

**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, 2025

And Reports of Independent Auditor

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PENINSULA AIRPORT COMMISSION
COMMISSION MEMBERS

JUNE 30, 2025

Lindsey Smith
Thomas Garner
Jay Joseph
Dr. McKinley Price
John Lawson

Chair
Vice-Chair
Treasurer
Secretary
Assistant Secretary

Report of Independent Auditor

To the Board of Commissioners
Peninsula Airport Commission
Newport News, Virginia

Report on the Audit of the Financial Statements

Opinion

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, 2025, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of June 30, 2025, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and 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* (the “*Specifications*”), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and *Specifications* are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Commission Members but does not include the basic financial statements and our auditor’s report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
November 26, 2025

PENINSULA AIRPORT COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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, 2025. 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:

	<u>2025</u>	<u>2024</u>
Enplanements	69,871	65,733
% Increase (decrease)	6.30%	-12.46%
Aircraft operations	32,086	34,670
% Increase (decrease)	-7.45%	-11.31%
Landed weight	104,786,314	102,290,831
% Increase (decrease)	2.44%	-4.06%
Parking (vehicles)	34,547	32,246
% Increase (decrease)	7.14%	15.73%
Parking (revenue)	759,406	709,755
% Increase (decrease)	7.00%	-4.88%
Rental car commissions	1,727,443	1,808,166
% Increase (decrease)	-4.46%	1.63%
Customer facility charge	725,505	770,262
% Increase (decrease)	-5.81%	13.92%

Activity levels for the year of fiscal year 2025 are reflective of continued weak recovery of air travel at smaller airports. The nationwide rebound in air travel since the "COVID-19" pandemic shutdowns have not proportionally benefited all airports evenly. A continuing industry wide shortage of pilots, aircraft, and flight support staff has resulted in increasing concentration of passenger traffic to airports able to provide better economies of scale.

PENINSULA AIRPORT COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Financial Operations Highlights

Net position decreased by \$3.9 million in 2025 compared to a \$5.2 million decrease in 2024.

- Operating income decreased by a small percentage of 0.09% from \$5.269 million to \$5.265 million due to steady passenger traffic mixed with pricing adjustments to match market conditions.
- Operating expenses decreased by 10.8% from \$13.8 million to \$12.3 million because of a \$1.6 million decrease in depreciation and amortization due to asset retirements, which was offset by a slight increase of \$229 thousand in labor expenses.
- The above factors resulted in a loss from operations of \$1.5 million less than the 2024 results.
- Nonoperating income decreased by approximately \$229 thousand from 2024, with a net nonoperating loss of \$173 thousand in 2025 compared to a net gain of \$57 thousand in 2024. This decrease in nonoperating activity was primarily due to having a smaller gain on sale of capital assets.
- Capital contributions received in the form of grants from the federal government and the Commonwealth of Virginia decreased by 0.34% from \$3.31 million in 2024 to \$3.3 million in 2025 due to the timing of capital projects.
- There were no capital projects that were completed or started in FY2025. Expenditures of in progress projects included \$2.7 million on design, engineering and master plan consulting, and the purchase of \$75 thousand on terminal equipment and \$84 thousand on maintenance equipment.

Summary of Operations and Changes in Net Position

	<u>2025</u>	<u>2024</u>
Operating income	\$ 5,265,409	\$ 5,269,893
Operating expenses	<u>12,310,777</u>	<u>13,787,424</u>
Loss Before Other Nonoperating Income and Expenses	(7,045,368)	(8,517,531)
Other nonoperating income	<u>(172,666)</u>	<u>56,797</u>
Loss Before Capital Contributions	(7,218,034)	(8,460,734)
Capital contributions	<u>3,298,824</u>	<u>3,309,939</u>
Change in Net Position	<u>\$ (3,919,210)</u>	<u>\$ (5,150,795)</u>

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 \$68.2 million at June 30, 2025, a \$3.9 million decrease from June 30, 2024.

PENINSULA AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

	<u>2025</u>	<u>2024</u>
ASSETS:		
Current assets	\$ 1,961,122	\$ 3,730,348
Restricted assets	15,025,075	14,487,375
Capital assets, net	60,866,039	64,390,520
Other noncurrent assets	<u>727,096</u>	<u>693,946</u>
Total Assets	<u>78,579,332</u>	<u>83,302,189</u>
Deferred outflows of resources	<u>536,097</u>	<u>795,556</u>
Liabilities:		
Current liabilities	1,580,810	1,528,414
Long-term liabilities	<u>6,706,544</u>	<u>8,070,176</u>
Total Liabilities	<u>8,287,354</u>	<u>9,598,590</u>
Deferred inflows of resources	<u>2,611,564</u>	<u>2,363,434</u>
Net Position:		
Net investment in capital assets	57,006,252	60,062,066
Restricted	23,375,903	20,487,518
Unrestricted	<u>(12,165,644)</u>	<u>(8,413,863)</u>
Total Net Position	<u>\$ 68,216,511</u>	<u>\$ 72,135,721</u>

The largest portion of the Commission's net position each year (83.7% at June 30, 2025), represents its investment in capital assets (e.g., land, buildings, improvements, equipment, and right-of-use assets – IT subscriptions), 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 (34.3% at June 30, 2025), 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.

PENINSULA AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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, 2025. Terminal rental rates are \$34 per square foot at June 30, 2025. 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 fiscal year 2020 and went into effect on July 1, 2019.

Revenues

A summary of revenues is as follows:

	<u>2025</u>	<u>Percent of Total</u>	<u>2024</u>	<u>Percent of Total</u>
Operating Revenues:				
Airfield	\$ 1,648,474	31.3%	\$ 1,549,523	28.1%
Terminal and landside	3,236,317	61.5%	3,336,327	60.5%
Other rents	372,351	7.1%	381,647	6.9%
Administrative and miscellaneous	8,267	0.2%	2,396	0.0%
Total Operating Revenues	<u>5,265,409</u>	<u>100.0%</u>	<u>5,269,893</u>	<u>95.5%</u>
Nonoperating Income:				
Interest income	742	0.0%	2,551	0.0%
Gain on sale of assets	-	0.0%	245,000	4.4%
Total Nonoperating Income	<u>742</u>	<u>0.0%</u>	<u>247,551</u>	<u>4.5%</u>
Total Revenues	<u>\$ 5,266,151</u>	<u>100.0%</u>	<u>\$ 5,517,444</u>	<u>100.0%</u>

**PENINSULA AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2025

Expenses

A summary of expenses is as follows:

	<u>2025</u>	<u>Percent of Total</u>	<u>2024</u>	<u>Percent of Total</u>
Operating Expenses:				
Airfield	897,444	7.2%	807,564	5.8%
Terminal and landside	2,704,892	21.7%	2,481,301	17.8%
Other rents	327,953	2.6%	299,691	2.1%
Trailer park rent	-	0.0%	1,340	0.0%
Administrative and miscellaneous	1,735,609	13.9%	1,882,399	13.5%
Maintenance	294,396	2.4%	301,032	2.2%
Total Operating Expenses	<u>5,960,294</u>	<u>47.8%</u>	<u>5,773,327</u>	<u>41.3%</u>
Depreciation Expense	<u>6,350,483</u>	<u>50.9%</u>	<u>8,014,097</u>	<u>57.3%</u>
Nonoperating Expense:				
Interest expense	168,726	1.3%	190,754	1.4%
Other expenses	4,682	0.0%	-	0.0%
Total Nonoperating Expenses	<u>168,726</u>	<u>1.3%</u>	<u>190,754</u>	<u>1.4%</u>
Total Expenses	<u>\$ 12,479,503</u>	<u>100.0%</u>	<u>\$ 13,978,178</u>	<u>100.0%</u>

Summary of Cash Flow Activities

The Commission's available cash and cash equivalents decreased by \$991 thousand between 2024 and 2025. Pending reimbursements from the Federal Aviation Administration on capital projects totaled \$212 thousand at June 30, 2025 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

The Airport had \$2,666,955 of additions to construction-in-progress, primarily consisting of \$1,837,176 for the terminal window replacement project, \$346,265 for the Delta taxiway project, and \$107,396 for jet bridge replacement, and various smaller capital improvements.

PENINSULA AIRPORT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Long-Term Debt

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.

During the year ended June 30, 2025 the balance outstanding on the Series 2005A Airport Improvement Bonds was reduced to \$2,618,560 from \$2,954,568 outstanding as of June 30, 2024.

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.

During the year ended June 30, 2025 the balance outstanding on the Series 2005B Airport Improvement Bonds was reduced to \$1,180,548 from \$1,334,135 outstanding as of June 30, 2024.

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
STATEMENT OF NET POSITION

JUNE 30, 2025

ASSETS

Current Assets:

Cash and cash equivalents (Note 3)	\$ 1,447,740
Accounts receivable, net of \$5,000 allowance for doubtful accounts	204,961
Accounts receivable - Federal Aviation Administration (Note 4)	211,974
Current portion of leases receivable (Note 11)	94,954
Prepaid expenses and other assets	<u>1,493</u>
Total Current Assets	<u>1,961,122</u>

Restricted Assets:

Cash and cash equivalents (Notes 3 and 6)	<u>15,025,075</u>
Total Restricted Assets	<u>15,025,075</u>

Capital Assets (Note 5):

Land	7,354,949
Construction-in-progress	5,672,210
Capital assets, net of accumulated depreciation and amortization	<u>47,838,880</u>
Total Capital Assets, Net	<u>60,866,039</u>

Leases receivable (Note 11)	278,058
Net pension asset (Note 8)	<u>449,038</u>
Total Assets	<u>\$ 78,579,332</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension (Note 8)	\$ 186,246
Healthcare OPEB Local (Note 9)	320,595
GLI OPEB VRS (Note 10)	<u>29,256</u>
Total Deferred Outflows of Resources	<u>\$ 536,097</u>

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

PENINSULA AIRPORT COMMISSION
STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2025

LIABILITIES

Current Liabilities:

Accounts payable	\$ 452,047
Accrued liabilities	581,414
Current portion of bonds payable (Note 7)	511,726
IT subscription liability (Note 8)	35,623
Total Current Liabilities	<u>1,580,810</u>

Long-Term Liabilities:

Bonds payable, less current portion (Note 7)	3,286,215
Net healthcare OPEB - (Note 9)	3,299,476
IT subscription liability (Note 8)	26,223
Net GLI OPEB - VRS (Note 10)	94,630
Total Long-Term Liabilities	<u>6,706,544</u>
Total Liabilities	<u>\$ 8,287,354</u>

DEFERRED INFLOWS OF RESOURCES:

Pension (Note 8)	\$ 276,747
Healthcare OPEB (Note 9)	1,910,013
GLI OPEB VRS (Note 10)	51,792
Leases (Note 11)	373,012
Total Deferred Inflows of Resources	<u>\$ 2,611,564</u>

NET POSITION:

Net investment in capital assets	\$ 57,006,252
Restricted	23,375,903
Unrestricted	<u>(12,165,644)</u>
Total Net Position	<u>\$ 68,216,511</u>

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

PENINSULA AIRPORT COMMISSION**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

YEAR ENDED JUNE 30, 2025

Operating Revenues:	
Airfield	\$ 1,648,474
Terminal and landside	3,236,317
Other rents	372,351
Administrative and miscellaneous	8,267
Total Operating Revenues	<u>5,265,409</u>
Operating Expenses:	
Advertising	112,098
Audit	123,726
Commission fee	19,626
Communications	90,898
Cost of sales	270,434
Crash and rescue	46,921
Depreciation and amortization	6,350,483
Dues and subscriptions	17,627
General office	64,708
Insurance	254,594
Janitorial supplies	20,974
Labor	2,631,281
Miscellaneous	3,114
Payroll taxes and benefits	648,075
Postage	836
Professional services	134,005
Repairs, maintenance, and supplies	530,952
Training	15,929
Trash removal	48,557
Travel and promotions	16,009
Uniforms	4,516
Utilities	811,767
Others	93,647
Total Operating Expenses	<u>12,310,777</u>
Loss from Operations	<u>(7,045,368)</u>
Nonoperating Revenues (Expenses):	
Interest income	742
Interest expenses	(168,726)
Other expenses	(4,682)
Net Nonoperating Revenues	<u>(172,666)</u>
Loss Before Capital Contributions	<u>(7,218,034)</u>
Capital contributions	<u>3,298,824</u>
Change in net position	(3,919,210)
Total net position, beginning of the year	<u>72,135,721</u>
Total net position, end of the year	<u>\$ 68,216,511</u>

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

PENINSULA AIRPORT COMMISSION
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:

Receipts from customers and users	\$ 5,313,061
Payments to employees	(4,039,429)
Payments to suppliers	<u>(2,089,243)</u>
Net cash flows from operating activities	<u>(815,611)</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	(2,788,986)
Principal payments on bonds	(468,804)
Principal payments on IT subscription liability	(37,016)
Interest paid on debt	(155,061)
Capital contributions	<u>3,270,951</u>
Net cash flows from capital and related financing activities	<u>(178,916)</u>

Cash flows from investing activities:

Interest received and other income	<u>3,935</u>
Net cash flows from investing activities	<u>3,935</u>

Net change in cash and cash equivalents	(990,592)
Cash and cash equivalents, beginning of year	<u>17,463,407</u>
Cash and cash equivalents, end of year	<u>\$ 16,472,815</u>

**Cash and cash equivalents are presented in the accompanying
Statements of Net Position as follows:**

Cash	\$ 1,447,740
Restricted cash	<u>15,025,075</u>
	<u>\$ 16,472,815</u>

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

PENINSULA AIRPORT COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2025

**Reconciliation of operating loss to net cash from
operating activities:**

Loss from operations	\$ (7,045,368)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation and amortization	6,350,483
Change in operating assets and liabilities:	
Accounts receivable	255,978
Prepaid expenses and other assets	2,388
Lease receivable	84,696
Accounts payable	(46,494)
Accrued liabilities	86,029
Net pension liability (asset) and related flows of resources	135,260
Net OPEB liability and related flows of resources	(553,887)
Lease related deferred inflows of resources	(84,696)
Net cash flows from operating activities	<u><u>\$ (815,611)</u></u>

**Supplemental disclosure of noncash capital and
related financing activities:**

Contributed capital funded by accounts receivable - FAA	<u><u>\$ 211,974</u></u>
Issuance of IT subscription liability	<u><u>\$ 66,890</u></u>

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

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 City appoints four of PAC’s six commission members and has a financial benefit/burden relationship with the PAC as described below.

The PAC charter § 6.B. A. states that any deficit budgeted by the Commission in any fiscal year, i.e., any excess of its estimated expenses over its estimated revenues, and the cost of any budgeted capital expenditures in excess of the amount shown as available therefor, as shown on the Commission’s operating and capital budgets approved by the participating political subdivisions, shall be allocated among the participating political subdivisions in proportion to their respective populations as most recently before such fiscal year determined by the Center for Public Service of the University of Virginia. In the event the appropriation of any participating political subdivision is insufficient to pay its portion of the deficit incurred in any fiscal year, the allocation of any deficit for any succeeding fiscal year shall take into account the cumulative deficiency attributable to such participating political subdivision; however, no participating political subdivision shall be required to pay the Commission in any fiscal year any amount in excess of that appropriated to the Commission by the governing body of such participating political subdivision.

The City is a participating political subdivision as defined in the charter. In accordance with the charter and in recognition that the Newport News/Williamsburg International Airport is a valuable community asset, the City is committed to supporting the Commission’s operations and will take all necessary considerations into account to ensure its continued function and success. This support may include, but is not limited to, financial assistance, resource allocation, and collaborative planning activities. Discussions between the City and PAC are ongoing and will continue to occur on a regular basis as the Airport seeks to stabilize its operations.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 as prescribed by 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.

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 statement of net position and statement of cash flows.

Capital Assets – Capital assets are stated at cost or acquisition value if acquired without cost. Capital acquisitions and improvements exceeding \$5,000 are capitalized at cost. Depreciation/amortization 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
Parking	5 – 30 years
Equipment	3 – 20 years
Rental Units	3 – 33 years
Right-of-use asset – IT Subscription	Contract Term

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.

Capital assets also include certain right-of-use (“ROU”) Information Technology (“IT”) subscription assets. These ROU assets arise in association with agreements where the Commission enters into an IT subscription. The ROU IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable. The ROU subscription assets are amortized on a straight-line basis over the subscription term.

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

Compensated Absences – 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 \$190 thousand for compensated absences as of June 30, 2025. These liabilities are recorded in accrued liabilities on the statement 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 \$100 thousand for sick leave as of June 30, 2025. These liabilities are recorded in accrued liabilities on the statement of net position.

PENINSULA AIRPORT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

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 statement of net position reports a separate section for deferred outflows of resources, representing a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources, representing an acquisition of net assets 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 qualify 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.
- Differences result from deferred amounts related to leases.

New Accounting Pronouncement – During the year ended June 30, 2025, the Commission implemented Government Accounting Standards Board (“GASB”) Statement 101, *Compensated Absences*. This statement provides updated guidance on recognizing and measuring liabilities for compensated absences. Under GASB Statement 101, such liabilities are recognized when the leave is attributable to past services, payment is probable, and the amount can be reasonably estimated. This includes both leave expected to be used in future periods and leave payable upon employee separation. The liability is measured using current pay rates as of the financial statement date, including applicable salary-related costs. There was no restatement of beginning net position as a result of the cumulative effect of adoption of GASB Statement 101.

GASB has issued several other pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport:

- GASB Statement 103, *Financial Reporting Model Improvements*
- GASB Statement 104, *Disclosure of Certain Capital Assets*

Subsequent Events – In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through November 26, 2025, the date the financial statements were available to be issued.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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:

<u>Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 16,470,465
Cash on hand	2,350
	<hr/>
Total deposits	<u>\$ 16,472,815</u>
Reconciliation to Statement of Net Position:	
Current - cash and cash equivalents	\$ 1,447,740
Restricted assets - cash and cash equivalents	15,025,075
	<hr/>
	<u>\$ 16,472,815</u>

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 \$16.6 million at June 30, 2025, which was fully insured by depository insurance or secured with collateral held by the Commission’s agent in its name. At June 30, 2025, 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 \$16.1 million 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.

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, 2025.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Cash and cash equivalents (continued)

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 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, 2025, \$211,974 was receivable by the Commission on cost reimbursable grants.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Capital assets

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

	Balances, July 1, 2024	Increases	Decreases	Balances, June 30, 2025
Capital assets not being depreciated:				
Land	\$ 7,354,949	\$ -	\$ -	\$ 7,354,949
Construction-in-progress	3,005,255	2,666,955	-	5,672,210
Total non-depreciable	<u>10,360,204</u>	<u>2,666,955</u>	<u>-</u>	<u>13,027,159</u>
Other capital assets:				
Airfield	99,835,794	-	-	99,835,794
Terminal	75,145,278	75,109	-	75,220,387
Parking	16,315,912	-	-	16,315,912
Equipment	4,550,034	22,018	-	4,572,052
Rental units	2,785,368	-	-	2,785,368
Right-of-use assets - IT subscriptions	128,795	61,920	-	190,715
Total depreciable	<u>198,761,181</u>	<u>159,047</u>	<u>-</u>	<u>198,920,228</u>
Less accumulated depreciation and amortization for:				
Airfield	77,742,201	2,689,072	-	80,431,273
Terminal	49,900,985	2,786,872	-	52,687,857
Parking	11,057,897	554,635	-	11,612,532
Equipment	3,761,926	186,597	-	3,948,523
Rental units	2,176,003	96,484	-	2,272,487
Right-of-use assets - IT subscriptions	91,853	36,823	-	128,676
Total accumulated depreciation and amortization	<u>144,730,865</u>	<u>6,350,483</u>	<u>-</u>	<u>151,081,348</u>
Depreciable capital assets, net	<u>54,030,316</u>	<u>(6,191,436)</u>	<u>-</u>	<u>47,838,880</u>
Capital assets, net	<u>\$ 64,390,520</u>	<u>\$ (3,524,481)</u>	<u>\$ -</u>	<u>\$ 60,866,039</u>

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, 2025, the Commission's restricted cash from entitlement funds and asset forfeiture funds is \$13,305,617 and the restricted cash from PFC is \$1,719,458. Total restricted cash at June 30, 2025 was \$15,025,075.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Long-term obligations

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

	<u>Balance, July 01, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2025</u>	<u>Current Portion</u>
Airport improvement bonds:					
Series 2005A	\$ 2,954,568	\$ -	\$ (336,010)	\$ 2,618,558	\$ 351,694
Series 2005B	1,334,135	-	(154,752)	1,179,383	160,032
Total improvement bonds	<u>\$ 4,288,703</u>	<u>\$ -</u>	<u>\$ (490,762)</u>	<u>\$ 3,797,941</u>	<u>\$ 511,726</u>
IT subscription liability	<u>\$ 31,972</u>	<u>\$ 66,890</u>	<u>\$ (37,016)</u>	<u>\$ 61,846</u>	<u>\$ 35,623</u>
Compensated absences - vacation	<u>\$ 176,000</u>	<u>\$ 171,766</u>	<u>\$ (157,766)</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>
Compensated absences - sick	<u>\$ 100,000</u>	<u>\$ 46,726</u>	<u>\$ (46,726)</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Net OPEB liabilities - local	<u>\$ 4,148,227</u>	<u>\$ 342,515</u>	<u>\$ (1,191,266)</u>	<u>\$ 3,299,476</u>	<u>\$ -</u>
Net OPEB liabilities - GLI	<u>\$ 135,762</u>	<u>\$ -</u>	<u>\$ (41,132)</u>	<u>\$ 94,630</u>	<u>\$ -</u>

Airport Improvement Bonds

Airport Improvement Bonds Series 2005A - In December 2005, the Commission issued \$7,000,000 of Unsecured Tax-Exempt Bonds, at 4.30% interest. Monthly principal and interest payments of \$38,118 are due. The bonds mature in January 2032. \$ 2,618,558

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. 1,179,383

Total maturities	3,797,941
Less current maturities	(511,726)
Net long-term maturities	\$ 3,286,215

Years Ending June 30:

	Principal	Interest
2026	\$ 511,726	\$ 149,476
2027	533,588	127,614
2028	556,385	104,817
2029	580,157	81,045
2030	604,947	52,477
2031 - 2035	1,011,138	25,312
	\$ 3,797,941	\$ 540,741

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Long-term obligations (continued)

IT Subscription Liability

The Commission recognizes a subscription liability at the commencement of the subscription term. The discount rate used to measure the subscription liability was the Commission’s incremental borrowing rate, and the subscription liability is measured at the present value of the subscription payments expected to be paid during the subscription term. The Commission’s future minimum payments for the year ended June 30, 2025, are as follows:

<u>Years Ending June 30:</u>	
2026	\$ 35,623
2027	26,223
	<u>\$ 61,846</u>

Note 8—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 is available at:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Same as Plan 1.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>* Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law until age 73.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility.</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component.</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid plan members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.</p>

Employees Covered by Benefit Terms – As of the June 30, 2023, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	45
Inactive members:	
Vested inactive members	14
Nonvested inactive members	36
Inactive members active elsewhere in VRS	16
Total inactive members	66
Active members	48
Total covered employees	159

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.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Defined benefit pension plan (continued)

The Commission's contractually required contribution rate for the year ended June 30, 2025 was 4.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$92,777 for the year ended June 30, 2025.

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, 2024. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

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, 2023, 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, 2024:

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%

Mortality Rates: General Employees – Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2021, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2025. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees:

- Mortality Rates (Preretirement, postretirement, healthy, and disabled) – Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 Retirement
- Retirement Rates – Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Withdrawal Rates – adjusted rates to better fit experience at each year age and service through nine years of service
- Disability Rates – No change
- Line of Duty Disability – No change
- Discount Rate – No change

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Defined benefit pension plan (continued)

Public Safety Employees:

- Mortality Rates (Preretirement, 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 nine 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	32.00%	6.70%	2.14%
Fix income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
PIP - private investment partnership	1.00%	8.00%	0.08%
Diversifying strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	100.00%		7.07%
		Inflation	2.50%
		*Expected arithmetic nominal return	9.57%

* The above allocation provides for a one-year return of 9.57%. 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 7.04%, including expected inflation of 2.5%. On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.04%, including expected inflation of 2.50%.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—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, 2025, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer-contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2021, 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 (a) – (b)
Balances at June 30, 2024	\$ -	\$ 9,874,605	\$ (9,874,605)
Changes for the year:			
Service cost	192,431	-	192,431
Interest	638,948	-	638,948
Differences between expected and actual experience	170,653	-	170,653
Contributions – employer	-	82,462	(82,462)
Contributions – employee	-	100,039	(100,039)
Net investment income	-	946,925	(946,925)
Benefit payments, including refunds of employee contributions	(546,254)	(546,254)	-
Administrative expenses	-	(6,550)	6,550
Other changes	-	185	(185)
Net changes	455,778	576,807	(121,029)
Balances at June 30, 2025	\$ 455,778	\$ 10,451,412	\$ (9,995,634)

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 asset	\$ 721,454	\$ (449,038)	\$ (1,422,752)

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Defined benefit pension plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2025, the Commission recognized pension expense of \$211,897. At June 30, 2025, 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	\$ -	\$ 276,747
Change of assumptions	-	-
Differences between expected and actual experience	93,469	-
Employer contributions subsequent to the measurement date	92,777	-
Total as of June 30, 2025	<u>\$ 186,246</u>	<u>\$ 276,747</u>

The \$92,777 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, 2026. 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.

2026	\$ (149,188)
2027	78,181
2028	(53,695)
Thereafter	<u>(58,576)</u>
	<u>\$ (183,278)</u>

Pension Plan Data – Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (“Annual Report”). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2023-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218 2500.

Note 9—Other postemployment benefits, healthcare

Plan Description – 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 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.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 9—Other postemployment benefits, healthcare (continued)

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, 2024, measurement date, the following employees were covered by the benefit terms of the plan:

Inactive members	32
Active members	38
	<hr/>
Total covered employees	<u>70</u>

Total OPEB Liability – The Commission’s total OPEB liability of \$3,299,476 was based on the total OPEB liability as of the valuation date, June 30, 2025.

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	Ranging from 2.32% to 8.16%
Retirees’ share of benefit related costs	85% of projected health insurance

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, 2024, valuation were based on the results of an actuarial experience study for the period from July 1, 2021 through June 30, 2023.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 9—Other postemployment benefits, healthcare (continued)

	OPEB Liability
Balances at June 30, 2024	<u>\$ 4,148,227</u>
Changes for the year:	
Service cost	185,411
Interest	157,104
Differences between expected and actual experience	(914,863)
Contributions – employer	-
Contributions – employee	(217,039)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(59,364)</u>
Net changes	<u>(848,751)</u>
Balances at June 30, 2025	<u>\$ 3,299,476</u>

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 30, 2025 was 3.93%.

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 (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	1% Decrease 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
OPEB liability	<u>\$ 3,841,686</u>	<u>\$ 3,299,476</u>	<u>\$ 2,861,354</u>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 9—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:

	<u>Trend Minus 1%</u>	<u>Current Healthcare Cost Trend %</u>	<u>Trend Plus 1%</u>
OPEB liability	\$ 2,832,775	\$ 3,299,476	\$ 3,880,123

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the Commission recognized OPEB benefit of \$1,044,317. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 197,919	\$ 871,691
Differences between expected and actual experience	52,956	1,038,322
Employer contributions subsequent to the measurement date	69,720	-
Total as of June 30, 2025	<u>\$ 320,595</u>	<u>\$ 1,910,013</u>

The \$69,720 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, 2026. 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,

2025	\$ (536,395)
2026	(649,274)
2027	(177,371)
2028	(226,378)
	<u>\$ (1,589,418)</u>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Other postemployment benefits – VRS Group Life Insurance Program (“GLI”)

Plan Description – 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.

Benefits Provided– The specific information for the GLI Program, including eligibility, coverage and benefits is set out in the table below:

GLI Program Plan Provisions
<p>Eligible Employees</p> <p>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> • Accidental dismemberment benefit • Seatbelt benefit • Repatriation benefit • Felonious assault benefit • Accelerated death benefit option

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$9,532 effective June 30, 2025.

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, 2025, was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$9,888 for the year ended June 30, 2025.

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, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2025, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2024 proportionate share of liability	\$94,630
June 30, 2024 proportionate share of contributions	0.00848%
June 30, 2024 expense	\$(5,547)

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—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.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 7,976
Change of assumptions	539	4,690
Change in proportionate share	3,904	36,815
Differences between expected and actual experience	14,925	2,311
Employer contributions subsequent to the measurement date	9,888	-
Total as of June 30, 2025	<u>\$ 29,256</u>	<u>\$ 51,792</u>

The \$9,888 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, 2026. 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,

2026	\$ (9,562)
2027	4,087
2028	602
2029	2,431
2030	34,866
	<u>\$ 32,424</u>

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50% – 5.95%
Investment rate of return, net of expense, including inflation	6.75%

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.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Other postemployment benefits – VRS Group Life Insurance (GLI) Program (continued)

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, 2025, net OPEB liability amounts for the GLI VRS OPEB program are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers’ net OPEB liability	<u>\$ 1,115,922</u>
Plan fiduciary net position as a percentage of total OPEB liability	73.41%

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	32.00%	6.70%	2.14%
Fix income	16.00%	5.40%	0.86%
Credit strategies	16.00%	8.10%	1.30%
Real assets	15.00%	7.20%	1.08%
Private equity	15.00%	8.70%	1.31%
PIP - private investment partnership	1.00%	8.00%	0.08%
Diversifying strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
	<u>100.00%</u>		<u>7.07%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>9.57%</u>

* The above allocation provides for a one-year return of 9.57%. 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 7.04%, including expected inflation of 2.5%. On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.04%, including expected inflation of 2.50%.

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Other postemployment benefits – VRS Group Life Insurance (GLI) Program (continued)

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, 2023, 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, 2023 forward, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible 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	\$ 147,162	\$ 94,630	\$ 52,191

OPEB Plan Fiduciary Net Position – Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11—Leasing arrangements as lessor

The Commission leases portions of the Airport property to tenants. The leases are discounted at 1.5%. As the lessor, the Commission recognizes lease revenue and interest revenue in a systematic and rational manner over the terms of the underlying leases. Lease receivables are measured based on payments using the interest method during the respective lease terms.

Future lease receipts as of June 30, 2025 were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 94,954	\$ 5,137
2027	96,779	3,642
2028	98,651	2,124
2029	56,323	863
2030	26,305	121
	<u>\$ 373,012</u>	<u>\$ 11,887</u>

PENINSULA AIRPORT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 12—Regulated leases

The Commission has entered into regulated leases as lessor for the use of space at the airport. As of June 30, 2025, the value of the expected future receipts is \$6,547,216. These lessees are required to make monthly fixed payments in accordance with the terms of each lease. The Commission recognized lease revenues of \$1,273,128 from regulated leases during the fiscal year.

Future lease receipts as of June 30, 2025 are as follows:

Years Ending June 30,

2026	\$ 935,908
2027	351,997
2028	350,218
2029	350,218
2030	347,830
2031-2035	1,664,463
2036-2040	967,466
2041-2045	792,193
2046-2050	374,198
	<u>\$ 6,134,490</u>

Note 13—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 17 planned projects. The total approved revenue to be collected under these multiple applications is \$16,925,469. During 2025, \$376,298 of PFC revenue was collected under these agreements and was recognized as capital contributions on the statement of revenue, expenses, and changes in net position.

Note 14—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, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

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

JUNE 30, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of Changes in the Commission's Net Pension Liability									
(Asset) and Related Ratios:									
Total Pension Liability:									
Service cost	\$ 192,431	\$ 221,162	\$ 198,115	\$ 186,141	\$ 220,559	\$ 218,774	\$ 196,971	\$ 245,825	\$ 252,646
Interest	638,948	589,989	573,497	547,396	523,017	502,928	517,397	492,440	463,530
Differences between expected and actual experience	170,653	444,571	(110,151)	(416,205)	86,622	12,947	(523,768)	68,645	74,866
Changes of assumptions	-	-	-	344,663	-	227,543	-	(56,025)	-
Benefit payments, including refunds of employee contributions	(546,254)	(457,079)	(423,282)	(523,568)	(414,500)	(382,446)	(412,169)	(376,548)	(379,542)
Net Change in Total Pension Liability	455,778	798,643	238,179	138,427	415,698	579,746	(221,569)	374,337	411,500
Total pension liability – beginning	9,546,596	8,747,953	8,509,774	8,371,347	7,955,649	7,375,903	7,597,472	7,223,135	6,811,635
Total pension liability – ending (a)	10,002,374	9,546,596	8,747,953	8,509,774	8,371,347	7,955,649	7,375,903	7,597,472	7,223,135
Plan Fiduciary Net Position:									
Contributions – employer	82,462	97,277	120,355	106,315	95,291	97,542	132,061	137,317	156,792
Contributions – employee	100,039	120,882	113,948	101,911	114,232	115,053	108,617	116,965	117,182
Net investment income	946,925	609,260	(10,164)	2,127,188	150,873	505,920	534,359	801,269	113,294
Benefit payments, including refunds of employee contributions	(546,254)	(457,079)	(423,282)	(523,568)	(414,500)	(382,446)	(412,169)	(376,548)	(379,542)
Administrative expense	(6,550)	(6,146)	(6,066)	(5,463)	(5,232)	(5,070)	(4,660)	(4,659)	(4,133)
Other	185	245	223	199	(178)	(318)	(474)	(711)	(48)
Net Change in Plan Fiduciary Net Position	576,807	364,439	(204,986)	1,806,582	(59,514)	330,681	357,734	673,633	3,545
Plan fiduciary net position – beginning	9,874,605	9,510,166	9,715,152	7,908,570	7,968,084	7,637,403	7,279,669	6,606,036	6,602,491
Plan fiduciary net position – ending (b)	10,451,412	9,874,605	9,510,166	9,715,152	7,908,570	7,968,084	7,637,403	7,279,669	6,606,036
Commission's net pension liability(asset) – ending (a)-(b)	\$ (449,038)	\$ (328,009)	\$ (762,213)	\$ (1,205,378)	\$ 462,777	\$ (12,435)	\$ (261,500)	\$ 317,803	\$ 617,099
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)									
	104.49 %	103.44 %	108.71 %	114.16 %	94.47 %	100.16 %	103.55 %	95.82 %	91.46 %
Covered payroll (c)	\$ 2,103,789	\$ 2,176,639	\$ 2,666,440	\$ 2,225,207	\$ 2,462,544	\$ 2,441,718	\$ 2,268,631	\$ 2,286,395	\$ 2,369,678
Commission's net pension liability(asset) as a percentage of covered payroll [(a)-(b)] / (c)	(21.34)%	(15.07)%	(28.59)%	(54.17)%	18.79 %	(0.51)%	(11.53)%	13.90 %	26.04 %

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

See accompanying notes and Report of Independent Auditor

PENINSULA AIRPORT COMMISSION

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

JUNE 30, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Changes in the Commission's OPEB Liability and Related Ratios:							
Total OPEB Liability:							
Service cost	\$ 185,411	\$ 164,670	\$ 173,862	\$ 226,766	\$ 341,320	\$ 305,601	\$ 333,652
Interest	157,104	134,701	90,710	90,681	214,771	208,945	229,887
Differences between expected and actual experience	(914,863)	(12,888)	132,390	-	(1,045,450)	-	(795,584)
Changes of assumptions	(217,039)	257,934	(710,016)	(90,318)	(1,343,817)	302,125	(640,341)
Benefit payments, including refunds of employee contributions	(59,364)	(72,649)	(71,935)	(83,775)	(86,714)	(142,981)	(101,287)
Net Change in Total OPEB Liability	(848,751)	471,768	(384,989)	143,354	(1,919,890)	673,690	(973,673)
Total OPEB liability – beginning	4,148,227	3,676,459	4,061,448	3,918,094	5,837,984	5,164,294	6,137,967
Total OPEB liability – ending (a)-(b)	<u>\$ 3,299,476</u>	<u>\$ 4,148,227</u>	<u>\$ 3,676,459</u>	<u>\$ 4,061,448</u>	<u>\$ 3,918,094</u>	<u>\$ 5,837,984</u>	<u>\$ 5,164,294</u>

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.

See accompanying notes and Report of Independent Auditor

PENINSULA AIRPORT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET GROUP LIFE INSURANCE OPEB LIABILITY (UNAUDITED)

YEAR ENDED JUNE 30, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GLI Plan:							
Commission's proportion of the net GLI OPEB liability	0.008480%	0.011320%	0.011520%	0.011030%	0.011990%	0.012490%	0.01194%
Commission's proportionate share of net GLI OPEB liability	94,630	124,008	\$ 138,712	\$ 128,419	\$ 200,093	\$ 203,246	\$ 182,000
Employer's covered payroll	2,103,789	2,666,440	2,504,788	2,225,207	2,462,544	2,441,718	2,268,631
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	4.50%	4.65%	5.54%	5.77%	8.13%	8.32%	8.02%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	73.41%	69.00%	67.21%	67.45%	52.64%	52.00%	51.22%

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.

See accompanying notes and Report of Independent Auditor

PENINSULA AIRPORT COMMISSION
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

YEAR ENDED JUNE 30, 2025

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:					
2025	\$ 92,777	\$ 92,777	\$ -	\$ 2,103,789	4.41%
2024	98,602	98,602	-	2,176,639	4.53%
2023	120,790	120,790	-	2,666,440	4.53%
2022	139,928	139,928	-	2,498,721	5.60%
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%
GLI OPEB Plan:					
2025	9,888	9,888	-	2,103,789	0.47%
2024	11,754	11,754	-	2,176,639	0.54%
2023	14,399	14,399	-	2,666,440	0.54%
2022	13,526	13,526	-	2,504,788	0.54%
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%

This schedule is intended to present 10 years of information, additional years will be presented as the information becomes available.

PENINSULA AIRPORT COMMISSION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2025

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2017, through June 30, 2021, 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:

- Updated the mortality table to PUB 2010 public sector. For future mortality improvements, replaced the load with a modified Mortality Improvement Scale SP-2020. Increased disability life expectancy for hazardous duty employees.
- Adjusted retirement rates for general employees to better fit experience for Plan 1, set separate rates based on experience for Plan 2 and Hybrid, and changed the final retirement age. Hazardous duty retirement rates were adjusted to better fit experience and changed final retirement from 65 to 70.
- Adjusted withdrawal rates for general employees to better fit experience at each year age and service through nine years of service. Reduced withdrawal rates for hazardous duty employees and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 hazardous duty.

SUPPLEMENTARY INFORMATION

PENINSULA AIRPORT COMMISSION
SCHEDULE OF OPERATING INCOME

YEAR ENDED JUNE 30, 2025

	<u>Amount</u>	<u>Percent</u>
AIRFIELD		
Landing and tie-down fees	\$ 234,253	
Fixed base operator commissions	417,687	
Fuel flowage fees	112,078	
Hangar rental and operations fees	884,456	
Total Airfield	<u>1,648,474</u>	<u>31.31%</u>
TERMINAL AND LANDSIDE		
Rents:		
Airline offices	293,709	
Car rental and other	86,328	
Commissions:		
Car rental	1,727,444	
Communications and other	268,220	
Parking lot fees	734,273	
Other	126,343	
Total Terminal and Landside	<u>3,236,317</u>	<u>61.46%</u>
OTHER RENTS	<u>372,351</u>	<u>7.07%</u>
ADMINISTRATIVE AND MISCELLANEOUS	<u>8,267</u>	<u>0.16%</u>
Total Operating Income	<u>\$ 5,265,409</u>	<u>100%</u>

See accompanying notes and Report of Independent Auditor.

PENINSULA AIRPORT COMMISSION

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

YEAR ENDED JUNE 30, 2025

	<u>Airfield</u>	<u>Terminal and Landside</u>	<u>Other Rents</u>	<u>Allocated Costs - Administrative and Miscellaneous</u>	<u>Allocated Costs - Maintenance</u>	<u>Total</u>
Operating Income:	\$ 1,648,474	\$ 3,236,317	\$ 372,351	\$ 8,267	\$ -	\$ 5,265,409
Cost of sales	-	270,434	-	-	-	270,434
Net operating income	<u>1,648,474</u>	<u>2,965,883</u>	<u>372,351</u>	<u>8,267</u>	<u>-</u>	<u>4,994,975</u>
Operating Expenses:						
Advertising	-	-	-	112,098	-	112,098
Audit	-	-	-	123,726	-	123,726
Commission fee	-	-	-	19,626	-	19,626
Communications	-	54,911	-	35,987	-	90,898
Crash and rescue	46,921	-	-	-	-	46,921
Dues and subscriptions	-	-	-	17,627	-	17,627
General office	-	-	-	64,708	-	64,708
Insurance	-	-	-	254,594	-	254,594
Janitorial supplies	-	14,597	-	-	6,377	20,974
Labor	609,766	1,326,577	228,386	322,675	143,877	2,631,281
Miscellaneous	-	-	-	2,638	476	3,114
Payroll taxes and benefits	184,708	372,184	71,832	(36,071)	55,422	648,075
Postage	-	-	-	836	-	836
Professional services	-	-	-	134,005	-	134,005
Repairs, maintenance, and supplies	-	-	-	530,049	903	530,952
Training	7,253	-	-	8,676	-	15,929
Trash removal	-	48,557	-	-	-	48,557
Travel and promotions	18	-	-	15,991	-	16,009
Uniforms	2,983	-	-	-	1,533	4,516
Utilities	45,795	611,861	27,735	112,555	13,821	811,767
Other	-	5,771	-	15,889	71,987	93,647
Total Operating Expenses	<u>897,444</u>	<u>2,434,458</u>	<u>327,953</u>	<u>1,735,609</u>	<u>294,396</u>	<u>5,689,860</u>
Income (Loss) from Operations Before Depreciation	<u>\$ 751,030</u>	<u>\$ 531,425</u>	<u>\$ 44,398</u>	<u>\$ (1,727,342)</u>	<u>\$ (294,396)</u>	<u>\$ (694,885)</u>

See accompanying notes and Report of Independent Auditor.

COMPLIANCE SECTION

PENINSULA AIRPORT COMMISSION
A COMPONENT UNIT OF THE CITY OF NEWPORT NEWS, VIRGINIA
SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

YEAR ENDED JUNE 30, 2025 AND EACH QUARTER DURING THE YEAR ENDED JUNE 30, 2025

	Quarter Ended				Total Year Ended June 30, 2025
	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025	
Collections	\$ 73,524	\$ 79,392	\$ 62,283	\$ 61,712	\$ 276,911
Interest	24,807	32,701	24,548	17,331	99,387
	98,331	112,093	86,831	79,043	376,298
Expenditures: Application #6 PFC application administration	-	136,545	911,292	857,841	1,905,678
	Beginning Balance				Ending Balance
	<u>\$ 3,248,838</u>				<u>\$ 1,719,458</u>
Running Quarter End Total	<u>\$ 98,331</u>	<u>\$ (24,452)</u>	<u>\$ (824,461)</u>	<u>\$ (778,798)</u>	
Collected and unexpended PFCs	<u>\$ 3,248,838</u>	<u>\$ 98,331</u>	<u>\$ (824,461)</u>	<u>\$ (778,798)</u>	<u>\$ 1,719,458</u>

Revenues received and expenditures spent on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Peninsula Airport Commission to the Federal Aviation Administration (FAA).

¹ PFC revenues are shown on this schedule when the cash is received (cash basis).

PENINSULA AIRPORT COMMISSION
A COMPONENT UNIT OF THE CITY OF NEWPORT NEWS, VIRGINIA
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES

YEAR ENDED JUNE 30, 2025

Note 1—Basis of presentation

The accompanying schedule of passenger facility charges includes the passenger facility charges of the Peninsula Airport Commission (the "Commission") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration ("FAA").

Note 2—Reconciliation to the statement of revenues, expenses and changes in net position

Passenger Facility Charges ("PFC") are reported on an accrual basis in the Commission's statement of revenues, expenses and changes in net position in the annual financial statements. Reporting standards adopted by the FAA require for purposes of the PFC Revenues and Disbursements Schedule such charges be reported on a cash basis. A reconciliation between cash collections and revenues and expenditures reported on the accrual basis is as follows:

Cash Collections per Schedule of Passenger Facility Charges	\$ 276,911
Less: Prior Year Accrual	-
Add: Current Year Accrual	
Passenger Facility Charges Interest:	
Cash Collections per Schedule of Passenger Facility Charges	<u>99,387</u>
Amount per Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 376,298</u>
Expenditures;	
Cash Disbursements per Schedule of Passenger Facility Charges	\$ 1,905,678
Add: Amounts paid by the Commission to be reimbursed by the PFC restricted account:	
Expenditures incurred for the Quarter Ending June 30, 2025	<u>-</u>
Amount per Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 1,905,678</u>

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
Newport News, Virginia

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 “Specifications”), the financial statements of the Peninsula Airport Commission (the “Commission”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated November 26, 2025.

Report on 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 Commission’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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a significant deficiency.

Report on 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 our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Specifications*.

Peninsula Airport Commission's Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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
November 26, 2025

PENINSULA AIRPORT COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2025

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

2025-001 – Significant Deficiency – Segregation of Duties and Financial Reporting Review

Criteria: 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. 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 U.S. GAAP. 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. The basic premise of proper segregation of duties 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.

Condition: As of June 30, 2025, the Commission does not have adequate segregation of duties independent review over initiating, recording, and reconciling transactions involving key financial cycles. Specifically, we noted the following examples lacking a segregation of duties:

- Our review of the general journal entries revealed that manual entries lack timely secondary review and approval by someone other than the preparer. Journal entry summaries are being reviewed on an annual basis.

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.

Recommendation: 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 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. 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, on at least a monthly basis. 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.

Views of Responsible Officials and Planned Corrective Actions: During the initial time period of COVID-19, federal and state travel and other economic activity restrictions necessitated a severe reduction in staffing. Anticipation of air travel recovery is being constantly reviewed so staffing plans can be properly structured to achieve the numbers, task assignments, and knowledge necessary to ensure compliance. The national health emergency was anticipated to be temporary. The accommodations and responses to it resulting in staffing deficiency which were expected to be reversed in a pattern consistent with overall air travel recovery. The recovery has proven to be lopsided and on the lower end of the spectrum with respect to all smaller airports. A key driver in the smaller airport recovery is the industry wide recognized shortage in pilots. Especially hard hit is the category of regional commuter jet service designed to feed the central main line airline hub terminals. The Peninsula Airport Commission is no exception and has been significantly impacted by this macro-economic slowdown condition. Airline allocation of their reduced available capacity now appears will be a main driver of continuing staffing decisions. Measures to match operating costs with passenger activity revenue will be required. During the year

PENINSULA AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2025

ended June 30, 2025, further staff reductions were necessary in light of budget and other funding constraints. Significant redistribution of control processes and accounting activity assignments were required as part of the staff reductions. With management's endorsement and support, many accounting transaction processing tasks have been turned over to staff not directly involved in the finance department. The processing time formerly required by the finance department staff is now available for training of non-finance department associates. A side benefit found from this new structure is the staff members not formerly associated with finance activities proved to have knowledge of airport operations which is directly beneficial to understanding the financial transactions. The time burden for these other staff members ended up being less than predicted. The new responsibilities are considered a good control procedure for these accounting control reconciliations and reviews. Having more airport staff involved leads to a natural separation of duties and additional independent sets of eyes on the process. By having more staff involved, it was determined no incompatible process assignments related to journal entry posting or accounting reconciliation controls will be an issue once the plan is fully implemented.

The process of training and allowance for the time necessary to gain the necessary experience is expected to be lengthy. To achieve the fully desired segregation of accounting duties assigned to the identified non-finance staff associates is best handled in a "get it right the first time" objective. The final system design will be handled by the Chief Finance Officer with the review of appropriateness as to assignment of duties managed by the Acting Airport Executive Director. All cross-training and personnel assignments are expected to be in place by July 1, 2026.

B. Findings and Questions Costs Related to Passenger Facility Charges

None reported

C. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contacts, and Grants

None reported

D. Status of Prior Year Findings

Finding 2024-001 repeated as finding 2025-001.

Report of Independent Auditor on Compliance for the Passenger Facility Charge Program and on Internal Control over Compliance Required by the Passenger Facility Charge Audit Guide for Public Agencies

To the Board of Commissioners
Peninsula Airport Commission
Newport News, Virginia

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited the Peninsula Airport Commission's (the "Commission") compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, that could have a direct and material effect on the Commission's Passenger Facility Charge Program for the year ended June 30, 2025.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its Passenger Facility Charge Program for the year ended June 30, 2025.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards and the Uniform Guidance and the Guide are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Passenger Facility Charge Program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the Passenger Facility Charge Program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Cherry Bekaert LLP

Richmond, Virginia
November 26, 2025