

# **NORFOLK AIRPORT AUTHORITY**

**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
SUPPLEMENTARY INFORMATION, AND  
COMPLIANCE SECTION**

***As of and for the Years Ended June 30, 2024 and 2023***

***And Report of Independent Auditor***

**NORFOLK AIRPORT AUTHORITY**  
**TABLE OF CONTENTS**

---

	<u>Page(s)</u>
<b>FINANCIAL SECTION</b>	
Report of Independent Auditor .....	1-3
Required Supplementary Information – Management’s Discussion and Analysis (unaudited) .....	4-13
Basic Financial Statements:	
Statements of Net Position .....	14-15
Statements of Revenues, Expenses, and Changes in Net Position .....	16
Statements of Cash Flows .....	17-18
Notes to the Basic Financial Statements .....	19-55
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net Pension Liability and Related Ratios (unaudited) .....	56
Schedule of Pension Contributions (unaudited) .....	57
Schedule of OPEB Contributions (unaudited) .....	58
Schedule of Authority’s Share of Net OPEB Liability (unaudited) .....	59
Notes to the Required Supplementary Information (unaudited) .....	60
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	61
Notes to the Schedule of Expenditures of Federal Awards .....	62
Schedule of Passenger Facility Charge Revenues and Expenditures .....	63
<b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i> .....	64-65
Report of Independent Auditor on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance .....	66-67
Schedule of Findings and Questioned Costs .....	68
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 .....	69-70

## Report of Independent Auditor

To the Board of Commissioners  
Norfolk Airport Authority  
Norfolk, Virginia

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Norfolk Airport Authority (the “Authority”), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits 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 Authority 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 Authority’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *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 and *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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and other postemployment benefits trend information, and the notes to the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Passenger Facility Charge Revenues and Expenditures as required by the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
November 8, 2024

# NORFOLK AIRPORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

---

The management of the Norfolk Airport Authority (the "Authority") offers readers of its basic financial statements the following narrative overview and analysis of financial activities as of and for the year ended June 30, 2024 and 2023. The following should be read in conjunction with the basic financial statements and notes thereto.

### **Basic Financial Statements and the Authority Background**

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is a similar basis of accounting as employed by most private-sector enterprises.

The following components are included in the Authority's financial statements:

The statements of net position presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority, with the resulting differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net position reports revenues and expenses, classified as operating and nonoperating, for the period. The resulting change in net position for the period is combined with the beginning of the year total net position balance in order to reconcile to the end of the year total net position.

The statements of cash flows reports the cash flows experienced by the Authority from operating activities, capital and related financing activities, and investing activities. The net result of the cash provided by or used in these activities for the period, added to the beginning of the year cash balance, is reconciled to the cash balance presented on the statements of net position.

The notes to the basic financial statements explain and provide additional information on the data presented in the basic financial statements as of and for the years ended June 30, 2024 and 2023.

The Authority was formed in 1988 to account for the operations of the Norfolk International Airport (the "Airport"). The Airport is the primary origination and destination airport serving the Virginia Beach-Norfolk, VA-NC Combined Statistical Area. Revenues generated by Airport operations are used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority. The Authority is authorized to finance projects by issuing bonds or obtaining loans in its own name.

Throughout this report, airlines that lease space from the Authority on a long-term basis are referred to as signatory airlines. Other airlines operate on a per use basis at the Airport and are referred to as non-signatory airlines.

### **Financial and Activity Highlights**

FY 2024 was another record setting year, with passenger traffic continuing to grow at a high pace. The Airport continued to see success in attracting new flight options from airlines and these options have been well utilized by our passengers. In total, 4,765,412 and 4,283,779 passengers used the Airport during FY 2024 and FY 2023 respectively, which were an increase of 11.2% and 8.5% over the previous years, respectively. With the debut of Spirit Airlines flights from the Airport in March 2023, eight airlines serve the market.

The airport has experienced a consistently high level of growth over the past nine years. Since FY 2015, the Airport has added four airlines and has grown passenger traffic by 63.8%.

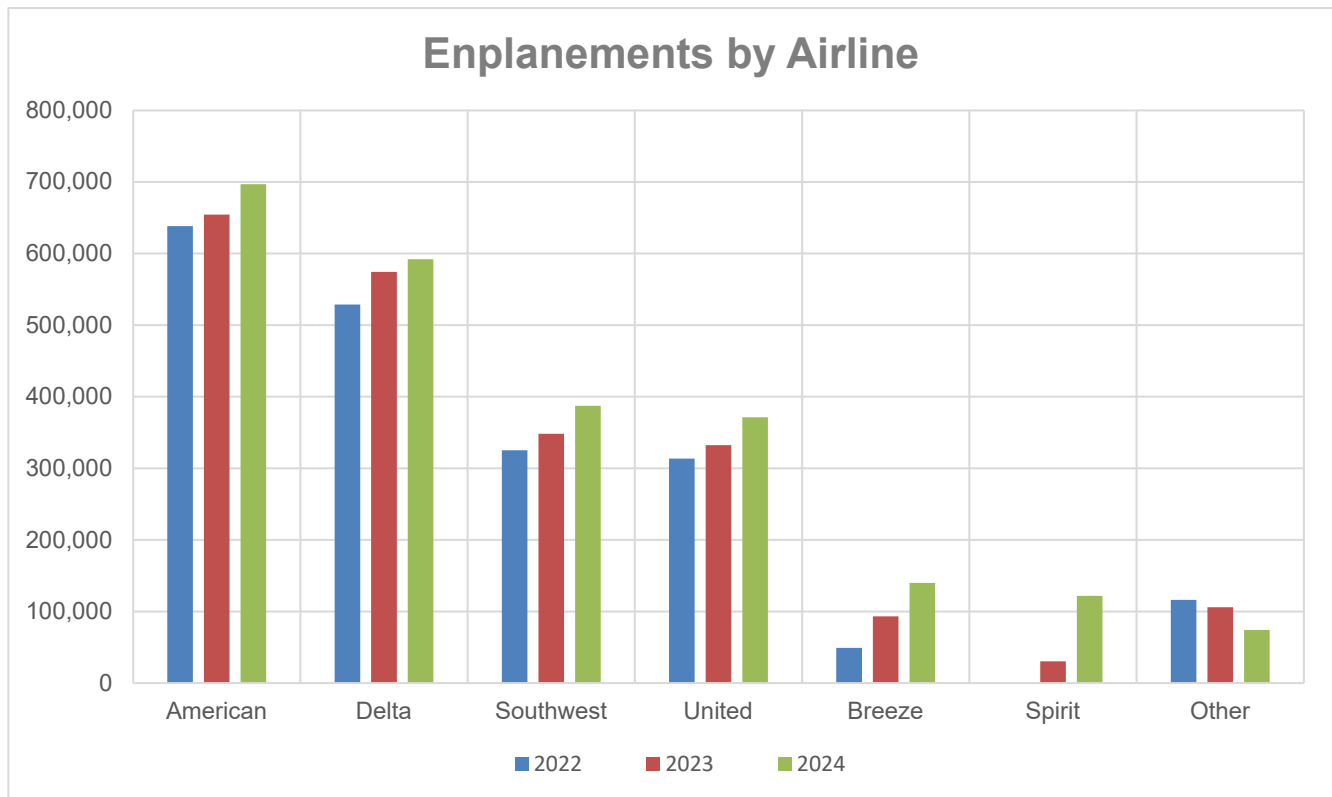
**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2024 AND 2023*

A summary of the market share by enplanements of each of the air carriers operating at the Airport for the years ended June 30, 2024 and 2023 is shown below:

	<b>2024</b>			<b>2023</b>			<b>2022</b>	
American	696,735	29.2%	American	654,412	30.6%	American	638,158	32.4%
Delta	592,028	24.8%	Delta	574,396	26.8%	Delta	528,763	26.8%
Southwest	387,265	16.3%	Southwest	348,139	16.3%	Southwest	325,066	16.5%
United	371,187	15.6%	United	332,299	15.5%	United	313,458	15.9%
Breeze	139,887	5.9%	Breeze	93,170	4.4%	Allegiant	64,190	3.2%
Spirit	121,740	5.1%	Spirit	30,335	1.4%	Frontier	50,395	2.6%
Frontier	36,709	1.5%	Frontier	57,407	2.7%	Breeze	49,169	2.5%
Allegiant	35,617	1.5%	Allegiant	47,144	2.2%	Other	1,688	0.1%
Other	1,837	0.1%	Other	1,360	0.1%			
<b>Total</b>	<b>2,383,005</b>	<b>100.0%</b>	<b>Total</b>	<b>2,138,662</b>	<b>100.0%</b>	<b>Total</b>	<b>1,970,887</b>	<b>100.0%</b>

The following chart presents the change in enplanements by airline for the last three fiscal years.



The Airport has experienced consistent growth over the last three fiscal years, with all six of the signatory airlines adding passengers each year.

As mentioned above, FY 2024 set the record for most passengers to ever utilize the Airport. This marks the third year in a row that the Airport has set the record for annual passenger activity. In addition to the movement of passengers, the Airport contains the only air cargo facility within the metro area. Currently, there are two cargo airlines operating at the Airport, FedEx and UPS.

**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2024 AND 2023*

In response to COVID-19, the federal government passed several aid packages which provided funding to airports. These were the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA"), and the American Rescue Plan Act of 2021 ("ARPA"). Through these acts, the Authority was granted funding which can be used for any legal purpose of the Authority. The Authority is using these grants to pay all debt service, certain employee payroll costs, and to provide tenant rent relief over several fiscal years. The following presents the Authority's usage of these funds by fiscal year.

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
CARES	\$ 50,556,595	\$ 13,790,675	\$ 1,000,000	\$ -	\$ 65,347,270
CRRSA	-	426,391	5,771,698	-	6,198,089
ARPA	-	-	7,404,333	9,400,140	16,804,473
Total	<u>\$ 50,556,595</u>	<u>\$ 14,217,066</u>	<u>\$ 14,176,031</u>	<u>\$ 9,400,140</u>	<u>\$ 88,349,832</u>

Using these federal funds, the Authority's rates and charges to the airlines are reduced as they serve as a credit in the rates and charges calculation. Due to the application of these federal funds, airline rates and charges were reduced by approximately \$0.3 million in FY 2023. FY 2023 was the final year in which federal funds were applied to the rates and charges. No funding was applied to the rates and charges in FY 2024.



**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

JUNE 30, 2024 AND 2023

**Revenues**

A summary of the major revenues for the years ended June 30, 2024 and 2023 are shown below:

	<u>Year</u>		<u>Percent Change</u>
	<u>2024</u>	<u>2023</u>	
Operating Revenues:			
Parking	\$ 25,400,835	\$ 23,074,850	10.1%
Landing fees	10,032,771	8,194,451	22.4%
Rent	15,888,765	8,692,778	82.8%
Rental cars	9,736,423	8,584,322	13.4%
Concessions	4,668,475	2,954,938	58.0%
Other	1,725,624	1,503,302	14.8%
Total Operating Revenues	<u>67,452,893</u>	<u>53,004,641</u>	27.3%
Nonoperating Revenues and Capital Contributions, Net:			
Federal, State, and State grants interest	11,926,515	19,488,894	-38.8%
Passenger facility charges and interest	10,056,982	8,998,940	11.8%
Customer facility charges	4,962,370	3,166,267	56.7%
Interest income	3,603,810	2,072,333	73.9%
Other income	328,317	330,691	-0.7%
Total Nonoperating Revenues and Capital Contributions	<u>30,877,994</u>	<u>34,057,125</u>	-9.3%
Total Revenues	<u>\$ 98,330,887</u>	<u>\$ 87,061,766</u>	12.9%

Overall, the total operating revenues of the Authority were \$67.5 million in FY 2024, an increase of \$14.4 million, or 27.3% as compared with FY 2023. There were two primary drivers of this increase in operating revenues. The first was a new Use and Lease Agreement ("ULA") with the airlines operating at the Airport. This new ULA increased the rents charged to signatory and non-signatory airlines, and brought their cost of operating at the Airport closer to the average of peer airports. The second driver of increased operating revenues was the increase in passenger traffic experienced at the Airport.

Parking fees are the largest single source of operating revenues for the Authority, which increased \$2.3 million or 10.1% due to increased passenger traffic. Rental revenue experienced the largest change during year, increasing by \$7.2 million, or 82.8% due to the higher rental rates in the new ULA.

Landing fees increased by \$1.8 million, or 22.4% due to higher landing fee rates, and a reduction in the quantity of abated landed weight from airline incentives.

Rental car revenue increased by \$1.2 million or 13.4%. This was primarily driven by an increase in passenger activity. Concessions revenue increased by \$1.7 million or 58.0% due to increased hours of food and beverage locations throughout the Airport. Other operating revenues increased by \$0.2 million, or 14.8% due to an increase in passenger traffic.

Total nonoperating revenues of \$30.9 million decreased by \$3.2 million, or 9.3%. Passenger Facility Charges ("PFCs") and interest increased by \$1.1 million, or 11.8% due to higher passenger activity and higher interest rates. Customer Facility Charges ("CFCs") increased \$1.8 million, or 56.7% due to an increase in the CFC rate and higher passenger activity. Interest income increased by \$1.5 million, or 73.9% due to higher interest rates.

**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2024 AND 2023*

A summary of the major revenues for the years ended June 30, 2023 and 2022 are shown below:

	<b>Year</b>		<b>Percent Change</b>
	<b>2023</b>	<b>2022</b>	
Operating Revenues:			
Parking	\$ 23,074,850	\$ 18,418,315	25.3%
Landing fees	8,194,451	7,890,044	3.9%
Rent	8,692,778	7,078,387	22.8%
Rental cars	8,584,322	8,761,848	-2.0%
Concessions	2,954,938	3,535,814	-16.4%
Other	1,503,302	1,028,343	46.2%
Total Operating Revenues	<u>53,004,641</u>	<u>46,712,751</u>	13.5%
Nonoperating Revenues, Net:			
Federal, State, and State grants interest	19,488,894	14,366,713	35.7%
Passenger facility charges and interest	8,998,940	8,253,761	9.0%
Customer facility charges	3,166,267	2,724,476	16.2%
Interest income	2,072,333	117,146	1669.0%
Other income	330,691	323,455	2.2%
Total Nonoperating Revenues	<u>34,057,125</u>	<u>25,785,551</u>	32.1%
Total Revenues	<u>\$ 87,061,766</u>	<u>\$ 72,498,302</u>	20.1%

Overall, the total operating revenues of the Authority were \$53.0 million in FY 2023, an increase of \$6.3 million, or 13.5% as compared with 2022. This was primarily driven by the increase in passenger traffic experienced at the Airport.

The largest drivers of this increase in operating revenues were parking revenue, which increased \$4.7 million or 25.3%, and rental revenue, which increased \$1.6 million, or 22.8%. Parking revenues increased due to the increase in passenger traffic, while rent increased due to a reduction in credits applied to rental rates from the application of federal funding. Under the terms of the signatory airlines lease agreements, federal funding serves as a reduction of the Authority's expenses.

Landing fees increased by \$0.3 million, or 3.9% due to a reduction in credits applied to rental rates from the application of federal funding. Other operating revenues increased by \$0.5 million, or 46.2% due to an increase in passenger traffic, and an increase in the per trip fee assessed to rideshare transactions.

Rental car revenue and concessions revenues decreased by \$0.2 million or 2.0%, and \$0.6 million or 16.4%, respectively. Decreases to rental car and concessions revenues are due to application of ARPA concessions grants. ARPA funding is recognized as a federal grant, and decreases rent and fees to the Authority from the entities operating at the Airport. Without the application of ARPA funds, rental car revenue would have increased by \$0.1 million or 1.7%, and concessions revenues would have increased by \$0.8 million or 22.7%.

Total nonoperating revenues of \$34.1 million increased by \$1.1 million, or 4.1%. This was primarily driven by a decrease in federal and state grants and interest by \$4.2 million, or 29.3%. This was a result of less federal COVID-19 funding being drawn. Passenger Facility Charges ("PFCs") and Customer Facility Charges ("CFCs") increased by \$0.7 million, or 9.0% and \$0.4 million, or 16.2%, respectively, due to higher passenger activity. Interest income increased by \$2.0 million or 1,669.0% due to higher interest rates and larger balances invested in securities.

**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

JUNE 30, 2024 AND 2023

**Expenses**

A summary of the major expenses for the years ended June 30, 2024 and 2023 are shown below:

	<b>Year</b>		<b>Percent Change</b>
	<b>2024</b>	<b>2023</b>	
Operating Expenses:			
Salaries and fringe benefits	\$ 22,348,232	\$ 19,608,251	14.0%
City tax assessment	2,650,000	2,650,000	0.0%
Maintenance and repairs	3,080,859	3,717,484	-17.1%
Depreciation and amortization	17,263,646	17,193,370	0.4%
Other expenses	13,586,611	13,134,230	3.4%
Total Operating Expenses	<u>58,929,348</u>	<u>56,303,335</u>	4.7%
Nonoperating Expenses:			
Interest expense	1,981,589	2,049,094	-3.3%
Total Nonoperating Expenses	<u>1,981,589</u>	<u>2,049,094</u>	-3.3%
Total Expenses	<u>\$ 60,910,937</u>	<u>\$ 58,352,429</u>	4.4%

Total operating expenses of the Authority were \$58.9 million in FY 2024, an increase of \$2.6 million, or 4.7% compared with FY 2023. Salaries and fringe benefits increased by \$2.7 million, or 14.0% due to pay rate increases for Authority employees and an expansion of the workforce. Depreciation and amortization expenses increased by \$0.1 million, or 0.4% due to new capital assets being placed in service. Maintenance and repairs decreased by \$0.6 million, or 17.1% due to less required maintenance. Other expenses increased by \$0.2 million, or 3.4% due to higher costs.

Total nonoperating expenses were \$2.0 million, a decrease of \$0.1 million, or 3.3% due to lower outstanding debt balances.

A summary of the major expenses for the years ended June 30, 2023 and 2022 are shown below:

	<b>Year</b>		<b>Percent Change</b>
	<b>2023</b>	<b>2022</b>	
Operating Expenses:			
Salaries and fringe benefits	\$ 19,608,251	\$ 18,883,546	3.8%
City tax assessment	2,650,000	2,650,000	0.0%
Maintenance and repairs	3,717,484	3,339,243	11.3%
Depreciation	17,193,370	16,319,865	5.4%
Other expenses	13,134,230	11,291,588	16.3%
Total Operating Expenses	<u>56,303,335</u>	<u>52,484,242</u>	7.3%
Nonoperating Expenses:			
Interest expense	2,049,094	2,139,634	-4.2%
Total Nonoperating Expenses	<u>2,049,094</u>	<u>2,139,634</u>	-4.2%
Total Expenses	<u>\$ 58,352,429</u>	<u>\$ 54,623,876</u>	6.8%

**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2024 AND 2023*

Total operating expenses of the Authority were \$56.3 million in FY 2023, an increase of \$3.8 million, or 7.3% compared with 2022. Salaries and fringe benefits increased by \$0.7 million, or 3.8% due to pay rate increases for Authority employees. Depreciation and amortization expenses increased by \$0.9 million, or 5.4% due to several new capital assets being placed in service, and the start of amortization. Maintenance and repairs and other expenses increased by \$0.4 million, or 11.3% and \$1.8 million, or 16.3% respectively, due to higher costs.

Total nonoperating expenses were \$2.0 million, a decrease of \$0.1 million, or 4.2% due to lower outstanding debt balances.

**Net Position**

A summary of the major components of the statements of net position as of June 30, 2024 and 2023 is as follows:

	<b>Year</b>		<b>Percent Change</b>
	<b>2024</b>	<b>2023</b>	
Current assets	\$ 84,616,706	\$ 84,493,309	0.1%
Restricted assets	20,406,986	24,322,880	-16.1%
Capital assets, net	327,121,435	295,854,772	10.6%
Other noncurrent assets	2,624,230	3,891,003	-32.6%
Total Assets	<u>434,769,357</u>	<u>408,561,964</u>	6.4%
Deferred Outflows of Resources	<u>3,284,361</u>	<u>3,133,531</u>	4.8%
Current liabilities	10,280,985	13,221,046	-22.2%
Amounts payable from restricted assets	7,546,084	7,630,538	-1.1%
Long-term liabilities	<u>84,473,580</u>	<u>89,395,598</u>	-5.5%
Total Liabilities	<u>102,300,649</u>	<u>110,247,182</u>	-7.2%
Deferred Inflows of Resources	<u>6,373,847</u>	<u>9,489,041</u>	-32.8%
Net investment in capital assets	241,510,373	204,244,749	18.2%
Restricted net position	20,406,986	24,322,880	-16.1%
Unrestricted net position	<u>67,461,863</u>	<u>63,391,643</u>	6.4%
Total Net Position	<u>\$ 329,379,222</u>	<u>\$ 291,959,272</u>	12.8%

Current assets as of June 30, 2024 were \$84.6 million, an increase of \$0.1 million, or 0.1%, which was driven by an increase in operating capital. Restricted assets were \$20.4 million, a decrease of \$3.9 million, or 16.1% due to timing of capital project spending. Capital assets, net were \$327.1 million, an increase of \$31.3 million, or 10.6%. Other noncurrent assets of \$2.6 million, decreased \$ 1.3 million, or 32.6% due to leases receivable timing.

Deferred outflows of resources were \$3.3 million, an increase of \$0.2 million, or 4.8% due to actuarial adjustments related to the Authority's pension and other postemployment benefits ("OPEB") plans.

Current liabilities were \$10.3 million, a decrease of \$2.9 million, or 22.2%. This decrease was primarily due to timing of construction activity. Amounts payable from restricted assets were \$7.5 million, a decrease of \$0.1 million, or 1.1% due to the timing of debt service payments. Long-term liabilities were \$84.5 million, a decrease of \$5.0 million, or 5.5%. This decrease was driven by scheduled debt service payments.

Deferred inflows of resources were \$6.4 million, a decrease of \$3.1 million, or 32.8% due to actuarial adjustments related to the Authority's pension and OPEB plans.

**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2024 AND 2023*

Net position was \$329.4 million, an increase of \$37.4 million, or 12.8%. This increase was primarily driven by the operations of the Authority and the grants, PFCs, and CFCs received by the Authority during the year.

A summary of the major components of the statements of net position as of June 30, 2023 and 2022 is as follows:

	<b>Year</b>		<b>Percent Change</b>
	<b>2023</b>	<b>2022</b>	
Current assets	\$ 84,493,309	\$ 66,068,755	27.9%
Restricted assets	24,322,880	23,198,789	4.8%
Capital assets, net	295,854,772	285,179,557	3.7%
Other noncurrent assets	3,891,003	6,621,369	-41.2%
Total Assets	<u>408,561,964</u>	<u>381,068,470</u>	7.2%
Deferred Outflows of Resources	<u>3,133,531</u>	<u>3,789,906</u>	-17.3%
Current liabilities	13,221,046	5,606,251	135.8%
Amounts payable from restricted assets	7,630,538	11,230,037	-32.1%
Long-term liabilities	<u>89,395,598</u>	<u>89,372,202</u>	0.0%
Total Liabilities	<u>110,247,182</u>	<u>106,208,490</u>	3.8%
Deferred Inflows of Resources	<u>9,489,041</u>	<u>15,399,952</u>	-38.4%
Net investment in capital assets	204,244,749	188,201,145	8.5%
Restricted net position	24,322,880	23,167,845	5.0%
Unrestricted net position	<u>63,391,643</u>	<u>51,880,944</u>	22.2%
Total Net Position	<u>\$ 291,959,272</u>	<u>\$ 263,249,934</u>	10.9%

Current assets as of June 30, 2023 were \$84.5 million, an increase of \$18.4 million, or 27.9%, which was driven by an increase in operating capital. Restricted assets were \$24.3 million, an increase of \$1.1 million, or 4.8% due to holding additional funds reserved for future capital assets additions. Capital assets, net were \$295.9 million, an increase of \$10.7 million, or 3.7%. Other noncurrent assets of \$3.9 million, decreased \$ 2.7 million, or 41.2% due to leases receivable timing.

Deferred outflows of resources were \$3.1 million, a decrease of \$0.7 million, or 17.3% due to actuarial adjustments related to the Authority's pension and other postemployment benefits ("OPEB") plans.

Current liabilities were \$13.2 million, an increase of \$7.6 million, or 135.8%. This increase was primarily due to timing of construction activity. Amounts payable from restricted assets were \$7.6 million, a decrease of \$3.6 million, or 32.1% due to the timing of debt service payments. Long-term liabilities were \$89.4 million, an increase of \$0.1 million, or 0.0%. This increase was driven by an increase in the actuarial calculated liability.

Deferred inflows of resources were \$9.5 million, a decrease of \$5.9 million, or 38.4% due to actuarially calculated pension adjustments.

Net position was \$292.0 million, an increase of \$28.7 million, or 10.9%. This increase was primarily driven by the grants, PFCs, and CFCs received by the Authority during the year, partially offset by the year's operating loss.

**NORFOLK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

JUNE 30, 2024 AND 2023

**Capital Assets**

Capital assets include land, construction in progress, buildings, structures, improvements, roads and runways, equipment, and capitalized interest during construction periods before adoption of GASB Statement No. 89 in FY 2018. Capital assets are net of related accumulated depreciation. Significant capital asset additions in the current period included the rehabilitation of the primary runway's south portion. A summary of capital assets by category and the associated accumulated depreciation as of June 30, 2024, 2023, and 2022, as well as a schedule of additions and retirements for the years ended June 30, 2024, 2023, and 2022, are included as follows:

	<b>June 30</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Summary of Capital Assets:			
Land	\$ 15,771,497	\$ 15,771,497	\$ 15,771,497
Buildings, structures, and improvements	420,517,589	407,433,032	403,779,463
Roads and runways	100,987,606	87,094,059	86,897,984
Equipment	40,771,586	50,170,290	49,482,869
Construction in progress	50,774,263	31,822,231	8,942,608
Right-to-use IT subscription	371,947	371,947	-
	<u>629,194,488</u>	<u>592,663,056</u>	<u>564,874,421</u>
Accumulated depreciation and amortization	<u>(302,073,053)</u>	<u>(296,808,284)</u>	<u>(279,694,864)</u>
Total	<u>\$ 327,121,435</u>	<u>\$ 295,854,772</u>	<u>\$ 285,179,557</u>

Schedule of additions and retirements:

	<b>June 30</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Capital assets, beginning of year	\$ 295,854,772	\$ 285,179,557	\$ 281,756,301
Additions	48,530,309	27,868,584	19,743,121
Depreciation and amortization	<u>(17,263,646)</u>	<u>(17,193,369)</u>	<u>(16,319,865)</u>
Capital assets, end of year	<u>\$ 327,121,435</u>	<u>\$ 295,854,772</u>	<u>\$ 285,179,557</u>

The major projects underway as of June 30, 2024 include the rehabilitation of the primary runway's south portion and the design of the future terminal redevelopment. Approval was granted within the FY 2025 budget for capital expenditures worth approximately \$113.0 million. Approximately 55% of these expenditures will be funded via PFCs, federal grants, state grants, and CFCs. See Note 5 within the notes to basic financial statements section for further information.

**Capital Financing and Debt Management**

The Authority finances capital projects through a combination of revenues, federal and state grants, PFCs, CFCs, and revenue bonds.

The Authority's Series 2021 and 2019 bonds are rated A3 (stable outlook) by Moody's and A (stable outlook) by Standard & Poor's.

# **NORFOLK AIRPORT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2024 AND 2023*

---

The Authority, through its Master Indenture of Trust, has agreed to maintain debt service coverage of not less than 1.25. Debt service coverage is calculated as defined in the Master Indenture of Trust. Historically, the Authority has maintained a coverage ratio significantly higher than its requirement. For FY 2024, the debt service coverage was 4.76. For FY 2023, the debt service coverage was 4.11, or 2.89 without federal COVID funding. See Note 6 within the notes to basic financial statements section for further information.

### **Economic Factors**

The Airport is located on the border of the cities of Norfolk and Virginia Beach and is the primary airport serving the Virginia Beach-Chesapeake, VA-NC CSA, which is the 35<sup>th</sup> largest CSA in the country. The area contains a dynamic mix of economic activity. Included within its boundaries are the Port of Virginia, tourism destinations in Virginia Beach and the North Carolina Outer Banks, and a significant military presence anchored by Naval Station Norfolk – the largest naval base in the world. Additionally, the region is the headquarters for two Fortune 500 companies.

The strong growth of passenger traffic has continued into FY 2025, with Q1 passenger activity increasing 6.2% over FY 2024 Q1 results. The airlines operating at the Airport continue to add additional flights and destinations. In October 2024, Breeze will begin flying to Phoenix, and in February 2025 Breeze will also begin flying to New Haven, CT. Both of those routes are new direct flight markets for the Airport.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide interested parties with a general overview of the Authority's finances. Should you have any questions about this report or need additional information, please contact the Norfolk Airport Authority, Attention: Jarred Roenker, Chief Financial Officer, 2200 Norview Avenue, Norfolk, VA 23518-5807. Alternatively, information about the operation of the Authority can be obtained via the internet at [www.norfolkairport.com](http://www.norfolkairport.com).

**NORFOLK AIRPORT AUTHORITY**  
**STATEMENTS OF NET POSITION**

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 56,124,220	\$ 50,839,802
Investments	21,269,786	21,391,259
Accounts receivable, net	4,220,728	3,761,792
Lease receivable	1,738,244	1,893,574
Grants receivable	261,790	6,283,769
Prepaid expenses	1,001,938	323,113
Total Current Assets	<u>84,616,706</u>	<u>84,493,309</u>
Restricted Assets:		
Cash and cash equivalents	11,663,448	17,873,816
Investments	7,059,365	4,811,002
Passenger facility charges receivable	1,684,173	1,638,062
Total Restricted Assets	<u>20,406,986</u>	<u>24,322,880</u>
Capital Assets:		
Land	15,771,497	15,771,497
Buildings, structures, and improvements	420,517,589	407,433,032
Roads and runways	100,987,606	87,094,059
Equipment	40,771,586	50,170,290
Construction in progress	50,774,263	31,822,231
Right-to-use IT subscription	371,947	371,947
Total Capital Assets, Net	629,194,488	592,663,056
Less accumulated depreciation and amortization	<u>(302,073,053)</u>	<u>(296,808,284)</u>
Total Capital Assets	327,121,435	295,854,772
Lease receivable	<u>2,624,230</u>	<u>3,891,003</u>
<b>Total Assets</b>	<u><u>\$ 434,769,357</u></u>	<u><u>\$ 408,561,964</u></u>
Deferred Outflows of Resources:		
Deferred amount on refunding	\$ 11,155	\$ 17,021
Deferred outflows related to pensions	2,645,653	2,430,931
Deferred outflows related to OPEB plans	627,553	685,579
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 3,284,361</u></u>	<u><u>\$ 3,133,531</u></u>

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



**NORFOLK AIRPORT AUTHORITY**  
**STATEMENTS OF NET POSITION (CONTINUED)**

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 6,121,517	\$ 6,361,226
Accrued leave and wages	2,989,261	2,771,277
Other accrued expenses	982,397	3,720,986
Other liabilities	187,810	367,557
Total Current Liabilities	<u>10,280,985</u>	<u>13,221,046</u>
Amounts Payable from Restricted Assets:		
Accrued interest	1,795,751	1,864,466
Current portion of bonds payable	5,750,333	5,766,072
Total Amounts Payable from Restricted Assets	<u>7,546,084</u>	<u>7,630,538</u>
Long-Term Liabilities:		
Bonds payable, less current portion	77,764,009	83,514,343
Net pension liability	4,441,155	3,632,540
Net OPEB liability	1,940,189	1,880,489
Other long-term liabilities	328,227	368,226
Total Long-Term Liabilities	<u>84,473,580</u>	<u>89,395,598</u>
<b>Total Liabilities</b>	<u>\$ 102,300,649</u>	<u>\$ 110,247,182</u>
Deferred Inflows of Resources:		
Deferred amount on refunding	\$ 182,763	\$ 231,657
Deferred inflows related to pensions	1,298,286	2,919,849
Deferred inflows related to OPEB plans	673,643	752,301
Deferred inflows for leases	4,219,155	5,585,234
<b>Total Deferred Inflows of Resources</b>	<u>\$ 6,373,847</u>	<u>\$ 9,489,041</u>
Net Position:		
Net investment in capital assets	\$ 241,510,373	\$ 204,244,749
Restricted for:		
Capital projects	13,022,267	17,150,125
Debt service	7,384,719	7,172,755
Unrestricted	67,461,863	63,391,643
<b>Total Net Position</b>	<u>\$ 329,379,222</u>	<u>\$ 291,959,272</u>

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

**NORFOLK AIRPORT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2024 AND 2023

	<b>2024</b>	<b>2023</b>
Operating Revenues:		
Parking	\$ 25,400,835	\$ 23,074,850
Landing fees	10,032,771	8,194,451
Rent	15,888,765	8,692,778
Rental cars	9,736,423	8,584,322
Concessions	4,668,475	2,954,938
Other	1,725,624	1,503,302
Total Operating Revenues	<u>67,452,893</u>	<u>53,004,641</u>
Operating Expenses:		
Salaries and fringe benefits	22,348,232	19,608,251
Depreciation and amortization	17,263,646	17,193,369
Utilities	3,642,070	3,558,827
Maintenance and repairs	3,080,859	3,717,484
Administrative	1,003,646	879,418
Professional services	511,170	625,129
Advertising and promotion	999,149	998,084
Insurance	1,158,667	911,042
Security and other services	4,581,498	4,431,163
Sanitation	1,196,629	1,195,662
City tax assessment	2,650,000	2,650,000
Other	493,782	534,905
Total Operating Expenses	<u>58,929,348</u>	<u>56,303,334</u>
Operating Income (Loss)	<u>8,523,545</u>	<u>(3,298,693)</u>
Nonoperating Revenues (Expenses):		
Federal grant revenues	50,500	9,551,640
State grant revenues	50,000	35,000
Passenger facility charges	9,783,076	8,889,520
Customer facility charges	4,962,370	3,166,267
State grant interest income	603,513	568,619
Passenger facility charges interest income	273,906	109,420
Interest income	3,603,810	2,072,333
Other income	328,317	330,691
Interest expense	(1,981,589)	(2,049,094)
Total Nonoperating Revenues	<u>17,673,903</u>	<u>22,674,396</u>
Change in net position before capital grants	26,197,448	19,375,703
Capital grants	11,222,502	9,333,635
Change in net position	37,419,950	28,709,338
Net position, beginning of year	<u>291,959,272</u>	<u>263,249,934</u>
Net position, end of year	<u>\$ 329,379,222</u>	<u>\$ 291,959,272</u>

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

**NORFOLK AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Collections from customers	\$ 67,049,981	\$ 51,343,792
Payments to employees for services	(25,857,439)	(17,772,442)
Payments for city tax assessment	(2,650,000)	(2,650,000)
Payments to suppliers	(14,959,584)	(18,626,267)
Net cash flows from operating activities	<u>23,582,958</u>	<u>12,295,083</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on bonds	(4,235,000)	(3,935,000)
Acquisition of capital assets	(51,425,369)	(20,711,748)
Interest paid on debt	(3,575,511)	(3,711,188)
Passenger facility charges	9,736,965	8,049,980
Customer facility charges	4,962,370	3,166,267
Federal and state grants received	17,344,981	13,636,146
Net cash flows from capital and related financing activities	<u>(27,191,564)</u>	<u>(3,505,543)</u>
<b>Cash flows from investing activities:</b>		
Interest income	4,809,546	3,081,064
Purchases of investments	(15,906,398)	(99,886,965)
Proceeds from maturities of investments	13,779,508	84,107,047
Net cash flows from investing activities	<u>2,682,656</u>	<u>(12,698,854)</u>
Net change in cash and restricted cash	(925,950)	(3,909,314)
Cash and restricted cash, beginning of year	68,713,618	72,622,932
Cash and restricted cash, end of year	<u>\$ 67,787,668</u>	<u>\$ 68,713,618</u>
<b>Cash and cash equivalents are presented in the accompanying statements of net position as follows:</b>		
Cash	\$ 56,124,220	\$ 50,839,802
Restricted cash	11,663,448	17,873,816
	<u>\$ 67,787,668</u>	<u>\$ 68,713,618</u>

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

**NORFOLK AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating income (loss)	\$ 8,523,545	\$ (3,298,693)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	17,263,646	17,193,369
Loss on disposal of capital assets	-	116,954
Decrease (increase) in operating assets:		
Accounts receivable	(458,936)	(1,719,626)
Leases receivable	56,024	58,777
Prepaid expenses	(678,825)	(2,297)
Other assets	(122,925)	1,174,086
Increase (decrease) in operating liabilities:		
Accounts payable	2,778,276	(2,773,364)
Accrued leave and wages	217,984	82,476
Other accrued expenses	(2,738,589)	3,250,695
Net pension liability	(1,027,670)	(1,527,624)
Net OPEB liability	39,068	30,262
Other liabilities	(219,746)	(237,187)
Deferred amount on refunding	(48,894)	(52,745)
Net cash flows from operating activities	<u>\$ 23,582,958</u>	<u>\$ 12,295,083</u>
<b>Supplemental disclosure of noncash capital and related financing activities:</b>		
The Authority incurred noncash capital expenditures related to construction in progress that are included in accounts payable	<u>\$ 4,773,147</u>	<u>\$ 7,791,132</u>

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

# NORFOLK AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

---

### **(1) Summary of Significant Accounting Policies**

#### **(a) Organization and Purpose**

The Norfolk Airport Authority (the "Authority") was formed on April 4, 1988 from the Norfolk Port and Industrial Authority to account for the operations of the Norfolk International Airport (the "Airport"). The Authority is an independent subdivision of the Commonwealth of Virginia. Revenues generated by Airport operations are used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority. The Authority is authorized to finance projects by issuing bonds or obtaining loans in its own name.

#### **(b) Basis of Accounting**

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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 Authority generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on a review of the specific transaction.

#### **(c) Revenue Recognition**

Rentals and concession fees are generated from airlines, parking structures and lots, food service, rental cars, fixed-base operators, and other commercial operators and are included in the applicable operating revenue accounts. Concession revenue is recognized based on the Authority's share of reported concessionaire revenue.

#### **(d) Cash and Cash Equivalents**

The Authority considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

#### **(e) Accounts Receivable**

Accounts receivable are reported when earned, net of estimated uncollectible amounts. An allowance for doubtful accounts is established based on management estimates of uncollectible revenue billings, if any. As a customer's balance is deemed uncollectible, the receivable is offset against this allowance. Subsequent receipt of a receivable previously written off is applied to this allowance. There was no allowance for doubtful accounts as of June 30, 2024 or 2023.

#### **(f) Leases Receivable**

The Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

---

**(1) Summary of Significant Accounting Policies (continued)**

**(g) Capital Assets**

Beginning on July 1, 2023, capital assets with an initial individual cost of \$25,000 or more are capitalized at cost. Prior to July 1, 2023, this threshold was \$10,000. The Authority provides for depreciation of all capital assets by the straight-line method over estimated useful lives as follows:

Buildings and structures	20 to 50 years
Improvements	5 to 30 years
Roads and runways	10 to 40 years
Equipment	3 to 50 years

Major renewals and improvements that extend a capital asset's useful life are capitalized; maintenance and repairs are expensed when incurred.

When a capital asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operating revenues or expenses.

Capital assets also include certain right-to-use ("RTU") Information Technology ("IT") subscription assets. These RTU assets arise in association with agreements where the Authority enters into an IT subscription. The RTU 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 RTU subscription assets are amortized on a straight-line basis over the subscription term.

**(h) Bond Premiums, Discounts, and Issuance Costs**

Bond premiums and discounts incurred to issue debt are capitalized and amortized as interest expense over the related bond issue period using the effective interest method. With the exception of prepaid bond insurance costs discussed in item (i) below, bond issuance costs are expensed in the period incurred.

**(i) Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position contains a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period and will be recognized as an outflow of resources in a future period. The Authority recognizes deferred outflows for debt refundings, pension plans, and other postemployment benefits ("OPEB") plans.

In addition to liabilities, the statements of net position contains a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to a future period and will be recognized as an inflow of resources in a future period. The Authority recognizes deferred inflows for debt refunding, leases, pension, and OPEB plans. Deferred outflows and deferred inflows of resources for debt refundings are amortized over the shorter maturity of the refunded or refunding debt. The pension and OPEB deferred inflows and outflows related to the difference between expected and actual experience, changes in assumptions, and changes in proportion are recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans. The pension and OPEB deferred inflows and outflows related to the difference between projected and actual earnings are recognized using a systematic and rational method over a closed five-year period. The pension and OPEB deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension and OPEB liabilities in the subsequent fiscal year.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

---

**(1) Summary of Significant Accounting Policies (continued)**

**(j) Operating Revenues and Expenses**

Operating revenues and expenses consist of all revenue and expenses not related to capital and related financing or investing transactions.

**(k) Use of Estimates**

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

**(l) Pensions**

The Authority participates in the Virginia Retirement System (“VRS”), an agent multiple-employer, public employee retirement system with separate agent multiple pools for each locality, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Authority’s Retirement Plan, and the additions to/deductions from the Authority’s Retirement 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 paid in accordance with the benefit terms. Investments are reported at fair value.

**(m) OPEB Plans**

**(i) Group Life Insurance**

The VRS Group Life Insurance (“GLI”) Program is a multiple-employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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 Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

**(ii) Line of Duty Act Program**

The VRS Line of Duty Act Program (“LODA”) is a multiple-employer, cost-sharing plan. The LODA Program was established pursuant to Section 9.1-400, 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

---

**(1) Summary of Significant Accounting Policies (continued)**

*(iii) Political Subdivision Employee Virginia Local Disability Program*

The VRS Political Subdivision Employee Virginia Local Disability Program (“VLDP”) is a multiple-employer, cost-sharing plan. All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits, who are in the VRS Hybrid Retirement Plan benefit structure, and whose employer has not elected to opt out of the VRS-sponsored program, are automatically covered by the VLDP. This plan is administered by the VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

For purposes of measuring the net GLI, LODA, and VLDP Programs’ corresponding OPEB liability, each individual plan’s deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the OPEB and the additions to/deductions from the 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.

**(n) Fair Value**

The Authority utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Authority determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- *Level 1 Inputs* – Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- *Level 2 Inputs* – Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- *Level 3 Inputs* – Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identified assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The level in the fair value hierarchy within which a fair value measurement, in its entirety falls in, is based on the lowest level input that is significant to the fair value measurement in its entirety.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.



# NORFOLK AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

---

### **(2) Deposits and Investments**

The Authority maintains several restricted cash and investment funds in addition to its operating funds. These funds are disclosed on the accompanying statement of net position as restricted cash and cash equivalents and investments.

The Code of Virginia authorizes the Authority to invest in certificates of deposit with national banks located within the Commonwealth of Virginia, obligations of the United States or its agencies, obligations of the Commonwealth of Virginia or its political subdivisions, and certain other investments.

#### **(a) Deposits**

The carrying values of the Authority's deposits with banks were \$67,787,668 and \$68,713,618 and the bank balances were \$67,564,823 and \$68,579,837 at June 30, 2024 and 2023, respectively. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). In accordance with the Act, the depository institution pledged collateral in the form of federal agency obligations with a market value equal to 110% of the Authority's deposits with a third party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event the banking institution fails, the Treasurer will take possession of the collateral, liquidate it, and reimburse the Authority up to the value of its deposits. 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.

#### **(b) Investments**

The Authority's investment policy (the "Policy") permits investments and investment practices that meet or exceed all statutes governing the investment of public funds in Virginia and any investment restrictions imposed by bond covenants. The Policy establishes limitations on the investment options to include U.S. government obligations, Commonwealth of Virginia Local Government Investment Pool ("LGIP"), prime quality commercial paper, and certain corporate notes, banker's, acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, and mutual funds that invest exclusively in securities specifically permitted by the Code of Virginia.

#### **(c) Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Ratings, and Duff & Phelps. Corporate notes, negotiable certificates of deposit, and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

As of June 30, 2024, the Standard & Poor's ratings on the Authority's rated securities included 63.5% of AAAm, 31.9% of AA+, 1.3% of AA, and 3.4% of AA-.

As of June 30, 2023, the Standard & Poor's ratings on the Authority's rated securities included 58.3% of AAAm, 37.1% of AA+, 1.0% of AA, and 3.6% of AA-.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(2) Deposits and Investments (continued)**

**(d) Concentration of Credit Risk**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum
LGIP	75% maximum
Registered investments (mutual funds)	75% maximum

As of June 30, 2024, the Authority's portfolio was invested as follows:

<u>Issuer</u>	<u>Percentage of Portfolio</u>
U.S. Treasury	87.3%
Corporate notes	12.7%
	<u>100.0%</u>

As of June 30, 2023, the Authority's portfolio was invested as follows:

<u>Issuer</u>	<u>Percentage of Portfolio</u>
U.S. Treasury	86.6%
Corporate notes	13.4%
	<u>100.0%</u>

**(e) Interest Rate Risk**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy limits the investment of funds as a means of limiting exposure to fair value losses arising from permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of investments, a duration target not to exceed three years is determined for the core portfolio.

Proceeds from the sale of bonds issued by the Authority shall be invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term of securities purchased.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(2) Deposits and Investments (continued)**

As of June 30, 2024, the carrying values and weighted average maturity of the Authority's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Treasury securities	\$ 24,522,254	2.25 years
Corporate notes	3,806,897	1.76 years
Total investments	<u>\$ 28,329,151</u>	

As of June 30, 2023, the carrying values and weighted average maturity of the Authority's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Treasury securities	\$ 22,689,561	1.27 years
Corporate notes	3,512,700	1.57 years
Total investments	<u>\$ 26,202,261</u>	

**(f) Custodial Credit Risk**

Custodial credit risk for deposits is defined as the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of the outside party. The custodial credit risk for investments is defined as the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The policy requires that all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held in third party safekeeping at a qualified public depository that may not otherwise be a counterparty to the investment transaction.

As of June 30, 2024 and 2023, all the Authority's investments were held in a bank's trust department in the Authority's name.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(2) Deposits and Investments (continued)**

**(g) Summary of Deposits and Investments**

A reconciliation of the carrying value of deposits and investments reported above to amounts reported in the statement of net position as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Deposits	\$ 67,787,668	\$ 68,713,618
Investments	28,329,151	26,202,261
	<u>\$ 96,116,819</u>	<u>\$ 94,915,879</u>
Current assets:		
Cash and cash equivalents	\$ 56,124,220	\$ 50,839,802
Investments	21,269,786	21,391,259
Restricted assets:		
Cash and cash equivalents	11,663,448	17,873,816
Investments	7,059,365	4,811,002
	<u>\$ 96,116,819</u>	<u>\$ 94,915,879</u>

**(h) Fair Value Measurements**

The Authority has the following recurring fair value measurements as of June 30, 2024 and 2023, respectively:

U.S. Treasury securities and corporate notes of \$28,329,151, \$26,202,261 are valued using a matrix pricing model (Level 2 inputs).

**(3) Restricted Assets**

The Authority received \$2,000,000 during FY 2024 and FY 2023 from the Commonwealth Airport Fund (State block grant) for the Authority's use in financing capital asset additions. These funds are provided in advance of actual expenditure or specific project approval based on the relative size of each of the Commonwealth's air carrier airports and are restricted for expenditures on qualifying projects.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(3) Restricted Assets (continued)**

The trust indenture securing the Series 2021 and Series 2019 bonds payable requires segregation of certain assets into restricted accounts. These restricted accounts include a construction account holding funds for the design and construction of capital improvements, a capitalized interest account, a debt service reserve account, and a cost of issuance account. The passenger facility charge cash and receivable accounts are also restricted assets, as there are federal restrictions on how these funds may be disposed. All cash and investments are held by the following financial institutions: US Bank, Truist, Fidelity, and the Virginia Department of the Treasury's LGIP. Restricted assets consist of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
State block grant account	\$ 8,935,474	\$ 12,189,927
Bond ordinance related	7,384,719	7,172,755
Passenger facility charges account	2,400,802	3,277,136
Passenger facility charges receivable	1,684,173	1,638,062
Other restricted assets	1,818	45,000
Restricted assets	<u>\$ 20,406,986</u>	<u>\$ 24,322,880</u>

The current authorization from the Federal Aviation Administration ("FAA") permits the Authority to collect Passenger Facility Charges ("PFC") of \$4.50 per eligible enplaned passenger up to an aggregate amount of \$201,673,416. As of June 30, 2024, the remaining collection authority was \$40,196,418 and expires August 2028. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA-approved projects. Unexpended PFC and related interest are included as restricted net position for projects that are approved by the FAA.

**(4) Leases**

The Authority leases portions of the Airport property to tenants. The leases are discounted between 1.54% to 6.42%. As the lessor, the Authority 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. FY 2024 and FY 2023 amounts related to these leases are as follows:

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Rent	\$ 417,321	\$ 611,049
Concessions	\$ 1,063,043	\$ 1,063,481
Nonoperating revenues:		
Investment income (interest revenue)	\$ 113,602	\$ 109,239
Other income	\$ 489,169	\$ 356,971

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(4) Leases (continued)**

Leasing principal and interest payments to be received as of June 30, 2024 were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,738,244	\$ 82,068
2026	1,234,007	47,943
2027	851,881	26,441
2028	365,166	11,126
2029	173,176	1,771
	<u>\$ 4,362,474</u>	<u>\$ 169,349</u>

Additionally, the Authority has leases that are not recognized as receivables or within deferred inflows of resources as they meet the definition of a regulated lease. These leases are generally aeronautical in nature and are subject to certain regulations set forth by the FAA. The leases with the airlines are related to the main terminal buildings and are leased on a preferential use basis. Separate leases with cargo terminal operators, general aviation operators, and hangar leases are maintained on an exclusive use basis. The Authority recognized lease revenue during FY 2024 and FY 2023 related to these regulated leases of \$8,703,314 and \$4,736,982, respectively, which was recognized as rent revenue in the statement of revenues, expenses, and changes in net position.

Future minimum payments under these regulated leases are expected as follows:

<u>Years Ending June 30,</u>	
2025	\$ 10,418,152
2026	10,429,565
2027	2,062,020
2028	1,682,917
2029	1,683,631
2030-2034	8,247,737
2035-2039	8,099,373
2040-2044	7,985,630
2045-2046	100,982
	<u>\$ 50,710,007</u>

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(5) Capital Assets**

The following is a summary of the changes in capital assets for the year ended June 30, 2024 and 2023:

	<b>Balances, June 30, 2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2024</b>
Capital assets not being depreciated:				
Land	\$ 15,771,497	\$ -	\$ -	\$ 15,771,497
Construction in progress	31,822,231	47,252,825	(28,300,793)	50,774,263
	<u>47,593,728</u>	<u>47,252,825</u>	<u>(28,300,793)</u>	<u>66,545,760</u>
Capital assets being depreciated:				
Building, structures, and improvements	407,433,032	13,607,838	(523,281)	420,517,589
Roads and runways	87,094,059	13,893,547	-	100,987,606
Equipment	50,170,290	2,076,892	(11,475,596)	40,771,586
Right-to-use IT subscription	371,947	-	-	371,947
Less accumulated depreciation for:				
Building, structures, and improvements	(190,927,952)	(13,338,051)	523,281	(203,742,722)
Roads and runways	(66,394,755)	(1,766,899)	-	(68,161,654)
Equipment	(39,365,915)	(2,035,771)	11,475,596	(29,926,090)
Right-to-use IT subscription	(119,662)	(122,925)	-	(242,587)
	<u>248,261,044</u>	<u>12,314,631</u>	<u>-</u>	<u>260,575,675</u>
Capital assets, net	<u>\$ 295,854,772</u>	<u>\$ 59,567,456</u>	<u>\$ (28,300,793)</u>	<u>\$ 327,121,435</u>
	<b>Balances, June 30, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2023</b>
Capital assets not being depreciated:				
Land	\$ 15,771,497	\$ -	\$ -	\$ 15,771,497
Construction in progress	8,942,608	27,338,792	(4,459,169)	31,822,231
	<u>24,714,105</u>	<u>27,338,792</u>	<u>(4,459,169)</u>	<u>47,593,728</u>
Capital assets being depreciated:				
Building, structures, and improvements	403,779,463	3,653,569	-	407,433,032
Roads and runways	86,897,984	196,075	-	87,094,059
Equipment	49,482,869	767,370	(79,949)	50,170,290
Right-to-use IT subscription	-	371,947	-	371,947
Less accumulated depreciation for:				
Building, structures, and improvements	(177,620,926)	(13,307,026)	-	(190,927,952)
Roads and runways	(64,696,702)	(1,698,053)	-	(66,394,755)
Equipment	(37,377,236)	(2,068,628)	79,949	(39,365,915)
Right-to-use IT subscription	-	(119,662)	-	(119,662)
	<u>260,465,452</u>	<u>(12,204,408)</u>	<u>-</u>	<u>248,261,044</u>
Capital assets, net	<u>\$ 285,179,557</u>	<u>\$ 15,134,384</u>	<u>\$ (4,459,169)</u>	<u>\$ 295,854,772</u>

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$17,263,646 and \$17,193,369, respectively.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(6) Bonds Payable**

Bonds payable comprise the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Series 2019 bonds payable	\$ 51,535,000	\$ 53,020,000
Series 2021 bonds payable	20,580,000	23,330,000
	<u>72,115,000</u>	<u>76,350,000</u>
Unamortized premium	11,399,342	12,930,415
	<u>\$ 83,514,342</u>	<u>\$ 89,280,415</u>

In June 2021, the Authority completed the sale of \$20,890,000 Airport Revenue Bonds Series 2021A (Non-AMT), \$2,690,000 Airport Revenue Bonds Series 2021B (AMT), and \$2,270,000 Airport Revenue Bonds Series 2021C (Federally Taxable). Proceeds of the Series 2021 Bonds were used to defease and refund its previously outstanding Series 2011 Bonds. The Series 2021 Bonds are payable from general revenues of the Authority and certain funds and accounts established under the indenture. Principal payments on the Series 2021 Bonds are due on July 1 of each year through July 1, 2031. Interest is payable on the bonds on January 1 and July 1 of each year, with interest rates ranging from 0.3% to 5.0% during the term of the bonds. The bond resolutions include reserve requirements, including the requirement that total revenues provide for 100% of operating expenses and net revenues provide at least 125% of the debt service requirement for the following year.

In June 2020, the Authority entered into a Subordinate Lien Revolving Line of Credit with STI Institutional & Government, Inc. (a subsidiary of Truist Financial Corporation). This line of credit has a maximum principal sum outstanding of \$30,000,000 and a term of five years. The proceeds from the line of credit are being used as short-term financing for capital projects. The line of credit is secured by a lien on general revenues on a subordinate basis from general revenues and CFC revenues of the Authority and certain funds and accounts established under the indenture. Under the terms of the line of credit, interest payments are due monthly and principal payments are due at the maturity date of June 2025. Interest is variable and is calculated each month as 79% of the sum of SOFR plus 69 basis points. The interest rate is subject to a minimum rate of 1.14%.

In June 2019, the Authority completed the sale of \$54,435,000 Airport Revenue Bonds Series 2019 (Non-AMT). Proceeds of the Series 2019 Bonds were used to construct the Authority's parking garage D. The Series 2019 Bonds are payable from general revenues and CFC revenues of the Authority and certain funds and accounts established under the indenture. Principal payments on the Series 2019 Bonds are due on July 1 of each year through July 1, 2043. Interest is payable on the bonds on January 1 and July 1 of each year, with an interest rate of 5.00% during the term of the bonds. The bond resolutions include reserve requirements, including the requirement that total revenues provide for 100% of operating expenses and net revenues provide at least 125% of the debt service requirement for the following year.



**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(6) Bonds Payable (continued)**

Maturities of bond principal and interest to be provided for all bonds outstanding at June 30, 2024 were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 4,355,000	\$ 3,442,575
2026	4,280,000	3,247,825
2027	3,960,000	3,063,800
2028	4,140,000	2,872,500
2029	4,350,000	2,660,250
2030-2034	19,100,000	10,030,750
2035-2039	14,030,000	6,297,000
2040-2044	17,900,000	2,325,000
	<u>\$ 72,115,000</u>	<u>\$ 33,939,700</u>

Revenue bond activity for the year ended June 30, 2024 is as follows:

	<u>Balance, June 30, 2023</u>	<u>Issuance of Bonds</u>	<u>Amortization of Premium</u>	<u>Bond Payments</u>	<u>Balance, June 30, 2024</u>	<u>Current Portion</u>
Series 2021	\$ 26,863,399	\$ -	\$ (790,140)	\$ (2,750,000)	\$ 23,323,259	\$ 3,470,152
Series 2019	62,417,016	-	(740,933)	(1,485,000)	60,191,083	2,280,181
	<u>\$ 89,280,415</u>	<u>\$ -</u>	<u>\$ (1,531,073)</u>	<u>\$ (4,235,000)</u>	<u>\$ 83,514,342</u>	<u>\$ 5,750,333</u>

Revenue bond activity for the year ended June 30, 2023 is as follows:

	<u>Balance, June 30, 2022</u>	<u>Issuance of Bonds</u>	<u>Amortization of Premium</u>	<u>Bond Payments</u>	<u>Balance, June 30, 2023</u>	<u>Current Portion</u>
Series 2021	\$ 30,269,061	\$ -	\$ (885,662)	\$ (2,520,000)	\$ 26,863,399	\$ 3,540,139
Series 2019	64,572,949	-	(740,933)	(1,415,000)	62,417,016	2,225,933
	<u>\$ 94,842,010</u>	<u>\$ -</u>	<u>\$ (1,626,595)</u>	<u>\$ (3,935,000)</u>	<u>\$ 89,280,415</u>	<u>\$ 5,766,072</u>

**Bond Covenant**

The bond indenture states the Authority will provide general revenues at least 125% of the debt service requirement on all related bonds secured by general revenues then outstanding for the sinking fund year ending on the next June 30. At June 30, 2024 and 2023, the rate covenant was met. The indenture further provides that in the event the coverage is not met for a single year, the Authority shall hire a consultant to study revenues, expenses, and debt coverage for the following year and to provide guidance on rates and charges and meeting the rate coverage calculation. A noncompliance with the covenant is not a default until it is not met for two consecutive years.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(7) Changes in Other Long-Term Liabilities**

Other long-term liability activity for the year ended June 30, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Right-to-use IT subscription liabilities	\$ 234,627	\$ -	\$ 116,106	\$ 118,521	\$ 87,327
Deposits payable	249,706	60,000	100,000	209,706	-
	<u>\$ 484,333</u>	<u>\$ 60,000</u>	<u>\$ 216,106</u>	<u>\$ 328,227</u>	<u>\$ 87,327</u>

Other long-term liability activity for the year ended June 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Right-to-use IT subscription liabilities	\$ -	\$ 361,947	\$ 127,320	\$ 234,627	\$ 116,107
Deposits payable	254,706	100,000	105,000	249,706	-
	<u>\$ 254,706</u>	<u>\$ 461,947</u>	<u>\$ 232,320</u>	<u>\$ 484,333</u>	<u>\$ 116,107</u>

**(8) Airport Use Agreement**

Effective July 1, 2023, the Authority entered into a new Airline Use and Lease Agreement (the “ULA”) with the signatory airlines operating scheduled passenger service at the Airport. The term of the ULA for the signatory carriers is through June 30, 2026. The Agreement provides for airlines to pay rates and charges calculated based on established cost centers.

**(9) Defined Benefit Pension Plan**

**(a) Plan Description**

The Authority participates in the VRS, an agent multiple-employer, public employee retirement system, which acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All full-time, salaried permanent (professional) employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the “System” or “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 public service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public services, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set forth below:

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

---

**(9) Defined Benefit Pension Plan (continued)**

**(a) Plan Description (continued)**

VRS Plan 1 is a defined benefit plan. Members hired before July 1, 2010 and who were vested as of January 1, 2013, and they have not taken a refund, are eligible for Plan 1. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service for participating employers. An optional reduced retirement benefit is available to members of VRS as early as age 50 with at least 10 years of service credit or age 55 with at least five years of service credit. Active members may purchase previous service as service credit to their plan and, if eligible, may purchase periods of leave without pay.

VRS Plan 2 is a defined benefit plan. Members hired or rehired on or after July 1, 2010, and who have no service credits before July 1, 2010, and are not vested as of January 1, 2013, are covered under Plan 2. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available to Plan 2 members as early as age 60 with at least five years of service credit. Active members may purchase previous service as service credit to their plan and, if eligible, may purchase periods of leave without pay.

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are eligible for the Hybrid Plan. The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula. The benefit payment payable from the defined contribution plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available as early as age 60 with at least five years of service credit. Under the defined benefit plan, active members may purchase previous service as service credit to their plan and, if eligible, may purchase periods of leave without pay.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. The retirement multiplier for Authority's employees is 1.70% for Plan 1 members, 1.85% for hazardous duty Plan 1 members, 1.65% for Plan 2 members, and 1.0% for Hybrid Plan members. 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. Under Plan 1, average final compensation is the average of the member's 36-consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60-consecutive months of highest compensation. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment ("PLOP"), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment ("COLA") effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

**(b) Employees Covered by Benefit Terms**

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	<u>183</u>
Inactive members:	
Vested inactive members	34
Nonvested inactive members	48
Inactive members active elsewhere in VRS	<u>43</u>
Total inactive members	<u>125</u>
Active members	<u>193</u>
Total covered employees	<u><u>501</u></u>

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	<u>182</u>
Inactive members:	
Vested inactive members	30
Nonvested inactive members	50
Inactive members active elsewhere in VRS	<u>36</u>
Total inactive members	<u>116</u>
Active members	<u>190</u>
Total covered employees	<u><u>488</u></u>

**(c) Contributions**

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

The Authority's actuarially required contribution rate for the years ended June 30, 2024 and 2023 was 13.74% of covered employee compensation. This rate was based on an actuarially determined rate from actuarial valuations as of June 30, 2021. 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 Authority were \$1,973,035 and \$1,830,357 for the years ended June 30, 2024 and 2023, respectively.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

**(d) Net Pension Liability**

The Authority's net pension liability as of June 30, 2024 was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

The Authority's net pension liability as of June 30, 2023 was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

**(e) Actuarial Assumptions**

The total pension liability for general employees and public safety employees in the Authority's Retirement Plan was based on an actuarial valuations as of June 30, 2022, 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 dates of June 30, 2023.

	<u>General Employees</u>	<u>Public Safety Employees</u>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50 - 5.35%	3.50 - 4.75%
Investment rate of return, net of pension plan investment expense, including inflation	6.75%	6.75%

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

	<b>Mortality Assumptions</b>	
	<b>General Employees</b>	<b>Public Safety Employees</b>
Deaths assumed to be service related:	15.0 %	45.0 %
Preretirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.	Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.
Postretirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.	Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally;	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.
Mortality improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

The total pension liability for general employees and public safety employees in the Authority's Retirement Plan was based on an actuarial valuations as of June 30, 2021, 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 dates of June 30, 2022.

	<u>General Employees</u>	<u>Public Safety Employees</u>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 4.75%
Investment rate of return, net of pension plan investment expense, including inflation	6.75%	6.75%

	<u>Mortality Assumptions</u>	
	<u>General Employees</u>	<u>Public Safety Employees</u>
Deaths assumed to be service related:	15.0 %	45.0 %
Preretirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.	Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.
Postretirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.	Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.
Mortality improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Preretirement, postretirement, healthy, and disabled) (General Employees)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Mortality Rates (Preretirement, postretirement, healthy, and disabled) (Public Safety Employees)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates (General Employees)	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Retirement Rates (Public Safety Employees)	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates (General Employees)	Adjusted rates to better fit experience at each year age and service through nine years of service.
Withdrawal Rates (Public Safety Employees) Disability Rates Salary Scale Line of Duty Disability Discount Rate	Decreased rates No change. No change. No change. No change.



**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 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:

Mortality Rates (Preretirement, postretirement, healthy, and disabled) (General Employees)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Mortality Rates (Preretirement, postretirement, healthy, and disabled) (Public Safety Employees)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates (General Employees)	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Retirement Rates (Public Safety Employees)	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates (General Employees)	Adjusted rates to better fit experience at each year age and service through nine years of service.
Withdrawal Rates (Public Safety Employees)	Decreased rates 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
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

**(f) Long-Term Expected Rate of Return**

The long-term expected rate of return on pension system 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 summaries in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public equity	34.00%	6.14%	2.09%
Fixed income	15.00%	2.56%	0.38%
Credit strategies	14.00%	5.60%	0.78%
Real assets	14.00%	5.02%	0.70%
Private equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
	<u>100.00%</u>		<u>5.75%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return**			<u>8.25%</u>

\* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.14%, including expected inflation of 2.50%.

\*\* On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

**(g) 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 System 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, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed 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.

**(h) Changes in Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2022	\$ 62,353,129	\$ 58,720,589	\$ 3,632,540
Changes for the year:			
Service cost	1,829,175	-	1,829,175
Interest	4,226,986	-	4,226,986
Differences between expected and actual experience	1,032,307	-	1,032,307
Contributions – employer	-	1,831,950	(1,831,950)
Contributions – employee	-	670,283	(670,283)
Net investment income	-	3,813,587	(3,813,587)
Changes of assumptions	-	-	-
Benefit payments	(3,108,814)	(3,108,814)	-
Administrative expenses	-	(37,499)	37,499
Refunds of contributions	(11,779)	(11,779)	-
Other changes	-	1,532	(1,532)
Net changes	<u>3,967,875</u>	<u>3,159,260</u>	<u>808,615</u>
Balances at June 30, 2023	<u>\$ 66,321,004</u>	<u>\$ 61,879,849</u>	<u>\$ 4,441,155</u>

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(9) Defined Benefit Pension Plan (continued)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2021	\$ 60,859,081	\$ 59,535,503	\$ 1,323,578
Changes for the year:			
Service cost	1,586,837	-	1,586,837
Interest	4,115,054	-	4,115,054
Differences between expected and actual experience	(1,243,533)	-	(1,243,533)
Contributions – employer	-	1,631,522	(1,631,522)
Contributions – employee	-	613,815	(613,815)
Net investment income	-	(60,437)	60,437
Changes of assumptions	-	-	-
Benefit payments	(2,936,638)	(2,936,638)	-
Administrative expenses	-	(36,884)	36,884
Refunds of contributions	(27,672)	(27,672)	-
Other changes	-	1,380	(1,380)
Net changes	1,494,048	(814,914)	2,308,962
Balances at June 30, 2022	\$ 62,353,129	\$ 58,720,589	\$ 3,632,540

**(i) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

For the years ended June 30, 2024 and 2023, the following presents the net pension liability of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
The Authority's net pension liability (asset)	\$ 12,501,797	\$ 4,441,155	\$ (2,220,973)
	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
The Authority's net pension liability	\$ 11,091,543	\$ 3,636,540	\$ (2,526,963)

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2024 AND 2023*

---

**(9) Defined *Benefit Pension Plan (continued)***

**(k) *Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2023-annual-report.pdf](http://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.

**(10) OPEB Plans**

**(a) *Plan Descriptions***

**(i) *GLI plan***

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB, for public employer groups in the Commonwealth of Virginia.

In addition to the basic group life insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 Program OPEB.

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 member contributions and accrued interest.

The benefits payable under the GLI Program have several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefits, safety belt benefits, repatriation benefits, felonious assault benefits, and accelerated death benefit options. 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. For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 COLA adjustment and was \$6,254 and \$8,984 as of June 30 2024 and 2023 respectively.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

---

**(10) OPEB Plans (continued)**

*(i) LODA plan*

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the State Police Officers' Retirement System ("SPORS"), or the Virginia Law Officers' Retirement System ("VaLORS") are automatically covered by the LODA program. As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the VRS's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The eligible employees of the LODA included paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the VRS, the SPORS, or the VaLORS.

The LODA provides death and health insurance benefits for eligible individuals. The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows. \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. These benefits are managed through the Virginia Department of Human Resource Management ("DHRM"). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members.

*(iii) VLDP plan*

All full-time, salaried general employees, including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions, who do not provide enhanced hazardous duty benefits, who are in the VRS Hybrid Retirement Plan benefit structure, and whose employer has not elected to opt out of the VRS-sponsored program, are automatically covered by the VLDP. This plan is administered by the VRS, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

The VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work related and work related disabilities for employees with Hybrid retirement benefits.

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. Eligibility includes full-time general employees, including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2024 AND 2023*

---

**(10) OPEB Plans (continued)**

The VLDP provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work related, short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work related or work related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. The VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

**(b) Contributions**

The contribution requirements for the GLI Program are governed by Section 51.1-506 and Section 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 Authority were \$78,831 and \$72,702 for the years ended June 30, 2024 and 2023, respectively.

The contribution requirements for the LODA program are governed by Section 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer-contribution rate for the LODA program for the year ended June 30, 2024 was \$830.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the Authority were \$46,536 and \$40,910 for the years ended June 30, 2024 and 2023, respectively.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

---

**(10) OPEB Plans (continued)**

The contribution requirement for the VLDP Program for active Hybrid employees is governed by Section 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the years ended June 30, 2024 was 0.85% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 from the Authority to the VLDP were \$36,421 and \$26,662 for the years ended June 30, 2024 and 2023, respectively.

**(c) OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB**

At June 30, 2024, the Authority reported liabilities of \$714,071, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 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, 2022, and rolled forward to the measurement date of June 30, 2023. The Authority's proportion of the Net GLI OPEB Liability was based on the Authority's actuarially determined employer contributions to the GLI Program for the years ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority's proportion was 0.05954% as compared to 0.05918% at June 30, 2022.

For the years ended June 30, 2024 and 2023, the Authority recognized GLI OPEB expenses of \$28,177 and \$21,253, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the Authority reported liabilities of \$1,235,892, for its proportionate share of the net LODA OPEB liability. The net LODA OPEB liability was measured as of June 30, 2023 and the total LODA OPEB liability used to calculate the net LODA OPEB liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The Authority's proportion of the net LODA OPEB liability was based on the Authority's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2023, the Authority's proportion was 0.30828% as compared to 0.30953% at June 30, 2022.

For the years ended June 30, 2024 and 2023, the Authority recognized LODA OPEB expense of \$161,834 and \$154,235, respectively. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the Authority reported a net asset of \$9,774 for its proportionate share of the VLDP Net OPEB liability. The net VLDP OPEB liability was measured as of June 30, 2023 and the total VLDP OPEB liability used to calculate the net VLDP OPEB liability determined by an actuarial valuation as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The Authority's proportion of the net VLDP OPEB liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority's proportion of the VLDP was 0.65466% as compared to 0.60746% at June 30, 2023.

For the year ended June 30, 2024 and 2023, the Authority recognized VLDP OPEB expense of \$24,863 and \$19,318, respectively. Since there was a change in proportionate share between measurement dates a portion of the VLDP net OPEB expense was related to deferred amounts from changes in proportion.



**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

At June 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the GLI, LODA, and VLDP OPEB plans from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ 24	\$ 32,311
Change of assumptions	289,835	305,217
Differences between expected and actual experience	140,912	260,482
Changes in proportionate share	34,994	75,633
Employer contributions subsequent to the measurement date	161,788	-
Total as of June 30, 2024	\$ 627,553	\$ 673,643
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 49,551
Change of assumptions	353,393	359,605
Differences between expected and actual experience	151,386	255,073
Changes in proportionate share	40,526	88,072
Employer contributions subsequent to the measurement date	140,274	-
Total as of June 30, 2023	\$ 685,579	\$ 752,301

Deferred outflows of resources related to OPEB plans totaling \$161,788 resulting from the Authority's contributions subsequent to the measurement date of June 30, 2023, will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plans will be recognized in the Authority's OPEB expense in future reporting periods as follows:

**Years Ending June 30,**

2025	\$ 21,632
2026	48,063
2027	408
2028	12,933
2029	14,648
Thereafter	110,194
	\$ 207,878

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

**(d) Actuarial Assumptions**

The total GLI, LODA, and VLDP OPEB liabilities were based on actuarial valuations as of June 30, 2022, 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, 2023:

Inflation	2.50%
Salary increase, including inflation:	3.50% to 5.35%
General employees (GLI and VLDP)	
Medical cost trend rates assumption (LODA):	
Under age 65	7.00% to 4.75%
Ages 65 and older	5.25% to 4.75%
Investment rate of return (GLI and VLDP)	3.75%, net of investment expenses, including inflation
Year of ultimate trend rate (LODA):	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return (LODA)	3.86%, including inflation*

\* Since LODA is funded on a current disbursement basis, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return.

	<b>Mortality Assumptions</b>							
	<b>General Employees</b>				<b>Hazardous Duty Employees</b>			
Preretirement:	Pub-2010	Amount	Weighted	Safety	Pub-2010	Amount	Weighted	Safety
	Employee Rates	projected	generationally;	projected	Employee Rates	projected	generationally;	projected
	males set forward 2 years; 105% of rates for females set forward 3 years.				95% of rates for males; 105% of rates for females set forward 2 years.			
Postretirement:	Pub-2010	Amount	Weighted	Safety	Pub-2010	Amount	Weighted	Safety
	Healthy Retiree	Rates	projected	generationally;	Healthy Retiree	Rates	projected	generationally;
	95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.				110% of rates for males; 105% of rates for females set forward 3 years.			
Post-disablement:	Pub-2010	Amount	Weighted	General	Pub-2010	Amount	Weighted	General
	Disabled Rates	projected	generationally;	Disabled Rates	projected	generationally;	Disabled Rates	projected
	110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.				95% of rates for males set back 3 years; 90% of rates for females set back 3 years.			
Beneficiaries and survivors:	Pub-2010	Amount	Weighted	Safety	Pub-2010	Amount	Weighted	Safety
	Contingent Annuitant	Rates	projected	Contingent Annuitant	Rates	projected	Contingent Annuitant	Rates
	generationally.				generationally; 110% of rates for males and females set forward 2 years.			
Mortality improvement scale:	Rates	projected	generationally	with	Rates	projected	generationally	with
	Modified MP-2020	Improvement	Scale	that is 75% of the MP-2020 rates.	Modified MP-2020	Improvement	Scale	that is 75% of the MP-2020 rates.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study for general employees include updating the mortality table, adjusting retirement rates to better fit experience, changing the final retirement age, and adjusting withdrawal rates to better fit experience. Changes to the actuarial assumptions, as a result of the experience study for hazardous duty employees include updating the mortality table, adjusting retirement rates to better fit experience and decreasing withdrawal rates.

**(e) Net OPEB Liability**

The net OPEB liability represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts are as follows (dollar amounts in thousands):

	<b>June 30, 2023</b>		
	<b>GLI</b>	<b>LODA</b>	<b>VLDP</b>
Total OPEB liability	\$ 3,907,052	\$ 406,211	\$ 9,525
Plan fiduciary net position	2,707,739	5,311	11,134
Employers' net OPEB liability (asset)	<u>\$ 1,199,313</u>	<u>\$ 400,900</u>	<u>\$ (1,609)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	69.30%	1.31%	116.89%

The net OPEB liability represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts are as follows (dollar amounts in thousands):

	<b>June 30, 2022</b>		
	<b>GLI</b>	<b>LODA</b>	<b>VLDP</b>
Total OPEB liability	\$ 3,672,085	\$ 385,669	\$ 7,360
Plan fiduciary net position	2,467,989	7,214	7,948
Employers' net OPEB liability	<u>\$ 1,204,096</u>	<u>\$ 378,455</u>	<u>\$ (588)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	67.21%	1.87%	107.99%

The total OPEB liability is calculated by 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.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

**(f) Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS' investments for the GLI and VLDP plans was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS' 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
Public equity	34.00%	6.14%	2.09%
Fixed income	15.00%	256.00%	0.38%
Credit strategies	14.00%	5.60%	0.78%
Real assets	14.00%	5.02%	0.70%
Private equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
	<u>100.00%</u>		<u>5.75%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return**			<u>8.25%</u>

\* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

The long-term expected rate of return on LODA OPEB program's investments was set at 3.86% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This single equivalent interest rate is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2023.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

**(g) Discount Rate**

The discount rate used to measure the total GLI and VLDP OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 Authority for the GLI and VLDP OPEBs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI and VLDP OPEBs' 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 GLI and VLDP OPEB liabilities.

The discount rate used to measure the total LODA OPEB liability was 3.86%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by participating employers to the LODA OPEB program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

**(h) Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability/(Asset) to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net OPEB liability using the current discount rates, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the years ended June 30, 2024 and June 30, 2023, respectively:

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
The Authority's proportionate share of the GLI net OPEB liability	\$ 1,058,477	\$ 714,071	\$ 435,617
The Authority's proportionate share of the VLDP net OPEB (asset)	\$ (5,121)	\$ (9,774)	\$ (13,851)
	<b>1% Decrease (2.86%)</b>	<b>Current Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
The Authority's proportionate share of the LODA net OPEB liability	\$ 1,385,729	\$ 1,235,892	\$ 1,109,132

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
The Authority's proportionate share of the GLI net OPEB liability	\$ 1,036,894	\$ 712,584	\$ 450,498
The Authority's proportionate share of the VLDP net OPEB liability/(asset)	\$ 374	\$ (3,528)	\$ (6,915)
	<b>1% Decrease (2.69%)</b>	<b>Current Discount Rate (3.69%)</b>	<b>1% Increase (4.69%)</b>
The Authority's proportionate share of the LODA net OPEB liability	\$ 1,337,180	\$ 1,171,433	\$ 1,035,833

**(i) Sensitivity of the Authority's Proportionate Share of the Net LODA OPEB Liability to Changes in the Healthcare Trend Rate**

Because the LODA plan contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the Authority's proportionate share of the net LODA OPEB liability using a healthcare trend rate of 7.00% decreasing to 4.75%, as well as what the Authority's proportionate share of the net LODA OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate for the years ended June 30, 2024 and June 30, 2023, respectively:

	<b>1% Decrease (6.00% decreasing to 3.75%)</b>	<b>Healthcare Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1% Increase (8.00% decreasing to 5.75%)</b>
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 1,048,078	\$ 1,235,892	\$ 1,468,623

	<b>1% Decrease (6.00% decreasing to 3.75%)</b>	<b>Healthcare Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1% Increase (8.00% decreasing to 5.75%)</b>
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 987,187	\$ 1,171,433	\$ 1,402,690

**(j) VRS OPEB Programs Fiduciary Net Positions**

Detailed information about the GLI, LODA, and VLDP fiduciary net position is available in the separately issued VRS 2023 ACFR. A copy of the 2023 VRS ACFR 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.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

**(10) OPEB Plans (continued)**

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
The Authority's proportionate share of the GLI net OPEB liability	\$ 1,036,894	\$ 712,584	\$ 450,498
The Authority's proportionate share of the VLDP net OPEB liability/(asset)	\$ 374	\$ (3,528)	\$ (6,915)
	<b>1% Decrease (2.69%)</b>	<b>Current Discount Rate (3.69%)</b>	<b>1% Increase (4.69%)</b>
The Authority's proportionate share of the LODA net OPEB liability	\$ 1,337,180	\$ 1,171,433	\$ 1,035,833

**(i) Sensitivity of the Authority's Proportionate Share of the Net LODA OPEB Liability to Changes in the Healthcare Trend Rate**

Because the LODA plan contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the Authority's proportionate share of the net LODA OPEB liability using a healthcare trend rate of 7.00% decreasing to 4.75%, as well as what the Authority's proportionate share of the net LODA OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate for the years ended June 30, 2024 and June 30, 2023, respectively:

	<b>1% Decrease (6.00% decreasing to 3.75%)</b>	<b>Healthcare Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1% Increase (8.00% decreasing to 5.75%)</b>
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 1,048,078	\$ 1,235,892	\$ 1,468,623

	<b>1% Decrease (6.00% decreasing to 3.75%)</b>	<b>Healthcare Trend Rates (7.00% decreasing to 4.75%)</b>	<b>1% Increase (8.00% decreasing to 5.75%)</b>
The Authority's proportionate share of the LODA Net OPEB Liability	\$ 987,187	\$ 1,171,433	\$ 1,402,690

**(j) VRS OPEB Programs Fiduciary Net Positions**

Detailed information about the GLI, LODA, and VLDP fiduciary net position is available in the separately issued VRS 2023 ACFR. A copy of the 2023 VRS ACFR 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.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

*JUNE 30, 2024 AND 2023*

---

**(11) Executive Supplemental Retirement Plan**

The Authority has an Executive Supplemental Retirement Plan (the “ESRP”), which was approved and established by the Board of Commissioners for two former employees. Under the terms of the ESRP, the participants received annual payments equal to 75% of their final salary less any benefits received under the VRS. During the years ended June 30, 2024 and 2023, the plan expense was \$-0- and \$466,815, respectively. The ESRP accrued liability totaling \$-0- and \$251,450 as of June 30, 2024 and 2023, respectively, is included in other liabilities in the accompanying statements of net position.

During FY 2023, settlement agreements were executed with the two former employees, and the ESRP Plan was terminated pending final distribution of the settlements, which occurred during FY 2024. No future liabilities are expected under the ESRP.

**(12) Employee Contribution Plan**

The Authority maintains a deferred compensation plan through Mission Square Retirement. The plan was established under the guidelines of Section 457 of the Internal Revenue Code (“IRC”). The plan is a voluntary employee contribution plan in which employees elect a dollar amount to be withheld each pay period. Assets and liabilities related to this plan are not included in the accompanying statements of net position.

All regular full-time employees of the Authority are eligible to participate with a minimum contribution of \$10 per pay period. Maximum contributions made by an employee are subject to IRC limitations.

The plan is entirely funded by the Authority’s employees. Mission Square charges fees to employees if they are enrolled in a managed account. Mission Square also has the authority to annually deduct a certain percentage of the daily average net asset balance to cover administrative and other various costs.

**(13) Concentration of Credit Risk**

Financial instruments that potentially subject the Authority to concentration of credit risk consist of investments and accounts receivable. The Authority’s investments are described in Note 2. A substantial portion of the Authority’s accounts receivable is from U.S. commercial airlines and rental car companies that could be similarly affected by industry economic conditions. Historically, the Authority’s uncollectible accounts receivable have been minimal, and the Authority does not require collateral for its receivables.

**(14) Risk Management**

The Authority is exposed to a variety of risks or losses related to torts (i.e., injuries to employees, damage to property, destruction or theft of assets, cyber-attacks, and natural disasters). The Authority purchases insurance through the Commonwealth of Virginia and commercial insurance carriers for specific types of coverage.

The Authority participates in a risk management self-insurance plan through the Commonwealth of Virginia administered by the Division of Risk Management. Through this plan, the Authority obtains public officers, law enforcement, and medical malpractice liability coverage of \$1,000,000 per occurrence. The ACFR of the Commonwealth of Virginia contains disclosure of the Commonwealth’s estimated claims payable and estimated losses for self-insurance plans at June 30, 2024 and 2023.



# NORFOLK AIRPORT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

---

### **(14) Risk Management (continued)**

Through commercial insurance carriers, the Authority has property insurance coverage of \$455.2 million annually, airport liability coverage of \$300.0 million annually, pollution coverage of \$10.0 million, terrorism coverage for 80% of the loss, business auto coverage of \$1.0 million per occurrence, cyber-attack coverage of \$1.0 million, crime insurance coverage of \$1.0 million per occurrence, watercraft coverage of \$1.0 million, and workers' compensation coverage for bodily injury of \$1.0 million per occurrence.

There were no reductions to insurance coverage from the prior year. Claim settlements and judgments not covered by insurance coverage are covered by operating resources. The amount of settlements did not exceed insurance coverage for any of the past three years. Claim expenditures and liabilities are reported when it is probable that a loss occurred and the amount of loss can be reasonably estimated.

### **(15) Government Grants in Aid of Construction**

The Authority receives, on a reimbursement basis, grants from the Commonwealth of Virginia and the federal government for certain capital construction projects through the Airport Improvement Program. As a recipient of state and federal financial assistance, the Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to this program. All grants are subject to financial and compliance audits by the grantors. In the opinion of management, audit adjustments, if any, would not have a significant impact on the financial position of the Authority.

### **(16) Commitments and Contingencies**

Prior to July 1, 1998, the Authority had an agreement with the City of Norfolk, Virginia (the "City") whereby the Authority had use of the Airport property free of charge. As of July 1, 1998, the City reacquired title to all property. On January 18, 2000, the City executed a deed conveying title to the Authority, reserving a right of reversion if the Airport property is no longer used as an airport. In consideration of the conveyance of the property, the Authority agreed to compensate the City for the loss of tax revenue on the Airport property. Beginning in FY 2016, the adjusted annual payment was set by the City's tax assessor; in no event shall the payment exceed stated tax rates on the fair value of the Airport property. Advance payments are due annually on July 1. Payment in the amount of \$2.65 million was required for FY 2024 and FY 2023. This amount is due each year through the July 1, 2024 payment.

As of June 30, 2024 and 2023, the Authority had entered into contracts totaling \$77.0 million and \$55.3 million, of which \$45.7 million and \$31.3 million was outstanding, respectively.

From time to time, the Authority is a defendant in certain lawsuits 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, 2024 or 2023.

### **(17) Conduit Debt**

From time to time, the Authority has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying promissory notes. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying statements of net position. As of June 30, 2024 and 2023, there were three series of revenue bonds outstanding with an aggregate principal amount of approximately \$11.8 million and \$13.2 million, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)**

*JUNE 30, 2024*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Changes in the Authority's Net Pension Liability and Related Ratios:										
Total pension liability:										
Service cost	\$ 1,829,175	\$ 1,586,837	\$ 1,507,543	\$ 1,528,644	\$ 1,420,679	\$ 1,414,966	\$ 1,373,319	\$ 1,346,523	\$ 1,300,433	\$ 1,278,926
Interest	4,226,986	4,115,054	3,810,696	3,631,931	3,419,644	3,151,550	3,053,266	2,880,450	2,688,486	2,530,135
Differences between expected and actual experience	1,032,307	(1,243,533)	(1,383,443)	353,978	1,367,730	1,816,734	(429,688)	237,910	484,660	-
Changes of assumptions	-	-	1,935,184	-	1,462,450	-	(222,799)	-	-	-
Benefit payments, including refunds of employee contributions	(3,108,814)	(2,936,638)	(2,931,301)	(2,682,147)	(2,615,193)	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)	(1,358,746)
Refunds of Contributions	(11,779)	(27,672)	-	(118,923)	(16,096)	-	-	-	-	-
Other	-	-	-	-	-	-	(313)	-	-	-
Net change in total pension liability	3,967,875	1,494,048	2,938,679	2,713,483	5,039,214	3,907,888	1,509,055	2,737,453	2,738,524	2,450,315
Total pension liability – beginning	62,353,129	60,859,081	57,920,402	55,206,919	50,167,705	46,259,817	44,750,762	42,013,309	39,274,785	36,824,470
Total pension liability – ending (a)	<u>66,321,004</u>	<u>62,353,129</u>	<u>60,859,081</u>	<u>57,920,402</u>	<u>55,206,919</u>	<u>50,167,705</u>	<u>46,259,817</u>	<u>44,750,762</u>	<u>42,013,309</u>	<u>39,274,785</u>
Plan fiduciary net position:										
Contributions – employer	1,831,950	1,631,522	1,568,710	1,366,885	1,335,367	1,208,422	1,170,578	1,223,465	1,179,412	1,260,523
Contributions – employee	670,283	613,815	593,589	611,117	593,189	577,112	564,624	553,205	522,626	512,028
Net investment income	3,813,587	(60,437)	12,931,550	899,668	2,992,190	3,148,504	4,691,484	671,007	1,669,448	4,930,757
Benefit payments, including refunds of employee contributions	(3,108,814)	(2,936,638)	(2,838,514)	(2,682,147)	(2,615,193)	(2,475,362)	(2,264,730)	(1,727,430)	(1,735,055)	(1,358,746)
Administrative expense	(37,499)	(36,884)	(31,995)	(30,745)	(29,605)	(27,217)	(27,108)	(23,348)	(22,585)	(25,970)
Refunds of Contributions	(11,779)	(27,672)	(92,787)	(118,923)	(16,096)	-	-	-	-	-
Other	1,532	1,380	1,222	(1,069)	(1,890)	(2,799)	(4,170)	(173)	(663)	260
Net change in plan fiduciary net position	3,159,260	(814,914)	12,131,775	44,786	2,257,962	2,428,660	4,130,678	696,726	1,613,183	5,318,852
Plan fiduciary net position – beginning	58,720,589	59,535,503	47,403,728	47,358,942	45,100,980	42,672,320	38,541,642	37,844,916	36,231,733	30,912,881
Plan fiduciary net position – ending (b)	<u>61,879,849</u>	<u>58,720,589</u>	<u>59,535,503</u>	<u>47,403,728</u>	<u>47,358,942</u>	<u>45,100,980</u>	<u>42,672,320</u>	<u>38,541,642</u>	<u>37,844,916</u>	<u>36,231,733</u>
Authority's net pension liability – ending (a)-(b)	<u>\$ 4,441,155</u>	<u>\$ 3,632,540</u>	<u>\$ 1,323,578</u>	<u>\$ 10,516,674</u>	<u>\$ 7,847,977</u>	<u>\$ 5,066,725</u>	<u>\$ 3,587,497</u>	<u>\$ 6,209,120</u>	<u>\$ 4,168,393</u>	<u>\$ 3,043,052</u>
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	93.30%	94.17%	97.83%	81.84%	85.78 %	89.90 %	92.24 %	86.13 %	90.08 %	92.25 %
Covered payroll (c)	\$ 13,981,234	\$ 12,819,953	\$ 12,330,340	\$ 12,677,884	\$ 12,300,841	\$ 11,882,270	\$ 11,725,164	\$ 10,903,311	\$ 10,406,965	\$ 10,245,675
Authority's net pension liability as a percentage of covered payroll [(a)-(b)] / (c)	31.77%	28.34%	10.73%	82.95 %	63.80 %	42.64 %	30.60 %	56.95 %	40.05 %	29.70 %

See accompanying report of independent auditor and notes to the required supplementary information.

**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF PENSION CONTRIBUTIONS (UNAUDITED)**

YEAR ENDED JUNE 30, 2024

<b>For the Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2024	\$ 1,973,035	\$ 1,973,035	\$ -	\$ 15,159,822	13.01
2023	1,830,357	1,830,357	-	13,981,234	13.09
2022	1,630,080	1,630,080	-	12,819,953	12.72
2021	1,568,710	1,568,710	-	12,330,340	12.72
2020	1,368,135	1,368,135	-	12,677,884	10.79
2019	1,338,260	1,338,260	-	12,300,841	10.88
2018	1,207,848	1,207,848	-	11,882,270	10.17
2017	1,156,652	1,156,652	-	11,725,164	9.86
2016	1,223,500	1,223,465	35	10,903,311	11.22
2015	1,180,959	1,179,412	1,547	10,406,956	11.33

See accompanying report of independent auditor and notes to the required supplementary information.

**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF OPEB CONTRIBUTIONS (UNAUDITED)**

YEAR ENDED JUNE 30, 2024

<b>Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>2024</b>					
GLI Plan:	\$ 78,831	\$ 78,831	\$ -	\$ 15,159,822	0.52%
LODA Plan:	46,536	46,536	-	15,159,822	0.31%
VLDP Plan:	36,421	36,421	-	5,058,427	0.72%
<b>2023</b>					
GLI Plan:	72,702	72,702	-	13,981,234	0.52%
LODA Plan:	40,910	40,910	-	13,981,234	0.29%
VLDP Plan:	26,662	26,662	-	3,703,097	0.72%
<b>2022</b>					
GLI Plan:	66,663	66,663	-	12,819,953	0.52%
LODA Plan:	42,321	42,321	-	12,819,953	0.33%
VLDP Plan:	20,238	20,238	-	2,810,841	0.72%
<b>2021</b>					
GLI Plan:	64,117	64,117	-	12,330,340	0.52%
LODA Plan:	41,604	41,604	-	12,330,340	0.34%
VLDP Plan:	17,554	17,554	-	2,438,139	0.72%
<b>2020</b>					
GLI Plan:	65,925	65,925	-	12,677,885	0.52%
LODA Plan:	42,346	42,346	-	12,677,885	0.33%
VLDP Plan:	16,704	16,704	-	2,319,957	0.72%
<b>2019</b>					
GLI Plan:	64,000	64,000	-	12,273,178	0.52%
LODA Plan:	42,000	42,000	-	12,273,178	0.34%
VLDP Plan:	15,000	15,000	-	2,047,146	0.73%
<b>2018</b>					
GLI Plan:	62,000	62,000	-	11,445,288	0.54%
LODA Plan:	35,000	35,000	-	11,445,288	0.31%
VLDP Plan:	9,000	9,000	-	977,098	0.92%

See accompanying report of independent auditor and notes to the required supplementary information.

**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITY (UNAUDITED)**

YEAR ENDED JUNE 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
GLI Plan:							
Authority's Proportion of the Net GLI OPEB Liability	0.05954%	0.05918%	0.05978%	0.06162%	0.06261%	0.06224%	0.06204%
Authority's Proportionate Share of Net GLI OPEB Liability	\$ 714,071	\$ 712,584	\$ 696,001	\$ 1,028,337	\$ 1,018,831	\$ 945,000	\$ 933,000
Employer's Covered Payroll	\$ 13,981,234	\$ 12,819,953	\$ 12,330,340	\$ 12,677,885	\$ 12,273,178	\$ 11,445,288	\$ 11,841,567
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.11%	5.56%	5.64%	8.11%	8.30%	8.26%	7.88%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
LODA Plan:							
Authority's Proportion of the Net LODA OPEB Liability	0.30828%	0.30953%	0.30219%	0.31160%	0.31552%	0.32493%	0.31564%
Authority's Proportionate Share of Net LODA OPEB Liability	\$ 1,235,892	\$ 1,171,433	\$ 1,332,633	\$ 1,305,029	\$ 1,132,042	\$ 1,019,000	\$ 829,000
Employer's Covered Payroll	\$ 13,981,234	\$ 12,819,953	\$ 12,330,340	\$ 12,677,885	\$ 12,273,178	\$ 11,445,288	\$ 11,841,567
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	8.84%	9.14%	10.81%	10.29%	9.22%	8.90%	7.00%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%
VLDP Plan:							
Authority's Proportion of the Net VLDP OPEB Liability	0.65466%	0.60746%	0.59998%	0.62229%	0.66244%	0.58676%	0.53211%
Authority's Proportionate Share of Net VLDP OPEB Liability/(Asset)	\$ (9,774)	\$ (3,528)	\$ (6,144)	\$ 6,212	\$ 13,420	\$ 4,000	\$ 3,000
Employer's Covered Payroll	\$ 3,703,097	\$ 2,810,841	\$ 2,438,139	\$ 2,319,957	\$ 2,047,146	\$ 977,098	\$ 1,430,793
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.26%	-0.13%	-0.25%	0.27%	0.66%	0.41%	0.21%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	116.89%	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

See accompanying report of independent auditor and notes to the required supplementary information.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

*YEAR ENDED JUNE 30, 2024*

---

**(1) Changes of Benefit Terms**

There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation.

**(2) Changes of Assumptions**

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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.

**(3) Years Presented in Schedules**

The Schedule of Authority's Share of Net OPEB liability and the Schedule of OPEB contributions are required to be presented for the last 10 fiscal years. However, the Authority has only presented the required supplementary information for the last seven years as FY 2018 was the first year of implementation of the requirement to provide such required supplementary information and such information is not available for the prior years.

**SUPPLEMENTARY INFORMATION**



**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2024

<b>Federal Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Project Number</b>	<b>Expenditures</b>
Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-51-0036-77	\$ 32,582
Airport Improvement Program	20.106	3-51-0036-80	9,003,767
Airport Improvement Program	20.106	3-51-0036-81	686,152
Total Airport Improvement Program			<u>\$ 9,722,501</u>

See accompanying notes to the schedule of expenditures of federal awards.  
 See accompanying report of independent auditor.

**NORFOLK AIRPORT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED JUNE 30, 2024*

---

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activities of the federal financial assistance programs of the Norfolk Airport Authority.

**(2) Basis of Accounting**

The Schedule is presented using the accrual basis of accounting.

**(3) De Minimus Cost Rate**

The auditee has not elected to use the 10% de minimus indirect cost rate as discussed in Uniform Guidance Section 200.414.

**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES**

YEAR ENDED JUNE 30, 2024 AND EACH QUARTER DURING THE YEAR ENDED JUNE 30, 2024

	Quarter Ended				Year Ended
	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	June 30, 2024
Revenues:					
Receipts <sup>1</sup>	\$ 2,610,094	\$ 2,370,353	\$ 2,109,253	\$ 2,645,175	\$ 9,734,875
Interest	57,148	84,482	69,381	62,894	273,905
Total Revenues	<u>2,667,242</u>	<u>2,454,835</u>	<u>2,178,634</u>	<u>2,708,069</u>	<u>10,008,780</u>
Expenditures:					
Application #4					
Apron Pavement	147,197	-	-	-	147,197
Total Application #4	<u>147,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,197</u>
Application #7					
Runway Pavement	98,197	1,188,042	270,066	33,488	1,589,793
Runway Lighting	-	509,161	115,743	14,352	639,256
Passenger Loading Bridges	24,547	1,647,815	1,236,993	-	2,909,355
Interior Wayfinding	-	10,889	83,484	39,371	133,744
Arrivals Restrooms	-	16,625	23,510	85,074	125,209
Stairwell Refurbishment	-	-	5,993	9,830	15,823
Total Application #7	<u>122,744</u>	<u>3,372,532</u>	<u>1,735,789</u>	<u>182,115</u>	<u>5,413,180</u>
Application #8					
Aircraft Parking	-	-	-	5,153,200	5,153,200
Pedestrian Bridge People Mover	-	-	-	171,538	171,538
Total Application #8	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,324,738</u>	<u>5,324,738</u>
Total Expenditures	<u>269,941</u>	<u>3,372,532</u>	<u>1,735,789</u>	<u>5,506,853</u>	<u>10,885,115</u>
Net PFC Inflows (Outflows)	<u>\$ 2,397,301</u>	<u>\$ (917,697)</u>	<u>\$ 442,845</u>	<u>\$ (2,798,784)</u>	<u>\$ (876,335)</u>

<sup>1</sup>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 Norfolk Airport Authority to the Federal Aviation Administration (FAA).

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

## **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  
Norfolk Airport Authority  
Norfolk, 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 financial statements of the Norfolk Airport Authority (the “Authority”), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 8, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or under the *Specifications for Audits of Authorities, Boards, and Commissions*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
November 8, 2024

## **Report of Independent Auditor on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Commissioners  
Norfolk Airport Authority  
Norfolk, Virginia

### **Report on Compliance for the Major Federal Program**

#### **Opinion on the Major Federal Program**

We have audited the Norfolk Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2024. The Authority's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

#### **Basis for Opinion on the Major Federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

#### **Responsibilities of Management for Compliance**

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

#### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
November 8, 2024

**NORFOLK AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2024

---

**A. Summary of Auditor's Results**

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major program: **None reported**
6. Material weaknesses in internal control over major program: **No**
7. The type of report issued on compliance for major program: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The program tested as major programs were:

<u>Assistance Listing Number</u>	<u>Name of Federal Program and Cluster</u>
20.106	Airport Improvement Program

10. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
11. The Norfolk Airport Authority qualified as a low-risk auditee under the Uniform Guidance

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

None reported.

**C. Findings and Questioned Costs Relating to Federal Awards**

None reported.

**D. Findings and Questions Costs Related to Passenger Facility Charges**

None reported.

**E. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants**

None reported.

**F. Status of Prior Year Findings**

Not applicable.



## **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  
Norfolk Airport Authority  
Norfolk, Virginia

### **Report on Compliance for the Passenger Facility Charge Program**

#### **Opinion on the Passenger Facility Charge Program**

We have audited the Norfolk Airport Authority's (the "Authority") compliance with the types of compliance requirements identified *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 Authority's Passenger Facility Charge Program for the year ended June 30, 2024.

In our opinion, the Authority 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, 2024.

#### **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 are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's 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 Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 Authority'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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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*

Virginia Beach, Virginia  
November 8, 2024