monthly close the Commission's general ledger, performing appropriate financial analyses and reconciliations of financial activity, and accumulating the required data for reporting and to ensure Federal Aviation Administration compliance. In order to verify the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial and operational information is complete, accurate, and in accordance with accounting principles generally accepted in the United States of America. Key to effectively functioning procedures is the segregation of duties throughout the performance of said procedures to reduce the risk of misstatement due to fraud or error.

Condition: As of June 30, 2021, the Commission does not have adequate segregation of duties over initiating, recording, and reconciling transactions involving key financial cycles. Although the size of the Commission's accounting department limits the extent of separation of duties, we believe certain steps could be taken to separate duties performed by members of the accounting function. The basic premise is that no one employee or individual should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, we noted the following examples lacking a segregation of duties:

- Our review of the general journal entries revealed that manual entries lack secondary review and approval by someone other than the preparer. We recommend the adoption of a policy whereby all journal entries are approved by a designated member of management of the Commission, separate of the preparer. All entries should be initialed, or electronically signed, by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

- Our review of bank reconciliations indicated there was no review function in place over these schedules. It is always a best practice that a preparer have a designated, knowledgeable reviewer to ensure the accuracy and completeness of accounting transactions

Cause: Turnover in finance related positions without additional hiring and other Commission personnel cross trained to fill the segregation void.

Effect: Lack of a segregation of duties increases the potential for inaccurate financial reporting and ineffective finance management.

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards (continued)*

Recommendation: The Commission should review the current level of finance personnel and responsibilities and address any identified deficiencies in number or knowledge of personnel through additional hiring's, re-assignment of responsibilities and cross-training of other Commission personnel to augment the finance control environment.

Views of Responsible Officials and Planned Corrective Actions: The effects of COVID-19 caused severe reductions in staffing for the fiscal year ended June 30, 2020. The Commission retooled to adjust to reduced demand yet ensure compliance with commercial service airline service requirements. For the fiscal year ended June 30, 2021, the Commission added staff in operations only to meet the slight increase in demand. The Executive Director and staff have reviewed the internal controls over financial reporting and have discussed additional procedures to verify, review, and document the review to ensure internal controls are appropriate and are in compliance with the requirements to perform an effective review.

C. Status of Prior Year Findings

Finding 2020-001 was repeated as finding 2021-001.